REPORT TO: **CABINET – 13 SEPTEMBER 2010**

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

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MANAGING DIRECTORS

SUMMARY:

Members are asked to:

- **note the latest monitoring position on the revenue and capital budgets,**
- **agree the changes to revenue cash limits within the KASS portfolio to reflect realignment of budgets in line with 2009-10 outturn and changing trends of service provision**
- **note that management action will be required within the CFE & KASS portfolios in order to deliver a balanced outturn position**
- **note and agree the changes to the capital programme,**
- **agree that £2.969m of re-phasing on the capital programme is moved from 2010-11 capital cash limits to future years**
- **note the recent government funding announcements reflected in this report**
- **note the latest financial health indicators and prudential indicators**
- **note the directorate staffing levels as at the end of June, compared to the end of March.**

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1. INTRODUCTION

1.1 This is the first full monitoring report to Cabinet for 2010-11. It is worth reiterating that the budget for 2010-11 is the final year of the three year settlement covering the period 2008-11. It has been widely reported both within KCC and nationally that funding for local government will reduce over the medium term. It is vitally important therefore that we do not go into 2011-12 with any unresolved pressures from the current year. This and future reports will therefore consider the implications of any variances in the current year on future years.

1.2 The budgets reflected within this report have been adjusted to reflect the government grant reductions announced in June as reported to Cabinet in July and subsequent changes. Appendix 1 details the recent Government funding announcements affecting KCC and provides details of their impact upon the position reflected in this report. The cash limits also reflect realignment of the KASS portfolio budgets. This is an annual realignment mainly to reflect the difference between the projected 31 March 2010 activity levels and unit costs at the time the 2010-11 budget was set and the actual activity as at 31 March 2010. Further details are included in section 1.1 of annex 2.

1.3 The format of this report is:

- This summary report highlights only the most significant issues
- There are 6 reports, each one an annex to this summary, one for each directorate and one for Financing Items. Each of these reports is in a standard format for consistency, and each one is a stand-alone report for the relevant directorate.

1.4 <u>**Headlines**</u>:

1.4.1 **Revenue:**

- The latest forecast revenue position (excl Schools) before the implementation of management action is a pressure of £2.616m, which has reduced by £1.787m since the July Cabinet report. Management action is currently expected to reduce this to a small underspend of £0.481m. This management action is to be delivered mainly within the KASS portfolio. KASS is wholly committed to delivering a balanced outturn position by the end of the financial year. KASS has ‘Guidelines for Good Management Practice’ in place across all teams in order to help us manage demand on an equitable basis consistent with policy and legislation. Robust monitoring arrangements are in place on a monthly basis to ensure that forecasts and expenditure are closely monitored and where necessary challenged. Through these arrangements the Directorate expects to balance the £2,838k pressure by the end of the year.

- There are significant demand led pressures totalling £5m reported within the Children's Social Services budgets which are currently being partly offset by one-off savings arising from the continuing difficulties in recruiting to social worker posts. The success of recent recruitment campaigns and those planned will hopefully fill more of these posts throughout 2010-11; hence the demand led pressures will need to be addressed in the 2011-14 MTP process as the one-off savings may no longer be available.
- Within the above, the activity levels for Fostering are a particular cause for concern as they are very high compared to the affordable level despite additional funding being provided in the 2010-13 MTP. A review of all high cost placements is underway to establish whether a child's needs may be better served in a more cost effective in-house foster placement or whether a number of children within the 16+ service can be transferred to lower cost supported lodgings. However the Authority has a legal obligation to maintain the existing placement if the child requests. It is anticipated that even with this review some of this demand will continue for the medium term and therefore will need to be addressed in the 2011-14 MTP.
- There is a £0.6m pressure on the Asylum budget which is primarily due to the costs incurred in continuing to support young people (18+ care leavers) who are categorised as "All Rights Exhausted" (ARE) and "naturalised" until the point of removal. The UKBA are working on speeding up the ARE and removal processes, however the processes have not been accelerated in tandem resulting in the widening of the gap between the dates of ARE and removal, exacerbating the pressure on the asylum budget. The Leader has recently sent a letter to the Chief Executive of UKBA raising this issue.
- Demographic and price pressures are cause for concern within Adult Social Services as both client numbers and complexity of care requirements increase, especially within residential care across all service groups, likely to be as a result of medical advances enabling people to live longer but with more complex needs. This will need to be addressed in the 2011-14 MTP.
- The April RPI figure, to which the indexation on many waste contracts is linked, was higher than expected in the MTP. Therefore if the index does not reverse in 2011, some catch up funding will be required in the 2011-14 MTP which is currently estimated at about £1.2m. The impact in 2010-11 is £1.1m.
- The Freedom Pass has proved extremely popular with the number of passes issued and the number of journeys undertaken exceeding expectation. This additional demand will need addressing in the 2011-14 MTP, which is currently estimated at around £0.85m. The impact in 2010-11 is £0.5m.
- We have recently recovered a further £1.152m back from our principal investments in the collapsed Icelandic Banks, bringing our total recovery so far to £7.570m, which all relates to the UK registered Heritable Bank.

1.4.2 **Capital:**

- The latest forecast capital position is a variance of -£0.947m, -£3.365M on schemes which we are re-phasing and +£2.418m on schemes with a real variance.

2. OVERALL MONITORING POSITION (excluding PFI & budgets delegated to schools)

2.1 Revenue

The net projected variance against the combined portfolio revenue budgets is a small underspend of £0.481m after management action. Section 3 of this report provides the detail, which is summarised in Table 1a below.

Table 1a – Portfolio position – net revenue position before and after management action

Portfolio	Budget	Gross Variance	Proposed Management Action	Net Variance
	£k	£k	£k	£k
Children, Families & Education	**-778,575**	**+259**	**-259**	**0**
Kent Adult Social Services	**+344,589**	**+2,838**	**-2,838**	**0**
Environment, Highways & Waste	**+151,603**	**-213**	**0**	**-213**
Communities	**+88,665**	**-55**	**0**	**-55**
Localism & Partnerships	**+8,276**	**0**	**0**	**0**
Corporate Support & Performance Mgmt	**+10,267**	**-213**	**0**	**-213**
Finance	**+125,791**	**0**	**0**	**0**
Public Health & Innovation	**+567**	**0**	**0**	**0**
Regeneration & Economic Development	**+7,195**	**0**	**0**	**0**
TOTAL (excl Schools)	**-41,622**	**+2,616**	-3,097	**-481**
Schools	**+985,343**	**+3,401**	**0**	**+3,401**
TOTAL	**+943,721**	**+6,017**	-3,097	**+2,920**

2.2 **Capital**

This report reflects the current monitoring position against the revised programme, where a pressure of £2.418m and re-phasing of -£3.365m of expenditure into future years is forecast, giving a total variance in 2010-11 of -£0.947m. Further details are provided in section 4 of this report.

3. REVENUE

3.1 Virements/changes to budgets

Directorate cash limits have been adjusted to include:

- the roll forward from 2009-10 of £8.496m, as approved by Cabinet on 14 June 2010, which includes the transfer to the Economic Downturn reserve of £5.373m and the setting up of a new restructure reserve of £2m.
- a reduction of £8.826m to reflect the impact of the recent government grant reductions as reported to Cabinet on 12 July 2010.
- the inclusion of a number of 100% grants (i.e. grants which fully fund the additional costs) awarded since the budget was set or adjustments to the level of grant allocation assumed in the budget following confirmation from the awarding bodies. These are detailed in Appendix 3.

In addition, a detailed exercise to realign budgets within the Kent Adult Social Services portfolio has been undertaken. At the time the budget was set, best estimates were used to distribute the growth, savings and demography money provided in the 2010-13 MTP and to determine gross expenditure and income levels, but a more accurate distribution is now reflected based on the 2009-10 outturn and continuing trends, including the changing trends in services away from residential care into community based care as part of the modernisation of services. Further details are provided in annex 2. **Cabinet is asked to agree these changes.**

All other changes to cash limits reported this quarter are considered “technical adjustments” i.e. where there is no change in policy, including allocation of grants and previously unallocated budgets and savings targets where further information regarding allocations and spending plans has become available since the budget setting process.

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

			Directorate					
Portfolio	**Budget**	**Variance**	CFE	KASS	EH&W	CMY	CED	FI
	£k	**£k**	£k	£k	£k	£k	£k	£k
Children, Families & Educ	**-778,575**	**+259**	+259					
Kent Adult Social Services	**+344,589**	**+2,838**		+2,838				
Environ, Highways & Waste	**+151,603**	**-213**			-213			
Communities	**+88,665**	**-55**				-55		
Localism & Partnerships	**+8,276**	**0**					0	
Corporate Support & Performance Mgmt	**+10,267**	**-213**					-213	0
Finance	**+125,791**	**0**					0	0
Public Health & Innovation	**+567**	**0**					0	
Regen & Economic Dev	**+7,195**	**0**					0	
SUB TOTAL (excl Schools)	**-41,622**	**+2,616**	+259	+2,838	-213	-55	-213	0
Schools	**+985,343**	**+3,401**	+3,401					
TOTAL	**+943,721**	**+6,017**	+3,660	+2,838	-213	-55	-213	0

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

	CASH LIMIT			**VARIANCE**		
Portfolio	**Gross**	**Income**	**Net**	**Gross**	**Income**	**Net**
	£k	£k	£k	£k	£k	£k
Children, Families & Educ	+419,548	-1,198,123	**-778,575**	+319	-60	**+259**
Kent Adult Social Services	+467,134	-122,545	**+344,589**	+2,727	+111	**+2,838**
Environ, Highways & Waste	+174,728	-23,125	**+151,603**	-213	0	**-213**
Communities	+145,072	-56,407	**+88,665**	-177	+122	**-55**
Localism & Partnerships	+8,362	-86	**+8,276**	+17	-17	**0**
Corporate Support & Performance Mgmt	+55,680	-45,413	**+10,267**	+1,208	-1,421	**-213**
Finance	+139,880	-14,089	**+125,791**	-280	+280	**0**
Public Health & Innovation	+944	-377	**+567**	+31	-31	**0**
Regen & Economic Dev	+9,500	-2,305	**+7,195**	+43	-43	**0**
SUB TOTAL (excl Schools)	+1,420,848	-1,462,470	**-41,622**	+3,675	-1,059	**+2,616**
Schools	+1,066,310	-80,967	**+985,343**	+3,401	0	**+3,401**
TOTAL	+2,487,158	-1,543,437	**+943,721**	+7,076	-1,059	**+6,017**

A reconciliation of the above gross and income cash limits to the approved budget is detailed in **Appendix 3**.

3.3 Table 2 below details all projected revenue variances over £100k, in size order (shading denotes that a pressure/saving has an offsetting entry which is directly related). Supporting detail to each of these projected variances is provided in individual Directorate reports as follows:

Annex 1 **Children, Families & Education**
Annex 2 **Kent Adult Social Services**
Annex 3 **Environment, Highways & Waste**
Annex 4 **Communities**
Annex 5 **Chief Executives**
incl. Public Health & Innovation, Regeneration & Economic Development, Localism & Partnerships, Corporate Support & Performance Management and Finance portfolios
Annex 6 **Financing Items**
Incl. elements of the Corporate Support & Performance Management and Finance portfolios

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CFE	Schools Delegated Budget: estimated drawdown of schools reserves due to 21 schools converting to academies	+3,401	CMY	Drawdown from Supporting People reserve.	-2,723
CMY	Supporting People: planned increase in the level of Floating Support and small underspend on administration	+2,723	CFE	Assessment & Related (gross): high level of staff vacancies due to difficulty in recruitment	-2,400
KASS	LD Residential Gross - Independent sector unit cost higher than affordable	+2,089	EHW	Waste tonnage	-1,700
KASS	LD Residential Gross - Independent sector activity beyond affordable level	+1,429	CFE	SEN Transport (gross): fewer than budgeted children travelling and contract renegotiation	-1,500
CFE	Residential Care (gross): high demand for independent sector residential care placements	+1,258	FIN	2010-11 write down of discount saving from 2008-09 debt restructuring	-1,016
CFE	Fostering Service (gross): Continual high demand for Independent fostering allowances	+1,231	KASS	LD Other Services Gross - Release of contingency	-830
EHW	Waste contract prices	+1,100	CFE	Mainstream Home to School Transport: fewer children than budgeted level	-733
CFE	16+ Service (gross): high demand for residential care placements	+1,082	CSPM	Information Systems income from additional pay as you go activity	-560
FIN	Contribution to economic downturn reserve of 2010-11 write down of discount saving from 2008-09 debt	+1,016	KASS	MH Other Services Gross - Release of uncommitted funding and contingency	-520
KASS	MH Residential Gross - Slower than anticipated change to community based services creating activity higher than affordable	+920	KASS	OP Domiciliary Gross - In house provision client numbers below affordable level	-490
CFE	Asylum Service (gross): Providing support for young people categorised as "all rights exhausted" and naturalised	+705	CSPM	Legal income resulting from additional work (partially offset by increased costs)	-407
CFE	Fostering Service (gross): high demand for in-house foster care placements	+561	CSPM	Legal services increased income relating to Disbursements	-390
CSPM	Information Systems costs of additional pay as you go activity	+560	KASS	OP Nursing Gross - Independent sector activity lower than affordable	-363
EHW	Freedom Pass	+537	KASS	LD Residential Income - Additional income attributable to increased activity	-359
CFE	16+ Service (gross): high demand for in-house foster care placements	+454	CFE	Personnel and Development (gross): Independent Safeguarding Authority scheme put on hold indefinitely	-350
CSPM	Legal services increased costs of Disbursements	+390	KASS	SBS Gross - vacancy management	-345
KASS	OP Residential Gross - In House provision Staffing	+390	CFE	Residential Care (gross): fewer placements in secure accomodation	-306
CFE	Other Preventative Services (gross): high demand for daycare services for children with a disability	+336	FIN	Vacancies in pensions & insurance due to a recruitment freeze	-298
KASS	Adults Assessment Gross - reduced staff turnover & pressure of pay progression	+334	KASS	OP Residential Income - In House provision, recharges to health	-285
KASS	PD Residential Gross - Unit cost higher than affordable	+324	KASS	SBS Gross - Uncommitted funding held by Managing Director	-250
FIN	Reduced drawdown from Pension & Insurance funds to reflect reduced salary costs	+298	CSPM	Workplace Transformation - 4th Qtr rent for 17 King's Hill Avenue	-240

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
KASS	LD Residential Gross - Independent sector Preserved Right clients unit cost higher than affordable	+285	CFE	Children's Support Services (gross): staff vacancies relating to social care professional training and use of external income to fund training programmes	-225
KASS	MH Residential Income - Increased incidence of clients classed at Section 117 causing a drop in average income collected	+274	CFE	Residential Care (gross): reimbursement of placements	-190
CFE	Other Preventative Services (gross): high demand of direct payments	+263	KASS	MH Direct Payments Gross - Slower than expected take up of community based services	-176
KASS	OP Residential Income - Income per week lower than budgeted	+262	CFE	Strategic, Planning and Review (gross): National Foundation of Educational Research survey will not take place in 2010-11	-160
CFE	Business Planning and Management Unit (gross): Rise in costs due to change in care proceedings and high demand for children social services legal budget	+261	KASS	PD Residential Gross - Preserved Rights clients increase in actual attrition rate	-152
KASS	OP Domiciliary Care Gross - Increased activity beyond affordable level in independent sector provision	+259	EHW	Resources vacancies	-150
CSPM	Workplace Transformation - Possible one-off costs re: alterations for displacements from Kings Hill Avenue	+240	CMY	Libraries:one-off income contributions from internal and external partners.	-146
KASS	OP Residential Gross - Change in unit cost of Independent Sector placements	+214	KASS	SBS Gross - Reduced costs of room hire, printing, stationery, rent and bank Giro charges	-146
CFE	16+ Service (gross): high demand for Section 24/leaving care services	+192	CMY	Libraries: Reduced spend on utilities and one off rates rebates.	-134
CSPM	Legal services cost of additional work (offset by increased income)	+189	CSPM	Contact Kent - Consumer Direct holding vacancies	-127
KASS	PD Residential Income - Weekly income lower than expected	+181	KASS	OP Nursing Income - Increase in income per week compared to budgeted	-118
CMY	Libraries: reduced forecast on audio visual income stream due to reduction in activity compared with Q1 in 09-10 and anticipated shortfall in merchandising income.	+155	KASS	LD Supported Accommodation Income - additional income due to higher than expected average weekly income	-103
CFE	Awards (gross): staffing pressure whilst finalising the handover of work to the Student Loan Company	+150	CFE	Fostering Service (gross): Delays in the implementation of the county wide therapeutic service	-100
CSPM	Contact Kent - Consumer Direct unlikely to achieve quality bonus	+140			
KASS	LD Residential Income - Independent sector Preserved Rights clients weekly income lower than affordable	+132			
CMY	Coroners: long inquest costs	+129			
KASS	OP Nursing Income - reduced income from reduced Independent sector activity	+123			
CFE	Client Services (income): under-recovery of income relating to the cleaning and refuse collection contract	+110			
		+24,697			**-17,992**

3.4 **Key issues and risks**

3.4.1.1 **Children, Families & Education portfolio:** Forecast (excl. schools) **+£0.259m**
This pressure is mainly related to the residential care and fostering budgets within both the under 16's and the 16+ services together with pressure on other preventative services such as direct payments and daycare services for children with a disability, but these pressures are being offset by savings as a result of continuing difficulties in recruiting to social worker posts and savings on SEN and Mainstream home to school transport. There is also a pressure on the Asylum service mainly due to costs incurred in continuing to support young people who are categorised as "All Rights Exhausted" and "naturalised" until the point of removal. Further details are provided in Annex 1.

3.4.1.2 **Children, Families & Education portfolio – Schools Delegated:** Forecast **+£3.401m**
The first monitoring returns from schools are not due until October. Therefore this forecast relates entirely to the reduction in schools reserves resulting from an anticipated 21 schools converting to academy status and taking their reserves with them.

3.4.2 **Kent Adult Social Services portfolio:** Forecast **+£2.838m**
The pressure is mainly as a result of demographic and placement pressures, primarily within services for people with learning disabilities and to a lesser degree within services for people with physical disabilities and mental health services, offset by a small underspend on services for older people and underspending on Strategic Business Support largely due to vacancy management and holding back uncommitted funding to offset pressures elsewhere within the portfolio. Further details are provided in Annex 2.

3.4.3 **Environment, Highways & Waste portfolio:** Forecast **-£0.213m**
Pressures due to the increased popularity of the Freedom Pass and increased waste contract prices are more than offset by savings as a result of reduced waste tonnage and vacancy management. Further details are provided in Annex 3.

3.4.4 **Communities portfolio:** Forecast **-£0.055m**
Pressure continues to be experienced on the Coroners budget as a result of more long inquests but this is more than offset by small underspends across other units. A planned increase in the level of floating support within the Supporting People service will be offset by a drawdown from the Supporting People earmarked reserve. Further details are detailed in Annex 4.

3.4.5 In the Chief Executives directorate, the key issues by portfolio are:

3.4.5.1 **Corporate Support & Performance Management portfolio**: Forecast **-£0.213m**
This underspend is largely due to increased income within Legal Services due to both increased internal and external demand. Further details are provided in Annex 5.

3.4.6 The key issues within the Financing Items budgets are:

3.4.6.1 **Finance portfolio:** Forecast **Break even**.
The current year write down of the discount saving from the debt restructuring undertaken in 2008-09 is being transferred to the Economic Downturn reserve as planned, hence a balanced position is currently forecast. Further details are provided in Annex 6

3.4.7 A significant amount of management action is expected to be achieved by year end, mainly within the KASS portfolio. There is a risk that not all of this will be achieved. The position will be closely monitored throughout the remainder of the financial year so that, if necessary, a decision on further action can be taken as soon as possible.

3.5 **Implications for future years/MTP**

3.5.1 The key issues and risks identified above will need to be addressed in directorate medium term plans (MTP) for 2011-14. Although these are forecast to be largely offset by management action this year, a lot of the management action is one-off or not sustainable for the longer term. The Directorates are currently trying to assess the medium term impact of these issues. There are other pressures which, although not hugely significant this year, will also need addressing in the MTP. These are detailed in the Annex reports.

3.5.2 In addition we are expecting a significant reduction in Government funding, potentially up to 40% over the medium term, following the Chancellor's emergency budget statement on 22nd June in which he outlined his plans to address the national budget deficit. We will not know the full scale of this until the announcement of the provisional local government finance settlement for 2011-12, which we anticipate will be in late November/early December. Directorates are working on possible savings areas in anticipation of these unprecedented cuts.

4. CAPITAL

4.1 Changes to budgets

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

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

We separately identify projects which have yet to get underway, but despite the uncertainty surrounding their timing they were included in the budget because there is a firm commitment to the project. By identifying these projects separately, we can focus on the real re-phasing in the programme on projects which are up and running.

4.1.2 Since the last exception report presented to Cabinet on 12th July, the following adjustments have been made to the 2010-11 capital budget.

		£000s 2010-11	*£000s* *2011-12*
1	Cash Limits as reported to Cabinet on 12th July	508,861	*419,478*
2	Re-phasing agreed at Cabinet on 12th July		
	Children, Families & Education (CFE)	-2,569	*2,787*
	Communities	-1,680	*1,680*
3	Safety Camera Partnership - confirmed cuts grant funding - EH&W portfolio	-508	
4	Highway Major Maintenance - confirmed cuts grant funding - EH&W portfolio	-40	
5	Integrated Transport - confirmed cuts grant funding - EH&W portfolio	-4,105	
6	Extended Schools - confirmed cuts grant funding - CFE portfolio	-507	
7	The Beaney - additional capital receipt - CMY portfolio		*170*
8	Specialist Schools - additional grant funding - CFE portfolio	75	
		499,527	***424,115***
9	PFI	45,101	*88,000*
		544,628	*512,115*

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

Portfolio	Budget	Variance	CFE	KASS	E,H&W	CMY	CED
	£k	**£k**	£k	£k	£k	£k	£k
CFE	**+219,803**	**+4,040**	+4,040				
KASS	**+14,455**	**-5,108**		-5,108			
E,H&W	**+162,357**	**-1,615**			-1,615		
Communities	**+27,045**	**-22**				-22	
Regen & ED	**+11,996**	**0**					0
Corporate Support & PM	**+16,078**	**+1,758**					+1,758
Localism & Partnerships	**+503**	**0**					0
TOTAL (excl Schools)	**+452,237**	**-947**	+4,040	-5,108	-1,615	-22	+1,758
Schools	**+47,290**	**0**	0				
TOTAL	**+499,527**	**-947**	+4,040	-5,108	-1,615	-22	+1,758

Real Variance		**+2,418**	+883	-90	-364	+261	+1,728
Re-phasing (detailed below)		**-3,365**	+3,157	-5,018	-1,251	-283	+30
		2010-11	**2011-12**	**2012-13**	**Future yrs**		**Total**
Re-phasing		-3,365	-25,629	+6,010	+22,984		0

4.2.1 Table 3 shows that there is an overspend of £2.418m on the capital programme for 2010-11 and -£3.365m of re-phasing of expenditure into later years. Of the current -£3.365m forecast re-phasing, -£1.130m relates to projects with variances of £1m or more which are identified in table 6 and section 4.6 below, and reported in detail in the annex reports; -£0.521m relates to projects with variances between £0.25m and £1m which are also identified in table 6, and the balance of -£1.714m is made up of projects with variances of under £0.25m which do not get reported in detail in this report.

4.3 Table 4 below, splits the forecast variance on the capital budget for 2009-10 as shown in table 3, between projects which are:

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

Table 4 – Analysis of forecast capital variance by project status

		Variance		
	budget	**real variance**	**re-phasing**	**total**
Project Status	£'000s	£'000s	£'000s	£'000s
Rolling Programme	82,726	2,188	3,186	5,374
Approval to Spend	291,704	-407	-923	-1,330
Approval to Plan	77,807	637	-5,628	-4,991
Preliminary Stage	0	0	0	0
Total	452,237	2,418	-3,365	-947
	2010-11	**2011-12**	**2012-13**	**future years**
	£'000s	£'000s	£'000s	£'000s
Re-phasing:				
Rolling Programme	3,186	-1,387	-1,799	0
Approval to Spend	-923	862	-20	81
Approval to Plan	-5,628	-25,104	7,829	22,903
Preliminary Stage	0	0	0	0
Total	-3,365	-25,629	6,010	22,984

4.3.1 Table 4 shows that of the +£2.418m forecast capital variance (excluding devolved capital to schools), +£0.637m is due to projects which are still only at the approval to plan or preliminary stages and their timing remains uncertain. This leaves a variance of +£1.781m which relates to projects that are either underway or are part of our year on year rolling programme.

4.3.2 Table 5 below shows the effect of the capital variance on the different funding sources. The variance against borrowing (supported, prudential, prudential/revenue and PEF2 borrowing) is -£0.679m and this is a contributory factor in the treasury management underspend reported within the Finance portfolio.

Table 5: 2010-11 Capital Variance analysed by funding source (incl Devolved Capital to Schools)

	Capital Variance £m
Supported Borrowing	+3.496
Prudential	-0.819
Prudential/Revenue (directorate funded)	-0.052
PEF2	-3.304
Grant	-0.076
External Funding - Other	-5.831
External Funding - Developer contributions	-1.067
Revenue & Renewals	+1.815
Capital Receipts	-0.413
General Capital Receipts	+5.304
(generated by Property Enterprise Fund)	
Transfer of Land in payment	0.000
TOTAL	**-0.947**

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

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

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

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						
CFE	Annual Planned Maintenance Programme	phasing	+3,592			
CSS&PM	Commercial Services	real	+1,528			
EH&W	Integrated Transport Scheme	real	+500			
CFE	Development Opportunities - Swadelands	real			+400	
			+5,620	**+0**	**+400**	**+0**
		Real	+2,028	+0	+400	+0
		Phasing	+3,592	+0	+0	+0

portfolio	Project	real/ phasing	Project Status Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Underspends/Projects behind schedule						
KASS	Modernisation of LD Services	phasing			-2,613	
KASS	Strategy for new OP Integrated Care Centres	phasing			-1,082	
EH&W	Kent Thameside Strategic Transport Programme	phasing			-1,027	
KASS	Community Care Centre - Thameside - Eastern Quarry	phasing			-521	
EH&W	Major Scheme - Design fees	real	-500			
EH&W	Rushenden Link Road	real		-344		
			-500	**-344**	**-5,243**	**0**
		Real	-500	-344	+0	+0
		Phasing	+0	+0	-5,243	+0
			+5,120	**-344**	**-4,843**	**+0**
		Real	+1,528	-344	+400	+0
		Phasing	+3,592	+0	-5,243	+0

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

4.5.1 The real variance identifies the actual over and underspends on capital schemes and not re-phasing of projects. Table 3 shows that there is currently a +£2.418m real variance forecast. The main areas of under and overspending in 2010-11 are listed below together with their resourcing implications:-

- **Commercial Services VPE +£1.528m** (in 2010-11): this will be matched by an increased contribution from their Renewals Fund so there is no funding implication.
- **Basic Needs – Sittingbourne Community College - +£0.200m, Basic Needs – Fulston Manor - +£0.197m, Basic Needs – Westlands School - +£0.123m and Development Opportunities - Swadelands - +£0.400m** (all in 2010-11): these are all new projects funded from additional developer contributions, which we will be seeking approval for as part of the 2011-14 MTP.
- **Major scheme Design -£0.500m** (in 2010-11): the budget includes £0.5m to carry out the initial design of Smart Link Bus Project that was anticipated to get Programme Entry for Department for Transport (DfT) funding this autumn. The Government have confirmed that the scheme will not receive Programme Entry until at least 2011-12. **It is therefore requested to divert this funding to accelerating the A2 slip road project in Canterbury which is within the Integrated Transport Programme.** This is reflected as an overspend in the IT programme.

- **Rushenden Relief Road: -£0.600m** (-£0.344m in 2010-11, -£0.141m in 2011-12 and -£0.115m in 2012-13): the phase 1 of the scheme which included approach embankment was completed at the end of June. The revised forecast for the outturn is less than originally anticipated due to the allocated contingency provision for risk and compensation events not being fully utilised. This has given a real saving of £0.344m in 2010-11. Review of the scheme indicates that there will be a further saving of £0.256m in future years. There has also been a change in funding between SEEDA and developer contributions which is explained in the overview of the capital programme (section 1.2.6)

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

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

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

- **Eurokent Spine Road - funding re-phasing only, £5.304m from 2010-11 to future years**
  The Spine Road funding from East Kent Opportunities Limited Liability Partnership was re-profiled with repayment now due during 2013-14 (Decision No 10-01499, implemented 28 June 2010)

- **Annual Planned Maintenance Programme – re-phasing of +£3.592m.**
  The budget allocation for maintenance is used to deliver programmes of planned and reactive maintenance work and servicing and inspections to comply with legislative and health and safety responsibilities to ensure the County Council keeps schools safe, warm and dry. To meet the varied types of works necessary to comply with the criteria the maintenance budget is divided into a number of headings: Major Maintenance Works, Reactive Additional Maintenance Works, Health & Safety, School Access Initiative, Kitchen Catering Equipment and Planned Maintenance Inspections.
  Major & Reactive Maintenance Work (+£3.392m): the types of works funded from this programme are both planned and unforeseen maintenance. The criteria for these works are to avoid school closure or to attend to urgent health and safety matters. The overall forecast figure includes £0.880m for any future unforeseen work which may arise between August 2010 and 31 March 2011. The severity of 2010-11 winter could bring this relatively small contingency figure under extreme pressure. The contingency sum could also be affected by Kent Fire & Rescue Service reports which invariably identify significant landlord and tenant health and safety work required under legislation. It is recognised that by bringing funding forward this could potentially cause problems in future years. These issues, including the government cuts in supported borrowing, are being addressed within the CFE capital programme and proposals will be reported in due course.

  Water Hygiene Assessments (Legionella Prevention (+£0.200m): in accordance with Health and Safety Commission Regulation, the Authority undertakes water hygiene assessments through out the county. To help schools manage their responsibility and following an on-site assessment the Authority provides initial monitoring and training. The costs of this service have increased by £0.200m.

- **Kent Thameside Strategic Transport Programme – re-phasing of -£12.524m (-£1.027m in 2010-11, -£7.796m in 2011-12, -£3.701m in 2012-13 and +£12.524m in future years)**
  This programme is designed to deliver a package of Strategic Transport schemes in the Kent Thameside area. The programme has been re-phased by £12.524m. The re-phasing is due to the extended time that it has taken to secure Government funding for the programme.

- **Modernisation of LD Services** (**Learning Disability Good Day Programme Board) – re-phasing of -£2.613m**
  Following extensive consultation of day care services for people with learning disabilities and recommending a way forward, the current forecast represents the revised timescale for this project.

- **Older People Integrated Care Centres – re-phasing of -£1.082m**
  In light of the Directorate's over-arching strategy around its older persons services, this element has been re-phased.

4.7 Key issues and risks

4.7.1 The impact on the quality of service delivery to clients as a consequence of re-phasing a capital project is always carefully considered, with adverse impact avoided wherever possible. The impact on service delivery of projects which are re-phasing by £1m or more, as identified in table 6 above, is highlighted in section 1.2.4 of the annex reports.

4.7.2 Kent County Council has made a commitment to Kent businesses, including maintaining our capital programme. None of the reported variances in this report affects that commitment.

4.8 Implications for future years/MTP

4.8.1 Directorates are continuously addressing issues around their capital programmes, in particular, careful consideration is given to the funding of these projects to ensure that as far as possible capital receipts and external funding, or agreement to utilising PEF2 is in place before the project is contractually committed. The 'warning' in paragraph 3.5.2 also applies to capital funding, where the reduction in funding could be even greater.

4.9 Resourcing issues

4.9.1 There will always be an element of risk relating to funding streams which support the capital programme until all of that funding is "in the bank". The current economic situation continues to intensify this risk, with the continuing downturn in the property market, the number of new housing developments reducing and developers pulling out of new developments, all of which have a significant impact on our Section 106 contributions. This has largely been addressed in the capital programme approved at County Council on 18 February 2010, but there remains an element of risk for the reduced level of funding still assumed from these sources. It is not always possible to have receipts 'in the bank' before starting any replacement project, due to the obvious need to have the re-provision in place before the existing provision is closed. Management of the delivery of capital receipts and external funding is therefore rigorous and intensive. At this stage, there are no other significant risks to report.

4.10 Capital Project Re-phasing

We will continue with the practice adopted in 2009-10 of changing cash limits 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 proposed re-phasing is summarised in the table below, details of individual projects are listed within the directorate sections.

Table 7 – re-phasing of projects >£0.100m

Portfolio	2010-11	2011-12	2012-13	Future Years	Total
	£k	£k	£k	£k	£k
CFE					
Amended total cash limits	219,803	236,749	247,883	154,816	859,251
Re-phasing	3,260	-1,465	-1,795	0	0
Revised cash limits	**223,063**	**235,284**	**246,088**	**154,816**	**859,251**
KASS					
Amended total cash limits	14,455	7,285	2,640	1,162	25,542
Re-phasing	-4,741	2,832	1,530	379	0
Revised cash limits	**9,714**	**10,117**	**4,170**	**1,541**	**25,542**
E,H&W					
Amended total cash limits	162,357	119,582	83,605	224,661	590,205
Re-phasing	-1,251	-27,572	6,299	22,524	0
Revised cash limits	**161,106**	**92,010**	**89,904**	**247,185**	**590,205**
Communities					
Amended total cash limits	27,045	12,161	3,060	350	42,616
Re-phasing	-237	237	0	0	0
Revised cash limits	**26,808**	**12,398**	**3,060**	**350**	**42,616**
Regen & ED					
Amended total cash limits	11,996	4,230	3,242	2,980	22,448
Re-phasing	0	0	0	0	0
Revised cash limits	**11,996**	**4,230**	**3,242**	**2,980**	**22,448**
Corporate Support & PM					
Amended total cash limits	16,078	9,317	9,549	2,663	37,607
Re-phasing	0	0	0	0	0
Revised cash limits	**16,078**	**9,317**	**9,549**	**2,663**	**37,607**
Localism & Partnerships					
Amended total cash limits	503	500	500	0	1,503
Re-phasing	0	0	0	0	0
Revised cash limits	**503**	**500**	**500**	**0**	**1,503**
TOTAL RE-PHASING >£100k	**-2,969**	**-25,968**	**6,034**	**22,903**	**0**
Other re-phased Projects below £100k	-396	+339	-24	+81	0
TOTAL RE-PHASING	**-3,365**	**-25,629**	**+6,010**	**+22,984**	**0**

Table 8 – details individual projects which have further re-phased

	2010-11	2011-12	2012-13	Future Years	Total
	£k	£k	£k	£k	
CMY					
New Communitiy Facilities at Edenbridge					
Original budget	+1,755				+1,755
Amended cash limits	-1,680	+1,680			0
additional re-phasing	-237	+237			0
Revised project phasing	**-162**	**+1,917**	**0**	**0**	**+1,755**

5. FINANCIAL HEALTH

5.1 The latest Financial Health indicators, including cash balances, our long term debt maturity, outstanding debt owed to KCC, the percentage of payments made within 20 and 30 days and the recent trend in inflation indices (RPI & CPI) are detailed in **Appendix 4**.

5.2 The latest monitoring of Prudential Indicators is detailed in **Appendix 5**.

6. RISK MANAGEMENT

6.1 Since the last update the Head of Audit and Risk has completed the initial review of the strategic management of risk across the Council. This work assessed both the sophistication of the risk management processes and the level of maturity achieved to date. The findings from the review are in the process of being developed into a comprehensive work programme for the central risk management team. Key themes of the work will include:

- Updating the risk management strategy and supporting procedures to be consistent with the recently released ISO 31000.
- Greater consistency of key components of risk management across the council, including Health and Safety and Business Continuity
- Improved integration between risk management and business planning
- Improved tools for staff dealing directly with risk management, to increase the Council's risk maturity.

6.2 Development of a new risk management strategy will be supported by a greater understanding of the context within which Kent County Council operates. This in turn will inform the development of Directorate and organisational Risk Appetite statements.

6.3 To improve the quality of information available to Members and senior management, an externally hosted web based risk management database has been procured. This database should enable Senior Officers and Members to access 'live' registers and thereby have a better understanding and monitoring capability of the range of risks for which they are responsible. The system is currently being trialled using the Strategic Risk Register, which will be reported to CMT, Cabinet and ultimately Governance and Audit Committee with the timetables previously agreed.

7. BALANCE SHEET AND CONSOLIDATED REVENUE ACCOUNT

7.1 Impact on reserves

7.1.1 A copy of our balance sheet as at 31 March 2010 is provided at **Appendix 2**. Highlighted are those items in the balance sheet that we provide a year-end forecast for as part of these quarterly budget monitoring reports, based upon the current forecast spend and activity for the year. The forecast for the three items highlighted are as follows:

Account	Projected balance at 31/3/11 £m	Balance at 31/3/10 £m
Earmarked Reserves	86.4	115.9
General Fund balance	25.8	25.8
Schools Reserves *	48.4	51.8

* Both the table above and section 2.3 of annex 1 include delegated schools reserves and unallocated schools budget.

7.1.2 The reduction of £29.5m in earmarked reserves is mainly due to the planned movements in reserves such as IT Asset Maintenance, Kingshill Smoothing, PRG, earmarked reserve to support 10-11 budget, insurance reserve, economic downturn reserve, revenue reserve to support projects previously classified as capital eg Member Highway Fund and PFI equalisation reserves, together with the anticipated movements in the Regeneration Fund, rolling budget, DSG and Supporting People reserves. In addition reserves have been drawn down in order to offset some of the Government grant reductions, as reported to Cabinet in July.

7.1.3 The reduction of £3.4m in the schools reserves is due to an anticipated 21 schools converting to academy status and therefore taking their reserves with them. The value of school reserves is very difficult to predict at this early stage in the year and further updates will be provided in future monitoring reports once the first monitoring returns have been received from schools.

8. STAFFING LEVELS

8.1 The following table provides a snapshot of the staffing levels by directorate as at 30 June 2010 compared to the numbers as at 31 March 2010, based on active assignments.

				Difference	
		Mar-10	**Jun-10**	**Number**	**%**
KCC	Assignment count	52,131	52,036	-95	-0.18%
	Headcount (inc. CRSS)	44,583	44,557	-26	-0.06%
	Headcount (exc. CRSS)	39,402	39,435	33	0.08%
	FTE	**29,162.50**	**29,218.70**	**56.20**	**0.19%**
KCC - Non Schools	Assignment count	16,252	16,082	-170	-1.05%
	Headcount (inc. CRSS)	14,719	14,570	-149	-1.01%
	Headcount (exc. CRSS)	12,549	12,475	-74	-0.59%
	FTE	**10,530.87**	**10,477.39**	**-53.48**	**-0.51%**
CED	Assignment count	2,169	2,155	-14	-0.65%
	Headcount (inc. CRSS)	2,160	2,148	-12	-0.56%
	Headcount (exc. CRSS)	2,121	2,110	-11	-0.52%
	FTE	**2,003.23**	**1,993.37**	**-9.86**	**-0.49%**
CFE	Assignment count	4,617	4,573	-44	-0.95%
	Headcount (inc. CRSS)	4,450	4,420	-30	-0.67%
	Headcount (exc. CRSS)	3,956	3,938	-18	-0.46%
	FTE	**3,345.26**	**3,331.53**	**-13.73**	**-0.41%**
CMY	Assignment count	4,345	4,207	-138	-3.18%
	Headcount (inc. CRSS)	3,713	3,578	-135	-3.64%
	Headcount (exc. CRSS)	2,392	2,330	-62	-2.59%
	FTE	**1,758.52**	**1,709.86**	**-48.66**	**-2.77%**
EHW	Assignment count	799	823	24	3.00%
	Headcount (inc. CRSS)	782	803	21	2.69%
	Headcount (exc. CRSS)	659	673	14	2.12%
	FTE	**606.19**	**616.48**	**10.29**	**1.70%**
KASS	Assignment count	4,322	4,324	2	0.05%
	Headcount (inc. CRSS)	3,722	3,731	9	0.24%
	Headcount (exc. CRSS)	3,456	3,464	8	0.23%
	FTE	**2,817.67**	**2,826.15**	**8.48**	**0.30%**
Schools	Assignment count	35,879	35,954	75	0.21%
	Headcount (inc. CRSS)	30,180	30,288	108	0.36%
	Headcount (exc. CRSS)	26,954	27,060	106	0.39%
	FTE	**18,631.63**	**18,741.31**	**109.68**	**0.59%**

CRSS = Staff on Casual Relief, Sessional or Supply contracts

Notes:
If a member of staff works in more than one directorate they will be counted in each. However, they will only be counted once in the Non Schools total and once in the KCC total.
If a member of staff works for both Schools and Non Schools they will be counted in both of the total figures. However, they will only be counted once in the KCC Total.

9. RECOMMENDATIONS

Cabinet is asked to:

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

9.2 **Agree** the realignment of revenue budgets within the KASS portfolio as detailed in section 1.1.1 and 1.1.2 of annex 2

9.3 **Note** that management action will be required within the CFE & KASS portfolios in order to deliver a balanced outturn position

9.4 **Note** and **agree** the changes to the capital programme, as detailed in section 4.1.

9.5 **Agree** that £2.969m of re-phasing on the capital programme is moved from 2010-11 capital cash limits to future years. Further details are included in section 4.10 above.

9.6 **Note** the recent government funding announcements reflected in this report as detailed in appendix 1.

9.7 **Note** the latest Financial Health Indicators and Prudential Indicators as reported in appendix 4 and appendix 5 respectively.

9.8 **Note** the directorate staffing levels as at the end of June 2010 compared with March 2010 as provided in section 8.

Appendix 1

IMPACT OF RECENT GOVERNMENT FUNDING ANNOUNCEMENTS ON KCC

	ANNOUNCEMENT	REDUCTION £000s	DETAILS OF HOW REFLECTED IN REPORT
1.	**10 JUNE LOCAL GOVERNMENT SAVINGS ANNOUNCEMENT** The following KCC grants were reduced:		
	REVENUE BASE:		
	• Area Based Grant for CFE	6,873	The £1,326k PRG was not assumed in the 2010-11 budget, therefore the reduction had no impact on the cash limit. £750k LABGI and £441k Kickstart were specific grants therefore the reductions had a net nil impact on the cash limit. Overall therefore, cash limits have been reduced by £8,349k
	• 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	
		8,790	
	REVENUE ONE-OFFS:		
	• Performance Reward Grant (PRG)	1,326	
	• LABGI	750	
		2,076	
	TOTAL 2010-11 REVENUE GRANT REDUCTIONS	**10,866**	
	CAPITAL GRANT REDUCTIONS:		
	• Integrated Transport Block	4,105	Capital cash limits have been reduced accordingly
	• Road Safety capital grant	508	
	• PRN Network funding	40	
	TOTAL 2010-11 CAPITAL GRANT REDUCTIONS	**4,653**	
	TOTAL GRANT REDUCTION (REV & CAP)	**15,519**	
2.	**16 JUNE/14 JULY DFE ANNOUNCEMENT** The following KCC grants were reduced:		As these are specific grants, gross & income budgets have been reduced within CFE with a net nil impact, with the exception of the Local Delivery Support Grant as the estimate included in the original 2010-11 budget was less than the reduced amount that we are still going to receive. There is expected to be a zero financial impact from the withdrawal of this funding following the review of existing commitments and/or diverting funding from other sources. These grants, except the local delivery support grant, were expected to end by March 2011 and recent announcements have resulted in the cessation of some services earlier than expected.
	REVENUE:		
	• Play Pathfinder grant	18	
	• Buddying grant	462	
	• Local Delivery Support Grant for 14 – 19 year olds	238	
	• Training and Development Agency for Schools (TDA) – school workforce development and higher level teaching assistants	579	
		1,297	

	ANNOUNCEMENT	REDUCTION £000s	DETAILS OF HOW REFLECTED IN REPORT
	CAPITAL:		
	• Extended Schools grant	**653**	Capital cash limit reduced
	TOTAL GRANT REDUCTION (REV & CAP)	**1,950**	
3.	**16 JUNE/22 JULY DFE ANNOUNCEMENT** The following service was stopped:		
	• Contactpoint	**151**	As this is a specific grant, gross & income budgets have been reduced within CFE with a net nil impact. The service will be wound down in accordance with the decision from the coalition Government to stop Contactpoint nationally.
4.	**5 JULY BUILDING SCHOOLS FOR THE FUTURE ANNOUNCEMENT**		
	CAPITAL:		
	• 40 school building projects have been stopped in Kent		This has not yet been reflected in the report as it has yet to be quantified, as there will be some abortive costs of these schemes which will require funding.
5.	**8 JULY DCMS ANNOUNCEMENT** The following DCMS grant reduction has been passed on to us via CABE (Commission for Architecture and the Built Environment)		
	• Sea Change programme grant reduction	12	We are still working to establish whether any of this will be passed on to our partners, therefore this reduction is not yet reflected in the report.

	ANNOUNCEMENT	REDUCTION £000s	DETAILS OF HOW REFLECTED IN REPORT
6.	**14 JULY DFE ANNOUNCEMENT** The following KCC grants were reduced:		
	CAPITAL:		
	• Harnessing Technology grant	2,758	Neither of these two grants (Harnessing Technology or Youth Capital Fund) were included in the capital programme. The Harnessing Technology grant is used to fund the KPSN revenue project. The original plan showed that this project would have sufficient funds until the middle/end of 2011-12 and at that point schools would be asked to pay. Following this grant reduction, the date from which schools will be asked to pay has been brought forward to the start of 2011-12. As this grant was not included in the original budget, gross and income cash limits have been adjusted to include Harnessing Technology grant at the newly reduced level.
	• Youth Capital fund	318	The Youth Capital fund was included in the youth revenue budget as both income and spend (to reflect the handing out of capital grants), therefore the gross and income cash limits have been reduced accordingly.
		3,076	
	In addition there were several other national savings announced but we have yet to establish the impact to KCC. These include: • Co-location projects • School Swimming • Support to 77 LEAs not in early BSF Waves • Social Work IT Support		Not yet reflected in the report.

	ANNOUNCEMENT	REDUCTION £000s	DETAILS OF HOW REFLECTED IN REPORT
7.	**20 JULY DFE ANNOUNCEMENT** To simplify 16-19 education funding		
	This reverses the key changes introduced by the last government so that the Young People's Learning Agency (YPLA), not local authorities will now be charged with paying for student places at further education colleges, sixth form colleges and other training providers from August. School sixth forms will continue to be funded by local authorities.		The gross and income budgets for the original transfer of responsibility to the local authority was not included in the original budget, therefore gross and income cash limits have now been amended to reflect the transfer for the period April to July only.

Balance Sheet

The County Fund Balance Sheet shows the financial position of Kent County Council as a whole at the end of the year. Balances on all accounts are brought together and items that reflect internal transactions are eliminated.

	31 March 2010		31 March 2009 Restated	
	£'000	£'000	£'000	£'000
Fixed assets				
Intangible fixed assets		2,544		3,551
Tangible fixed assets				
Operational assets				
Land and buildings	1,442,502		1,456,417	
PFI Assets	195,242		139,228	
Vehicles, plant and equipment	32,091		28,811	
Roads and other highways infrastructure	631,431		606,431	
Community assets	9,141		8,505	
Non-operational assets				
Investment property	5,848		6,624	
Assets under construction	412,693		327,734	
Surplus and non-operational property	52,463		99,869	
Total tangible assets		2,781,411		2,673,619
Total fixed assets		2,783,955		2,677,170
Long-term investments		35,671		96,267
Long-term debtors		59,154		54,712
Total long-term assets		2,878,780		2,828,149
Current assets				
Stocks and work in progress	6,231		5,937	
Debtors	210,803		193,644	
Investments	224,043		262,949	
Total current assets		441,077		462,530
Current liabilities				
Temporary borrowing	-45,240		-60,641	
Short term PFI Lease Liability	-3,114			
Creditors	-284,534		-298,747	
Cash balances overdrawn	-34,283		-103,339	
		-367,171		-462,727
Total assets less current liabilities (Net assets employed)		2,952,686		2,827,952
Long-term liabilities				
Long-term borrowing	-1,012,116		-998,427	
Deferred liabilities	-4		-255	
PFI Lease Liability	-160,397		-107,702	
Deferred credit - Medway Council	-49,198		-51,249	
Creditors due after one year	-823			
Provisions	-16,093		-14,489	
Government grant deferred account	-213,739		-196,454	

Balance Sheet

Liability related to defined benefit	- KCC	-1,129,229		-739,900	
pensions schemes	- DSO	-2,270		-2,199	
			-2,583,869		-2,110,675
Total assets less liabilities			368,817		717,277
Revaluation reserve		-183,753		-131,912	
Capital adjustment account		-988,810		-1,075,507	
Financial instruments adjustment account		26,229		27,715	
Collection Fund Adjustment Account		-4,475		-3,906	
Earmarked capital reserve		-139,706		-70,144	
Usable capital receipt reserve		-16,016		-14,379	
Pensions reserve	- KCC	1,129,229		739,900	
	- DSO	2,270		2,199	
Earmarked reserves		-115,884		-102,002	
General fund balance		-25,835		-25,835	
Schools reserves		-51,753		-63,183	
Surplus on trading accounts		-313		-223	
Total net worth			-368,817		-717,277

APPENDIX 3

Reconciliation of Gross and Income Cash Limits in Table 1c to the Budget Book

	CASH LIMIT			
Portfolio	**Gross**	**Income**	**Net**	
	£k	£k	£k	
CFE	419,614	-1,148,489	-728,875	
Schools	1,022,565	-80,517	942,048	
KASS	448,632	-104,180	344,452	
EHW	171,497	-20,236	151,261	
Regen & ED	688	-127	561	
CMY	144,612	-56,686	87,926	
Public Health & Innovation	9,279	-2,918	6,361	
Corporate Support & PM	10,569	-7,046	3,523	
Localism & Partnerships	49,986	-35,031	14,955	
Finance	135,715	-14,683	121,032	
Per Budget Book	2,413,157	-1,469,913	943,244	
Subsequent changes:				
	9,267	-441	8,826	Roll Forwards as agreed at 14 June Cabinet
	-9,099	750	-8,349	response to Government savings announcement
				Changes to grant/income allocations:
CFE	-70	70	0	DFE: School Development Grant difference between final allocation & budget estimate
CFE	387	-387	0	DFE: Extension to Free Entitlement difference between final allocation & budget estimate
CFE	-46	46	0	DFE: School Lunch Grant difference between final allocation & budget estimate
CFE	285	-285	0	DFE: School Standards Grant difference between final allocation & budget estimate
CFE	17	-17	0	DFE: 1-2-1 Tuition difference between final allocation & budget estimate
CFE	153	-153	0	Correction to Federation of Music grant
CFE	-57	57	0	Correction to NCSL grant for succession planning
CFE	221	-221	0	YPLA: Correction to Young Apprenticeships Grant
CFE	-745	745	0	Correction to error in budget book - Poverty Pilot Grant overstated
CFE	-40	40	0	Correction to Diploma Grant for the Rural Transport Coordinator
CFE	-579	579	0	TDA: Reduction to grants following announcements from Government
CFE	-462	462	0	DFE: Cessation of the Buddying project following Government announcement
CFE	-18	18	0	DFE: Cessation of Playbuilder revenue grant following Government announcement
CFE	-151	151	0	DFE: Cessation of Contactpoint grant following Government announcement
CFE	2,783	-2,783	0	DFE: Harnessing Technology Grant (net of reduction following government anouncement)
CFE	536	-536	0	DFE: Correction to Diploma Specific Grant & 14-19 Delivery Support Grant (net of reduction following government announcement)
CFE	22	-22	0	DFE: Targeted Secondary Strategy - Gifted & Talented

	CASH LIMIT			
Portfolio	**Gross**	**Income**	**Net**	
	£k	£k	£k	
CFE	2,064	-2,064	0	DFE: National Challenge
CFE	236	-236	0	DFE: AimHigher
CFE	13,184	-13,184	0	DFE: Standards Fund receipt in advance from 2009-10
CFE	26,864	-26,864	0	YPLA: FE colleges & external work based provider allocations for April to July only
CFE	285	-285	0	YPLA: CFE work based provider allocations for April to July only
CFE	39	-39	0	DFE: Community Cohesion Grant
CFE	119	-119	0	DFE: Disabled Children's Access to Childcare (DCATCH)
CFE	36	-36	0	DFE: Transition Support Programme (part of Aiming High for disabled children)
CFE	164	-164	0	Income received from Thanet District Council for Thanet Works training programme
CFE	40	-40	0	Funding from the National Literacy Project
CFE	2,749	-2,749	0	DFE: Dedicated Schools Grant adjustment
CFE	70	-70	0	DFE: Think Family Grant adjustment
CFE	26	-26	0	DFE: LSC staff transfer top-up
CFE	13	-13	0	Reimbursement from universities for Education Psychology work
CFE	157	-157	0	Additional income expected from Children's Workforce Development Council (CWDC) for CSS training
CFE	27	-27	0	Non-attendance penalty notice income from parents
CFE	3	-3	0	Medway contributions to the Partnerships with Parents Service
CFE	34	-34	0	Reimbursement of seconded staff from an external agency
CFE	-154	154	0	Correction to schools income for cleaning & refuse collection contract
CFE	55	-55	0	Schools & OLA recoupment income for health needs service
CFE	-56	56	0	Cessation of Specialist Teaching buy back service with schools
CFE	-90	90	0	Correction of health income received to fund Director of Health support team
CFE	-22	22	0	Cessation of contracted service funded by the Connexion Service
CFE	95	-95	0	Correction to the income received from schools for the clerking agency
CFE	702	-702	0	Correction to income received from schools for the Skills Centres
CFE	178	-178	0	Additional income from schools for the KS4 engagement programme
CFE	1,259	-1,259	0	Correction to expected income from health and education services for residential care placements
CFE	126	-126	0	Reimbursement from Health authorities for Preventative Services payments
CFE	64	-64	0	Health Authority contributions for Residential Respite Services
CFE	-10	10	0	Reduction in expected income for inter-country adoption fees
CFE	-185	185	0	Reduction in expected income from various sources for Commissioning & Social Work Projects

Portfolio	Gross	Income	Net	
	£k	£k	£k	
CFE	115	-115	0	Additional income expected for the Social Work Pilot from DFE
KASS	95	-95	0	Dementia Demonstrator grant
KASS	56	-56	0	Increase in HIV/Aids grant
KASS	271	-271	0	LD Campus Reprovision Grant receipt in advance from 2009/10
KASS	715	-715	0	Social Care Reform Grant receipt in advance from 2009/10
KASS	17,507	-17,507	0	Tfr of additional S256 Learning Disability Clients from Health
KASS	0	0	0	adj to PFI credits for Better Homes Active Lives
KASS	0	0	0	adj to PFI credits for Westbrook and Westview Integrated Care Centres
EHW	2,448	-2,448	0	DfT grant for winter weather related road repairs (Find & Fix programme)
CMY	-318	318	0	DfE reduction in Youth Capital Fund
CMY	-383	383	0	Youth: Reduction in Alternative Curriculum Programme grant from CFE
CMY	220	-220	0	Supporting People: Handypersons grant from DCLG
CMY	-12	12	0	Sports: Reduction in Recruit to Coaching grant from Sports England.
CMY	-60	60	0	Sports: Reduction in grant from DfE for Physical activities
CMY	73	-73	0	Youth: Funding for Youth Eurocamps from the Big Events Fund
CMY	64	-64	0	Community Safety: Anti Social behaviour grant from GOSE
CMY	288	-288	0	GOSE funding towards the Migration Impact Fund (£183k receipt in advance from 2009-10. Additional £105k for 2010-2011)
CMY	-469	469	0	Community Learning & Skills: Reduced grant funding from Skills Funding Agency
PH&I	200	-200	0	East Kent PCT funding for T2010 Target 50 public health campaign for young people - receipt in advance from 2009-10
PH&I	50	-50	0	DoH funding for Communities for Health - receipt in advance from 2009-10
CS&PM	50	-50	0	ISG - new Kent Learning Zone income stream from Schools for EIS
CS&PM	193	-193	0	Multi-Channel project funding from Improvement & Efficiency South East
CS&PM	136	-136	0	Migrate Impact Fund project funded by Thanet District Council
				Technical Adjustments:
CFE	-183	183	0	Realignment of skillsforce income target from schools
CFE	38	-38	0	Correction of expected income for the portage service (internal income)
CFE	-190	190	0	Correction to expected income for self-funded Kent Safe School Projects (internal income)
CFE	-82	82	0	Removal of historic income budget relating to Oxford Road Site Costs
CFE	86	-86	0	Income expected from Asylum Service for Management Information Services

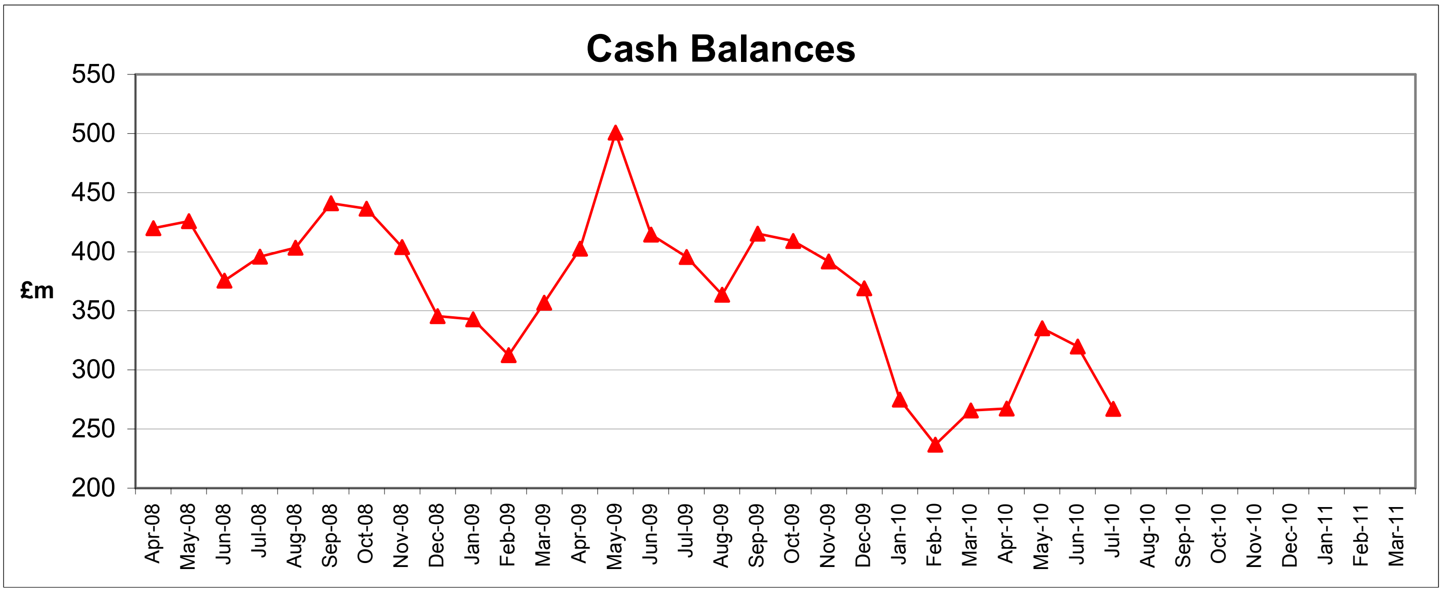
	CASH LIMIT			
Portfolio	**Gross**	**Income**	**Net**	
	£k	£k	£k	
CFE	-119	119	0	Cessation of Communities contribution towards the Out of Hours service
CFE	27	-27	0	Adjustment to expected income for the fostering service (internal income)
CFE	59	-59	0	Contributions towards Kent Foundation (internal income)
CFE	25	-25	0	Speakeasy project funded from Teenage Pregnancy (internal income)
KASS	-632	632	0	Revisions to growth/demography and savings allocations following Special Budget SMT and in light of 2009/10 out-turn, and to reflect changing trends and modernisation of services.
KASS	353	-353	0	Other Gross and Income realignment
CMY	318	-318	0	Gross & income budgets for Dover Discovery
CS&PM	4,492	-4,492	0	ISG - KPSN spend and funding moved to revenue from capital
CS&PM	-258	258	0	ISG - EIS removal of internal recharging
CS&PM	-306	306	0	Kent Connects - incorrect treatment in budget of partner recharges
CS&PM	-454	454	0	Interreg funding paid directly to partners incorrectly shown as KCC income
CS&PM	36	-36	0	Property - realignment of gross and income budgets for room bookings
CS&PM	-387	387	0	P&D - removal of recharging for Staff Care Services
CS&PM	-81	81	0	Policy post removed together with recharge income
R&ED	137	-137	0	Resources - External funding team only net cash limit included in original budget
Finance	906	-906	0	Interest on Cash Balances / Debt Charges - gross and income realignment in light of outturn
Finance	-1,500	1,500	0	PRG budget reflect as income but should be a drawdown from reserves (credit expenditure)
Revised Budget	2,487,158	-1,543,437	943,721	

FINANCIAL HEALTH INDICATORS

1. CASH BALANCES

The following graph represents the total cash balances under internal management by KCC at the end of each month in £m. This includes principal amounts currently at risk in Icelandic bank deposits (£42.779m), balances of schools in the corporate scheme (£65.7m), other reserves, and funds held in trust. KCC will have to honour calls on all held balances such as these, on demand. The remaining deposit balance represents KCC working capital created by differences in income and expenditure profiles.
Pension Fund cash balances were removed from KCC Funds on 1 July and are now being handled wholly separately.
The overall downward trend in the cash balance since September 2009 reflects the Council's policy of deferring borrowing and using available cash balances to fund new capital expenditure (i.e. internalising the debt).

	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
2008-09	419.9	425.7	375.7	395.8	403.5	441.1	436.3	403.9	345.5	342.8	312.6	357.0
2009-10	402.7	500.9	414.6	395.7	363.6	415.4	409.1	391.7	369.1	275.0	236.7	265.8
2010-11	267.4	335.2	319.8	267.2								



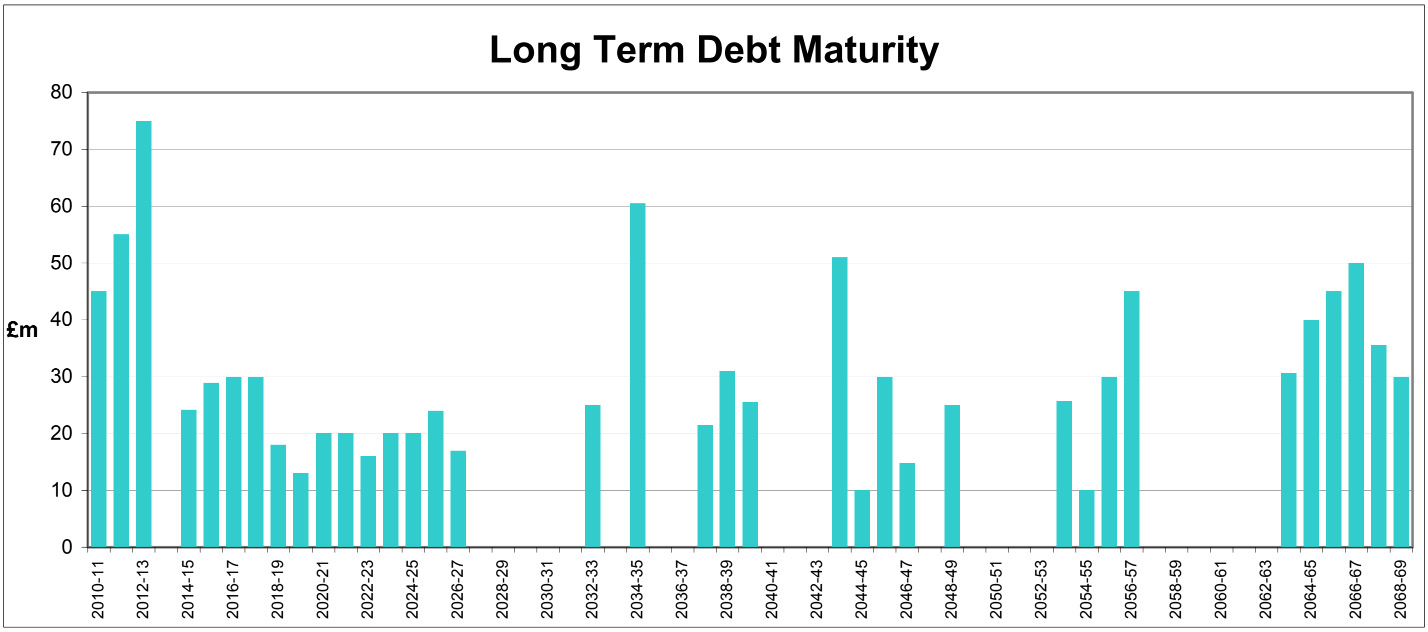
2. LONG TERM DEBT MATURITY

The following graph represents the total external debt managed by KCC, and the year in which this is due to mature. This includes £48.433m pre-Local Government Review debt managed on behalf of Medway Council. Also included is pre-1990 debt managed on behalf of the Further Education Funding council (£2.6m), Magistrates Courts (£1.4m) and the Probation Service (£0.24m). These bodies make regular payments of principal and interest to KCC to service this debt.
The graph shows total principal repayments due in each financial year. Small maturities indicate repayment of principal for annuity or equal instalment of principal loans, where principal repayments are made at regular intervals over the life of the loan. The majority of loans have been taken on a maturity basis so that principal repayments are only made at the end of the life of the loan. These principal repayments will need to be funded using available cash balances (i.e. internalising the debt), by taking new external loans or by a combination of the available options.

The total debt principal to be repaid in 2010-11 is £45.031m, £45m maturity loan and £0.031m relating to small annuity and equal instalment of principal loans.

Two new PWLB loans of £25m each were advanced to KCC on 27 May 2010. The first is to mature in 2032-33 and the second in 2048-49. These loans were taken as part of the new borrowing requirement to fund the programme of capital expenditure.

Year	£m	Year	£m	Year	£m	Year	£m	Year	£m
2010-11	45.031	*2023-24*	20.001	*2036-37*	0.000	*2049-50*	0.000	*2062-63*	0.000
2011-12	55.024	*2024-25*	20.001	*2037-38*	21.500	*2050-51*	0.000	*2063-64*	30.600
2012-13	75.021	*2025-26*	24.001	*2038-39*	31.000	*2051-52*	0.000	*2064-65*	40.000
2013-14	0.015	*2026-27*	17.001	*2039-40*	25.500	*2052-53*	0.000	*2065-66*	45.000
2014-25	24.193	*2027-28*	0.001	*2040-41*	0.000	*2053-54*	25.700	*2066-67*	50.000
2015-16	29.001	*2028-29*	0.001	*2041-42*	0.000	*2054-55*	10.000	*2067-68*	35.500
2016-17	30.001	*2029-30*	0.001	*2042-43*	0.000	*2055-56*	30.000	*2068-69*	30.000
2017-18	30.001	*2030-31*	0.001	*2043-44*	51.000	*2056-57*	45.000	*2069-70*	0.000
2018-19	18.001	*2031-32*	0.000	*2044-45*	10.000	*2057-58*	0.000		
2019-20	13.001	*2032-33*	25.000	*2045-46*	30.000	*2058-59*	0.000		
2020-21	20.001	*2033-34*	0.000	*2046-47*	14.800	*2059-60*	0.000	**TOTAL**	**1,092.364**
2021-22	20.001	*2034-35*	60.470	*2047-48*	0.000	*2060-61*	0.000		
2022-23	16.001	*2035-36*	0.000	*2048-49*	25.000	*2061-62*	0.000		



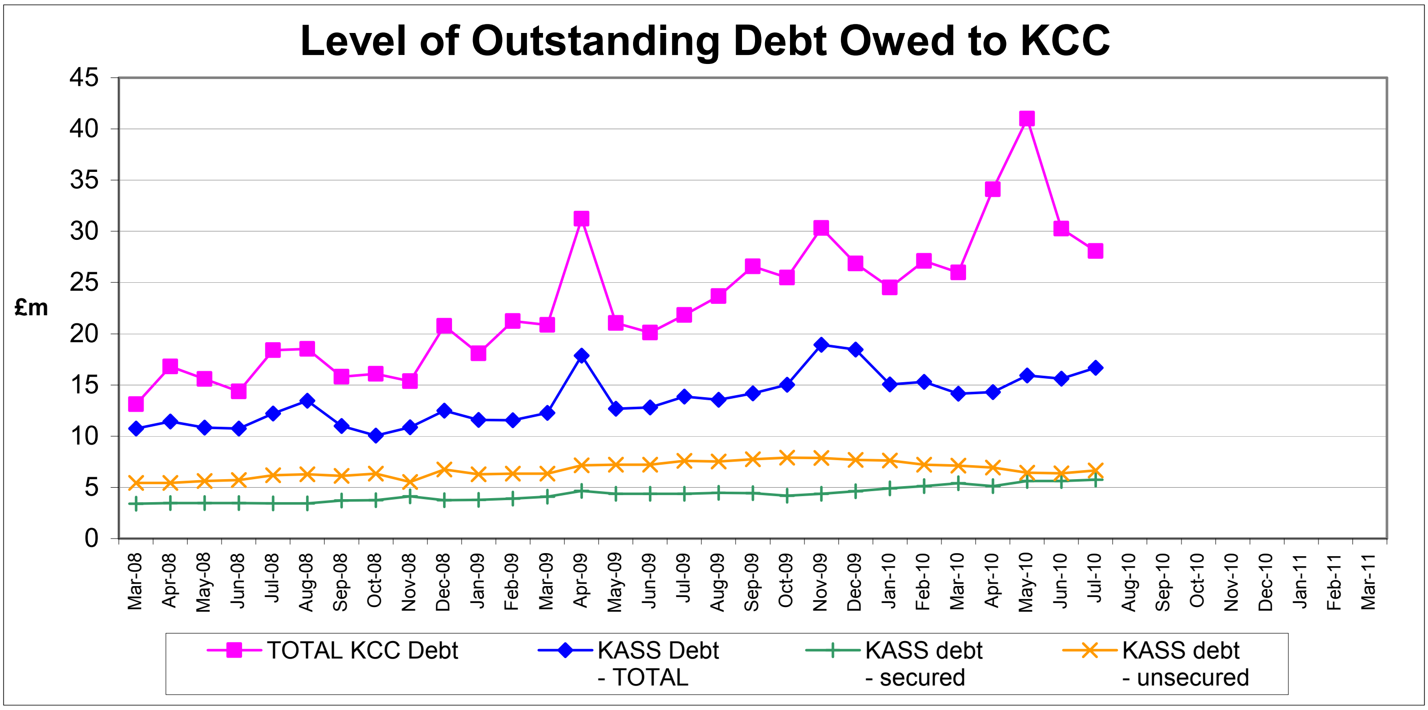
3. OUTSTANDING DEBT OWED TO KCC

The following graph represents the level of outstanding debt due to the authority, which has exceeded its payment term of 28 days. The main element of this relates to Adult Social Services and this is also identified separately, together with a split of how much of the Social Care debt is secured (i.e. by a legal charge on the clients' property) and how much is unsecured.

	Social Care Secured Debt £m	Social Care Unsecured Debt £m	Total Social Care debt £m	KASS Sundry debt £m	**TOTAL KASS debt £m**	All Other Directorates Debt £m	**TOTAL KCC Debt £m**
April 08	3.468	5.437	8.905	2.531	**11.436**	5.369	**16.805**
May 08	3.452	5.626	9.078	1.755	**10.833**	4.736	**15.569**
June 08	3.464	5.707	9.171	1.586	**10.757**	3.619	**14.376**
July 08	3.425	6.195	9.620	2.599	**12.219**	6.174	**18.393**
Aug 08	3.449	6.264	9.713	3.732	**13.445**	5.075	**18.520**
Sept 08	3.716	6.114	9.830	1.174	**11.004**	4.800	**15.804**
Oct 08	3.737	6.334	10.071	*	*	6.021	*
Nov 08	4.111	5.540	9.651	1.206	**10.857**	4.504	**15.361**
Dec 09	3.742	6.740	10.482	2.004	**12.486**	8.269	**20.755**
Jan 09	3.792	6.266	10.058	1.517	**11.575**	6.519	**18.094**
Feb 09	3.914	6.345	10.259	1.283	**11.542**	9.684	**21.226**
March 09	4.100	6.326	10.426	1.850	**12.276**	8.578	**20.854**

	Social Care Secured Debt £m	Social Care Unsecured Debt £m	Total Social Care debt £m	KASS Sundry debt £m	**TOTAL KASS debt £m**	All Other Directorates Debt £m	**TOTAL KCC Debt £m**
April 09	4.657	7.161	11.818	6.056	**17.874**	13.353	**31.227**
May 09	4.387	7.206	11.593	1.078	**12.671**	8.383	**21.054**
June 09	4.369	7.209	11.578	1.221	**12.799**	7.323	**20.122**
July 09	4.366	7.587	11.953	1.909	**13.862**	7.951	**21.813**
Aug 09	4.481	7.533	12.014	1.545	**13.559**	10.126	**23.685**
Sept 09	4.420	7.738	12.158	2.024	**14.182**	12.391	**26.573**
Oct 09	4.185	7.910	12.095	2.922	**15.017**	10.477	**25.494**
Nov 09	4.386	7.859	12.245	6.682	**18.927**	11.382	**30.309**
Dec 09	4.618	7.677	12.295	6.175	**18.470**	8.376	**26.846**
Jan 10	4.906	7.627	12.533	2.521	**15.054**	9.445	**24.499**
Feb 10	5.128	7.221	12.349	2.956	**15.305**	11.801	**27.106**
March 10	5.387	7.127	12.514	1.643	**14.157**	11.818	**25.975**
April 10	5.132	6.919	12.051	2.243	**14.294**	19.809	**34.103**
May 10	5.619	6.438	12.057	3.873	**15.930**	25.088	**41.018**
June 10	5.611	6.368	11.979	3.621	**15.600**	14.648	**30.248**
July 10	5.752	6.652	12.404	4.285	**16.689**	11.388	**28.077**
Aug 10							
Sept 10							
Oct 10							
Nov 10							
Dec 10							
Jan 11							
Feb 11							
March 11							

* In October 2008, KASS Social Care debt transferred from the COLLECT system to Oracle. The new reports were not available at this point; hence there is no data available for this period. The October Social Care debt figures relate to the last four weekly billing run in the old COLLECT system

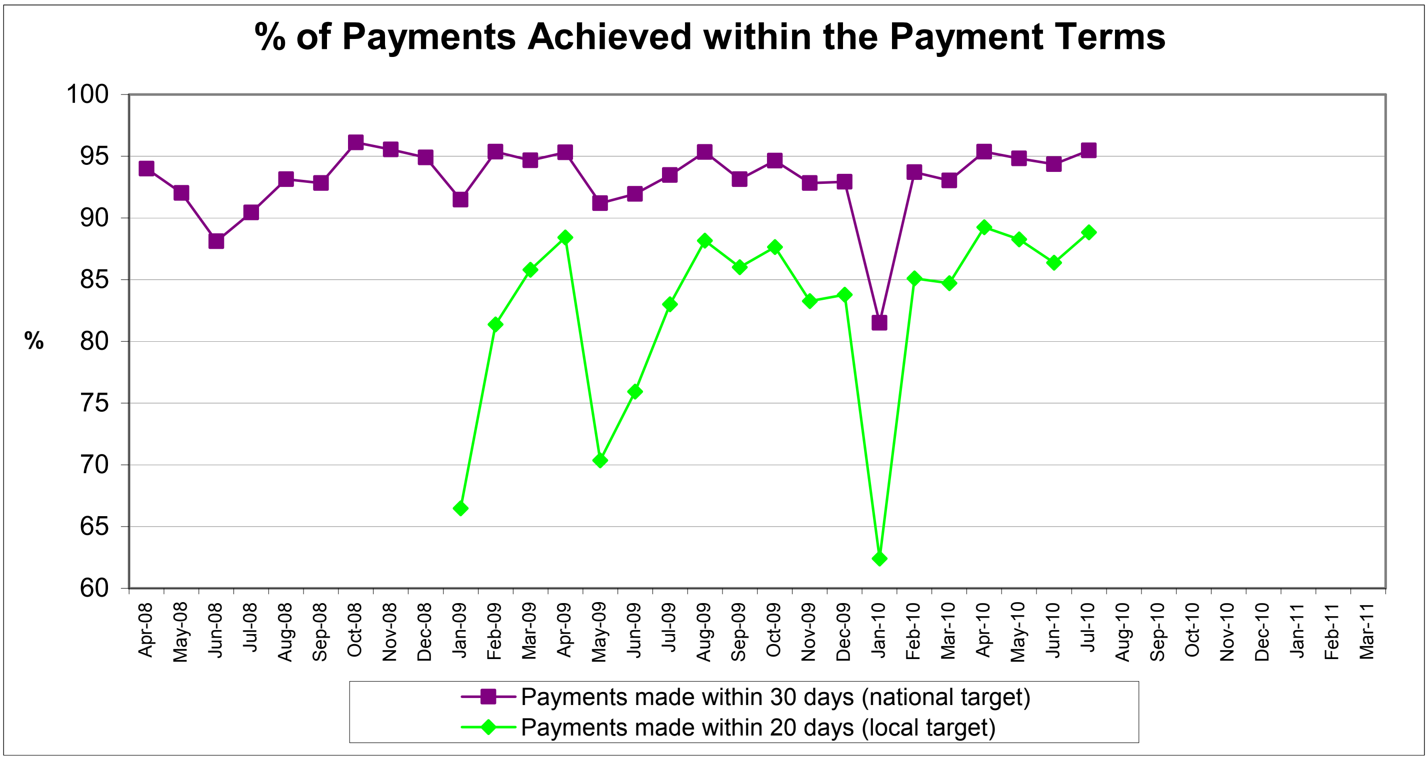


The overall KCC debt increased significantly in April and May 2010 due to two large invoices to Health raised within the Kent Drug Action Team and one large invoice raised within CFE to a youth charity, all of which have now been paid.

4. PERCENTAGE OF PAYMENTS MADE WITHIN THE PAYMENT TERMS

The following graph represents the percentage of payments made within the payments terms – the national target for this is 30 days, however from January 2009, we have set a local target of 20 days in order to help assist the cash flow of local businesses during the current tough economic conditions.

	2008-09		2009-10		2010-11	
	Paid within **30** days %	Paid within **20** days %	Paid within **30** days %	Paid within **20** days %	Paid within **30** days %	Paid within **20** days %
April	94.0	N/A	95.3	88.4	95.4	89.3
May	92.0	N/A	91.2	70.4	94.8	88.3
June	88.1	N/A	91.9	75.9	94.3	86.4
July	90.5	N/A	93.5	83.0	95.5	88.8
August	93.1	N/A	95.3	88.2		
September	92.8	N/A	93.1	86.0		
October	96.1	N/A	94.6	87.6		
November	95.5	N/A	92.8	83.3		
December	94.9	N/A	92.9	83.8		
January	91.5	66.5	81.5	62.4		
February	95.4	81.4	93.7	85.1		
March	94.7	85.8	93.0	84.7		

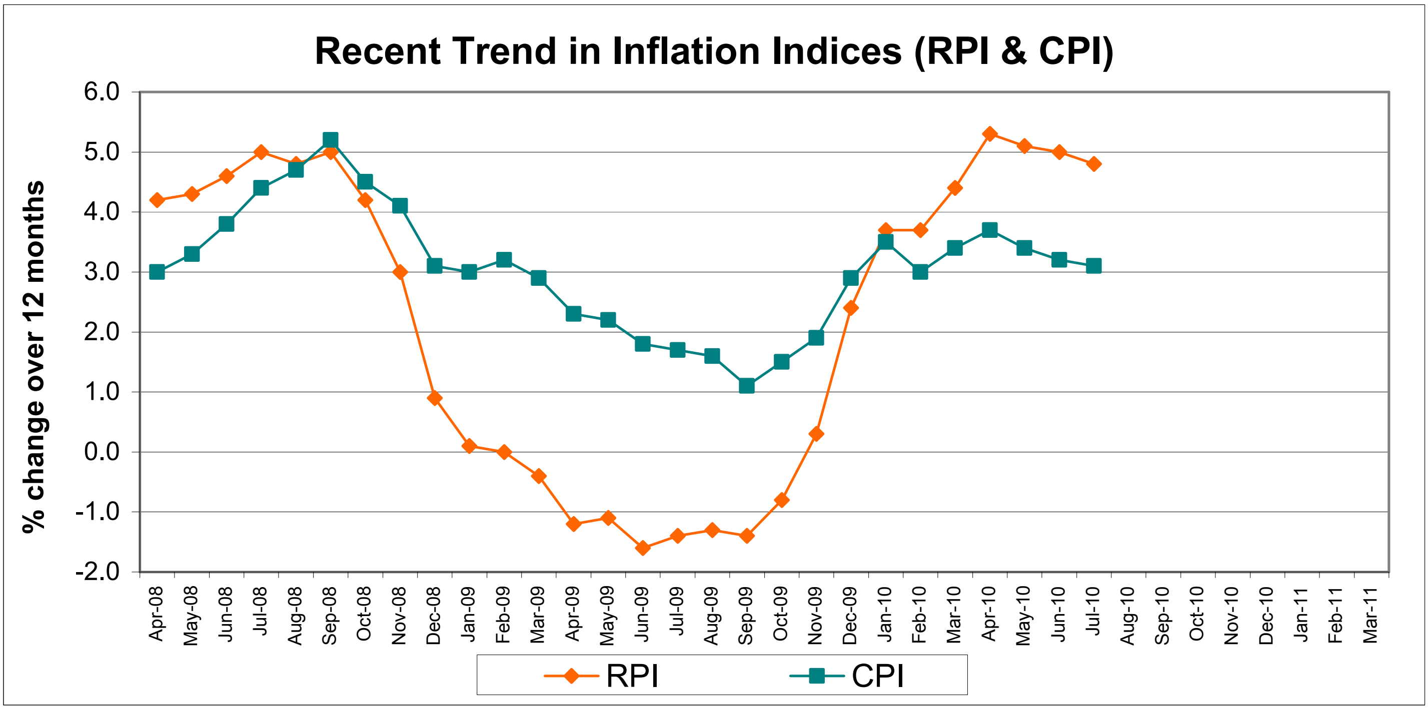


The percentages achieved for January were lower than other months due to the Christmas break. This is evident in both 2008-09 and 2009-10. This position was exacerbated in 2009-10 due to the snow. The 2010-11 year to date figure for invoices paid within 20 days is 88.2%, and within 30 days is 95.0%.

5. RECENT TREND IN INFLATION INDICES (RPI & CPI)

In the UK, there are two main measures of inflation – the Consumer Prices Index (CPI) and the Retail Prices Index (RPI). The Government's inflation target is based on the CPI. The RPI is the more familiar measure of inflation, which includes mortgage interest payments. The CPI and RPI measure a wide range of prices. The indices represent the average change in prices across a wide range of consumer purchases. This is achieved by carefully recording the prices of a typical selection of products from month to month using a large sample of shops and other outlets throughout the UK. The recent trend in inflation indices is shown in the table and graph below.

	2008-09		2009-10		2010-11	
	Percentage Change over 12 months					
	RPI %	CPI %	RPI %	CPI %	RPI %	CPI %
April	4.2	3.0	-1.2	2.3	5.3	3.7
May	4.3	3.3	-1.1	2.2	5.1	3.4
June	4.6	3.8	-1.6	1.8	5.0	3.2
July	5.0	4.4	-1.4	1.7	4.8	3.1
August	4.8	4.7	-1.3	1.6		
September	5.0	5.2	-1.4	1.1		
October	4.2	4.5	-0.8	1.5		
November	3.0	4.1	0.3	1.9		
December	0.9	3.1	2.4	2.9		
January	0.1	3.0	3.7	3.5		
February	0.0	3.2	3.7	3.0		
March	-0.4	2.9	4.4	3.4		



2010-11 July Monitoring of Prudential Indicators

1. Estimate of capital expenditure (excluding PFI)

Actual 2009-10	£344.065m	
Original estimate 2010-11	£460.330m	
Revised estimate 2010-11	£498.580m	(this includes the rolled forward re-phasing from 2009-10)

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

	2009-10 Actual	2010-11 Original Estimate	2010-11 Forecast as at 31-07-10
	£m	£m	£m
Capital Financing Requirement	1,230.100	1,333.075	1,236,211
Annual increase in underlying need to borrow	62.568	82.779	69,002

In the light of current commitments and planned expenditure, forecast net borrowing by the Council will not exceed the Capital Financing Requirement.

3. Estimate of ratio of financing costs to net revenue stream

Actual 2009-10	12.36%
Original estimate 2010-11	11.85%
Revised estimate 2010-11	11.94%

4. Operational Boundary for External Debt

The operational boundary for debt is determined having regard to actual levels of debt, borrowing anticipated in the capital plan, the requirements of treasury strategy and prudent requirements in relation to day to day cash flow management.

The operational boundary for debt will not be exceeded in 2010-11

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

	Prudential Indicator 2010-11	Position as at 31.07.10
	£m	£m
Borrowing	1,301	1,040
Other Long Term Liabilities	0	0
	1,301	1,040

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

	Prudential Indicator 2010-11	Position as at 31.07.10
	£m	£m
Borrowing	1,349	1,092
Other Long Term Liabilities	0	0
	1,349	1,092

5. Authorised Limit for external debt

The authorised limit includes additional allowance, over and above the operational boundary to provide for unusual cash movements. It is a statutory limit set and revised by the County Council. The revised limits for 2010-11 are:

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

	£m
Borrowing	1,341
Other long term liabilities	0
	1,341

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

	£m
Borrowing	1,389
Other long term liabilities	0
	1,389

The additional allowance over and above the operational boundary has not needed to be utilised and external debt, has and will be maintained well within the authorised limit.

6. Compliance with CIPFA Code of Practice for Treasury Management in the Public Services

The Council has adopted the Code of Practice on Treasury Management and has adopted a Treasury Management Policy Statement. Compliance has been tested and validated by our independent professional treasury advisers.

7. Upper limits of fixed interest rate and variable rate exposures

The Council has determined the following upper limits for 2010-11

(a) Borrowing

Fixed interest rate exposure	100%
Variable rate exposure	50%

(b) Investments

Fixed interest rate exposure	100%
Variable rate exposure	50%

These limits have been complied with in 2010-11. Total external debt is currently held at fixed interest rates.

8. Upper limits for maturity structure of borrowings

	Upper limit	Lower limit	As at 31.07.10
	%	%	%
Under 12 months	25	0	4
12 months and within 24 months	40	0	5
24 months and within 5 years	60	0	9
5 years and within 10 years	80	0	11
10 years and within 20 years	20	10	13
20 years and within 30 years	15	5	15
30 years and within 40 years	15	5	12
40 years and within 50 years	20	10	10
50 years and within 60 years	20	10	21

The 2010-11 limits were set based on the expected outturn for the year. Borrowing arrangements are kept under review and it is anticipated that by the year end the structure of the borrowings will fall below the upper limits.

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

Indicator	Actual
£50m	**£30m**

CHILDREN, FAMILIES & EDUCATION DIRECTORATE SUMMARY JULY 2010-11 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 budget was set to reflect the adjustments required as a result of the in year grant reductions, as reported to Cabinet in July and a number of technical adjustments to budget.
- The inclusion of a number of 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in appendix 2 to 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	
Children, Families & Education portfolio							
Delegated Budget:							
- Delegated Schools Budgets	1,026,175	-80,967	945,208	3,401	0	3,401	Estimated drawdown of reserves following 21 schools converting to academies
- Early Years free entitlement budget	40,135	0	40,135	0	0	0	
TOTAL DELEGATED	**1,066,310**	**-80,967**	**985,343**	**3,401**	**0**	**3,401**	
Non Delegated Budget:							
Learning Group:							
- Early Years & Childcare	6,274	-92	6,182	0	0	0	
- Advisory Service Kent (ASK) - Early Years	9,708	-15	9,693	30	-30	0	
- ASK Primary	6,001	-400	5,601	46	-46	0	
- ASK Secondary	3,297	-276	3,021	50	-50	0	
- ASK Strategic Development	3,545	-1,615	1,930	0	0	0	
- ASK Partnerships & Professional Development	2,446	-544	1,902	0	0	0	
- International Development	94	0	94	0	0	0	
- 14 - 24 Unit	5,660	-2,524	3,136	31	-31	0	
- School Organisation	925	0	925	0	0	0	
- School Governance	737	-467	270	0	0	0	
- Extended Services	3,889	-563	3,326	0	0	0	
- Minority Community Achievement	1,699	-116	1,583	0	0	0	
- Specialist Teaching Service	4,195	-535	3,660	0	0	0	
- Local Children's Service Partnerships	69,211	-9,487	59,724	0	0	0	
- Group Savings from restructure	-2,893	0	-2,893	0	0	0	
Total Learning Group	114,788	-16,634	98,154	157	-157	0	
Specialist Children's Services Group:							
- Residential Care	10,253	-2,014	8,239	935	-190	745	High demand for independent sector residential provision partially offset by underspend on secure accommodation

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Fostering Service	25,571	-254	25,317	1,537	1	1,538	High demand for Independent fostering allowances and in-house foster care placements partially offset by underspend in the county fostering team
- Adoption Service	7,400	-40	7,360	-32	0	-32	
- Other Preventative Services	10,371	-425	9,946	497	0	497	Increased demand of direct payments and daycare provision for children with a disability
- 16+ Service	7,738	0	7,738	1,703	0	1,703	Increased demand for residential care and in-house foster care placements, pressure on section 24/leaving care payments
- Childrens Support Services	3,939	-1,400	2,539	-205	5	-200	Underspend on social work professional training
- Assessment & Related	33,850	-1,242	32,608	-2,400	0	-2,400	Staff vacancies
- Asylum Seekers	15,568	-15,111	457	606		606	Costs incurred in supporting young people categorised as All Rights Exhausted & naturalised
- Special Educational Needs (SEN) & Resources	16,813	-6,723	10,090	0	0	0	
- SEN Transport to Schools	18,740	0	18,740	-1,500	0	-1,500	Lower costs resulting from contract renegotiation & fewer children than budgeted level.
- Independent Sector Provision	12,215	-697	11,518	0	0	0	
- Attendance & Behaviour Service	9,227	-1,695	7,532	0	0	0	
- Educational Psychology Service	3,692	-13	3,679	0	0	0	
- Common Assessment Framework & Contactpoint	538	-108	430	0	0	0	
- Group Savings from restructure	-290	0	-290	0	0	0	
Total Specialist Children's Services	175,625	-29,722	145,903	1,141	-184	957	
Commissioning & Partnership Group:							
- Strategic Planning & Review	2,049	0	2,049	-160	0	-160	NFER survey not due to be completed in 2010-11
- Policy & Performance (Vulnerable Children)	6,089	-1,077	5,012	0	0	0	
- Management Information	2,433	-117	2,316	0	0	0	
- Commissioning	14,810	-1,477	13,333	0	0	0	
- Business Planning & Management Unit	7,490	-465	7,025	177	22	199	Additional costs relating to the children social services legal services
- Group Savings from restructure	-536	0	-536	0	0	0	
Total Commissioning & Partnerships Group	32,335	-3,136	29,199	17	22	39	

Annex 1

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Resources & Planning Group:							
- Finance	4,254	-1,128	3,126	0	0	0	
- Awards	5,453	-603	4,850	207	0	207	Staffing pressure resulting from handover of work to the Student Loans Company. High demand for home to college transport
- Personnel & Development	17,311	-1,519	15,792	-417	0	-417	ISA scheme has been put on hold and underspend on school crossing patrols
- Communication & Information Governance	426	-10	416	0	5	5	
- Managing Directors Support	822	-25	797	0	0	0	
- Strategic Management	1,523	-6	1,517	-15	0	-15	
- Grant income & contingency	3,650	-1,122,237	-1,118,587	0	0	0	
- Support Services purchased from CED	9,415	0	9,415	0	0	0	
- Group Savings from restructure	-975	0	-975	0	0	0	
Total Resources & Planning Group	41,879	-1,125,528	-1,083,649	-225	5	-220	
Capital Programme & Infrastructure Group:							
- Capital Strategy Unit	19,199	-17,041	2,158	-30	8	-22	
- BSF/PFI/Academy Unit	432	0	432	0	0	0	
- Client Services	6,439	-4,480	1,959	22	110	132	Under-recovery of income relating to the cleaning & refuse collection contract
- Facilities Management	1,880	-203	1,677	0	0	0	
- Strategic Technology & Digital Curriculum	8,974	-600	8,374	-30	41	11	
- Health & Safety	608	-295	313	0	0	0	
- Admissions & Transport	1,416	0	1,416	0	0	0	
- Mainstream Home to School Transport	16,025	-484	15,541	-733	95	-638	Fall in the number of children requiring transport and contract renegotiations
- Group Savings from restructure	-52	0	-52	0	0	0	
Total Capital Programme & Infrastructure Group	54,921	-23,103	31,818	-771	254	-517	
TOTAL NON DELEGATED	**419,548**	**-1,198,123**	**-778,575**	**319**	**-60**	**259**	
Total CFE portfolio	**1,485,858**	**-1,279,090**	**206,768**	**3,720**	**-60**	**3,660**	
Assumed Mgmt Action				**-259**	**0**	**-259**	
Total CFE portfolio _after_ mgmt action	**1,485,858**	**-1,279,090**	**206,768**	**3,461**	**-60**	**3,401**	this relates to the schools delegated budget and will be funded by a reduction in the schools reserves

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 Residential Care (gross and income)

Residential care services are forecasting a gross pressure of +£935k, partially offset by additional income of £190k for the anticipated reimbursement of placement costs from a neighbouring Local Authority. 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 +£1,258k. A review is currently being undertaken of all high cost placements (including residential care placement), as to whether a child's needs may be better served in a more cost effective in-house foster placement, however this is dependant on the availability of suitable foster care placements and further updates will be provided in future monitoring returns.

This pressure is partially offset by forecast underspends on secure accommodation of -£306k and placements for non-looked after children of -£17k. The budget for secure accommodation is sufficient to fund two full year placements. If these placements remain vacant, further savings will arise which will be declared in future months.

1.1.3.2 Fostering Service (gross)

The fostering service is forecasting a gross pressure of £1,537k due to pressures on independent fostering allowances (+£1,231k) and in-house foster care placements (+£561k) respectively, partially offset by underspends in the fostering team (-£193k) and related fostering/Kinship payments (-£62k).

There continues to be a high demand for both independent fostering allowances and in-house foster care placements and although significant funding was made available as part of the 2010-13 MTP this has been insufficient to cover the full year effect of children placed in 2009-10 and additional placements expected in 2010-11 (see activity data section 2.5.1 & 2.5.2). A review is currently being undertaken of all high cost placements, as to whether a child's needs may be better served in a more cost effective in-house foster placement. It is hoped this will help to reduce the pressure on independent fostering allowances. However this is dependant on the availability of suitable in-house foster care placements and would result in an increased pressure on in-house foster care budget. Further updates will be provided in future monitoring returns.

The county fostering team is forecasting an underspend of £193k partly due to staffing vacancies (-£93k) and delays in the commissioning of the county wide therapeutic service which is now expected to commence in September (-£100k).

1.1.3.3 Other Preventative Services (gross)

These services are forecasting a gross pressure of +£497k largely due to a continual rise in the demand for these services leading to a pressure on both direct payments (+£263k) and daycare (+£336k) budgets. The increase in demand for these services may be attributable, at least in part, to the national publicity surrounding the Aiming High programme as the number of children with a disability receiving short break services from all sources has doubled during the life of the programme which began in 2008. There is also a minor pressure on payments for other preventative services (+£49k) however these pressures are partially offset by minor underspends on Section 17 payments (-£87k) and the link placement scheme (-£64k).

1.1.3.4 16+ Service (gross)

The 16+ service is currently forecasting a gross pressure of +£1,703k due to significant demands on this service resulting from a peak in the number of children turning 16. There have been a high number of children transferring to this service in high cost placements, resulting in a pressure on residential care of +£1,082k. In addition, there are also pressures on in-house fostering (+£454k) and Section 24/Leaving Care payments (including supported lodgings) of +£192k. These are only partially offset by minor variances on other services (-£25k) including +£17k pressure on independent fostering allowances. It is hoped the pressure on this service will reduce, following the review of all high cost residential care and fostering placements, by transferring a number of children 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.

1.1.3.5 Children's Support Services (gross)

These services are forecasting a gross underspend of -£205k mainly due to an underspend of -£225k in social care workforce training unit. This underspend has resulted from a number of staff vacancies coupled with the securing of additional external income (already reflected in the 2010-11 cash limit) to fund the social work training programme, allowing the rebadging of traditionally base funded activities, although this additional income is not certain each year. The unit is also commissioning a social work recruitment programme and it is anticipated any additional costs associated with this programme will be met from this budget. The full cost of the programme is not yet known and so the underspend on the service may reduce.

1.1.3.6 Assessment and Related (gross)

The current forecast underspend of -£2,400k is due to a high level of staff vacancies. In 2009-10 there were a number of successful recruitment drives, both nationally and internally and we are continuing to advertise social work posts on a rolling basis. In addition, a recent recruitment programme in Bulgaria has successfully resulted in the filling of a number of social work posts from September and further international social work recruitment programmes are planned for 2010-11. All of this has resulted in a reduction in the underspend on this budget from £3.7m in 2009-10 to the £2.4m currently forecast for 2010-11.

1.1.3.7 Asylum Services (gross and income)

The asylum service is forecasting a gross pressure of +£606k primarily due to the costs incurred in continuing to support young people (18+ care leavers) who are categorised as "All Rights Exhausted" (ARE) and "naturalised" (+£705k).

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 under the Leaving Care Act until the point of removal. The UKBA are working on speeding up the ARE and removal process, however the processes have not been accelerated in tandem resulting in the widening of the gap between the dates of ARE and removal, exacerbating the pressure on the asylum budget. The Leader has recently sent a letter to the Chief Executive of UKBA raising this issue. In addition, the service also has a duty of care under the Leaving Care Act to support those young people who have undergone the naturalisation process but are not eligible for benefits due to delays in being identified by the benefit system or when undertaking education courses.

The service is working towards bringing the average weekly cost of care leavers in line with the UKBA funded rates of £150 per week per client by the beginning of 2011-12. Positive discussions have taken place with accommodation providers to relocate clients to more affordable housing in the later part of the year along with the greater use of housing benefit, although a series of one-off costs may be incurred as a result of the relocation. In the first 4 months of 2010-11 the average weekly costs has been £217.22 per week (see section 2.8). Additional funding was made available as part of the MTP in 2010-11 to help fund the difference between the current average cost and the funded rate, early forecasts suggest there will be a minor underspend of -£99k against this additional funding. However, this funding will be taken back as a saving in the 2011-14 MTP, therefore it is imperative the unit cost of £150 per week is reached by 1 April 2011.

On 12 August 2010, the UKBA wrote to all Local Authorities confirming the grant rules for the UASC Grant and Leaving Care Grant for 2010-11 financial year. Whilst there are no changes to the Leaving Care Grant, a new regime will be implemented for the UASC Grant from 1 October and the intention is to carry forward these new grant arrangements into 2011-12. Early analysis suggests changes to the grant rules will not have a significant impact on this service however a more detailed review is underway and a full update will be given in the next exception report to be reported to Cabinet in October.

1.1.3.8 SEN Transport (gross)

The budget is forecasting an estimated underspend of -£1,500k due to the full year effect of successful contract renegotiations in the previous years, coupled with ongoing contract reviews. The number of children requiring SEN transport remains high, however it is below the budgeted level due to additional funding made available as part of the MTP (see section 2.1). The forecast should be treated as provisional at this early stage in the year and will be reviewed in the next full monitoring report once the September pupil numbers are confirmed.

1.1.3.9 Strategic, Planning and Review (gross)

The National Foundation of Educational Research (NFER) survey is no longer due to take place in 2010-11 resulting in a forecast underspend of -£160k. The survey seeks the views of children on a range of subjects and the Directorate was hoping to use the 'Tellus' survey in the future, however this has recently been scrapped, and alternative options are now being considered.

1.1.3.10 Business Planning and Management Unit (gross)

The unit is forecasting a gross pressure of +£177k solely due to the pressure on the children social services legal budget following the introduction of the public law outline, a change in the way care proceedings are conducted, and increased demand for internal legal services, resulting in a forecast pressure of +£261k. This forecast is based on 2009-10 activity and should be treated as provisional at this early stage in the year. Updates will be provided in future monitoring reports. The pressure on legal services is partially offset by minor underspends of -£84k.

1.1.3.11 Awards (gross)

The awards service is forecasting a gross pressure of +£207k due to a pressure on staffing of +£150k and home to college transport of +£57k. The assessment and processing of the student loans applications has been centralised and this is the final year of a three year transfer of this service to the Student Loans Company. The number of staff has reduced over this period however a staffing pressure has arisen whilst the handover is finalised and the unit is closed. This is a one-off pressure and will disappear in 2011-12.

1.1.3.12 Personnel and Development (gross)

The unit is forecasting a gross underspend of -£417k of which -£350k relates to CRB checks and -£67k to School Crossing Patrols. In 2010-11 additional funding was made available as part of the MTP for the Independent Safeguarding Authority (ISA) scheme however, following the announcement by the Government, this has been put on hold indefinitely and may be scrapped, although the CRB checks will continue until a new scheme has been agreed.

1.1.3.13 Client Services (income)

In 2009-10, the unit was expected, as part of the MTP, to implement full-cost recovery in relation to contract management of the cleaning and refuse collection contracts with schools. However, whilst they have made significant strides to achieve this, the service is struggling to achieve the necessary income to cover the costs of the contract team resulting in a forecast +£110k under-recovery of income.

1.1.3.14 Mainstream Home to School Transport (gross)

The budget is forecasting a gross underspend of -£733k due to the number of children requiring transport continuing to be below budgeted level (see 2.1), along with the full year effect of successful contract renegotiations in 2009-10 and ongoing contract reviews. The forecast should be treated as provisional at this early stage in the year and will be reviewed in the next full monitoring report once the September pupil numbers are confirmed.

1.1.3.15 Group savings from restructure

In the previous monitoring report submitted to Cabinet in July it was feared £1 million pressure could result from delays in the restructure however it is now hoped the cost will not be as high. The recruitment process is now close to completion and it is believed the impact of removing 260 posts, (of which 100 were vacancies), has been reduced further by a higher level of staff turnover than normal due to staff responding proactively to the restructure. At this stage in the process, there are still 114 vacancies in the new structure (excluding assessment & related posts) and 180 staff who have either applied but have not been successful or did not apply at all. A process has now been put in place to fill vacant posts with staff that remain "at risk" where appropriate, in order to reduce the number of compulsory redundancies. It is not possible at this stage to quantify the full impact of protected salaries and staff working out notice periods beyond 1st September, but it is hoped these pressures will be offset by vacancies and any significant variances will be reported in the next full monitoring report to Cabinet in November.

Other Issues

1.1.3.16 Payments to PVI providers for the free Entitlement for three and four year olds

The latest forecast suggests an underspend of around -£2.6 million on payments to PVI providers for 3 and 4 year olds. This underspend is in addition to the £1.5 million cash limit recently removed from this service to help fund the in year government grant reductions (as reported to Cabinet in July). The number of hours provided has increased by 19.5% over the same term last year as per Section 2.2 due to one more week in the summer term than last year, a significant increase (3.5%) in the number of children, and an increase in the average number of hours taken up mainly due to the introduction of extension of the free entitlement to 15 hours per week in pilot areas. The forecast assumes this trend will continue in both the autumn and spring term. In addition, the extension of the free entitlement to 15 hours per week will be rolled out across the County from September 2010 and it has been assumed there will a similar level of take up as in the pilot area. A more accurate forecast will be available once the autumn term hours are known at the end of November/beginning of December and a further update will be given in the November exception report to be reported to Cabinet in January. As this budget is funded entirely from DSG and standards fund, this underspend is transferred into the DSG reserve at the end of the year in accordance with regulations.

1.1.3.17 **Delegated Schools Budgets**

We were expecting 6 schools to convert to academy status this year but following the government's recent proposals for fast tracking academies the Secretary of State has agreed in principal to 12 more schools converting to academies, with a further 3 awaiting a decision. Of these 12 schools, 10 are outstanding secondary schools, two of which form part of hard federations with primary schools. It is expected 8 of the schools (including the hard federations) will convert to academy status by the end of September, followed by the remaining schools from 1st November (1 school) and 1st January (3 schools). This will have a small impact on our budget this year, as schools take with them a proportion of the centrally held DSG budget. However we will not be able to offset this pressure with a corresponding saving within the directorate and will fund it from the centrally held DSG reserve. More information will become available as we move through the year and updates will be provided in future monitoring reports.

The forecast £3.401m drawdown of schools reserves shown in tables 1 and 2 represents the estimated reduction in reserves resulting from these 21 schools converting to academies including the 15 schools converting to academies following the recent government announcements.

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CFE	Schools Delegated Budget: estimated drawdown of schools reserves due to 21 schools converting to academies	+3,401	CFE	Assessment & Related (gross): high level of staff vacancies due to difficulty in recruitment	-2,400
CFE	Residential Care (gross): high demand for independent sector residential care placements	+1,258	CFE	SEN Transport (gross): fewer than budgeted children travelling and contract renegotiation	-1,500
CFE	Fostering Service (gross): Continual high demand for Independent fostering allowances	+1,231	CFE	Mainstream Home to School Transport: fewer children than budgeted level	-733
CFE	16+ Service (gross): high demand for residential care placements	+1,082	CFE	Personnel and Development (gross): Independent Safeguarding Authority scheme put on hold indefinitely	-350
CFE	Asylum Service (gross): Providing support for young people categorised as "all rights exhausted" and naturalised	+705	CFE	Residential Care (gross): fewer placements in secure accommodation	-306
CFE	Fostering Service (gross): high demand for in-house foster care placements	+561	CFE	Children's Support Services (gross): staff vacancies relating to social care professional training and use of external income to fund training programmes	-225
CFE	16+ Service (gross): high demand for in-house foster care placements	+454	CFE	Residential Care (gross): reimbursement of placements	-190
CFE	Other Preventative Services (gross): high demand for daycare services for children with a disability	+336	CFE	Strategic, Planning and Review (gross): National Foundation of Educational Research survey will not take place in 2010-11	-160
CFE	Other Preventative Services (gross): high demand of direct payments	+263	CFE	Fostering Service (gross): Delays in the implementation of the county wide therapeutic service	-100
CFE	Business Planning and Management Unit (gross): Rise in costs due to change in care proceedings and high demand for children social services legal budget	+261			
CFE	16+ Service (gross): high demand for Section 24/leaving care services	+192			
CFE	Awards (gross): staffing pressure whilst finalising the handover of work to the Student Loan Company	+150			
CFE	Client Services (income): under-recovery of income relating to the cleaning and refuse collection contract	+110			
		+10,004			**-5,964**

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

N/A

1.1.5 **Implications for MTP**:

The base budget implications of issues identified in this monitoring report will be a call on the amounts identified in the 2010/13 MTP as emerging pressures in 2011/12 and 2012/13. The details of individual amounts will be included when the revised plan is published for consultation in January 2011 together with any new pressures forecast for 2011/12 and 2012/13. The significant issues for the Children, Families and Education portfolio arising from 2010/11 budget monitoring are as follows:

- Residential Care – in the current year the service has seen an increase in the number of children placed in independent sector residential placements resulting in an estimated gross pressure of +£1,258k (see paragraph 1.1.3.1 above). It is anticipated that this demand will continue for the medium term and therefore a pressure will be included within the Directorate's MTP submission.
- Independent and in-house Fostering – in the current year the fostering service is forecasting a gross pressure of £1,537k (see paragraph 1.1.3.2 above). Whilst a review is currently being undertaken of all high cost placements, it is anticipated that some of this demand will continue for the medium term and therefore a pressure will be included within the Directorate's MTP submission.
- Other preventative services – in the current year the service is forecasting a gross pressure of +£497k (see paragraph 1.1.3.3 above) largely due to a continual rise in the demand for these services leading to a pressure on both direct payments and daycare budgets. It is anticipated that this demand will continue for the medium term and therefore a pressure will be included within the Directorate's MTP submission.
- 16+ Leaving Care Services - The 16+ service is currently forecasting a gross pressure of +£1,703k (see paragraph 1.1.3.4). It is hoped the pressure on this service will reduce, following the review of all high cost residential care and fostering placements. However, if the reduction does not materialise and the future age profile of looked after children indicates a continuing pressure this will be included within the Directorate's MTP submission.
- Asylum Service – Funding was made available as part of the MTP in 2010-11 to help fund the difference between the current average cost and the funded rate for 18+ Care Leavers. However, this funding will be taken back as a saving in the 2011-14 MTP, therefore it is imperative the unit cost of £150 per week is reached by 1 April 2011. The service is confident that they will be able to achieve this by the start of 2011-12, however a pressure is expected to continue on the service for those young people who are not covered by the existing grant rules, including the first 25 care leavers and those categorised as either "All Rights Exhausted" and naturalised.
- LSC Transfer - In the previous monitoring report, submitted to Cabinet in July, concerns were raised regarding the funding for the costs of term time residential placements at Independent Specialist Providers (ISP) for post 18 learners. Prior to the transfer of post 16 funding responsibility on 1st April 2010, the Learning Skills Council (LSC) had picked up all associated placement costs. This was a unique situation for Kent learners. The Young People's Learner Agency (YPLA), the replacement to the LSC, has confirmed they will fund all costs for 2010-11 academic year. However, there is still a risk this position may be reconsidered in future years, resulting in an estimated £1million pressure. Following the recent announcements from the Secretary of State, the YPLA will now directly fund general FE & sixth form colleges and other work based learning providers for 16-19 learners (up to 25 with a learning disability), rather than funds being directed through the local authorities. The funding responsibilities for 19 – 24 learners are still unclear. Full details of the change in responsibilities are not expected until September and future funding implications not expected until after the Comprehensive Spending Review. If this results in a subsequent pressure this will be included within the Directorate's MTP submission.

The revised MTP will include proposals on how the in-year cuts in Government grants will be accommodated in base budgets once it has been confirmed that these reductions are permanent following the announcement of the provisional local government finance settlement for 2011/12 which we anticipate will be in late November/Early December. The revised plan will also include the strategy to address the likely reductions in funding over the lifetime of the current parliament following the Chancellor's emergency budget statement on 22nd June in which he outlined his plans to address the national budget deficit.

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

N/A

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

The Directorate is forecasting an overall pressure of £3,660k, of which, +£3,401k represents the drawdown from school reserves following the anticipated transfer of 21 schools to academy status and +£259k net pressures relating to other non-delegated units. We are expecting to balance the 2010-11 Children, Families and Education portfolio (excluding Schools) following the review of all high cost placements in residential care, fostering service and 16+ service.

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 since last reported to Cabinet on 12th July 2010, as detailed in section 4.1.

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

	Previous Years £'000s	2010-11 £'000s	2011-12 £'000s	2012-13 £'000s	Future Years £'000s	TOTAL £'000s
Children, Families & Education						
Budget	373,518	222,297	233,962	248,101	154,816	1,232,694
Adjustments:						0
- re-phasing May monitoring		-2,569	2,787	-218		0
- Specialist Schools		75				75
- completed projects	-24,947					-24,947
Revised Budget	348,571	219,803	236,749	247,883	154,816	1,207,822
Variance		+4,040	-1,453	-1,761	+81	+907
split:						
- real variance		+883	+40	-16	0	+907
- re-phasing		+3,157	-1,493	-1,745	+81	0
Devolved Capital to Schools						
Budget	47,230	47,797	34,291	34,291		163,609
Adjustments:						0
- Extended Schools		-507				-507
- completed projects	-45,181					-45,181
-						
Revised Budget	2,049	47,290	34,291	34,291	0	117,921
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	350,620	267,093	271,040	282,174	154,816	1,325,743
Variance	0	4,040	-1,453	-1,761	81	907

Real Variance	**0**	**883**	**40**	**-16**	**0**	**907**
Re-phasing	**0**	**3,157**	**-1,493**	**-1,745**	**81**	**0**

1.2.3 **Main Reasons for Variance**

Table 4 below, details all forecast capital variances over £250k in 2010-11 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

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
CFE	Maintenance Programme	phasing	3,592			
CFE	Dev Opps - Swadelands School	real			400	
			+3,592	**+0**	**+400**	**+0**
Underspends/Projects behind schedule						
			0	**-0**	**-0**	**-0**
			+3,592	**-0**	**+400**	**-0**

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

1.2.4.1 **Annual Planned Maintenance Programme – re-phasing of +£3.592m.**

The budget allocation for maintenance is used to deliver programmes of planned and reactive maintenance work and servicing and inspections to comply with legislative and health and safety responsibilities to ensure the County Council keeps schools safe, warm and dry. To meet the varied types of works necessary to comply with the criteria the maintenance budget is divided into a number of headings: Major Maintenance Works, Reactive Additional Maintenance Works, Health & Safety, School Access Initiative, Kitchen Catering Equipment and Planned Maintenance Inspections.

Major & Reactive Maintenance Work (+£3.392m): the types of works funded from this programme are both planned and unforeseen maintenance. The criteria for these works are to avoid school closure or to attend to urgent health and safety matters. The overall forecast figure includes £0.880m for any future unforeseen work which may arise between August 2010 and 31 March 2011. The severity of 2010-11 winter could bring this relatively small contingency figure under extreme pressure. The contingency sum could also be affected by Kent Fire & Rescue Service reports which invariably identify significant landlord and tenant health and safety work required under legislation. It is recognised that by bringing funding forward this could potentially cause problems in future years. These issues, including the government cuts in supported borrowing, are being addressed within the CFE capital programme and proposals will be reported in due course.

Water Hygiene Assessments (Legionella Prevention (+£0.200m): in accordance with Health and Safety Commission Regulation the Authority undertakes water hygiene assessments through out the county. To help schools manage their responsibility and following an on-site assessment the Authority provides initial monitoring and training. The costs of this service have increased by £0.200m.

Revised phasing of the scheme is now as follows:

	Prior Years	2010-11	2011-12	2012-13	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	0	10,488	14,361	14,361	0	39,210
Forecast	0	14,080	12,565	12,565		39,210
Variance	**0**	**+3,592**	**-1,796**	**-1,796**	**0**	**0**
FUNDING						
Budget:						
Supported Borrowing	0	2,184	14,361	14,361	0	30,906
Grant	0	7,814	0	0	0	7,814
Prudential Borrowing	0	490	0	0	0	490
TOTAL	0	10,488	14,361	14,361	0	39,210
Forecast:						
Supported Borrowing	0	5,776	12,565	12,565	0	30,906
grant	0	7,814	0	0	0	7,814
Prudential Borrowing	0	490	0	0	0	490
TOTAL	0	14,080	12,565	12,565	0	39,210
Variance	**0**	**+3,592**	**-1,796**	**-1,796**	**0**	**0**

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

There is a real variance of +£0.907m (+£0.883m in 2010-11, £0.040m in 2011-12, and -£0.016m in 2012-13) which is detailed as follows:

Basic Needs – Sittingbourne Community College - +£0.200m, Basic Needs – Fulston Manor - +£0.197m, Basic Needs – Westlands School - +£0.123m and Development Opportunities - Swadelands - +£0.400m (all in 2010-11): these are all new projects funded from additional developer contributions, which we propose will be approved as part of the 2011-14 MTP.

Taking these into account, there is an underlying variance of -£0.013m

1.2.6 **General Overview of capital programme**:

(a) Risks

The current programme carries with it significant risks primarily related to its funding. We already know that the proposed investment in the improvements and maintenance of our estate was simply addressing the committed and essential works but even the funding of this 'basic' programme is uncertain following the new coalition government and its priorities both in terms of the national financial situation and their education agenda. The uncertainty and the extent of the risks it carries will not become clearer at least until CSR in late October.

The announcement on both the BSF and Academies Programmes are very likely to have a major impact upon our overall capital programme but the extent won't become clear until the announcement on both CSR and on the individual academies.

We are also seeing separate individual government announcements that impact upon our current capital programme and these cover: Early Years, Co-location Schemes, Playbuilder and Extended Schools.

One other specific scheme risk relates to the re-provision of Lympne Primary School. We are currently holding a spend figure on Lympne of £0.915m, but are forecasting nothing on the basis that it will all be recovered, either via the professional indemnity claim, additional fire insurance funding or a claim against the causers of the fire for 'unrecoverable losses'.

(b) Details of action being taken to alleviate risks

We continue to stress to colleagues elsewhere within the authority the fixed nature of our budget and anything extra that they insist upon means another scheme loses. The programme is also monitored internally on a regular basis and any potential challenges noted and addressed wherever possible.

Following the BSF and Academies Programme announcement we have taken action to reduce our financial exposure as far as is possible.

1.2.7 **PFI Projects**

- Building Schools for the Future (wave 3)

£69.6m of investment in the BSF Wave 3 programme represents investment by a third party. No payment is made by KCC for the new/refurbished assets until the assets are ready for use and this is by way of an annual unitary charge to the revenue budget.

	Previous years	2010-11	2011-12	2012-13	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Budget	64,806	4,801	0	0	69,607
Actual / Forecast	64,806	4,801	0	0	69,607
Variance	0	0	0	0	0

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

The contracts for the establishment of the first Local Education Partnership (Kent LEP1 Ltd), including the PFI Agreement for the construction of the three PFI schools, were signed on 24th October 2008. The three PFI schools are complete and were handed over before the end of July 2010, as scheduled.

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

The PFI Contractor bears the risk of any delays to the construction programme (with the exception of any agreed compensation events). Consequently, any delays that may arise in the construction programme will not impact on the unitary charge.

- Building Schools for the Future (future waves 4, 5 & 6)

Although the table below indicates expenditure at budget, the £179.1m of investment in the BSF future waves is currently on hold following the Government's recent announcement, that Waves 4, 5 & 6 in Kent are **'stopped'** (subject to representations made by the Council).

	2010-11	2011-12	Future Years	Total
	£'000s	£'000s	£'000s	£'000s
Budget	18,000	66,000	95,100	179,100
Actual / Forecast	18,000	66,000	95,100	179,100
Variance	0	0	0	0

(a) **Progress and details of whether costings are still as planned (for the 3rd party)**
Contracts for future BSF waves are still to be finalised and agreed and, as such, the figures are best estimates

(b) **Implications for KCC of details reported in (a) i.e., could an increase in the cost result in a change to the unitary charge?**
The PFI Contractor bears the risk of any delays to the construction programme (with the exception of any agreed compensation events). Consequently, any delays that may arise in the construction programme will not impact on the unitary charge.

1.2.8 **Project Re- Phasing**

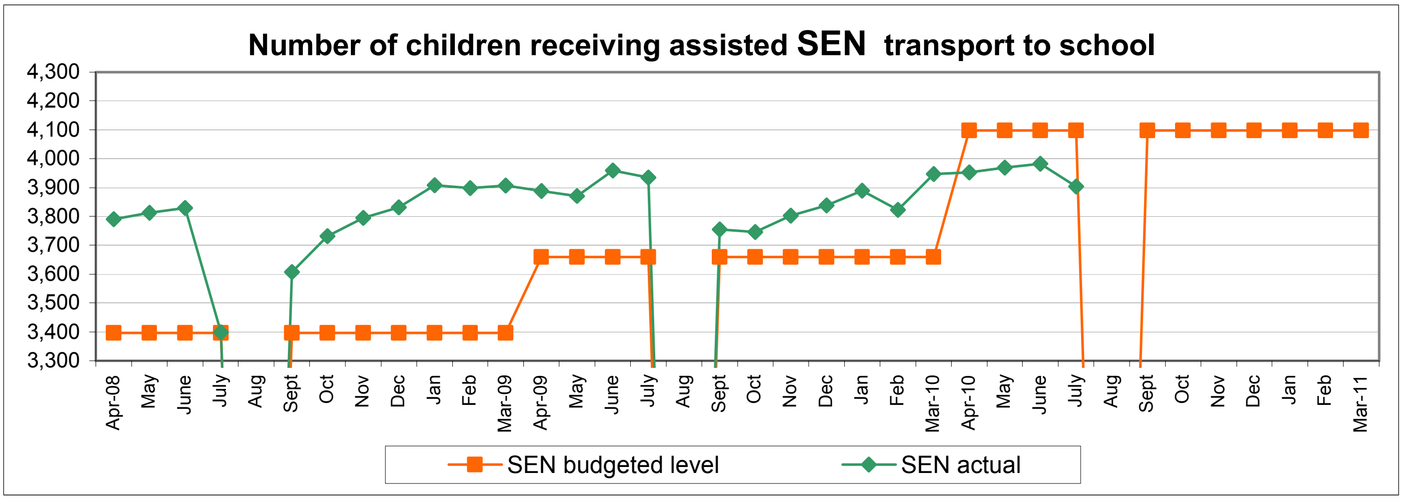
Cash limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the rephasing will be shown. The proposed re-phasing is detailed in the table below.

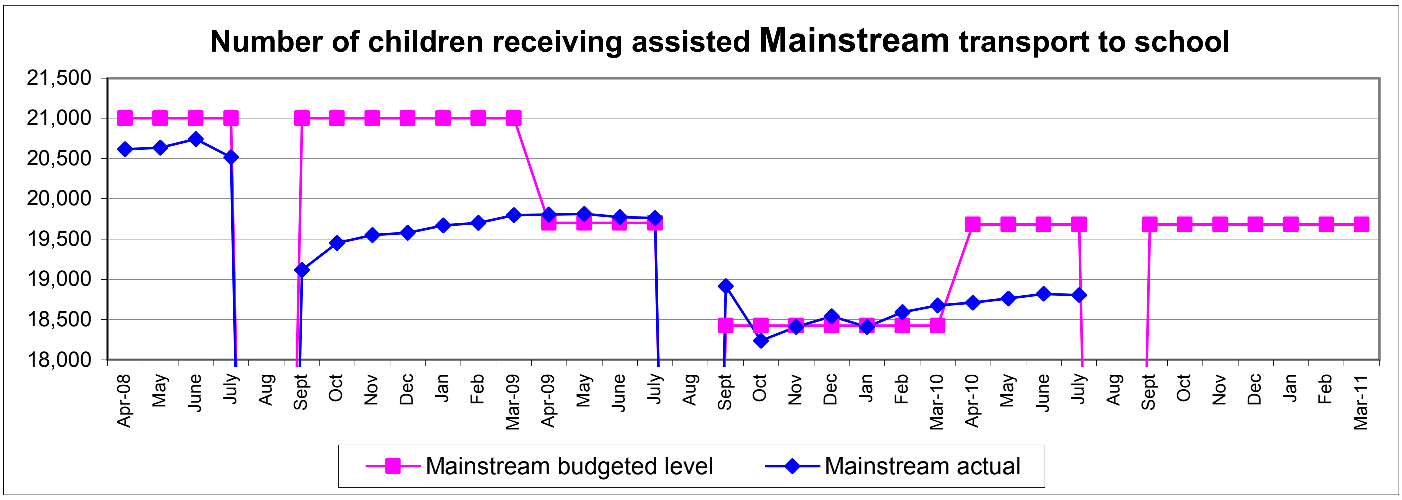
	2010-11	**2011-12**	**2012-13**	**Future Years**	**Total**
	£'000s	£'000s	£'000s	£'000s	£'000s
Mod of Assets - The Skinners School					
Amended total cash limits	+200				+200
re-phasing	-100	+100			0
Revised project phasing	**+100**	**+100**	**0**	**0**	**+200**
Annual Planned Maintenance Programme					
Amended total cash limits	+10,488	+14,361	+14,361		+39,210
re-phasing	+3,592	-1,796	-1,796		0
Revised project phasing	**+14,080**	**+12,565**	**+12,565**	**0**	**+39,210**
Primary Improvement Programme - Rose Street					
Amended total cash limits	+975	+217	+5		+1,197
re-phasing	-232	+232			0
Revised project phasing	**+743**	**+449**	**+5**	**0**	**+1,197**
Primary Improvement Programme - St Matthews High Brooms					
Amended total cash limits	+837	+17	+1		+855
re-phasing	-101	+100	+1		0
Revised project phasing	**+736**	**+117**	**+2**	**0**	**+855**
Kitchen and Dining Programme					
Amended total cash limits	+828	+432			+1,260
re-phasing	+101	-101			0
Revised project phasing	**+929**	**+331**	**0**	**0**	**+1,260**
Total re-phasing >£100k	**+3,260**	**-1,465**	**-1,795**	**0**	**0**
Other re-phased Projects below £100k	**-103**	**-28**	**+50**	**+81**	**0**
TOTAL RE-PHASING	**+3,157**	**-1,493**	**-1,745**	**+81**	**0**

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

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

	2008-09				2009-10				2010-11			
	SEN		Mainstream		SEN		Mainstream		SEN		Mainstream	
	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual
April	3,396	3,790	21,000	20,618	3,660	3,889	19,700	19,805	4,098	3,953	19,679	18,711
May	3,396	3,812	21,000	20,635	3,660	3,871	19,700	19,813	4,098	3,969	19,679	18,763
June	3,396	3,829	21,000	20,741	3,660	3,959	19,700	19,773	4,098	3,983	19,679	18,821
July	3,396	3,398	21,000	20,516	3,660	3,935	19,700	19,761	4,098	3,904	19,679	18,804
Aug	0	0	0	0	0	0	0	0	0	0	0	0
Sept	3,396	3,607	21,000	19,118	3,660	3,755	18,425	18,914	4,098		19,679	
Oct	3,396	3,731	21,000	19,450	3,660	3,746	18,425	18,239	4,098		19,679	
Nov	3,396	3,795	21,000	19,548	3,660	3,802	18,425	18,410	4,098		19,679	
Dec	3,396	3,831	21,000	19,579	3,660	3,838	18,425	18,540	4,098		19,679	
Jan	3,396	3,908	21,000	19,670	3,660	3,890	18,425	18,407	4,098		19,679	
Feb	3,396	3,898	21,000	19,701	3,660	3,822	18,425	18,591	4,098		19,679	
Mar	3,396	3,907	21,000	19,797	3,660	3,947	18,425	18,674	4,098		19,679	



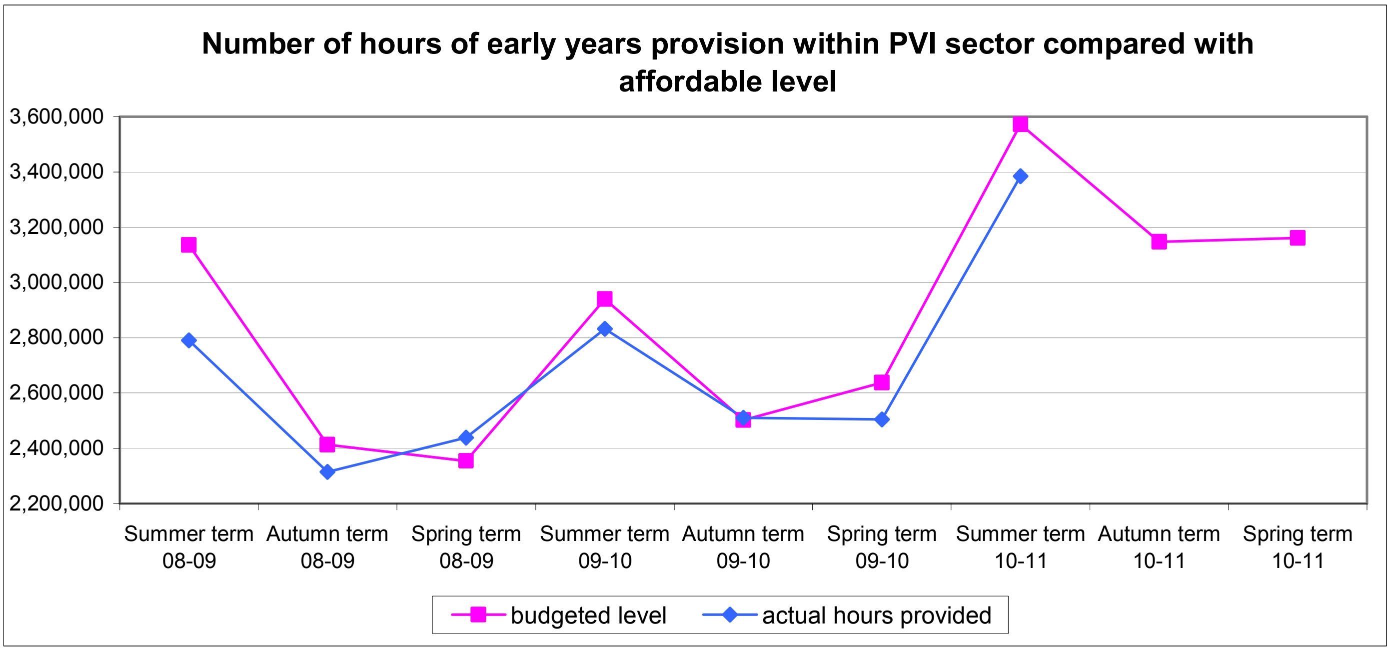


Comments:

- **SEN HTST** – The number of children is lower than the budgeted level contributing to the underspend of -£1,500k reported in section 1.1.3.8.
- **Mainstream HTST** – The number of children is lower than the budgeted level resulting in a corresponding underspend of -£733k (see section 1.1.3.14).

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

	2008-09		**2009-10**		**2010-11**	
	Budgeted number of hours	Actual hours provided	Budgeted number of hours	Actual hours provided	Budgeted number of hours	Actual hours provided
Summer term	3,136,344	2,790,446	2,939,695	2,832,550	3,572,444	3,385,199
Autumn term	2,413,489	2,313,819	2,502,314	2,510,826	3,147,387	
Spring term	2,354,750	2,438,957	2,637,646	2,504,512	3,161,965	
	7,904,583	**7,543,222**	**8,079,655**	**7,847,888**	**9,881,796**	**3,385,199**



Comments:

- The budgeted number of hours per term is based on an assumed level of take-up and the assumed number of weeks the providers are open. The variation between the terms is due to two reasons: firstly, the movement of 4 year olds at the start of the Autumn term into reception year in mainstream schools; and secondly, the terms do not have the same number of weeks.

- The phased roll-out of the increase in the number of free entitlement hours from 12.5hrs to 15 hrs per week began from September 2009 and is due to be rolled out across the County from September 2010. The increase in the number of hours has been factored into the budgeted number of hours for 2009-10 and 2010-11. This increase in hours is funded by a specific DFE Standards Fund grant.

- The current activity suggests an underspend of approximately £2.6m on this budget which has been mentioned in section 1.1.3.16 of this annex.

- It should be noted that not all parents currently take up their full entitlement and this can change during the year.

- The budgeted number of hours for 2010-11 has increased by 1,020,298 hours from the 8,861,498 previously reported in the 2009-10 outturn report due to an error in the calculation.

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

	2005-06 as at 31-3-06	**2006-07** as at 31-3-07	**2007-08** as at 31-3-08	**2008-09** as at 31-3-09	**2009-10** as at 31-3-10	**2010-11** Projection
Total number of schools	600	596	575	570	564	543
Total value of school revenue reserves	£70,657k	£74,376k	£79,360k	£63,184k	£51,753k	£48,352k
Number of deficit schools	9	15	15	13	23	17
Total value of deficits	£947k	£1,426k	£1,068k	£1,775k	£2,409k	£2,474k

Comments:

- The information on deficit schools for 2010-11 has been obtained from the schools budget submissions. The LA receives updates from all schools through budget monitoring returns after 6 months, and 9 months as well as an outturn report at year end.

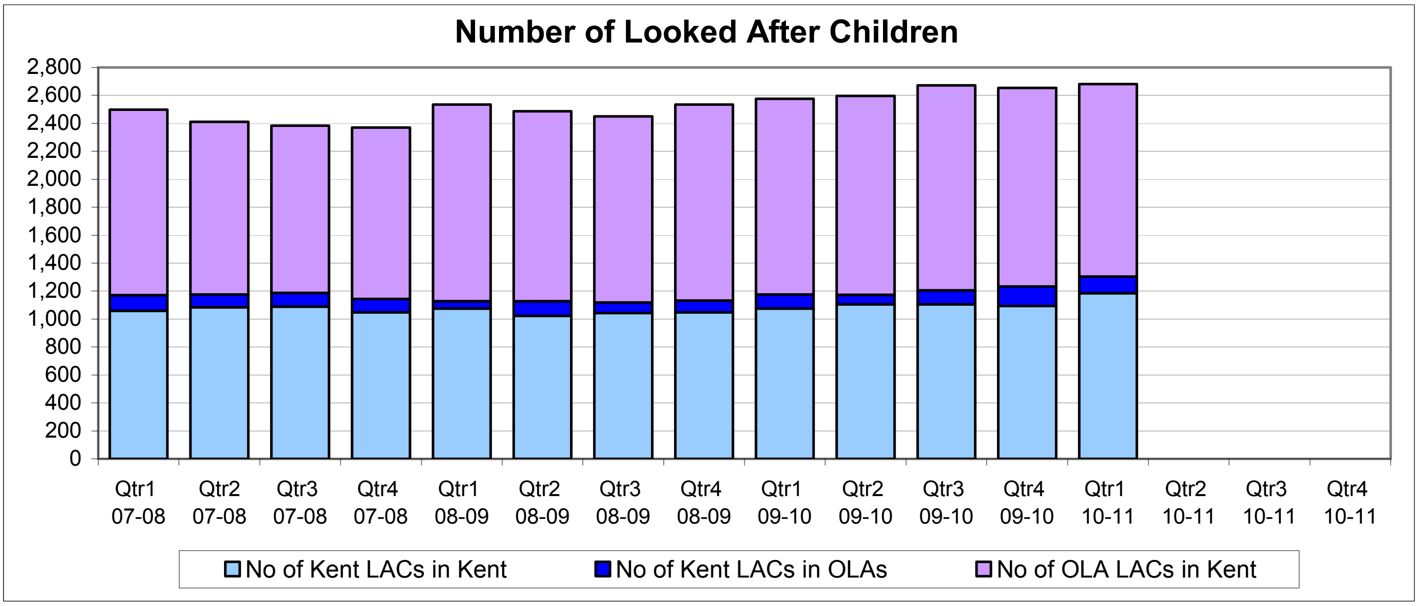
- KCC now has a “no deficit” policy for schools, which means that schools cannot plan for a deficit budget at the start of the year. Unplanned deficits will need to be addressed in the following year’s budget plan, and schools that incur unplanned deficits in successive years will be subject to intervention by the LA. The CFE Statutory team are working with all schools currently reporting a deficit with the aim of returning the schools to a balanced budget position as soon as possible. This involves agreeing a management action plan with each school.

- The number of schools is based on the assumption all 15 schools (including 13 outstanding secondary schools and 2 primary schools) will convert to academies before the 31st March 2011 in line with the government’s decision to fast track outstanding schools to academy status. This is in addition to the 6 secondary schools planned to transfer to academy status during 2010-11.

- The estimated drawdown from schools reserves of £3,401k represents the estimated reduction in reserves resulting from 21 schools converting to academy status, however the value of school reserves and deficits are very difficult to predict at this early stage in the year and further updates will be provided in future monitoring reports once we have received the first monitoring returns from schools.

2.4 Numbers of Looked After Children (LAC):

	No of Kent LAC placed in Kent	No of Kent LAC placed in OLAs	TOTAL NO OF KENT LAC	No of OLA LAC placed in Kent	TOTAL No of LAC in Kent
2007-08					
Apr – Jun	1,060	112	**1,172**	1,325	**2,497**
Jul – Sep	1,084	91	**1,175**	1,236	**2,411**
Oct – Dec	1,090	97	**1,187**	1,197	**2,384**
Jan – Mar	1,047	97	**1,144**	1,226	**2,370**
2008-09					
Apr – Jun	1,075	52	**1,127**	1,408	**2,535**
Jul – Sep	1,022	105	**1,127**	1,360	**2,487**
Oct – Dec	1,042	77	**1,119**	1,331	**2,450**
Jan – Mar	1,048	84	**1,132**	1,402	**2,534**
2009-10					
Apr – Jun	1,076	100	**1,176**	1,399	**2,575**
Jul – Sep	1,104	70	**1,174**	1,423	**2,597**
Oct – Dec	1,104	102	**1,206**	1,465	**2,671**
Jan – Mar	1,094	139	**1,233**	1,421	**2,654**
2010-11					
Apr – Jun	1,184	119	**1,303**	1,377	**2,680**
Jul – Sep					
Oct – Dec					
Jan – Mar					

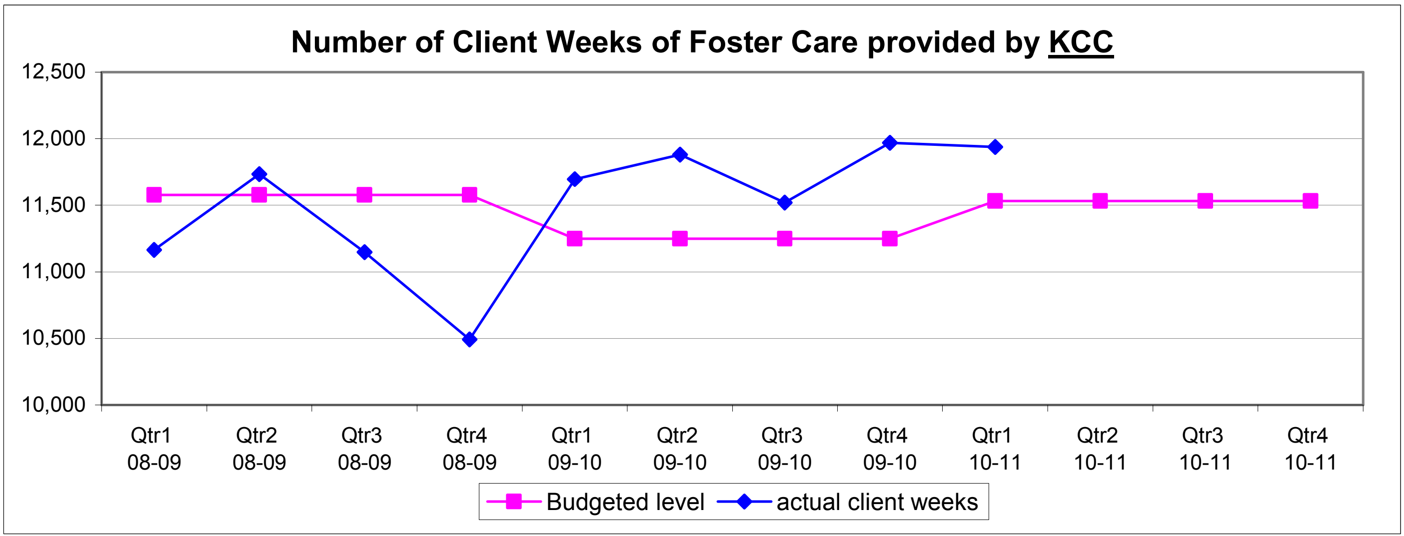


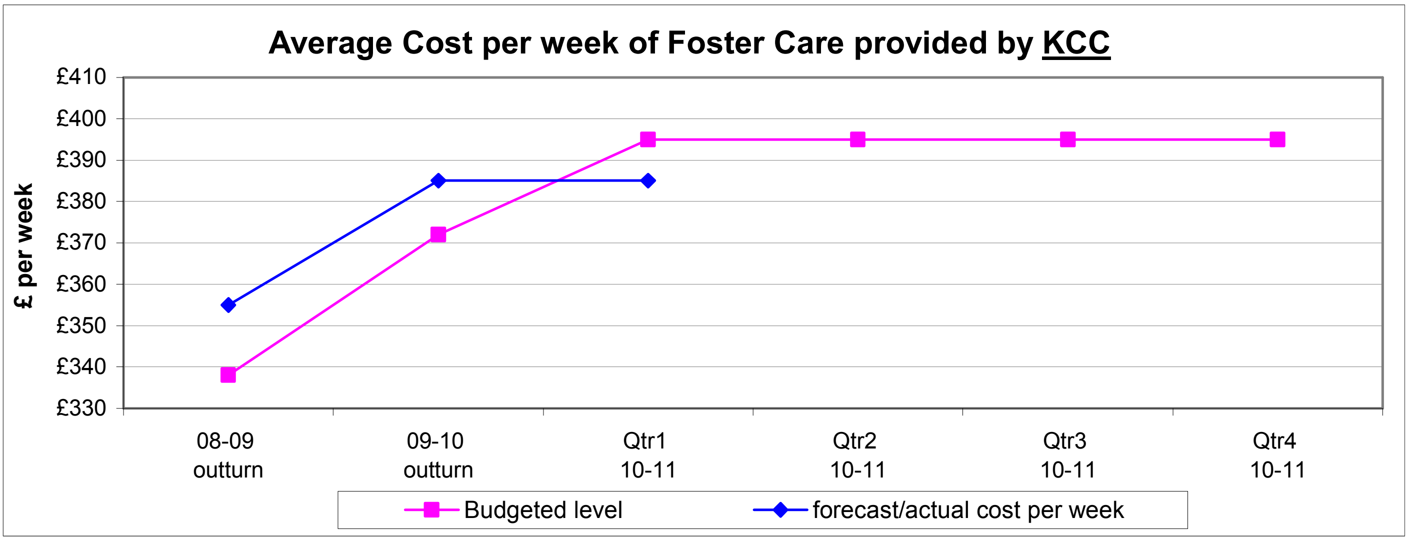
Comments:

- Children Looked After by KCC may on occasion be placed out of the County, which is undertaken using practice protocols that ensure that all long-distance placements are justified and in the interests of the child. All Looked After Children are subject to regular statutory reviews (at least twice a year), which ensures that a regular review of the child’s care plan is undertaken. The majority (over 99%) of Looked After Children placed out of the Authority are either in adoptive placements, placed with a relative, specialist residential provision not available in Kent or living with KCC foster carers based in Medway.
- Please note, the number of looked after children for each quarter represents a snapshot of the number of children designated as looked after at the end of each quarter, it is not the total number of looked after children during the period. Therefore although the number of Kent looked after children has increased by 70, there could have been more during the period.
- The increase in the number of looked after children is reflected in the additional pressures on residential care, fostering and 16+ service (see sections 1.1.3.1, 1.1.3.2, 1.1.3.4).

2.5.1 **Number of Client Weeks & Average Cost per Client Week of Foster Care provided by KCC**:

	2008-09				**2009-10**				**2010-11**			
	No of weeks		Average cost per client week		No of weeks		Average cost per client week		No of weeks		Average cost per client week	
	Budget Level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	forecast
Apr - June	11,576	11,166			11,249	11,695			11,532	11,937	£395	£386
July - Sep	11,576	11,735			11,249	11,880			11,532		£395	
Oct - Dec	11,576	11,147			11,249	11,518			11,532		£395	
Jan - Mar	11,576	10,493			11,249	11,969			11,532		£395	
	46,303	**44,451**	**£338**	**£355**	**44,997**	**47,062**	**£372**	**£385**	**46,128**	**11,937**	**£395**	**£386**



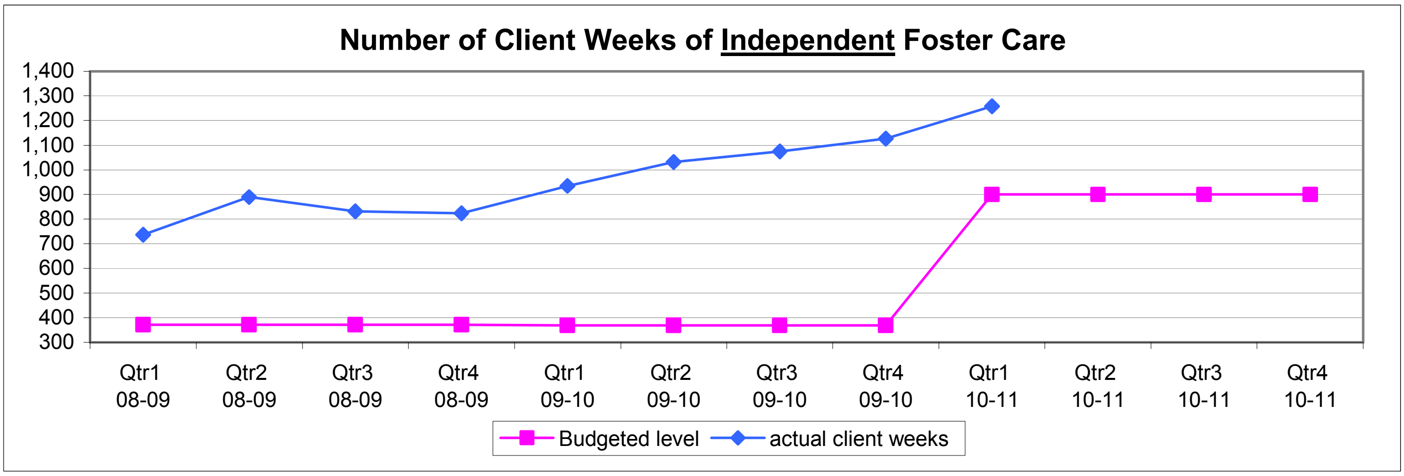


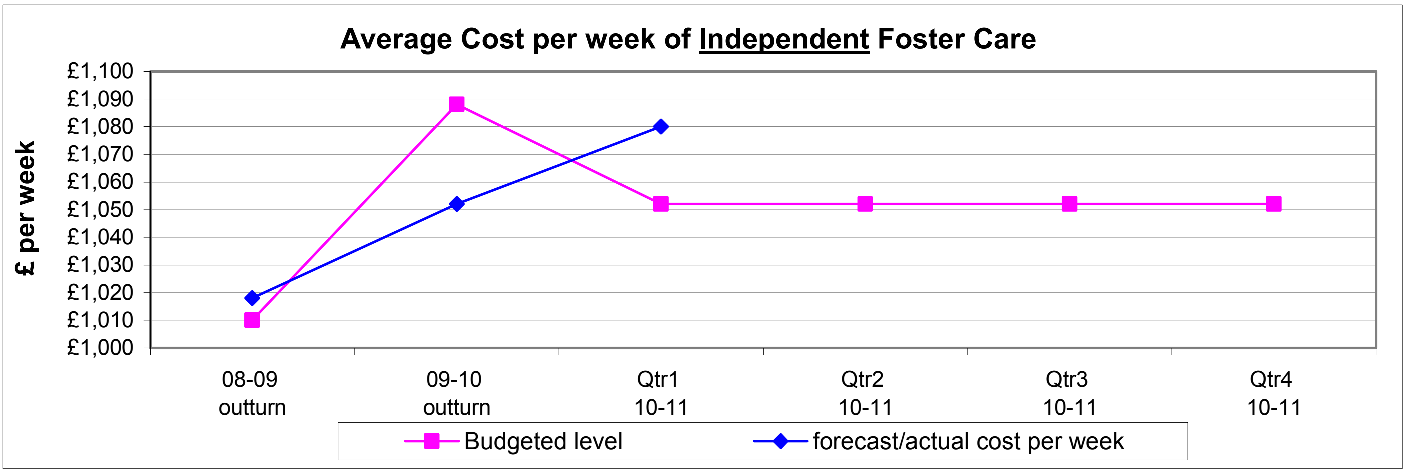
Comments:

- The actual number of client weeks is based on the numbers of known clients at a particular point in time. This may be subject to change due to the late receipt of paperwork.
- The budgeted level has been calculated by dividing the budget by the average weekly cost. The average weekly cost is also an estimate based on financial information which may be subject to change.
- The forecast unit cost of £386 is £9 below the budgeted level and when multiplied by the budgeted number of weeks, gives a saving of -£417k. However, this is more than offset by the high demand for in-house foster placements in both the fostering service (under 16s and those with a disability) and the 16+ service, therefore resulting in a combined net pressure of £1,015k (see sections 1.1.3.2 and 1.1.3.4). Although this forecast appears high compared with actual year to date activity, this is because all placements are forecast individually and it takes into account all future placements identified by District managers.

2.5.2 **Number of Client Weeks & Average Cost per Client Week of Independent Foster Care**:

	2008-09				2009-10				2010-11			
	No of weeks		Average cost per client week		No of weeks		Average cost per client week		No of weeks		Average cost per client week	
	Budget Level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	forecast
Apr - June	372	737			369	935			900	1,257	£1,052	£1,080
July - Sep	372	890			369	1,032			900		£1,052	
Oct - Dec	372	831			369	1,075			900		£1,052	
Jan - Mar	372	823			369	1,126			900		£1,052	
	1,488	**3,281**	**£1,010**	**£1,018**	**1,476**	**4,168**	**£1,088**	**£1,052**	**3,600**		**£1,052**	



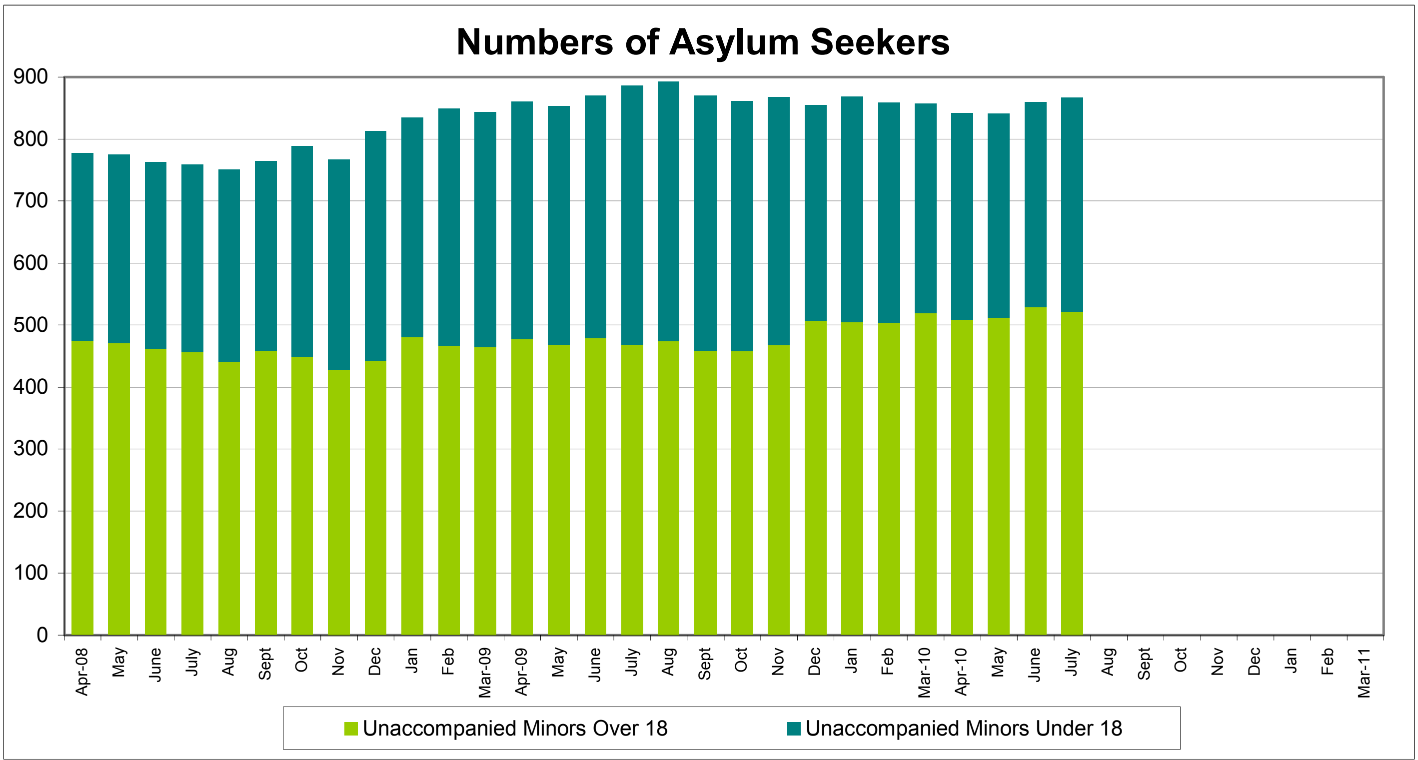


Comments:

- The actual number of client weeks is based on the numbers of known clients at a particular point in time. This may be subject to change due to the late receipt of paperwork.
- The budgeted level has been calculated by dividing the budget by the average weekly cost. The average weekly cost is also an estimate based on financial information which may be subject to change.
- The budgeted levels for 2010-11 are below the 2009-10 activity because although significant funding was made available as part of the MTP, this has been insufficient to cover the demands for this service. If current levels of activity continue throughout 2010-11, there will remain a pressure on the Independent Fostering budget of around £1,248k (see sections 1.1.3.2 and 1.1.3.4). Although this forecast appears low compared with actual year to date activity, this is because all placements are forecast on an individual basis as identified by District managers and a number of placements are due to end. This service will require careful monitoring to identify potential overspends as early as possible during 2010-11.
- The forecast unit cost of £1,080 is £28 above the budgeted level and when multiplied by the budgeted number of weeks, gives a pressure of £101k. This is included within the £1,248k pressure explained within sections 1.1.3.2 and 1.1.3.4.

2.6 Numbers of Unaccompanied Asylum Seeking Children (UASC):

	2008-09			2009-10			2010-11		
	Under 18	Over 18	**Total Clients**	Under 18	Over 18	**Total Clients**	Under 18	Over 18	**Total Clients**
April	302	475	**777**	383	477	**860**	333	509	**842**
May	304	471	**775**	384	469	**853**	329	512	**841**
June	301	462	**763**	391	479	**870**	331	529	**860**
July	302	457	**759**	418	468	**886**	345	521	**866**
August	310	441	**751**	419	474	**893**			
September	306	459	**765**	411	459	**870**			
October	340	449	**789**	403	458	**861**			
November	339	428	**767**	400	467	**867**			
December	370	443	**813**	347	507	**854**			
January	354	480	**834**	364	504	**868**			
February	382	467	**849**	355	504	**859**			
March	379	464	**843**	338	519	**857**			

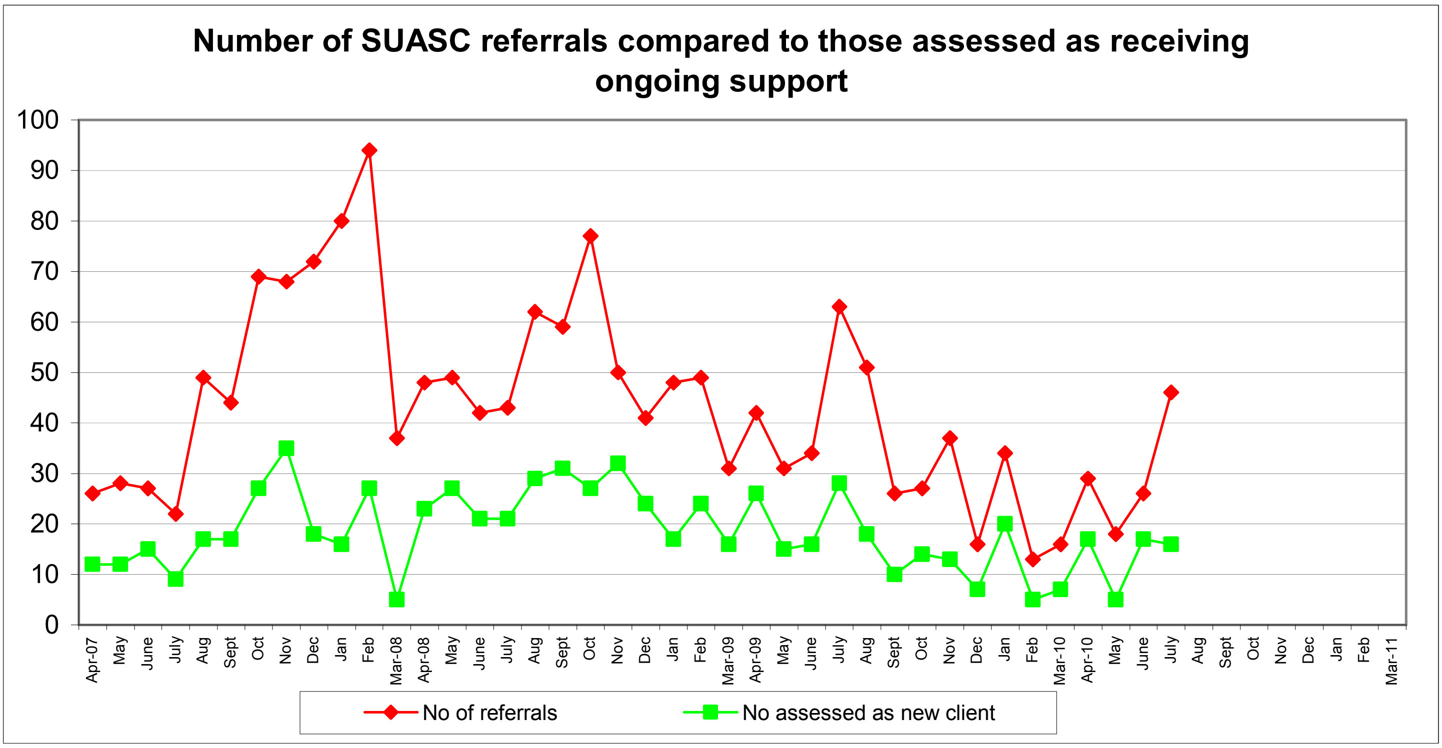


Comment:

- Client numbers are higher than the projected number, which for 2010-11 is an average of 836 clients per month (approx 4% higher). This is largely due to over 18s not reducing as quickly as predicted, partly due to UKBA removals being significantly lower than anticipated, and also due to a number of over 21s remaining in the service while they complete their education courses (this is reflected in the pressure on this service of £705k, see section 1.1.3.7)
- The age profile suggests the number of over 18s is increasing compared to the same period last year, and it is this service which is experiencing the shortfall of funding. In addition the age profile of the under 18 children has reduced, with significantly higher numbers being placed in foster care.
- The data recorded above will include some referrals for which the assessments are not yet complete or are being challenged. These clients are initially recorded as having the Date of Birth that they claim but once their assessment has been completed, or when successfully appealed, their category may change.

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

	2007-08			2008-09			2009-10			2010-11		
	No. of referrals	No. assessed as new client	%	No. of referrals	No. assessed as new client	%	No. of referrals	No. assessed as new client	%	No. of referrals	No. assessed as new client	%
April	26	12	46%	48	23	48%	42	26	62%	29	17	59%
May	28	12	43%	49	27	55%	31	15	48%	18	5	28%
June	27	15	56%	42	21	50%	34	16	47%	26	17	65%
July	22	9	41%	43	21	49%	63	28	44%	46	16	35%
August	49	17	35%	62	29	47%	51	18	35%			
Sept	44	17	39%	59	31	53%	26	10	38%			
Oct	69	27	39%	77	27	35%	27	14	52%			
Nov	68	35	51%	50	32	64%	37	13	35%			
Dec	72	18	25%	41	24	59%	16	7	44%			
Jan	80	16	20%	48	17	35%	34	20	59%			
Feb	94	27	29%	49	24	49%	13	5	38%			
March	37	5	14%	31	16	52%	16	7	44%			
	616	**210**	**34%**	**599**	**292**	**49%**	**390**	**179**	**46%**	**119**	**55**	**46%**



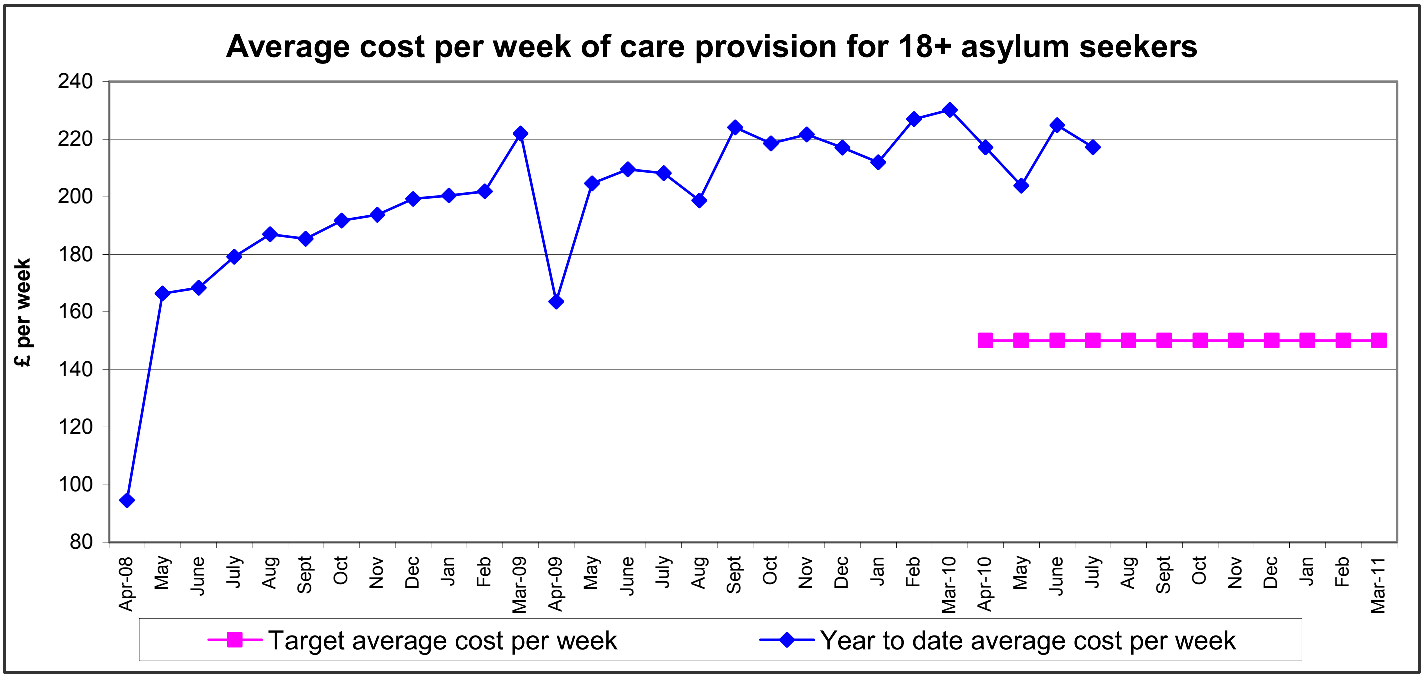
Comments:

- The number of referrals has tended to be lower since September 2009 which coincides with the French Government's action to clear asylum seeker camps around Calais. However, the first 4 months of 2010-11 has seen the number of referrals rise and exceed the budgeted number of 30 referrals per month.

- The number of referrals has a knock on effect on the number assessed as new clients. The budgeted level is based on the assumption 50% of the referrals will be assessed as a new client. The number assessed as a new client was higher than the budgeted level, of 15 new clients per month, for three of the last four months, which reverses the trend of the prior seven months where the number was below the budgeted level in every month except for January.

2.8 Average monthly cost of Asylum Seekers Care Provision for 18+ Care Leavers:

	2008-09		2009-10		2010-11	
	Target average weekly cost £p	Year to date average weekly cost £p	Target average weekly cost £p	Year to date average weekly cost £p	Target average weekly cost £p	Year to date average weekly cost £p
April		94.48		163.50	150.00	217.14
May		166.44		204.63	150.00	203.90
June		168.38		209.50	150.00	224.86
July		179.17		208.17	150.00	217.22
August		186.90		198.69	150.00	
September		185.35		224.06	150.00	
October		191.67		218.53	150.00	
November		193.71		221.64	150.00	
December		199.22		217.10	150.00	
January		200.46		211.99	150.00	
February		201.83		226.96	150.00	
March		221.97		230.11	150.00	



Comments:

- The funding levels for the Asylum Service agreed with the Government rely on us achieving an average cost per week of £150, in order for the service to be fully funded, which is also reliant on the UKBA accelerating the removal process. The UKBA will fund the costs of an individual for up to three months after the All Rights of appeal Exhausted (ARE) process, but the LA remains responsible for costs 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 the Asylum Service becomes more difficult.

- Since 1 April 2010, there have been 33 young people declared ARE but there have only been 3 removed from the UK. This is partly why we are forecasting a £705k pressure on this service, as explained in section 1.1.3.7.

- Additional funding was made available as part of the MTP in 2010-11 to help fund the difference between the current average cost and the funded rate, early forecasts suggest there will be a minor underspend of -£99k. This additional funding will be taken back as a saving in 11-14 MTP therefore it is imperative the unit cost of £150 per week is reached by 1 April 2011.

KENT ADULT SOCIAL SERVICES DIRECTORATE SUMMARY JULY 2010-11 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

1.1.1 The cash limits that the Directorate is working to, **and upon which the variances in this report are based**, include adjustments for both formal virement and technical adjustments, the latter being where there is no change in policy. The Directorate would like to request formal virement through this report to reflect adjustments to cash limits required for the following changes required in respect of the allocation of previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process. This primarily relates to how the Directorate allocated demography/growth and savings, and how grant funding was allocated, decisions for which were made following a Special Budget SMT in January and subsequent detailed analysis by Areas. Where necessary allocations have been adjusted in light of the 2009-10 outturn expenditure and activity, whereas before they would have been based on forecasts from several months earlier. As a result, demography/growth and savings have in some cases been allocated across different headings to those assumed within budget build. Cash limits also need to be adjusted to reflect the changing trends in services over the past few years through modernisation of services and the move towards more self directed support. Services are now more likely to be community based, for example in supported accommodation, or through a domiciliary care package, or via a direct payment, rather than residentially based (although there are exceptions where very complex needs remain, e.g. many Older People with Mental Health Needs and clients with severe Learning or Physical Disabilities). The value of these changes is a decrease of £632k in gross and a £632k decrease in income.

Cash limits have also been adjusted to reflect a number of technical adjustments to budget, including realignment of gross and income to more accurately reflect current levels of services and the inclusion of a number of 100% grants/contributions (i.e. which fully fund the additional costs) awarded since the budget was set. These include the increase of £56k in the HIV/AIDS grant, and £95k for the Dementia Demonstrator funding, and reflects the receipts in advance carried forward from 2009-10 for Learning Disability Campus Re-provision Grant (£271k) and Social Care Reform Grant (£715k). Adjustments are also needed to reflect the further transfer of Learning Disability clients from Health under Section 256 arrangements; these adjustments increase both gross and income by £17,507k. It was previously acknowledged that some of the income budgets were not correctly aligned to where the gross budget was held. This should have been rectified in budget build but regrettably was not hence a number of adjustments are now required. The value of these changes is a £353k increase in gross and a £353k increase in income. Of this £557k relates to recharges to the Communities Directorate in respect of Supporting People costs which were not previously cash limited. The balance of -£204k is made up of small decreases in client, health and other income.

These adjustments have resulted in an overall increase in the gross expenditure budget of £18,365k (-£632k + £56k + £95k + £271k + £715k + £17,507k +£353k) and an increase in the income budget of an equal amount, giving a net nil effect.

In addition there has been an increase of £119k in the gross budget in relation to an approved roll-forward from 2009-10 together with £18k of other Corporate adjustments which together total £137k.

Therefore the overall movement in cash limits shown in table 1a below is an increase of £18,502k in gross expenditure (£18,365k + £137k) and an increase in income of £18,365k.

Table 1a shows:

- the published budget,
- the proposed budget following adjustments for both formal virement and technical adjustments, together with roll forward from 2009-10 as approved by Cabinet in July,
- the total value of the adjustments applied to each service line.

Cabinet is asked to approve these revised cash limits:

The changes to cash limits referred to above have also impacted on the 2010-11 affordable levels of activity and these have been updated within section 2 of this annex to reflect the revised cash limits outlined in Tables 1a and 1b.

1.1.2.1 Table 1a: Movement in cash limits since Published Budget

Budget Book Heading	Published Budget			Current Cash Limit			Movement in Cash Limit		
	G	I	N	G	I	N	G	I	N
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Adult Services portfolio									
Older People:									
- Residential Care	88,305	-33,217	55,088	87,616	-33,310	54,306	-689	-93	-782
- Nursing Care	44,209	-20,201	24,008	45,690	-21,078	24,612	1,481	-877	604
- Domiciliary Care	47,882	-10,490	37,392	47,498	-10,044	37,454	-384	446	62
- Direct Payments	4,981	-452	4,529	5,062	-532	4,530	81	-80	1
- Other Services	19,582	-3,082	16,500	20,187	-3,137	17,050	605	-55	550
Total Older People	204,959	-67,442	137,517	206,053	-68,101	137,952	1,094	-659	435
People with a Learning Difficulty:									
- Residential Care	65,284	-12,791	52,493	71,361	-18,794	52,567	6,077	-6,003	74
- Domiciliary Care	7,827	-949	6,878	7,393	-1,122	6,271	-434	-173	-607
- Direct Payments	7,747	-185	7,562	7,865	-143	7,722	118	42	160
- Supported Accommodation	12,729	-2,140	10,589	23,317	-12,643	10,674	10,588	-10,503	85
- Other Services	21,110	-1,397	19,713	21,603	-1,232	20,371	493	165	658
Total People with a LD	114,697	-17,462	97,235	131,539	-33,934	97,605	16,842	-16,472	370
People with a Physical Disability									
- Residential Care	12,759	-2,136	10,623	12,526	-1,951	10,575	-233	185	-48
- Domiciliary Care	7,718	-459	7,259	7,661	-449	7,212	-57	10	-47
- Direct Payments	7,022	-269	6,753	7,132	-249	6,883	110	20	130
- Supported Accommodation	477	-18	459	394	-8	386	-83	10	-73
- Other Services	5,940	-715	5,225	5,805	-896	4,909	-135	-181	-316
Total People with a PD	33,916	-3,597	30,319	33,518	-3,553	29,965	-398	44	-354
All Adults Assessment & Related	36,550	-1,876	34,674	37,292	-2,020	35,272	742	-144	598
Mental Health Service									
- Residential Care	6,456	-772	5,684	6,416	-882	5,534	-40	-110	-150
- Domiciliary Care	725		725	623		623	-102	0	-102
- Direct Payments	602		602	606		606	4	0	4
- Supported Accommodation	435		435	435	0	435	0	0	0
- Assessment & Related	10,001	-876	9,125	10,001	-876	9,125	0	0	0
- Other Services	6,914	-902	6,012	7,180	-902	6,278	266	0	266
Total Mental Health Service	25,133	-2,550	22,583	25,261	-2,660	22,601	128	-110	18
Gypsy & Traveller Unit	647	-319	328	662	-333	329	15	-14	1
People with no recourse to Public Funds	100		100	100		100	0	0	0
Strategic Management	1,289	-27	1,262	1,249	-27	1,222	-40	0	-40
Strategic Business Support	24,525	-2,134	22,391	24,673	-2,007	22,666	148	127	275
Support Services purchased from CED	6,816		6,816	6,787		6,787	-29	0	-29
Specific Grants		-8,773	-8,773		-9,910	-9,910		-1,137	-1,137
Adult Services controllable	**448,632**	**-104,180**	**344,452**	**467,134**	**-122,545**	**344,589**	**18,502**	**-18,365**	**137**

1.1.2.2 **Table 1b** below details the revenue position by Service Unit against the revised cash limits shown in table 1a:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Adult Services portfolio							
Older People:							
- Residential Care	87,616	-33,310	54,306	663	-88	575	Price pressures due to dementia; staff cover for in-house; additional client/health income
- Nursing Care	45,690	-21,078	24,612	-260	24	-236	Forecast activity below affordable level
- Domiciliary Care	47,498	-10,044	37,454	-239	60	-179	Activity in independent in excess of affordable offset by underspend on in-house

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Direct Payments	5,062	-532	4,530	-97	-34	-131	
- Other Services	20,187	-3,137	17,050	-156	-7	-163	Small underspends on a number of lines
Total Older People	206,053	-68,101	137,952	-89	-45	-134	
People with a Learning Disability:							
- Residential Care	71,361	-18,794	52,567	3,777	-106	3,671	Demographic and placement pressures
- Domiciliary Care	7,393	-1,122	6,271	-85	-96	-181	
- Direct Payments	7,865	-143	7,722	97	-40	57	
- Supported Accommodation	23,317	-12,643	10,674	29	-119	-90	Demographic and placement pressures
- Other Services	21,603	-1,232	20,371	-981	-88	-1,069	Releasing of Managing Director's continency to offset overall pressure; number of small underspends
Total People with a LD	131,539	-33,934	97,605	2,837	-449	2,388	
People with a Physical Disability							
- Residential Care	12,526	-1,951	10,575	224	253	477	Demographic and placement pressures
- Domiciliary Care	7,661	-449	7,212	98	23	121	
- Direct Payments	7,132	-249	6,883	95	-15	80	
- Supported Accommodation	394	-8	386	73	-12	61	
- Other Services	5,805	-896	4,909	-88	3	-85	
Total People with a PD	33,518	-3,553	29,965	402	252	654	
All Adults Assessment & Related	37,292	-2,020	35,272	334	95	429	Reduced turnover
Mental Health Service							
- Residential Care	6,416	-882	5,534	854	289	1,143	Forecast activity in excess of affordable level; increased proportion of S117 clients who do not contribute to costs
- Domiciliary Care	623		623	28	0	28	
- Direct Payments	606		606	-176	0	-176	Less than expected activity
- Supported Accommodation	435	0	435	94	0	94	
- Assessment & Related	10,001	-876	9,125	-95	30	-65	
- Other Services	7,180	-902	6,278	-523	-97	-620	Releasing of Managing Director's contingency/ other uncommitted monies to offset overall pressure
Total Mental Health Service	25,261	-2,660	22,601	182	222	404	
Gypsy & Traveller Unit	662	-333	329	60	-55	5	
People with no recourse to Public Funds	100		100	0	0	0	
Strategic Management	1,249	-27	1,222	-94	0	-94	
Strategic Business Support	24,673	-2,007	22,666	-905	91	-814	Uncommitted workforce development grant; vacancy management; non pay savings; grant funded posts

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Support Services purchased from CED	6,787		6,787	0	0	0	
Specific Grants		-9,910	-9,910	0	0	0	
Total Adult Services controllable	**467,134**	**-122,545**	**344,589**	**2,727**	**111**	**2,838**	
Assumed Management Action				**-2,838**		**-2,838**	
Forecast after Mgmt Action				**-111**	**111**	**0**	

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 **Older People:**

The overall position for services for Older People is a net underspend of £134k.

a. Residential Care

This line is reporting a gross pressure of £663k and an over recovery of income of £88k. As at June there were 2,819 permanent clients in private and voluntary care compared with 2,751 in March which is an increase of 68 clients, 46 of whom were people with dementia. The forecast position is 155,570 weeks of care against an affordable level of 155,351, which is 219 weeks over budget. Using the forecast unit cost of £391.29, this increased level of activity generates a pressure of £86k. In addition the forecast unit cost is £1.38 higher than the affordable which results in a pressure of £214k and reflects the increasing numbers of clients with dementia as placements are more expensive. Although the higher level of activity generates increased income of £36k, the actual income per week is £162.60 against an expected level of £164.29. This gives an under-recovery in income of £262k.

In-house residential provision, including integrated care centres, is showing a pressure of £390k on gross primarily on staffing because of the continuing need to cover sickness and absence with agency staff in order to meet care standards, as well as meeting increased occupancy levels. The pressure on gross is offset by an additional £285k of income due to increased occupancy levels and recharges to health.

The forecast for Preserved Rights clients is showing minor variances on both gross and income.

b. Nursing Care

There is an underspend of £260k on gross expenditure and an under recovery of income of £24k against this line. The number of permanent clients in private and voluntary placements has increased to 1,417 in June compared to the 1,374 reported in March. The forecast is currently coming in 770 weeks under budget at a saving of £363k. The unit cost is currently forecast to be slightly more than budget, £470.67 instead of £470.01, which gives a pressure by £53k. The reduced activity has resulted in decreased income of £123k. The actual income per week is £159.79 against an expected level of £158.30. This gives an over-recovery in income of £118k.

The forecast for Preserved Rights clients is showing minor variances on both gross and income.

c. Domiciliary Care

Overall there is currently an underspend of £239k on gross with an under-recovery in income of £60k. Domiciliary care continues to be the most difficult to forecast as activity can be volatile; the continuing trend in the number of clients remains uncertain and the number receiving a domiciliary care package from the independent sector remains below the average of last year. The number of clients in receipt of a package through the private and voluntary sector decreased in June to 6,298 following two months of increases, compared with 6,227 clients in March. The current forecast assumes that 2,493,266 hours will be purchased against an affordable level of 2,476,546, generating a pressure of £259k. The forecast unit cost is only marginally more expensive than affordable generating an additional cost of £68k. This will relate to the fact that people who do receive domiciliary care, in its traditional sense, are more likely to have higher needs and require more intense packages.

There is also a significant underspend of £490k relating to the in-house domiciliary service as the number of clients remains well below that afforded within the budget. There is also a minor underspend of £95k against block contracts.

There are a number of small variances across the various lines within domiciliary care which add up to an under-recovery of income of £60k.

d. Other Services

This line is showing a gross underspend of £156k due to small variances against a number of budgets including payments to voluntary organisations, day-care, and meals.

1.1.3.2 **People with a Learning Disability:**

Overall the position for this client group is a net pressure of £2,388k. Services for this client group remain under extreme pressure, particularly within residential care as a result of both demographic and placement price pressures. This includes the impact of young adults transferring from Children's Services, many of whom have very complex needs and require a much higher level of support. There are also increasing numbers of older learning disabled clients who are cared for at home by ageing parents who will begin to require more support. Cases of clients becoming/ or who could become "ordinarily resident" in Kent continue to be a problem. A client would become "ordinarily resident" when placed by another local authority in Kent and following de-registration of the home, the individual moves into supported accommodation. We have accepted responsibility for a number of clients, and we are still contesting a number of other applications. The issue of ordinary residence has been discussed nationally through the Association of Directors of Adult Social Services as the current system penalises those authorities, such as Kent, who have historically been a net importer of residential clients.

a. Residential Care

The overall forecast for residential care, including preserved rights clients, is a pressure on gross of £3,777k partially offset by an over recovery of income of £106k, giving a net pressure of £3,671k. Details of the individual pressures and savings contributing to this position are provided below.

The number of clients has increased from 632 in March to 703 in June which includes the transfer of a further 69 clients from Health under Section 256 arrangements. This is part of the overall transfer of responsibility for most Learning Disability placements from Health and these clients are 100% funded by Health. Both the costs and income relating to this transfer of clients are included in the cash limits and the additional activity is reflected in the affordable levels. The forecast assumes 1,133 weeks more than is affordable at a cost of £1,429k, and includes those known young people who are in the "transition" process and will be coming to adult social services before the end of the year. The actual unit cost is £1,261.46 which is £58.19 higher than the affordable level and adds £2,089k to the forecast. It should be noted that both the affordable and forecast unit costs have increased significantly from last year as a result of the placements transferred from Health under S256 arrangements. The additional client weeks add £359k of income, although the actual income per week is slightly lower than the expected level which generates an under-recovery in income of £40k.

The forecast number of client weeks of service provided to Preserved Rights clients is 97 lower than the affordable level because of increased attrition which is over and above that assumed in the budget; this reduced activity gives an underspend of £79k. The unit cost is £814.35 which is higher than the affordable level of £805.28 creating a pressure of £285k. The reduced level of activity has resulted in an under-recovery of income of £22k, and the actual income per week is less than expected which gives a pressure of £132k.

There is a small gross pressure of £60k against in house residential provision because of the need to cover sickness and absence with agency staff to meet national care standards.

b. Supported Accommodation

The current position is a gross pressure of £29k and an over recovery of income of £119k giving a net underspend of £90k with the number of clients having increased from 309 in March to 408 in June following the transfer of a number of clients from Health under Section 256 arrangements. As with residential care, both the costs and income relating to this transfer of clients are included in the cash limits and the additional activity is reflected in the affordable levels. The forecast shows 41 weeks more than affordable creating a pressure of £44k. This is based on a unit cost of £1,060.59 which is £1.93 per week lower than is affordable and this reduces the pressure by £39k. It should be noted that both the affordable and forecast unit costs have increased significantly from last year as a result of the placements transferred from Health under S256 arrangements as many of these clients cost over £1,200 per week. The extra activity generates increased income of £26k and the average income per week is higher than the level expected resulting in an over recovery in income of £103k.

There are also small variances against group homes and the adult placement scheme.

c. Other Services

This line is showing a gross underspend of £981k following the release of £830k of the Contingency held by the Managing Director to offset the overall pressure within this client group. The remaining underspend of £151k relates to small variances against a number of budgets including payments to voluntary organisations, day-care, and supported employment.

1.1.3.3 **People with a Physical Disability:**

Overall the position for this client group is a net pressure of £654k. Services for this client group remain under pressure as a result of both demographic and placement price pressures.

a. Residential Care

The overall forecast for residential care, including preserved rights clients, is a pressure on gross of £224k and an under recovery of income of £253k. Although the number of clients has reduced from 222 in March to 218 the forecast assumes 70 weeks more than is affordable giving a pressure of £63k. The actual unit cost is £904.33 which is £26.67 higher than the affordable which increases the pressure by £324k. The additional client weeks add £8k of income to the position however the income per week is less than the level expected which causes a pressure of £181k.

The forecast number of client weeks of service provided to Preserved Rights clients is 176 lower than the affordable level because of increased attrition which is over and above that assumed in the budget. This reduced activity gives an underspend of £152k and the unit cost is slightly lower than the affordable level which further reduces the position by £12k. The reduced activity and a lower average of income per week means an under-recovery in income of £76k.

1.1.3.4 **All Adults & Assessment:**

This budget is forecasting a gross pressure of £334k with an under-recovery in income of £95k. Although it is hoped that this pressure will reduce through vacancy management, it should be noted that the level of staff turnover in June for the Directorate as a whole had reduced to just 0.39% which is the lowest it has been in over 15 months. This low turnover increases the pressure on all staffing budgets as it is expected to fund the cost of performance related pay progression.

1.1.3.5 **Mental Health:**

The overall position for Mental Health is a net pressure of £404k.

a. Residential Care

The forecast for residential care, including preserved rights clients, is a pressure on gross of £854k and an under recovery of income of £289k. The affordable level for non-preserved rights was previously reduced following the decision to realign budgets 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. The intention to keep clients in the community remains, so budgets have been left as they are rather than adjusted back. The result is a forecast which is 1,681 weeks more than is affordable at a cost of £920k. The actual unit cost is £547.57 which is £1.83 lower than the affordable which reduces the pressure by £16k. The forecast also assumes a significant under-recovery in income as an increasing proportion of clients fall under Section 117 legislation meaning that they do not contribute towards the cost of their care. This has added £274k to the pressure.

The forecast for Preserved Rights clients reflects a small underspend of £50k because of increased attrition which is over and above that assumed in the budget. The reduced activity also means an under-recovery in income of £15k.

b. 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. The intention to keep clients in the community remains so budgets have been left as they are rather than adjusted back. The result is a gross forecast which is underspending against budget by £176k.

c. Other Services

This line is showing an underspend on gross of £523k following the release of £520k of Contingency and other uncommitted funding held by the Managing Director to offset the overall pressure within this client group.

1.1.3.6 **Strategic Business Support:**

This line is forecasting a significant underspend of £905k against gross expenditure with an under recovery in income of £91k. Of the gross underspend £250k relates to uncommitted funding held by the Managing Director and this has been released to reduce the overall pressure within the Directorate. The remainder of the underspend results from savings in a number of areas including £345k of vacancy management through continuing to hold posts vacant and delaying the recruitment process, £146k of printing, stationery, rent and room hire and reduced Girobank charges, and £91k of posts funded externally and not backfilled, with the other £73k made up of numerous small savings.

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

(shading denotes that a pressure has an offsetting saving, which is directly related, or vice versa)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
KASS	LD Residential Gross - Independent sector unit cost higher than affordable	+2,089	KASS	LD Other Services Gross - Release of contingency	-830
KASS	LD Residential Gross - Independent sector activity beyond affordable level	+1,429	KASS	MH Other Services Gross - Release of uncommitted funding and contingency	-520
KASS	MH Residential Gross - Slower than anticipated change to community based services creating activity higher than affordable	+920	KASS	OP Domiciliary Gross - In house provision client numbers below affordable level	-490
KASS	OP Residential Gross - In House provision Staffing	+390	KASS	OP Nursing Gross - Independent sector activity lower than affordable	-363
KASS	Adults Assessment Gross - reduced staff turnover & pressure of pay progression	+334	KASS	LD Residential Income - Additional income attributable to increased activity	-359
KASS	PD Residential Gross - Unit cost higher than affordable	+324	KASS	SBS Gross - vacancy management	-345
KASS	LD Residential Gross - Independent sector Preserved Right clients unit cost higher than affordable	+285	KASS	OP Residential Income - In House provision, recharges to health	-285
KASS	MH Residential Income - Increased incidence of clients classed at Section 117 causing a drop in average income collected	+274	KASS	SBS Gross - Uncommitted funding held by Managing Director	-250
KASS	OP Residential Income - Income per week lower than budgeted	+262	KASS	MH Direct Payments Gross - Slower than expected take up of community based services	-176
KASS	OP Domiciliary Care Gross - Increased activity beyond affordable level in independent sector provision	+259	KASS	PD Residential Gross - Preserved Rights clients increase in actual attrition rate	-152
KASS	OP Residential Gross - Change in unit cost of Independent Sector placements	+214	KASS	SBS Gross - Reduced costs of room hire, printing, stationery, rent and bank Giro charges	-146
KASS	PD Residential Income - Weekly income lower than expected	+181	KASS	OP Nursing Income - Increase in income per week compared to budgeted	-118
KASS	LD Residential Income - Independent sector Preserved Rights clients weekly income lower than affordable	+132	KASS	LD Supported Accommodation Income - additional income due to higher than expected average weekly income	-103
KASS	OP Nursing Income - reduced income from reduced Independent sector activity	+123			
		+7,216			**-4,137**

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

The forecast pressure of £2,838k assumes that the savings identified within the MTP will be achieved and the Directorate remains confident that all savings will be achieved. ‘Guidelines for Good Management Practice’, also referred to below, are in place across the Directorate, and these, together with vacancy management, are anticipated to address the overall pressure.

1.1.5 **Implications for MTP**:

The MTP assumes a breakeven position for 2010-11.

The base budget implications of issues identified in this monitoring report will be a call on the amounts identified in the 2010/13 MTP as emerging pressures in 2011/12 and 2012/13. The details of individual amounts will be included when the revised plan is published for consultation in January 2011 together with any new pressures forecast for 2011/12 and 2012/13. The significant issues for the KASS portfolio arising from 2010/11 budget monitoring are related to demography.

It is assumed that the demographic pressures for KASS are likely to be £8.7m in future years. This is based on detailed calculations, on trends over the past year of increased clients and complexity. Clearly this will be reviewed on an on-going basis as part of the monitoring process.

The revised MTP will include proposals on how the in-year cuts in Government grants will be accommodated in base budgets once it has been confirmed that these reductions are permanent following the announcement of the provisional local government finance settlement for 2011/12 which we anticipate will be in late November/Early December. The revised plan will also include the strategy to address the likely reductions in funding over the lifetime of the current parliament following the Chancellor's emergency budget statement on 22nd June in which he outlined his plans to address the national budget deficit.

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

No revenue projects have been identified for re-phasing.

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

This section should provide details of the management action outstanding, as reflected in the assumed management action figure reported in table 1.

The KASS Directorate is wholly committed to delivering a balanced outturn position by the end of the financial year. KASS has 'Guidelines for Good Management Practice' in place across all teams in order to help us manage demand on an equitable basis consistent with policy and legislation. Robust monitoring arrangements are in place on a monthly basis to ensure that forecasts and expenditure are closely monitored and where necessary challenged. Through these arrangements the Directorate expects to balance the £2,838k pressure by the end of the year.

1.2 CAPITAL

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

The capital cash limits have been adjusted since last reported to Cabinet on 12th July 2010, as detailed in section 4.1.

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

	Prev Yrs Exp £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	Future Yrs £000s	TOTAL £000s
Kent Adult Social Services portfolio						
Budget	5,796	14,455	7,285	2,640	1,162	31,338
Adjustments:						
- completed projects	-1,620					-1,620
Revised Budget	4,176	14,455	7,285	2,640	1,162	29,718
Variance		-5,108	3,109	1,530	379	-90
split:						
- real variance		-90				-90
- re-phasing		-5,018	+3,109	+1,530	+379	0

Real Variance	**0**	**-90**	**0**	**0**	**0**	**-90**
Re-phasing	**0**	**-5,018**	**+3,109**	**+1,530**	**+379**	**0**

1.2.3 **Main Reasons for Variance**

Table 4 below, details all forecast capital variances over £250k in 2010-11 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

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
			+0	**+0**	**+0**	**+0**
Underspends/Projects behind schedule						
	Learning Disability Good Day programme Board	phasing			-2,613	
	Op-Integrated Care Centres	phasing			-1,082	
	Eastern Quarry	phasing			-521	
			0	**-0**	**-4,216**	**-0**
			-0	**-0**	**-4,216**	**-0**

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

1.2.4.1 **Modernisation of LD Services** (**Learning Disability Good Day Programme Board) – re-phasing of -£2.613m**

Following extensive consultation of day care services for people with learning disabilities and recommending a way forward, the current forecast represents the revised timescale for this project.

Revised phasing of the scheme is now as follows:

	Prior Years	2010-11	2011-12	2012-13	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget		3,853	749	1,152	1,162	6,916
Forecast		1,240	2,535	1,600	1,541	6,916
Variance	0	-2,613	1,786	448	379	0
FUNDING						
Budget:						
PEF 2		3,251	681	1,152	1,162	6,246
Prudential		210				210
Capital Receipts		392	68			460
TOTAL	0	3,853	749	1,152	1,162	6,916
Forecast:						
PEF 2		1,060	2,325	1,530	1,331	6,246
prudential		110	100			210
Capital Receipts		70	110	70	210	460
TOTAL	0	1,240	2,535	1,600	1,541	6,916
Variance	**0**	**-2,613**	**+1,786**	**+448**	**+379**	**-0**

1.2.4.2 **OP Integrated Care Centres – re-phasing of -£1.082m**

In light of the recent Directorate's over-arching strategy around its older persons services, this element has been re-phased.

Revised phasing of the scheme is now as follows:

	Prior Years	2010-11	2011-12	2012-13	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget		1,082				1,082
Forecast				1,082		1,082
Variance	0	-1,082	0	+1,082	0	0
FUNDING						
Budget:						
PEF 2		1,082				1,082
TOTAL	0	1,082	0	0	0	1,082
Forecast:						
PEF 2				1,082		1,082
TOTAL	0	0	0	1,082	0	1,082
Variance	**0**	**-1,082**	**0**	**+1,082**	**0**	**0**

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

There is a real variance of -£0.090m (in 2010-11) which is detailed as follows:

Modernisation of Assets -£0.090m (in 2010-11)**:** The PCT was funding the Broadmeadow extension with £0.180m, but have only paid £0.090m. We are proposing to cover this external funding pressure by underspending on the modernisation of assets budget.

Taking this into account, there is no underlying variance.

1.2.6 **General Overview of capital programme**:

(a) Risks

The risks linked to KASS must be similar to those felt throughout the Authority in this current financially suppressed climate. As a Directorate that works alongside many partners such as District Councils, Private/Voluntary Organisations and Primary Care Trusts (PCT) in order to provide the most comprehensive service delivery to our users, the risks to KASS are potentially compounded.

(b) Details of action being taken to alleviate risks

The Directorate continues to closely monitor those risks associated with our partnership working arrangements on a regular basis through Area Asset Management Boards which run alongside its over-arching capital strategy. However, the Directorate may not always be able to influence/control the final outcome.

1.2.7 **PFI projects**

1. The £44.3m investment in the PFI Excellent Homes for All project represents investment by a third party. No payment will be made by KCC for the newly built assets until they are ready for use. Again this will be by way of an annual unitary charge to the revenue budget.

	Previous years	**2010-11**	**2011-12**	**2012-13**	**TOTAL**
	£000s	£000s	£000s	£000s	£000s
Budget			22,300	22,000	44,300
Forecast			22,300	22,000	44,300
Variance					

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

Overall costings still as planned.

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

This contract has not been signed yet although the procurement is in the advanced stages of competitive dialogue. It is likely that the unitary charge is fixed for the duration of the contract period. Deductions will be made during the contract period if performance falls below the standards agreed or if the facilities are unavailable for use.

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

1.2.8 Project Re-Phasing

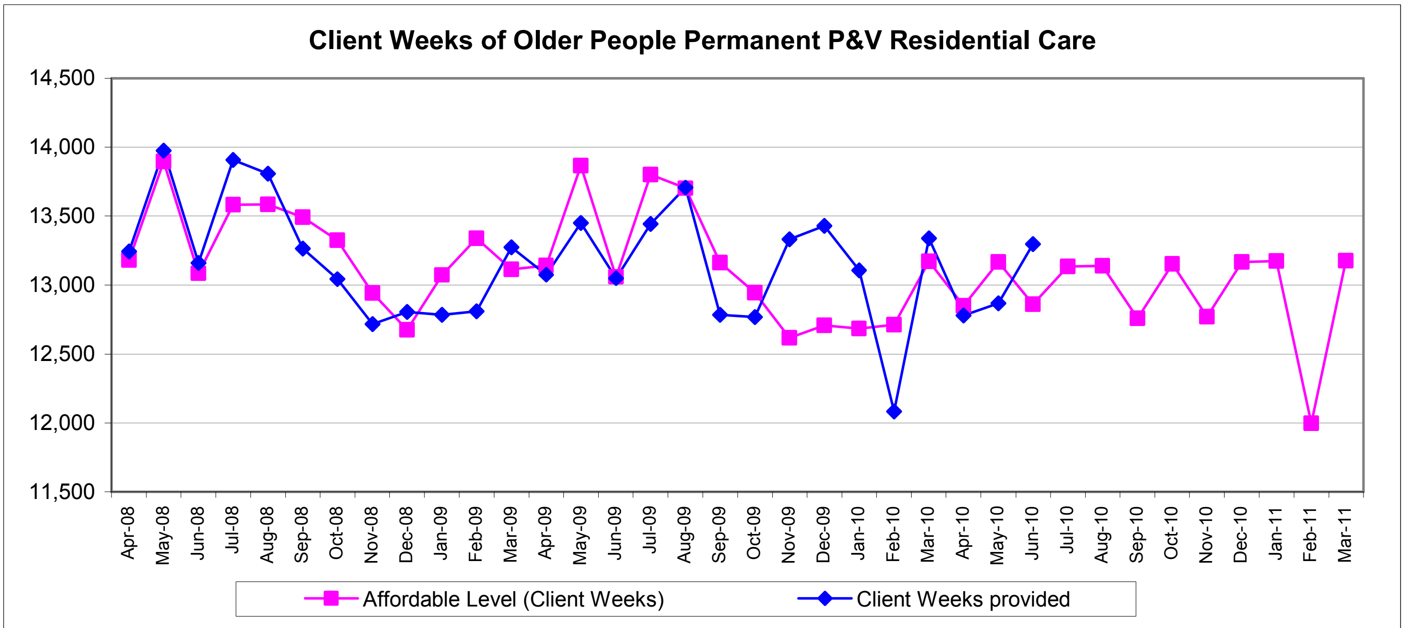
Cash limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the rephasing will be shown. The proposed re-phasing is detailed in the table below.

	2010-11	2011-12	2012-13	Future Years	Total
	£k	£k	£k	£k	
Modernisation of Assets					
Amended total cash limits	+1,163	+267	+275		+1,705
re-phasing	-221	+221			0
Revised project phasing	**+942**	**+488**	**+275**	**0**	**+1,705**
Mental Health					
Amended total cash limits	+316				+316
re-phasing	-142	+142			0
Revised project phasing	**+174**	**+142**	**0**	**0**	**+316**
IT Infrastructure Grant					
Amended total cash limits	+511				+511
re-phasing	-162	+162			0
Revised project phasing	**+349**	**+162**	**0**	**0**	**+511**
Modernisation of LD Services					
Amended total cash limits	+3,853	+749	+1,152	+1,162	+6,916
re-phasing	-2,613	+1,786	+448	+379	0
Revised project phasing	**+1,240**	**+2,535**	**+1,600**	**+1,541**	**+6,916**
Strategy for new OP Integrated Care Centres					
Amended total cash limits	+1,082				+1,082
re-phasing	-1,082		+1,082		0
Revised project phasing	**0**	**0**	**+1,082**	**0**	**+1,082**
Community Care Centres - Thameside - East Quarry & Ebbsfleet					
Amended total cash limits	+521	+897			+1,418
re-phasing	-521	+521			0
Revised project phasing	**0**	**+1,418**	**0**	**0**	**+1,418**
Total re-phasing >£100k	**-4,741**	**+2,832**	**+1,530**	**+379**	**0**
Other re-phased Projects below £100k	-277	+277			
TOTAL RE-PHASING	**-5,018**	**+3,109**	**+1,530**	**+379**	**0**

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1.1 **Number of client weeks of older people permanent P&V residential care provided compared with affordable level**:

	2008-09		2009-10		2010-11	
	Affordable Level (Client Weeks)	Client Weeks of older people permanent P&V residential care provided	Affordable Level (Client Weeks)	Client Weeks of older people permanent P&V residential care provided	Affordable Level (Client Weeks)	Client Weeks of older people permanent P&V residential care provided
April	13,181	13,244	13,142	13,076	12,848	12,778
May	13,897	13,974	13,867	13,451	13,168	12,866
June	13,084	13,160	13,059	13,050	12,860	13,298
July	13,581	13,909	13,802	13,443	13,135	
August	13,585	13,809	13,703	13,707	13,141	
September	13,491	13,264	13,162	12,784	12,758	
October	13,326	13,043	12,943	12,768	13,154	
November	12,941	12,716	12,618	13,333	12,771	
December	12,676	12,805	12,707	13,429	13,167	
January	13,073	12,784	12,685	13,107	13,175	
February	13,338	12,810	12,712	12,082	11,998	
March	13,114	13,275	13,172	13,338	13,176	
TOTAL	**159,287**	**158,793**	**157,572**	**157,568**	**155,351**	**38,942**



Comments:

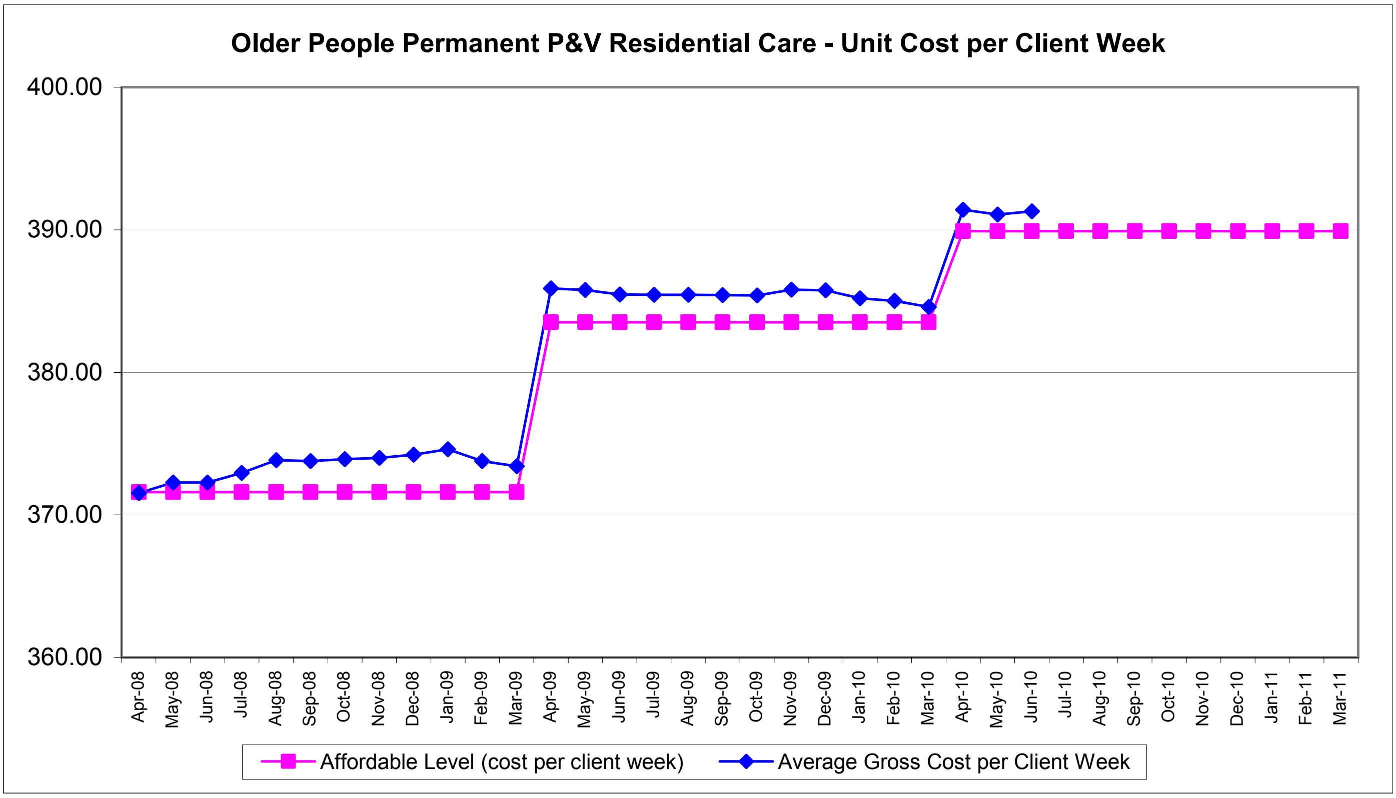
- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in older people permanent P&V residential care at the end of 2008-09 was 2,832, at the end of 2009-10 it was 2,751 and at the end of June 2010 it was 2,819. It is evident that there are ongoing pressures relating to clients with dementia. During this year, the number of clients with dementia has increased from 1,195 in March to 1,217 in April to 1,241 in June, and the other residential clients have increased from 1,556 in March to 1,575 in April to 1,578 in June.

- The current forecast is 155,570 weeks of care against an affordable level of 155,351; a difference of 219 weeks. Using the forecast unit cost of £391.29 this increase in activity increases the forecast by £86k, as highlighted in section 1.1.3.1.a

- To the end of June 38,942 weeks of care have been delivered against an affordable level of 38,876; a difference of 66 weeks.

2.1.2 **Average gross cost per client week of older people permanent P&V residential care compared with affordable level**:

	2008-09		2009-10		2010-11	
	Affordable Level (Cost per Week)	Average Gross Cost per Client Week	Affordable Level (Cost per Week)	Average Gross Cost per Client Week	Affordable Level (Cost per Week)	Average Gross Cost per Client Week
April	371.60	371.54	383.52	385.90	389.91	391.40
May	371.60	372.28	383.52	385.78	389.91	391.07
June	371.60	372.27	383.52	385.47	389.91	391.29
July	371.60	372.94	383.52	385.43	389.91	
August	371.60	373.84	383.52	385.44	389.91	
September	371.60	373.78	383.52	385.42	389.91	
October	371.60	373.91	383.52	385.39	389.91	
November	371.60	374.01	383.52	385.79	389.91	
December	371.60	374.22	383.52	385.76	389.91	
January	371.60	374.61	383.52	385.20	389.91	
February	371.60	373.78	383.52	385.01	389.91	
March	371.60	373.42	383.52	384.59	389.91	

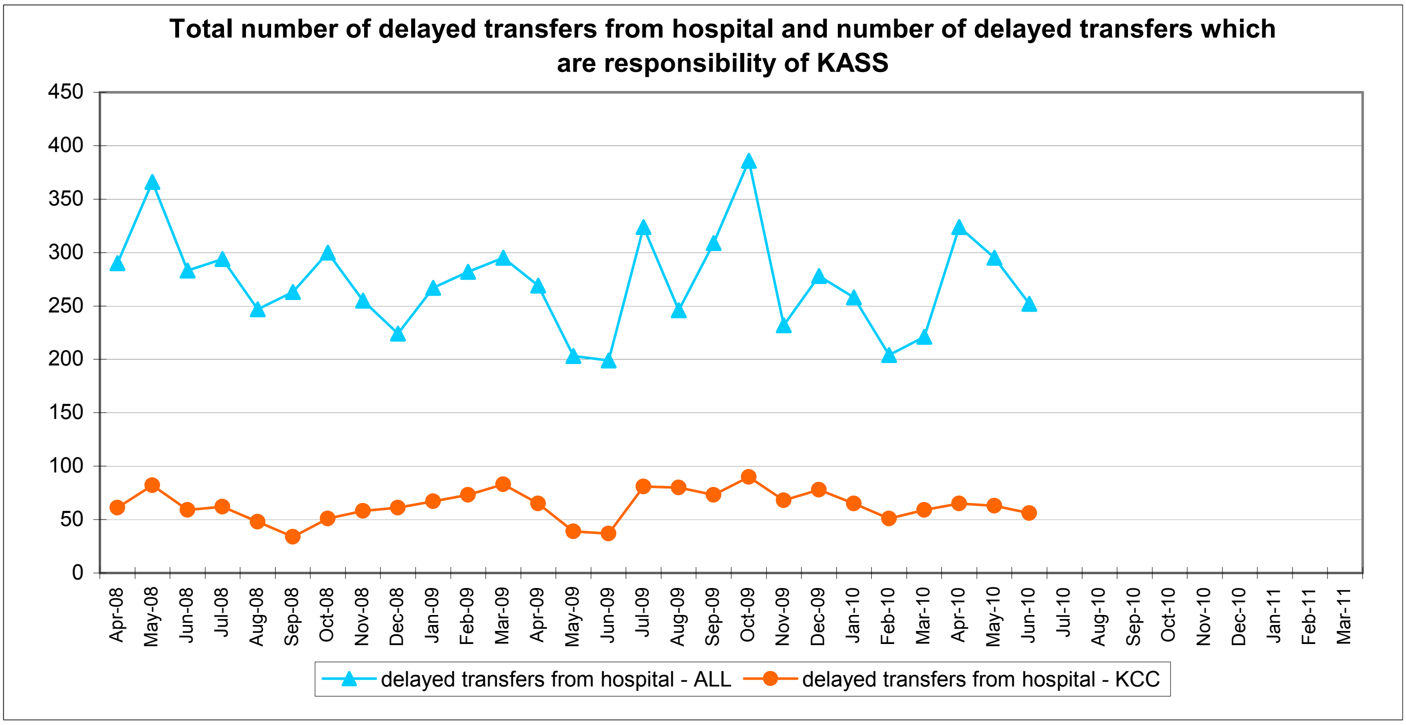


Comments:

- Average unit cost per week has increased more than inflation and is likely to reflect the increasing numbers of clients with dementia.
- The forecast unit cost of £391.29 is higher than the affordable cost of £389.91 and this difference of £1.38 adds £214k to the position when multiplied by the affordable weeks, as highlighted in section 1.1.3.1.a

2.1.3 **Total of All Delayed Transfers from hospital compared with those which are KASS responsibility**:

	2008-09		2009-010		2010-11	
	ALL	KASS responsibility	ALL	KASS responsibility	ALL	KASS responsibility
April	290	61	269	65	324	65
May	366	82	203	39	295	63
June	283	59	199	37	252	56
July	294	62	324	81		
August	247	48	246	80		
September	263	34	309	73		
October	300	51	386	90		
November	255	58	232	68		
December	224	61	278	78		
January	267	67	258	65		
February	282	73	204	51		
March	295	83	221	59		



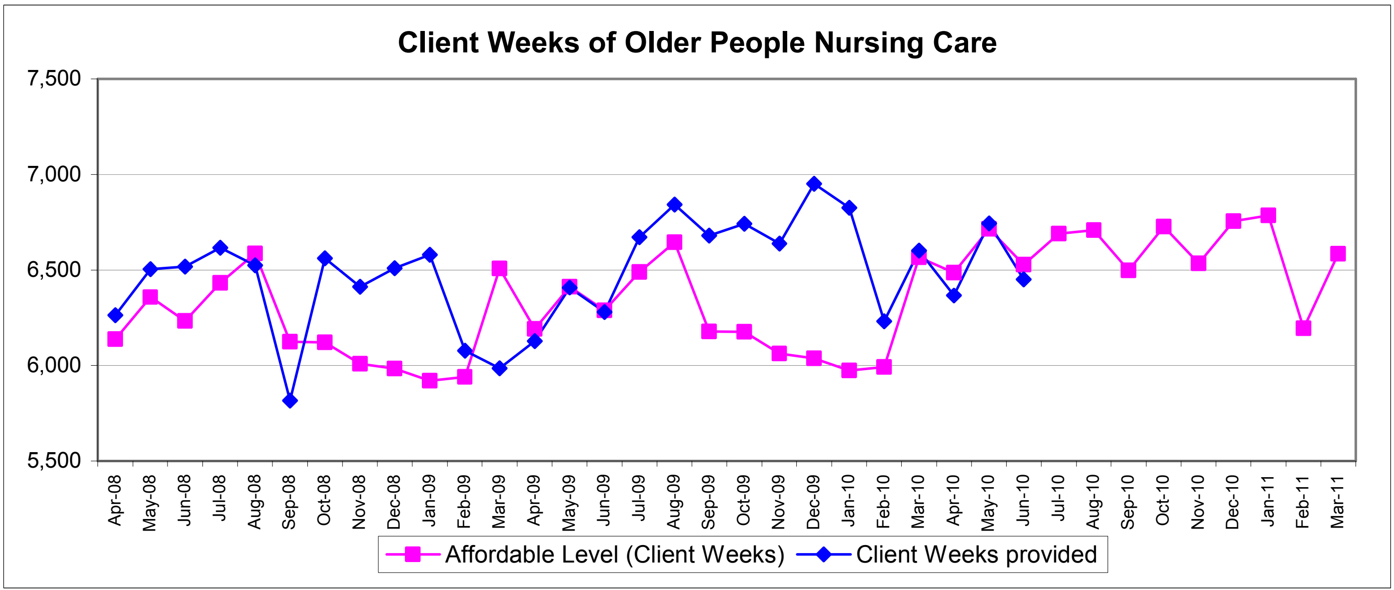
Comments:

- The Delayed Transfers of Care (DTCs) show the numbers of people whose movement from an acute hospital has been delayed. Generally, the main reasons for delay are ‘Patient Choice’ (just over 25%), ‘Awaiting non-acute NHS care’ (just under 25%) and ‘Awaiting assessment’ (20%). This figure shows all delays, but those attributable to Adult Social Services, and therefore subject to the reimbursement regime, are a minority. There are many reasons for fluctuations in the number of DTCs which result from the interaction of various different factors within a highly complex system across both Health and Social Care.

- This activity information is obtained from a national database based on data provided by the PCTs.

2.2.1 **Number of client weeks of older people nursing care provided compared with affordable level:**

	2008-09		2009-10		2010-11	
	Affordable Level (Client Weeks)	**Client Weeks of older people nursing care provided**	**Affordable Level (Client Weeks)**	**Client Weeks of older people nursing care provided**	**Affordable Level (Client Weeks)**	**Client Weeks of older people nursing care provided**
April	6,137	6,263	6,191	6,127	6,485	6,365
May	6,357	6,505	6,413	6,408	6,715	6,743
June	6,233	6,518	6,288	6,279	6,527	6,450
July	6,432	6,616	6,489	6,671	6,689	
August	6,586	6,525	6,644	6,841	6,708	
September	6,124	5,816	6,178	6,680	6,497	
October	6,121	6,561	6,175	6,741	6,726	
November	6,009	6,412	6,062	6,637	6,535	
December	5,984	6,509	6,037	6,952	6,755	
January	5,921	6,580	5,973	6,824	6,784	
February	5,940	6,077	5,992	6,231	6,194	
March	6,507	5,985	6,566	6,601	6,584	
TOTAL	**74,351**	**76,367**	**75,008**	**78,992**	**79,199**	**19,558**

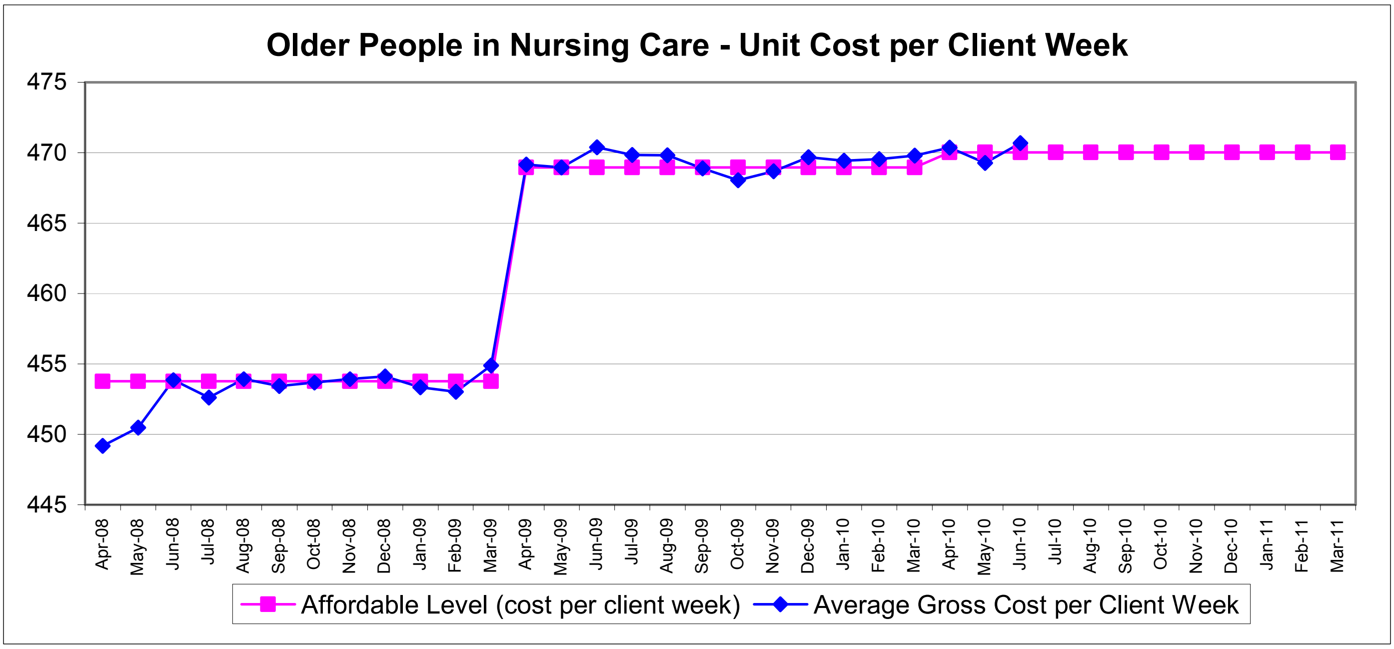


Comment:

- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in older people nursing care at the end of 2008-09 was 1,332, at the end of 2009-10 it was 1,374 and at the end of June 2010 it was 1,417. In nursing care, there is not the same distinction between clients with dementia, as with residential care. The difference in intensity of care for nursing care and nursing care with dementia is not as significant as it is for residential care.
- The current forecast is 78,429 weeks of care against an affordable level of 79,199; a difference of 770 weeks. Using the forecast unit cost of £470.67, this reduction in activity reduces the forecast by £363k, as highlighted in section 1.1.3.1.b
- To the end of June 19,558 weeks of care have been delivered against an affordable level of 19,727, a difference of -169 weeks.
- There are always pressures in permanent nursing care which may occur for many reasons. Increasingly, older people are entering nursing care only when other ways of support have been explored. This means that the most dependent are those that enter nursing care and consequently are more likely to have dementia. In addition, there will always be pressures which the directorate face, for example the knock on effect of minimising delayed transfers of care. Demographic changes – increasing numbers of older people with long term illnesses – also means that there is an underlying trend of growing numbers of people needing nursing care.

2.2.2 **Average gross cost per client week of older people nursing care compared with affordable level**:

	2008-09		2009-10		2010-11	
	Affordable Level (Cost per Week)	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**
April	453.77	449.18	468.95	469.15	470.01	470.36
May	453.77	450.49	468.95	468.95	470.01	469.27
June	453.77	453.86	468.95	470.37	470.01	470.67
July	453.77	452.61	468.95	469.84	470.01	
August	453.77	453.93	468.95	469.82	470.01	
September	453.77	453.42	468.95	468.88	470.01	
October	453.77	453.68	468.95	468.04	470.01	
November	453.77	453.92	468.95	468.69	470.01	
December	453.77	454.13	468.95	469.67	470.01	
January	453.77	453.33	468.95	469.42	470.01	
February	453.77	453.02	468.95	469.55	470.01	
March	453.77	454.90	468.95	469.80	470.01	



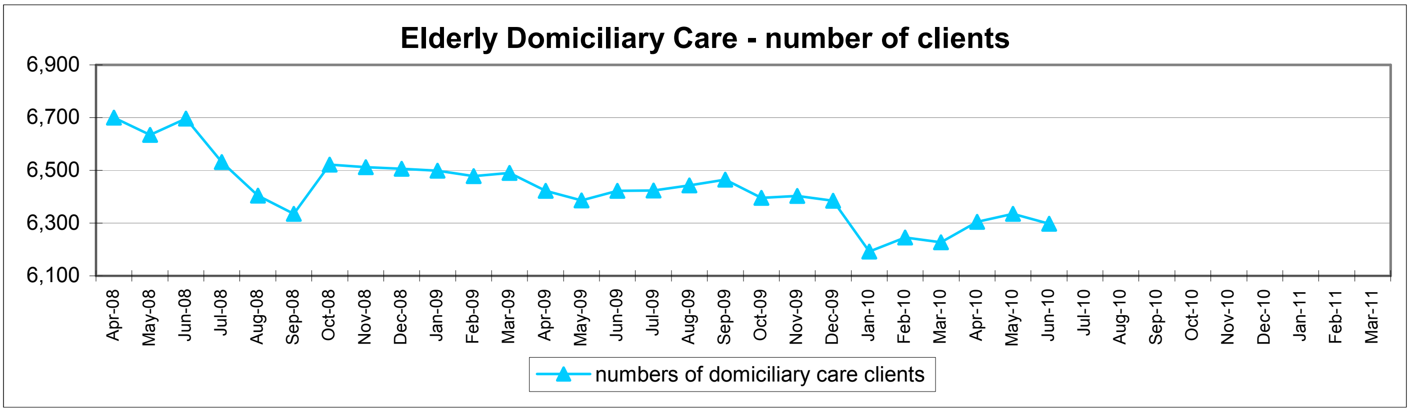
Comments:

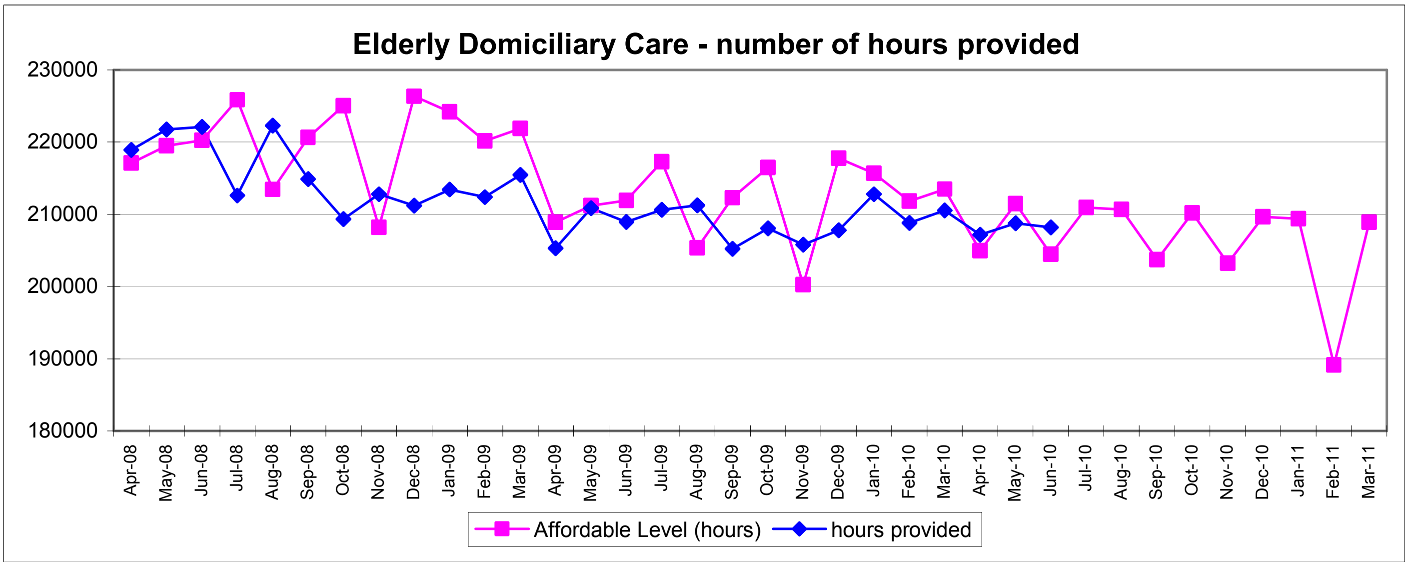
- As with residential care, the unit cost for nursing care will be affected by the increasing proportion of older people with dementia who need more specialist and expensive care.

- The forecast unit cost of £470.67 is slightly higher than the affordable cost of £470.01 and this difference of £0.66 adds £53k to the position when multiplied by the affordable weeks, as highlighted in section 1.1.3.1.b

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

	2008-09			2009-10			2010-11		
	Affordable level (hours)	hours provided	number of clients	Affordable level (hours)	hours provided	number of clients	Affordable level (hours)	hours provided	number of clients
April	217,090	218,929	6,700	208,869	205,312	6,423	204,948	207,167	6,305
May	219,480	221,725	6,635	211,169	210,844	6,386	211,437	208,757	6,335
June	220,237	222,088	6,696	211,897	208,945	6,422	204,452	208,177	6,298
July	225,841	212,610	6,531	217,289	210,591	6,424	210,924		
August	213,436	222,273	6,404	205,354	211,214	6,443	210,668		
September	220,644	214,904	6,335	212,289	205,238	6,465	203,708		
October	225,012	209,336	6,522	216,491	208,051	6,396	210,155		
November	208,175	212,778	6,512	200,292	205,806	6,403	203,212		
December	226,319	211,189	6,506	217,749	207,771	6,385	209,643		
January	224,175	213,424	6,499	215,686	212,754	6,192	209,387		
February	220,135	212,395	6,478	211,799	208,805	6,246	189,143		
March	221,875	215,488	6,490	213,474	210,507	6,227	208,869		
TOTAL	**2,642,419**	**2,587,139**		**2,542,358**	**2,505,838**		**2,476,546**	**624,101**	





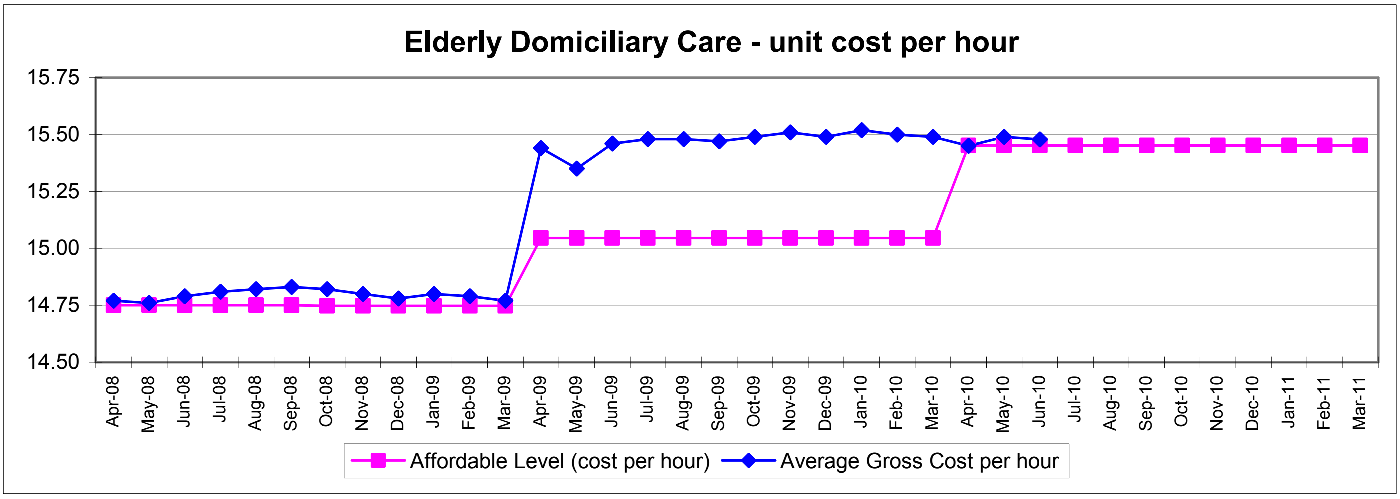
Comment:

- Figures exclude services commissioned from the Kent Enablement At Home service.
- The current forecast is 2,493,266 hours of care against an affordable level of 2,476,546, a difference of 16,720 hours. Using the forecast unit cost of £15.479 this additional activity increases the forecast by £259k, as highlighted in section 1.1.3.1.c
- To the end of June 624,101 hours of care have been delivered against an affordable level of 620,837, a difference of 3,264 hours.

- The number of people receiving domiciliary care has decreased since 2008/09, and we would not expect the number of domiciliary care clients to be significantly increasing for several reasons. Firstly, the success of preventative services such as intermediate care, rapid response and ongoing service developments with the voluntary sector and other organisations mean that we continue to prevent people from needing 'mainstream' domiciliary care. The LAA target focuses on how we can ensure that people are helped back to their own homes successfully with very minimal support. In the voluntary sector, people can access services, very often involving social inclusion (e.g. luncheon clubs and other social activities), without having to undergo a full care management assessment. Secondly, public health campaigns and social marketing aimed at improving people's health is already starting to result in healthier older people. Increase in the use of Telecare and Telehealth similarly reduces the need for domiciliary care, and it is possible that this trend will continue despite the growth in numbers of older people. Thirdly, in Kent, as well as nationwide, the take up of direct payments by older people, has for the first time, reached similar levels as people with physical disabilities.
- With the implementation of Self directed support within the Directorate and a key emphasis on enablement services, which is a short term but intensive service, we would expect the average hours per person to increase and this is starting to happen.

2.3.2 **Average gross cost per hour of older people domiciliary care compared with affordable level**:

	2008-09		2009-10		2010-11	
	Affordable Level (Cost per Hour)	Average Gross Cost per Hour	Affordable Level (Cost per Hour)	Average Gross Cost per Hour	Affordable Level (Cost per Hour)	Average Gross Cost per Hour
April	14.75	14.77	15.045	15.44	15.45	15.45
May	14.75	14.76	15.045	15.35	15.45	15.49
June	14.75	14.79	15.045	15.46	15.45	15.48
July	14.75	14.81	15.045	15.48	15.45	
August	14.75	14.82	15.045	15.48	15.45	
September	14.75	14.83	15.045	15.47	15.45	
October	14.75	14.82	15.045	15.49	15.45	
November	14.75	14.80	15.045	15.51	15.45	
December	14.75	14.78	15.045	15.49	15.45	
January	14.75	14.80	15.045	15.52	15.45	
February	14.75	14.79	15.045	15.50	15.45	
March	14.75	14.77	15.045	15.49	15.45	

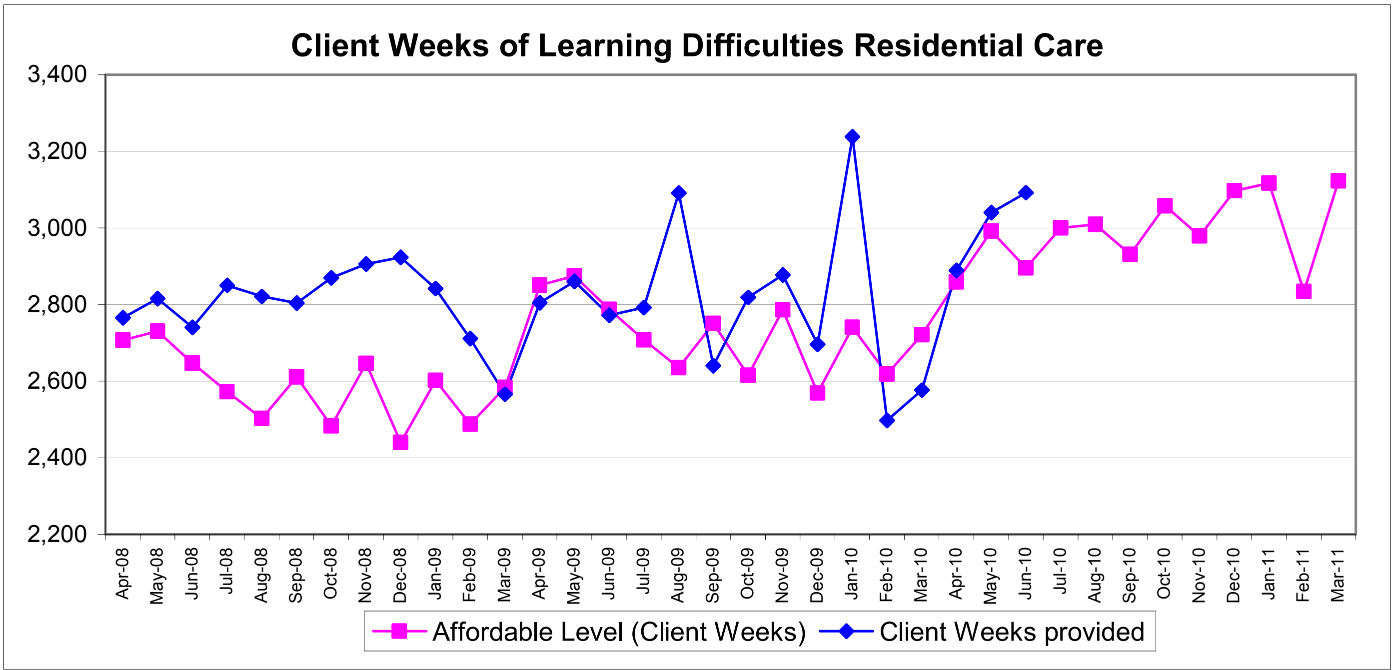


Comments:

- Average unit cost per week is increasing and may reflect the same issues outlined above concerning more intense packages and higher levels of need.
- The forecast unit cost of £15.479 is slightly higher than the affordable cost of £15.452 and this difference of £0.027 increases the pressure by £68k when multiplied by the affordable hours, as highlighted in section 1.1.3.1.c

2.4.1 **Number of client weeks of learning difficulties residential care provided compared with affordable level (non preserved rights clients):**

	2008-09		2009-10		2010-11	
	Affordable Level (Client Weeks)	Client Weeks of LD residential care provided	Affordable Level (Client Weeks)	Client Weeks of LD residential care provided	Affordable Level (Client Weeks)	Client Weeks of LD residential care provided
April	2,707	2,765	2,851	2,804	2,859	2,889
May	2,730	2,815	2,875	2,861	2,991	3,040
June	2,647	2,740	2,787	2,772	2,896	3,092
July	2,572	2,850	2,708	2,792	3,000	
August	2,502	2,821	2,635	3,091	3,009	
September	2,611	2,803	2,750	2,640	2,931	
October	2,483	2,870	2,615	2,818	3,057	
November	2,646	2,906	2,786	2,877	2,979	
December	2,440	2,923	2,569	2,696	3,097	
January	2,602	2,842	2,740	3,238	3,117	
February	2,487	2,711	2,619	2,497	2,834	
March	2,584	2,565	2,721	2,576	3,123	
TOTAL	**31,011**	**33,611**	**32,656**	**33,662**	**35,893**	**9,021**

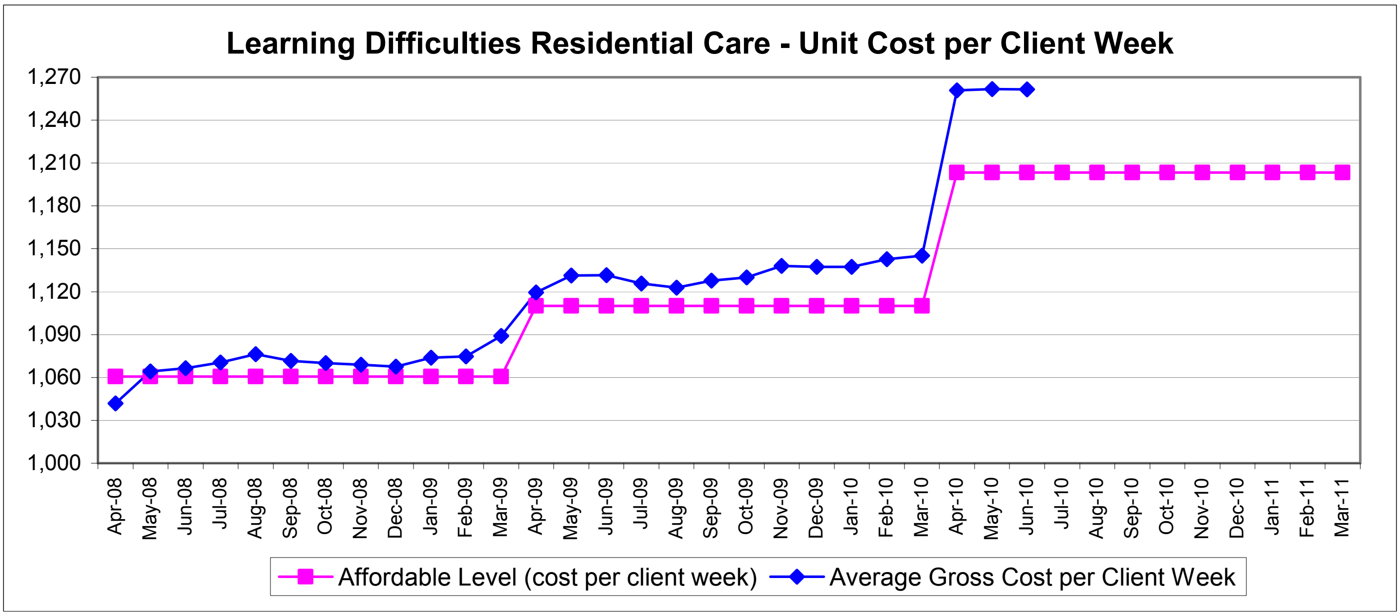


Comments:

- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in LD residential care at the end of 2008-09 was 640, at the end of 2009-10 it was 632 and at the end of June 2010 it was 703. This increase in clients includes 69 new S256 clients.
- The current forecast is 37,026 weeks of care against an affordable level of 35,893, a difference of 1,133 weeks. Using the forecast unit cost of £1,261.46 this additional activity adds £1,429k to the forecast, as highlighted in section 1.1.3.2.a
- To the end of June 9,021 weeks of care have been delivered against an affordable level of 8,746, a difference of 275 weeks.

2.4.2 **Average gross cost per client week of Learning Difficulties residential care compared with affordable level (non preserved rights clients)**:

	2008-09		2009-10		2010-11	
	Affordable Level (Cost per Week)	Average Gross Cost per Client Week	Affordable Level (Cost per Week)	Average Gross Cost per Client Week	Affordable Level (Cost per Week)	Average Gross Cost per Client Week
April	1,060.70	1,041.82	1,110.15	1,119.42	1,203.27	1,260.82
May	1,060.70	1,064.19	1,110.15	1,131.28	1,203.27	1,261.67
June	1,060.70	1,066.49	1,110.15	1,131.43	1,203.27	1,261.46
July	1,060.70	1,070.50	1,110.15	1,125.65	1,203.27	
August	1,060.70	1,076.27	1,110.15	1,122.81	1,203.27	
September	1,060.70	1,071.59	1,110.15	1,127.79	1,203.27	
October	1,060.70	1,070.02	1,110.15	1,130.07	1,203.27	
November	1,060.70	1,068.95	1,110.15	1,137.95	1,203.27	
December	1,060.70	1,067.59	1,110.15	1,137.28	1,203.27	
January	1,060.70	1,073.71	1,110.15	1,137.41	1,203.27	
February	1,060.70	1,074.67	1,110.15	1,142.82	1,203.27	
March	1,060.70	1,089.10	1,110.15	1,145.12	1,203.27	



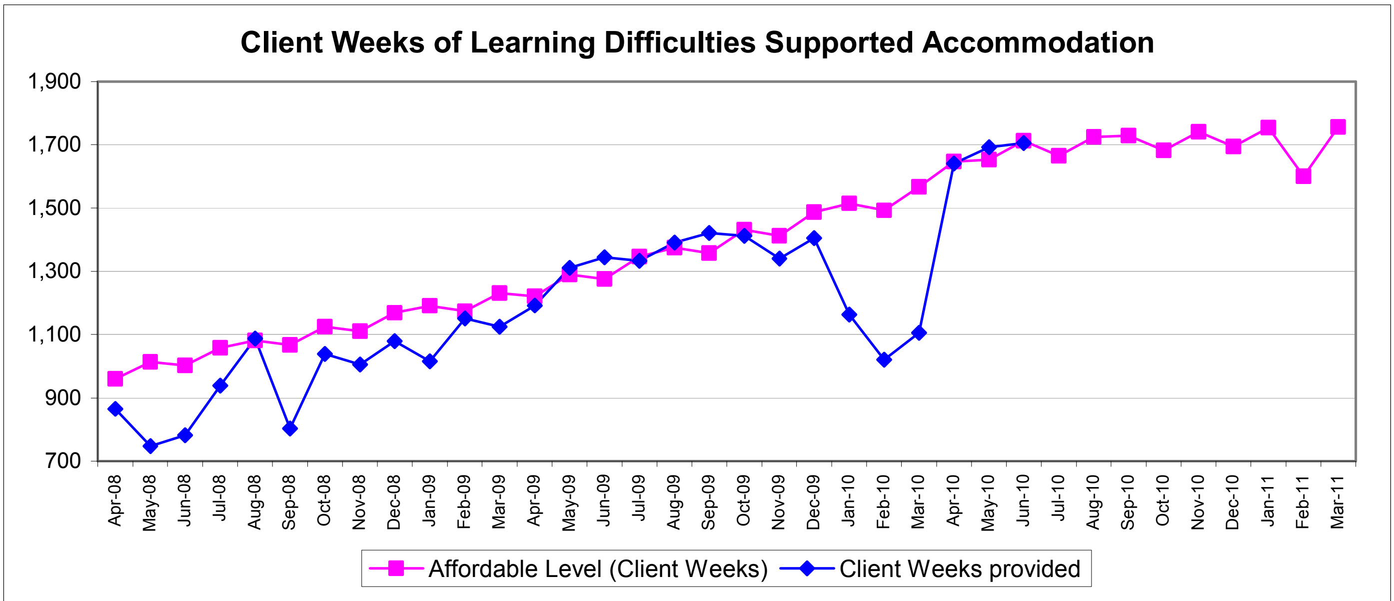
Comments:

- Clients being placed in residential care are those with very complex and individual needs which makes it difficult for them to remain in the community, in supported accommodation/supporting living arrangements, or receiving a domiciliary care package. These are therefore placements which attract a very high cost, with the average now being over £1,200 per week. It is expected that clients with less complex needs, and therefore less cost, can transfer from residential into supported living arrangements. This would mean that the average cost per week would increase over time as the remaining clients in residential care would be those with very high cost – some of whom can cost up to £2,000 per week. In addition, no two placements are alike – the needs of people with learning disabilities are unique and consequently, it is common for average unit costs to increase or decrease significantly on the basis of one or two cases.

- The forecast unit cost of £1,261.46 is higher than the affordable cost of £1,203.27 and this difference of £58.19 adds £2,089k to the position when multiplied by the affordable weeks, as highlighted in section 1.1.3.2.a

2.5.1 **Number of client weeks of learning difficulties supported accommodation provided compared with affordable level:**

	2008-09		2009-10		2010-11	
	Affordable Level (Client Weeks)	Client Weeks of LD supported accommodation provided	Affordable Level (Client Weeks)	Client Weeks of LD supported accommodation provided	Affordable Level (Client Weeks)	Client Weeks of LD supported accommodation provided
April	960	865	1,221	1,192	1,647	1,641
May	1,014	747	1,290	1,311	1,653	1,692
June	1,003	782	1,276	1,344	1,712	1,705
July	1,058	939	1,346	1,333	1,665	
August	1,081	1,087	1,375	1,391	1,725	
September	1,067	803	1,357	1,421	1,729	
October	1,125	1,039	1,431	1,412	1,682	
November	1,110	1,006	1,412	1,340	1,741	
December	1,169	1,079	1,487	1,405	1,694	
January	1,191	1,016	1,515	1,163	1,754	
February	1,174	1,151	1,493	1,021	1,601	
March	1,231	1,125	1,567	1,105	1,756	
TOTAL	**13,183**	**11,639**	**16,770**	**15,438**	**20,359**	**5,038**

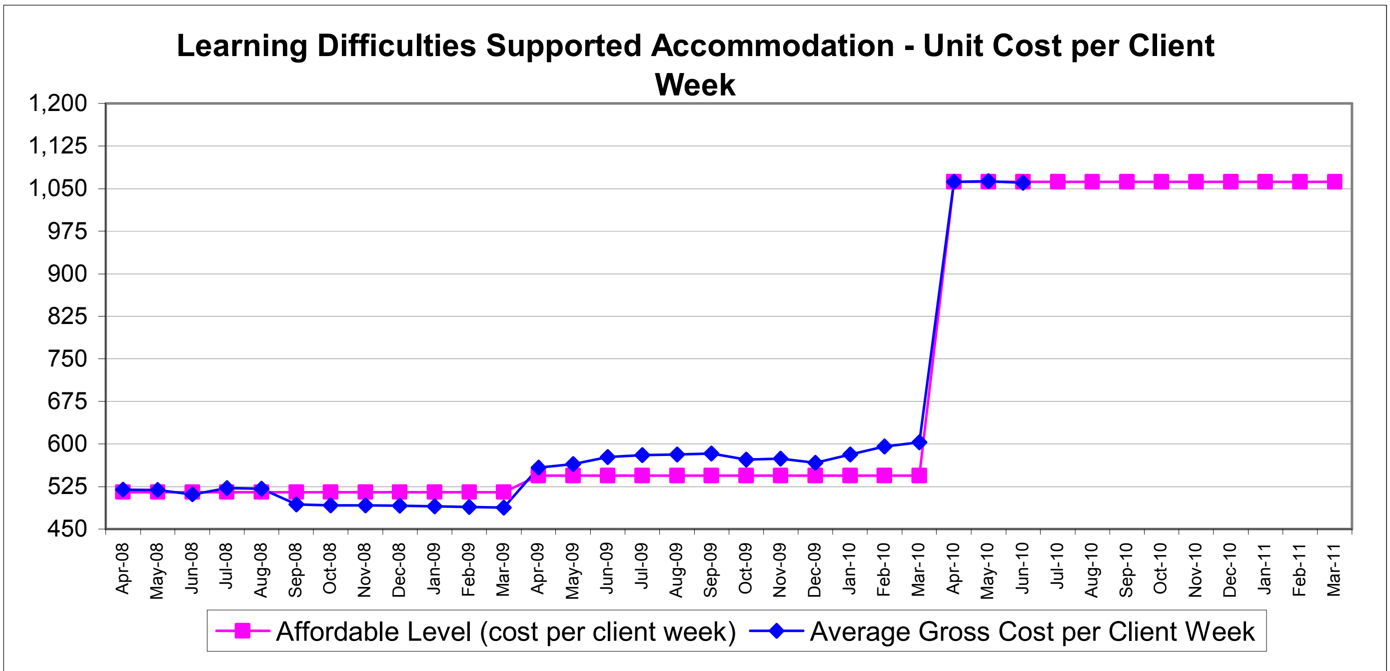


Comments:

- The above graph reflects the number of client weeks of service provided. The actual number of clients in LD supported accommodation at the end of 2008-09 was 233, at the end of 2009-10 it was 309 and at the end of June 2010 it was 408.
- The current forecast is 20,400 weeks of care against an affordable level of 20,359, a difference of 41 weeks. Using the forecast unit cost of £1,060.59 this increased activity creates a pressure of £44k as highlighted in section 1.1.3.2.b.
- To the end of June 5,038 weeks of care have been delivered against an affordable level of 5,012, a difference of 26 weeks.
- Like residential care for people with a learning disability, every case is unique and varies in cost, depending on the individual circumstances. Although the quality of life will be better for these people, it is not always significantly cheaper. The focus to enable as many people as possible to move from residential care into supported accommodation means that increasingly complex and unique cases will be successfully supported to live independently.

2.5.2 **Average gross cost per client week of Learning Difficulties supported accommodation compared with affordable level (non preserved rights clients)**:

	2008-09		2009-10		2010-11	
	Affordable Level (Cost per Week)	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**
April	515.41	519.60	544.31	558.65	1,062.52	1,062.38
May	515.41	519.40	544.31	564.49	1,062.52	1,063.22
June	515.41	511.10	544.31	577.33	1,062.52	1,060.59
July	515.41	522.30	544.31	580.27	1,062.52	
August	515.41	521.40	544.31	581.76	1,062.52	
September	515.41	493.33	544.31	583.26	1,062.52	
October	515.41	491.85	544.31	572.59	1,062.52	
November	515.41	491.47	544.31	574.24	1,062.52	
December	515.41	490.83	544.31	566.87	1,062.52	
January	515.41	489.75	544.31	581.53	1,062.52	
February	515.41	488.90	544.31	595.89	1,062.52	
March	515.41	487.60	544.31	603.08	1,062.52	



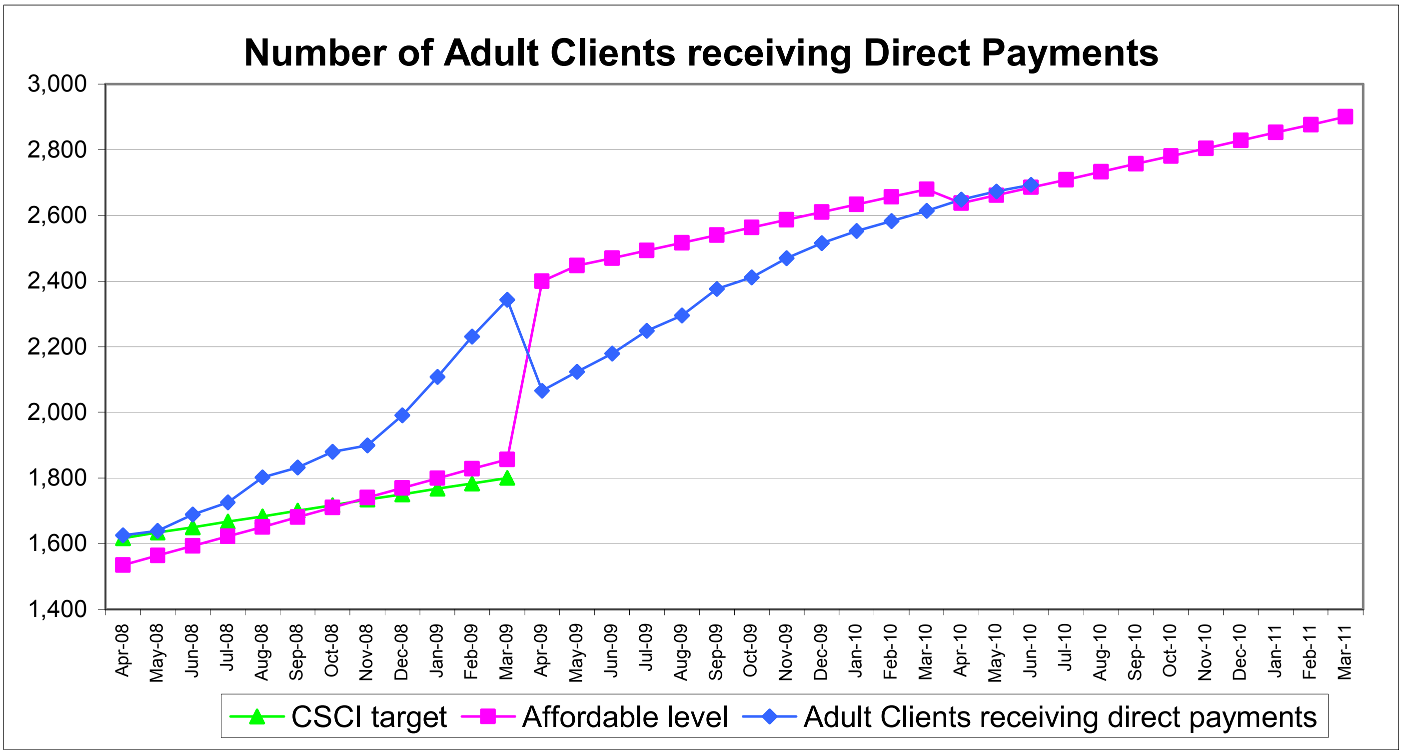
Comments:

- The forecast unit cost of £1,060.59 is higher lower than the affordable cost of £1,062.52 and this difference of £1.93 creates a saving of £39k when multiplied by the affordable weeks, as highlighted in section 1.1.3.2.b.

- The costs associated with these placements will vary depending on the complexity of each case and the type of support required in each placement. This varies enormously between a domiciliary type support to life skills and daily living support.

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

	2008-09			2009-10		2010-11	
	CSCI Target	Affordable Level	Adult Clients receiving Direct Payments	Affordable Level	Adult Clients receiving Direct Payments	Affordable Level	Adult Clients receiving Direct Payments
April	1,617	1,535	1,625	2,400	2,065	2,637	2,647
May	1,634	1,564	1,639	2,447	2,124	2,661	2,673
June	1,650	1,593	1,689	2,470	2,179	2,685	2,693
July	1,667	1,622	1,725	2,493	2,248	2,709	
August	1,683	1,651	1,802	2,516	2,295	2,733	
September	1,700	1,681	1,832	2,540	2,375	2,757	
October	1,717	1,710	1,880	2,563	2,411	2,780	
November	1,734	1,740	1,899	2,586	2,470	2,804	
December	1,750	1,769	1,991	2,609	2,515	2,828	
January	1,767	1,799	2,108	2,633	2,552	2,852	
February	1,783	1,828	2,231	2,656	2,582	2,876	
March	1,800	1,857	2,342	2,679	2,613	2,900	



Comments:

- The activity being reported is as per the Department of Health definition for counting Direct Payments, which includes anyone who has received a Direct Payment during the preceding 12 months, but includes only those that are 'on-going'. i.e. in April the figures include clients who have received an on-going Direct Payment between 1st May 2009 and 30th April 2010, and the June figures includes clients who have received an on-going Direct Payment between 1st July 2009 and 30th June 2010. This compares with what was reported last year.

3. SOCIAL CARE DEBT MONITORING

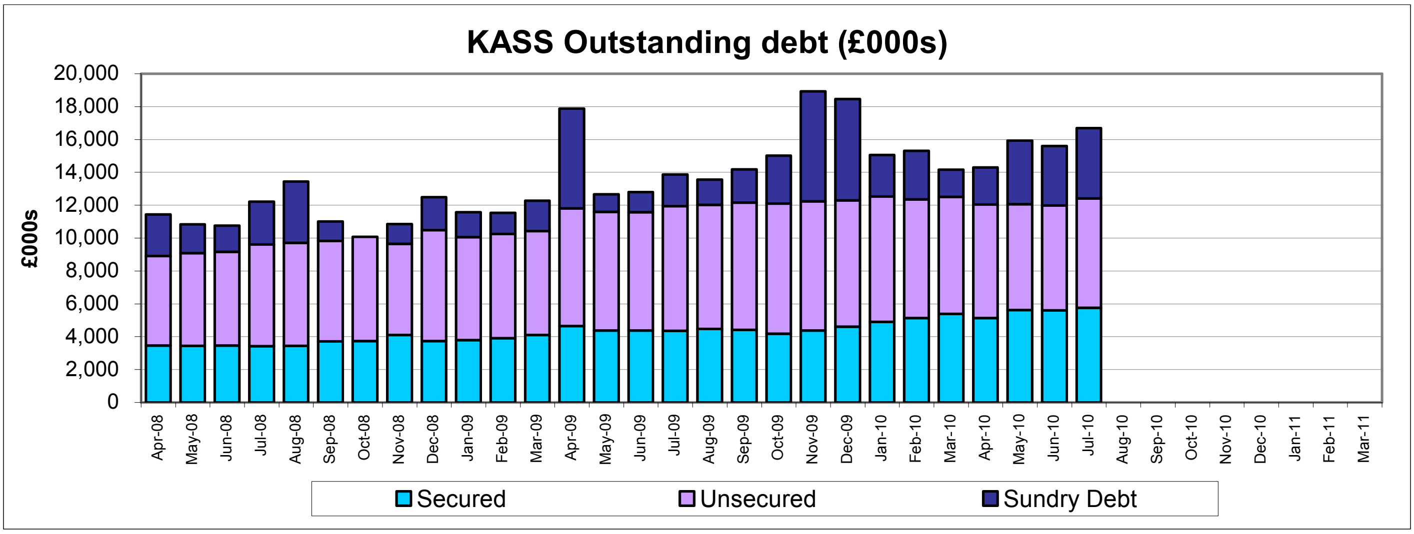
The outstanding debt as at the end of July was £16.689m compared with March's figure of £14.157m (reported to Cabinet in June) excluding any amounts not yet due for payment (as they are still within the 28 day payment term allowed). Within this figure is £4.285m of sundry debt compared to £1.643m at the end of March. The amount of sundry debt can change significantly for large invoices to health. Also within the outstanding debt is £12.404m relating to Social Care (client) debt which is a reduction of £0.110m from the last reported position to Cabinet in June (March position). The following table shows how this breaks down in terms of age and also whether it is secured (i.e. by a legal charge on the client's property) or unsecured, together with how this month compares with previous months. For most months the debt figures refer to when the four weekly invoice billing run interfaces with Oracle (the accounting system) rather than the calendar month, as this provides a more meaningful position for Social Care Client Debt. This therefore means that there are 13 billing invoice runs during the year. It also means that as the Directorate moved onto the new Client Billing system in October 2008, the balance will differ from that reported by Corporate Exchequer who report on a calendar month basis, apart from the period November 2008 to March 2009, when the figures are based on calendar months, as provided by Corporate Exchequer, because reports at that time were not aligned with the four weekly billing runs. From April 2009 the debt figures revert back to being on a four weekly basis to coincide with invoice billing runs. The age of debt cannot be completed for the months between November 2008 and March 2009 as the switch to Client Billing meant that all debts transferring on to the new system became "new" for purposes of reporting therefore it was not possible to show ageing until April.

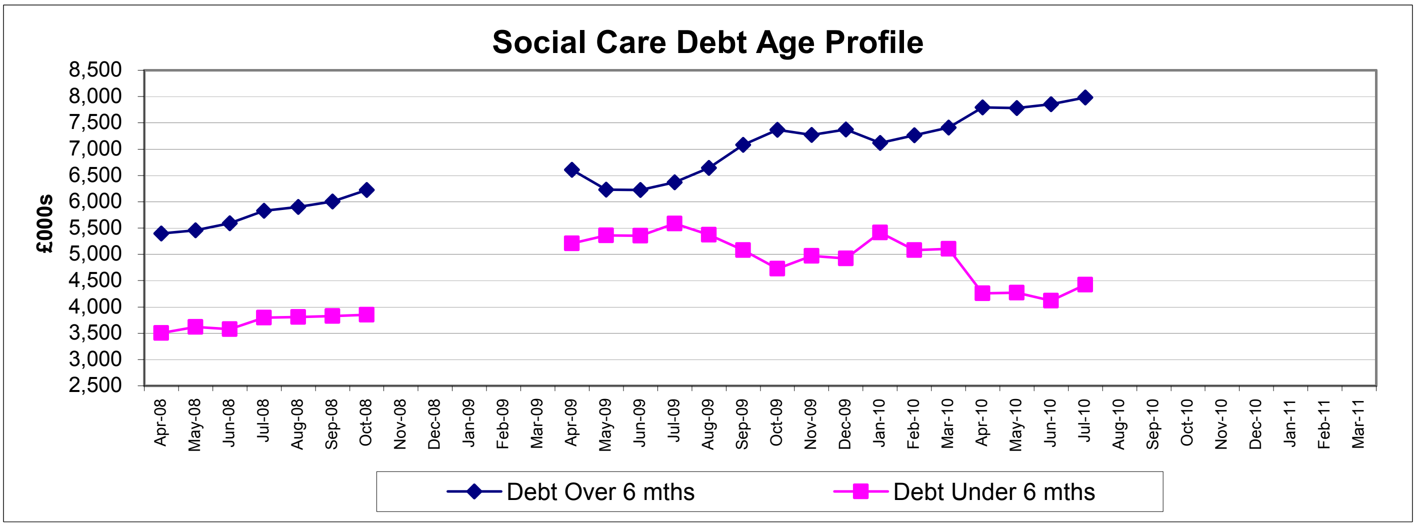
Now that the full client debt monitoring and recovery function has been fully integrated into KASS, we have been able to develop bespoke reports that accurately reflect the ageing of Social Care debt. This has therefore meant that since April there has been some slight changes to how debt is categorised between that which is over six months and that which is under six months and this has resulted in slightly more debt being classed as over six months.

			Social Care Debt				
Debt Month	**Total Due Debt (Social Care & Sundry Debt) £000s**	**Sundry Debt £000s**	**Total Social Care Due Debt £000s**	**Debt Over 6 mths £000s**	**Debt Under 6 mths £000s**	**Secured £000s**	**Unsecured £000s**
Apr-08	**11,436**	**2,531**	8,905	5,399	3,506	3,468	5,437
May-08	**10,833**	**1,755**	9,078	5,457	3,621	3,452	5,626
Jun-08	**10,757**	**1,586**	9,171	5,593	3,578	3,464	5,707
Jul-08	**12,219**	**2,599**	9,620	5,827	3,793	3,425	6,195
Aug-08	**13,445**	**3,732**	9,713	5,902	3,811	3,449	6,264
Sep-08	**11,004**	**1,174**	9,830	6,006	3,824	3,716	6,114
Oct-08	*****	*****	10,071	6,223	3,848	3,737	6,334
Nov-08	**10,857**	**1,206**	9,651			4,111	5,540
Dec-08	**12,486**	**2,004**	10,482			3,742	6,740
Jan-09	**11,575**	**1,517**	10,058			3,792	6,266
Feb-09	**11,542**	**1,283**	10,259			3,914	6,345
Mar-09	**12,276**	**1,850**	10,426			4,100	6,326
Apr-09	**17,874**	**6,056**	11,818	6,609	5,209	4,657	7,161
May-09	**12,671**	**1,078**	11,593	6,232	5,361	4,387	7,206
Jun-09	**12,799**	**1,221**	11,578	6,226	5,352	4,369	7,209
Jul-09	**13,862**	**1,909**	11,953	6,367	5,586	4,366	7,587
Aug-09	**13,559**	**1,545**	12,014	6,643	5,371	4,481	7,533
Sep-09	**14,182**	**2,024**	12,158	7,080	5,078	4,420	7,738
Oct-09	**15,017**	**2,922**	12,095	7,367	4,728	4,185	7,910
Nov-09	**18,927**	**6,682**	12,245	7,273	4,972	4,386	7,859
Dec-09	**18,470**	**6,175**	12,295	7,373	4,922	4,618	7,677
Jan-10	**15,054**	**2,521**	12,533	7,121	5,412	4,906	7,627
Feb-10	**15,305**	**2,956**	12,349	7,266	5,083	5,128	7,221
Mar-10	**14,157**	**1,643**	12,514	7,411	5,103	5,387	7,127

Debt Month	Total Due Debt (Social Care & Sundry Debt) £000s	Sundry Debt £000s	Social Care Debt: Total Social Care Due Debt £000s	Debt Over 6 mths £000s	Debt Under 6 mths £000s	Secured £000s	Unsecured £000s
Apr-10	**14,294**	**2,243**	12,051	7,794	4,257	5,132	6,919
May-10	**15,930**	**3,873**	12,057	7,784	4,273	5,619	6,438
Jun-10	**15,600**	**3,621**	11,979	7,858	4,121	5,611	6,368
Jul-10	**16,689**	**4,285**	12,404	7,982	4,442	5,752	6,652
Aug-10							
Sep-10							
Oct-10							
Nov-10							
Dec-10							
Jan-11							
Feb-11							
Mar-11							

* In October 2008, KASS Social Care debt transferred from the COLLECT system to Oracle. The new reports were not available at this point, hence there is no data available for this period. The October Social Care debt figures relate to the last four weekly billing run in the old COLLECT system.





* The age of debt cannot be completed for the months between November 2008 and March 2009 as the switch to Client Billing meant that all debts transferring on to the new system became "new" for purposes of reporting therefore it was not possible to show ageing until April (i.e. once these debts became 6 months old in the new system).

ENVIRONMENT, HIGHWAYS & WASTE DIRECTORATE SUMMARY JULY 2010-11 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 budget was set to reflect the adjustments required as a result of the in year grant reductions as reported to Cabinet in July, the addition of £0.717m of roll forward from 2009-10, as approved by Cabinet on 14 June 2010 and a number of technical adjustments to budget.
- The inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. 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	
Environment, Highways & Waste portfolio							
Kent Highways Services	62,942	-12,724	50,218	0	0	0	
Public Transport Contracts	21,490	-2,977	18,513	537	0	537	Freedom Pass
Waste Management	69,945	-1,973	67,972	-600	0	-600	Increase in contract prices (£1.1m), offset by reduced tonnage (£1.7m)
Environmental Group	10,071	-4,830	5,241	0	0	0	
Planning & Development Group	770	-15	755	0	0	0	
Planning Applications	1,134	-477	657	0	0	0	
Transport Strategy Group	503		503	0	0	0	
Strategic Management	850		850	0	0	0	
Resources	5,255	-129	5,126	-150	0	-150	Vacancies
Support Services purchased from CED	1,768		1,768	0	0	0	
Total E, H & W	**174,728**	**-23,125**	**151,603**	**-213**	**0**	**-213**	
Assumed Management Action							
Forecast after Mgmt Action				**-213**	**0**	**-213**	

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:

[this section must include an explanation of every variance over £100k detailed in table 2]

<u>Kent Highways Services (KHS):</u>

1.1.3.1 The pothole find and fix programme is progressing well with approximately £4.1m spent after the first 13 weeks. The programme is expected to be completed by the Autumn and is estimated to outturn at around £6.5m. £2.448m of this programme has been funded by the Government, £2.5m from reserves and the remainder from funding released from efficiencies in other areas of Highways spend.

1.1.3.2 Estimates on the cost of the Freedom Pass show a pressure of £0.537m 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.

Waste Management:

1.1.3.2 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 (assuming minimum tonnage through Allington of 325,000 tonnes) by £0.773m. Inflation on other disposal and Household Waste Recycling Centre contracts is expected to increase the total price pressure on waste to £1.1m.

1.1.3.3 This price pressure is expected to be offset by overall tonnage being less than the budgeted 760,000 tonnes. The draft April to July tonnage figures are below the affordable level. It is very early in the year to predict outturn tonnage with any level of certainty but on the basis of the April to July results, there is an expectation that tonnage will be at least 25,000 tonnes below budget which would give a saving of £1.7m at an average disposal cost per tonne of £68. Therefore, if waste tonnage does outturn at 25,000 tonnes below budget for the remainder of the year, it is expected that the waste budget will underspend by a net £0.6m (i.e. £1.7m saving on tonnage offset by £1.1m pressure on contract prices).

Resources

1.1.3.4 Staff vacancies of £0.15m are being held in order to help offset the pressure on the Freedom Pass.

Table 2: **REVENUE VARIANCES OVER £100K IN SIZE ORDER**
(shading denotes that a pressure has an offsetting saving, which is directly related, or vice versa)

Pressures (+)			**Underspends (-)**		
portfolio		£000's	portfolio		£000's
EHW	Waste contract prices	+1,100	EHW	Waste tonnage	-1,700
EHW	Freedom Pass	+537	EHW	Resources vacancies	-150
		+1,637			**-1,850**

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

Vacancies in Resources are being deliberately held in order to achieve this position.

1.1.5 **Implications for MTP**:

The base budget implications of issues identified in this monitoring report will be a call on the amounts identified in the 2010/13 MTP as emerging pressures in 2011/12 and 2012/13. The details of individual amounts will be included when the revised plan is published for consultation in January 2011 together with any new pressures forecast for 2011/12 and 2012/13. The significant issues for this portfolio arising from 2010/11 budget monitoring are:

- price increases on waste contracts – the April RPI figure, to which the indexation on many waste contracts is linked, was higher than expected in the MTP. Therefore if the index does not reverse in 2011, some catch up funding will be required, to maintain the purchasing power of the budget. This is estimated at about £1.2m currently.
- take-up and usage of the Freedom Pass – the Freedom Pass has proved extremely popular and the numbers of passes issued and the number of journeys undertaken is increasing. This will put a demand pressure on next year's budget of around £0.85m

The revised MTP will include proposals on how the in-year cuts in Government grants will be accommodated in base budgets once it has been confirmed that these reductions are permanent following the announcement of the provisional local government finance settlement for 2011/12 which we anticipate will be in late November/Early December. The revised plan will also include the strategy to address the likely reductions in funding over the lifetime of the current parliament following the Chancellor's emergency budget statement on 22nd June in which he outlined his plans to address the national budget deficit.

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

There are no re-phased revenue projects at this stage

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

This section should provide details of the management action outstanding, as reflected in the assumed management action figure reported in table 1.

It is proposed that the forecast underspend of £0.213m is held at present to deal with possible future pressures. These pressures are likely to come from Highways for dealing with the extraordinary number of insurance claims currently being experienced, the popularity of the Freedom Pass, the possibility of another bad winter and general maintenance pressures (although KHS is working hard currently to contain these additional general pressures).

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 since last reported to Cabinet on 12th July 2010, as detailed in section 4.1.

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

	Prev Yrs Exp £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	Future Yrs £000s	TOTAL £000s
Environment, Highways & Waste Portfolio						
Budget	193,123	167,010	119,582	83,605	224,661	787,981
Adjustments:						
- completed projects	-91,529					-91,529
-reduction in Gov. grants		-4,653				-4,653
Revised Budget	101,594	162,357	119,582	83,605	224,661	691,799
Variance		-1,615	-27,713	6,184	16,537	-6,607
split:						
- real variance		-364	-141	-115	-5,987	-6,607
- re-phasing		-1,251	-27,572	+6,299	+22,524	0

Real Variance		**-364**	**-141**	**-115**	**-5,987**	**-6,607**
Re-phasing		**-1,251**	**-27,572**	**+6,299**	**+22,524**	**0**

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2010-11 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

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
	Integrated Transport scheme	real	500			
			+500	**+0**	**+0**	**+0**
Underspends/Projects behind schedule						
	Kent Thameside Strategic Programme	phasing			-1,027	
	Major Schemes Design Fees	real	-500			
	Rushenden Relief Road	real		-344		
			-500	**-344**	**-1,027**	**-0**
			-0	**-344**	**-1,027**	**-0**

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

1.2.4.1 **Kent Thameside Strategic Transport Programme – re-phasing of -£12.524m (-£1.027m in 2010-11, -£7.796m in 2011-12, -£3.701m in 2012-13 and +£12.524m in future years)**

This programme is designed to deliver a package of Strategic Transport schemes in the Kent Thameside area. The programme has been re-phased by £12.524m. The re-phasing is due to the extended time that it has taken to secure Government funding for the programme.

Revised phasing of the scheme is now as follows:

	Prior Years	2010-11	2011-12	2012-13	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	231	2,317	9,743	11,497	127,510	151,298
Forecast	231	1,290	1,947	7,796	140,034	151,298
Variance	0	-1,027	-7,796	-3,701	+12,524	0
FUNDING						
Budget:						
Grant		838	7,471	4,783	34,510	47,602
Revenue	231					231
Developer Cont		1,479	2,272	6,714	93,000	103,465
TOTAL	231	2,317	9,743	11,497	127,510	151,298
Forecast:						
Grant		1,277	1,441	4,756	40,128	47,602
Revenue	231					231
Developer Cont		13	506	3,040	99,906	103,465
TOTAL	231	1,290	1,947	7,796	140,034	151,298
Variance	**0**	**-1,027**	**-7,796**	**-3,701**	**12,524**	**0**

1.2.4.2 **Smart Link Ashford – re-phasing of -£20.0m (**in 2011-12**)**

This Bus Project was anticipated to get programme entry from the Department for Transport in this autumn to qualify for funding. The Government have confirmed that programme entry will not be granted until at least 2011-12. Therefore, the construction of the scheme has now been re-phased.

	Prior Years	2010-11	2011-12	2012-13	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget			20,000	10,000		30,000
Forecast				20,000	10,000	30,000
Variance	0	0	-20,000	10,000	10,000	0
FUNDING						
Budget:						
Grant			20,000	10,000		30,000
TOTAL	0	0	20,000	10,000	0	30,000
Forecast:						
Grant				20,000	10,000	30,000
TOTAL	0	0	0	20,000	10,000	30,000
Variance	**0**	**0**	**-20,000**	**10,000**	**10,000**	**0**

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

There is a real variance of -£6.607m (-£0.364m in 2010-11, -£0.141m in 2011-12, -£0.115m in 2012-13 and -£5.987m in future years) which is detailed as follows:

1.2.5.1 **Major scheme Design -£0.5m** (in 2010-11): the budget includes £0.5m to carry out the initial design of Smart Link Bus Project that was anticipated to get programme entry from the Department for Transport (DfT) for funding this autumn. The Government have confirmed that the scheme will not receive Programme Entry until at least 2011-12. **It is therefore requested to divert this funding to accelerating the A2 slip road project in Canterbury which is within the Integrated Transport Programme.**

1.2.5.2 **Kent Thameside Strategic Transport Programme - -£5.987m** (in future years): as well as the re-phasing mentioned in 1.2.4.2 above there is also a real variance in future years, this is due to the transfer of the A2 Bean junction improvement to the Regional Transport Programme.

1.2.5.3 **Rushenden Relief Road: -£0.600m** (-£0.344m in 2010-11, -£0.141m in 2011-12 and -£0.115m in 2012-13): the phase 1 of the scheme which included approach embankment was completed at the end of June. The revised forecast for the outturn is less than originally anticipated due to the allocated contingency provision for risk and compensation events not being fully utilised. This has given a real saving of £0.344m in 2010-11. Review of the scheme indicates that there will be a further saving of £0.256m in future years. There has also been a change in funding between SEEDA and developer contributions which is explained in the overview of the capital programme (section 1.2.6).

Taking these into account, there is an underlying variance of -£0.020m

1.2.6 **General Overview of capital programme**:

(a) Risks and action being taken to alleviate risks

East Kent Access Phase 2 - spend on this project is currently predicted to be ahead of the original DfT allocation for this year. DfT will be approached formally to bring forward its phasing of the budget in October. The total scheme outturn remains a concern particularly because of construction price inflation and utility costs but this is being closely monitored together with robust contract management to ensure that necessary management action can be taken at the appropriate time to reduce the risk.

Sittingbourne Northern Relief Road - spend on this project is also currently predicted to be ahead of the original DfT allocation for this year. DfT will be approached formally to bring forward its phasing of the budget in October.

Rushenden Relief Road - SEEDA has not been able to secure the £1.9m funding required to complete the scheme. The preferred option is not to leave this road part-finished because of the impact this will have on the development and regeneration of this area and therefore other ways of funding the shortfall are currently being explored. A charge on the land or S106 is being considered by Legal and it is thought they are likely to recommend S106. There is no work on-site at present while the completed earthworks are allowed to settle. Should the funding not be available the risk to KCC is minimal due to the fact that the construction of road has not started. A Member decision will be sought in the autumn, to approve the alternative funding (when secured) and to complete the road build.

Victoria Way, Ashford - this scheme is funded from the Community Infrastructure Fund. Funding expires at 31 March 2011. Late award has always made this completion date challenging and the need to remove unforeseen land contamination and difficulties with utilities are already threatening a delay beyond 31 March 2011. The project team are focused on preparing a plan of action to overcome the difficulties and to mitigate the risk of overrun beyond the funding deadline.

Drovers Roundabout - M20 Junction 9 - this scheme is funded by the Regional infrastructure Fund (RIF) and Growth Area Fund. As with Victoria way the funding expires on 31 March 2011. Progress is good so far but the feature bridge remains the biggest risk of delay. The team are focussed on plans to overcome that risk but if there is a RIF timing issue and consequent shortfall in funding, Ashford Borough Council has agreed that KCC will be able to claim S106 money to cover any underfunding. It is expected there will be sufficient S106 monies to cover any risk to KCC.

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 proposed re-phasing is detailed in the table below.

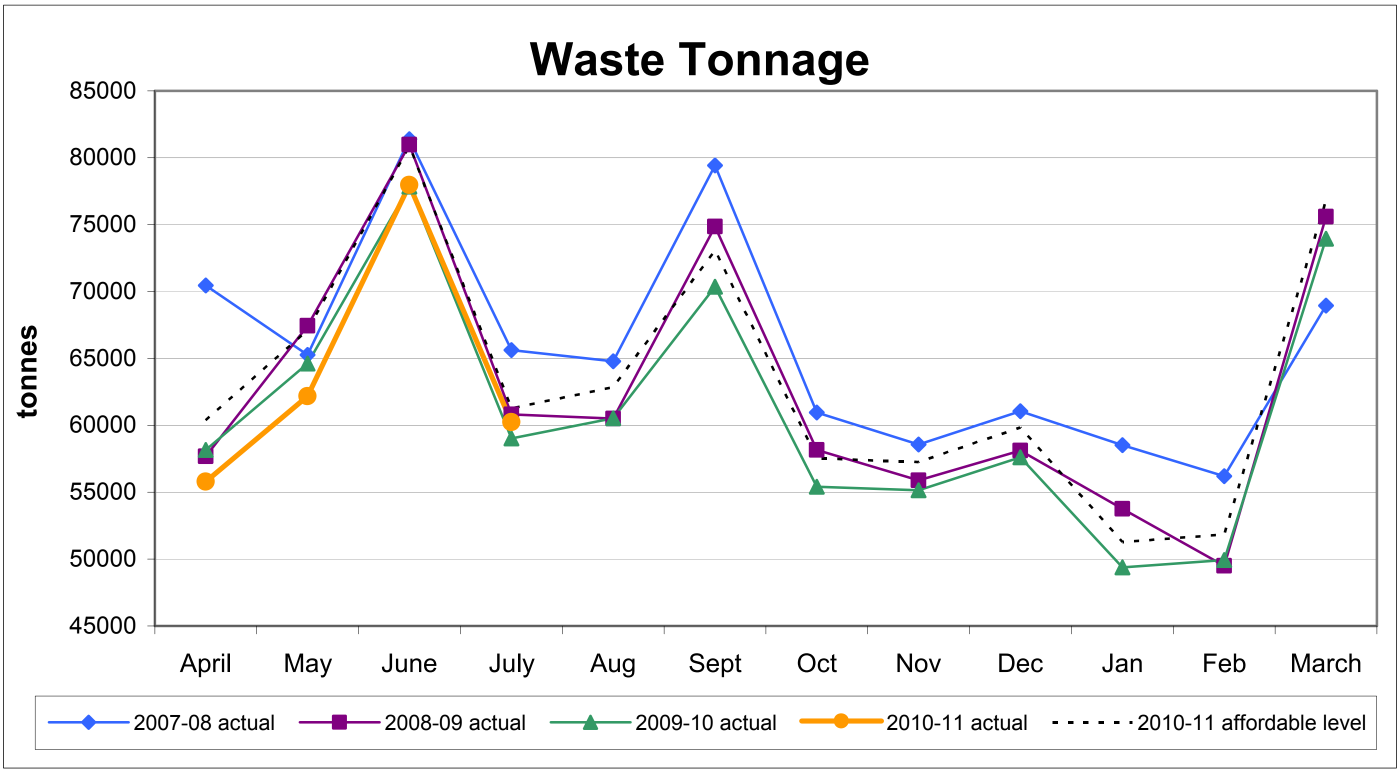
	2010-11	2011-12	2012-13	Future Years	Total
	£k	£k	£k	£k	
Energy and Water Efficiency Investment					
Amended total cash limits	+602	+605	+129	+373	+1,709
re-phasing	-224	+224			0
Revised project phasing	**+378**	**+829**	**+129**	**+373**	**+1,709**
Archaelogical Resource Centre					
Amended total cash limits	+100	+600	+200		+900
re-phasing	-100	+100			0
Revised project phasing	**0**	**+700**	**+200**	**0**	**+900**
Windmills Refurbishments					
Amended total cash limits	0	+100			+100
re-phasing	+100	-100			0
Revised project phasing	**+100**	**0**	**0**	**0**	**+100**
Kent Thameside Strategic Transport Programme					
Amended total cash limits	+2,317	+9,743	+11,497	+127,510	+151,067
re-phasing	-1,027	-7,796	-3,701	+12,524	0
Revised project phasing	**+1,290**	**+1,947**	**+7,796**	**+140,034**	**+151,067**
Smart Link - Ashford					
Amended total cash limits	0	+20,000	+10,000		+30,000
re-phasing		-20,000	+10,000	+10,000	0
Revised project phasing	**0**	**0**	**+20,000**	**+10,000**	**+30,000**
Total re-phasing >£100k	**-1,251**	**-27,572**	**+6,299**	**+22,524**	**0**
Other re-phased Projects below £100k					
TOTAL RE-PHASING	**-1,251**	**-27,572**	**+6,299**	**+22,524**	**0**

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Waste Tonnage:

	2007-08	2008-09	2009-10	2010-11	
	Waste Tonnage	Waste Tonnage	Waste Tonnage	Waste Tonnage *	Affordable Level
April	70,458	57,688	58,164	55,795	60,394
May	65,256	67,452	64,618	62,174	67,096
June	81,377	80,970	77,842	77,969	80,826
July	65,618	60,802	59,012	60,228	61,274
August	64,779	60,575	60,522		62,842
September	79,418	74,642	70,367		73,065
October	60,949	58,060	55,401		57,526
November	58,574	55,789	55,138		57,252
December	61,041	58,012	57,615		59,825
January	58,515	53,628	49,368		51,260
February	56,194	49,376	49,930		51,845
March	68,936	76,551	73,959		76,795
TOTAL	**791,115**	**753,545**	**731,936**	**256,166**	**760,000**

** Note: waste tonnages are subject to slight variations between quarterly reports as figures are refined and confirmed with Districts*

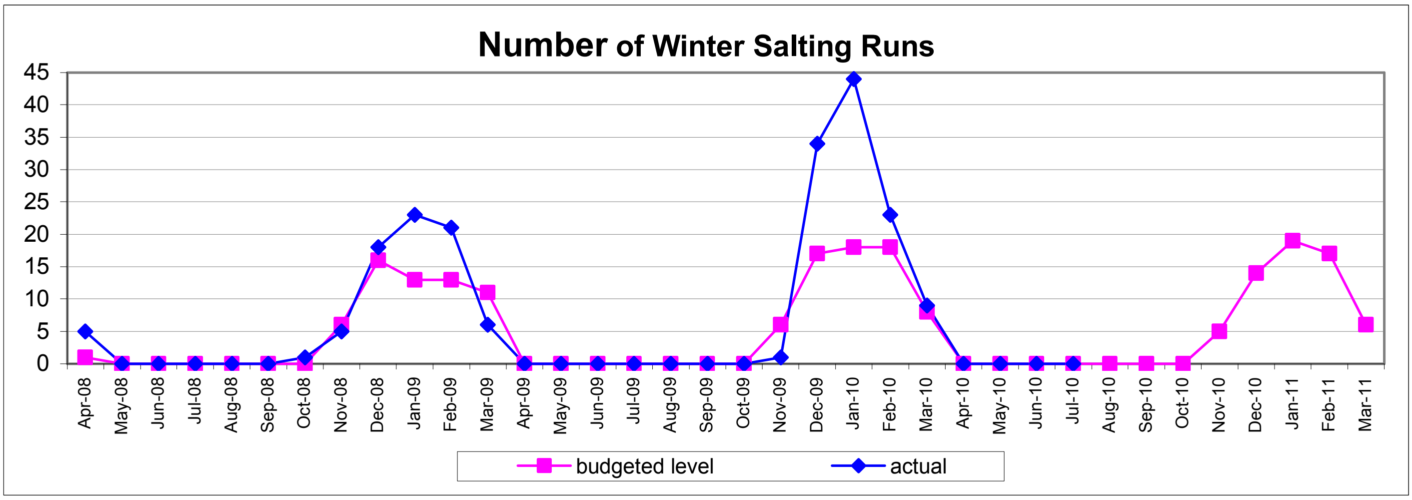


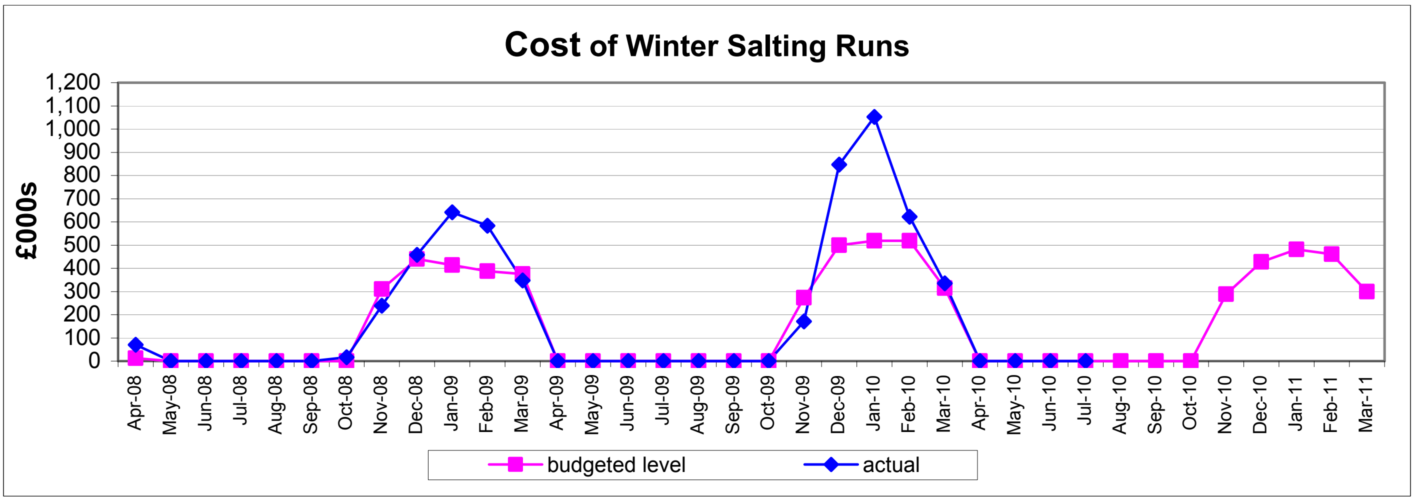
Comments:

- Waste volumes are below the affordable level for the four months of 2010-11 and the outturn assumptions in 1.1.3.3 above assume that tonnage will continue to remain below the budgeted levels for the rest of the year. Tonnages are too unpredictable to give a precise outturn at this stage but a reasonable assumption is that waste volumes will be around 25,000 tonnes below budget based on current figures. However waste may start to increase again at any point, now that the economy is picking up and continued falls in waste cannot be relied upon.

2.2 Number and Cost of winter salting runs:

	2008-09				2009-10				2010-11			
	Number of salting runs		Cost of salting runs		Number of salting runs		Cost of salting runs		Number of salting runs		Cost of salting runs	
	Actual	Budgeted Level	Actual £000s	Budgeted Level £000s	Actual	Budgeted Level	Actual £000s	Budgeted Level £000s	Actual	Budgeted level	Actual £000s	Budgeted Level £000s
April	5	1	70	13	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-		-		-
September	-	-	-	-	-	-	-	-		-		-
October	1	-	16	-	-	-	-	-		-		-
November	5	6	239	310	1	6	171	273		5		288
December	18	16	458	440	34	17	847	499		14		427
January	23	13	642	414	44	18	1,052	519		19		482
February	21	13	584	388	23	18	622	519		17		461
March	6	11	348	375	9	8	335	315		6		299
TOTAL	**79**	**60**	**2,357**	**1,940**	**111**	**67**	**3,027**	**2,125**	**-**	**61**	**-**	**1,957**



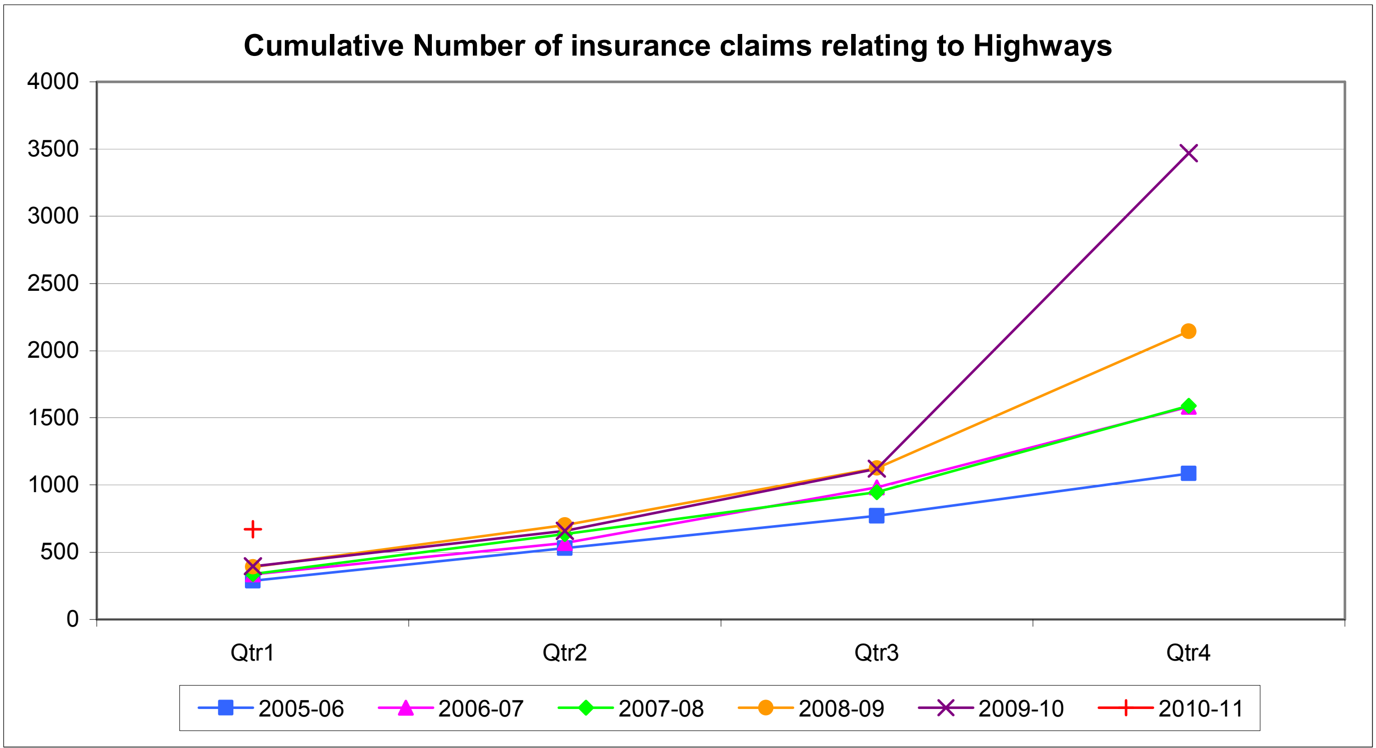


Comment:

- The charges for the Winter Maintenance Service reflect two elements of cost: the smaller element being the variable cost of the salting runs undertaken; the major element of costs, relating to overheads and mobilisation within the contract, have been apportioned equally over the 5 months of the salting period.

2.3 **Number of insurance claims arising related to Highways**:

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims
April – June	286	335	336	392	395	672
July – Sept	530	570	636	702	658	
Oct – Dec	771	982	946	1,126	1,122	
Jan - Mar	1,087	1,581	1,589	2,144	3,469	



Comments:

- Numbers of claims will continually change as new claims are received relating to accidents occurring in previous quarters. Claimants have 3 years to pursue an injury claim and 6 years for damage claims. The data previously reported has been updated to reflect claims logged with Insurance as at 1 July 2010.
- The number of claims rose sharply at the end of 2008-09 and 2009-10. The particularly adverse weather conditions and the consequent damage to the highway seems a major factor with this along with some possible effect from the economic downturn. Claims for the 1st quarter 2010-11 are also significantly above previous years (and will increase as more claims for that period are received in subsequent months).
- The Insurance section continues to work closely with Highways to try to reduce the number of successful claims and currently the Authority manages to achieve a rejection rate of claims where it is considered that we do not have any liability, of about 70%.
- As previously reported, a new way of charging KHS for highways related insurance claims has been introduced for 2010-11 in order to more accurately reflect the risk and reward associated with managing risk within the Highways service. This will be reviewed at the end of the first year to see whether the new scheme has achieved this objective.

COMMUNITIES DIRECTORATE SUMMARY
JULY 2010-11 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 budget was set to reflect the adjustments required as a result of the in year grant reductions as reported to Cabinet in July, the addition of £0.126m of roll forward from 2009-10, as approved by Cabinet on 14 June 2010 and a number of technical adjustments to budget including the transfer of the Stronger Safer Communities Area Based Grant from the Finance portfolio.
- The inclusion of a number of 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. 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	
Communities portfolio							
Kent Drug & Alcohol Action Team	17,172	-14,933	2,239	0	0	0	
Youth Offending Service	6,757	-3,012	3,745	1	-1	0	
Youth Services	12,059	-5,205	6,854	-19	-3	-22	
Supporting People	32,314	-220	32,094	0	0	0	
Adult Education (incl KEY)	17,072	-17,172	-100	0	0	0	
Arts Unit	2,277	-285	1,992	-107	95	-12	Variance relates to the finalisation and repayment of an Interreg grant, gross and income effect.
Libraries, Archives & Museums	22,602	-3,045	19,557	-62	62	0	Gross costs have been reduced by enhanced vacancy management with AV income forecasts reduced in line with Qtr 1 activity.
Sports, Leisure & Olympics	3,002	-1,373	1,629	-8	8	0	
Supporting Independence	4,937	-4,160	777	0	0	0	
Kent Community Safety Partnership	5,296	-382	4,914	33	-79	-46	Reduced staff costs mainly due to part year Community Warden vacancies offset by contribution towards directorate vacancy savings target. Additional income from Future Jobs Fund.
Coroners	2,702	-475	2,227	95	0	95	Continuation of pressure reported in 2009-10, regarding long inquests and Body removal contract.

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Emergency Planning	828	-199	629	-9	9	0	
Kent Scientific Services	1,271	-780	491	-40	58	18	Reduced staff costs arising from vacancy management, offset by higher than anticipated price increases of chemical and safety equipment. Income variance relates to an income target, which at present is deemed as not achievable.
Registration	3,895	-3,027	868	-28	0	-28	Reduced staff and premises costs.
Trading Standards	3,655	-322	3,333	-63	11	-52	Reduced staff costs due to vacancies being held, where possible, for duration of year; reduced spend on staff related, premises and transport costs. Reduced fees income
Policy & Resources	1,669	-361	1,308	0	0	0	
Business Development & Support	579	-228	351	-16	16	0	
Strategic Management	929		929	-1	0	-1	
Centrally Managed directorate budgets	1,296	-1,228	68	46	-53	-7	
Support Services purchased from CED	4,760		4,760	0	0	0	
Total Communities controllable	**145,072**	**-56,407**	**88,665**	**-177**	**122**	**-55**	
Assumed Management Action						**0**	
Forecast after Mgmt Action				**-177**	**122**	**-55**	

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 <u>Coroners: +£95k Net (Gross +£95k)</u>

The pressures affecting the service, and our inability to control Coroners' expenditure has been fully documented over the past years.

Despite additional funding in each of the last three years to address the issue of long inquests and increasing pressures on Mortuary costs, the service continues to experience pressures, due to a rise in the number of deaths that are deemed suspicious.

The main pressure arises from long inquests payments (£39k on staff pay, £47k premises and £43k fees with private sector). As an example, two long inquests in the North West Kent area are forecast in the region of £49k, with another significant inquest scheduled later in the year, estimated at a further cost of £20k.

The pressure is being exacerbated by one of the coroners continuing to use, in the first quarter, an external provider for toxicology and other laboratory services, instead of using Kent Scientific Services, which contributes £20k towards the forecast overspend.

These pressures are being partially offset because late invoices relating to 2009-10 have come in at less than the estimated creditor provisions set up at the end of the year.

1.1.3.2 Libraries: -£62k Gross and +£62k Income

The service has made savings on gross expenditure, mainly through vacancy management (-£65k), and on premises costs (-£134k) which have been achieved from one-off rates rebates for three of their libraries.

This is being offset by higher than anticipated running costs (£89k) and increased internal recharges (£39k).

Libraries are forecasting a reduction in their Audio Visual and merchandising income streams of £155k and reduced fines income of £50k, due to reduced activity in Quarter 1. The budget was set at a lower level than in the prior year but even then; revised targets have not been met. Therefore, the forecast for the year has been reduced accordingly.

This is being offset by various one-off income contributions from internal and external partners totalling £146k.

1.1.3.3 Community Learning & Skills (AE &KEY)

Subsequent to the preparation of the 2010-2011 budget, the service was notified of a variation in grant funding of £469k, for the 2010-2011 academic year from the Skill Funding Agency (formerly the Learning & Skills Council).

The service has responded to this ever changing and volatile market by revising its budget plans to take into account the net loss of grant income, amended the enrolment targets set, and put in place management action designed to reduce expenditure in line with current funding levels and to mitigate against the loss of income.

Cash limits have been adjusted to reflect this grant reduction, as highlighted in Appendix 3, Reconciliation of Gross and Income Cash Limits to the Budget Book, to the executive summary report.

1.1.3.4 Supporting People

Commitments are in place that will result in gross expenditure being close to £2,796k in excess of the agreed cash limit for floating support. This is a demand led service provided by the unit, to assist customers within their homes. Demand currently exceeds the resources allocated and, therefore, additional support has been provided to cope with the increase in demand. These costs will be met by a drawdown from the existing supporting people earmarked reserve and, therefore, a balanced position is being forecast with regard to the main grant.

As a result of the 10 June Government savings announcement, the service was notified of a reduction in the Area Based Grant for supporting people administration of £736k. Cabinet, at its meeting in July, agreed that this reduction could be met by a drawdown from the supporting people earmarked reserve and the cash limit has been reduced accordingly to reflect this drawdown. However, the current forecast for supporting people administration indicates a modest underspend of -£73k, therefore the estimated drawdown from the reserve will be reduced accordingly.

Overall therefore, the current estimated drawdown from the reserve is £2,723k (£2,796k - £73k) above the budgeted drawdown of £736k.

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CMY	Supporting People: planned increase in the level of Floating Support and small underspend on administration	+2,723	CMY	Drawdown from Supporting People reserve.	-2,723
CMY	Libraries: reduced forecast on audio visual income stream due to reduction in activity compared with Q1 in 09-10 and anticipated shortfall in merchandising income.	+155	CMY	Libraries:one-off income contributions from internal and external partners.	-146
CMY	Coroners: long inquest costs	+129	CMY	Libraries: Reduced spend on utilities and one off rates rebates.	-134
		+3,007			**-3,003**

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

Community Learning & Skills

In order to mitigate against the grant reduction from the Skills Funding Agency of £469k, the service has enacted management action devised to deliver a balanced budget.

Vacancy management

Due to the current financial climate and volatility regarding grant funding, the directorate has informed units to maintain and extend vacancies wherever possible, but on the basis that front line provision should not be adversely affected. In addition, services have also been asked to monitor and reduce all non essential expenditure.

Grant Reductions

A few directorate units have recently been notified of reduced grant income from internal and external partners. In all cases, management actions has been enacted to contain expenditure and to deliver a balanced budget position.

Supporting People

The service expects to drawdown £3.459m from its reserve to address costs required to service their contracts. The level of drawdown required, has been exacerbated by the removal of the Admin grant.

1.1.5 **Implications for MTP**:

The base budget implications of issues identified in this monitoring report will be a call on the amounts identified in the 2010/13 MTP as emerging pressures in 2011/12 and 2012/13. The details of individual amounts will be included when the revised plan is published for consultation in January 2011 together with any new pressures forecast for 2011/12 and 2012/13. There are no significant issues for the Communities portfolio arising from 2010/11 budget monitoring.

The revised MTP will include proposals on how the in-year cuts in Government grants will be accommodated in base budgets once it has been confirmed that these reductions are permanent, following the announcement of the provisional local government finance settlement for 2011/12 which we anticipate will be in late November/Early December. The revised plan will also include the strategy to address the likely reductions in funding over the lifetime of the current parliament following the Chancellor's emergency budget statement on 22nd June in which he outlined his plans to address the national budget deficit.

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

None

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

This section should provide details of the management action outstanding, as reflected in the assumed management action figure reported in table 1.

N/A

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 since last reported to Cabinet on 12th July 2010, as detailed in section 4.1.

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

	Prev Yrs Exp £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	Future Yrs £000s	TOTAL £000s
Communities Portfolio						
Budget	33,545	28,725	10,311	3,060	350	75,991
Adjustments:						
- re-phasing May monitoring		-1,680	1,680			
- completed projects	-18,654					-18,654
- The Beaney			170			170
Revised Budget	14,891	27,045	12,161	3,060	350	57,507
Variance	0	-22	+876	0	0	+854
split:						

Real Variance	**0**	**261**	**593**			**854**
Re-phasing	**0**	**-283**	**283**			

1.2.3 **Main Reasons for Variance**

Table 4 below, details all forecast capital variances over £250k in 2010-11 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	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
	None					
			+0	**+0**	**+0**	**+0**
Underspends/Projects behind schedule						
	None					
			0	**-0**	**-0**	**-0**
			-0	**-0**	**-0**	**-0**

1.2.4 **Projects rephasing by over £1m**:

None

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

There is a real variance of +£0.854m (-£0.022m in 2010-11 and £0.876m in 2011-12) which is detailed as follows:

Edenbridge Centre +£0.830m (+£0.237m in 2010-11,+£0.593m in 2011-12 and rephasing of -£0.237m from 2010-11 to 2011-12): The increase in gross expenditure reflects the revised and increased project specifications which include funding in full from the developer, external partners and the service units (libraries and youth). The full funding proposals are expected to be completed and approval to spend sought later this year.

Taking this into account, there is an underlying variance of +£0.024m

1.2.6 **General Overview of capital programme**:

(a) Risks (mitigations in section b below):

Library Modernisation Programme – consists of a number of large individual projects, which if delayed could result in significant rephasing of costs into 2011-12. As this programme is linked to the Modernisation of Assets budget, delays in relation to DDA and planned maintenance would also ensue.
The Beaney – further archaeology is required, which could result in additional delays and cost. The existing building needs significant restoration, the cost of which was included in the original budget but if further defects are noted then these may not be covered by the project contingency. The delayed start could also lead to further weather related delays.
Turner Contemporary– the external funding target of £2.9m, underwritten by KCC, may not be reached, therefore causing a potential funding shortfall.
Ashford Gateway Plus – the specification of the build was enhanced to incorporate partner requests, however any further changes to the specification or schedule could result in additional costs.
Ramsgate Library – final agreement with the Administrator is very close. It is anticipated that the settlement should be in line with the project budget; however there is small risk that this position may alter.
Tunbridge Wells Library – awaiting revised plans and costings for the external lifts. Given the listed status of the building, there is a small risk that the budget will be insufficient to meet the cost of remedial works.
Kent History & Library Centre – project funding could be affected by both the state of the property market, by virtue of reduced capital receipts/land value, and rising costs.
Gravesend Library – the delay to the programme start could result in additional costs if the proposed schedule cannot be adhered to.
New community facilities at Edenbridge – the project is partially dependent upon external partner funding, which in itself is reliant on the sale of a partner asset, and without this in place the KCC share of the project costs will rise.

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

Library Modernisation Programme – a Library Modernisation Advisory Group, including support from the Property Group, has been established to oversee this programme and to co-ordinate appropriate project management, design development, estates and financial advice of the various rolling programmes. Expenditure has been profiled over the coming year for each of the key locations.
The Beaney – the archaeology to the crane foundations is considered a low risk as this is a small, relatively shallow area and the project team is working closely with Canterbury Archaeological Trust. A full assessment of the existing building by specialist consultants is now underway and further value engineering will follow if the allocated budget and contingency is insufficient to cover remedial works. Any weather related delays will be a call on the contingency, which was recently increased as a prudent measure.
KCC are working closely with the specialist consultants and Canterbury City Council, our partners in this venture, to ensure that this risk is mitigated and that the project is kept on schedule with regards to timing and cost.
Turner Contemporary– Turner Contemporary Art Trust has been established to raise funds to meet the funding target and a number of donations have been made in recent months, although the funding target has still to be fully mitigated.
Ashford Gateway Plus – the installation of the steel frame indicates that progress will be prompt for the remainder of the build. Further specification changes are not expected at this late stage of the design but any possible changes would require value engineering or full funding to ensure there is no financial liability to the authority.
Ramsgate Library – the outstanding defects liability has been costed by the Quantity Surveyor and formed part of the settlement negotiations. Therefore it is considered that sufficient funds will be available to complete the works. Negotiations are ongoing but are at an advanced stage.
Tunbridge Wells Library – development of the revised plans is now progressing well and the conservation officers are involved in this process thereby ensuring that the project

completes on time and within budget. The budget is being monitored and the revised plans are focused on essential works only, to ensure no exposure to KCC.

Kent History and Library Centre – a revised funding strategy is being devised, which will aim to close any future funding shortfall.

Gravesend Library – the contractors have identified a revised schedule that aims to complete the re-development within the original timeframe, thereby minimising the risk and exposure to the authority.

New community facilities at Edenbridge – the developer has indicated a willingness to purchase the third party property, thus alleviating the risk to the authority that funding will not be in place at the required juncture. This significantly reduces the risk associated with this project.

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 proposed re-phasing is detailed in the table below.

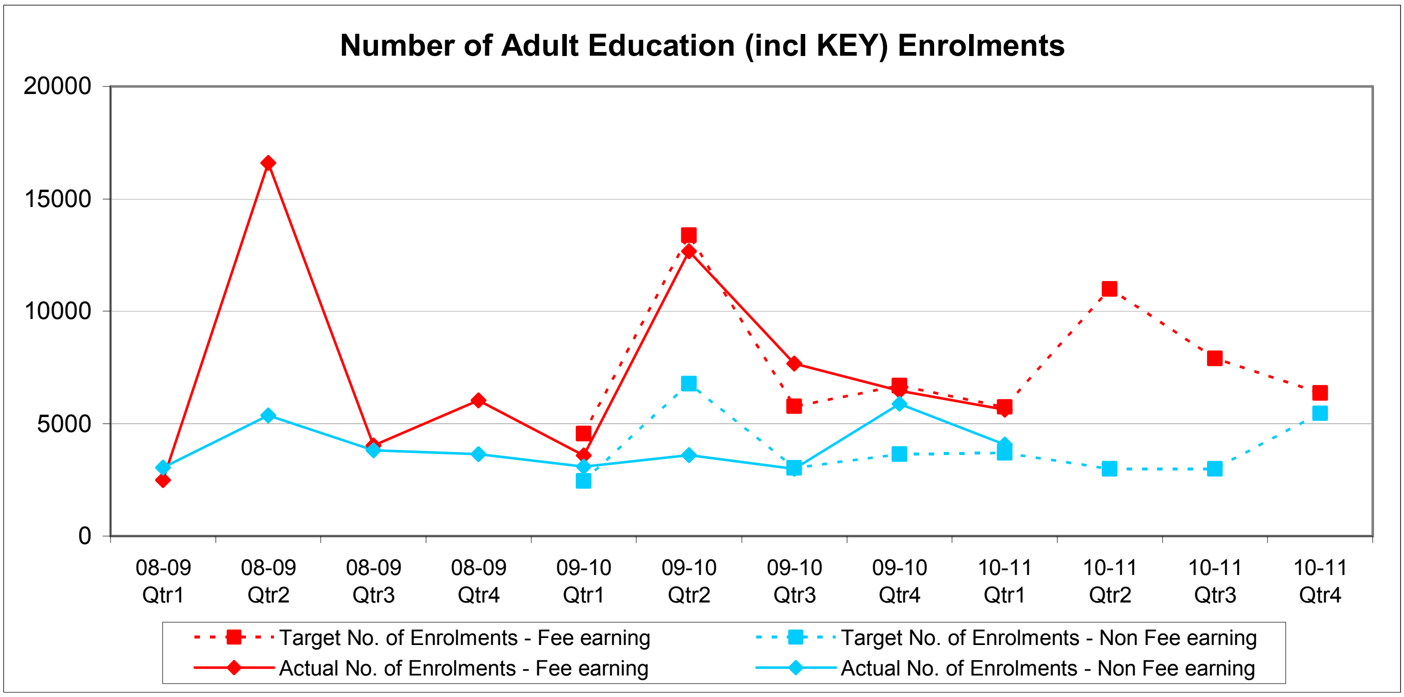
	2010-11	2011-12	2012-13	Future Years	Total
	£k	£k	£k	£k	
New Community Facilities at Edenbridge					
Amended total cash limits	+75	+1,680			+1,755
re-phasing	-237	+237			0
Revised project phasing	**-162**	**+1,917**	**0**	**0**	**+1,755**
Total re-phasing >£100k	**-237**	**+237**	**0**	**0**	**0**
Other re-phased Projects below £100k	**-46**	**+46**			**0**
TOTAL RE-PHASING	**-283**	**+283**	**0**	**0**	**0**

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 **Number of Adult Education & KEY enrolments**:

	2008-09			2009-10					
	ACTUALS			TARGET			ACTUALS		
	Fee earning	Non fee earning	TOTAL	Fee earning	Non fee earning	TOTAL	Fee earning	Non fee earning	TOTAL
Apr - Jun	2,496	3,049	**5,545**	4,560	2,456	**7,016**	3,589	3,087	**6,676**
Jul – Sept	16,590	5,360	**21,950**	13,377	6,774	**20,151**	12,667	3,598	**16,265**
Oct – Dec	4,024	3,816	**7,840**	5,776	3,029	**8,805**	7,680	2,986	**10,666**
Jan - Mar	6,039	3,639	**9,678**	6,689	3,651	**10,340**	6,474	5,880	**12,354**
TOTAL	**29,149**	**15,864**	**45,013**	**30,402**	**15,910**	**46,312**	**30,410**	**15,551**	**45,961**

	2010-11					
	TARGET			ACTUALS		
	Fee earning	Non fee earning	TOTAL	Fee earning	Non fee earning	TOTAL
Apr - Jun	5,750	3,700	**9,450**	5,619	4,075	**9,694**
Jul – Sept	11,000	3,000	**14,000**			
Oct – Dec	7,900	3,000	**10,900**			
Jan - Mar	6,368	5,462	**11,830**			
TOTAL	**31,018**	**15,162**	**46,180**	**5,619**	**4,075**	**9,694**



Comments:

- The Skills Funding Agency (SFA) grants depend partly on enrolments to courses and are subject to a contract agreement with SFA. Students taking courses leading to a qualification are funded via Further Education (FE) grant based upon the course type and qualification. However, students taking non-vocational courses not leading to a formal qualification are funded via a block allocation not related to enrolments, referred to as Adult and Community Learning Grant (ACL) grant. Student enrolments are gathered via a census at three points during the academic year.
  Students pay a fee to contribute towards costs of tuition and examinations. There is a concession on ACL tuition fees for those aged under 19, those in receipt of benefits and those over 60. FE courses are free for those aged under 19 or in receipt of benefits undertaking Basic Skills or Skills for Life Courses.

- All enrolments (fee and non fee paying) have exceeded the target by 2.6% for the periods April – June. Enrolments on fee paying courses have increased by 56.6% over that achieved for similar period last year, but are below target by 2.2%. Enrolments for courses where fees are not payable have increased by 32% over that achieved for similar period in 2009-10, and are 10.1% above target enrolments for 2010-2011.

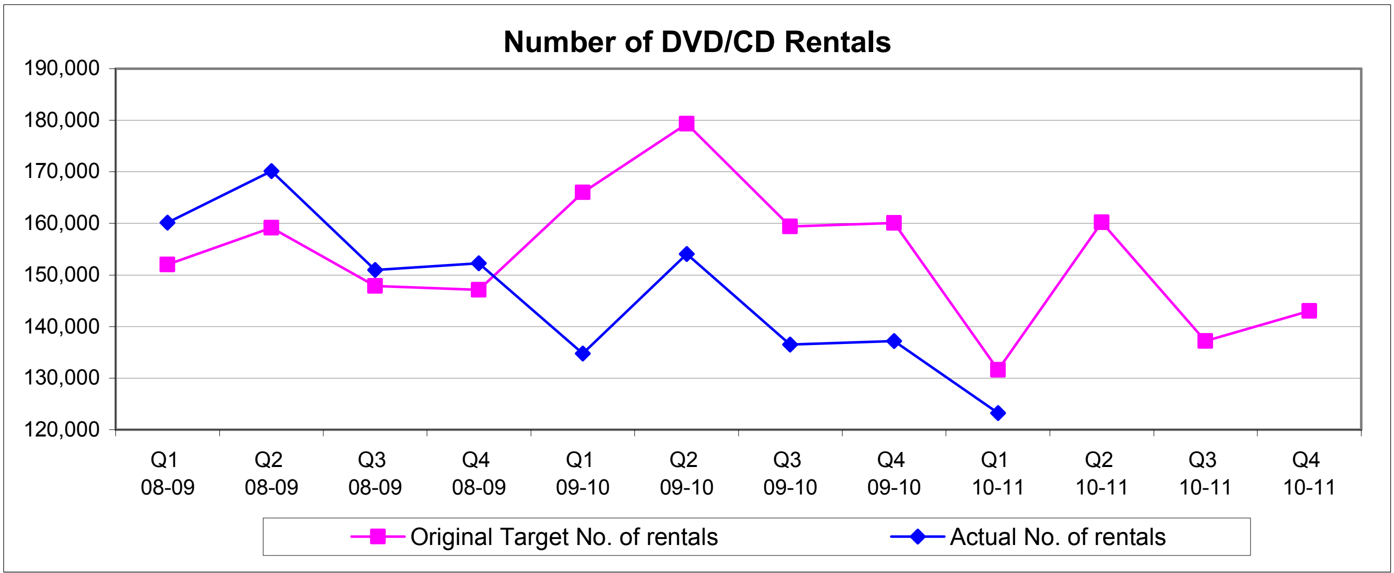
  The majority of these enrolments are for family learning and skills for life programmes, which are wholly funded by Skills Funding Agency (SFA) contracts. Performance on the contracts is regularly monitored to ensure the services will drawdown the total contract values for the academic year.

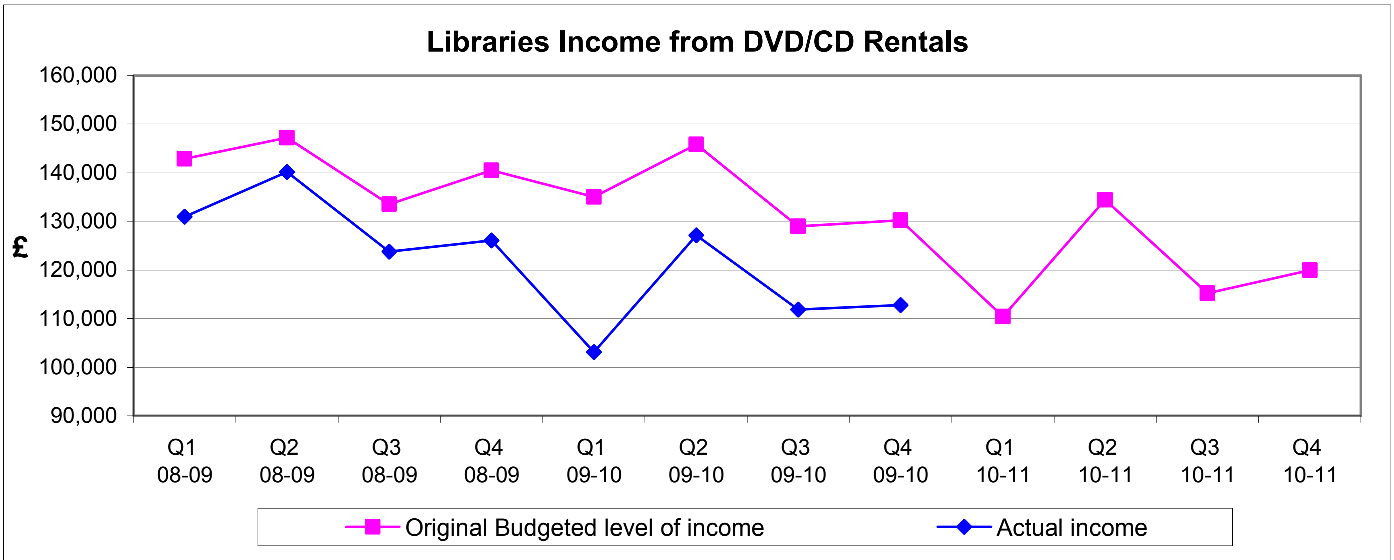
- The estimated profile of 2010-11 enrolment targets provided in the 2009-10 outturn report has been adjusted as the unit moves towards 'continual' curriculum planning. The 2010-2011 brochure was published 3-4 weeks earlier than 2009-10 (2% down against target - peak enrolment period Qtr 2 & Qtr 3). The increase in enrolments for courses without fees is due to a profile of enrolments on Family Learning courses. Generally, enrolment targets have been revised to reflect changes in the minimum contract value.

2.2 **Number of Library DVD/CD rentals together with income raised**:

	2008-09				2009-10			
	No of rentals		Income (£)		No of rentals		Income (£)	
	Budgeted target	actual	budget	actual	Budgeted target	actual	Budget	actual
April – Jun	152,059	160,162	142,865	130,920	166,000	134,781	135,000	103,135
July – Sep	159,149	170,180	147,232	140,163	179,300	154,044	145,800	127,156
Oct – Dec	147,859	150,968	133,505	123,812	159,400	136,516	129,000	111,827
Jan – Mar	147,156	152,249	140,533	126,058	160,100	137,172	130,200	112,775
TOTAL	**606,223**	**633,559**	**564,135**	**520,953**	**664,800**	**562,513**	**540,000**	**454,893**

	2010-11			
	No of rentals		Income (£)	
	Budgeted target	actual	Budget	actual
April – Jun	131,600	123,201	110,400	89,866
July – Sep	160,200		134,400	
Oct – Dec	137,200		115,200	
Jan – Mar	143,000		120,000	
TOTAL	**572,000**	**123,201**	**480,000**	**89,866**





Comments:

- Rentals of audio visual materials (especially videos and CDs) continue to decline as videos become more obsolete and alternative sources for music become more widely available, which has resulted in a reduction in AV income of £111k. Demand for spoken word materials and DVDs has remained reasonably stable.

- Research undertaken by the service in order to mitigate this actual and forecast decline, indicates issues can be increased if loans are offered for longer periods at a reduced fee. The service has also identified that it has a niche market for certain genres where demand can be sustained and there is little competition e.g. old TV shows.

- The service has reviewed its marketing strategy and set more realistic levels of rentals both in terms of volume and value. The service increased income budgets from other merchandising to offset the loss of income from AV issues, but is also now falling short on this. Issues and income achieved in 2009-10 were below target, partly due to the impact on loans in the first quarter as the new computer system was being rolled-out, and visitor numbers declined; as customers stayed away, wary that things may go wrong with the new system. The position was exacerbated further by half day closures, the unavailability of the web catalogue and the facility to renew items, which resulted in a loss of income as DVD's could not be renewed.

- The service is currently working on an exit strategy for the audio visual rental service, in acknowledgment of the continual decline in demand and that merchandising income is no longer sufficient to plug the gap. It is expected that the outcomes of this will be reflected in the 2011-14 MTP.

- The actual number of rentals includes those from visits to lending libraries, postal loans and reference materials.

- To enable better comparison of AV issues and income data, the actual income reported for the previous quarter is changed from the figure previously reported, to reflect the late banking of income which has taken place during the current quarter but relates to rentals issued within the previous quarter. The number of rentals reported previously remains unchanged. It is likely that this adjustment will be required in each report.

Annex 5

CHIEF EXECUTIVES DIRECTORATE SUMMARY
JULY 2010-11 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 budget was set to reflect the adjustments required as a result of the in year grant reductions as reported to Cabinet in July, the addition of £0.491m of roll forward from 2009-10, as approved by Cabinet on 14 June 2010 and a number of technical adjustments to budget.
- The inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. 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:						0	
- core service	4,892	-3	4,889	5	-5	0	
- support to directorates	260	-260	0	0	0	0	
TOTAL Democratic Services	5,152	-263	4,889	5	-5	0	
International Affairs Group	572	-35	537	13	-13	0	
Kent Partnerships	414	-48	366	-1	1	0	
County Council Elections	255		255	0	0	0	
Public Consultation	100		100	0	0	0	
Provision for Member Community Grants	853		853	0	0	0	
Local Scheme Spending recommended by Local Boards	468		468	0	0	0	
District Grants for Local Priorities	808		808	0	0	0	
Budget Managed by this portfolio	8,622	-346	8,276	17	-17	0	
Less Support Costs delegated to Service Directorates	-260	260	0	0	0	0	
Total L&P portfolio	**8,362**	**-86**	**8,276**	**17**	**-17**	**0**	
Corporate Support & Performance Management portfolio							
Personnel & Development:						0	
- core service & PAYG activity	6,912	-5,254	1,658	83	-83	0	
- support to directorates	3,679	-3,679	0	0	0	0	
TOTAL P&D	10,591	-8,933	1,658	83	-83	0	
Business Solutions & Policy:							
- ISG core service & PAYG activity	14,857	-12,741	2,116	664	-664	0	IT project contractors funded by income
- ISG support to directorates	15,130	-15,130	0	0	0	0	
- Central Policy	656	0	656	0	0	0	
- Performance, Improvement & Engagement	691		691	17	-17	0	
TOTAL Business Solutions	31,334	-27,871	3,463	681	-681	0	
Finance Group:						0	
- Procurement & Audit	320	-34	286	2	-4	-2	
- Audit support to directorates	735	-735	0	0	0	0	
TOTAL Audit & Procurement	1,055	-769	286	2	-4	-2	

Annex 5

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Property Group:							
- core service	5,870	-4,430	1,440	87	-87	0	Saving on 17 KHA rent offset by costs for redeployments
- support to directorates	5,443	-5,443	0	0	0	0	
TOTAL Property Group	11,313	-9,873	1,440	87	-87	0	
Legal Services	6,789	-7,764	-975	579	-797	-218	£390k disbursements costs & income; addt costs & income from trading activities
Strategic Management Unit	430		430	0	0	0	
Kent Works	0	0	0	6	1	7	
Corporate Communications	1,423	-217	1,206	-83	83	0	
Strategic Development Unit	2,804	-687	2,117	-21	21	0	
Contact Kent	5,517	-2,248	3,269	-144	144	0	Consumer Direct vacancies off-set by reduced income
Centrally Managed Budgets	2,201	-184	2,017	20	-22	-2	
Support Services purchased from CED	4,094		4,094	0	0	0	
PFI Grant		-605	-605	0	0	0	
Dedicated Schools Grant		-4,289	-4,289	0	0	0	
Budget Managed by this portfolio	77,551	-63,440	14,111	1,208	-1,421	-213	
Less Support Costs delegated to Service Directorates	-24,987	24,987	0	0	0	0	
Total CS&PM	**52,564**	**-38,453**	**14,111**	**1,208**	**-1,421**	**-213**	
Finance Portfolio							
Finance Group:							
- core service	6,015	-4,046	1,969	-280	280	0	Vacancies held & reduced drawdown from Funds
- support to directorates	1,577	-1,577	0	0	0	0	
TOTAL Finance Group	**7,592**	**-5,623**	**1,969**	**-280**	**280**	**0**	
Less Support Costs delegated to Service Directorates	-1,577	1,577	0	0	0	0	
Total Finance portfolio	**6,015**	**-4,046**	**1,969**	**-280**	**280**	**0**	
TOTAL CORPORATE POC	**66,941**	**-42,585**	**24,356**	**945**	**-1,158**	**-213**	
Public Health & Innovation portfolio							
Kent Department of Public Health	**944**	**-377**	**567**	**31**	**-31**	**0**	
Regeneration & Economic Development portfolio							
Supporting Business	2,468	-590	1,878	0	0	0	
Growth Areas	1,525	-466	1,059	0	0	0	
Kent wide & Strategic Projects	4,391	-1,011	3,380	0	0	0	
Research & Intelligence Group	402	-101	301	43	-43	0	
Kent Film Office	110		110	0	0	0	
Resources	604	-137	467	0	0	0	
TOTAL Regen & ED	**9,500**	**-2,305**	**7,195**	**43**	**-43**	**0**	
Total Directorate Controllable	**77,385**	**-45,267**	**32,118**	**1,019**	**-1,232**	**-213**	
Assumed Management Action:							
- L&P portfolio						**0**	
- CS&PM portfolio						**0**	
- Finance portfolio						**0**	
- PH&I portfolio						**0**	
- Regen & ED portfolio						**0**	
Forecast after Mgmt Action				**1,019**	**-1,232**	**-213**	

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:

Corporate Support & Performance Management portfolio:

1.1.3.1 Information Systems (Business Solutions & Policy): Variances on gross spend **(+£560k)** and income **(-£560k)** reflect the increased demand for additional IT Pay-as-you-go projects. Project demand is difficult to predict during budget setting.

1.1.3.2 Property: Workplace Transformation: Variance on Gross Spend **(-£240k)** is generated from saving the 4th quarter's rent for 17 Kings Hill Avenue, due to the closure of that office in December 2010. There is also a gross variance of **+£240k** due to uncertainty around the total costs of one-off alterations and cabling costs to existing buildings needed to expand occupancy to accommodate these displaced staff. As the costs are finalised, any saving remaining will accrue to the Directorates as County Office rents is a fully delegated budget.

1.1.3.3 Legal Services: Variances on gross spend **(+£189k)** and income **(-£407k)** 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 **(+/-£390k)** are due to increased costs & their recovery for Disbursements.

1.1.3.4 Contact Kent – Consumer Direct: Variance on gross spend of **(-£127k)** reflects the holding of staff vacancies until the decision has been announced on the awarding of the new contract in December 2010. If awarded, staff will be recruited in the new year.
Variance on income **(+£140k)** is due to the uncertain nature of being able to achieve the 'quality bonus' income. This position will become clearer as the year progresses and more statistics become available. We are currently taking a prudent view, but we are reasonably optimistic at this stage.

Finance portfolio:

1.1.3.5 Pensions & Insurance Teams: Variance on gross spend **(-£298k)** has arisen due to a freeze on recruitment to staff vacancies in the Pensions and Insurance teams. A corresponding variance on income **(+£298k)** is due to the reduced drawdown from the Pension and Insurance Funds.

Regeneration & Economic Development portfolio:

1.1.3.6 The 2010-11 budget for the Research & Intelligence Group was reduced significantly with the assumption of savings from staff redundancy. The timetable for this process of change is determined by the requirements of the Blue Book for 'Managing Change (Redundancy and Redeployment)'. From a start point of 22 February, when formal consultation with staff commenced, the reduction of staff was only achieved by w/c the 2 August through redeployment or redundancy. Overall the staff complement will be reduced from 15 to10.
The provision for part year costs rolled forward from 2009-10 is not sufficient to meet all the costs estimated to be incurred for these staff during 2010-11. We will manage the staffing budget by bringing forward Interreg activities within the team from 2011-12 which will attract 50% grant funding necessary to balance the budget.

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CSPM	Information Systems costs of additional pay as you go activity	+560	CSPM	Information Systems income from additional pay as you go activity	-560
CSPM	Legal services increased costs of Disbursements	+390	CSPM	Legal income resulting from additional work (partially offset by increased costs)	-407
FIN	Reduced drawdown from Pension & Insurance funds to reflect reduced salary costs	+298	CSPM	Legal services increased income relating to Disbursements	-390
CSPM	Workplace Transformation - Possible one-off costs re: alterations for displacements from Kings Hill Avenue	+240	FIN	Vacancies in pensions & insurance due to a recruitment freeze	-298
CSPM	Legal services cost of additional work (offset by increased income)	+189	CSPM	Workplace Transformation - 4th Qtr rent for 17 King's Hill Avenue	-240
CSPM	Contact Kent - Consumer Direct unlikely to achieve quality bonus	+140	CSPM	Contact Kent - Consumer Direct holding vacancies	-127
		+1,817			**-2,022**

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

N/A

1.1.5 **Implications for MTP**:

The base budget implications of issues identified in this monitoring report will be a call on the amounts identified in the 2010/13 MTP as emerging pressures in 2011/12 and 2012/13. The details of individual amounts will be included when the revised plan is published for consultation in January 2011 together with any new pressures forecast for 2011/12 and 2012/13. There are no significant issues for the CED portfolios arising from 2010/11 budget monitoring.

The revised MTP will include proposals on how the in-year cuts in Government grants will be accommodated in base budgets once it has been confirmed that these reductions are permanent, following the announcement of the provisional local government finance settlement for 2011/12 which we anticipate will be in late November/Early December. The revised plan will also include the strategy to address the likely reductions in funding over the lifetime of the current parliament following the Chancellor’s emergency budget statement on 22nd June in which he outlined his plans to address the national budget deficit.

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

None identified at the moment.

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

This section should provide details of the management action outstanding, as reflected in the assumed management action figure reported in table 1 – detailed by portfolio.

N/A

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 since last reported to Cabinet on 12th July 2010, as detailed in section 4.1.

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

	Prev Yrs Exp £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	Future Yrs £000s	TOTAL £000s
Corporate Support Services & Performance Management						
Budget	18,576	16,078	9,317	9,549	2,663	56,183
Adjustments:						
- completed projects	-9,623					-9,623
						0
Revised Budget	8,953	16,078	9,317	9,549	2,663	46,560
Variance		1,758	44	-74	0	1,728
split:						
- real variance		+1,728				+1,728
- re-phasing		+30	+44	-74		0
Localism & Partnerships Portfolio						
Budget	659	503	500	500	0	2,162
Adjustments:						
- completed projects	-659					-659
						0
Revised Budget	0	503	500	500	0	1,503
Variance		0	0	0	0	0
split:						
- real variance		0	0	0	0	0
- re-phasing		0	0	0	0	0
Regeneration & Economic Development Portfolio						
Budget	15,312	11,996	4,230	3,242	2,980	37,760
Adjustments:						
-						0
						0
Revised Budget	15,312	11,996	4,230	3,242	2,980	37,760
Variance		0	0	0	0	0
split:						
- real variance						0
- re-phasing						0
Directorate Total						
Revised Budget	24,265	28,577	14,047	13,291	5,643	85,823
Variance	0	1,758	44	-74	0	1,728

Real Variance	**0**	**+1,728**	**0**	**0**	**0**	**+1,728**
Re-phasing	**0**	**+30**	**+44**	**-74**	**0**	**0**

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2010-11 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

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
CSS&PM	Commercial Services	real	1,528			
			+1,528	**+0**	**+0**	**+0**
Underspends/Projects behind schedule						
			0	**-0**	**-0**	**-0**
			+1,528	**-0**		**-0**

1.2.4 Projects re-phasing by over £1m:

1.2.4.1 Eurokent Spine Road - funding re-phasing only, £5.304m from 2010-11 to future years

The Spine Road funding from East Kent Opportunities Limited Liability Partnership was re-profiled with repayment now due during 2013-14 (Decision No 10-01499, implemented 28 June 2010)

Revised phasing of the scheme is now as follows:

	Prior Years	2010-11	2011-12	2012-13	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	5,940	670				6,610
Forecast	5,940	670				6,610
Variance	0	0	0	0	0	0
FUNDING						
Budget:						
Developer contributions	305	437				742
External SEEDA	331	233			0	564
External other		5,304				5,304
General capital receipt	5,304	-5,304				0
TOTAL	5,940	670	0	0	0	6,610
Forecast:						
Developer contributions	305	437				742
External SEEDA	331	233				564
External other					5,304	5,304
General capital receipt	5,304				-5,304	0
TOTAL	5,940	670	0	0	0	6,610
Variance	**0**	**0**	**0**	**0**	**0**	**0**

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

There is a real variance of +£1.728m (in 2010-11) which is detailed as follows:

Modernisation of Assets +£0.200m (in 2010-11): additional work has been identified throughout the County Office estate which will be fully funded through a drawdown of reserves in order to make a revenue contribution to the capital outlay.

Commercial Services VPE +£1.528m (in 2010-11): this will be matched by an increased contribution from their Renewals Fund so there is no funding implication.

Taking these into account, there is no underlying variance.

1.2.6 **General Overview of capital programme**:

(a) Risks

N/A

(b) Details of action being taken to alleviate risks

N/A

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.

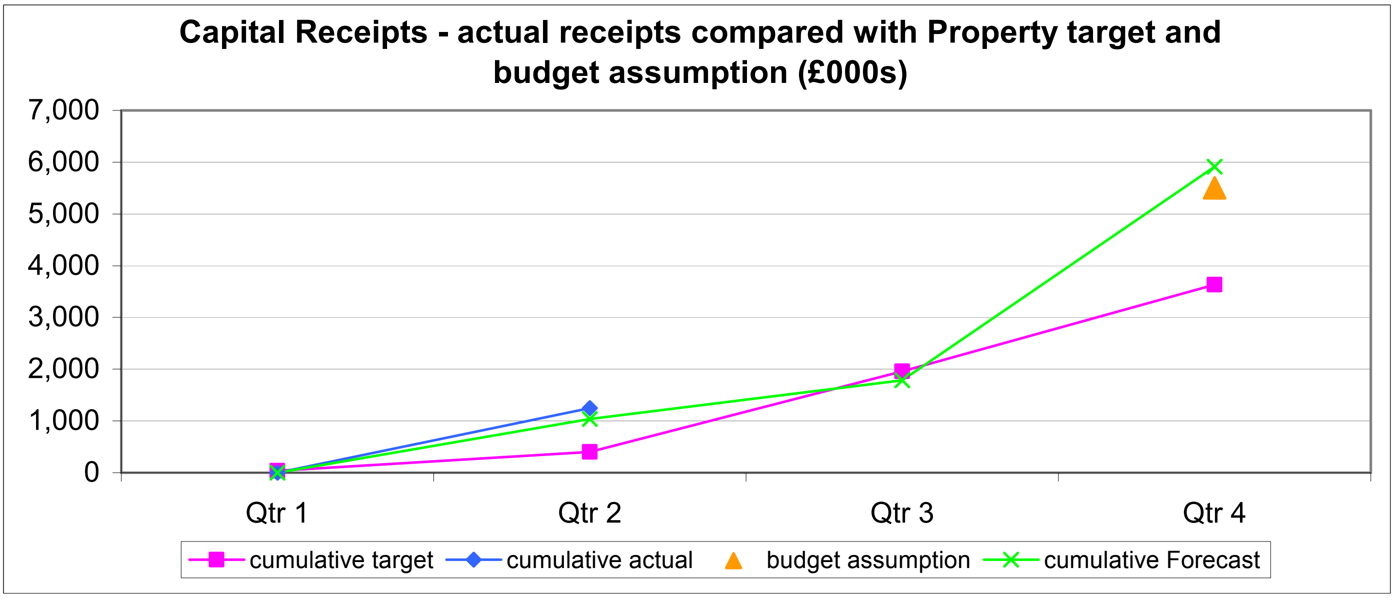
None

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 **Capital Receipts – actual receipts compared to budget profile**:

	2010-11			
	Budget funding assumption £000s	Cumulative Target Profile £000s	Cumulative Actual Receipts £000s	Cumulative Forecast receipts £000s
April - June		36	0	0
July - September		399	1,250	1,035
October - December		1,960		1,785
January - March		3,630		5,915
TOTAL	**5,503**	**3,630**	**0**	**5,915**

The cumulative target profile shows the anticipated receipts at the start of the year totalled £3.630k. 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. There are banked receipts achieved in prior years which were not required to be used for funding until 2010-11.



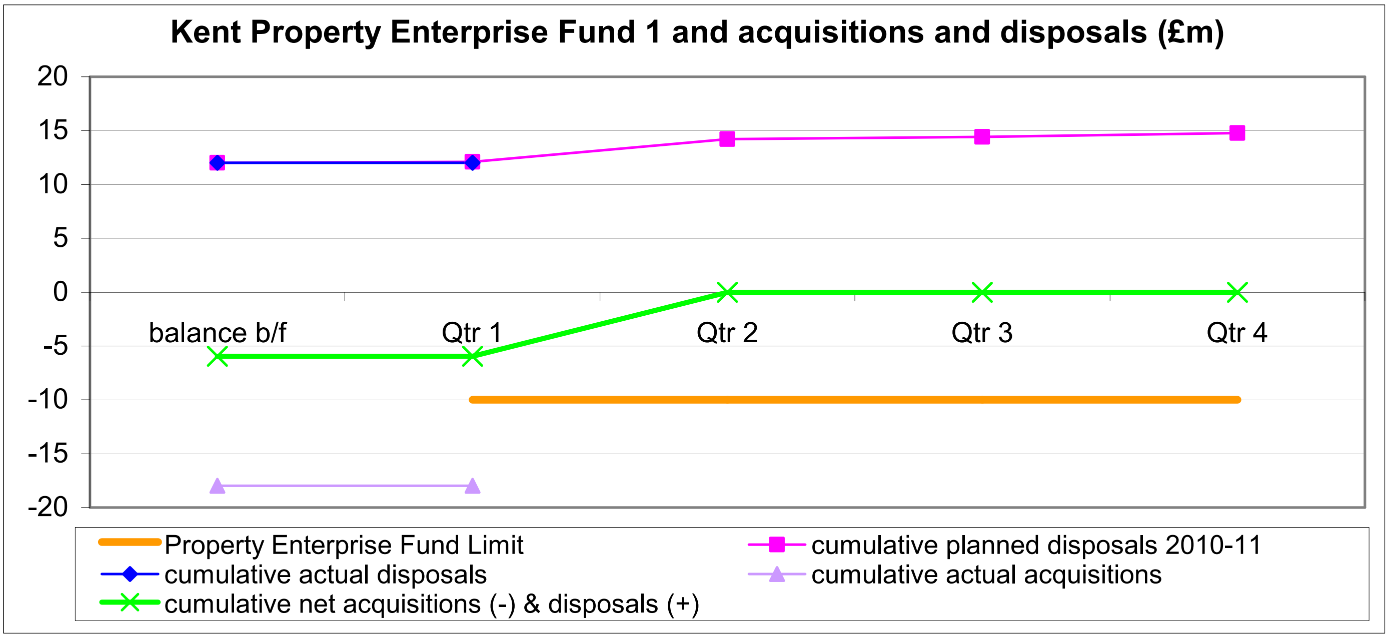
Comments:

- The table below compares the capital receipt funding required per the capital programme this year, with the expected receipts available to fund this.
- Property Group are actually forecasting a total of £5.9m to come in from capital receipts during the year. Taking into consideration the receipts banked in previous years and receipts from other sources there is a forecast a surplus of £5.6m in 2010-11. This is due to receipts being forecast to be achieved during 2010-11 which are earmarked to fund spend in future years of the programme.

	2010-11 £'000
Capital receipt funding per revised 2010-13 MTP	6,113
Property Groups' actual (forecast for 10-11) receipts	5,915
Receipts banked in previous years for use	2,944
Capital receipts from other sources	2,890
Potential Surplus Receipts	**5,636**

2.2 **Capital Receipts – Kent Property Enterprise Fund 1**:

	2010-11				
	Kent Property Enterprise Fund Limit *£m*	Cumulative Planned Disposals (+) £m	Cumulative Actual Disposals (+) £m	Cumulative Actual Acquisitions (-) £m	Cumulative Net Acquisitions (-) & Disposals (+) £m
Balance b/f		12.019	12.019	-17.967	-5.948
April - June	*-10*	12.102	12.019	-17.967	-5.948
July - September	*-10*	14.199			0
October - December	*-10*	14.420			0
January - March	*-10*	14.778			0



Background:

- County Council approved the establishment of the Property Enterprise Fund 1 (PEF1), 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 the disposal of assets are 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 2009-10 on PEF1 was **-£5.948m**.

A value of **£2.738k** has been identified for disposal in 2010-11. This is the risk adjusted figure to take on board the potential difficulties in disposing some of the properties.

As at the 31 July 2010 there have been no disposals.

The fund has been earmarked to provide **£1m** for Ashford Library and **£0.380m** 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 **£0.173m**.

Forecast Outturn

Taking all the above into consideration, the Fund is expected to be in a deficit position of £4.693m at the end of 2010-11.

Opening Balance – 01-04-10	-£5.948m
Planned Receipts (Risk adjusted)	£2.738m
Costs	-£0.173m
Acquisitions	-
Other Funding: - Ashford Library - Gateways	 -£1.000m -£0.380m
Closing Balance – 31-03-11	**-£4.693m**

Revenue Implications

In 2010-11 the fund is currently forecasting £0.029m of low value revenue receipts but, with the need to fund both costs of borrowing (£0.463m) against the overdraft facility and the cost of managing properties held for disposal (net £0.133m), the PEF1 is forecasting a £1.503m deficit on revenue which will be rolled forward to be met from future income streams.

2.3 **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. However, due to the slower than expected recovery, breakeven, is likely to occur over a rolling seven to eight 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

	2010-11 Forecast
	£m
Capital:	
Opening balance	-33.274
Properties to be agreed into PEF2	-26.686
Forecast sale of PEF2 properties	19.815
Disposal costs	-0.991
Closing balance	-41.136
Revenue:	
Opening balance	-2.153
Interest on borrowing	-1.488
Holding costs	-1.168
Closing balance	-4.809
Overall closing balance	-45.945

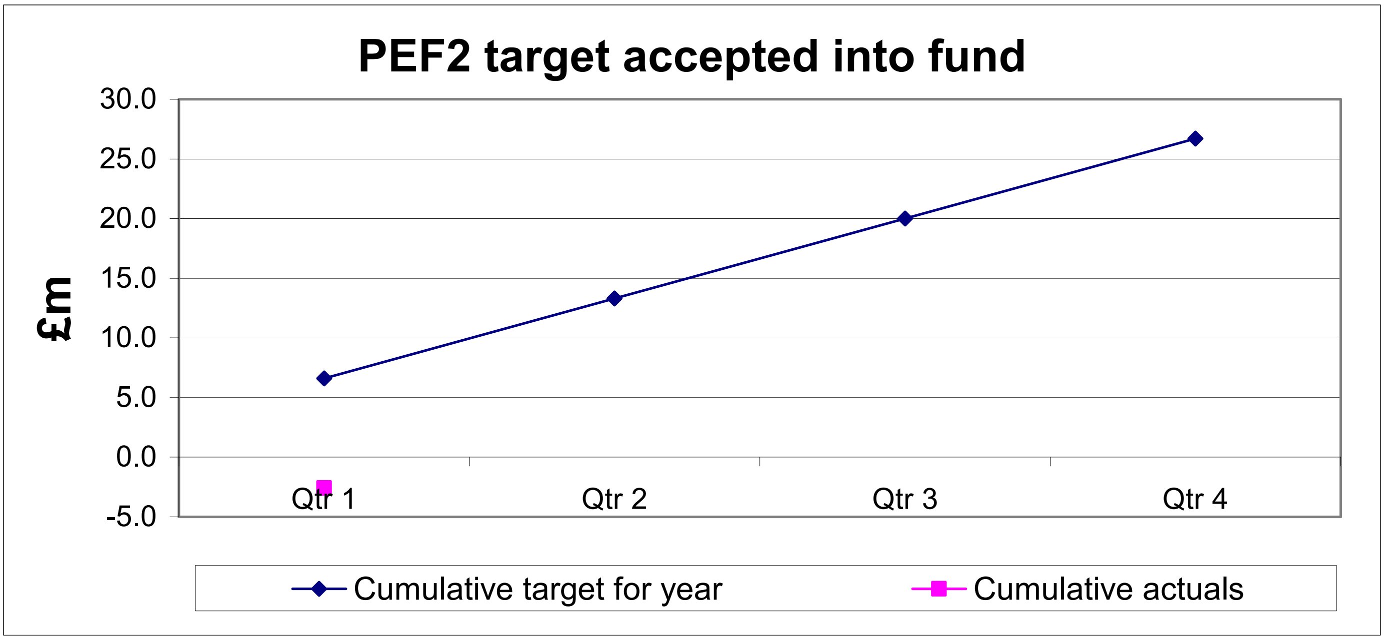
The forecast closing balance for PEF2 is -£45.945m, this is within the overdraft limit of £85m.

The target receipts to be accepted into PEF2 during 2010-11 equate to the PEF2 funding requirement in the 2010-13 budget book, and achievement against this is shown below:

	2010-11	
	Cumulative target for year	Cumulative actuals
	£m	£m
Balance b/fwd	-2.6	-2.6
Qtr 1	6.6	-2.6
Qtr 2	13.3	
Qtr 3	20.0	
Qtr 4	26.7	.

<u>Comments:</u>

- The above table shows a £2.6m deficit which is the net of a £5.4m deficit within CFE and £2.8m of PEF2 achieved in 2008-09 by KASS and EH&W that was not required until later years.
- The deficit is purely timing and Corporate Finance, Corporate Property and CFE have agreed that sufficient asset values are held by CFE which can be transferred into PEF2 during 2010-11 to cover the shortfall in 2009-10 plus the required amount for 2010-11.



PEF2 Disposals

To date six PEF2 properties have been sold and four are in the process of completing. The cumulative profit on disposal to date is £1.135m. 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 2010-11 were expected to total £1.56m.

Latest forecasts show interest costs of £1.49m, a decrease of £0.07m. This is because there has been an increase in the forecast of properties being disposed during the year.

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

FINANCING ITEMS SUMMARY
JULY 2010-11 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 budget was set to reflect the adjustments required as a result of the in year grant reductions as reported to Cabinet in July, the addition of £7.373m of roll forward from 2009-10, which represents a transfer to the Economic Downturn reserve and the setting up of a new Restructure reserve, as approved by Cabinet on 14 June 2010 and a number of technical adjustments to budget.
- The inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. 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	
Corporate Support & Performance Management portfolio							
Contribution to IT Asset Maintenance Reserve	2,352		2,352			0	
Audit Fees & Subscriptions	764		764			0	
Contribution from Commercial Services		-6,960	-6,960			0	
Total Corporate Support & PM	**3,116**	**-6,960**	**-3,844**	**0**	**0**	**0**	
Finance Portfolio							
Insurance Fund	3,479		3,479			0	
Modernisation of the Council	3,928		3,928			0	
Environment Agency Levy	344		344			0	
Joint Sea Fisheries	264		264			0	
Interest on Cash Balances / Debt Charges	126,290	-10,043	116,247	-1,016		-1,016	2010-11 write down of discount saving from 2008-09 debt restructuring
Transferred Services Pensions	22		22			0	
PRG	-1,500	0	-1,500			0	
Contribution to/from Reserves	1,948		1,948	1,016		1,016	transfer of 10-11 write down of discount saving from 08-09 debt restructuring to reserves
Drawdown from Kings Hill reserve	-1,000		-1,000			0	
ABG Centrally Held Allocations	90		90			0	
Total Finance	**133,865**	**-10,043**	**123,822**	**0**	**0**	**0**	
Total Controllable	**136,981**	**-17,003**	**119,978**	**0**	**0**	**0**	

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 £1.016m which relates to the write-down in 2010-11 of the £4.024m discount saving on 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).

1.1.3.2 Contributions to/from reserves:

As planned, the £1.016m write down of the discount saving earned from the debt restructuring in 2008-09, will be transferred to the Economic Downturn reserve.

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
FIN	Contribution to economic downturn reserve of 2010-11 write down of discount saving from 2008-09 debt restructuring	+1,016	FIN	2010-11 write down of discount saving from 2008-09 debt restructuring	-1,016
		+1,016			**-1,016**

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

eg Management Action achieved to date including vacancy freeze, changes to assessment criteria

N/A

1.1.5 **Implications for MTP**:

Please refer to section 1.1.5 in Annex 5.

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]*

A balanced position is currently forecast for the Financing Items budgets.

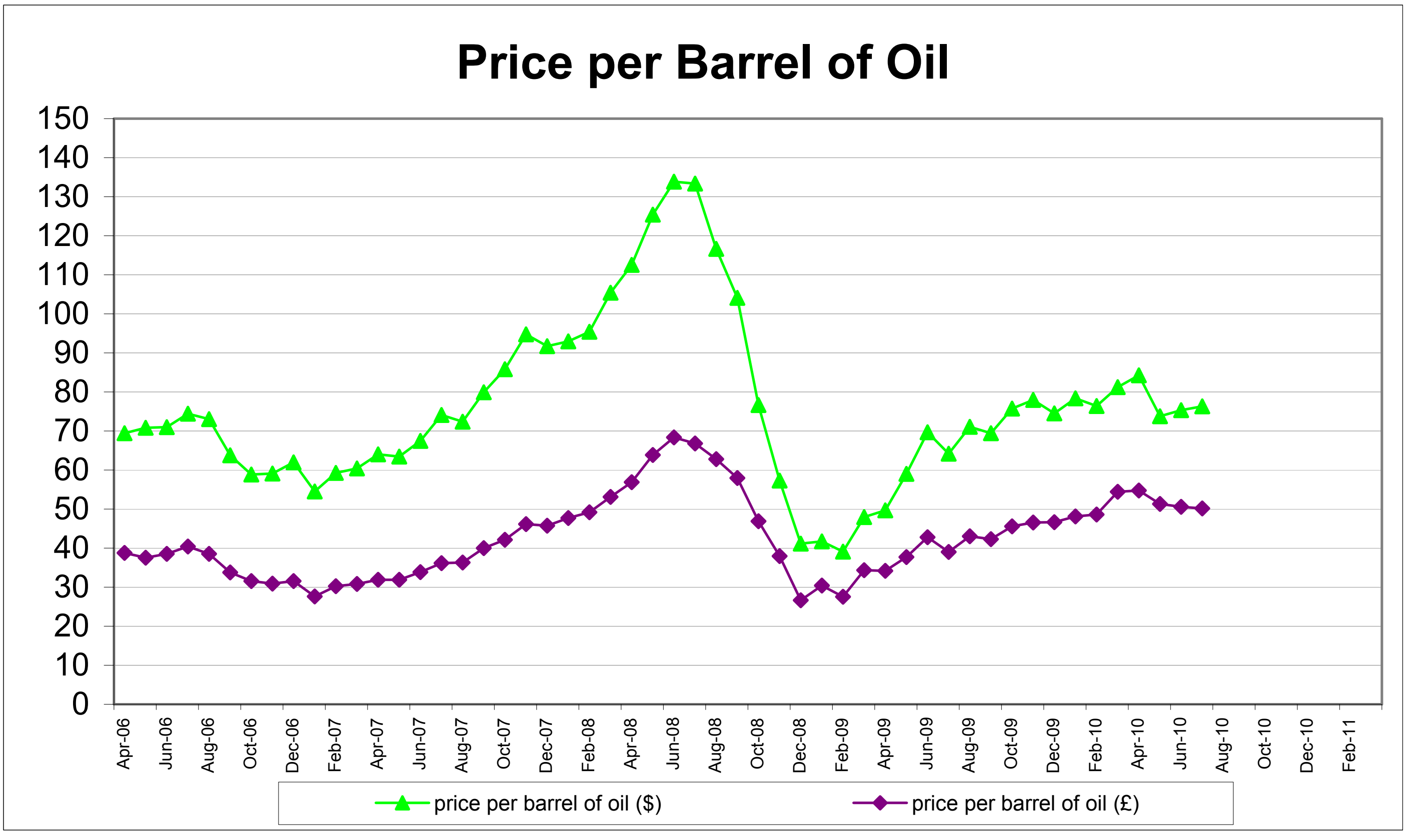
1.2 CAPITAL

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	2010-11
	$	$	$	$	$
April	69.44	63.98	112.58	49.65	84.29
May	70.84	63.45	125.40	59.03	73.74
June	70.95	67.49	133.88	69.64	75.34
July	74.41	74.12	133.37	64.15	76.32
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	76.39	
March	60.44	105.45	47.94	81.20	



Comments:

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

- The dollar price has been converted to a sterling price using exchange rates obtained from the HMRC website.