

TO: Corporate Policy Overview & Scrutiny Committee – 24th September 2010

BY: Paul Carter, Leader
Alex King, Deputy Leader
John Simmonds, Cabinet Member for Finance
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SUBJECT: Financial Monitoring 2010/11

Classification: Unrestricted

Summary:

Members of the POSC are asked to note the first quarter's budget monitoring report for 2010/11 which was reported to Cabinet on 13th September 2010.

FOR INFORMATION

1. Introduction

1.1 This is a regular report to this Committee on the forecast outturn for Chief Executive's Department and Financing Items budgets within the Corporate Services portfolios.

2. Forecast Outturn

2.1 A detailed quarterly budget monitoring report is presented to Cabinet, usually in September, December and March, and a draft final outturn report in June. These reports outline the full financial position for each portfolio and are reported to POSCs after they have been considered by Cabinet. In the intervening months an exception report is made to Cabinet outlining any significant variations from the quarterly report. The first quarter's monitoring report for 2010/11 was presented to Cabinet on 13th September and the annexes for the Chief Executive's Department and Financing Items are attached to this report.

2.2 This is the first in-year budget monitoring report we have been able to bring to the POSC based on the first full quarter's spending (April to June) report to Cabinet. The previous exception report for May was not reported to Cabinet until 12th July which was after the July round of POSC meetings. The May exception report mainly dealt with the impact of the in-year reductions in Government grants. The only impact for this POSC was the change in the cash limit within Financing Items to increase the draw down from reserves by £1.964m to £5.425m to cover the reductions in some grants.

2.3 Revenue

Chief Executives Department

2.3.1 The first quarter's report includes the following significant variations from the approved budget:

- a) Additional income generation of £797k within Legal Services from both external and internal clients offset by additional spend of £390k on disbursements on behalf of

clients and £189k on staff and other costs necessary to carry out the additional work, resulting in a net under spend of £218k.

- b) A saving of £240k within Property Group from not renewing the lease on 17 Kings Hill Avenue offset by planned additional one-off expenditure on minor adaptations to other buildings to increase capacity to accommodate displaced staff. Any net savings once costs of alternative accommodation are finalised would accrue to directorates as the County Office budget is delegated.
- c) An under spend of £127k on staff in the contact centre delivering Consumer Direct service due to not filling vacancies until uncertainties over the future of this contract are resolved. At this stage we have taken a prudent view on income from the quality bonus which offsets this under spending.
- d) Additional spending and income of £560k within Information Services Group on “pay as you go” projects.
- e) Under spends in Finance Group due to a freeze on filling vacancies in Insurance and Pensions sections. These under spends are offset by reduced draw down from the insurance and pension funds.

2.3.2 The overall impact is a net forecast under spend of £213k.

2.3.3 The support element of Chief Executive’s Department budgets has been delegated to service directorates. This means any over or under spends on the support elements will feature in directorate budget monitoring. At this stage none of the variations outlined above have any impact on delegated support service budgets.

Financing Items

2.3.4 The only variation was identified as part of the May exception report and relates to the write down of £1.016m in 2010/11 from the £4.024m discount saving on the debt restructuring undertaken at the end of 2008/09. There will be a further write down of the remaining discount saving of £0.646m in 2011/12 and 2012/13. As planned this saving is being transferred to the Economic Downturn Reserve leaving the balanced position currently forecast.

2.4 Capital

2.4.1 We are forecasting an additional £1.728m of spending on projects within the Corporate Support and Performance Management portfolio relating to £1.528m renewal of vehicles plant and equipment within Commercial Services (funded from renewals fund) and £0.2m on modernisation of the office estate (funded from reserves).

3 Recommendations

3.1 Members of the POSC are asked to note the projected outturn for the Chief Executive’s Department and Financing Items for 2010/11 based on the first quarter’s monitoring report to Cabinet.

Background Documents:

- 1) Cabinet 13th September 2010 – Revenue and Capital budgets, Key Activity and Risk Monitoring

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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 £0.461m 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
- 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

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
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	
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 POSC	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	
Total Public Health & Innovation portfolio	944	-377	567	31	-31	0	
Total Directorate Controllable	67,885	-42,962	24,923	976	-1,189	-213	
Assumed Management Action:							
- L&P portfolio						0	
- CS&PM portfolio						0	
- Finance portfolio						0	
- PH&I portfolio						0	
Forecast after Mgmt Action				976	-1,189	-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.

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.

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	Vacancy freeze within pensions & insurance	-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 of the report to Cabinet.

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
Directorate Total						
Revised Budget	8,953	16,581	9,817	10,049	2,663	48,063
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

portfolio	Project	real/ phasing	Project Status			
			Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
CSS&PM	Commercial Services	real	1528			
			+1,528	+0	+0	+0
Underspends/Projects behind schedule						
			0	-0	-0	-0
			+1,528	-0		-0

1.2.4 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 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.

1.2.5 General Overview of capital programme:

- (a) Risks
N/A
- (b) Details of action being taken to alleviate risks
N/A

1.2.6 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.

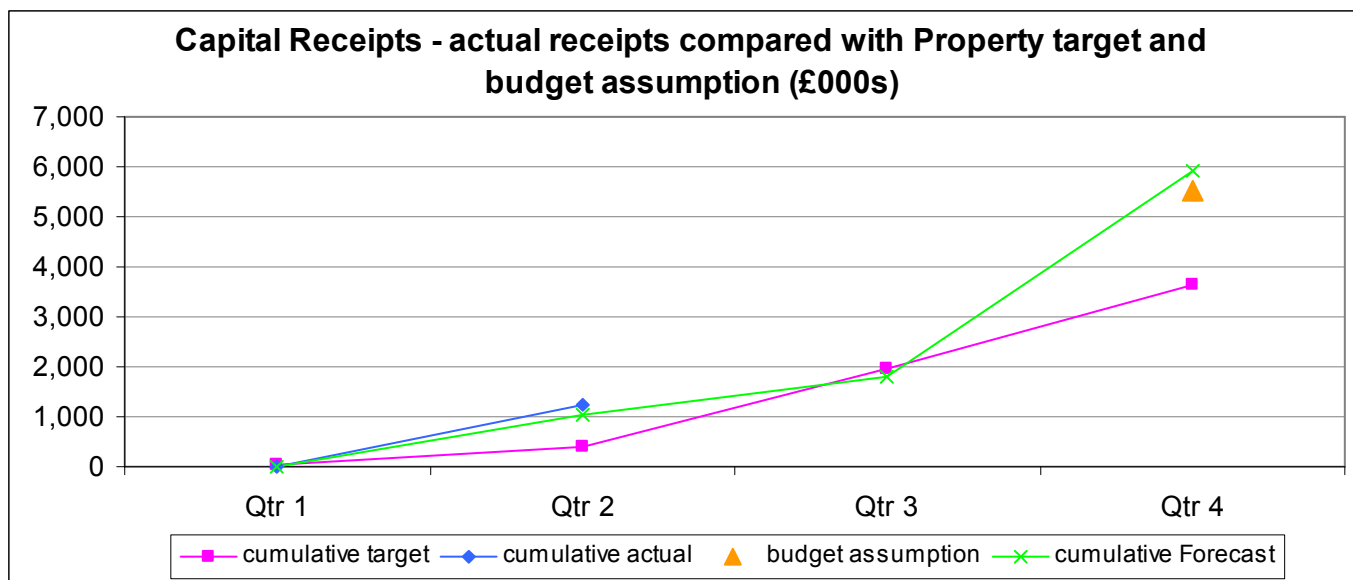
None

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.



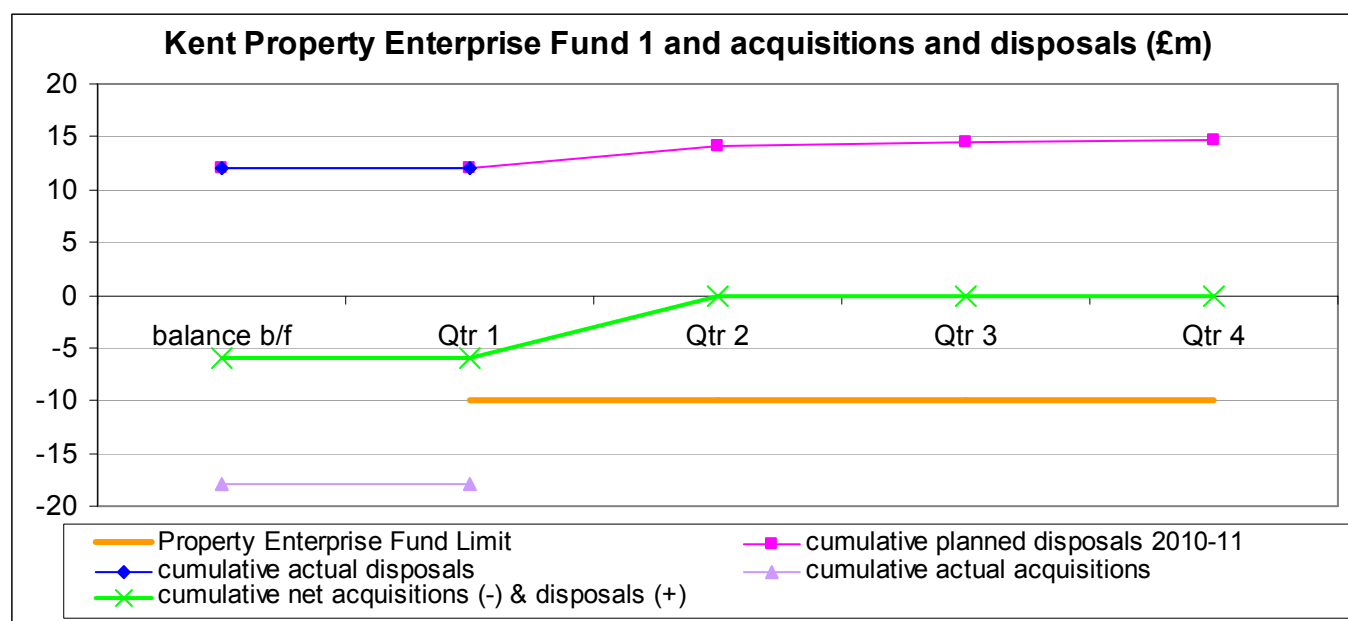
Comments:

- 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				
	<i>Kent Property Enterprise Fund Limit</i>	Cumulative Planned Disposals (+)	Cumulative Actual Disposals (+)	Cumulative Actual Acquisitions (-)	Cumulative Net Acquisitions (-) & Disposals (+)
	£m	£m	£m	£m	£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	-£1.000m
- Gateways	-£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.

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

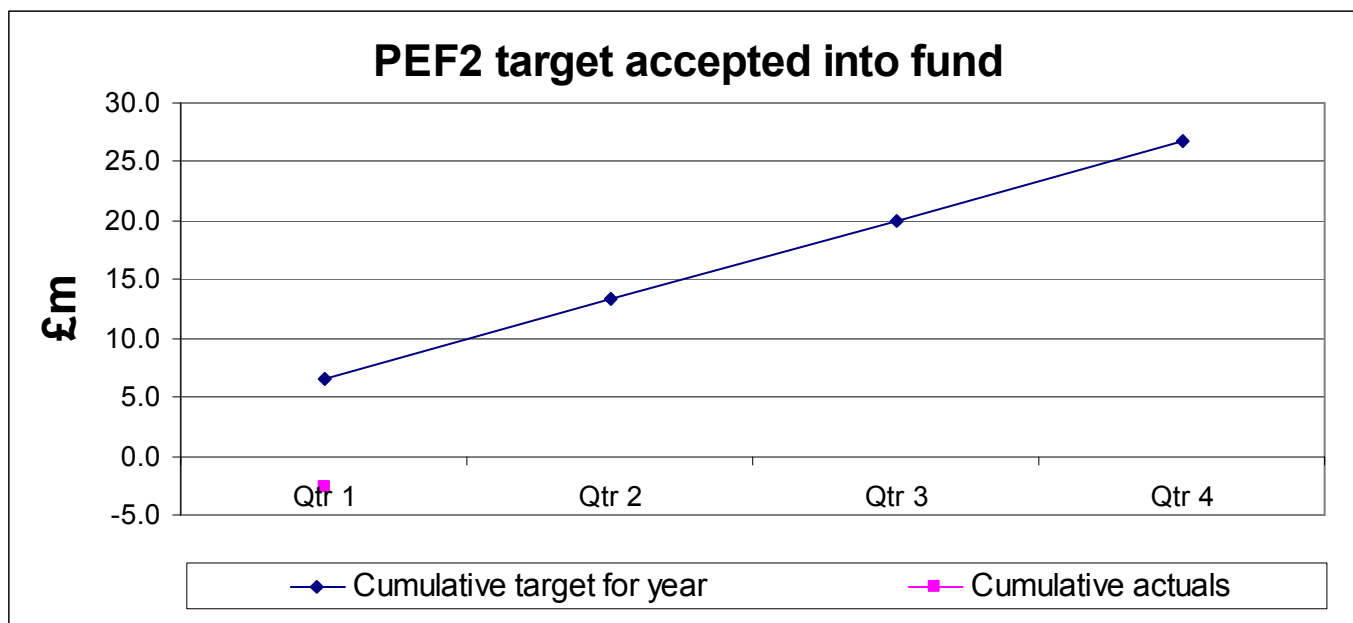
The forecast closing balance for PEF2 is -£45.945m, this is within the overdraft limit of £85m.

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	

Comments:

- 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%.

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.

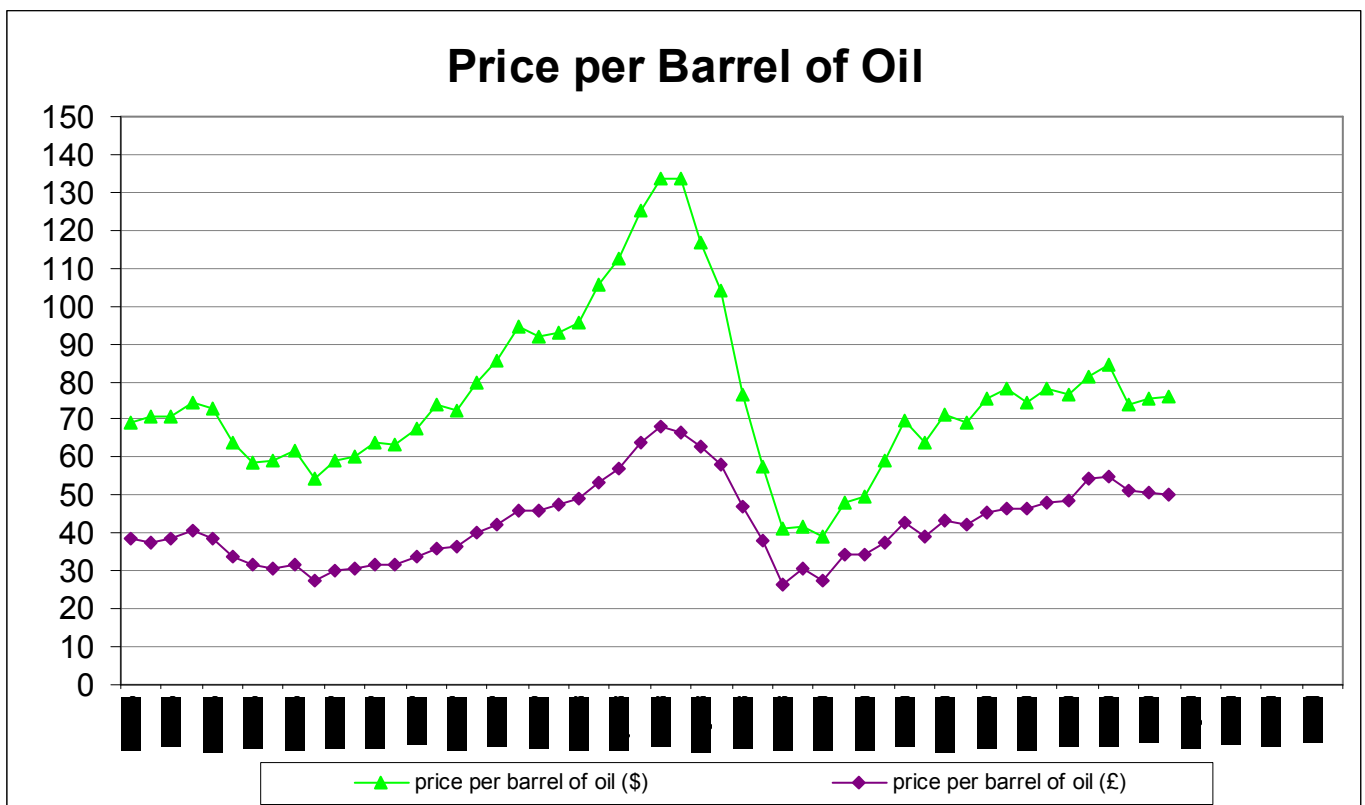
1.2 CAPITAL

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.