

BY: Kevin Lynes, Cabinet Member for Regeneration and Economic Development
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TO: Regeneration and Economic Development Policy Overview & Scrutiny Committee – 23rd September 2010

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 to be 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 Regeneration and Economic Development as reported within Chief Executive's Department budget.

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 an extract from the annexes for the Chief Executive's Department relating to the Regeneration and Economic Development portfolio is 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 issue for this POSC was the removal of the grant for Local Authority Business Growth Incentive Scheme (LABGI). We had already planned for the removal of this grant in 2011/12 and Cabinet agreed that the loss of grant in 2010/11 should be covered by a draw

down from the Economic Downturn Reserve thus increasing the portfolio cash limit for the year by £750k.

2.3 Revenue

2.3.1 The only variation currently forecast relates to a small over spend on staff within the Research and Intelligence Group due to consultation periods on implementing the restructuring agreed as part of the 2010/11 budget which cannot be met from under spends rolled forward from 2009/10. This over spend is funded by bringing in INTERREG grant income within the team.

2.4 Capital

2.4.1 The only variation currently forecast on the capital programme relates to a re-phasing of the contribution from East Kent Opportunities Limited Liability Partnership towards the cost of the Eurokent Spine Road from 2010/11 to 2013/14. The later repayment will include interest incurred on the debt as a result of the re-phasing.

3 Recommendations

3.1 Members of the POSC are asked to note the projected outturn for Regeneration and Economic Development for 2009/10 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 £0.030m 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	
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	
Assumed Management Action:							
- Regen & ED portfolio						0	
Forecast after Mgmt Action	9,500	-2,305	7,195	43	-43	0	

1.1.3 Major Reasons for Variance:

1.1.3.1 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 to 10.

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.

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:

N/A

