

To: CABINET – 2 February 2011

By: John Simmonds, Cabinet Member – Finance
Andy Wood, Acting Director of Finance

REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT

1. Introduction

1.1 This exception report is based on the monitoring returns for December and highlights the main movements since the November monitoring report presented to Cabinet in January.

2. REVENUE

2.1 There are a number of significant pressures that will need to be managed during the year if we are to achieve an underspend in the current year, which is a fundamental principle in the draft 11-13 MTFP as we are assuming that we can roll forward a £4.5m underspend to help balance the 11-12 budget, (which is based on the forecast outturn position reported to Cabinet in November), together with a further £1m saving from a non-essential spend moratorium for the remainder of 2010-11. The current underlying net revenue position by portfolio, before and after the implementation of assumed management action, compared with the net position reported last month, is shown in **table 1** below.

Table 1: Net Revenue Position before and after Proposed Management Action

Portfolio	Gross Position £m	Proposed Management Action £m	Net Position after mgmt action £m		Movement £m
			This month	Last month	
Children, Families & Education	+3.724	-3.724	-	-	-
Kent Adult Social Services	+1.567	-1.567	-	-	-
Environment, Highways & Waste	-0.313	-	-0.313	-0.313	-
Communities	-0.774	-	-0.774	-0.620	-0.154
Localism & Partnerships	-0.133	-	-0.133	-0.028	-0.105
Corporate Support & Performance Mgmt	-0.298	-	-0.298	-0.256	-0.042
Finance	-6.347	-	-6.347	-5.241	-1.106
Public Health & Innovation	-	-	-	-	-
Regeneration & Economic Development	-0.089	-	-0.089	-0.089	-
Total (excl Schools)	-2.663	-5.291	-7.954	-6.547	-1.407
Schools	+4.481	-	+4.481	+4.481	-
TOTAL	+1.818	-5.291	-3.473	-2.066	-1.407

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

Table 2: Gross Revenue Position before Management Action

Portfolio	Variance		Movement £m
	This Month £m	Last Month £m	
Children, Families & Education	+3.724	+3.724	-
Kent Adult Social Services	+1.567	+1.939	-0.372
Environment, Highways & Waste	-0.313	-0.313	-
Communities	-0.774	-0.620	-0.154
Localism & Partnerships	-0.133	-0.028	-0.105
Corporate Support & Performance Management	-0.298	-0.256	-0.042
Finance	-6.347	-5.241	-1.106
Public Health & Innovation	-	-	-
Regeneration & Economic Development	-0.089	-0.089	-
Total (excl Schools)	-2.663	-0.884	-1.779

Portfolio	Variance		Movement £m
	This Month £m	Last Month £m	
Schools	+4.481	+4.481	-
TOTAL	+1.818	+3.597	-1.779

2.3 The gross underlying revenue underspend (excluding schools) is currently -£2.663m as shown in table 2 above, but this is expected to increase to -£7.954m by year end, after assuming the implementation of management action, as shown in table 1. The draft 2011-13 MTFP assumes an underspend of £5.5m can be rolled forward to balance the 2011-12 budget. Assuming all of the remaining proposed management action is achieved in 2010-11 and there are no further unbudgeted emergencies, such as further severe weather conditions, then we are already forecasting to exceed this. However, some of this forecast underspend relates to the re-phasing of projects and will be required to roll forward to 2011-12 in order to complete these projects but, after allowing for that, we are still on target to exceed the assumptions in the 2011-13 draft MTFP.

2.4 However, a significant amount of management action is expected to be achieved by year end within the KASS & CFE portfolios. 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.

2.5 Table 2 shows that this month there has been a reduction of £1.779m in the overall gross pressure before management action (excluding schools). However within this there are some significant movements. The main movements, by portfolio, are detailed below:

2.6 Children, Families & Education portfolio:

The pressure on this portfolio (excluding schools) remains at £3.724m this month. As reported last month £1.299m of this relates to a shortfall in the Asylum grant for 2008-09 & 2009-10 and the Leader has written to the UKBA Chief Executive challenging the grant settlement – we are still awaiting a response. With regard to the remaining £2.425m, last month it was reported that we were undertaking an exercise to identify management action that would fully cover this pressure. We undertook to provide an update of the key areas of management action in this exception report, with the full detail being provided in the third full monitoring report to Cabinet in April. The key budget areas where we are looking to re-badge expenditure from existing base budgets against underspends in specific grants are:

- £1.250m 14-19 Entitlement – this relates to expenditure on more practical learning options for 14-16 year olds;
- £0.775m Personnel – this relates to termination of employment costs and advice and support to schools;
- £0.400m Interim Headteachers who are deployed to schools to cover short term headteacher vacancies and absences.

2.7 Kent Adult Social Services portfolio:

The latest forecast indicates a pressure of £1.567m, which is a reduction of £0.372m since last month. This movement is made up of a number of small movements, all below £0.1m, on several budget lines including Older Persons Residential and Nursing Care, Learning Disability Supported Accommodation and Other Services and Physical Disability Domiciliary Care. Guidelines for Good Financial Practice are in place to reduce the pressure in order to achieve a balanced budget position by the end of the financial year, which KASS is still hopeful of achieving.

2.8 Environment, Highways & Waste portfolio:

The underspend on this portfolio has remained at £0.313 this month, however this now assumes a significant drawdown from the Emergency Conditions reserve for the costs of the December snow emergencies:

- 2.8.1 The early December snow emergency was reflected in the last exception report. The costs of this were to be offset against an increased underspend on Waste. Since then, there has been a further snow emergency from 18 December. Total costs of this are still being finalised but it is thought that it will add a further £0.500m pressure to the highways budget. In the absence of any alternative method of funding the pressure within the portfolio, this amount will need to be drawn down from the Emergency Conditions reserve. The extended cold spell is also putting pressure on the normal winter salting budget. If the remainder of the winter is similar to previous years, a pressure of approximately £0.250m is expected. Therefore, if the weather follows its “usual” pattern for January and February, £0.250m of funding may also need to be drawn down from the Emergency Conditions reserve towards the first snow emergency, as some of the waste underspend will be needed to offset the routine salting pressure and will not be available to offset the snow emergency costs.
- 2.8.2 Assuming that funding is drawn down from the Emergency Conditions reserve equal to the net pressure (that cannot be covered from waste underspending) from dealing with the snow and ice, the portfolio will have an underspend of £0.313m, £0.200m of which is committed for the re-phasing of the MIDAS replacement project, the balance is to contribute towards the £5.5m underspend assumed within the Finance portfolio in the draft 2011-13 MTFP as roll forward to 2011-12 to balance the budget.

2.9 Communities portfolio:

The gross underspend on this portfolio has increased by £0.154m this month from £0.620m to £0.774m. The main movements are:

- 2.9.1 -£0.108m Registration – an increase in the underspend from £0.114m to £0.222m, which is mainly due to an anticipated increase in the levels of ceremonial income as well as a modest increase in income derived from the registration of births and deaths. Receipts in the last quarter of the year for ceremonies tend to be deposits in relation to ceremonies performed in the following financial year but this year, similar to last, has seen a rise in the number of short term bookings, so income is still being received in relation to 2010-11 ceremonies. Accordingly, the service has forecast an additional £0.100m of receipts in this financial year and are already well on the way to achieving this sum with almost 90% already received.
- 2.9.2 -£0.031m Libraries – an increase in the underspend from £0.043m to £0.074m. A continuation of the issues reported last month has resulted in an increased underspend this month. Further staff savings of £0.081m have been achieved by bringing forward savings plans, but more notably due to roll-out of Radio Frequency Identification (RFID) self-service technology. However, this is being partially offset by a £0.050m contribution to fund the working capital of a new venture that will digitalise and sell Kent-related images.
- 2.9.3 Directorate wide - Despite continuing pressures on Coroners and KSS, the Directorate is reporting a net underspend for the year largely as a result of not appointing to vacant roles where possible, accelerating planned savings from future years and also carefully reviewing headroom and commitments within the remaining forecasts to ensure that non-essential expenditure is curtailed wherever possible.

2.10 Localism & Partnerships portfolio:

The forecast underspend for the portfolio has increased by £0.105m from £0.028m to £0.133m and the main changes are:

- -£0.080m Democratic Services due primarily to an underspend on Members IT costs of £0.070m together with the provision for Code of Conduct for which there are no plans to spend.
- -£0.024m Kent Partnerships due to reduced expenditure against the grant received from the Learning Skills Council.

2.11 Corporate Support Services & Performance Management portfolio:

The forecast underspend for the portfolio has increased by £0.042m from £0.256m to £0.298m primarily as a result of the cancellation of the next issue of the Around Kent publication (-£0.029m).

2.12 Finance portfolio:

The forecast underspend for the portfolio has increased by £1.106m this month from £5.241m to £6.347m. This is due to £1.806m further underspending on the debt charges and interest budget. However, this is partially offset by anticipated costs of the council restructure, relating specifically to Personnel & Development and ICT support through the transformation. These projects have been recommended for funding by the Restructure Sub-Group and approved by the Leader, but are not to be funded from the existing Restructure reserve. It is therefore intended that a contribution of £0.700m is made to the Restructure reserve funded from the underspending on the debt charges and interest budget, in order to fund these costs as they arise over the short to medium term, therefore giving a net movement within the portfolio of -£1.106m this month.

3. CAPITAL

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

Table 3: Capital Cash Limit Adjustments

	£000s 2010-11	£000s 2011-12
1 Cash Limits as reported to Cabinet on 10th January	476,156	416,188
2 Re-phasing agreed at Cabinet on 10th January		
Children, Families & Education	-15,946	15,945
Kent Adult Social Services	-761	761
Environment, Highways & Waste	-3,349	1,463
3 Modernisation programme 2008-09 - additional external funding - CFE portfolio	207	
4 Development Opportunities - Swadelands - additional external funding - CFE portfolio	400	
5 Virement from KASS to Communities for Ashford Gateway plus	-500	
6 Kent Highways co-location depots - additional grant funding - EHW portfolio		300
7 Non-grant supported Land, Part 1 Compensation Claims - additional external funding - EHW portfolio	157	229
8 Major Schemes - Preliminary Design Fees - additional grant funding - EHW portfolio	136	
9 PROW - structural maintenance - additional grant & external funding - EHW portfolio	57	
10 Integrated Transport Schemes - additional external funding - EHW portfolio	674	
11 A228 Leybourne & West Malling - reduction in external funding - EHW portfolio	-26	
12 Ashford Ring Road - Reduction in grant funding - EHW portfolio	-30	
13 Sittingbourne Northern Relief Road - reduction in grant funding - EHW portfolio	-16	
14 East Kent Access Phase 2 - additional external funding - EHW portfolio	24	
15 A2 Cyclopark - additional external funding - EHW portfolio	300	
16 Virement to Communities from KASS for Ashford Gateway plus	500	
17 Swale Parklands - additional external funding - Regen portfolio	180	45
	458,163	434,931
18 PFI	45,101	88,000
	503,264	522,931

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

Table 4: Capital Position

	Real and Re-phasing Variance This month	Real Variance Last month	Movement This month
Portfolio	£m	£m	£m
Children, Families & Education (CFE)	-1.545	-0.420	-1.125
Kent Adult Social Services	-1.467	-1.023	-0.444
Environment, Highways & Waste	-0.623	-0.623	0.000
Communities	-0.279	0.166	-0.445
Regeneration & Economic Development	0.037	0.037	0.000
Corporate Support Services & PM	1.296	1.484	-0.188
Localism & Partnerships	0.000	0.000	0.000
Total (excl Schools)	-2.581	-0.379	-2.202
Schools	0	0	0
Total	-2.581	-0.379	-2.202

This month there is re-phasing of -£3.1m and a real variance of +£0.5m. -£1.1m of the re-phasing and +£0.7 of the real variance was reported in the previous month. The main movements this month are detailed below:

3.3 Children, Families & Education portfolio:

The forecast for the portfolio has moved by -£1.125m in the last month. Projects subject to re-phasing and overall variances affecting 2010-11 are:

- Primary Improvement Programme (-£0.638m, re-phasing): the majority of the re-phasing relates to a project at Warden Bay Primary School (-£0.664m) this is due to delays in the contractor starting on site in conjunction with a 3 to 4 week delay due to the weather conditions in late November and early December.
- Specialist Schools Programme (-£0.300m, re-phasing): the re-phasing relates to the project at Ursuline College where the impact of changes to BSF and the need for further consultation with Sport England has delayed the progress on the outdoor artificial sports pitch.
- Archbishop Courtenay (-£0.134m, re-phasing): the re-phasing is required as final negotiations relating to the land purchase are still to be completed, this is likely to be finalised within the current financial year.

Overall there is a residual balance of -£0.033m on a number of minor projects.

3.4 Kent Adult Social Services portfolio:

Excluding PFI, the forecast for the portfolio has moved by -£0.444m since the last month. Projects subject to re-phasing and overall variances affecting 2010-11 are:

- Dementia Care Modernisation (-£0.395m, re-phasing): projects have been re-phased due to the ongoing consultation/finalisation of the Directorate Older Persons Strategy.

Overall there is a residual balance of -£0.050m relating to minor re-phasing.

3.5 Environment, Highways & Waste portfolio:

There has been no movement in the forecast since last month.

3.6 Communities portfolio:

The forecast for the portfolio has moved by -£0.445m since last month. Projects subject to re-phasing and overall variances affecting 2010-11 are:

- Ashford Gateway Plus (-£0.465m, re-phasing): the profile of spend has been re-phased but there is no impact on the cost or planned opening date of the building.

Overall there is a residual balance of +£0.020m on a number of minor projects.

3.7 Corporate Support & Performance Management portfolio:

The forecast for the portfolio has moved by -£0.188m since last month. The main variances are detailed below:

- Gateway Multi-channel Service Delivery (-£0.163m, real variance): this is a discrete project which is fully funded by external grant from the Regional Improvement & Engagement Agency and is being undertaken in partnership with other local authorities. It has become apparent that the project expenditure is not capital. All expenditure and funding is being reported through revenue.
- Property Asset Management System (-£0.025m, re-phasing): the re-phasing is due to technical delays in relation to sharing the access database across Authorities.

Overall this leaves no residual balance.

3.8 Capital Project Re-phasing

It is proposed that a cash limit change be recommended 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 re-phasing will be shown. Following last month's Cabinet meeting there were changes made of £20.056m for re-phasing and the table below summarises the proposed re-phasing this month of £2.051m.

Table 5 – 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	197,766	259,502	246,046	153,712	857,026
Re-phasing	-1,191	856	335	0	0
Revised cash limits	196,575	260,358	246,381	153,712	857,026
KASS					
Amended total cash limits	7,773	11,578	4,170	1,521	25,042
Re-phasing	-395	395	0	0	0
Revised cash limits	7,378	11,973	4,170	1,521	25,042
E,H&W					
Amended total cash limits	152,145	100,277	89,624	250,018	592,064
Re-phasing	0	0	0	0	0
Revised cash limits	152,145	100,277	89,624	250,018	592,064
Communities					
Amended total cash limits	27,038	12,336	3,392	350	43,116
Re-phasing	-465	465	0	0	0
Revised cash limits	26,573	12,801	3,392	350	43,116
Regen & ED					
Amended total cash limits	11,516	4,935	3,242	2,980	22,673
Re-phasing	0	0	0	0	0
Revised cash limits	11,516	4,935	3,242	2,980	22,673
Corporate Support & PM					
Amended total cash limits	14,132	11,512	9,225	2,663	37,532
Re-phasing	0	0	0	0	0
Revised cash limits	14,132	11,512	9,225	2,663	37,532
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	-2,051	1,716	335	0	0
Other re-phased Projects below £100k	-1,017	+753	+89	+175	0
TOTAL RE-PHASING	-3,068	+2,469	+424	+175	0

Table 6 details individual projects which have further re-phased since being reported to Cabinet on 10th January

	2010-11	2011-12	2012-13	Future Years	Total
	£k	£k	£k	£k	
KASS					
Mental Health					
Original budget	+292	0	0	0	+292
Amended cash limits	+292	0	0	0	+292
additional re-phasing	-224	+224	0	0	0
Revised project phasing	+360	+224	0	0	+584

4. RECOMMENDATIONS

Cabinet is asked to:

- 4.1 **Note** the latest forecast revenue and capital budget monitoring position for 2010-11.
- 4.2 **Note** the intended £0.700m contribution to the Restructure reserve funded from the underspending within the Finance portfolio to cover the anticipated costs of Personnel & Development and ICT support during the transformation of the Council.
- 4.3 **Note** the changes to the capital programme.
- 4.4 **Agree** that £2.051m of re-phasing on the capital programme is moved from 2010-11 capital cash limits to future years.