

BY: Kevin Lynes, Cabinet Member for Regeneration and Enterprise
David Cockburn, Corporate Director Business Strategy & Support

TO: Regeneration and Economic Development Policy Overview &
Scrutiny Committee – 1st April 2011

SUBJECT: Financial Monitoring 2010/11

Classification: Unrestricted

Summary:

Members of the POSC are asked to note the impact of the third quarter's budget monitoring report for 2011/12 due to be reported to Cabinet on 4th April 2011.

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 Executives 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.

- 2.2 The third quarter's monitoring report for 2010/11 will be presented to Cabinet on 4th April 2011. An extract from the annex for the Chief Executives Department pertaining to the Regeneration and Economic Portfolio is attached as appendix 1.

2.3 *Revenue Budget*

- 2.3.1 The monitoring report identifies the re-phasing of a number of revenue projects due to uncertainties around the future of regional development agencies and other partners, and the new arrangements for local enterprise partnerships as it is now clear these issues will not be resolved to spend the identified budget in 2010/11. We are proposing the under spend is transferred into the Regeneration Fund to fund projects in future years subject to the approval of the Regeneration Board.

2.3.2 We have also identified an increased under spend on staffing since the last report to this POSC and additional funding from Kent Thameside of £0.64k which supports equivalent spending.

2.4 *Capital Budget*

2.4.1 The latest monitoring identifies that none of the bids against the capital Regeneration Fund will now result in any spend in 2010/11 and all spending (£3.645m) will be re-phased into 2011/12. There is also a small under spend (£53k) on the Dover Priory Station approach road which will be returned to the Fund.

2.4.2 There have also been re-phasing of spend on Empty Property Initiative (£600k) and Swale Parklands (£342k). The slippage on Empty Property Initiative is due to the current financial climate. Banks have been tightening their own lending and reducing 'Loan To Value' ratios and are taking longer to provide letters of consent. Many of the projects identified also require consent from the 1st lender to register a 2nd charge in favour of KCC. The slippage on Swale Parkland was due to the heavy rains during January which brought work to a halt whilst the ground dried up. Work recommenced during the last week in February 2011.

2.4.3 The funding for the Thames Gateway Programme was withdrawn as part of the Comprehensive Spending Review and the contribution towards the Kent Thameside Regeneration Partnership (£480k per annum from 2011/12 to 2013/14) has been removed from the capital programme and the partnership will be wound-up by 31st March 2011.

3 **Recommendations**

3.1 Members of the POSC are asked to note the projected outturn for the Regeneration and Economic Development Portfolio for 2010/11 based on the third quarter's monitoring report to Cabinet.

Background Documents:

- 1) Cabinet 4th April 2011 – Revenue and Capital Budgets, Key Activity and Risk Monitoring

Officer Contact:

Dave Shipton
Finance Strategy Manager
Ext. 4597

REGENERATION & ECONOMIC DEVELOPMENT SUMMARY MARCH 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 last full monitoring report to reflect 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	-74	8	-66	Staff vacancy savings
Growth Areas	1,694	-466	1,228	27	-64	-37	Kent Thameside Board agreed to addt funding of £64k to support equivalent addt costs
Kent wide & Strategic Projects	4,222	-1,011	3,211	0	0	0	Underspend on projects offset by transfer to Regeneration Fund
Research & Intelligence Group	435	-101	334	99	-90	9	Addt staff costs off-set by income
Kent Film Office	110		110	0	0	0	
Resources	604	-137	467	-5	0	-5	
TOTAL Regen & ED	9,533	-2,305	7,228	47	-146	-99	
Total Directorate Controllable	9,533	-2,305	7,228	47	-146	-99	
Assumed Management Action:							
- L&P portfolio						0	
- CS&PM portfolio						0	
- Finance portfolio						0	
- PH&I portfolio						0	
- Regen & ED portfolio						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:

Regeneration and Economic Development portfolio:

1.1.3.1 We have encountered delays in a number of regeneration projects due to uncertainty around the future of regional development agencies and other partners, and the new arrangements for local enterprise partnerships. We are proposing that the

consequential underspend of £953k is transferred into the Regeneration Fund and will be used to fund the projects in future years subject to the approval of the Regeneration Board. This is consistent with the future strategy for regeneration projects and staffing where increasingly funds are proposed to be provided through the Regeneration Fund rather than base revenue 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
R&ED	Transfer to the Regeneration Fund of underspend due to delayed and rephased projects because of uncertainty around partners' future & the new arrangements for Local Enterprise Partnerships	+953	R&ED	Underspend due to delayed and rephased projects because of uncertainty around partners' future & the new arrangements for Local Enterprise Partnerships	-953

1.1.4 Actions required to achieve this position:

Management action to date has been to freeze vacancies in a number of units and to restrict non-essential spend in order to generate maximum underspend in 2010-11 and to contribute towards the authority wide £1m moratorium saving required to roll forward to 2011-12 to balance the budget.

1.1.5 Implications for MTP:

All current year pressures have been fully addressed in the 2011-13 MTFP.

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 to reflect the position in the 2011-14 MTFP as agreed by county council on 17 February 2011, any further adjustments are 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	2010-11	2011-12	2012-13	Future Yrs	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
Regeneration & Economic Development Portfolio						
Budget	15,312	11,571	9,889	8,242	5,480	50,494
Adjustments:						0
Revised Budget	15,312	11,571	9,889	8,242	5,480	50,494
Variance		-4,675	4,160	-480	-480	-1,475
split:						
- real variance		-88	-427	-480	-480	-1,475
- re-phasing		-4,587	+4,587			0
Directorate Total						
Revised Budget	15,312	11,571	9,889	8,242	5,480	50,494
Variance	0	-4,675	4,160	-480	-480	-1,475
Real Variance	0	-88	-427	-480	-480	-1,475
Re-phasing	0	-4,587	4,587	0	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 £'000s	Approval to Spend £'000s	Approval to Plan £'000s	Preliminary Stage £'000s
Overspends/Projects ahead of schedule						
			+0	+0	+0	+0
Underspends/Projects behind schedule						
R&ED	Capital Regeneration Fund	phasing			-3,645	
R&ED	East Kent Empty Property Initiatives	phasing		-600		
R&ED	Swale Parkland	phasing		-342		
			0	-942	-3,645	-0
				-942	-3,645	-0

1.2.4 Projects re-phasing by over £1m:

1.2.4.1 Capital Regeneration Fund - +£0.053m (-£3.645m of re-phasing in 2010-11 and +£3.645m of re-phasing and +£0.053m real in 2011-12)

There are various bids under consideration but no expenditure will occur in 2010-11. Alongside this re-phasing is a real overspend of £0.053m due to a real underspend on the Dover Priory Station Approach Road project, the underspend will be returned to the Capital Regeneration Fund for re-allocation to new projects. (see real underspend in S.1.2.5 below).

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		3,645	1,420	1,980	5,000	12,045
Forecast			5,118	1,980	5,000	12,098
Variance	0	-3,645	+3,698	0	0	+53
FUNDING						
Budget:						
Prudential		3374	1420	1980	2500	9274
Capital receipt		271			2,500	2,771
TOTAL	0	3,645	1,420	1,980	5,000	12,045
Forecast:						
Prudential			4847	1980	2500	9327
Capital receipt			271		2,500	2,771
TOTAL	0	0	5,118	1,980	5,000	12,098
Variance	0	-3,645	+3,698	0	0	+53

1.2.5 Projects with real variances, including resourcing implications:

There is a real variance of -£1.343m (+£0.044m in 2010-11, -£0.427m in 2011-12, -£0.480m in 2012-13 and -£0.480m in later years) which is detailed as follows:

Kent Thameside Regeneration Partnership -£1.440m (-£0.480m per annum 2011-12 to 2013-14): The Government's Comprehensive Spending Review confirmed the abolition of the Thames Gateway Programme which previously part-funded the KTRP Executive Team. As a result the Partnership is to be wound up with effect from 31 March 2011.

Dover Priory Station Approach Road -£0.088m (in 2010-11): Original contribution from Network Rail (NR) included £0.035m of their own fees. These fees were not charged to the project in cash terms but were deducted from the £0.7700m NR contribution. £0.053m represents a reduction in the contingency required by the project. These funds are returned to the Regeneration Capital Fund in financial year 2011-12 for re-allocation to new projects (please see S.1.2.4.1 above).

1.2.6 General Overview of capital programme:

(a) Risks

(b) Details of action being taken to alleviate risks

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 re-phasing will be shown. The possible re-phasing is detailed in the table below.

	2010-11	2011-12	2012-13	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
Capital Regen Fund					
Amended total cash limits	+3,645	+1,420	+1,980	+5,000	+12,045
re-phasing	-3,645	+3,645	0	0	0
Revised project phasing	0	+5,065	+1,980	+5,000	+12,045
East Kent Empty Property Initiative					
Amended total cash limits	+2,824	+1,500	+262		+4,586
re-phasing	-600	+600			0
Revised project phasing	+2,224	+2,100	+262	0	+4,586
Swale Parklands					
Amended total cash limits	+672	+249			+921
re-phasing	-342	+342			0
Revised project phasing	+330	+591	0	0	+921
Total re-phasing >£100k	-4,587	+4,587	0	0	0
Other re-phased Projects below £100k	+10	-10			