

## CHIEF EXECUTIVES DIRECTORATE SUMMARY JULY 2008-09 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 a number of technical adjustments to budget and the addition of £0.602m of roll forward from 2007-08, as agreed by Cabinet on 16 June 2008.
- 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 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      |  |
| <b>Public Health portfolio</b>                            |               |                |               |              |               |             |  |
| Kent Department of Public Health                          | 1,401         | 0              | 1,401         | 0            | 0             | 0           |  |
| <b>Corporate Support &amp; External Affairs portfolio</b> |               |                |               |              |               |             |  |
| Personnel & Development                                   | 10,208        | -4,458         | 5,750         | -406         | 427           | 21          | vacant posts leading to reduced spend & income from courses; HCI Scheme ends Jul09 |
| Information Systems                                       | 22,411        | -6,976         | 15,435        | 1,806        | -1,805        | 1           | Costs & income of additional work  |
| Corporate Communications                                  | 1,307         | -94            | 1,213         | 0            | 0             | 0           |  |
| International Affairs Group                               | 461           | -113           | 348           | 0            | 0             | 0           |  |
| Strategic Development & Corporate Management              | 2,674         | -14            | 2,660         | -197         | -3            | -200        | Kent TV contract runs to Aug09.  |
| Dedicated Schools Grant                                   |               | -2,789         | -2,789        | 0            | 0             | 0           |  |
| <b>Total CS&amp;EA</b>                                    | <b>37,061</b> | <b>-14,444</b> | <b>22,617</b> | <b>1,203</b> | <b>-1,381</b> | <b>-178</b> |  |
| <b>Policy &amp; Performance portfolio</b>                 |               |                |               |              |               |             |  |
| Policy & Performance                                      | 1,149         | -340           | 809           | 45           | -45           | 0           |  |
| Kent Partnerships   | 456           | 0              | 456           | 0            | 0             | 0           |  |
| Kent Works  | 940           | -740           | 200           | -16          | 57            | 41          |  |
| Legal Services  | 5,326         | -5,726         | -400          | 888          | -1,106        | -218        | Costs & income of additional work  |
| Democratic Services                                       | 4,648         | -18            | 4,630         | 194          | -76           | 118         | Delayed staff savings  |
| <b>Total P&amp;P</b>                                      | <b>12,519</b> | <b>-6,824</b>  | <b>5,695</b>  | <b>1,111</b> | <b>-1,170</b> | <b>-59</b>  |  |
| <b>Finance Portfolio</b>                                  |               |                |               |              |               |             |  |
| Strategic Management                                      | 1,530         | -184           | 1,346         | -43          | 43            | 0           |  |
| Finance Group   | 20,554        | -15,722        | 4,832         | -131         | 131           | -1          |  |
| Property Group  | 16,930        | -7,693         | 9,237         | 19           | 732           | 751         | Corp Property Unit change in accounting treatment                                  |
| <b>Total Finance</b>                                      | <b>39,014</b> | <b>-23,599</b> | <b>15,415</b> | <b>-155</b>  | <b>906</b>    | <b>751</b>  |  |
| <b>Total Directorate Controllable</b>                     | <b>89,995</b> | <b>-44,867</b> | <b>45,128</b> | <b>2,159</b> | <b>-1,645</b> | <b>514</b>  |  |

| Budget Book Heading               | Cash Limit |            |            | Variance     |               |             | Comment                   |
|-----------------------------------|------------|------------|------------|--------------|---------------|-------------|---------------------------|
|                                   | G          | I          | N          | G            | I             | N           |                           |
|                                   | £'000s     | £'000s     | £'000s     | £'000s       | £'000s        | £'000s      |                           |
| <b>Assumed Management Action:</b> |            |            |            |              |               |             |                           |
| - CS&EA portfolio                 |            |            |            |              |               | 0           |                           |
| - P&P portfolio                   |            |            |            |              | -41           | -41         | Attract additional income |
| - Finance portfolio               |            |            |            | -751         |               | -751        | Review of MRP             |
| <b>Forecast after Mgmt Action</b> |            |            |            | <b>1,408</b> | <b>-1,686</b> | <b>-278</b> |                           |
| <b>Memorandum Item</b>            |            |            |            |              |               |             |                           |
| <b>Property Enterprise Fund</b>   | <b>0</b>   | <b>-12</b> | <b>-12</b> | <b>561</b>   | <b>-249</b>   | <b>312</b>  | See section 2.2 Annex 5   |

### 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 & External Affairs portfolio:**

1.1.3.1 Personnel & Development: Variances on gross spend (**-£410k**) and income (**+£430k**) are caused by current vacancies of Learning Account Manager posts which, until filled, is leading to a reduced number of courses offered and therefore reduced expenditure on delivering courses and a reduced level of income generated.

1.1.3.2 Information Systems: Variances on gross spend (**+£1,780k**) and income (**-£1,780k**) reflect the increased demand for additional IT services and projects, a demand which is difficult to predict during budget setting.

1.1.3.3 Strategic Development: (**-£200k**) relating to the Kent TV contract which will need to be re-phased into 2009-10 as the profile of spend finishes in Aug09.

#### **Policy & Performance portfolio:**

##### 1.1.3.4 Legal Services:

- Variances on gross spend (**+£370k**) and income (**-£570k**) reflect the additional work that the function has taken on over and above that budgeted for, responding to both internal and external demand.
- Variances on gross spend (**+£450k**) and income (**-£450k**) are a result of additional disbursements incurred. Costs of disbursements are recovered from clients but they are difficult to predict during budget setting.

1.1.3.5 Democratic Services: Variance on gross spend (**+£118K**) as the staffing reductions assumed in the budget have not yet happened.

#### **Finance portfolio:**

1.1.3.6 Property Group: Variance on income (**+732k**) and gross spend (**+£19k**) is due to a change in the accounting treatment of some staffing costs of the Corporate Property Unit, which were previously capitalised but upon latest guidance, these costs must be charged to revenue.

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

| Pressures (+) |   |        | Underspends (-) |   |        |
|---------------|---|--------|-----------------|---|--------|
| portfolio     |   | £000's | portfolio       |   | £000's |
| CS            | Information Systems costs of additional services/projects   | +1,780 | CS              | Information Systems income from additional services/projects  | -1,780 |
| FIN           | Change in accounting treatment of some staffing costs of Corporate Property Unit, previously charged to capital | +751   | P&P             | Legal income resulting from additional work (partially offset by increased costs)                         | -570   |
| P&P           | Legal services cost of additional disbursements   | +450   | P&P             | Legal services costs of disbursements recovered from clients  | -450   |
| CS            | P&D vacant Learning Account Manager posts resulting in reduced income generation from courses                   | +430   | CS              | P&D vacant Learning Account Manager posts resulting in reduced courses and expenditure on course delivery | -410   |
| P&P           | Legal services cost of additional work (offset by increased income)   | +370   | CS              | Confirmed profile of Kent TV revenue spend to Aug09 (roll forward proposal)                               | -200   |
| P&P           | Democratic Services delay in budgeted staff savings   | +118   |                 |   |        |
|               |   | +3,899 |                 |   | -3,410 |

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

N/A

**1.1.5 Implications for MTP:**Finance portfolio:

The consequences of the change in the accounting treatment of the indirect staffing costs of the Corporate Property Unit have been reflected as a pressure in the MTP for 2009-10.

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

The following projects are re-phasing into 2009-10:

Strategic Development: **-£200k** for Kent TV, to meet the contractual commitment through to Aug09.

Personnel & Development: **+£21k** Home Computing Initiative. Due to the accounting treatment of this scheme, a scheduled overspend of £21k will be required to roll forward into 2009-10 to be met from staff salary deductions to July 2009, when the scheme is due to complete.

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

Kent Works is continuing to review its contracts with Schools and aims to attract additional income to offset the current forecast pressure of £41k.

Finance portfolio:

Corporate Property Unit: It is envisaged that a review of the regulations around the minimum repayment of outstanding debt, known as the Minimum Revenue Provision (MRP), the full

implications of which are currently being assessed, will release funds to cover the revenue shortfall of £751k.

## 2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

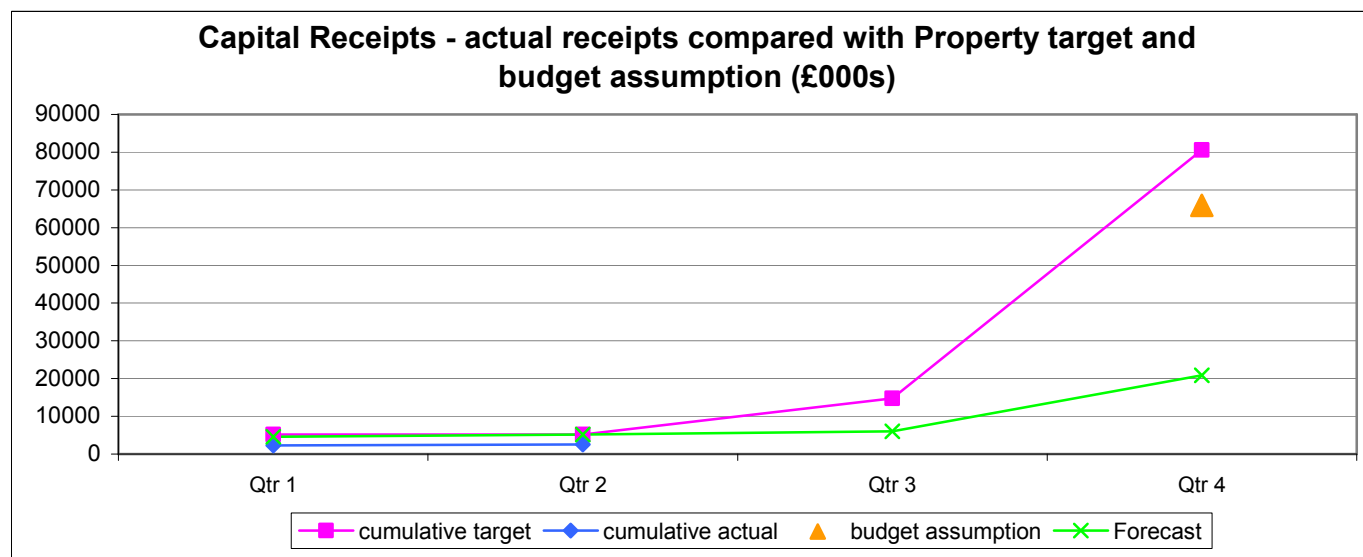
### 2.1 Capital Receipts – actual receipts compared to budget profile:

|                    | 2008-09                            |                                    |                                     |                            |
|--------------------|------------------------------------|------------------------------------|-------------------------------------|----------------------------|
|                    | Budget funding assumption<br>£000s | Cumulative Target profile<br>£000s | Cumulative Actual receipts<br>£000s | Forecast receipts<br>£000s |
| April - June       |                                    | 5,156                              | 2,314                               | 4,590                      |
| July - September   |                                    | 5,156                              | **2,524                             | 5,192                      |
| October - December |                                    | 14,742                             |                                     | 6,019                      |
| January - March    |                                    | 80,556                             |                                     | 20,849                     |
| <b>TOTAL</b>       | <b>*65,950</b>                     | <b>***80,556</b>                   | <b>2,524</b>                        | <b>20,849</b>              |

\* figure updated from 2008-09 budget assumption to reflect roll forward from 2007-08

\*\* actuals to 31 July 2008

\*\*\* The cumulative target profile shows that at the start of the year anticipated receipts for 2008-09 totalled £80,556k. The variance between this and the budget funding assumption is due to timing differences between when the receipts were anticipated to come in and when the spend in the capital programme to be funded by these receipts was due to occur. This shows that an element of the receipts due to come in during 2008-09 were not needed for funding the capital programme until 2009-10 or later.



#### Comments:

- The decrease in forecast receipts for 2008-09 is as a direct result of the instability and downturn in the property market due to the global credit crunch. Most housebuilders (who have been the mainstay of KCC's earmarked sales in recent years) have now withdrawn from acquisitions at the present time. Due to the lack of transactions in the market it is difficult to predict a percentage fall in values overall.

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- The table below shows we are currently forecasting a potential deficit of £39,866k for the current year. KCC is currently exploring options in an effort to manage the impact of reduced capital receipts on the progression of the capital programme in the current and future years.

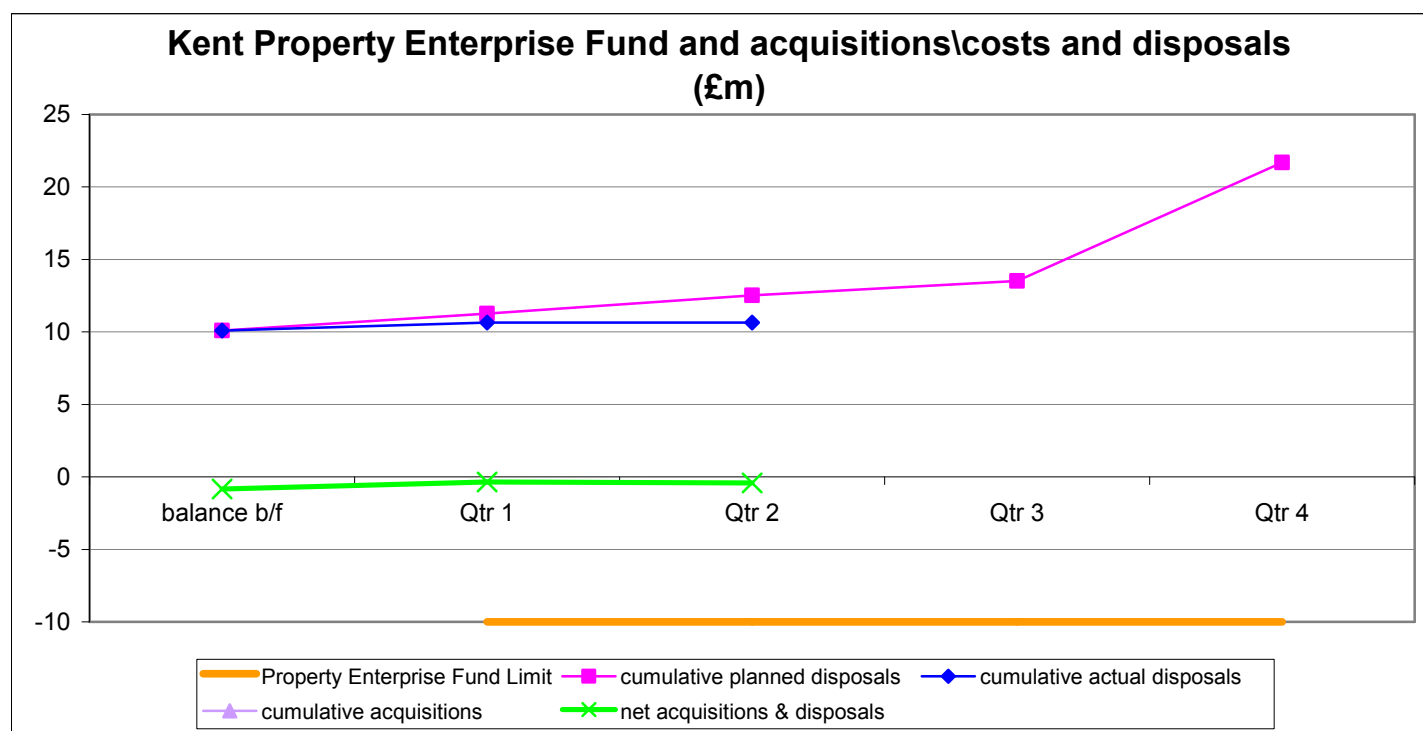
|  | 2008-09<br>£'000 |
|--|------------------|
| Capital receipt funding per 2008-11 MTP                                | 65,950           |
| Property Group's forecast receipts                                     | 20,849           |
| Receipts banked in previous years for use                              | 1,739            |
| Receipt funding from other sources                                     | 1,051            |
| Sites identified by Directorates for Property to work up for disposal* | 2,445            |
| <b>Potential Surplus\Deficit Receipts (-)</b>                          | <b>-39,866</b>   |

\* Timescale for delivery uncertain until worked up by Property Group

## 2.2 Capital Receipts – Kent Property Enterprise Fund:

|                    | Kent<br>Property<br>Enterprise<br>Fund Limit<br>£m | Cumulative<br>Planned<br>Disposals<br>(+)<br>£m | Cumulative<br>Actual<br>Disposals<br>(+)<br>£m | Cumulative<br>Actual<br>Acquisitions<br>(-)<br>£m | Cumulative<br>Net<br>Acquisitions (-)<br>& Disposals (+)<br>£m |
|--------------------|--|---|--|---|--|
| Balance b/f        |  | 10.096  | 10.096   | -10.924   | -0.828   |
| April - June       | -10  | 11.259  | 10.642   | -10.995   | -0.353   |
| July – September * | -10  | 12.526  | 10.642   | -11.067   | -0.425   |
| October - December | -10  | 13.507  |  |   |  |
| January - March    | -10  | 21.695  |  |   |  |

\* reflects position to the end of July



### Comments:

- County Council approved the establishment of the Property Group Enterprise Fund, 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 disposal income from assets is realised. It is anticipated that the Fund will be in surplus at the end of the 10 year period.

#### Balance brought forward

In 2005-06, £0.541m of capital receipts were realised from the disposal of non-operational property. The associated disposal costs of £0.054m were funded from these receipts, leaving a balance of £0.487m available for future investment in the Kent Property Enterprise Fund.

In 2006-07, £3.065m of capital receipts were realised from the disposal of non-operation property giving a balance of £3.606m for investment. The Fund was used to acquire land at Manston Business Park. Together with the costs of acquisition and disposal, costs in the year totalled £5.864m, leaving a deficit of £2.312m to be temporarily funded from the £10m borrowing facility.

In 2007-08, £6.490m of receipts were realised of which £3.3m was used for revenue budget support, £1.110m was used to fund expenditure on the Eurokent Access Road and there was £0.596m of acquisition and disposal costs, leaving a balance of £1.484m to offset against the £2.312m deficit brought forward. Therefore the deficit carried forward to 2008-09 was £0.828m.

#### Actual Disposals

At the start of 2008-09 Property Group identified **£11.599m** worth of potential non-earmarked receipts to be realised this financial year.

Disposals to date this year have been **£0.546m** from the disposal of 3 non-operational properties, but as a result of the credit crunch, the market has hardened affecting the ability to achieve the original target. Property Group is now working to a revised target of **£3.491m**.

#### Acquisitions\Costs

At present there are no committed acquisitions to report, however forecast outturn for costs of disposals (staff and fees) is currently estimated at **£0.400m**.

#### Other Fund Commitments

The 2008-09 revenue budget includes £0.7m of receipts to be generated by the Fund in the current year.

The Fund has also been earmarked to provide a further £4.193m of funding for the Eurokent Access Road, £1m for Ashford Library (currently forecast for 2009-10) and £2m for Gateways over the MTP (currently forecast at £0.587m in 2008-09, £1.4m in 2009-10 and £0.013m in 2010-11).

#### Forecast Outturn

Taking all the above into consideration, the Fund is expected to be in a deficit position of £3.217m at the end of 2008-09.

|                                   |                 |
|-----------------------------------|-----------------|
| <b>Opening Balance – 01-04-08</b> | -£0.828m        |
| Planned Receipts (Risk adjusted)  | £3.491m         |
| Costs                             | -£0.400m        |
| Acquisitions                      | -               |
| Other Funding:                    |                 |
| - revenue budget support          | -£0.700m        |
| - Eurokent Access Road            | -£4.193m        |
| - Gateways                        | -£0.587m        |
| - Ashford Library                 | -               |
| <b>Closing Balance – 31-03-09</b> | <b>-£3.217m</b> |

### Revenue Implications

The Fund also generated £0.096m of low value revenue receipts during 2007-08 but, with the need to fund both costs of borrowing (£0.107m) against the overdraft facility and a small deficit on the cost of managing non-earmarked properties held for disposal (£0.001m), the PEF carried forward a £0.012m deficit on revenue which has been rolled forward to be met from future income streams.

In 2008-09 the fund is currently forecasting £0.032m of low value revenue receipts but, with the need to fund both costs of borrowing (£0.161m) against the overdraft facility and the cost of managing properties held for disposal (£0.159m), the PEF is forecasting a £0.300m deficit on revenue which will be rolled forward to be met from future income streams.

## FINANCING ITEMS SUMMARY

### JULY 2008-09 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 a number of technical adjustments to budget; a virement of £0.250m from the underspending on the debt charges budget to R&SI portfolio for the development of the A2 outdoor activity centre and park and ride scheme; a virement of £0.750m, also from the underspending on the debt charges budget, to Communities portfolio to reflect the agreed recovery plan for Adult Education to balance their budget and the addition of £1.004m of roll forward from 2007-08, as agreed by Cabinet on 16 June 2008.
- 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 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      |  |
| <b>Corporate Support &amp; External Affairs portfolio</b> |                |                |               |               |              |             |  |
| Contribution to IT Asset Maintenance Reserve              | 2,424          |                | 2,424         |               |              | 0           |  |
| PFI Grant   |                | -656           | -656          |               |              | 0           |  |
| <b>Total Corporate Support</b>                            | <b>2,424</b>   | <b>-656</b>    | <b>1,768</b>  | <b>0</b>      | <b>0</b>     | <b>0</b>    |  |
| <b>Finance Portfolio</b>                                  |                |                |               |               |              |             |  |
| Insurance Fund  | 3,479          |                | 3,479         |               |              | 0           |  |
| County Council Elections                                  | 255            |                | 255           |               |              | 0           |  |
| Workforce Reduction                                       | 1,468          |                | 1,468         |               |              | 0           |  |
| Environment Agency Levy                                   | 359            |                | 359           |               |              | 0           |  |
| Joint Sea Fisheries                                       | 264            |                | 264           |               |              | 0           |  |
| Audit Fees & Subscriptions                                | 800            |                | 800           |               |              | 0           |  |
| Interest on Cash Balances / Debt Charges                  | 125,295        | -29,896        | 95,399        | -3,064        | 798          | -2,266      | savings on debt charges due to lower levels of borrowing in 07-08 & 08-09 & better rates for new borrowing |
| Contribution from Commercial Services                     |                | -6,210         | -6,210        |               | 300          | 300         | roundabout sponsorship shortfall   |
| Public Consultation                                       | 100            |                | 100           |               |              | 0           |  |
| Member Community Grants                                   | 848            |                | 848           |               |              | 0           |  |
| Local Priorities  | 595            |                | 595           |               |              | 0           |  |
| Local Scheme spending recommended by Local Boards         | 656            |                | 656           |               |              | 0           |  |
| Transferred Services Pensions                             | 22             |                | 22            |               |              | 0           |  |
| PRG   | 6,176          | -7,902         | -1,726        |               |              | 0           |  |
| Contribution from Reserves                                | -2,400         | 0              | -2,400        |               |              | 0           |  |
| Income from Kings Hill                                    | -1,000         | 0              | -1,000        |               |              | 0           |  |
| ABG Safer Stronger Communities                            | 1,384          |                | 1,384         |               |              | 0           |  |
| LABGI income  | -1,851         | -1,349         | -3,200        |               | 1,349        | 1,349       | reduced level of LABGI income  |
| <b>Total Finance</b>                                      | <b>136,450</b> | <b>-45,357</b> | <b>91,093</b> | <b>-3,064</b> | <b>2,447</b> | <b>-617</b> |  |
| <b>Total Controllable</b>                                 | <b>138,874</b> | <b>-46,013</b> | <b>92,861</b> | <b>-3,064</b> | <b>2,447</b> | <b>-617</b> |  |

### 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

Due to the re-phasing on the capital programme in 2007-08 a lower level of new borrowing was required resulting in a reduction in the debt charges compared to the level assumed when the 2008-09 budget was set. In addition, new market borrowing has been arranged for January 2009 at 3.95% per annum which is 1.55% below budget. No other new borrowing has yet been taken or arranged therefore making further savings against the budget.

This is partially offset by lower interest receipts as a result of reductions in the base rate since the budget was set but this has been mitigated in part by an increase in the duration of short-term lending which has provided an improved return.

#### 1.1.3.2 Local Authority Business Growth Incentive (LABGI)

The Government has reconsidered all aspects of the approach used to distribute the resources available for year 3 of this scheme. As a result, the worst case scenario is that we will receive £1.349m less income than we previously expected. However, the Government has retained some funding to cover the potential outcomes of existing Judicial Reviews against the LABGI scheme. It is possible that not all of this will be required and that we will receive a further distribution, if so our position could improve to a best case scenario of a £0.595m shortfall.

#### 1.1.3.3 Commercial Services Contribution:

We are currently reporting a £300k shortfall in the budgeted contribution from Commercial Services. This is due to problems with obtaining planning consent from the Districts for the erection of signs for sponsorship of roundabouts; we will therefore not achieve all of the expected income from this initiative this year.

The £250k current estimated impact of increasing fuel and electricity prices, which mainly affects Transport Services and Landscape Services, is expected to be offset by attracting new business.

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

| Pressures (+) |   |        | Underspends (-) |  |        |
|---------------|---|--------|-----------------|--|--------|
| portfolio     |   | £000's | portfolio       |  | £000's |
| FIN           | Reduction in LABGI income   | +1,349 | FIN             | Savings on debt charges due to lower level of borrowing required in 2007-08 and less new borrowing in 2008-09 than anticipated, together with new borrowing arranged at lower interest rate than budgeted and increase in duration of short term lending | -3,064 |
| FIN           | Lower interest receipts due to reduction in base rates since budget was set | +798   |                 |  |        |
| FIN           | Commercial Services - Shortfall in income from sponsorship of roundabouts   | +300   |                 |  |        |
|               |   | +2,447 |                 |  | -3,064 |

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

N/A

#### 1.1.5 Implications for MTP:

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

N/A

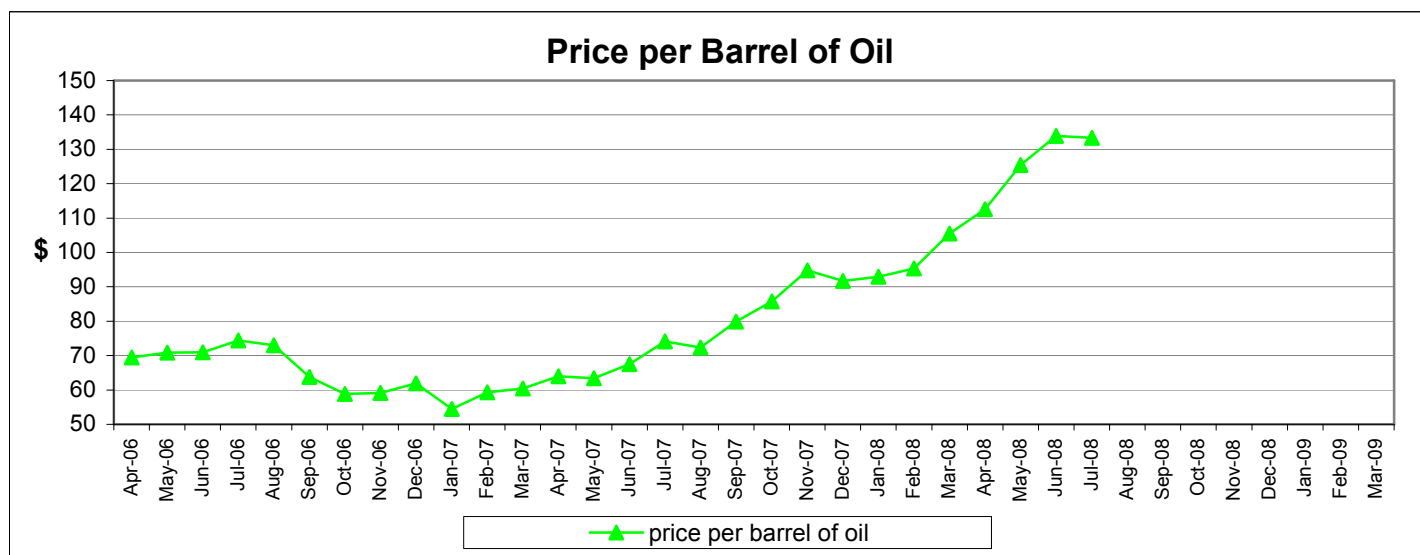
## 1.1.7 Details of proposals for residual variance: [eg roll forward proposals; mgmt action outstanding]

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 |
|           | \$                      | \$      | \$      |
| April     | 69.44                   | 63.98   | 112.58  |
| May       | 70.84                   | 63.45   | 125.40  |
| June      | 70.95                   | 67.49   | 133.88  |
| July      | 74.41                   | 74.12   | 133.37  |
| August    | 73.04                   | 72.36   |         |
| September | 63.80                   | 79.91   |         |
| October   | 58.89                   | 85.80   |         |
| November  | 59.08                   | 94.77   |         |
| December  | 61.96                   | 91.69   |         |
| January   | 54.51                   | 92.97   |         |
| February  | 59.28                   | 95.39   |         |
| March     | 60.44                   | 105.45  |         |



## Comments:

- The figures quoted are the monthly average of the West Texas Intermediate Spot Price in dollars per barrel.
- The inflation busting increases in the price of oil are having a huge impact of KCC budgets, especially home to school transport and highway maintenance. This impact has been mainly offset for 2008-09 by the allocation of the £5.111m contingency for the current economic situation set aside from the 2007-08 rolled forward underspend.