

TO: Corporate Policy Overview & Scrutiny Committee – 22nd September 2011

BY: Paul Carter, Leader
Alex King, Deputy Leader
John Simmonds, Cabinet Member for Finance and Business Support
Roger Gough, Cabinet Member for Business Strategy, Performance and Health Reform
Katherine Kerswell, Group Managing Director

SUBJECT: Financial Monitoring 2011/12

Classification: Unrestricted

Summary:

Members of the POSC are asked to note the first quarter's budget monitoring report for 2011/12 which was reported to Cabinet on 19th September 2011.

FOR INFORMATION

1. Introduction

1.1 This is a regular report to this Committee on the forecast outturn for Business Strategy & Support Directorate 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 2011/12 was presented to Cabinet on 19th September and the annexes for the Business Strategy & Support Directorate 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 18th July which was after the July round of POSC meetings.

2.3 The approved A-Z of budgets have now been realigned for the first quarter's budget monitoring, to reflect the new portfolio responsibilities and new directorate structures and give a new starting point for the year.

2.4 Revenue

Business Strategy & Support Directorate

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

- a) Additional income generation of £842k within Legal Services from both external and internal clients offset by additional spend of £100k on disbursements on behalf of clients and £460k on staff and other costs necessary to carry out the additional work, resulting in a net under spend of £282k.

- b) Additional spending and income of £1,500k within Information & Communication Technology on “pay as you go” projects, the vast majority of which are Capital Programmes and have therefore been budgeted for within Capital expenditure.
- c) A pressure of £268k in Finance & Procurement due to the creation of a project team to work on the delivery of the Enterprise Resource Planning programme, together with a delay in the delivery of restructure savings for a Directorate Finance team which transferred to BSS as part of the centralisation of support functions. This saving will now be delivered as part of the restructure of the whole Finance Function.
- d) Human Resources – Business Operations contains the Schools Personnel Service who were given an increased income target of £150k for 2011-12. However, this was without the knowledge that there was going to be a £300k loss of income from ELS as the responsibility for undertaking CRB checks and other support was delegated to Schools. These issues have resulted in the unit forecasting under-delivery of income of £228k. The unit is working hard to sell CRB checks directly to Schools and is looking for new market opportunities to address the shortfall.

2.4.2 Management action has been put in place to manage the above variances resulting in an overall forecast under spend of £282k.

Financing Items

2.4.3 Financing Items for Quarter 1 is reporting a net variance of -£4.848m. All variances are explained in detail in Annex 6 attached to this report.

2.5 Capital

2.5.1 We are forecasting a break-even position for the Business Strategy & Support Portfolio.

3 Recommendations

3.1 Members of the POSC are asked to note the projected outturn for the Business Strategy and Support Directorate and Financing Items for 2011/12 based on the first quarter’s monitoring report to Cabinet.

Background Documents:

- 1) Cabinet 19th September 2011 – Revenue and Capital budgets, Key Activity and Risk Monitoring

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BUSINESS STRATEGY & SUPPORT DIRECTORATE SUMMARY JULY 2011-12 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 for the A-Z service analysis have been adjusted since the budget was set to reflect the transfers required to reflect the new directorate and portfolio structures, the addition of £1.095m of roll forward from 2010-11 as approved by Cabinet on 20 June 2011, and a number of other 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 1 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	
Finance & Business Support portfolio							
Finance & Procurement	19,821	-4,648	15,173	268	0	268	Creation of ERP Oracle team, and delay of restructure plans
Business Strategy External Funding	0	0	0	0	0	0	
HR Business Operations	8,661	-5,486	3,175	0	228	228	Under-delivery of increased income target
Total F&BS portfolio	28,482	-10,134	18,348	268	228	496	
Business Strategy, Performance & Health Reform portfolio							
Strategic Management & Directorate Support budgets	2,775	-10,459	-7,684	0	0	0	
Governance & Law - Legal Services	8,293	-9,472	-1,179	560	-842	-282	£100k disbursements costs & income; addt costs & income from trading activities
Business Strategy	3,810	-99	3,711	0	0	0	
Property & Infrastructure	26,205	-4,908	21,297	0	0	0	
Human Resources	10,937	-1,692	9,245	0	0	0	
Information & Communication Technology (incl Schools ICT)	32,124	-12,403	19,721	1,607	-1,500	107	IT pay as you go activity funded by income, and delay in restructuring CIS team
Health Reform	250		250	0	0	0	
Total BSP&HR portfolio	84,394	-39,033	45,361	2,167	-2,342	-175	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Deputy Leader portfolio							
Finance - Audit & Risk	1,671	-742	929	0	0	0	
Business Strategy - International, Partnerships & Cabinet Office	990	-269	721	0	0	0	
Democratic & Member Services	3,836	-3	3,833	68	-5	63	Delay on delivery of savings on Members' Services
Local Democracy:							
- County Council Elections	505		505	0	0	0	
- District Grants	703		703	0	0	0	
Total DL portfolio	7,705	-1,014	6,691	68	-5	63	
TOTAL CORPORATE POSC	120,581	-50,181	70,400	2,503	-2,119	384	
Assumed Management Action:							
- F&BS portfolio				-268	-228	-496	Fin & Proc: hold vacancies wherever possible; limit non-staffing spend; and release some staff through VR/ER before implementation of restructure on 1 April 2012. HR: Continue to seek further income generation activities
- BSP&HR portfolio				-107		-107	Currently investigating alternative savings to compensate for not restructuring CIS; and hold vacancies in ICT.
- Deputy Leader portfolio				-63		-63	
Forecast after Mgmt Action				2,065	-2,347	-282	

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:

Finance & Business Support portfolio:

1.1.3.1 Finance & Procurement

The £268k pressure on Finance & Procurement is due to the creation of the Enterprise Resource Planning (ERP) Oracle Project team, and a delay in the delivery of restructure savings, which transferred in to BSS directorate as part of the centralisation of support functions from one of the old Directorate Finance Teams, in lieu of the main restructure of the whole of the Finance Function.

1.1.3.2 Human Resources – Business Operations

The Schools Personnel Service was given an additional income target of £150k for 2011-12, which was felt to be achievable. However, this target was set without the knowledge that there

would be a £300k loss of income from ELS as a result of responsibility for undertaking CRB checks and other support being delegated to schools. These two issues combined have resulted in the unit forecasting an under-delivery of income of £228k.

Business Strategy, Performance & Health Reform portfolio:

1.1.3.3 Governance & Law – Legal Services

Variances on gross spend (+£461k) and income (-£742k) 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 (+/-£100k) are due to increased costs & their recovery for Disbursements.

1.1.3.4 Information & Communication Technology (including Schools ICT)

The main variances are (+£1,500k) on gross spend and income (-£1,500k) reflecting the increased demand for additional IT Pay-as-you-go projects. Project demand is difficult to predict during budget setting. The further variance (+£107k) is as a result of a delay in restructuring the Children's Information Service team following the decision to replace the Integrated Children's System.

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
BSPHR	ICT: Information Systems costs of additional pay as you go activity	+1,500	BSPHR	ICT: Information Systems income from additional pay as you go activity	-1,500
BSPHR	Legal services cost of additional work (offset by increased income)	+461	BSPHR	Legal income resulting from additional work (partially offset by increased costs)	-742
F&BS	Fin & Proc: Creation of the ERP Oracle Project team, and delay to restructure savings which transferred in from 'old' Directorate Finance Team in lieu of main restructure of the whole of the Finance Function.	+268	BSPHR	Legal Services: increased income relating to Disbursements	-100
F&BS	HR: Schools Personnel Service under delivery of increased income target/loss of internal income.	+228			
BSPHR	ICT: Delay in restructuring the CIS team following decision to replace ICS	+107			
BSPHR	Legal Services: increased costs of Disbursements	+100			
		+2,664			-2,342

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

eg Management Action achieved to date including vacancy freeze, changes to assessment criteria etc. This section should provide details of the management action already achieved, reflected in the net position before assumed management action reported in table 1.

1.1.4.1 Vacancy management is already in place in Finance & Procurement, Human Resources – Business Operations, and ICT.

Finance & Business Support portfolio:

1.1.4.2 Human Resources – Business Operations

The following other management action has been undertaken within HR to address the under-delivery of the increased income target in Schools Personnel Service: reduction to the cost of

administering CRB checks, generating income directly from schools for CRB checks, reduced cost of supplies & services, and seeking to generate additional income through more ad-hoc work.

1.1.5 **Implications for MTFP:**

The shortfall in Schools Personnel Service income is planned to be managed within the HR unit on an ongoing basis from other income generating activities.

Similarly, the ongoing costs of ERP are expected to be managed within the Finance & Procurement unit in conjunction with the savings arising from the restructure of the function. This will be monitored throughout the year and if the pressures continue to exist following management action, they will be flagged as part of the 2012-15 MTFP process.

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]*

This section should provide details of the management action outstanding, as reflected in the assumed management action figure reported in table 1 and details of alternative actions where savings targets are not being achieved.

1.1.7.1 **Finance & Business Support portfolio:**

i) Finance & Procurement

In order to offset the current £268k forecast pressure, the planned management action plan is threefold:

- a) Hold vacancies wherever possible.
- b) Limit non-staffing spend to only business-critical activities.
- c) Release some staff who have requested voluntary redundancy/early retirement before the implementation of the new structure on 1 April 2012.

ii) Human Resources – Business Operations

In order to offset the current forecast pressure of £228k, the HR function will continue to seek further income generating activities. It is also planned that economies and efficiencies will be achieved through the new HR Business Centre.

1.1.7.2 **Business Strategy, Performance & Health Reform portfolio:**

Information & Communication Technology (including Schools ICT)

The ICT function is currently investigating alternative savings to compensate for not restructuring CIS, which has resulted in the current forecast pressure of £107k. There is also a vacancy freeze in place across ICT to give capacity to deliver planned staffing savings without incurring redundancy costs.

1.1.7.3 **Deputy Leader's portfolio:**

The current forecast pressure of £0.063m is expected to be offset following a review of non-critical spend within Democratic Services.

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 18th July 2011, as 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 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s	Future Yrs £000s	TOTAL £000s
Business Strategy & Support Portfolio						
Budget	15,185	12,279	5,859	3,390	2,923	39,636
Adjustments:						
- Re-phasing at Outturn	-342	342				0
- Outturn Changes	-47					-47
- Asset Modernisation		84				84
- Transfer of Web Platform	-635	-504				-1,139
						0
Revised Budget	14,161	12,201	5,859	3,390	2,923	38,534
Variance		0	0	0	0	0
split:						
- real variance						0
- re-phasing						0
Portfolio Total						
Revised Budget	14,161	12,201	5,859	3,390	2,923	38,534
Variance	0	0	0	0	0	0
Real Variance	0	0	0	0	0	0
Re-phasing	0	0	0	0	0	0

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2011-12 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.

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					
			+0	+0	+0	+0
	Underspends/Projects behind schedule					
			0	-0	-0	-0
			0	0	0	0

1.2.4 Projects re-phasing by over £1m:

None

1.2.5 Projects with real variances, including resourcing implications:

N/A

1.2.6 General Overview of capital programme:

(a) Risks

N/A

(b) Details of action being taken to alleviate risks

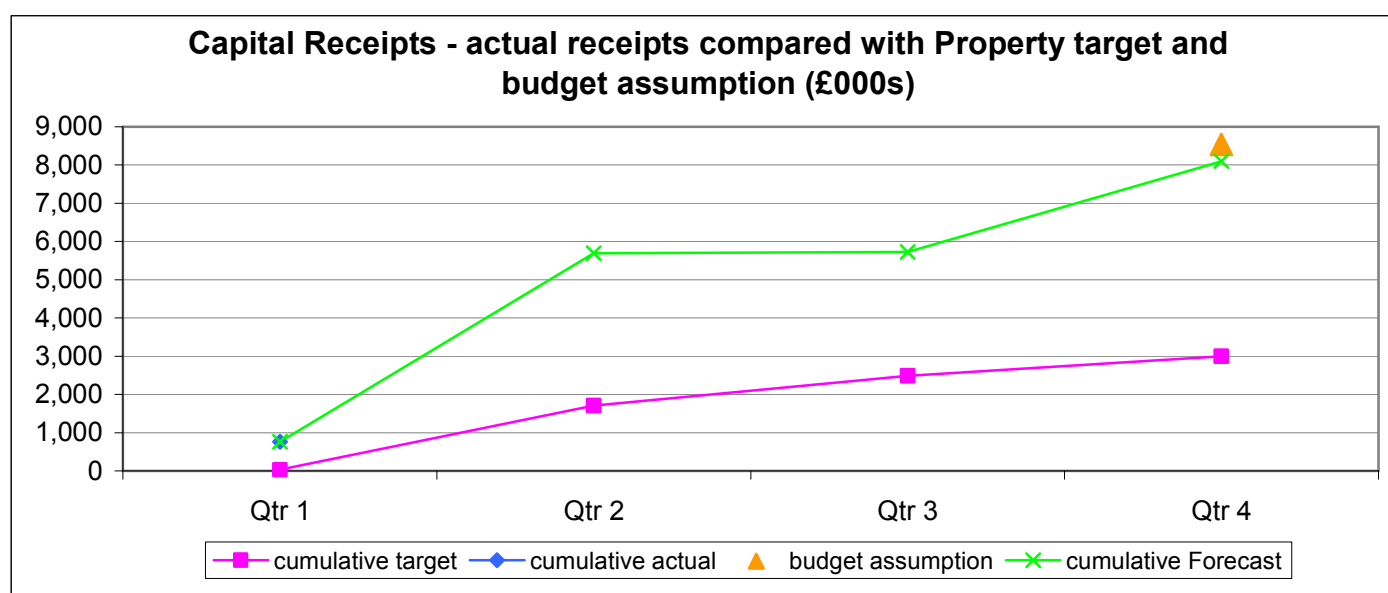
N/A

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Capital Receipts – actual receipts compared to budget profile:

	2011-12			
	Budget funding assumption £000s	Cumulative Target Profile £000s	Cumulative Actual Receipts £000s	Cumulative Forecast receipts £000s
April - June		30	769	769
July - September		1,710		5,693
October - December		2,490		5,728
January - March		3,000		8,097
TOTAL	8,538	3,000	0	8,097

The cumulative target profile shows the anticipated receipts at the start of the year totalled £3.0m. 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 2011-12.



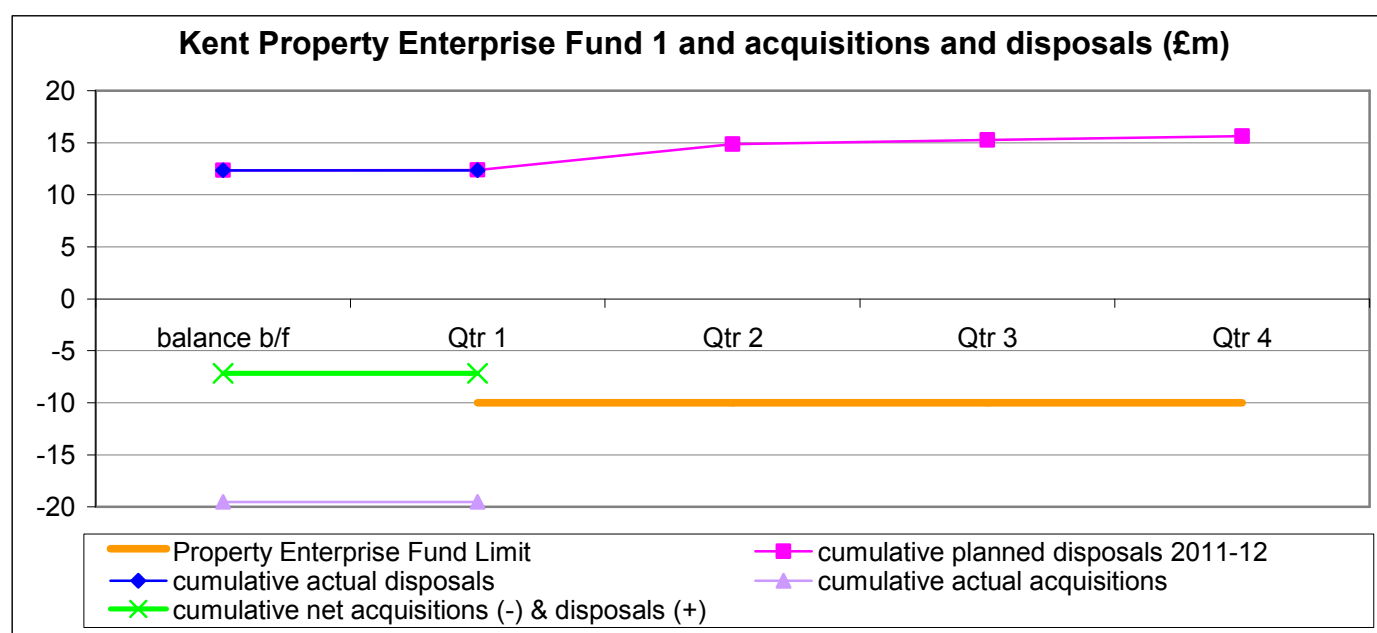
Comments:

- 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 is actually forecasting a total of £8.067m 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 surplus of £7.251m in 2011-12. This is due to receipts being forecast to be achieved during 2011-12 which are held to fund spend in future years of the programme.

	2011-12 £'000
Capital receipt funding per revised 2011-14 MTFP	8,538
Property Groups' actual (forecast for 11-12) receipts	8,067
Receipts banked in previous years for use	5,953
Capital receipts from other sources	1,769
Potential Surplus Receipts	7,251

2.2 Capital Receipts – Kent Property Enterprise Fund 1:

	2011-12				
	<i>Kent Property Enterprise Fund Limit</i> £m	Cumulative Planned Disposals (+) £m	Cumulative Actual Disposals (+) £m	Cumulative Actual Acquisitions (-) £m	Cumulative Net Acquisitions (-) & Disposals (+) £m
Balance b/f		12.342	12.342	-19.504	-7.162
April - June	-10	12.377	12.342	-19.504	-7.162
July - September	-10	14.862			0
October - December	-10	15.282			0
January - March	-10	15.638			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 2010-11 on PEF1 was **-£7.162m**.

A value of **£4.744m** has been identified for disposal in 2011-12. This is the risk adjusted figure to take on board the potential difficulties in disposing some of the properties.

As at the 31 July 2011 there have been no disposals.

The fund has been earmarked to provide **£0.197m** 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 £4.417m at the end of 2011-12.

Opening Balance – 01-04-11	-£7.162m
Planned Receipts (Risk adjusted)	£4.744m
Costs	-£0.173m
Acquisitions	-
Other Funding: - Gateways	-£0.197m
Closing Balance – 31-03-12	-£2.788m

Revenue Implications

In 2011-12 the fund is currently forecasting £0.011m of low value revenue receipts but, with the need to fund both costs of borrowing (£0.486m) against the overdraft facility and the cost of managing properties held for disposal (net £0.037m), the PEF1 is forecasting a £2.115m deficit on revenue which will be rolled forward to be met from future income streams.

2.3 **Capital Receipts – Kent Property Enterprise Fund 2 (PEF2):**

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

	2011-12 Forecast
	£m
Capital:	
Opening balance	-22.209
Properties to be agreed into PEF2	-22.120
Forecast sale of PEF2 properties	19.915
Disposal costs	-0.996
Closing balance	-25.410
Revenue:	
Opening balance	-3.417
Interest on borrowing	-0.952
Holding costs	-0.595
Closing balance	-4.964
Overall closing balance	-30.374

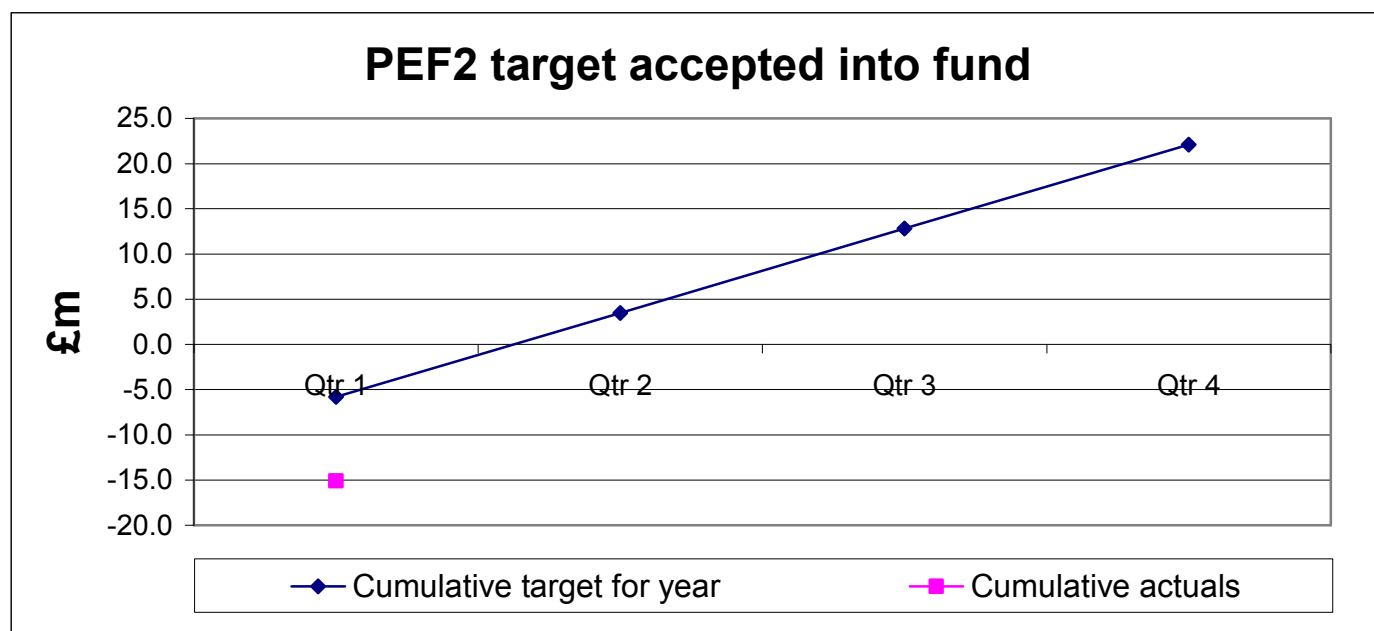
The forecast closing balance for PEF2 is -£30.374m, this is within the overdraft limit of £85m.

The target receipts to be accepted into PEF2 during 2011-12 equate to the PEF2 funding requirement in the 2011-14 budget book, and achievement against this is shown below:

	2011-12	
	Cumulative target for year	Cumulative actuals
	£m	£m
Balance b/fwd	-15.1	-15.1
Qtr 1	-5.8	-15.1
Qtr 2	3.5	
Qtr 3	12.8	
Qtr 4	22.1	

Comments:

- The above table shows a £15.1m deficit which is the net of a £17.6m deficit within ELS and £2.5m of PEF2 achieved in previous years by FSC and E&E that was not required until later years.
- To date no properties have been transferred into PEF2. Corporate Property and Directorates continue to work together to enable properties to be transferred into the fund.



PEF2 Disposals

To date seven PEF2 properties have been sold and five are in the process of completing. The cumulative profit on disposal to date is £1.261m. 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 2011-12 were expected to total £0.878m.

Latest forecasts show interest costs of £0.952m, an increase of £0.74m. This is because the latest forecast value of disposals has decreased.

Interest costs on the fund are calculated at a rate of 4%.

FINANCING ITEMS SUMMARY JULY 2011-12 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 addition of £7.839m of roll forward from 2010-11, which includes a transfer to the Economic Downturn reserve, as approved by Cabinet on 20 June 2011, which has subsequently been draw down to offset the pressures within Specialist Children’s Services portfolio, a virement of £0.130m from the underspend on debt charges to offset the Commercial Services contribution within the EH&W portfolio because CSD are to fund two new audit posts and some outsourced work thereby reducing their ability to make the budgeted contribution and a number of other 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 1 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	
Finance & Business Support Portfolio							
Carbon Reduction Commitment Levy	1,368		1,368			0	
Contribution to/from Reserves	-11,245		-11,245	-963		-963	transfer of 11-12 write down of discount saving from 08-09 debt restructuring to reserves; drawdown of Insurance Reserve to cover pressure on Insurance fund
Insurance Fund	3,479		3,479	1,450		1,450	increase in liability claims forecast to be paid & increase in provision for period of time claims
Modernisation of the Council	4,038		4,038			0	
Net Debt Charges (incl Investment Income)	124,434	-8,877	115,557	-4,534	693	-3,841	2011-12 write down of discount saving from 2008-09 debt restructuring; re-phasing of capital programme in 10-11 has provided savings on debt charges & MRP
Other	6,490	0	6,490	-1,494	0	-1,494	£1.546m unexpected unringfenced grant increase held to offset pressures across Authority; +£0.052m costs of Transformation Programme Manager for Change
Total F&BS portfolio	128,564	-8,877	119,687	-5,541	693	-4,848	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Business Strategy, Performance & Health Reform portfolio							
Contribution to IT Asset Maintenance Reserve	2,352		2,352			0	
Deputy Leader portfolio							
Audit Fees	464		464			0	
Total Controllable	131,380	-8,877	122,503	-5,541	693	-4,848	

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 Insurance Fund

A forecast pressure on the Insurance Fund, currently estimated at £1.450m, will need to be met by a drawdown from the Insurance Reserve (see 1.1.3.3 below). This is due to an increase in liability claims forecast to be paid in year and an increase in the provision for period of time claims. These are claims which span a number of years and are distinguishable from claims resulting from a single incident on a particular date. With period of time claims, a number of successive annual insurance policies held by an authority are triggered/become active and this raises difficulties where there are varying terms across the policies and the interests of more than one insurer to consider. One former liability insurer for the Authority has been consulting with their legal team, whilst the current liability insurer has returned with conflicting advice, hence, as a precaution and until a legal position is established, we have increased our provision for each of our registered period of time claims to reflect a worse case settlement position.

1.1.3.2 Net Debt Charges (including Investment Income):

- There is a saving of £3.354m as a result of:
 - deferring borrowing in 2010-11 due to the re-phasing of the capital programme and also no new borrowing was taken in the first quarter of 2011-12.
 - in addition, the re-phasing of the capital programme in 2010-11 is likely to provide a saving on Minimum Revenue Provision (MRP) as it is likely that fewer assets became operational than anticipated. As reported in 2010-11, we have adopted the asset life method of calculating MRP. This method provides authorities with the option of applying MRP over the life of the asset once it is in operation, so for assets that are not yet operational and still under construction we effectively have an "MRP holiday". However, once these assets do become operational we will incur MRP in the following year. MRP is based on capital expenditure incurred in the previous year and therefore cannot be calculated until the previous year's accounts have been finalised and audited. This very complex calculation is currently being undertaken and therefore further details and confirmation of the level of saving will be provided in future reports.
 - however, there is a reduced interest return on cash balances as a result of using cash to finance a higher proportion of capital expenditure in 2010-11 but this is more than offset by the savings achieved from deferring borrowing.
- There is a saving of £0.487m which relates to the write-down in 2011-12 of the £4.024m discount saving on debt restructuring undertaken at the end of 2008-09. (£3.378m was written down during the period 2008-11, therefore leaving a further £0.159m to be written in 2012-13).

1.1.3.3 Contributions to/from reserves:

- As planned, the £0.487m write down of the discount saving earned from the debt restructuring in 2008-09, will be transferred to the Economic Downturn reserve to offset the Icelandic investments impairment cost incurred in 2010-11.
- At year end there will be a draw down from the Insurance Reserve to cover the pressure on the Insurance Fund, currently estimated at £1.450m.

1.1.3.4 Other Financing Items:

- After the budget had been set we received notification of an unexpected un-ringfenced grant increase of £1.546m for Extended Rights to Free Travel. In light of the pressures faced by the Authority in the current year, we are holding this funding increase within the Finance & Business Support portfolio to offset pressures elsewhere across the Authority.
- There is a pressure of £0.052m relating to the Council restructure for the costs of the Transformation Programme Manager for Change. It was originally anticipated that this work would be completed by 31 March 2011 but it continued through the first quarter of 2011-12.

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
F&BS	Pressure on the Insurance Fund due to increase in liability claims forecast to be paid & increase in provision for period of time claims	+1,450	F&BS	savings on debt charges & MRP due to re-phasing of capital programme in 10-11, together with no new borrowing in 11-12	-3,354
F&BS	Contribution to economic downturn reserve of 2011-12 write down of discount saving from 2008-09 debt restructuring	+487	F&BS	unexpected un-ringfenced grant for Extended Rights to Free Travel to be used to offset pressures across Authority	-1,546
			F&BS	drawdown from Insurance Reserve to cover pressure on the Insurance Fund	-1,450
			F&BS	2011-12 write down of discount saving from 2008-09 debt	-487
		+1,937			-6,837

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 MTFP:**

N/A

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]

Currently the underspending on the Financing Items budgets is offsetting pressures elsewhere across the authority.

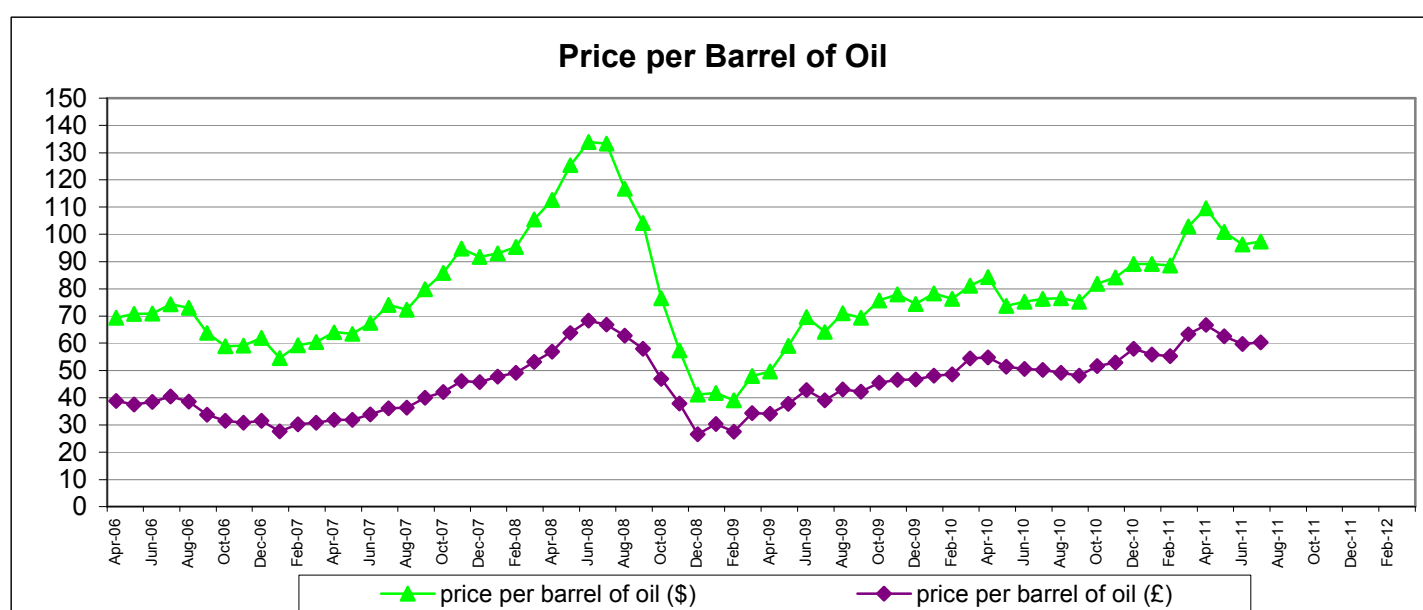
1.2 CAPITAL

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	2011-12
	\$	\$	\$	\$	\$	\$
April	69.44	63.98	112.58	49.65	84.29	109.53
May	70.84	63.45	125.40	59.03	73.74	100.90
June	70.95	67.49	133.88	69.64	75.34	96.26
July	74.41	74.12	133.37	64.15	76.32	97.30
August	73.04	72.36	116.67	71.05	76.60	
September	63.80	79.91	104.11	69.41	75.24	
October	58.89	85.80	76.61	75.72	81.89	
November	59.08	94.77	57.31	77.99	84.25	
December	61.96	91.69	41.12	74.47	89.15	
January	54.51	92.97	41.71	78.33	89.17	
February	59.28	95.39	39.09	76.39	88.58	
March	60.44	105.45	47.94	81.20	102.86	



Comments:

- The figures quoted are the West Texas Intermediate Spot Price in dollars per barrel, monthly average price.
- The dollar price has been converted to a sterling price using exchange rates obtained from the HMRC website.