

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

TO: Regeneration and Economic Development Policy Overview & Scrutiny Committee – 23rd September 2011

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 to be 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 Regeneration and Enterprise as reported within Business Strategy & Support Directorate budget.

2. Forecast Outturn

2.1 A detailed quarterly budget monitoring report is presented to Cabinet, usually in September, December and March, and a draft final outturn report in June. These reports outline the full financial position for each portfolio and are reported to POSCs after they have been considered by Cabinet. In the intervening months an exception report is made to Cabinet outlining any significant variations from the quarterly report. The first quarter's monitoring report for 2011/12 was presented to Cabinet on 19th September and an extract from the annexes for the Business Strategy & Support Directorate relating to the Regeneration and Enterprise portfolio is attached to this report.

2.2 This is the first in-year budget monitoring report we have been able to bring to the POSC based on the first full quarter's spending (April to June) report to Cabinet. The previous exception report for May was not reported to Cabinet until 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**

- 2.4.1 We are currently forecasting a break-even position on the revenue budget. To remind Members the revenue budget for 2011/12 includes £60k of staff efficiencies savings, £137k savings on previous early retirement costs and payments to the pension fund, £355k of revenue costs on staff reductions and £477k savings on projects, and £148k to be funded from reserves.

2.5 **Capital**

- 2.5.1 The first quarter's report forecasts a total variance of +£0.481m increased expenditure. However, revenue funding has been re-assigned to meet the additional costs.

The major variance relates to +£0.349m for the Margate Eastern Seafront, relating to Landscaping, fees and costs not factored in to the original submission.

3 Recommendations

- 3.1 Members of the POSC are asked to note the projected outturn for Regeneration and Enterprise 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

Officer Contact:

Dave Shipton
Finance Strategy Manager
Ext. 4597

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	
Regeneration & Enterprise portfolio							
Directorate Management & Support	447		447	0	0	0	
Development Staff & Projects	3,968	-275	3,693	0	0	0	
Total R&E portfolio	4,415	-275	4,140	0	0	0	
Assumed Management Action:							
- R&E portfolio						0	
Forecast after Mgmt Action				0	0	0	

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
Regeneration & Economic Development Portfolio						
Budget	20,965	14,179	8,549	2,500	2,500	48,693
Adjustments:						
- Re-phasing at Outturn	-78	78				0
- Outturn Changes	157					157
						0
Revised Budget	21,044	14,257	8,549	2,500	2,500	48,850
Variance		481	0	0	0	481
split:						
- real variance		+481	0	0	0	+481
- re-phasing		0	0	0	0	0
Directorate Total						
Revised Budget	21,044	14,257	8,549	2,500	2,500	48,850
Variance	0	481	0	0	0	481
Real Variance	0	+481	0	0	0	+481
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						
Regen	Margate Eastern Seafront	real		349		
			+0	+349	+0	+0
Underspends/Projects behind schedule						
			0	-0	-0	-0
			0	+349	0	0

1.2.4 Projects re-phasing by over £1m:

None

1.2.5 Projects with real variances, including resourcing implications:

There is a real variance of +£0.481m in 2011-12.

Margate Eastern Seafront: +£0.349m (in 2011-12): The pressure is due to the following: consolidation of project costs and funding between directorates which amounts to £0.193m and additional costs due to changes to the original scheme including the costs of sub-base not factored in the original submission amounting to £0.156m. Revenue funding allocated to this project has been re-assigned to meet the unplanned costs.

Rendezvous Site- Margate: +£0.085m (in 2011-12): This pressure relates to public realm works for Turner Harbour View. The funding is allocated in revenue, but actual work carried out falls within capital definition.

Dover Sea Change: +£0.023m (in 2011-12): The Ringway contract for works was over budget by £0.011m, which is 0.6% of the £1.74m contract there has been additional remedial work carried out in respect of railings. Revenue funding allocated to this project has been re-directed to meet the additional costs.

Swale Parklands: +£0.024m (in 2011-12): The increase cost is due additional features to the scheme to be funded from additional grant from Sustran.

Taking these into account, there is an underlying nil variance.

1.2.6 General Overview of capital programme:

(a) Risks

N/A

(b) Details of action being taken to alleviate risks