REPORT TO: **CABINET – 5 DECEMBER 2011**

SUBJECT: **REVENUE AND CAPITAL BUDGETS, KEY ACTIVITY AND RISK MONITORING 2011-12**

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CORPORATE DIRECTORS

SUMMARY:

Members are asked to:

- **note the latest monitoring position on the revenue and capital budgets**
- **note that residual pressures are currently forecast within the SCS & CCS&I portfolios and management action is forecast to be delivered within the BSP&HR portfolio**
- **note the final split of Early Years' budgets between "standards and quality assurance in early years settings" (ELS portfolio) and "provision of early years and childcare" (SCS portfolio)**
- **agree the £1.2m transfer of a one-off underspend on Early Years & Childcare Quality & Outcomes Team within the ELS portfolio to the earmarked reserve to support next year's budget and that the use of this reserve will be built into the draft 2012-15 MTFP**
- **agree that the £16.226m NHS Support for Social Care funding, details of which were included in item 9 of the 19 September Cabinet agenda, is transferred to a new specific earmarked reserve and drawn down as expenditure is incurred in line with detailed plans to be jointly agreed with health.**
- **agree that £0.950m costs for the development of the Enterprise Resource Planning (ERP) project are met from a temporary drawdown from the IT Asset Maintenance reserve in the current year, with the repayment of this funding back to the IT Asset Maintenance Reserve in 2012-13, which will be drafted into the 2012-15 MTFP**
- **agree the transfer of £1.599m Minimum Revenue Provision saving, resulting from the re-phasing of the capital programme in 2010-11, to reserves to fund the potential future impact**
- **note and agree the changes to the capital programme**
- **agree that re-phasing on the capital programme is moved from 2011-12 capital cash limits to future years**
- **agree the £4.118m transfer of funding from Building Schools for the Future Unit Cost to cover the shortfall of grant against the Academy Projects**
- **agree the £1.4m prudential borrowing for the Enterprise Resource Programme**
- **note the latest financial health indicators and prudential indicators**
- **note the directorate staffing levels as at the end of September**

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1. INTRODUCTION

1.1 This is the second full monitoring report to Cabinet for 2011-12. The A-Z budgets reflected within this report now reflect the agreed split of the Early Years budget between "standards and quality assurance in early years settings" (ELS portfolio) and "provision of early years and childcare" (SCS portfolio). As a transitional measure this was all shown within the SCS portfolio in the quarter 1 report, but £7.975m gross budget and £7.975m grant income budget have now transferred to the ELS portfolio.

1.2 The format of this report is:

- This summary report highlights only the most significant issues
- There are 6 reports, each one an annex to this summary, one for each directorate and one for Financing Items. Each of these reports is in a standard format for consistency, and each one is a stand-alone report for the relevant directorate.

1.3 **<u>Headlines</u>**:

1.3.1 **Revenue:**

- The latest forecast revenue position (excl Schools) before the implementation of management action is a small underspend of £0.022m, which is a reduction of £1.783m since the October Cabinet report. Management action is currently expected to reduce this to an underspend of £0.740m, with residual pressures currently forecast within the Specialist Children's Services and Communities, Customer Services & Improvement portfolios. Management action plans are currently being worked on within the CCS&I portfolio and will be reported to Cabinet once they are complete.
- Within Specialist Children's Services (SCS) there are significant demand led pressures together with pressures on staffing, mainly agency social workers, in response to the Ofsted inspection, totalling £11.8m (excluding Asylum). Within this, the activity levels for Fostering and Residential Care are a particular cause for concern as they are very high compared to the affordable level despite additional funding being provided in the 2011-13 MTP. This will need to be addressed in the 2012-15 MTP.
- In addition within SCS there is a £0.3m pressure on Section 17 payments (Preventative & Supportive payments), as a result of increased payments arising from the Southwark judgement. This challenged local authorities to consider the wider needs of vulnerable young people between the ages of 16 and 18 who present themselves as homeless and to deal with the issue in a corporate manner rather than through individual agencies. It concluded that the young persons were to be treated as children in need (as defined by Section 20 of the Children Act 1989), and that they should be taken into the care of the local authority. This will result in an increase of 16-18 year olds in the care system. Prior to the judgement these clients would have been accommodated by the district council housing departments. It is difficult to forecast with accuracy how many young people will return to our care, and what services they will require and be entitled to.
- There is a £0.8m pressure on the Asylum budget which is primarily due to the costs incurred in continuing to support young people over 18 years who are not eligible for funding under the UKBA's grant rules, mainly because they are Appeal Rights Exhausted or are naturalised but not able to claim benefits. Under the Leaving Care Act, we continue to have a duty of care to support these young people until the point of removal. Appeal Rights Exhausted Unacccompanied Asylum Seeking Children are Care Leavers as defined in Children Leaving Care Act and as such are entitled to support from KCC. Our current Legal advice, in common with many other Local Authorities, is that our obligations under current childcare legislation are not diminished by their immigration status. KCC therefore continues to incur costs supporting this group of young people with no recompense from the United Kingdom Borders Agency. We will continue to make representations to Government to resolve this unsatisfactory issue.
- Within Adult Social Care a forecast underspend of £2.6m is reported, as pressures on nursing and residential care for clients with a disability or mental health need, together with pressures on direct payments and supported accommodation for physically disabled clients, all of which are likely to be as a result of medical advances enabling people to live with more complex needs, are more than offset by underspending on direct payments for all other clients groups, domiciliary care, day care, and nursing and residential care for older people. In view of this overall forecast underspending position, work is ongoing to establish the demographic pressures for adult social care now anticipated over the medium term, in order to update the assumptions reflected in the published MTFP.
- The savings on Home to School transport experienced in 2010-11 are continuing in 2011-12, with a saving of £1.2m forecast. This saving will be reflected in the 2012-15 MTFP.
- Schools reserves are forecast to reduce by £5.748m this year as a result of 50 more schools converting to new style academy status, which allows them to take their reserves with them; the remaining Kent Schools are expected to increase their reserves by £1.5m giving an overall expected movement in schools reserves of -£4.248m.
- The savings on the waste budgets experienced last year, mainly due to lower than budgeted waste tonnage, are continuing in 2011-12, with a £2.7m saving forecast. This saving will have an impact on the 2012-15 MTFP.
- A £0.9m saving is forecast on concessionary fares following successful negotiations with major bus operators, this saving will have an impact on the 2012-15 MTFP.

- Within the CCS&I portfolio pressures exist due to a shortfall against savings targets within both the Contact Centre and Communications, Media Relations & Public Engagement. Management actions have reduced this residual pressure considerably since the quarter 1 report and further actions are currently being considered with the aim of delivering a balanced budget by year end.
- Savings are being made on the debt charges budget largely as a result of the re-phasing of the capital programme in 2010-11 and no new borrowing being taken in the first half of 2011-12 other than to replace maturing debt.
- An unexpected un-ringfenced grant increase of £1.5m is being held within the Finance & Business Support portfolio to offset pressures elsewhere across the authority.
- We have recovered a further £0.767m in October from our principal investments in the collapsed Icelandic Banks, bringing our total recovery so far to £11.854m, which all relates to the our £18.350m investment in the UK registered Heritable Bank. Following the Icelandic Supreme Court's confirmation of KCC as a preferred creditor, we are expecting our full £15m principal investment in Glitnir Bank during December and 98% of our £17m principal investment with Landsbanki, although the timing of this is as yet uncertain.
- We have also recovered all of our £10m principal investment plus interest, as expected on the re-scheduled maturity date of 31 October 2011, from the troubled Dexia bank.

1.3.2 **Capital:**

- The latest forecast capital position shows a real variance of +£2.520m and the re-phasing variances are identified in Table 3.

2. OVERALL MONITORING POSITION (excluding PFI & budgets delegated to schools)

2.1 Revenue

The net projected variance against the combined portfolio revenue budgets is an underspend of £0.740m after management action. Section 3 of this report provides the detail, which is summarised in Table 1a below.

Table 1a – Portfolio position – net revenue position before and after management action

Portfolio	Budget	Gross Variance	Proposed Management Action	Net Variance
	£k	£k	£k	£k
Education, Learning & Skills	**+56,246**	**-1,216**	**0**	**-1,216**
Specialist Children's Services	**+110,833**	**+12,626**	**0**	**+12,626**
Adult Social Care & Public Health	**+317,407**	**-2,581**	**0**	**-2,581**
Environment, Highways & Waste	**+149,116**	**-3,548**	**0**	**-3,548**
Communities, Customer Services & Improvement	**+91,146**	**+126**	**0**	**+126**
Regeneration & Enterprise	**+4,140**	**0**	**0**	**0**
Finance & Business Support	**+136,850**	**-5,134**	**0**	**-5,134**
Business Strategy, Performance & Health Reform	**+48,826**	**-208**	**-718**	**-926**
Deputy Leader	**+7,366**	**-87**	**0**	**-87**
TOTAL (excl Schools)	**+921,930**	**-22**	**-718**	**-740**
Schools (ELS portfolio)	*0*	*+4,248*	*0*	*+4,248*
Schools (SCS portfolio)	*0*	*0*		*0*
Schools (TOTAL)	**0**	**+4,248**	**0**	**+4,248**
TOTAL	**+921,930**	**+4,226**	**-718**	**+3,508**

2.2 Capital

This report reflects the current monitoring position against the revised programme, where there is a pressure of £2.520m and re-phasing of expenditure into future years is forecast, this is identified in Table 3. Further details are provided in section 4 of this report.

3. REVENUE

3.1 Virements/changes to budgets

3.1.1 Directorate cash limits have been adjusted to include:

- a virement of £0.307m from the debt charges underspending within the Finance & Business Support portfolio to the Contact Centre & consumer Direct budget within the Communities, Customer Services and Improvement portfolio to meet the increase in contact centre call volumes, as agreed by Cabinet in September.
- the inclusion of a number of 100% grants (i.e. grants which fully fund the additional costs) awarded since the budget was set or adjustments to the level of grant allocation assumed in the budget following confirmation from the awarding bodies. These are detailed in Appendix 1 and includes:
  - the £16.226m NHS Support for Social Care funding. It has been assumed in this report that all of this funding is transferred to a new specific earmarked reserve and drawn down as expenditure is incurred in line with detailed plans to be jointly agreed with health. This has been added to both gross and income budgets within the Other Adult Services budget line**. Cabinet is asked to approve this treatment of the £16.226m funding**.
  - reductions of £75m in DSG and £36m in YPLA sixth form funding as a result of schools converting to academies.

3.1.2 All other changes to cash limits reported this quarter are considered “technical adjustments” i.e. where there is no change in policy, including allocation of grants and previously unallocated budgets and savings targets where further information regarding allocations and spending plans has become available since the budget setting process, and where adjustments have been necessary to better reflect the split of services across the A-Z budget headings.

3.2 Forecast Revenue Position before Management Action

3.2.1 **Table 1b** – Portfolio/Directorate position – gross revenue position **before** management action

			Directorate					
Portfolio	**Budget**	**Variance**	ELS	FSC	E&E	C&C	BSS	FI
	£k	**£k**	£k	£k	£k	£k	£k	£k
Education, Learning & Skills	**+56,246**	**-1,216**	-1,216					
Specialist Children's Services	**+110,833**	**+12,626**		+12,626				
Adult Social Care & Public Health	**+317,407**	**-2,581**		-2,581			0	
Environment, Highways & Waste	**+149,116**	**-3,548**			-3,548			
Communities, Customer Services & Improvement	**+91,146**	**+126**				+126	0	
Regeneration & Enterprise	**+4,140**	**0**			0		0	
Finance & Business Support	**+136,850**	**-5,134**					+566	-5,700
Business Strategy, Performance & Health Reform	**+48,826**	**-208**					-208	0
Deputy Leader	**+7,366**	**-87**					-87	0
SUB TOTAL (excl Schools)	**+921,930**	**-22**	-1,216	+10,045	-3,548	+126	+271	-5,700
Schools (ELS portfolio)	*0*	*+4,248*	*+4,248*					
Schools (SCS portfolio)	*0*	*0*	*0*					
Schools (TOTAL)	**0**	**+4,248**	+4,248					
TOTAL	**+921,930**	**+4,226**	+3,032	+10,045	-3,548	+126	+271	-5,700

3.2.2 **Table 1c** – Gross, Income, Net (GIN) position – revenue (**before** management action)

	CASH LIMIT			VARIANCE		
Portfolio	**Gross**	**Income**	**Net**	**Gross**	**Income**	**Net**
	£k	£k	£k	£k	£k	£k
Education, Learning & Skills	+181,790	-125,544	**+56,246**	-516	-700	**-1,216**
Specialist Children's Services	+167,251	-56,418	**+110,833**	+13,210	-584	**+12,626**
Adult Social Care & Public Health	+467,273	-149,866	**+317,407**	-3,979	+1,398	**-2,581**
Environment, Highways & Waste	+173,349	-24,233	**+149,116**	-2,143	-1,405	**-3,548**
Communities, Customer Services & Improvement	+150,134	-58,988	**+91,146**	-936	+1,062	**+126**
Regeneration & Enterprise	+5,726	-1,586	**+4,140**	0	0	**0**
Finance & Business Support	+155,806	-18,956	**+136,850**	-7,173	+2,039	**-5,134**
Business Strategy, Performance & Health Reform	+94,578	-45,752	**+48,826**	+3,020	-3,228	**-208**
Deputy Leader	+8,380	-1,014	**+7,366**	-72	-15	**-87**
SUB TOTAL (excl Schools)	+1,404,287	-482,357	**+921,930**	+1,411	-1,433	**-22**
Schools (ELS portfolio)	*+837,262*	*-837,262*	***0***	*+4,248*	*0*	***+4,248***
Schools (SCS portfolio)	*+41,553*	*-41,553*	***0***	*0*	*0*	***0***
Schools (TOTAL)	**+878,815**	**-878,815**	**0**	**+4,248**	**0**	**+4,248**
TOTAL	+2,283,102	-1,361,172	**+921,930**	+5,659	-1,433	**+4,226**

A reconciliation of the above gross and income cash limits to the approved budget is detailed in **Appendix 1**.

3.3 Table 2 below details all projected revenue variances over £100k, in size order (shading denotes that a pressure/saving has an offsetting entry which is directly related). Supporting detail to each of these projected variances is provided in individual Directorate reports as follows:

Annex 1 **Education, Learning & Skills**
incl. Education, Learning & Skills and elements of Specialist Children's Services portfolios

Annex 2 **Families & Social Care**
incl. Specialist Children's Services and Adult Social Care & Public Health portfolios

Annex 3 **Enterprise & Environment**
incl. Environment, Highways & Waste portfolio and elements of Regeneration & Enterprise portfolios

Annex 4 **Customer & Communities**
incl. Communities, Customer Services & Improvement portfolio

Annex 5 **Business Strategy & Support**
incl. elements of Adult Social Care & Public Health, Communities, Customer Services & Improvement, Regeneration & Enterprise, Finance & Business Support, Business Strategy, Performance & Health Reform and Deputy Leader's portfolios

Annex 6 **Financing Items**
Incl. elements of the Finance & Business Support, Business Strategy, Performance & Health Reform and Deputy Leader's portfolios

Table 2 - All Revenue Budget Variances over £100k in size order by portfolio

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
ELS	Schools Budgets (gross): estimated drawdown of reserves following 50 schools converting to academies	+5,748	ELS	Schools Budgets (gross): estimated increase in reserves of KCC schools	-1,500
ELS	Early Years & Childcare Advisory Service: transfer of underspend on staffing to Reserves to support next years budget	+1,200	ELS	Early Years & Childcare Advisory Service: underspend on staffing within the Quality & Outcomes Team	-1,200
ELS	ELS Strategic Management & Directorate support budgets (gross): legal savings target unlikely to be achieved	+444	ELS	Mainstream home to school transport (gross): fewer children than budgeted level and contract renegotiation	-898
ELS	Attendance & Behaviour (gross): PRUs additional staffing & premises costs	+383	ELS	Special school & hospital recoupment (income): more OLA pupils placed at Kent schools than budgeted level	-880
ELS	Connexions (gross): cessation of grant from YPLA from 1 April but contract fixed until 31 August	+250	ELS	SEN home to school transport (gross): fewer than budgeted children travelling and contract renegotiations	-439
ELS	Attendance & Behaviour (gross): staffing pressure due to delay in directorate restructure	+225	ELS	Attendance & Behaviour (income): PRU income from schools and academies	-383
ELS	School Improvement (income): Reduction in income for Interim Head Teachers placed in schools	+193	ELS	14-19 Unit (gross): planned underspend on KS4 Engagement Programme to help offset overspend in Connexions	-250
ELS	Governor Services (income): reduction in expected levels of income from schools	+177	ELS	Learners with Additional Needs (gross): staffing underspend for Standards in Specialist Settings and cessation of the Kent Panel	-164
ELS	Schools Cleaning and Refuse (income): under-recovery of expected income	+160	ELS	Learners with Additional Needs (gross): reduced expenditure for Specialist Teaching Services	-110
ELS	ELS Strategic Management & Directorate support budgets (gross): Staffing overspends	+158	ELS	Strategic Management (gross): planned underspend on Building Maintenance - Non operational holdings	-100
ELS	Home to college transport (gross): increased demand for service	+150			
ELS	Learners with Additional Needs (income): reduced income for Specialist Teaching Services	+110			
	ELS PORTFOLIO TOTAL	**+9,198**		**ELS PORTFOLIO TOTAL**	**-5,924**
SCS	Fostering - Gross - In house non related activity above affordable level	+2,894	SCS	Fostering - Gross - In house non related unit cost below budgeted level	-634
SCS	Assessment of Vulnerable Children - Gross - Increased costs of staffing following the 2010 Ofsted inspection	+2,623	SCS	Early Years & Childcare - Gross - Renegotiation of NCMA contract	-600
SCS	Fostering - Gross - Independent sector activity above affordable level	+2,386	SCS	Preventative Services - Gross - Savings made on direct payments	-556
SCS	Residential - Gross - Independent sector activity higher than affordable level	+1,959	SCS	Children's centres - Gross - savings made on staffing costs	-420
SCS	Fostering - Gross - Pressure on legal costs	+1,621	SCS	Asylum Seekers - Income - increased income as a result of increased client numbers	-396
SCS	Asylum Seekers - Gross - Support to asylum seekers who are appeal rights exhausted & costs of first 25 eligible young people who are not eligible for grant	+800	SCS	Fostering - Gross - Independent sector unit cost below budgeted level	-359

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
SCS	Residential - Gross - Disability activity above affordable level	+787	SCS	Residential - Gross - Secure accomodation activity below affordable level	-232
SCS	16+ Service - Gross - Independent Sector Fostering activity above affordable level	+480	SCS	Residential - Income - increase in number of disability clients attracting funding	-219
SCS	Fostering - Gross - (Related Fostering & Kinship Non LAC) provision for reward payments to related foster carers	+437	SCS	16+ Service - Gross - Independent Fostering unit cost below affordable level	-201
SCS	16+ Service - Gross - Payments to Care Leavers & relevant children above affordable level	+400	SCS	Residential - Gross - Disability Unit cost below affordable level	-163
SCS	Adoption - Gross - increase in Special Guardianship Orders	+364	SCS	Preventative Services - Gross - Link placement scheme ending earlier than budgeted	-144
SCS	Asylum Seekers - Gross - Activity above affordable level for both under & over 18s	+343			
SCS	Preventative Services - Gross - increased section 17 payments	+307			
SCS	Preventative Services - Gross - increased demand for day care due to fewer clients than anticipated transferring to direct payments	+274			
SCS	Fostering - Gross - Kinship non-LAC activity above affordable level	+203			
SCS	Adoption - Gross - increase in staffing within adoption team	+199			
SCS	Residential - Income - reduction in number of independent sector clients attracting funding	+192			
SCS	Residential - Gross - Independent sector unit cost higher than affordable level	+175			
SCS	16+ Service - Gross - Residential activity above affordable level	+161			
SCS	Residential - Gross - (In house provision) increased use of relief staff	+102			
	SCS PORTFOLIO TOTAL	**+16,707**		**SCS PORTFOLIO TOTAL**	**-3,924**
ASCPH	Residential (learning disability) - Gross - Activity above affordable level	+2,883	ASCPH	Residential (learning disability) - Gross - Preserved rights activity below affordable level	-2,934
ASCPH	Residential (learning disability) - Gross - Preserved rights unit cost above affordable level	+2,851	ASCPH	Residential (older people) - Gross - Activity below affordable level	-2,343
ASCPH	Nursing (Older people) - Gross - Activity above affordable level	+1,594	ASCPH	Domiciliary (learning disabled) - Gross - Activity below affordable level	-1,825
ASCPH	Residential (physical disability) - Gross - Activity above affordable level	+1,487	ASCPH	Domiciliary (older people) - Gross - Unit cost below affordable level	-1,266
ASCPH	Domiciliary (older people) - income - Activity below affordable level	+1,087	ASCPH	Nursing (Older people) - Gross - Unit cost below affordable level	-1,139
ASCPH	Residential (older people) - Income - Activity below affordable level	+1,001	ASCPH	Supported Accomodation (learning disability) - Gross - Unit cost below affordable level	-886
ASCPH	Residential care (Learning Disability) - unacheivable Procurement savings	+746	ASCPH	Domiciliary (older people) - Gross - Activity below affordable level	-858
ASCPH	Residential (older people) - Income - In House loss of income as result of modernisation strategy	+706	ASCPH	Residential care (Learning Disability) - uncommitted funds held to offset unacheivable savings	-746

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
ASCPH	Domiciliary (learning disabled) - Gross - Unit cost above affordable level	+546	ASCPH	Residential (learning disability) - Income - Average charge above budgeted level	-704
ASCPH	Residential (older people) - Gross - Unit cost above affordable level	+520	ASCPH	Residential (older people) - Income average charge higher than budgeted	-693
ASCPH	Supported Accomodation (learning disability) - Gross - Activity above affordable level	+467	ASCPH	Assessment of Vulnerable Adults - Gross - vacancy management within Mental Health A&R	-668
ASCPH	Supported Accomodation (physical disability) - Gross - Activity above affordable level	+465	ASCPH	Nursing - Income - Activity above affordable level (Older people)	-586
ASCPH	Supported Accomodation (mental health) - Gross - Activity above affordable level	+459	ASCPH	Direct Payments (older people) - Gross - Activity below affordable level	-470
ASCPH	Domiciliary (Older people) - unacheivable savings (procurement & delay in revised charging policy)	+447	ASCPH	Domiciliary (older people) - Gross - In House activity below budgeted level	-455
ASCPH	Other Adults Services - Lost income due to under provision of meals	+423	ASCPH	Direct Payments (learning disability) - Gross - Activity below affordable level	-450
ASCPH	Residential (learning disability) - Gross - Unit cost above affordable level	+422	ASCPH	Domiciliary (Older people) - uncommitted funds held to offset unacheivable savings	-447
ASCPH	Direct Payments (learning disability) - Income - Average charge lower than budgeted level	+336	ASCPH	Domiciliary (mental health) - Gross - Activity below affordable level	-434
ASCPH	Residential (mental health) - Income - Increase in Section 117 clients who do not contribute to costs	+226	ASCPH	Other Adults Services - Saving due to under provision of meals	-421
ASCPH	Domiciliary (older people) - income - Average unit charge below budgeted level	+219	ASCPH	Day Care (older people) - Gross - Recommissioning strategies	-420
ASCPH	Supported Accomodation (Learning Disability) - unacheivable Procurement savings	+208	ASCPH	Residential (older people) - Gross - In House savings as result of modernisation strategy	-381
ASCPH	Direct Payments (physical disability) - Gross - Unit costs above affordable level	+193	ASCPH	Assessment of Vulnerable Adults - Gross - Prudent non-allocation of funds	-367
ASCPH	Residential (physical disability) - Income - Unit charge below budgeted level	+190	ASCPH	Day Care (learning disability) - Gross - efficiencies from improved data quality and clients ceasing take-up of service	-311
ASCPH	Assessment of Vulnerable Adults - income - loss of recharge income to health due to vacant posts	+180	ASCPH	Residential (physical disability) - Gross - Unit cost below budgeted level	-307
ASCPH	Residential (mental health) - Gross - Unit cost above affordable level	+130	ASCPH	Contributions to Voluntary Organisations - Gross - Recommissioning strategies	-303
ASCPH	Residential (physical disability) - Gross - Preserved Rights Activity above affordable level	+126	ASCPH	Nursing (Older people) - Gross - release of provision and unrealised creditors following review of balance sheet	-231
ASCPH	Management & Support - Gross - Pressure on Support Empower Advocate Promote (SEAP) contract	+122	ASCPH	Domiciliary (older people) - Gross - Savings against block contracts	-210
ASCPH	Domiciliary (mental health) - Gross - Unit cost above affordable level	+122	ASCPH	Supported Accomodation (Learning Disability) - uncommitted funds held to offset unacheivable savings	-208
ASCPH	Management & Support - Gross - Additional Commissioning staffing costs	+120	ASCPH	Residential (learning disability) - Income - Activity above affordable level	-207
ASCPH	Nursing (Older people) - Income - Average charge below budgeted level	+120	ASCPH	Supported Accomodation (learning disability) - Income - Unit charge above budgeted level	-193
ASCPH	Residential (Older people) - unacheivable savings relating to reducing waivers of top-ups	+112	ASCPH	Direct Payments (mental health) - Gross - Activity below affordable level	-180

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
			ASCPH	Residential (physical disability) - Income - Activity above affordable level	-164
			ASCPH	Management & Support - Income - Additional Commissioning staffing income from health	-126
			ASCPH	Direct Payments (older people) - gross - Unit cost lower than budgeted level	-112
			ASCPH	Residential (Older people) - uncommitted funds held to offset unacheivable savings	-112
			ASCPH	Direct Payments (learning disability) - Gross - Unit cost lower than affordable level	-102
	ASC&PH PORTFOLIO TOTAL	**+18,508**		**ASC&PH PORTFOLIO TOTAL**	**-21,259**
CCSI	Strat. Mgmt & Directorate Support shortfall against Communications & Engagement activity savings target to be mitigated by management action	+500	CCSI	Kent Supported Employment: staff vacancies anticipated to be held for the remainder of the year.	-290
CCSI	Contact Centre: Shortfall against savings targets of KCAS (+£246k) and CFIS (+£120k)	+366	CCSI	Libraries: Planned reduction in running costs to mitigate additional KHLC moving costs	-250
CCSI	Communications & Engagement: Shortfall against the income target set at the time of building the budget.	+249	CCSI	CLS: management actions to part mitigate income shortall	-241
CCSI	Contact Centre (Consumer Direct): Reduced income from Trading Standards S.E.Ltd; income is based upon a price per call basis and call volumes have declined.	+246	CCSI	Gateways: reduced spend due to delayed opening of Gateways	-227
CCSI	CLS: Reduced income on the equivalent learners programme due to a combination of reduced demand and a change in the eligibility criteria (in-year) by the Skills Funding Agency.	+218	CCSI	Contact Centre: One-off solutions to offset shortfall against savings targets for the CFIS and KCAS services.	-214
CCSI	Libraries: Additional moving costs associated with Kent History & Library Centre (KHLC), mitigated by reduced spend on other running costs	+168	CCSI	Contact Centre (Consumer Direct): Reduced staff costs, primarily through vacancy management, as management action towards the reduce income stream from TSSEL.	-209
CCSI	SIP: Reduction in staff and other related expenditure for the Vulnerable Leaners Scheme. A delay in the identification of the learners means the scheme will continue into 2012/13.	+159	CCSI	Libraries: reduced staff costs arising from Radio Frequency Identification (RFID) self service implementation	-198
CCSI	Gateways - reduction in expected drawdown from reserves, no longer required due to delay in the rollout programme	+150	CCSI	Trading Standards: Reduced staff costs achieved through vacancy management and advancement of 2012-13 savings.	-180
CCSI	Libraries: reduced income from fines, Audio Visual & Merchandising	+123	CCSI	SIP - reduction in the drawdown from reserves in relation to the Vulnerable Learners Scheme. These reserves will now be called upon in 2012/13.	-159
CCSI	Gateways - additional other running costs as other projects brought forward to compensate for delay in roll out of the programme.	+114	CCSI	Strat Mgmt & Directorate Support: Comms & Engagement staff vacancy management savings	-143
			CCSI	Libraries: additional external contributions	-127
	CCS&I PORTFOLIO TOTAL	**+2,293**		**CCS&I PORTFOLIO TOTAL**	**-2,238**

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
EHW	Landfill Tax - diversion of waste to landfill due to extended planned routine maintenance at Allington Waste to Energy Plant	+1,191	EHW	Disposal Contracts - lower then budgeted residual waste tonnage processed through Allington WtE due to extended planned routine maintenance at the plant.	-2,932
EHW	Transfer Stations - revenue contribution to capital for the overspend on the North Farm TS construction project.	+302	EHW	Concessionary Fares - Successful negotiations with major bus operators resulting in agreement to settle appeals at a lower level than the original claims.	-918
EHW	Sustainable Transport - Cost of multi modal transport models offset by underspend arising from income.	+293	EHW	Household Waste Recycling Centres - Additional income due to market prices remaining buoyant for the sale of various recyclable materials.	-487
EHW	Strategic Management & Directorate Support Budgets - Directorate funded redundancy payments arising from the Highways restructure.	+219	EHW	Transfer Stations - lower than budgeted waste tonnage.	-369
EHW	Transfer Stations - operational need for additional planned maintenance at Church Marshes TS.	+170	EHW	Recycling Contracts & Composting - lower than budgeted waste tonnage	-366
EHW	Payments to Waste Collection Authorities (DCs) - additional enabling payments made to Districts under Joint Waste Arrangements.	+116	EHW	Sustainable Transport - Income from multi modal transport models offsetting pressure.	-248
			EHW	Traffic Management - Successful recovery of S74 fees from works promoters for unreasonably prolonged occupation of the highway.	-247
			EHW	Household Waste Recycling Centres - New income stream from the sale of lead acid batteries.	-130
			EHW	Recycling Contracts & Composting - improved contract prices	-104
	EH&W PORTFOLIO TOTAL	**+2,291**		**EH&W PORTFOLIO TOTAL**	**-5,801**
F&BS	Contribution to reserves of in year MRP saving to cover potential impact in future years	+1,599	F&BS	treasury savings: assumptions on capital programme for 11-12 and on cash flows generally, together with savings on debt charges due to re-phasing of capital programme in 10-11	-3,683
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	+1,125	F&BS	In year Minimum Revenue Provision saving as a result of 2010-11 re-phasing of the capital programme	-1,599
F&BS	HR Business Ops: Learning & Development reduced income due to reduced take-up of training courses	+660	F&BS	unexpected un-ringfenced grant for Extended Rights to Free Travel to be used to offset pressures across Authority	-1,546
F&BS	Contribution to economic downturn reserve of 2011-12 write down of discount saving from 2008-09 debt restructuring	+487	F&BS	drawdown from Insurance Reserve to cover pressure on the Insurance Fund	-1,125
F&BS	HR Business Ops: Schools Personnel Service under delivery of increased income target/loss of internal income.	+364	F&BS	2011-12 write down of discount saving from 2008-09 debt restructuring	-487
F&BS	HR Business Ops: pressure on Employee Services budget mainly on staffing	+237	F&BS	HR Business Ops: Learning & Development reduced expenditure in line with reduced take-up of training courses	-459
			F&BS	savings on leasing costs	-400

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
			F&BS	HR Business Ops: Schools Personnel Service underspend mainly on salaries, partially off-setting under delivery of income target	-149
			F&BS	local authority subscriptions	-100
	F&BS PORTFOLIO TOTAL	**+4,472**		**F&BS PORTFOLIO TOTAL**	**-9,548**
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	Strat Mgt & Dir Support: Development of ERP project.	+950	BSPHR	Legal income resulting from additional work (partially offset by increased costs)	-1,126
BSPHR	Strat Mgt & Dir Support: Directorate's as yet unallocated savings, still to be allocated across units.	+718	BSPHR	Strat Mgmt & Dir Support: temporary drawdown of reserves to fund ERP project, to be repaid in 2012-13	-950
BSPHR	Legal services cost of additional work (offset by increased income)	+694	BSPHR	Legal Services: increased income relating to Disbursements	-603
BSPHR	Legal Services: increased costs of Disbursements	+603	BSPHR	HR: Adult Learning Resource Team reduced base funded training activity	-264
BSPHR	HR: Underachievement of income due to reduction in demand for discretionary training provided to schools	+195	BSPHR	HR: Reduced training activity provided to schools, offset by reduced income	-194
	BSP&HR PORTFOLIO TOTAL	**+4,660**		**BSP&HR PORTFOLIO TOTAL**	**-4,637**
		+58,129			**-53,331**

3.4 **Key issues and risks**

3.4.1.1 **Education, Learning & Skills portfolio:** Forecast (excl. schools) **-£1.216m**
A continuation of the savings experienced in 2010-11 on home to school transport and increased income from special school and hospital recoupment, as a result of other local authorities placing pupils in Kent schools, are being offset by shortfalls against savings targets for staffing, due to a delay in the implementation of the directorate restructure, and legal costs. A saving on the Early Years Quality & Outcomes Team will be transferred to reserves to support next year's budget, subject to Cabinet approval. There is also a pressure on the Connexions contract due to the withdrawal of grant from the YPLA with effect from 1 April 2011, however the contract with Connexions was fixed until 31 August 2011 – re-negotiations have now taken place. Further details are provided in Annex 1.

3.4.1.2 **Education, Learning & Skills portfolio – Schools Delegated:** Forecast **+£4.248m**
This forecast relates to a £5.748m reduction in schools reserves resulting from an anticipated 50 schools converting to academy status and taking their reserves with them, together with a forecast £1.5m increase in reserves for the remaining Kent schools based on their first monitoring returns.

3.4.2 **Specialist Children's Services portfolio:** Forecast **+£12.626m**
There has been a continuation of the pressures experienced during 2010-11 mainly on Fostering, Adoption, Children's Residential Care and 16+ Services, as well as the Asylum Service. In addition, there is a pressure on staffing, mainly agency social workers, in order to deliver the Children's Improvement Plan as a result of the Ofsted report. These pressures are partially offset by a saving resulting from successful re-negotiation of the National Childminding Association contract, lower demand for secure accommodation, and staffing savings within Children's Centres. Further details are provided in Annex 2.

3.4.3 **Adult Social Care & Public Health portfolio:** Forecast **-£2.581m**
There are demographic, placement and price pressures, primarily within nursing and residential care services for people with learning or physical disabilities, together with increased demand for direct payments and supported accommodation for people with a physical disability, but these pressures are more than offset by lower demand for domiciliary care and day care across all client groups and residential and nursing care for older people. Savings are also being made through vacancy management and holding back uncommitted funding. The forecast assumes that the £16.226m of NHS Support for Social Care funding is transferred to a new specific earmarked reserve and drawn down as expenditure is incurred in line with detailed plans to be jointly agreed with health, subject to Cabinet approval. Further details are provided in Annex 2.

3.4.4 **Environment, Highways & Waste portfolio:** Forecast **-£3.548m**
This underspend largely relates to the waste budgets, reflecting savings as a result of lower than budgeted waste tonnage, improved contract prices, increased income from the sale of recyclable materials and a new income stream from the sale of lead batteries. However savings as a result of lower waste tonnage processed through Allington Waste to Energy plant due to planned routine maintenance being extended, has led to more waste being sent to landfill. In addition, negotiations with bus operators regarding payments for concessionary fares have resulted in a mutually agreed position that has reduced the potential cost. Further details are provided in Annex 3.

3.4.5 **Communities, Customer Services & Improvement portfolio:** Forecast **+£0.126m**
Pressures exist due to a shortfall against savings targets within both the Contact Centre, relating to Kent Contact & Assessment Service and Children's Information Service; and Communications, Media Relations & Public Engagement, together with a reduction in funding for the Community Learning Service from a combination of a mid year change in the eligibility criteria by the Skills Funding Agency, lower enrolment numbers and an associated reduction in employer contributions. Management action has already been implemented, which has significantly offset these pressures, by accelerating the review of Trading Standards service priorities which has enabled savings to be delivered a year earlier than planned and holding vacancies wherever possible without impacting on service delivery. However, a residual pressure remains and further management action is currently being considered with the aim of delivering a balanced budget by year end. Further details are detailed in Annex 4.

3.4.6 In the Business Strategy & Support directorate, the key issues by portfolio are:

3.4.6.1 **Finance & Business Support portfolio**: Forecast **+£0.566m**
This pressure is largely due to an under-delivery of income in the Schools Personnel Service, lower take up of training courses within Learning & Development and a pressure on staffing within Employee Services. However these pressures are offset by an underspend within Human Resources within the Business Strategy, Performance & Heath Reform portfolio.

3.4.6.2 **Business Strategy, Performance & Health Reform portfolio**: Forecast **-£0.208m**
This underspend is due to increased income within Legal Services due to both increased internal and external demand and an underspend within Human Resources, largely due to a reduction in base funded training activity within the Adult Learning Resource Team and savings resulting from salary sacrifice schemes, which is offsetting the pressure within Finance & Business Support portfolio. In addition, there is a pressure as a result of the directorate's centrally held savings targets, which are in the process of being allocated to BSS units and managers are currently being informed of their allocations. It is anticipated that management actions will be delivered within the individual units to fully offset these savings targets and the impact on individual units and progress towards delivering these management actions will be reflected in future monitoring reports. It is proposed that the costs for the development of the ERP project are met by a drawdown from reserves in the current year, to be repaid in 2012-13, subject to Cabinet approval.
Further details are provided in Annex 5.

3.4.7 The key issues within the Financing Items budgets are:

3.4.7.1 **Finance & Business Support portfolio:** Forecast **-£5.700m**.

There are savings on the debt charges budget as a result of deferring borrowing in 2010-11 due to the re-phasing of the capital programme and no new borrowing has been taken in the first half of 2011-12, other than to replace maturing debt. Also, due to the re-phasing of the capital programme in 2010-11, fewer assets became operational than expected and therefore we have a saving on Minimum Revenue Provision (MRP). However, subject to Cabinet approval, this will need to be transferred to reserves to fund the potential impact in future years. The current year write down of the discount saving from the debt restructuring undertaken in 2008-09 is being transferred to the Economic Downturn reserve as planned and a forecast pressure on the Insurance Fund will be met by a drawdown from the Insurance Reserve. In addition, we received an unexpected increase in un-ringfenced grant for Extended Rights to Free Travel, which we are holding corporately to offset the pressures reported elsewhere across the Authority. Further details are provided in Annex 6.

3.4.8 By the end of the financial year, management action of £0.718m is expected to be delivered within Business Strategy & Support directorate which will increase the forecast underspend position for the authority to £1.549m (excluding schools).

3.4.9 Management action proposals are currently being considered within the Communities, Customer Services & Improvement portfolio, which will reduce this position further. In the context of a savings requirement of £95m, increasing demands for services and the need to deliver the Children's Services Improvement Plan, an overall forecast underspending position is a considerable achievement. However, there is a risk that the position could deteriorate, especially with the continually increasing demand for Children's Specialist Services. The position will be closely monitored throughout the remainder of the financial year and every effort will be made to avoid any overspend at year end.

3.5 Implications for future years/MTFP

3.5.1 The key issues and risks identified above will need to be addressed in directorate medium term plans (MTFP) for 2012-15, specifically the pressure on Specialist Children's Services. Although most other pressures are either forecast to be largely offset by management action or management action plans are currently being worked on which are expected to offset these pressures this year, a lot of the management action is likely to be one-off or not sustainable for the longer term. The Directorates are currently trying to assess the medium term impact of these issues. There are other pressures which, although not hugely significant this year, will also need addressing in the MTFP. These are detailed in the Annex reports.

4. CAPITAL

4.1 Changes to budgets

4.1.1 The capital monitoring focuses on projects which are re-phasing by £1m or more and it distinguishes between real variances/re-phasing on projects which are:

- part of our year on year rolling programme or projects which already have approval to spend and are underway , and
- projects which are still only at the preliminary stage or are only at the approval to plan stage and their timing remains uncertain.

We separately identify projects which have yet to get underway, but despite the uncertainty surrounding their timing they were included in the budget because there is a firm commitment to the project. By identifying these projects separately, we can focus on the real re-phasing in the programme on projects which are up and running.

4.1.2 Since the last exception report presented to Cabinet on 17th October, the following adjustments have been made to the 2011-12 capital budget.

		£000s	*£000s*
		2011-12	*2012-13*
1	Cash Limits as reported to Cabinet on 17th October	352,634	*262,415*
2	Re-phasing agreed at Cabinet on 17th October		
	Education, Learning & Skills (ELS)	-7,914	*5,550*
	Adults Social Care & Public Health (ASC&PH)	-2,442	*2,027*
	Environment, Highways & Waste (EHW)	-1,349	*773*
	Communities, Customer Services & Improvement (CCSI)	70	*-52*
	Business Strategy, Performance & Health Reform (BSPHR)	-4,483	*1,733*
3	Devolved Capital - PRUs - ELS portfolio	-9	*-8*
4	Devolved Capital for Schools additional grant - ELS portfolio		*569*
5	Basic Needs - Ashford Primary Schools changes to external funding - ELS portfolio	-1,042	*794*
6	Dartford Civic Centre new project - additional capital receipt - SCS portfolio	30	
7	Tunbridge Wells Respite Centre reduction in project cost - ASC&PH portfolio	-80	
8	Active Lives - Bower Mount reduction in project cost - ASC&PH portfolio	-45	
9	Underspend on Broadmeadow Extension transferred to OP Integrated Specialist Services - ASC&PH portfolio	-58	*58*
10	Non grant supported land compensation claims reduction in external funding - EHW portfolio	-50	*-108*
11	Integrated Transport Scheme additional external funding - EHW portfolio	786	
12	Major Scheme Preliminary Design transfer to Integrated Transport Scheme - EHW portfolio	-300	
13	A2 Cyclo Park additional grant and external funding - EHW portfolio	905	
14	Edenbridge Community Centre - virement from Gateways - C&C portfolio	150	
15	Gateways - virement to Edenbridge Community Centre - C& C portfolio	-150	
16	Kent Library & History Centre - virement from Library Modernisation - C&C portfolio	280	
17	Library Modernisation - virement to Kent Library & History Centre - C&C portfolio	-280	
18	Margate Eastern Seafront additional grant funding - Regen portfolio	193	
19	Disposal Team reduction in project cost - BSP&HR portfolio	-40	
		336,806	***273,751***

4.2 **Table 3** – Portfolio/Directorate position – capital

Portfolio	Budget	Variance	Directorate ELS	FSC	E&E	C&C	BSS
	£k	**£k**	£k	£k	£k	£k	£k
Education, Learning & Skills	**+152,227**	**-36,365**	-36,365				
Specialist Children's Services	**+12,659**	**+211**		+211			
Adults Social Care & Public Health	**+12,186**	**-5,348**		-5,348			
Environment, Highways & Waste	**+94,598**	**+6,692**			+6,692		
Communities, Customer Services & Improvement	**+18,264**	**-79**				-79	
Regeneration & Enterprise	**+14,474**	**-8,618**					-8,618
Business Strategy, Performance & Health Reform	**+7,678**	**+675**					+675
TOTAL (excl Schools)	**+312,086**	**-42,832**	-36,365	-5,137	+6,692	-79	-7,943
Schools	**+24,720**	**0**	0				
TOTAL	**+336,806**	**-42,832**	-36,365	-5,137	+6,692	-79	-7,943

Real Variance		**+2,520**	-6,589	+211	+7,214	+232	+1,452
Re-phasing (detailed below)		**-45,352**	-29,776	-5,348	-522	-311	-9,395
		2011-12	**2012-13**	**2013-14**	**Future yrs**		**Total**
Re-phasing		-45,352	-3,645	+42,450	+6,547		0

4.2.1 Table 3 shows that there is an overspend on the capital programme for 2011-12 and re-phasing of expenditure into later years. Projects re-phasing with variances of £1m or more are identified in table 6 and section 4.6 below, and reported in detail in the annex reports; projects re-phasing with variances between £0.25m and £1m are also identified in table 6, and the balance is made up of projects re-phasing with variances of under £0.25m which do not get reported in detail in this report.

4.3 Table 4 below, splits the forecast variance on the capital budget for 2011-12 as shown in table 3, 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 the timing remains uncertain, and
- projects at the preliminary stage.

Table 4 – Analysis of forecast capital variance by project status

	budget	Variance **real variance**	**re-phasing**	**total**	
Project Status	£'000s	£'000s	£'000s	£'000s	
Rolling Programme	84,843	5,265	-1,731	3,534	
Approval to Spend	164,746	-344	-1,452	-1,796	
Approval to Plan	62,497	-2,401	-42,169	-44,570	
Preliminary Stage	0	0	0	0	
Total	312,086	2,520	-45,352	-42,832	
	2011-12	**2012-13**	**2014-15**	**future years**	**total**
	£'000s	£'000s	£'000s	£'000s	£'000s
Re-phasing:					
Rolling Programme	-1,731	1,726	5	0	0
Approval to Spend	-1,452	1,304	145	3	0
Approval to Plan	-42,169	-6,675	42,300	6,544	0
Preliminary Stage	0	0	0	0	0
Total	-45,352	-3,645	42,450	6,547	0

4.3.1 Table 4 shows that the majority of the re-phasing is due to projects which are still only at the approval to plan or preliminary stages and their timing remains uncertain.

4.3.2 Table 5 below shows the effect of the capital variance on the different funding sources. The variance against borrowing (supported, prudential, prudential/revenue and PEF2 borrowing) is -£8.636m and this is a contributory factor in the treasury management underspend reported within the Finance portfolio.

Table 5: 2011-12 Capital Variance analysed by funding source (incl Devolved Capital to Schools)

	Capital Variance £m
Supported Borrowing	-0.479
Prudential	-9.516
Prudential/Revenue (directorate funded)	-0.335
PEF2	+1.694
Grant	-33.355
External Funding - Other	-0.201
External Funding - Developer contributions	-1.224
Revenue & Renewals	+5.885
Capital Receipts	-5.089
General Capital Receipts (generated by Property Enterprise Fund)	-0.212
TOTAL	**-42.832**

4.4 Table 6 below details all projected capital variances over £250k, in size order. These 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 of the individual Directorate annex reports, and all real variances are explained in section 1.2.5 of the individual Directorate annex reports, together with the resourcing implications.

Table 6 - All Capital Budget Variances over £250k in size order

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
EHW	Highways Major Maintenance	real	+4,279			
EHW	Drovers Roundabout/M20 Junction 3	real		+1,697		
BSPHR	Enterprise Resource Programme	real			+1,400	
EHW	Victoria Way	real		+1,000		
ELS	Building Schools for the Future - Wave 3	phasing		+683		
ELS	Non Delegated Devolved Capital - PRUs	real	+481			
EHW	HWRC - North Farm Transfer Station	real		+325		
EHW	Commercial Services - Vehicle, Plant & Equipment	real	+320			
			+5,080	**+3,705**	**+1,400**	**+0**
		real	+5,080	+3,022	+1,400	+0
		phasing	+0	+683	+0	+0

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Underspends/Projects behind schedule						
ELS	Academy Projects - Approval to Plan	phasing			-28,862	
Regen	Capital Regeneration Fund	phasing			-4,245	
Regen	Margate Housing	phasing			-4,000	
ELS	Academy Projects - Approval to Plan	real			-3,819	
ASC&PH	Older Persons Strategy - Integrated Specialist Service Centre	phasing			-3,553	
ELS	BSF Wave 5 - Unit Costs	real		-2,558		
ASC&PH	Dartford Town Centre - Trinity Project	phasing			-999	
ELS	Halfway House Primary School	phasing	-855			
ASC&PH	IT Infrastructure	phasing			-610	
BSPPH	Modernisation of Assets	phasing	-520			
ELS	BSF Wave 5 - Unit Costs	phasing		-500		
Regen	Euro Kent Road	phasing		-425		
ELS	BSF Unit Costs (inc SECTT)	real		-422		
ELS	BSF Wave 3 - Unit Costs	real		-422		
EHW	East Kent Access Phase 2	phasing		-326		
ELS	BSF Wave 4 - Unit Costs	real		-319		
ELS	Wyvern School (SSR - Phase 2)	phasing		-309		
			-1,375	**-5,281**	**-46,088**	**0**
		real	+0	-3,721	-3,819	+0
		phasing	-1,375	-1,560	-42,269	+0
			+3,705	**-1,576**	**-44,688**	**+0**
		real	+5,080	-699	-2,419	+0
		phasing	-1,375	-877	-42,269	+0

4.5 **Reasons for Real Variance and how it is being dealt with**

4.5.1 The real variance identifies the actual over and underspends on capital schemes and not re-phasing of projects. Table 3 shows that there is currently a +£2.520m real variance forecast. The main areas of under and overspending in 2011-12 are listed below together with their resourcing implications:-

- **Highway Maintenance: +£4.279m** (in 2011-12): Major patching and full surface dressing works are being undertaken on parts of the road network that have been worst affected by winter damage. This approach is more cost effective and better value for money than simply dealing with individual pot holes and enhances the capital value of the County Council's assets. The bulk of the cost (£4m) will be covered by a Government revenue grant designed to address winter damage on the County's roads. £0.279m relates to additional surfacing repairs due to subsidence and installing new directional signs and will be funded from revenue.

- **Victoria Way: +£1.000m** (in 2011-12): Difficulties with the utilities aspects because of uncharted services, phasing and utility companies' lack of performance in particular has fully utilised the contingency allocation. Utility works have continued to have a significant impact on the contract along with disturbance and prolongation costs together with residual risks have been on an upward trend over recent months.

- **Drovers Roundabout, J9 and Footbridge: +£1.697** (in 2011-12): The main cause of the overspend has been issues related to the unique cable stayed footbridge over the M20. The contractor has made very significant claims relating to design aspects, disturbance and prolongation and the consultant working for Kent County Council has indicated that there is some limited legitimacy to these claims.
  Both of these schemes are fully externally funded and there is no capacity within the capital programme to meet the forecast overspend. Funding will be claimed from Growth Area Funding (GAF) which is held by Ashford Borough Council on behalf of the Ashford's Future Partnership Board (AFPB). The AFPB has agreed in principle that the major highway schemes in Ashford (ie Victoria Way and Drovers Roundabout / J9 and Footbridge) should have first call on the GAF pot of some £2.7m.

- **Enterprise Resource Programme: +£1.400m** (in 2011-12): Capital investment is required for the improvement of Oracle to enable ongoing savings of £3m per annum. **Members are asked to approve prudential borrowing to fund this project.**

- **Building Schools for the Future Unit Costs: -£4.661m** (-£3.721m in 2011-12 & -£0.940m in 2012-13): The underspend is due to a number of factors including:
  - an accrual which had been set up in relation to known compensation claims for asbestos in the 2010-11 accounts which are now being met from elsewhere within the capital programme.
  - BSF Wave 3 development costs have being reduced in line with the expected costs to be incurred on the remainder of the Wave 3 build programme.
  - BSF Unit Costs Future Waves and the Academies Project Teams costs have been reduced as a result of the down-sizing of the BSF & Academies programme.

  £4.118m of the underspend is required to cover the shortfall/overspend against the Academy programme, taking this into consideration there is a real underspend of £0.543m. **Members are asked to approve the transfer of funding to the Academy programme.**

- **Academy Projects – Approval to Spend: -£0.581m** (+£0.192m in 2011-12, -£0.038m in 2012-13 and -£0.735m in 2013-14): The net underspend is due to the following:
  - Alignment of the final contract sum (excluding ICT) with the profiled spend for the Spires and Skinners Academy has indicated underspends of £0.100m and £0.751m respectively.
  - +£0.270m overspend on the Longfield Academy due to settlement of a compensation event.
  - A review of the grant funding for Academies from the Department of Education has indicated that there is a shortfall of £3.880m. The proposal is to use the underspend declared against the Building Schools for the Future Unit Costs to cover the shortfall in funding.

- **Academy Projects – Approval to Plan: -£2.765m** (-£3.819m in 2011-12, -£0.001m in 2012-13 and +£1.055m in future years): There is a net overstatement of grant funding for academies which was highlighted following a review of the DfE grant for Academies.

  Further details of smaller real variances are provided in the annex reports.

4.6 **Main projects re-phasing and why**.

4.6.1 The projects that are re-phasing by £1m or more are identified below: -

- **Academy Projects – Approval to Plan – re-phasing of:**

St Augustines Academy	**-£11.545m**
Wilmington Academy	**-£1.223m**
Dover Christchurch Academy	**-£1.602m**
John Wallis Academy	**-£4.859m**
The Knole Academy	**-£2.015m**
Duke of York Royal Military Academy	**-£7.618m**

  In July 2010 both the BSF and Academies programmes were stopped due to the Government's spending cuts.

  Whilst some Academy schemes were subsequently allowed to proceed, all of the Batch 2 Academies, together with the Duke of York Royal Military Academy (DoYRMA), were subject to a further review (which included questionnaires, detailed submissions, site visits etc) to determine their capital allocation. Revised capital allocations were notified in January 2011, however these remained subject to challenge until into the new financial year.

  Partnerships for Schools (PfS) continued to review the phasing of these Academies based on their national funding allocations for each financial year and several amendments were made to the Kent programme.

  Development work, including the new feasibility stage introduced by PfS, started on the Batch 2 Academies and the DoYRMA following the signing of the design and build contracts for the Skinners' Kent Academy (with Willmott Dixon) in July 2011. The development programme and the construction works for these new academies have been designed to follow the new timescales recently introduced by PfS.

  Revisions to the phasing and capital allocations for these Batch 2 Academies, which have now all been confirmed by PfS, and have now been incorporated into the capital programme. However, these remain subject to further change as development work progresses and through the various approval stages set by the DFE and PfS.

- **Capital Regeneration Fund - re-phasing of -£4.245m**
  There are various bids under consideration but no expenditure is planned in relation to these bids for 2011-12.

- **Margate Housing – re-phasing of -£5.000m** (-£4.000m in 2011-12 & -£1.000m in 2012-13)
  This project is progressing, however the requirement for KCC investment drawdown is coming forward at a slower pace than anticipated due to the need to secure match funding from partners. A meeting is scheduled for 23 November 2011 between KCC, Thanet District Council and the Homes and Communities Agency (HCA) to further explore, at the most senior level, the investment required from the HCS. A pilot scheme is being worked up which will commence in 2011-12, with substantial progress being anticipated in 2012-13 and 2013-14.

- **Older Persons Strategy – Integrated Specialist Service Centre – re-phasing of -£3.553m**
  At present the solution for the replacement of the Dorothy Lucy Centre has not been confirmed. One suggested solution is a new build and if this is the preferred option then construction would not commence until late summer 2012. The project has been re-phased to 2012-13 and 2013-14 to provide a more realistic spend profile.

4.7 **Key issues and risks**

4.7.1 The impact on the quality of service delivery to clients as a consequence of re-phasing a capital project is always carefully considered, with adverse impact avoided wherever possible. The impact on service delivery of projects which are re-phasing by £1m or more, as identified in table 6 above, is highlighted in section 1.2.4 of the annex reports.

4.7.2 Kent County Council has made a commitment to Kent businesses, including maintaining our capital programme. None of the reported variances in this report affects that commitment.

4.8 **Implications for future years/MTP**

4.8.1 Directorates are continuously addressing issues around their capital programmes, in particular, careful consideration is given to the funding of these projects to ensure that as far as possible capital receipts and external funding, or agreement to utilising PEF2 is in place before the project is contractually committed. The 'warning' in paragraph 3.5.2 also applies to capital funding, where the reduction in funding could be even greater.

4.9 **Resourcing issues**

4.9.1 There will always be an element of risk relating to funding streams which support the capital programme until all of that funding is "in the bank". The current economic situation continues to intensify this risk, with the continuing downturn in the property market, the number of new housing developments reducing and developers pulling out of new developments, all of which have a significant impact on our Section 106 contributions. This has largely been addressed in the capital programme approved at County Council on 18 February 2010, but there remains an element of risk for the reduced level of funding still assumed from these sources. It is not always possible to have receipts 'in the bank' before starting any replacement project, due to the obvious need to have the re-provision in place before the existing provision is closed. Management of the delivery of capital receipts and external funding is therefore rigorous and intensive. At this stage, there are no other significant risks to report.

4.10 **Capital Project Re-phasing**

We will continue with the practice adopted in 2009-10 of changing cash limits 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 proposed re-phasing is summarised in the table below, details of individual projects are listed within the directorate sections.

Table 7 – re-phasing of projects >£0.100m

Portfolio	2011-12	2012-13	2013-14	Future Years	Total
	£k	**£k**	**£k**	**£k**	**£k**
Education, Learning & Skills					
Amended total cash limits	152,227	153,580	75,484	90,002	471,293
Re-phasing	-29,771	-9,378	32,605	6,544	0
Revised cash limits	**122,456**	**144,202**	**108,089**	**96,546**	**471,293**
Specialist Children's Services					
Amended total cash limits	12,659	5	0	0	12,664
Re-phasing	0	0	0	0	0
Revised cash limits	**12,659**	**5**	**0**	**0**	**12,664**
Adults Social Care & Public Health					
Amended total cash limits	12,186	9,271	2,699	3,561	27,717
Re-phasing	-5,333	640	4,693	0	0
Revised cash limits	**6,853**	**9,911**	**7,392**	**3,561**	**27,717**
Environment, Highways & Wast					
Amended total cash limits	94,598	74,797	61,743	257,168	488,306
Re-phasing	-450	297	150	3	0
Revised cash limits	**94,148**	**75,094**	**61,893**	**257,171**	**488,306**
Customer &,Communities					
Amended total cash limits	18,264	5,477	5,256	4,929	33,926
Re-phasing	-255	255	0	0	0
Revised cash limits	**18,009**	**5,732**	**5,256**	**4,929**	**33,926**
Regen & Ed					
Amended total cash limits	14,474	8,549	2,500	2,500	28,023
Re-phasing	-8,670	3,670	5,000	0	0
Revised cash limits	**5,804**	**12,219**	**7,500**	**2,500**	**28,023**
Business Strategy, Performance & Health Reform					
Amended total cash limits	7,678	7,592	6,140	2,923	24,333
Re-phasing	-660	660	0	0	0
Revised cash limits	**7,018**	**8,252**	**6,140**	**2,923**	**24,333**
TOTAL RE-PHASING >£100k	**-45,139**	**-3,856**	**42,448**	**6,547**	**0**
Other re-phased Projects below £100k	-213	+211	+2	0	0
TOTAL RE-PHASING	**-45,352**	**-3,645**	**+42,450**	**+6,547**	**0**

Table 8 – details individual projects which have further re-phased

	2011-12	2012-13	2013-14	Future Years	Total
	£k	£k	£k	£k	£k
ELS					
Modernisation Programme - Wrotham School					
Original budget	+1,000	+2,000	0	0	+3,000
Amended cash limits	-383	+377	+6	0	0
additional re-phasing	-108	+105	+3		0
Revised project phasing	**+509**	**+2,482**	**+9**	**0**	**+3,000**
Wyvern School (Special Schools Review - Phase 2)					
Original budget	+2,856	0	0	0	+2,856
Amended cash limits	-890	+890	0	0	0
additional re-phasing	-309	+309			0
Revised project phasing	**+1,657**	**+1,199**	**0**	**0**	**+2,856**
Unit Reviews					
Original budget	+3,400	0	0	0	+3,400
Amended cash limits	-1,525	+1,514	+11	0	0
additional re-phasing	-180	+175	+5	0	0
Revised project phasing	**+1,695**	**+1,689**	**+16**	**0**	**+3,400**
EH&W					
East Kent Access Phase 2					
Original budget	+27,894	+912	+3,217	0	+32,023
Amended cash limits	-222	+895	-2,673	+2,000	0
additional re-phasing	-326	+326	0	0	0
Revised project phasing	**+27,346**	**+2,133**	**+544**	**+2,000**	**+32,023**

5. FINANCIAL HEALTH

5.1 The latest Financial Health indicators, including cash balances, our long term debt maturity, outstanding debt owed to KCC, the percentage of payments made within 20 and 30 days and the recent trend in inflation indices (RPI & CPI) are detailed in **Appendix 2**.

5.2 The latest monitoring of Prudential Indicators is detailed in **Appendix 3**.

6. RISK MANAGEMENT

6.1 Policies and procedures within the risk management framework are currently being reviewed and work is ongoing to refresh the Council's corporate risk register. These are a separate item on this Cabinet meeting's agenda for discussion and approval. Risk identification workshops have been held with Pioneers in July and with Cabinet/CMT in September. A further two Cabinet/CMT workshops are planned in November to complete the register and ensure alignment with service and budget planning processes. A Statement of Required Management Practice for Risk will be launched towards the end of quarter 3 to support understanding and compliance with the framework by all managers.

6.2 Responsibility for the Corporate Risk Management function transferred to the Business Strategy Division in September with the departure of the Head of Audit and Risk. Going forward this function will comprise of three posts: a Senior Risk Manager and two Risk Officers who will be responsible for promoting a positive risk management culture, for implementing the Risk

Management Framework and developing an effective infrastructure for managing and reporting risk across the Council. One Risk Officer is in post and an interim Senior Risk Manager has been appointed for three months to help re-energise risk management across the Council. A permanent Senior Risk Manager and Risk Officer will be recruited as part of the ongoing process of restructure of the Business Strategy Team. Appointments should be complete in quarter 4.

6.3 Over the next few months, the team will ensure risk identification processes link seamlessly with business planning, business continuity and performance management. This will involve a number of risk workshops with Directorate and Divisional Management Teams and the production of new risk registers in line with the revised risk management framework which will then be available for member scrutiny.

7. REVENUE RESERVES

7.1 The table below reflects the projected impact of the current forecast spend and activity for 2011-12 on our revenue reserves:

Account	Actual Balance at 31/3/11 £m	Projected Balance at 31/3/12 £m	Movement £m
Earmarked Reserves	118.1	98.2	-19.9
General Fund balance	26.7	31.7	+5.0
Schools Reserves *	55.2	51.0	-4.2

* Both the table above and section 2.1 of annex 1 include delegated schools reserves and unallocated schools budget.

7.2 The reduction of £19.9m in earmarked reserves includes the £14m temporary drawdown of our long term reserves approved as part of the 2011-12 budget, as well as other planned movements in reserves such as IT Asset Maintenance, Kingshill Smoothing, prudential equalisation, economic downturn, Supporting People, Elections, PFI equalisation and revenue reserve to support projects previously classified as capital eg Member Highway Fund, together with the anticipated movements in the Insurance Reserve, Regeneration Fund, rolling budget, DSG and Restructure reserves. It also reflects the proposed movements in the new NHS Support to Social Care earmarked reserve, IT Asset maintenance reserve, MRP smoothing within the prudential equalisation reserve and the earmarked reserve to support next years budget, which are subject to Cabinet approval in this report.

7.3 The £5m increase in general reserves reflects the budgeted contribution, as approved by County Council in February, in consideration of our increased risk profile.

7.4 The reduction of £4.2m in the schools reserves is made up of a reduction of £5.7m due to an anticipated 50 schools converting to academy status and therefore taking their reserves with them, together with an increase of £1.5m for the remaining Kent schools based on their first monitoring returns for this financial year detailing their six monthly forecasts.

8. STAFFING LEVELS

8.1 The following table provides a snapshot of the staffing levels by directorate as at 30 September 2011 compared to the numbers as at 30 June 2011 and 1 April 2011 for the new directorate structure, based on active assignments. However, due to the large movements of staff between directorates as a result of the council restructure, direct comparisons between old and new directorates are not possible, so staffing levels as at 31 March 2011 are only provided in total, together with a split of schools and non schools staff. The difference, in the right hand columns of the table, represents the movement in staffing numbers from 1 April to 30 September, which was a reduction of 2,040.50 FTEs, of which -1,602.35 were in schools and -438.15 were non-schools. However, there was also a reduction of 651.32 FTEs between 31 March 11 and 1 April 11, of which -573.55 were in schools and -77.77 were non-schools. So overall, between 31 March 11 and 30 September 11, there has been a reduction of 2,691.82 FTEs of which 2,175.90 were in schools and 515.92 were non-schools. The reduction in schools based staff is largely as a result of schools converting to academies, hence the staff are no longer employed by KCC.

		31-Mar-11	New structure 01-Apr-11	Jun-11	Sep-11	Movement in year	
						Number	%
KCC	Assignment count	*49,960*	48,819	47,745	45,438	-3,381	-6.93%
	Headcount (inc. CRSS)	*42,432*	41,434	40,484	38,457	-2,977	-7.18%
	Headcount (exc. CRSS)	*37,644*	36,881	35,971	34,234	-2,647	-7.18%
	FTE	***27,845.19***	**27,193.87**	**26,479.32**	**25,153.37**	**-2,040.50**	**-7.50%**
KCC - Non Schools	Assignment count	*15,330*	15,191	14,916	14,427	-764	-5.03%
	Headcount (inc. CRSS)	*13,850*	13,740	13,501	13,065	-675	-4.91%
	Headcount (exc. CRSS)	*11,944*	11,854	11,662	11,311	-543	-4.58%
	FTE	***10,060.87***	**9,983.10**	**9,826.35**	**9,544.95**	**-438.15**	**-4.39%**
BSS	Assignment count		1,761	1,744	1,704	-57	-3.24%
	Headcount (inc. CRSS)		1,743	1,727	1,695	-48	-2.75%
	Headcount (exc. CRSS)		1,719	1,703	1,673	-46	-2.68%
	FTE		**1,587.72**	**1,575.10**	**1,546.35**	**-41.37**	**-2.61%**
ELS	Assignment count		1,770	1,741	1,625	-145	-8.19%
	Headcount (inc. CRSS)		1,701	1,678	1,566	-135	-7.94%
	Headcount (exc. CRSS)		1,396	1,370	1,267	-129	-9.24%
	FTE		**1,067.90**	**1,044.36**	**961.89**	**-106.01**	**-9.93%**
C&C	Assignment count		4,425	4,328	4,123	-302	-6.82%
	Headcount (inc. CRSS)		3,800	3,715	3,534	-266	-7.00%
	Headcount (exc. CRSS)		2,611	2,551	2,439	-172	-6.59%
	FTE		**1,985.84**	**1,941.35**	**1,854.80**	**-131.04**	**-6.60%**
E&E	Assignment count		1,293	1,270	1,233	-60	-4.64%
	Headcount (inc. CRSS)		1,279	1,256	1,219	-60	-4.69%
	Headcount (exc. CRSS)		1,187	1,167	1,124	-63	-5.31%
	FTE		**1,129.44**	**1,108.97**	**1,071.36**	**-58.08**	**-5.14%**
FSC	Assignment count		5,942	5,833	5,742	-200	-3.37%
	Headcount (inc. CRSS)		5,326	5,236	5,161	-165	-3.10%
	Headcount (exc. CRSS)		4,988	4,920	4,856	-132	-2.65%
	FTE		**4,212.20**	**4,156.57**	**4,110.55**	**-101.65**	**-2.41%**
Schools	Assignment count	*34,630*	33,628	32,829	31,011	-2,617	-7.78%
	Headcount (inc. CRSS)	*28,816*	27,915	27,206	25,593	-2,322	-8.32%
	Headcount (exc. CRSS)	*25,799*	25,123	24,407	23,011	-2,112	-8.41%
	FTE	***17,784.32***	**17,210.77**	**16,652.97**	**15,608.42**	**-1,602.35**	**-9.31%**

CRSS = Staff on Casual Relief, Sessional or Supply contracts

<u>Notes:</u>
If a member of staff works in more than one directorate they will be counted in each. However, they will only be counted once in the Non Schools total and once in the KCC total.
If a member of staff works for both Schools and Non Schools they will be counted in both of the total figures. However, they will only be counted once in the KCC Total.

9. RECOMMENDATIONS

Cabinet is asked to:

9.1 **Note** the latest monitoring position on both the revenue and capital budgets.

9.2 **Note** that residual pressures are currently forecast within the SCS & CCS&I portfolios and that management action is expected to be delivered within the F&BS, BSP&HR and Deputy Leader's portfolios.

9.3 **Note** that £7.975m gross budget and £7.975m grant income have been transferred from the SCS portfolio to the ELS portfolio to reflect the final split of the Early Years' budgets between "standards and quality assurance in early years settings" (ELS portfolio) and "provision of early years and childcare" (SCS portfolio).

9.4 **Agree** the transfer of £1.2m one-off underspending on the Early Years & Childcare Quality & Outcomes Team budget within the ELS portfolio to an earmarked reserve to support next year's budget.

9.5 **Agree** that the £16.226m NHS Support for Social Care funding, details of which were included in item 9 of the 19 September Cabinet agenda, is transferred to a new specific earmarked reserve and drawn down as expenditure is incurred in line with detailed plans to be jointly agreed with health.

9.6 **Agree** that £0.950m costs for the development of the Enterprise Resource Planning (ERP) project are met from a temporary drawdown from the IT Asset Maintenance reserve in the current year, with the repayment of this funding back to the IT Asset Maintenance Reserve in 2012-13, which will be drafted into the 2012-15 MTFP.

9.7 **Agree** the transfer of £1.599m Minimum Revenue Provision saving within the Finance & Business Support portfolio, resulting from the re-phasing of the capital programme in 2010-11, to reserves to fund the potential future impact. Further details are provided in annex 6.

9.8 **Note** and **agree** the changes to the capital programme, as detailed in section 4.1.

9.9 **Agree** the re-phasing on the capital programme is moved from 2011-12 capital cash limits to future years. Further details are included in section 4.10 above.

9.10 **Agree** the £4.118m transfer of funding from Building Schools for the Future Unit Costs to cover the shortfall of grant against the Academy Projects.

9.11 **Agree** the £1.4m prudential borrowing for the Enterprise Resource Programme.

9.12 **Note** the latest Financial Health Indicators and Prudential Indicators as reported in appendix 2 and appendix 3 respectively.

9.13 **Note** the directorate staffing levels as at the end of September 2011 as provided in section 8.

APPENDIX 1

Reconciliation of Gross and Income Cash Limits in Table 1c to the Budget Book

	CASH LIMIT			
Portfolio	**Gross**	**Income**	**Net**	
	£k	£k	£k	
ELS	176,225	-119,596	56,629	
ELS Schools	948,442	-948,442	0	
SCS	177,032	-66,199	110,833	
SCS Schools	41,553	-41,553	0	
ASC&PH	452,075	-133,692	318,383	
EH&W	173,921	-24,805	149,116	
CCS&I	147,626	-57,700	89,926	
R&E	5,726	-1,586	4,140	
F&BS	157,046	-19,011	138,035	
BSP&HR	86,746	-39,033	47,713	
DL	8,169	-1,014	7,155	
Per September report	2,374,561	-1,452,631	921,930	
Subsequent changes:				
				Changes to grant/income allocations:
ELS	158	-158	0	Strategic Mgmt & Directorate Support: YPLA Kent Transport partnership academic year funding RIA from 10-11
ELS	9	-9	0	Strategic Mgmt & Directorate Support: Academic grant from London Array
ELS	-320	320	0	Schools' Non Delegated Staff Costs: reduction in Golden Hellos grant from Training & Development Agency as grant finishing in year
ELS	-36,012	36,012	0	Schools delegated budgets: reduction in YPLA schools sixth form funding as a result of schools converting to academies
ELS	-75,168	75,168	0	Schools delegated budgets: reduction in DSG as a result of schools converting to academies
ASC&PH	16,226	-16,226	0	NHS Support for Social Care S256 funding
ASC&PH	73	-73	0	Public Health (Heath Promotion): Increased grant income from NHS Eastern Coastal PCT for House Project
ASC&PH	30	-30	0	Public Health LINk: Increased grant income from Kent & Medway Network for LINks
CCS&I	30	-30	0	Drug & Alcohol Service: funding from Probation for Alcohol Treatment Referral
CCS&I	1,031	-1,031	0	Drug & Alcohol Service: funding from Home Office via East Kent PCT for the Counselling Assessment Referral Advice Through Care Service (CARATS) in Prisons
CCS&I	109	-109	0	Drug & Alcohol Service: National Treatment Agency RIA from 10-11 for Detox Programme
CCS&I	82	-82	0	Drug & Alcohol Service: National Treatment Agency RIA from 10-11 for System Pilot
CCS&I	10	-10	0	Drug & Alcohol Service: Client contributions to be used for spot purchase for Drug Rehab Programme
CCS&I	80	-80	0	Drug & Alcohol Service: income from FSC for Swale/Thanet Intensive Intervention Programme (part of wider Community Budgets Programme)
CCS&I	105	-105	0	Contact Centre: Income from ELS for Kent Contact & Assessment Service (KCAS)
CCS&I	11	-11	0	Youth Offending Service: funding from UNITAS for Summer Arts Project

	CASH LIMIT			
Portfolio	**Gross**	**Income**	**Net**	
	£k	£k	£k	
CCS&I	44	-44	0	Income from Pfizer & Disabled Children's Service for Disability Sport project
CCS&I	-80	80	0	Sports England projects delayed until 2012-13, so income to be treated as receipt in advance
BSP&HR	-128	128	0	HR: Reduction in Teacher Development Agency grant for training for teachers returning from long term leave
BSP&HR	192	-192	0	HR: Increase in National College for School Leadership grant for teacher leadership training
BSP&HR	45	-45	0	HR: Increase in Medway Council grant for SE Succession Planning programme
BSP&HR	415	-415	0	HR: Increase in Teacher Development Agency grant for graduate teacher training
BSP&HR	95	-95	0	HR: Increase in General Social Care Council grant for adult social services practice placements
				Technical Adjustments:
ELS	-26	26	0	Strategic Mgmt & Directorate Support: correction to Post 16 Access Fund funding from YPLA to reflect academic year and not full year
ELS	637	-637	0	Attendance & Behaviour: to set budget for recharging to schools and between district areas for PRUs
ELS	-1,696	1,696	0	Attendance & Behaviour: remove Kent Safe Schools income target as no longer part of KCC
EHW	-157	157	0	Streetlight maintenance - correction of budgeting for capitalisation of staff costs
EHW	-415	415	0	Highway Improvements - correction of budgeting for capitalisation of staff costs
CCS&I	-600	600	0	Youth: removal of cross directorate recharging for Youth Opportunities Fund
CCS&I	-140	140	0	Drug & Alcohol Service: removal of cross directorate recharging for Youth Substance Misuse
CCS&I	-159	159	0	Drug & Alcohol Service: removal of internal recharging within the service
CCS&I	-120	120	0	Drug & Alcohol Service: to correct adj made in quarter 1 which partially double counted RIA from 10-11
CCS&I	-463	463	0	Youth: removal of cross directorate recharging for Positive Activities for Young People (PAYP)
CCS&I	-66	66	0	Gateways: correction to budget - removal of internal recharging
CCS&I/BSP&HR	-90	90	0	removal of recharging between YOS & Corporate Landlord
BSP&HR	4,363	-4,363	0	ICT: Schools Broadband - realign gross and income budgets to reflect the recharging of KPSN to schools
BSP&HR	155	-155	0	ICT: realignment of EIS gross and income budgets
BSP&HR	281	-281	0	HR: realignment of savings targets between gross and income
Revised Budget	2,283,102	-1,361,172	921,930	

FINANCIAL HEALTH INDICATORS

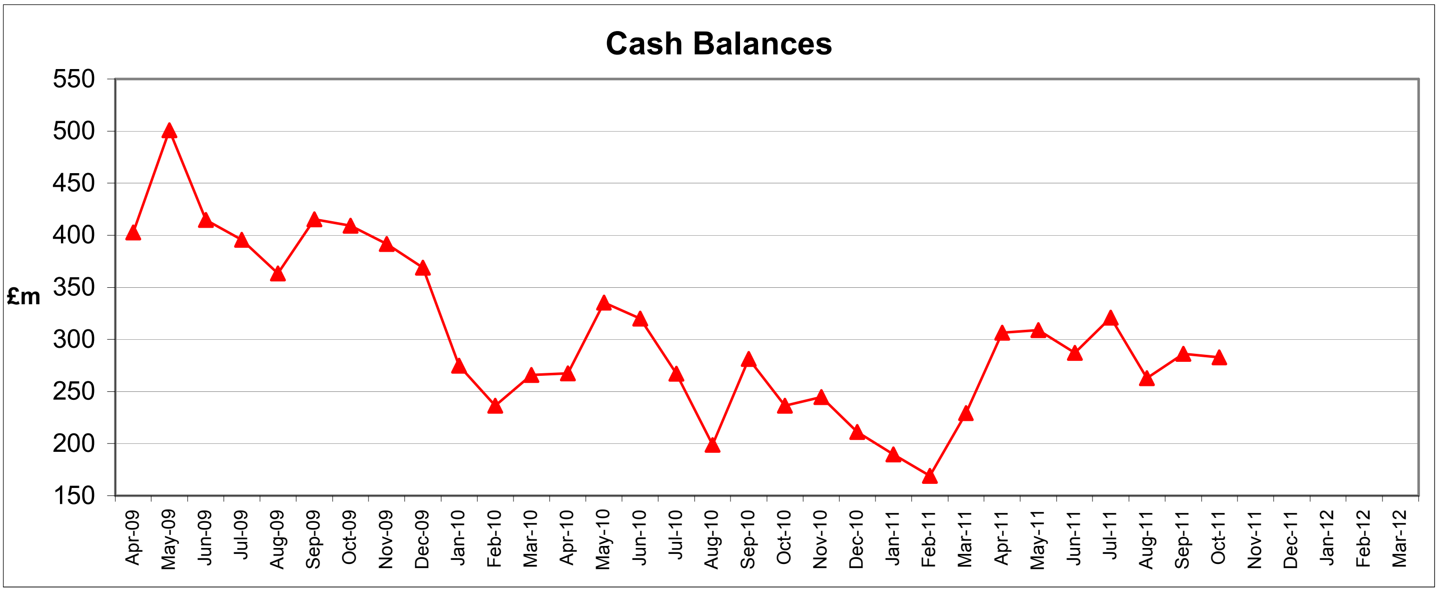
1. CASH BALANCES

The following graph represents the total cash balances under internal management by KCC at the end of each month in £m. This includes principal amounts currently held in Icelandic bank deposits (£38.5m), balances of schools in the corporate scheme (£50.4m), other reserves, and funds held in trust. KCC will have to honour calls on all held balances such as these, on demand. The remaining deposit balance represents KCC working capital created by differences in income and expenditure profiles.

Pension Fund cash balances were removed from KCC Funds on 1 July 2010 and are now being handled separately.

The overall general downward trend in the cash balance since September 2009 reflects the Council's policy of deferring borrowing and using available cash balances to fund new capital expenditure (i.e. internalising the debt).

	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
2009-10	402.7	500.9	414.6	395.7	363.6	415.4	409.1	391.7	369.1	275.0	236.7	265.8
2010-11	267.4	335.2	319.8	267.2	198.7	281.3	236.4	244.9	211.5	189.5	169.1	229.5
2011-12	306.3	308.9	287.0	320.9	262.9	286.2	282.9					



2. LONG TERM DEBT MATURITY

The following graph represents the total external debt managed by KCC, and the year in which this is due to mature. This includes £45.9m pre-Local Government Review debt managed on behalf of Medway Council. Also included is pre-1990 debt managed on behalf of the Further Education Funding council (£2.6m), Magistrates Courts (£1.4m) and the Probation Service (£0.24m). These bodies make regular payments of principal and interest to KCC to service this debt.

The graph shows total principal repayments due in each financial year. Small maturities indicate repayment of principal for annuity or equal instalment of principal loans, where principal repayments are made at regular intervals over the life of the loan. The majority of loans have been taken on a maturity basis so that principal repayments are only made at the end of the life of the loan. These principal repayments will need to be funded using available cash balances (i.e. internalising the debt), by taking new external loans or by a combination of the available options.

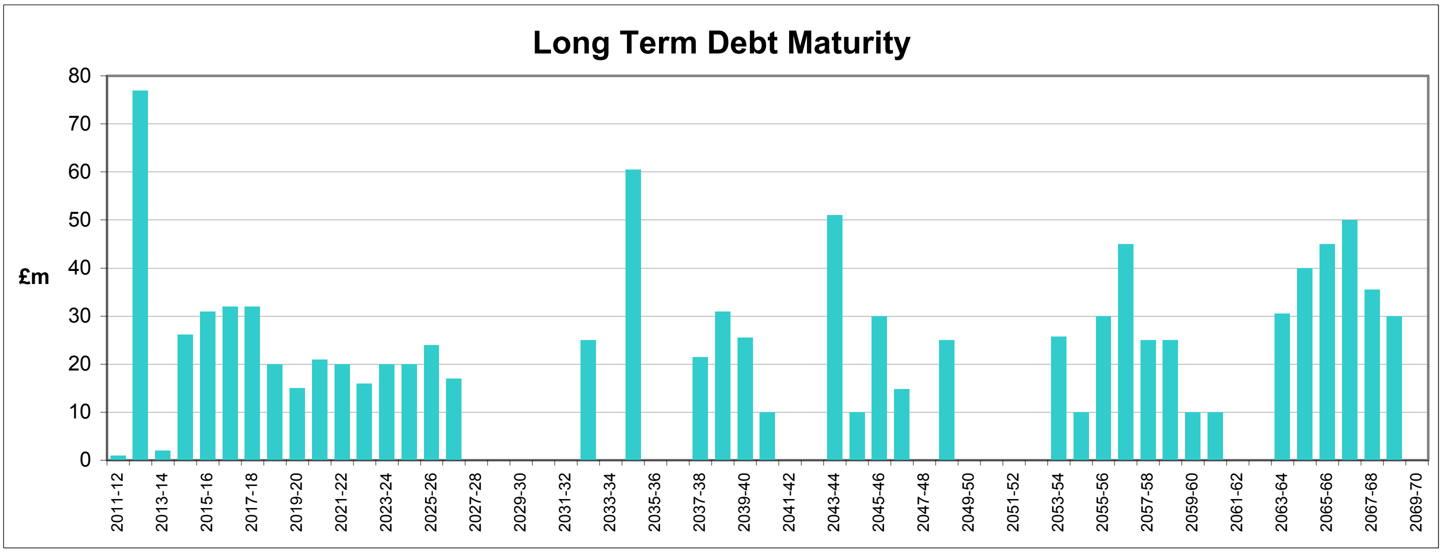
The total debt principal to be repaid in 2011-12 was £57.024m, £55m maturity loan and £2.024m relating to small annuity and equal instalment of principal loans.

£5m PWLB maturity loan was repaid in May from cash balances, £50m PWLB maturity loan principal was repaid in August financed by the advance of two new LOBO loans of £25m each and

£1.024m relating to equal instalment loans has been repaid from cash balances, hence the figure in the table of £1.000m represents the remaining debt still to be repaid in this financial year.

The two new LOBO loans taken out in August will mature in August 2057 and August 2058.

Year	£m	Year	£m	Year	£m	Year	£m	Year	£m
2011-12	1.000	*2024-25*	20.001	*2037-38*	21.500	*2050-51*	0.000	*2063-64*	30.600
2012-13	77.021	*2025-26*	24.001	*2038-39*	31.000	*2051-52*	0.000	*2064-65*	40.000
2013-14	2.015	*2026-27*	17.001	*2039-40*	25.500	*2052-53*	0.000	*2065-66*	45.000
2014-25	26.193	*2027-28*	0.001	*2040-41*	10.000	*2053-54*	25.700	*2066-67*	50.000
2015-16	31.001	*2028-29*	0.001	*2041-42*	0.000	*2054-55*	10.000	*2067-68*	35.500
2016-17	32.001	*2029-30*	0.001	*2042-43*	0.000	*2055-56*	30.000	*2068-69*	30.000
2017-18	32.001	*2030-31*	0.001	*2043-44*	51.000	*2056-57*	45.000	*2069-70*	0.000
2018-19	20.001	*2031-32*	0.000	*2044-45*	10.000	*2057-58*	25.000		
2019-20	15.001	*2032-33*	25.000	*2045-46*	30.000	*2058-59*	25.000		
2020-21	21.001	*2033-34*	0.000	*2046-47*	14.800	*2059-60*	10.000		
2021-22	20.001	*2034-35*	60.470	*2047-48*	0.000	*2060-61*	10.000	**TOTAL**	**1,090.309**
2022-23	16.001	*2035-36*	0.000	*2048-49*	25.000	*2061-62*	0.000		
2023-24	20.001	*2036-37*	0.000	*2049-50*	0.000	*2062-63*	0.000		



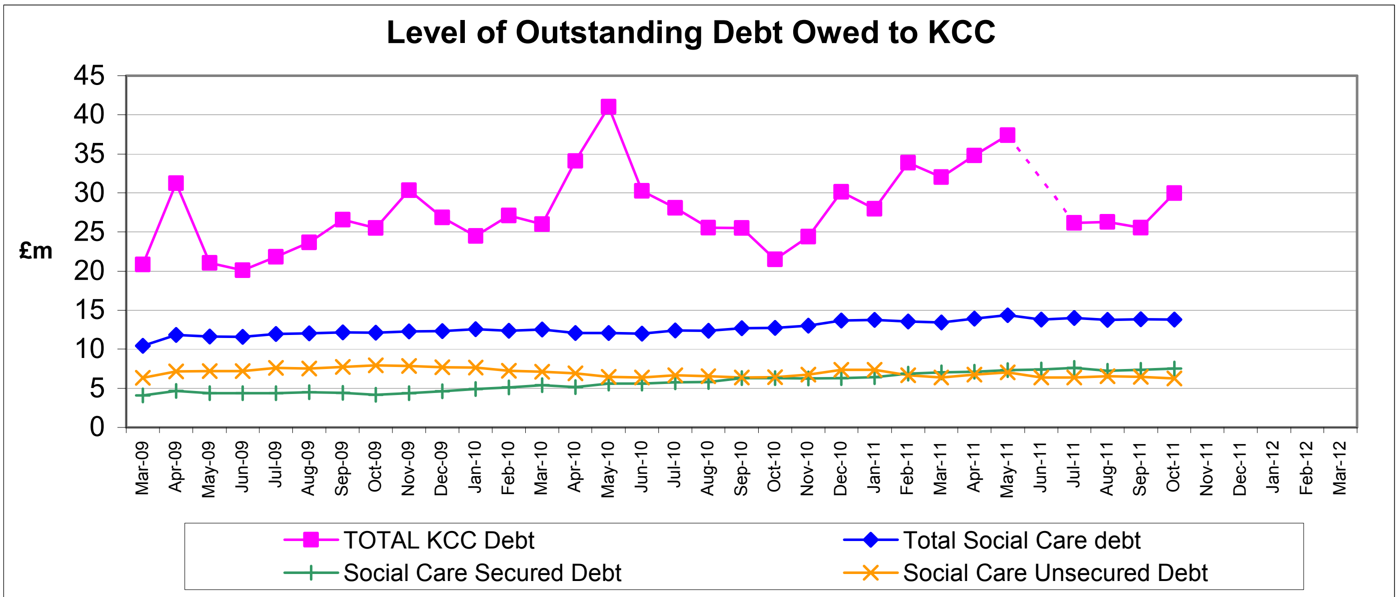
3. OUTSTANDING DEBT OWED TO KCC

The following graph represents the level of outstanding debt due to the authority, which has exceeded its payment term of 28 days. The main element of this relates to Adult Social Services and this is also identified separately, together with a split of how much of the Social Care debt is secured (i.e. by a legal charge on the clients' property) and how much is unsecured.

	Social Care Secured Debt £m	Social Care Unsecured Debt £m	Total Social Care debt £m	FSC Sundry debt £m	**TOTAL FSC debt £m**	All Other Directorates Debt £m	**TOTAL KCC Debt £m**
March 09	4.100	6.326	10.426	1.850	**12.276**	8.578	**20.854**
April 09	4.657	7.161	11.818	6.056	**17.874**	13.353	**31.227**
May 09	4.387	7.206	11.593	1.078	**12.671**	8.383	**21.054**
June 09	4.369	7.209	11.578	1.221	**12.799**	7.323	**20.122**
July 09	4.366	7.587	11.953	1.909	**13.862**	7.951	**21.813**
Aug 09	4.481	7.533	12.014	1.545	**13.559**	10.126	**23.685**
Sept 09	4.420	7.738	12.158	2.024	**14.182**	12.391	**26.573**
Oct 09	4.185	7.910	12.095	2.922	**15.017**	10.477	**25.494**
Nov 09	4.386	7.859	12.245	6.682	**18.927**	11.382	**30.309**
Dec 09	4.618	7.677	12.295	6.175	**18.470**	8.376	**26.846**
Jan 10	4.906	7.627	12.533	2.521	**15.054**	9.445	**24.499**

	Social Care Secured Debt £m	Social Care Unsecured Debt £m	Total Social Care debt £m	FSC Sundry debt £m	**TOTAL FSC debt £m**	All Other Directorates Debt £m	**TOTAL KCC Debt £m**
Feb 10	5.128	7.221	12.349	2.956	**15.305**	11.801	**27.106**
March 10	5.387	7.127	12.514	1.643	**14.157**	11.818	**25.975**
April 10	5.132	6.919	12.051	2.243	**14.294**	19.809	**34.103**
May 10	5.619	6.438	12.057	3.873	**15.930**	25.088	**41.018**
June 10	5.611	6.368	11.979	3.621	**15.600**	14.648	**30.248**
July 10	5.752	6.652	12.404	4.285	**16.689**	11.388	**28.077**
Aug 10	5.785	6.549	12.334	5.400	**17.734**	7.815	**25.549**
Sept 10	6.289	6.389	12.678	4.450	**17.128**	8.388	**25.516**
Oct 10	6.290	6.421	12.711	3.489	**16.200**	5.307	**21.507**
Nov 10	6.273	6.742	13.015	4.813	**17.828**	6.569	**24.397**
Dec 10	6.285	7.346	13.631	6.063	**19.694**	10.432	**30.126**
Jan 11	6.410	7.343	13.753	6.560	**20.313**	7.624	**27.937**
Feb 11	6.879	6.658	13.537	7.179	**20.716**	13.124	**33.840**
March 11	7.045	6.357	13.402	11.011	**24.413**	7.586	**31.999**
April 11	7.124	6.759	13.883	10.776	**24.659**	10.131	**34.790**
May 11	7.309	7.023	14.332	11.737	**26.069**	11.338	**37.407**
June 11	7.399	6.381	13.780	*	**13.780**	*	**13.780**
July 11	7.584	6.385	13.969	4.860	**18.829**	7.315	**26.144**
Aug 11	7.222	6.531	13.753	4.448	**18.201**	8.097	**26.298**
Sept 11	7.338	6.467	13.805	4.527	**18.332**	7.225	**25.557**
Oct 11	7.533	6.241	13.774	6.304	**20.078**	9.900	**29.978**
Nov 11							
Dec 11							
Jan 12							
Feb 12							
March 12							

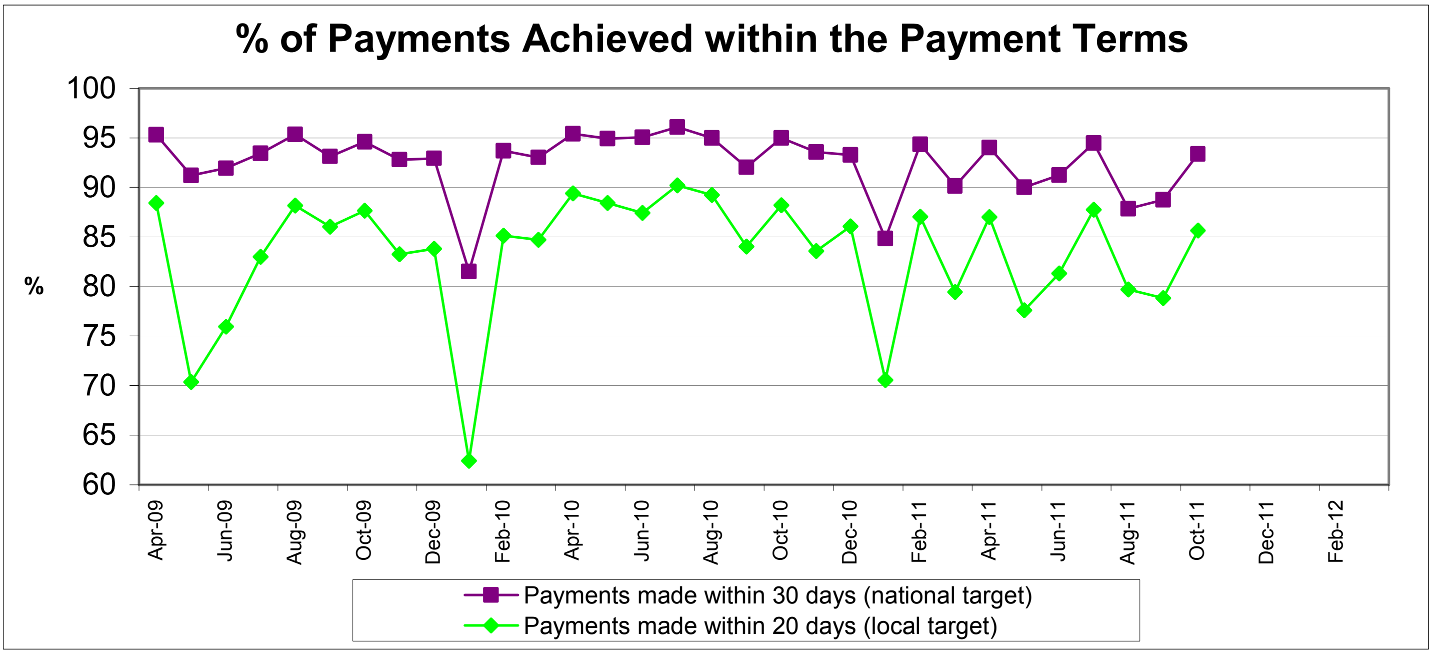
* **The June sundry debt figures are not available due to a system failure, which meant that the debt reports could not be run and as these reports provide a snapshot position at the end of the month, they cannot be run retrospectively.**



4. PERCENTAGE OF PAYMENTS MADE WITHIN THE PAYMENT TERMS

The following graph represents the percentage of payments made within the payments terms – the national target for this is 30 days, however from January 2009, we have set a local target of 20 days in order to help assist the cash flow of local businesses during the current tough economic conditions.

	2009-10		2010-11		2010-11	
	Paid within **30 days** %	Paid within **30 days** %	Paid within **30 days** %	Paid within **20 days** %	Paid within **30 days** %	Paid within **20 days** %
April	95.3	88.4	95.4	89.4	94.0	87.0
May	91.2	70.4	95.0	88.4	90.0	77.6
June	91.9	75.9	95.1	87.4	91.2	81.3
July	93.5	83.0	96.1	90.2	94.5	87.8
August	95.3	88.2	95.0	89.2	87.8	79.7
September	93.1	86.0	92.0	84.0	88.7	78.8
October	94.6	87.6	95.0	88.2	93.4	85.7
November	92.8	83.3	93.6	83.6		
December	92.9	83.8	93.3	86.1		
January	81.5	62.4	84.8	70.6		
February	93.7	85.1	94.3	87.0		
March	93.0	84.7	90.1	79.5		

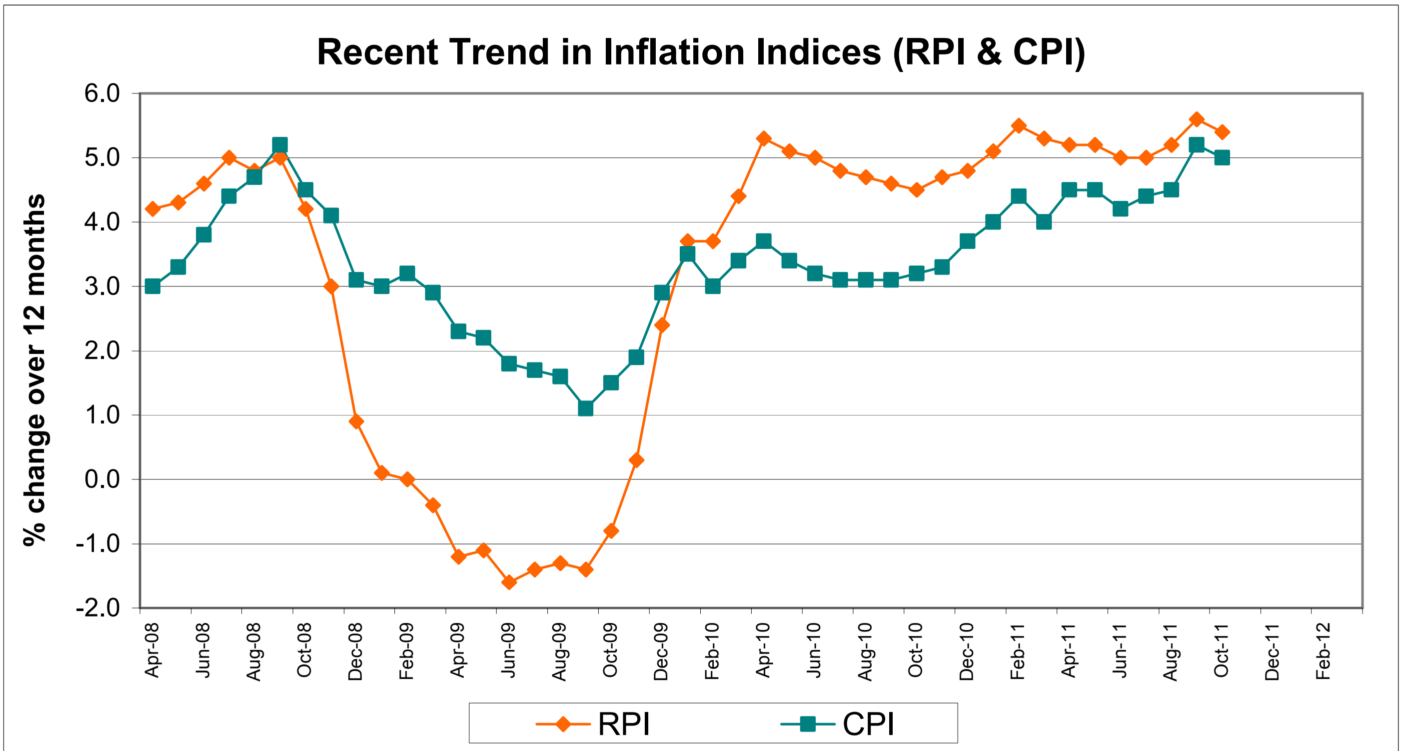


The percentages achieved for January were lower than other months due to the Christmas break. This is evident in both 2009-10 and 2010-11. This position was exacerbated in 2009-10 due to snow. The 2011-12 year to date figure for invoices paid within 20 days is 82.3%, and within 30 days is 91.0%. This compares to overall performance in 2009-10 of 81.9% and 92.6% respectively and 2010-11 of 85.4% and 93.4% respectively.

5. RECENT TREND IN INFLATION INDICES (RPI & CPI)

In the UK, there are two main measures of inflation – the Consumer Prices Index (CPI) and the Retail Prices Index (RPI). The Government's inflation target is based on the CPI. The RPI is the more familiar measure of inflation, which includes mortgage interest payments. The CPI and RPI measure a wide range of prices. The indices represent the average change in prices across a wide range of consumer purchases. This is achieved by carefully recording the prices of a typical selection of products from month to month using a large sample of shops and other outlets throughout the UK. The recent trend in inflation indices is shown in the table and graph below.

	2008-09		2009-10		2010-11		2011-12	
	Percentage Change over 12 months							
	RPI %	CPI %	RPI %	CPI %	RPI %	CPI %	RPI %	CPI %
April	4.2	3.0	-1.2	2.3	5.3	3.7	5.2	4.5
May	4.3	3.3	-1.1	2.2	5.1	3.4	5.2	4.5
June	4.6	3.8	-1.6	1.8	5.0	3.2	5.0	4.2
July	5.0	4.4	-1.4	1.7	4.8	3.1	5.0	4.4
August	4.8	4.7	-1.3	1.6	4.7	3.1	5.2	4.5
September	5.0	5.2	-1.4	1.1	4.6	3.1	5.6	5.2
October	4.2	4.5	-0.8	1.5	4.5	3.2	5.4	5.0
November	3.0	4.1	0.3	1.9	4.7	3.3		
December	0.9	3.1	2.4	2.9	4.8	3.7		
January	0.1	3.0	3.7	3.5	5.1	4.0		
February	0.0	3.2	3.7	3.0	5.5	4.4		
March	-0.4	2.9	4.4	3.4	5.3	4.0		



APPENDIX 3

2011-12 October Monitoring of Prudential Indicators

1. Estimate of capital expenditure (excluding PFI)

Actual 2010-11	£377.147m	
Original estimate 2011-12	£305.448m	
Revised estimate 2011-12	£293.974m	(this includes the rolled forward re-phasing from 2010-11)

2. Estimate of capital financing requirement (underlying need to borrow for a capital purpose)

	2010-11 Actual	2011-12 Original Estimate	2011-12 Forecast as at 31-10-11
	£m	£m	£m
Capital Financing Requirement	1,286.518	1,308.640	1,300.801
Annual increase in underlying need to borrow	36.902	35.527	14.283

In the light of current commitments and planned expenditure, forecast net borrowing by the Council will not exceed the Capital Financing Requirement.

3. Estimate of ratio of financing costs to net revenue stream

Actual 2010-11	12.85%
Original estimate 2011-12	11.77%
Revised estimate 2011-12	13.98%

The actual 2010-11 and revised estimate 2011-12 includes PFI Finance Lease costs but these costs were not included in the original estimate calculation.

4. Operational Boundary for External Debt

The operational boundary for debt is determined having regard to actual levels of debt, borrowing anticipated in the capital plan, the requirements of treasury strategy and prudent requirements in relation to day to day cash flow management.

The operational boundary for debt will not be exceeded in 2011-12

(a) Operational boundary for debt relating to KCC assets and activities

	Prudential Indicator 2011-12	Position as at 31.10.11
	£m	£m
Borrowing	1,158	1,044
Other Long Term Liabilities	0	0
	1,158	1,044

(b) Operational boundary for total debt managed by KCC including that relating to Medway Council etc (pre Local Government Reorganisation)

	Prudential Indicator 2011-12 £m	Position as at 31.10.11 £m
Borrowing	1,204	1,090
Other Long Term Liabilities	0	0
	1,204	1,090

5. Authorised Limit for external debt

The authorised limit includes additional allowance, over and above the operational boundary to provide for unusual cash movements. It is a statutory limit set and revised by the County Council. The revised limits for 2011-12 are:

a) Authorised limit for debt relating to KCC assets and activities

	£m
Borrowing	1,198
Other long term liabilities	0
	1,198

(b) Authorised limit for total debt managed by KCC including that relating to Medway Council etc

	£m
Borrowing	1,204
Other long term liabilities	0
	1,204

The additional allowance over and above the operational boundary has not needed to be utilised and external debt, has and will be maintained well within the authorised limit.

6. Compliance with CIPFA Code of Practice for Treasury Management in the Public Services

The Council has adopted the Code of Practice on Treasury Management and has adopted a Treasury Management Policy Statement. Compliance has been tested and validated by our independent professional treasury advisers.

7. Upper limits of fixed interest rate and variable rate exposures

The Council has determined the following upper limits for 2011-12

Fixed interest rate exposure	100%
Variable rate exposure	50%

These limits have been complied with in 2011-12.

8. Upper limits for maturity structure of borrowings

	Upper limit	Lower limit	As at 31.10.11
	%	%	%
Under 12 months	25	0	1
12 months and within 24 months	40	0	7
24 months and within 5 years	60	0	5
5 years and within 10 years	80	0	11
10 years and within 20 years	25	10	11
20 years and within 30 years	25	5	16
30 years and within 40 years	25	5	12
40 years and within 50 years	25	10	17
50 years and within 60 years	30	10	21

9. Upper limit for principal sums invested for periods longer than 364 days

Indicator	Actual
£50m	**£10m**

EDUCATION, LEARNING & SKILLS DIRECTORATE SUMMARY OCTOBER 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 last full monitoring report to reflect the agreed split of the Early Years budget, with a transfer of £7.975m gross and income from the SCS portfolio within the FSC directorate to the ELS portfolio/directorate for the "standards and quality assurance in early years settings", leaving only the "provision of early years and childcare" within the SCS portfolio. There have also been a number of other technical adjustments to budget.
- The inclusion of a number of 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in appendix 1 to the executive summary and include reductions of £75m in DSG and £36m in YPLA sixth form funding as a result of schools converting to academies.

1.1.2 **Table 1** below details the revenue position by A-Z budget line:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Education, Learning & Skills portfolio							
Delegated Budget:							
Schools Delegated Budgets	837,262	-837,262	0	4,248	0	4,248	+£5.748m estimated drawdown of reserves following 50 schools converting to academies; -£1.5m estimated increase in KCC schools reserves
TOTAL DELEGATED	837,262	-837,262	0	4,248	0	4,248	
Non Delegated Budget:							
ELS Strategic Management & directorate support budgets	12,017	-7,763	4,254	518	-116	402	Legal and staffing pressures as well as underspend on non-operational holdings
Services for Schools:							
- Early Years & Childcare Advisory Service	7,975	-7,975	0	0	0	0	£1.2m underspend on staffing offset by contribution to corporate reserve to support next years budget
- School Improvement Services	10,288	-4,866	5,422	5	150	155	Staffing and Extended Services projects. Reduced income for interim head teachers
- Governor Support	661	-676	-15	-94	177	83	Reduced service costs as well as reduced income from schools
- PFI Schools Schemes	16,859	-16,859	0	0	0	0	
- Schools' Buildings & Sites	853	-706	147	0	0	0	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Schools' Cleaning & Refuse	3,521	-3,889	-368	27	160	187	Cleaning & Refuse Collection Contract under recovery of income
- Schools' Meals	1,645	-1,645	0	0	0	0	
- Schools' Non Delegated Staff Costs	2,940	-2,838	102	0	0	0	
- Schools' Other Services	1,063	-578	485	-5	-52	-57	
- Schools' Redundancy Costs	1,232	-1,232	0	0	0	0	
- Special Schools' Meals	629	-629	0	-56	56	0	
- Schools' Teachers Pension Costs	7,629	-2,684	4,945	0	0	0	
	55,295	-44,577	10,718	-123	491	368	
Support for Individual Children - Education & Personal							
- 14 - 19 year olds	5,256	-3,384	1,872	-299	65	-234	Planned underspend on KS4 Engagement Programme
- Attendance & Behaviour	22,125	-20,981	1,144	608	-461	147	Additional expenditure & income in PRUs and staffing
- Connexions	9,787	-9,787	0	250	0	250	Connexions contract
- Education Psychology Service	3,328	-13	3,315	-3	0	-3	
- Free School Meals	3,864	-3,864	0	0	0	0	
- Learners with AEN Services	8,021	-7,319	702	-305	201	-104	Reduced expenditure & income in Specialist Teaching Service, Standards in Specialist Settings, Kent Panel and Kent Portage
- Minority Communities Achievement Service	2,598	-2,598	0	0	0	0	
- Partnership with Parents	746	-3	743	-42	0	-42	
- Statemented Pupils	9,724	-9,724	0	0	0	0	
- Independent Special School Placements	12,549	-12,549	0	0	0	0	
- Special School & Hospital Recoupment	1,660	-1,660	0	0	-880	-880	Additional special recoupment income
	79,658	-71,882	7,776	209	-1,075	-866	
Transport Services							
- Home to College Transport	1,787	-367	1,420	150	0	150	High demand for Home to college transport
- Mainstream HTST	14,301	-384	13,917	-898	0	-898	Fall in the number of children requiring transport & contract renegotiation
- SEN HTST	17,039		17,039	-439	0	-439	Lower costs resulting from contract renegotiation, fewer children than budgeted level travelling
	33,127	-751	32,376	-1,187	0	-1,187	
Intermediate Services							
- Assessment of Vulnerable Children	1,693	-571	1,122	67	0	67	
TOTAL NON DELEGATED	181,790	-125,544	56,246	-516	-700	-1,216	
Total ELS portfolio	**1,019,052**	**-962,806**	**56,246**	**3,732**	**-700**	**3,032**	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Specialist Children's Services portfolio							
Delegated Budget:							
Early Years Placements	41,553	-41,553	0	0	0	0	
Total SCS portfolio	**41,553**	**-41,553**	**0**	**0**	**0**	**0**	
Total ELS directorate controllable	**1,060,605**	**-1,004,359**	**56,246**	**3,732**	**-700**	**3,032**	+£4.248m relates to delegated schools budgets
Assumed Mgmt Action							
- ELS portfolio						**0**	
- SCS portfolio						**0**	
Total ELS after mgmt action	**1,060,605**	**-1,004,359**	**56,246**	**3,732**	**-700**	**3,032**	

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:

Education, Learning & Skills portfolio:

Delegated Budgets

1.1.3.1 Schools Delegated Budgets
The forecast £4.248m drawdown of schools reserves shown in tables 1 and 2 represents the estimated reduction in reserves resulting from 50 schools converting to academies including the 24 schools converting to academies up to September 2011 and 26 expected to convert before the end of March 2012. It also includes a forecast £1.500m addition to DSG reserves by the remaining KCC schools.

Non Delegated Budgets

1.1.3.2 ELS Strategic Management & Directorate Support Budgets (gross and income)
The ELS Strategic Management & Directorate Support budget is reporting a gross overspend of +£518k due mainly to an overspend on Legal Services of +£444k. The legal budget was offered up as a saving through the 2011-13 MTFP process with the option to redirect costs to managers. This saving is proving difficult to achieve and at this stage it is prudent to reflect this as a pressure. The directorate has reviewed the position for the future and as it is clear that an element of the current pressure is ongoing it will need to be addressed in the 2012-15 MTFP.

There is a forecast pressure of +£158k on staffing over several services, including +£67k in SEN & Resources due to a delay in the implementation of the planned restructure.

There is a forecast underspend on Building Maintenance – Non operational holdings of -£100k due to a planned reduction in expenditure.

There are other gross minor variances +£16k.

There is additional income reported in the unit of -£116k. This is due to additional income in both the catering and kitchen maintenance team (-£85k), due to additional contracts with schools, and Primary and Secondary conferences (-£38k) due to head teachers paying for their own conferences. There are other minor income variances of +£7k.

1.1.3.3 **Services for Schools:**

a. Early Years & Childcare Advisory Service (gross)
The Early Years and Childcare Advisory Service is forecasting an underspend of -£1.2m on staffing in the Quality and Outcomes team due to a number of vacancies being held pending the outcome of the ELS restructure which is due to take effect from 1 April 2012. The proposal is to transfer this one-off saving to a corporate reserve to be used to support next year's budget and the use of this reserve will be drafted into the 2012-13 MTP. **Cabinet is asked to approve this transfer to reserves**. This report assumes that the transfer is approved, and therefore a net nil position is reflected in the forecast

b. School Improvement Services (gross and income)
As part of the 2011-12 budget setting process School Improvement Services were allocated a savings target of £4.249m. This included a savings target for staff of £2.9m. The original plan to achieve these savings, as agreed during budget setting for 2011-12 has subsequently been revised and timescales have slipped meaning that only £945k of staff savings will be achieved this financial year leaving a gap of £3.3m. Last quarter the unit reported a +£269k pressure. However, this has now reduced to +£5k pressure, due to the unit having a significant number of vacancies from April up until the restructure implementation at the start of December and a deliberate reduction in non-staffing expenditure and payments to schools.

There is an income variance of +£150k which is mainly due to a reduction in expected income for interim head teachers placed in schools (+£193k) with other minor variances of (-£43k).

c. Governor Support (income)
The Governor Support budget is showing an income pressure of +£177k due to a reduction in the expected levels of income from schools. This has a corresponding effect on the levels of expenditure, and a £94k gross underspend is reported.

d. Schools' Cleaning & Refuse (income)
In a previous MTFP the Client Services unit was expected to implement full-cost recovery in relation to contract management of the cleaning and refuse collection contracts with schools. Whilst they have made significant strides to achieve this, the service is still struggling to achieve the necessary income to cover the costs of the contract team resulting in a forecast +£160k under-recovery of income.

The service is also reporting a +£27k gross variance.

1.1.3.4 **Support for Individual Children – Education & Personal:**

a. 14-19 unit (gross)
The service is reporting an overall gross variance of -£299k. This is mainly due to a -£250k planned underspend within the KS4 Engagement Programme, to offset the pressure on the Connexions contract. There are other minor variances of -£49k.

b. Attendance & Behaviour (gross and income)
The Attendance & Behaviour unit is forecasting a gross pressure of +£608k and an income variance of -£461k.

Alternative curriculum and behaviour PRUs are forecasting a gross pressure of +£383k and income variance -£383k due to additional staffing and premises costs, offset by income from schools and academies. There is an overspend on staffing of +£225k due in part to a delay in implementing a restructure.

The unit is also projecting -£51k additional income from parents/carers for penalty notices for their child's non attendance at school. There are other minor income variances of -£27k.

c. Connexions (gross)
The Young Peoples Learning Agency (YPLA) announced on 29 March 2011 that the Education Business Partnership funding was being withdrawn on 31 March 2011. This funding is paid to Connexions via a contract and we could not renegotiate the contract until the end of August. Renegotiations have been completed with Connexions, and a pressure of £250k is anticipated.

d. Learners with AEN Services (gross and income)
The service is reporting a -£305k gross and +£201k income variance. This is largely because of less traded income from colleges for Specialist Teaching Services (+£110k), with a corresponding decrease in expenditure (-£110k). The portage service also have a minor reduction in gross (-£31k) and internal income (+£33k). Standards in Specialist Settings are reporting a staffing underspend of -£70k and also have a gross (-£94k) and income (+£58k) variance due to the cessation of the Kent Panel.

e. Special School & Hospital Recoupment (income)
The forecast additional income of -£880k reflects the fact that in 2010-11 and the previous year the recoupment income exceeded the set budget due to demand for places from other Local Authorities. The position in 2011-12 is likely to be the same.

1.1.3.5 **Transport Services:**

a. Home to College Transport (gross)
There is a +£150k gross pressure due to increased demand, including increased costs for transport for SEN pupils over the age of 19 who have been awarded travel costs on appeal. This should be treated as a provisional forecast outturn variance as the full impact of transport requirements for the new academic year are still to be finalised. Any significant variance arising as a result of the new terms transport arrangements will be reported in the next exception report.

b. Mainstream HTST (gross)
There is a -£898k gross underspend forecast for Mainstream HTST. This reflects the full year effect of 2010-11 outturn after fully covering 2011-12 savings, and continuing to support pupils eligible for extended rights to free transport. It should be noted that this provisional forecast outturn variance is based on last year's outturn and estimated numbers of pupils travelling for this financial year as the full impact of transport requirements for the new academic year are still to be finalised. Any significant change to the variance arising as a result of the new terms' transport arrangements will be reported in the next exception report.

c. SEN HTST (gross)
The -£439k gross variance reflects the full year effect of 2010-11 outturn after fully covering 2011-12 savings. This also should be treated as a provisional forecast outturn variance based on last year's outturn and estimated numbers of pupils travelling for this financial year as the full impact of transport requirements for the new academic year are still to be finalised. Any significant change to the variance arising as a result of the new terms' transport arrangements will be reported in the next exception report. The unit are forecasting an under spend with activity levels lower than budgeted levels for the past two months. It should be noted that the number of pupils is just one variable contributing to total cost of transport with other factors such as distance travelled, type of travel etc impacting on the forecast.

Specialist Children's Services portfolio:

Delegated Budgets

1.1.3.6 Early Years Placements
The latest forecast suggests an underspend of around -£1.25 million on payments to PVI providers for 3 and 4 year olds. The number of hours provided in the summer term increased by 15% over the same term last year as per Section 2.3 and the forecast assumes a slightly increased take up for the Autumn and Spring terms compared to the same terms last year. The extension of the free entitlement to 15 hours per week was rolled out across the County in September 2010 and the forecast shows the full year effect of the rollout. As this budget is funded entirely from DSG, this underspend is transferred into the DSG reserve at the end of the year in accordance with regulations.

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
ELS	Schools Budgets (gross): estimated drawdown of reserves following 50 schools converting to academies	+5,748	ELS	Schools Budgets (gross): estimated increase in reserves of KCC schools	-1,500
ELS	Early Years & Childcare Advisory Service: transfer of underspend on staffing to Corporate Reserves to support next years budget	+1,200	ELS	Early Years & Childcare Advisory Service: underspend on staffing within the Quality & Outcomes Team	-1,200
ELS	ELS Strategic Management & Directorate support budgets (gross): legal savings target unlikely to be achieved	+444	ELS	Mainstream home to school transport (gross): fewer children than budgeted level and contract renegotiation	-898
ELS	Attendance & Behaviour (gross): PRUs additional staffing & premises costs	+383	ELS	Special school & hospital recoupment (income): more OLA pupils placed at Kent schools than budgeted level	-880
ELS	Connexions (gross): cessation of grant from YPLA from 1 April but contract fixed until 31 August	+250	ELS	SEN home to school transport (gross): fewer than budgeted children travelling and contract renegotiations	-439
ELS	Attendance & Behaviour (gross): staffing pressure due to delay in directorate restructure	+225	ELS	Attendance & Behaviour (income): PRU income from schools and academies	-383
ELS	School Improvement (income): Reduction in income for Interim Head Teachers placed in schools	+193	ELS	14-19 Unit (gross): planned underspend on KS4 Engagement Programme to help offset overspend in Connexions	-250
ELS	Governor Services (income): reduction in expected levels of income from schools	+177	ELS	Learners with Additional Needs (gross): staffing underspend for Standards in Specialist Settings and cessation of the Kent Panel	-164
ELS	Schools Cleaning and Refuse (income): under-recovery of expected income	+160	ELS	Learners with Additional Needs (gross): reduced expenditure for Specialist Teaching Services	-110
ELS	ELS Strategic Management & Directorate support budgets (gross): Staffing overspends	+158	ELS	Strategic Management (gross): planned underspend on Building Maintenance - Non operational holdings	-100
ELS	Home to college transport (gross): increased demand for service	+150			
ELS	Learners with Additional Needs (income): reduced income for Specialist Teaching Services	+110			
		+9,198			-5,924

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.

The directorate is holding vacancies where possible until the directorate restructure takes effect in December 2011 for Schools Standards & Improvement and April 2012 for the remainder of the directorate.

1.1.5 **Implications for MTFP**:

The pressure in Client Services relating to full cost recovery of contract management of the cleaning and refuse collection contracts with schools should be resolved following the school's delegation consultation outcome.

The legal pressure and the Home to School Transport savings will both be reflected in the draft 2012-15 MTFP.

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.

The directorate is currently forecasting a pressure of +£3.032m, +£4.248m against the schools delegated budgets and an underspend of £1.216m against the non-delegated budget.

In addition, there is a £1.2m underspend on the Early Years Quality & Outcomes Team, which it is proposed is transferred to a corporate reserve to support next years budget and this will be drafted into the 2012-13 MTFP, subject to Cabinet approval.

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 17th October 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.

	Previous Years £'000s	2011-12 £'000s	2012-13 £'000s	2013-14 £'000s	Future Years £'000s	TOTAL £'000s
Education, Learning & Skills						
Budget	350,133	161,192	147,244	75,848	87,290	821,707
Adjustments:						0
- Re-phasing August Monitoring		-7,914	5,550	-356	2,720	0
- Devolved Capital - PRUs		-9	-8	-8	-8	-33
- BN - Ashford Primary Schools		-1,042	794			-248
Revised Budget	350,133	152,227	153,580	75,484	90,002	821,426
Variance		-36,365	-10,387	+31,872	+7,599	-7,281
split:						
- real variance		-6,589	-1,012	-735	+1,055	-7,281
- re-phasing		-29,776	-9,375	+32,607	+6,544	0
Devolved Capital to Schools						
Budget	38,681	24,720	13,911	3,911	3,911	85,134
Adjustments:						0
- Increase to grant			569	569	569	1,707
- Completed projects	-36,460					-36,460
Revised Budget	2,221	24,720	14,480	4,480	4,480	50,381
Variance		0	0	0	0	0
split:						
- real variance		0	0	0	0	0
- re-phasing		0	0	0	0	0
Directorate Total						
Revised Budget	352,354	176,947	168,060	79,964	94,482	871,807
Variance	0	-36,365	-10,387	31,872	7,599	-7,281

Real Variance	**0**	**-6,589**	**-1,012**	**-735**	**1,055**	**-7,281**
Re-phasing	**0**	**-29,776**	**-9,375**	**32,607**	**6,544**	**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.

All real variances are explained in section 1.2.5, together with the resourcing implications

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
ELS	BSF Wave 3 - Build Programme	phasing		683		
ELS	Non delegated PRU's	real	481			
			+481	**+683**	**+0**	**+0**
Underspends/Projects behind schedule						
ELS	Academy Projects - Approval to Plan	phasing			-28,862	
ELS	Academy Projects - Approval to Plan	real			-3,819	
ELS	BSF Wave 5 Unit Costs	real		-2,558		
ELS	Halfway House PS	phasing	-855			
ELS	BSF Wave 5 Unit Costs	phasing		-500		
ELS	BSF Wave 3 Units Costs	real		-422		
ELS	BSF Unit Costs	real		-422		
ELS	BSF Wave 4 Units Costs	real		-319		
ELS	Wyvern School	phasing		-309		
			-855	**-4,530**	**-32,681**	**-0**
			-374	**-3,847**	**-32,681**	**0**

1.2.4 **Projects re-phasing by over £1m**:

1.2.4.1 **Academy Programme – Approval to Plan - re-phasing of -£28.862m**

Re-phasing is required for the following Academies: St Augustine, Duke of York, John Wallis, The Knole, Wilmington Enterprise & Dover Christchurch.

The programme has re-phased by £28.862mn which represents 87.9% of the total value of the programme. There is an underspend of -£2.764m which is discussed on 1.2.5 below.

In July 2010 both the BSF and Academies programmes were stopped due to the Government's spending cuts.

Whilst some Academy schemes were subsequently allowed to proceed, all of the Batch 2 Academies, together with the Duke of York Royal Military Academy (DoYRMA), were subject to a further review (which included questionnaires, detailed submissions, site visits etc) to determine their capital allocation. Revised capital allocations were notified in January 2011, however these remained subject to challenge until into the new financial year.

Partnerships for Schools (PfS) continued to review the phasing of these Academies based on their national funding allocations for each financial year and several amendments were made to the Kent programme.

Development work, including the new feasibility stage introduced by PfS, started on the Batch 2 Academies and the DoYRMA following the signing of the design and build contracts for the Skinners' Kent Academy (with Willmott Dixon) in July 2011. The development programme and the construction works for these new academies have been designed to follow the new timescales recently introduced by PfS.

Revisions to the phasing and capital allocations for these Batch 2 Academies, which have now all been confirmed by PfS, and have now been incorporated into the capital programme. However, these remain subject to further change as development work progresses and through the various approval stages set by the DFE and PfS.

	Prior Years	2011-12	2012-13	2013-14	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	366	32,851	45,594	7,608		86,419
Forecast	366	170	35,305	40,215	7,599	83,655
Variance	0	-32,681	-10,289	+32,607	+7,599	-2,764
FUNDING						
Budget:						
grant	366	32,851	45,594	7,608		86,419
TOTAL	366	32,851	45,594	7,608	0	86,419
Forecast:						
grant	366	170	35,305	40,215	7,599	83,655
TOTAL	366	170	35,305	40,215	7,599	83,655
Variance	**0**	**-32,681**	**-10,289**	**+32,607**	**+7,599**	**-2,764**

1.2.5 **Projects with real variances, including resourcing implications:**

The variance over the lifetime of the Medium Term Plan shows an underspend of £7.281m. The split of this variance across the years of the MTFP is -£6.589m in 2011-12, -£1.012m in 2012-13, -£0.735m in 2013-14 & +£1.055m in later years.

Academy Projects – Approval to Spend: -£0.581m (+£0.192m in 2011-12, -£0.038m in 2012-13 and -£0.735m in 2013-14): The net underspend is due to the following:

- Alignment of the final contract sum (excluding ICT) with the profiled spend for the Spires and Skinners Academy has indicated underspends of £0.100m and £0.751m respectively.
- +£0.270m overspend on the Longfield Academy due to settlement of a compensation event.
- A review of the grant funding for Academies from the Department for Education (DfE) has indicated that there is a shortfall of £3.880m. The proposal is to use the underspend declared against Building Schools for the Future Unit Costs to cover the shortfall in funding.

Academy Projects – Approval to Plan: -£2.765m (-£3.819m in 2011-12, -£0.001m in 2012-13 and +£1.055m in future years): There is a net overstatement of grant funding for academies which was highlighted following a review of the DfE grant for Academies.

Academy Unit Costs: +£0.238m (in 2011-12): The overspend is due to increased development activity on the second batch of Academies. The proposal is the fund the overspend from the underspend against Building Schools for the Future Unit Costs.

Building Schools for the Future Unit Costs: -£4.661m (-£3.721m in 2011-12 & -£0.940m in 2012-13): The underspend is made up of the following:

- BSF Wave 5 Unit Costs -£2.558m (in 2011-12) is due to a £3.000m accrual had been set up in relation to known compensation claims for asbestos in the 2010-11 accounts which are now being met from elsewhere within the capital programme. An amount of £0.500m in 2011-12 and a further £0.500m in 2012-13 have been provided, within the current forecasts, for further compensation claims.
- BSF Wave 3 Unit Costs -£0.962m (-£0.422m in 2011-12 & -£0.540m in 2012-13) is due to the development costs being reduced in line with the expected costs to be incurred on the remainder of the Wave 3 Build programme.
- BSF Unit Staffing Costs -£0.822m (-£0.422m in 2011-12 & -£0.400m in 2012-13).The Staffing costs for the BSF & Academies Project Team have been reduced as a result of the down-sizing of the BSF & Academies programme. If the Authority were to be successful in either the Judicial Review claim for Wave 4 or under the Priority Schools Build Programme then the level of resources would need to be reviewed.
- BSF Wave 4 Unit Costs -£0.319m (in 2011-12) is due to the development costs being reduced as a result of the stopping of the BSF programme. If the Authority was successful in the Judicial Review claim for Wave 4 then these costs would need to be reinstated.

As referred to above £4.118m is required to cover the shortfall/overspend against the Academy programme, taking this into consideration there is a real underspend of £0.543m. **Members are asked to approve the transfer of funding to the Academy programme.**

Pupil Referral Units: +£0.481m (in 2011-12): This overspend relates to additional expenditure in 2011/12 which is to be fully funded by Revenue Contributions to Capital. This revenue contribution has been made to take account of & compensate for the 80% reduction in Devolved Formula Capital (DFC) allocations from the DFE knowing that the PRU service had already committed itself to funding a capital programme in 2011-12 based on the assumption that DFC would continue at the same level as received in previous years.

Goat Lees Primary School: +£0.242m (+£0.186m in 2011-12 & +£0.056m in 2012-13): the overspend is due to a shortfall in funding that can be assigned to this. The funding gap has been met from savings elsewhere within the capital programme.

Capital Strategy & Corporate Property: -£0.197m (-£0.097m in 2011-12 & -£0.100m in 2012-13). The outturn forecast has been updated to bring the 2011-12 forecast more in line with the 2010/11 actual spend.

Overall this leaves a residual balance of -£0.038m on a number of more minor projects.

1.2.6 **General Overview of capital programme**:

(a) Risks

As our programme is now based on the allocations received following the CSR the scale of risks has dropped considerably but it only provides certainty for the 2011-12 year. Future years are dependent upon government announcements later this year which will, we believe, follow publication of the James Review.

There are several schemes where there are potential risks:

Harrietsham Primary School - assessments are currently taking place to determine the extent of the action that will be required correct defects to the roof, wall cladding, glazing and drainage. We are not including any additional costs in our current forecasts on the basis that it will all be recovered via a professional indemnity claim.

Contractor claims – there are several projects where contractors have lodged financial claims for extensions of time. We are not including any allowance for additional costs until claims are resolved. Projects where claims have been made are at: Milestone School and The Manor School.

(b) Details of action being taken to alleviate risks

We continue to stress to colleagues elsewhere within the authority the fixed nature of our budget and anything extra that they insist upon means another scheme loses. The programme is also monitored internally on a regular basis and any potential challenges noted and addressed wherever possible.

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.

Annex 1

	2011-12	2012-13	2013-14	Future Years	Total
	£k	£k	£k	£k	£k
Modernisation Programme - Wrotham School					
Amended total cash limits	+617	+2,377	+6	0	+3,000
re-phasing	-108	+105	+3	0	0
Revised project phasing	**+509**	**+2,482**	**+9**	**0**	**+3,000**
Halfway House Primary School					
Amended total cash limits	+1,833	+367	0	0	+2,200
re-phasing	-855	+855	0	0	0
Revised project phasing	**+978**	**+1,222**	**0**	**0**	**+2,200**
Wyvern School (Special Schools Review - Phase 2)					
Amended total cash limits	+1,966	+890	0	0	+2,856
re-phasing	-309	+309	0	0	0
Revised project phasing	**+1,657**	**+1,199**	**0**	**0**	**+2,856**
Unit Review					
Amended total cash limits	+1,875	+1,514	+11	0	+3,400
re-phasing	+180	-175	-5	0	0
Revised project phasing	**+2,055**	**+1,339**	**+6**	**0**	**+3,400**
Building Schools for the Future - Wave 3					
Amended total cash limits	+4,619	+4,183	0	0	+8,802
re-phasing	+683	-683	0	0	0
Revised project phasing	**+5,302**	**+3,500**	**0**	**0**	**+8,802**
BSF Wave 5 - Unit Costs					
Amended total cash limits	+530	0	0	0	+530
re-phasing	-500	+500	0	0	0
Revised project phasing	**+30**	**+500**	**0**	**0**	**+530**
John Wallis Academy					
Amended total cash limits	+5,344	+2,724	0	0	+8,068
re-phasing	-4,859	+2,352	+2,507	0	0
Revised project phasing	**+485**	**+5,076**	**+2,507**	**0**	**+8,068**
Wilmington Enterprise Academy					
Amended total cash limits	+2,067	+9,306	+2,327	0	+13,700
re-phasing	-1,223	-2,878	+4,101	0	0
Revised project phasing	**+844**	**+6,428**	**+6,428**	**0**	**+13,700**
The Knole Academy					
Amended total cash limits	+2,538	+10,420	+4,342	0	+17,300
re-phasing	-2,015	-2,031	+4,046	0	0
Revised project phasing	**+523**	**+8,389**	**+8,388**	**0**	**+17,300**

	2011-12	2012-13	2013-14	Future Years	Total
	£k	£k	£k	£k	£k
Dover Christchurch Academy					
Amended total cash limits	+1,602	+6,522	+939	0	+9,063
re-phasing	-1,602	-3,138	+4,136	+604	0
Revised project phasing	**0**	**+3,384**	**+5,075**	**+604**	**+9,063**
St Augustines Academy					
Amended total cash limits	+12,400	0	0	0	+12,400
re-phasing	-11,545	+3,948	+5,697	+1,900	0
Revised project phasing	**+855**	**+3,948**	**+5,697**	**+1,900**	**+12,400**
Duke of York Academy					
Amended total cash limits	+8,900	+16,622	0	0	+25,522
re-phasing	-7,618	-8,542	+12,120	+4,040	0
Revised project phasing	**+1,282**	**+8,080**	**+12,120**	**+4,040**	**+25,522**
Total re-phasing >£100k	**-29,771**	**-9,378**	**+32,605**	**+6,544**	**0**
Other re-phased Projects below £100k	**-5**	**+3**	**+2**		**0**
TOTAL RE-PHASING	**-29,776**	**-9,375**	**+32,607**	**+6,544**	**0**

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 **Number of schools with deficit budgets compared with the total number of schools**:

	2005-06	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
	as at 31-3-06	as at 31-3-07	as at 31-3-08	as at 31-3-09	as at 31-3-10	as at 31-3-11	projection
Total number of schools	600	596	575	570	564	538	488
Total value of school reserves	£70,657k	£74,376k	£79,360k	£63,184k	£51,753k	£55,190k	£50,942k
Number of deficit schools	9	15	15	13	23	17	9
Total value of deficits	£947k	£1,426k	£1,068k	£1,775k	£2,409k	£2,002k	£824k

Comments:

- The information on deficit schools for 2011-12 has been obtained from the schools budget submissions. The LA receives updates from schools through budget monitoring returns from all schools after 6 months, and 9 months as well as an outturn report at year end.

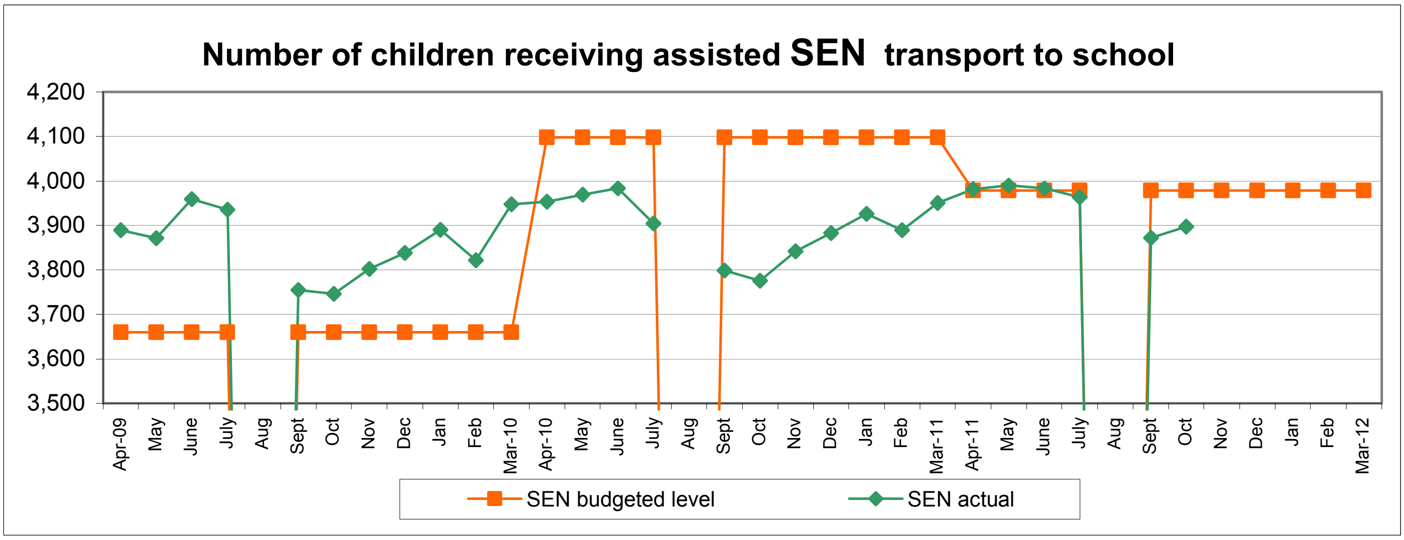
- KCC now has a “no deficit” policy for schools, which means that schools cannot plan for a deficit budget at the start of the year. Unplanned deficits will need to be addressed in the following year’s budget plan, and schools that incur unplanned deficits in successive years will be subject to intervention by the LA. The ELS Statutory team are working with all schools currently reporting a deficit with the aim of returning the schools to a balanced budget position as soon as possible. This involves agreeing a management action plan with each school.

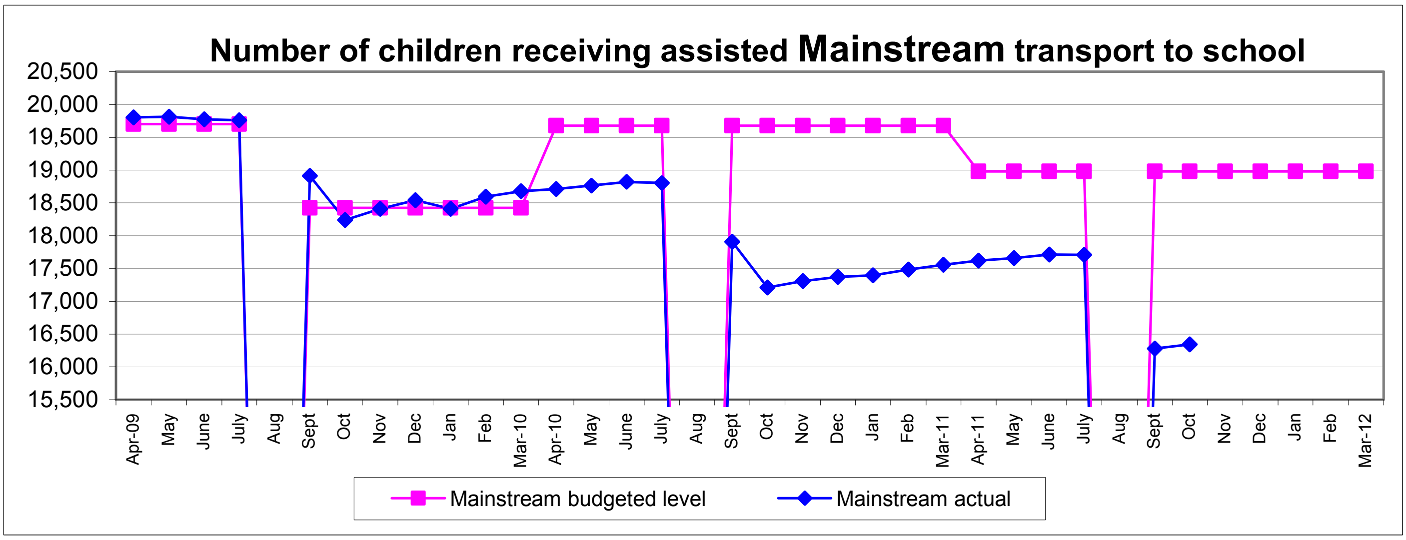
- The number of schools is based on the assumption that 50 schools (including 30 secondary schools, 19 primary schools and 1 special school) will convert to academies before the 31st March 2012 in line with the government’s decision to fast track outstanding schools to academy status.

- The estimated drawdown from schools reserves of £4,248k includes £5,748k which represents the estimated reduction in reserves resulting from 50 schools converting to academy status. In addition the first budget monitoring returns from schools detailing their six monthly forecasts were received during October and they show that school reserves will increase by approximately £1,500k during the 2011-12 financial year. Schools have traditionally been cautious in their financial forecasting, however the new tighter balance control mechanism is now in operation for its third year and we believe that the overall level of school reserves have reached their optimum operational level. We are therefore not expecting reserves to change significantly this year.

2.2 Numbers of children receiving assisted SEN and Mainstream transport to school:

	2009-10				2010-11				2011-12			
	SEN		Mainstream		SEN		Mainstream		SEN		Mainstream	
	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual
April	3,660	3,889	19,700	19,805	4,098	3,953	19,679	18,711	3,978	3,981	18,982	17,620
May	3,660	3,871	19,700	19,813	4,098	3,969	19,679	18,763	3,978	3,990	18,982	17,658
June	3,660	3,959	19,700	19,773	4,098	3,983	19,679	18,821	3,978	3,983	18,982	17,715
July	3,660	3,935	19,700	19,761	4,098	3,904	19,679	18,804	3,978	3,963	18,982	17,708
Aug	0	0	0	0	0	0	0	0	0	0	0	0
Sept	3,660	3,755	18,425	18,914	4,098	3,799	19,679	17,906	3,978	3,872	18,982	16,282
Oct	3,660	3,746	18,425	18,239	4,098	3,776	19,679	17,211	3,978	3,897	18,982	16,348
Nov	3,660	3,802	18,425	18,410	4,098	3,842	19,679	17,309	3,978		18,982	
Dec	3,660	3,838	18,425	18,540	4,098	3,883	19,679	17,373	3,978		18,982	
Jan	3,660	3,890	18,425	18,407	4,098	3,926	19,679	17,396	3,978		18,982	
Feb	3,660	3,822	18,425	18,591	4,098	3,889	19,679	17,485	3,978		18,982	
Mar	3,660	3,947	18,425	18,674	4,098	3,950	19,679	17,559	3,978		18,982	





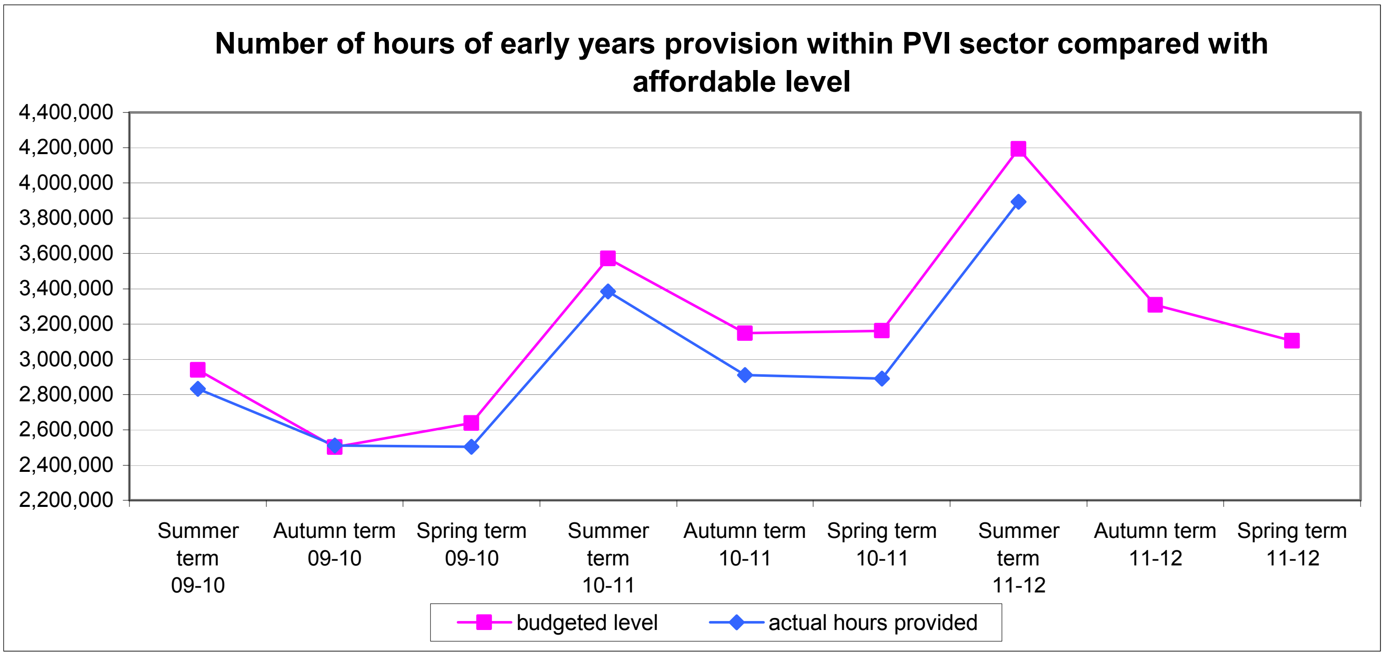
Comments:

- **SEN HTST** – The number of children is similar to the budgeted level, but there are a number of other factors which contribute to the underspend of -£439k reported in section 1.1.3.5 c, such as distance travelled and type of travel.

- **Mainstream HTST** - The number of children is lower than the budgeted level resulting in a corresponding underspend of -£898k (see section 1.1.3.5 b).

2.3 Number of hours of early years provision provided to 3 & 4 year olds within the Private, Voluntary & Independent Sector compared with the affordable level:

	2009-10		**2010-11**		**2011-12**	
	Budgeted number of hours	Actual hours provided	Budgeted number of hours	Actual hours provided	Budgeted number of hours	Actual hours provided
Summer term	2,939,695	2,832,550	3,572,444	3,385,199	4,193,230	3,891,922
Autumn term	2,502,314	2,510,826	3,147,387	2,910,935	3,309,733	
Spring term	2,637,646	2,504,512	3,161,965	2,890,423	3,103,947	
	8,079,655	**7,847,888**	**9,881,796**	**9,186,557**	**10,606,910**	**3,891,922**



Comments:

- The budgeted number of hours per term is based on an assumed level of take-up and the assumed number of weeks the providers are open. The variation between the terms is due to two reasons: firstly, the movement of 4 year olds at the start of the Autumn term into reception year in mainstream schools; and secondly, the terms do not have the same number of weeks.
- The phased roll-out of the increase in the number of free entitlement hours from 12.5hrs to 15 hrs per week began from September 2009 and was rolled out across the county in September 2010. The increase in the number of hours was factored into the budgeted number of hours for 2009-10 and 2010-11. For 2011-12 the increase in hours is funded by Dedicated Schools Grant in the same way as the 12.5 hours per week. In 2010-11 and previous years the increase in hours was funded by a specific DFE Standards Fund grant.
- The current activity suggests an underspend of £1.25m on this budget which has been mentioned in section 1.1.3.6 of this annex. As this budget is funded entirely from DSG, any surplus or deficit at the end of the year must be carried forward to the next financial year in accordance with the regulations and cannot be used to offset over or underspending elsewhere in the directorate budget, therefore this underspend will be transferred to the DSG reserve at year end.
- It should be noted that not all parents currently take up their full entitlement and this can change during the year.

FAMILIES & SOCIAL CARE DIRECTORATE SUMMARY OCTOBER 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 last full monitoring report to reflect the agreed split of the Early Years budget, with a transfer of £7.975m gross and income from the SCS portfolio to the ELS portfolio/directorate for the “standards and quality assurance in early years settings”, leaving only the “provision of early years and childcare” within the SCS portfolio. There have also been 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, and includes the £16.226m NHS Support for Social Care, details of which were included in item 9 of the 19 September Cabinet agenda. It has been assumed in this report that all of this funding is transferred to reserves and drawn down as expenditure is incurred in line with detailed plans to be jointly agreed with health. **Cabinet is asked to approve this treatment of the £16.226m funding**. This has been added to both gross and income budgets within the Other Adult Services budget line.

1.1.2 **Table 1** below details the revenue position by A-Z budget line:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Specialist Children's Services portfolio							
Strategic Management & Directorate Support Budgets	4,427	-2,242	2,185	-73	-27	-100	
Services for Schools:							
Early Years & Childcare Advisory Service	5,492	-5,492	0	-724	58	-666	Renegotiated NCMA contract
Social Services for Children:							
16+ Service	8,988		8,988	887	0	887	Fostering & residential activity above affordable level, increased leaving care payments, staffing pressure
Adoption Service	7,147	-49	7,098	669	-19	650	Special Guardianship Orders & staffing pressure
Asylum Seekers	14,525	-14,245	280	1,213	-396	817	Client numbers greater than budgeted, Support for ineligible 18+, increased grant income
Childrens Support Services	3,414	-1,940	1,474	80	6	86	
Fostering Service	31,323	-407	30,916	6,549	7	6,556	Activity above affordable level, increased carer allowances, legal costs
Other Preventative Services	16,671	-8,541	8,130	-207	-2	-209	Savings on direct payments; pressure on day care; increased S17 payments; Link placement scheme finishing earlier than anticipated
Residential Children's Services	10,932	-2,533	8,399	2,711	-34	2,677	Activity above affordable level, lower demand for secure accommodation

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Safeguarding	4,142	-373	3,769	-22	-70	-92	
	97,142	-28,088	69,054	11,880	-508	11,372	
Support for Individual Children							
- Children's Centres	18,259	-17,372	887	-451	0	-451	Staffing saving
- Integrated Looked After Children's Service	2,632	-704	1,928	-45	-2	-47	
	20,891	-18,076	2,815	-496	-2	-498	
Intermediate Services							
- Assessment of Vulnerable Children	39,299	-2,520	36,779	2,623	-105	2,518	Increased support in response to OfStEd
Total SCS portfolio	**167,251**	**-56,418**	**110,833**	**13,210**	**-584**	**12,626**	
Adult Social Care & Public Health portfolio							
Strategic Management & Directorate Support Budgets	9,946	-755	9,191	303	-152	151	SEAP contract, additional staffing & associated income
Adults & Older People:							
- Direct Payments							
- Learning Disability	10,837	-736	10,101	-560	336	-224	Activity & unit cost lower than affordable level; income: unit charge lower than budgeted level
- Mental Health	732		732	-122	0	-122	Activity below affordable level
- Older People	6,359	-665	5,694	-590	42	-548	Activity & unit cost lower than affordable level
- Physical Disability	8,248	-353	7,895	396	-37	359	Activity & unit cost above affordable level
Total Direct Payments	26,176	-1,754	24,422	-876	341	-535	
- Domiciliary Care							
- Learning Disability	7,603	-1,454	6,149	-1,156	57	-1,099	Activity below affordable level; unit cost above affordable level
- Mental Health	898	0	898	-312	0	-312	Activity below affordable level; unit cost above affordable level
- Older People	47,704	-11,925	35,779	-2,822	1,187	-1,635	Activity & unit cost below affordable level; reduced income due to reduction in activity & lower unit charge
- Physical Disability	7,684	-539	7,145	-1	2	1	
Total Domiciliary Care	63,889	-13,918	49,971	-4,291	1,246	-3,045	
- Nursing & Residential Care							
- Learning Disability	75,502	-23,389	52,113	3,479	-1,144	2,335	Non Preserved Rights activity & unit cost higher than affordable level; reduced Preserved Rights activity but increased unit cost
- Mental Health	6,737	-846	5,891	112	231	343	Unit cost above budget level; more Section 117 clients who do not contribute to costs
- Older People - Nursing	45,547	-22,070	23,477	224	-466	-242	Activity greater than budgeted offset by lower unit cost

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Older People - Residential	88,658	-36,594	52,064	-2,310	1,014	-1,296	Activity below budgeted level, offset by higher unit cost; Modernisation of in house services
- Physical Disability	12,305	-1,786	10,519	1,306	28	1,334	Activity above affordable level offset by lower unit cost
Total Nursing & Residential Care	228,749	-84,685	144,064	2,811	-337	2,474	
- Supported Accommodation							
- Learning Disability	31,227	-18,857	12,370	-397	-202	-599	unit cost lower than budget
- Physical Disability/Mental Health	1,313	-255	1,058	956	-102	854	Activity above affordable level
Total Supported Accommodation	32,540	-19,112	13,428	559	-304	255	
- Other Services for Adults & Older People							
- Contributions to Vol Orgs	14,912	-902	14,010	-303	-29	-332	Contract renegotation & recommissioning
- Day Care				0	0		
- Learning Disability	13,197	-284	12,913	-334	51	-283	Reduced staffing levels, efficiencies from improved data quality
- Older People	4,086	-157	3,929	-433	-6	-439	Recommissioning strategies
- Physical Disability/Mental Health	1,302	-1	1,301	-19	1	-18	
Total Day Care	18,585	-442	18,143	-786	46	-740	
- Other Adult Services	30,365	-24,411	5,954	-379	435	56	provision of meals below affordable
Total Other Services for A&OP	63,862	-25,755	38,107	-1,468	452	-1,016	
- Intermediate Services							
- Assessment of Vulnerable Adults & Older People	40,983	-3,636	37,347	-1,035	170	-865	Vacancy Management, reduced recharges to health, prudent non allocation of funds
Total ASC&PH portfolio	**466,145**	**-149,615**	**316,530**	**-3,997**	**1,416**	**-2,581**	
Total Families & Social Care controllable	**633,396**	**-206,033**	**427,363**	**9,213**	**832**	**10,045**	
Assumed Management Action							
- SCS portfolio						**0**	
- ASC&PH portfolio						**0**	
Forecast after Mgmt Action				**9,213**	**832**	**10,045**	

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:

Specialist Children's Services portfolio:

Overall forecast net pressure of £12,626k, details of those variances in excess of £100k, are detailed below.

1.1.3.1 Early Years & Childcare Service: -£666k (-£724k gross, +£58k income)
A £600k forecast under spend is reported, due to the successful re-negotiation of the National Childminding Association Contract, which reduced the original cost. This organisation carries out various strategic commissioning training sessions for Childminders on behalf of the Early Years Service. This contract is managed within the Children's Centres Central Team budget, which is also forecasting a minor under spend as a result of holding vacancies, there are also minor

variances on the Market Development Team and Grants to Providers. The budget for this team will be moved to the Children's Centres A-Z budget line in 2012-13.

1.1.3.2 <u>16+ Service: +£887k gross</u>
An increase of £279k in Independent Fostering Payments spend is contributing to the forecast pressure. This is due to a forecast variance of 476 weeks support above the affordable level (+£480k), coupled with a reduction in the unit cost of placements, of £168 per client week compared to the affordable level (-£201k).

There is a forecast pressure of +£112k on Non-Related (in-house) Fostering. This is due to forecast activity being 152 weeks more than the affordable level (+£61k) and the weekly unit cost being £7 over the affordable level (+£51k).

An increase in spend of +£68k in the Private & Voluntary residential placements is also a contributor to the overall pressure. This is due to an extra 53 weeks support in residential care above the affordable level (+£161k), as a result of children remaining in their placements when turning 16, rather than moving into lower cost supported lodgings. The Authority has a legal obligation to maintain the existing placement if the child requests. This has been offset by the average cost of a placement costing less than anticipated, saving £93k.

In addition, £28k of the forecast pressure is as a result of the team now being fully staffed to meet the increased demand on these services as demonstrated by the higher activity seen so far in 2011-12.

This increase in activity has also resulted in higher than anticipated payments to Care Leavers and Relevant Children (+£400k). (Relevant Children are defined under the Leaving Care act as "children aged 16-17 who are no longer looked after by a local authority, but who were looked after for at least 13 weeks after the age of 14 and have been looked after at some time while they were aged 16 and 17").

1.1.3.3 <u>Adoption Service: +£650k (+£669k gross, -£19k income)</u>
The current forecast variance of £650k includes £199k as a result of an increase of staff in the Adoption Team.
There is an increase in costs relating to Special Guardianship Orders (SGO) of £364k where the latest quarters trend has increased by 21% in order to secure a permanent placement for a child where adoption is not suitable or required. In order to secure permanency, SGO legal orders through the courts are required.
The remaining variance is due to the increasing number of adoption placements leading to an increase £87k.

1.1.3.4 <u>Asylum Seekers: +£817k (+£1,213k gross, -£396k income)</u>
Of the gross pressure £800k relates to the costs incurred in continuing to support young people over 18 years old who are not eligible under UKBA's grant rules. We are assuming that we will have an average of 100 young people who do not qualify under the grant rules mainly because they are Appeal Rights Exhausted, or are naturalised but not able to claim benefits. Under the Leaving Care Act, we continue to have a duty of care to support these young people. In addition the grant rules exclude the first 25 eligible young people.

While the number of clients supported has reduced to 712 at the end of September, this remains higher than the 700 originally budgeted for. In total we are forecasting 550 weeks of support above the budgeted level. These are spread between over 18s (365 weeks, £58k) and under 18s (185 weeks, £285k).

The current forecast includes a pressure of £70k to reflect the issues currently encountered in reducing the over 18s unit cost to the target of £150 per week.

As a result of the increased client numbers our forecast grant income has increased by £396k.

The UKBA has changed it's grant rules this year and will now only fund the costs of an individual for up to three months after the All Rights of appeal Exhausted (ARE) process if the local authority carries out a Human Rights Assessment before continuing support. We are currently seeking legal advice regarding this change so, any additional costs arising from this requirement are not included in the forecast. There is on-going correspondence on this matter between the Leader of KCC and the Minister for Immigration.

1.1.3.5 Fostering Service: +£6,556k (+£6,549k gross, +£7k income)

The forecast assumes that the current level of placements remains constant for the remainder of the financial year.

Non-Related Fostering (in-house) is forecasting a gross pressure of £2,260k. This is as a result of the forecast number of weeks of service being 7,261 higher than the affordable level of 41,800, which generates £2,894k of the current pressure. Additionally, the unit cost being £13 lower than previously estimated when setting the cash limit has reduced the pressure by -£634k. There is a slight (£2k) pressure arising from income.

Independent Fostering is forecasting a gross pressure of £2,027k. Again, this is as a result of a significant increase in weeks support, which is 2,210 higher than the affordable level of 3,990 and results in a pressure of £2,386k. However the average weekly cost is £58 lower than budgeted, and this reduces the net pressure by £359k. There is a slight (£5k) pressure arising from income

A pressure of £267k is forecast for Related Foster payments, together with a pressure of £440k for Kinship Non LAC, which are both mainly due to a potential increase in allowances paid to related foster carers. New legislation that came into effect on the 1st April 2011 requires Local Authorities to pay reward payments to related foster carers. Currently Kent's policy is that related carers only receive the maintenance element, whereas non-related carers receive both a maintenance and a fee element. The outcome of the recent Manchester City Council judgement regarding this legislation was ambiguous, so legal advice is currently sought. As a precaution, £437k has been included in the forecast for 2011-12 for this, (Related Foster payments £200k and Kinship Non LAC £237k).

The balance of the pressure on Kinship Non LAC, (non LAC children placed with relatives), of £203k is primarily due to increased demand for this service with the forecast number of weeks support being 2,100 higher than affordable. *(Neither Related Fostering nor Kinship Non LAC is included in the activity shown at Section 2.2.).*

Legal costs are showing a pressure of £1,621k, this is based on the latest information received from Legal Services.

The County Fostering Team is forecasting an under spend of £66k.

1.1.3.6 Other Preventative Services: -£209k (-£207k gross, -£2k income)

As a result of an on-going review of need, we have been able to reclaim/reduce a number of direct payments and also, there has not been the transfer of clients on to direct payments that was anticipated, generating a saving of £556k.

There is a pressure of £274k on the cost of Day Care services largely as a result of the reduced transfer of clients to direct payments mentioned above.

There is a pressure of £307k on Section 17 payments (Preventative & Supportive payments), as a result of increased payments arising from the Southwark judgement. This challenged local authorities to consider the wider needs of vulnerable young people between the ages of 16 and 18 who present themselves as homeless and to deal with the issue in a corporate manner rather than through individual agencies. It concluded that the young persons were to be treated as children in need (as defined by Section 20 of the Children Act 1989), and that they should be taken into the care of the local authority. This will result in an increase of 16-18 year olds in the care system. Prior to the judgement these clients would have been accommodated by the district council housing departments. It is difficult to forecast with accuracy how many young people will return to our care, and what services they will require and be entitled to.

The Link Placement scheme is due to end earlier than originally anticipated, this will generate savings of £144k.

Other small savings totalling £90k have been reported against other forecasts on this service line.

1.1.3.7 Residential Children's Services: +£2,677k (+£2,711k gross, -£34k income)

The forecast assumes that the current level of placements remains constant for the remainder of the year.

Of the pressure within residential services, £2,326k (+£2,134k gross, +£192k income) relates to non disabled Independent Sector Residential Provision. This is due to the forecast number of client weeks being 639 higher than the affordable level and results in a pressure of £1,959k. However, the gross unit cost is higher than the planned level adding £175k to the pressure. In addition, as a result of fewer children than anticipated attracting Health and/or Education funding, our income forecast is £192k lower than budgeted.

Independent Sector residential care for children with a disability is showing a pressure of £405k (+£624k gross, -£219k income). This is due to an increase in activity of 275 weeks of care above the affordable level, which results in a pressure of £787k, but this is mitigated by a gross unit cost being lower than affordable giving a saving of £163k. However, due to more children than anticipated attracting Health and/or Education funding our income forecast is £219k higher than budgeted for.

An underspend is forecast for Secure Accommodation of £232k based on current activity.

KCC Residential care shows a pressure of £112k (£102k gross, £10k income) due to increased use of permanent relief staff. Non-LAC residential is showing a pressure of £66k (£83k gross, -£17k income)

The forecast variances explained above include £1,150k of unachievable savings relating to High Cost Placements (£750k) and Out County Placements (£400k). It has not been possible to achieve these savings due to the increasing number of looked after children (LAC) during the latter part of 2010-11 and early part of 2011-12.

1.1.3.8 Children's Centres: -£451k gross

Forecasts received from managers have identified a number of under spends across most centres, particularly in relation to staffing costs (£420k).

1.1.3.9 Intermediate Services - Assessment of Vulnerable Children: +£2,518k (+£2,623k gross, -£105k income)

Following the Ofsted inspection in 2010, teams have had to recruit additional staff, mainly agency social workers. Agency staff are being retained longer than previously forecast to assist newly qualified social workers who have started during the year. In some cases the costs of these agency staff are considerably higher than originally forecast. In recognition of this, £1,754k of the £2.128m uncommitted roll forward from 2010-11 that Cabinet agreed for CSS at it's meeting in July has been transferred here, but this still leaves a gross staffing pressure of £2,623k.

The -£105k income variance relates to numerous income lines each with less than a £100k variance.

Adult Social Care & Public Health portfolio:

Overall forecast net under spend of £2,581k, details of those variances, in excess of £100k, are detailed below.

1.1.3.10 **Strategic Management & Directorate Support Budgets (including safeguarding) +£151k (+£303k gross, -£152k income)**

There is a gross pressure of £303k as a result of: a pressure of £122k on safeguarding on the Support Empower Advocate Promote (SEAP) contract and a £120k pressure on strategic commissioning, primarily caused by the existence of additional posts which are funded by additional income from health of £126k. There is also a £76k pressure on legal services costs, work is ongoing to establish the cause of this. The remaining gross pressure and over recovery of income comprise a number of smaller variances, all below £100k.

1.1.3.11 **Direct Payments: -£535k (-£876k gross, +£341k income)**

a. Learning Disability -£224k (-£560k gross, +£336k income)
The forecast under spend against the gross service line of £560k is generated as a result of the forecast activity weeks being 451 (-£450k) lower than the affordable, coupled with a forecast unit cost being lower than the affordable by £9.90 (-£102k). The remaining variance is against one-off payments and payments to carers.

This service is forecasting an under recovery of income of £336k, because the actual average unit income being charged is £7.33 lower than the budgeted level.

b. Mental Health -£122k (gross)
The forecast number of weeks of care provided is 3,190 lower than anticipated generating a forecast under spend of £180k. There are minor pressures against price, and also in relation to one-off payments, for example for equipment, which reduce this saving to £122k

c. Older People -£548k (-£590k gross, +£42k income)
This budget line is forecast to underspend by £590k on gross expenditure. The number of weeks of care provided is forecast to be 3,554 fewer than budgeted, generating a saving of £470k, in addition the unit cost is lower than budgeted by £2.42, therefore generating an under spend of £112k. The remaining gross variance of is due to one-off payments.

d. Physical Disability +£359k (+£396k gross, -£37k income)
The unit cost is £4.25 above affordable levels generating a £193k pressure. The number of weeks of care provided is forecast to be 452 above the affordable level, generating a minor £84k pressure, there are also minor pressures from one-off payments, and an addition to the bad debt provision, which total £119k

1.1.3.12 **Domiciliary Care: -£3,045k (net), (Gross -£4,291k, Income +£1,246k)**

a. Learning Disability -£1,099k (-£1,156k gross, +£57k income)
The overall forecast is an under spend against gross of £1,156k, coupled with an under recovery of income of £57k. The number of hours is forecast to be 153,366 lower than the affordable level, generating a £1,825k forecast under spend. The actual unit cost is £1.34 higher than the affordable level, increasing the forecast by £546k. The remaining variance of +£123k against gross, is comprised of many smaller variances including Extra Care Sheltered Housing and Independent Living Service (ILS).

b. Mental Health -£312k gross
There is a gross underspend forecast of £312k. Forecast hours are 23,000 below the affordable level, creating an under spend of £434k, whilst the unit cost is forecast to be £2.26 higher than affordable, which reduces this saving by £122k.

c. Older People -£1,635k (-£2,822k gross, +£1,187k income)
The overall forecast is an under spend against gross of £2,822k, coupled with an under recovery of income of £1,187k. The number of hours is forecast to be 57,273 lower than the affordable hours generating a £858k forecast underspend. The actual unit cost is £0.51 lower than the affordable level, increasing that initial forecast underspend by a further £1,266k.
The trend of activity to date continues to appear low compared to the current forecast. Further quality assurance work is being undertaken to verify this trend, where it currently appears that approximately 68% of all individuals receiving an enablement service do not then require an ongoing domiciliary care package; the outcome of this work could result in a further reduction in forecast hours, and hence cost.

The Kent Enablement at Home (KEaH), in house service is forecasting a gross underspend of £455k, which is the cumulative effect of less hours of service than budgeted being forecast, and resultant savings in staffing costs. A saving of £210k is also forecast against block domiciliary contracts, as a result of savings on non-care related costs, and where negotiations to have an element of unused hours refunded has been successful.

Within this budget line is a forecast of £447k of unachievable savings, however this is fully offset by other funds which have been uncommitted. Of this £447k, £100k relates to the domiciliary enhanced procurement element as a result of a delay in notice being served to contractors, with the remainder relating to the delay in implementing the revised charging policy.

The remaining gross variance comprises several smaller variances below £100k, including enablement, provisions for bad debt and extra care housing.

The reduction in activity is forecast to yield an under recovery of income of £1,087k, this is coupled with a slight reduction in actual average unit income being charged, which generates a further £219k income pressure, offset slightly by several small income over-recoveries including extra care housing and enablement.

1.1.3.13 **Nursing & Residential Care: +£2.474k (net), (Gross +£2,811k, Income -£337k)**

a. Learning Disability +£2,335k (+£3,479k gross, -£1,144k income)
The overall forecast for residential care is a pressure on gross of £3,479k, partially offset by an over recovery of income of -£1,144k, giving a net pressure of £2,335k. The number of client weeks provided is forecast to be 2,325 higher than the affordable level at a cost of £2,883k. As detailed within section 2.8.1, the forecast activity for this service is based on known individual clients, by individual periods of service, including provisional, transitional and ordinary resident clients. (Provisional clients are those who may move from domiciliary/direct payments to residential as a result of deterioration in their condition/personal requirements, as well as clients already in receipt of residential care, but whose personal/financial circumstances deteriorate). The activity trend to date may appear to be low when considered alongside the forecast, in some cases this is as a result of timing differences between when the clients are added into SWIFT (the client activity system), compared to the inclusion within the financial forecast, which maybe as a result of disputes or independent contract negotiations. In addition, there is expected to be increased take-up in the second half of the year. The actual unit cost is £1,240.17, which is £10.98 higher than the affordable level and creates a pressure of £422k.
There are also variances on the preserved rights lines, where activity is forecast to be 4,170 weeks lower than affordable. This reduction in activity creates a saving of £2,934k, however the unit cost is more than afforded, resulting in a pressure of £2,851k.

The remaining gross variance of +£257k comprises numerous individual variances below £100k. This includes in-house provision as a result of providing additional 1 to 1 support, minor variances on RNCC, and on agency staff at in house provision required to cover sickness, as well as replacement costs of essential equipment at units.

The additional forecast client weeks for residential care add £207k of income, and the actual income per week is higher than the expected level by £18.29 which generates a further over-recovery in income of £704k.

There are also individual minimal variances below £100k, on other service lines which have the effect of a further £233k over recovery in income. This includes preserved rights, RNCC, and an over recovery of non-client income on the main residential line.

Also, within this budget line is a forecast of £746k of unachievable procurement savings as a result of a delay in notice being served to contractors, however this is fully offset by other funds which have been uncommitted.

b. Mental Health +£343k (+£112k gross, +£231k income)
The forecast for residential care, including Preserved Rights clients, is a gross pressure of £112k and an under-recovery of income of £231k, leaving a net pressure of £343k. The forecast level of weeks of care is 69 lower than the affordable level at a saving of £40k. The actual unit cost is £13.39 higher than the affordable level, which creates a pressure of £130k. The forecast also assumes a significant under-recovery in income of £226k due to the continual increasing proportion of clients falling under the Section 117 legislation which means that they do not contribute to the cost of their care. There are also small variances on Preserved Rights.

c. Older People - Nursing -£242k (+£224k gross, -£466k income)
There is a forecast over spend of £224k on gross and an over recovery of income of £466k, leaving a net underspend of £242k. The forecast level of client weeks is 3,435 higher than the affordable level, at a forecast pressure of £1,594k. The unit cost is currently forecast to be £14.71 lower than budget, which gives a forecast under spend of £1,139k. The remaining -£231k

gross variance is due to a release of a provision and unrealised creditors following a review of the balance sheet.

The increased activity, has resulted in a forecast over recovery of income of £586k, offset by a slight reduction in the average unit income being charged which reduces the position by £120k.

d. Older People- Residential -£1,296k (-£2,310k gross, +£1,014k income)
This service is reporting a gross under spend of £2,310k, along with an under recovery of income of £1,014k. The forecast level of client weeks is 5,992 lower than the affordable levels, which generates a forecast under spend of £2,343k. However the unit cost is £3.22 higher than the affordable levels causing a £520k pressure. This is likely to be due to the increased proportion of dementia placements compared to those who are frail. Of the remaining forecast gross variance, -£381k reflects the savings against the In house provision, including Integrated Care centres (ICC), which are beginning to filter through, as part of the Modernisation Strategy. The remaining £106k comprises a number of smaller variances below £100k.
On the income side, the reduction in activity results in a £1,001k shortfall in income, however this is offset by a higher than budgeted average unit income being charged which has reduced this shortfall by £693k. In addition, there is a forecast under recovery of income of £706k for the In-house service & ICCs, mainly due to less permanent clients being placed in the homes because of the OP Modernisation Strategy.

Within this budget line is a forecast of £112k of unachievable savings relating to reducing waivers of top-ups, however this is fully offset by other funds which have been uncommitted.

We continue to expect some volatility in the forecast against this service line this year because of the impact of the Modernisation agenda.

e. Physical Disability + £1,334k (+£1,306k gross, +£28k income)
A gross pressure of £1,334k, along with an under recovery of income of £28k, is reported for this budget. The forecast level of client weeks of service is 1,755 higher than the affordable level, giving a forecast pressure of £1,487k. The forecast unit cost is currently £25.39 lower than the affordable level, which reduces that pressure by £307k. The remaining +£126k of forecast pressure is against the Preserved Rights service, where the forecast client weeks of service are currently 153 higher than the affordable level.

The additional activity is forecast to increase income by £164k, however the forecast weekly income is £17.42 lower than budgeted resulting in an under recovery of £190k.

1.1.3.14 **Supported Accommodation: +£255k(net), (Gross +£559k Income -£304k)**

a. Learning Disability -£599k (-£397k gross, -£202k income)
A gross under spend of £397k, coupled with an over recovery of income of £202k generates the above net forecast variance. The forecast level of client weeks is 475 higher than the affordable levels generating a £467k forecast pressure. As detailed in section 2.11.1, the forecast activity for this service is based on known individual clients, by individual periods of service, including provisional, transitional and ordinary resident clients. (Provisional clients are those who may move from residential care to supported accommodation as a result of changes to their personal requirements). The activity trend to date may appear to be low when considered alongside the forecast, in some cases this is as a result of timing differences between when the clients are added into SWIFT (the client activity system), compared to the inclusion within the financial forecast, which maybe as a result of ongoing contract negotiations. In addition, there is a planned move of residential preserved rights clients to supported accommodation in the second half of the year as well as an expected increased up-take in the service. The gross unit cost is currently forecast to be £29.33 lower than the affordable level, which generates a £886k forecast under spend. The remaining gross variance of +£22k comprises compensating variances each less than £100k, across other services such as group homes and link placements.

The increased activity creates a minimal over recovery of income; however the average unit income is higher than budgeted, so creates an over-recovery of income of £193k.

Within this budget line is a forecast of £208k of unachievable procurement savings as a result of fruitless negotiations with Providers, however this is fully offset by other funds which have been uncommitted.

b. Physical Disability/Mental Health +£854k (+£956k gross, -£102k income)

For the physical disability client group the forecast level of client weeks is 511 higher than the affordable level of weeks, creating a pressure of £465k, coupled with a higher than affordable unit cost level which adds a further minor pressure to the forecast.
There is also a minor over recovery of income.

For the mental health client group the forecast level of client weeks is 1,609 higher than the affordable level, generating a forecast pressure of £459k, offset by a minor variance in price. There is also a small over recovery in income for this client group.

1.1.3.15 **Other Services for Adults & Older People**

a. Contributions to Voluntary Organisations -£332k (-£303k gross, -£29k income)
As part of the ongoing drive to deliver more self directed support through Direct Payments & Personal Budgets, various contracts with voluntary organisations are currently being reviewed/re-negotiated or re-commissioned. We are currently working in conjunction with District Partnership Groups to continue to provide the service, but in a different way. The current effect of this is a forecast saving on the gross budget of £303k. The slight over recovery of income is due to increased Health funding.

b. Day Care -£740k (-£786k gross, +£46k income)
As a result of a culmination of a reduction in staffing levels against Learning Disability Day Services, improved data quality which has enabled efficiencies to be made in the provision of day care and clients ceasing to take up the service, this generates a forecast saving of £311k. A further £420k forecast gross saving relates to a number of re-commissioning strategies for both the in-house and independently provided services, mainly across the Older People client group. Minimal variances are currently reported against both the physical disability and mental health client groups.

c. Other Adult Services +£56k (-£379k gross, +£435k income)
There is a forecast under spend related to the provision of meals, where the volume of meals continues to fall creating a gross underspend of £421k and a £423k under recovery of income.
There are also numerous other minor variances on gross and income, which are individually all below £100k.

1.1.3.16 **Intermediate Services - Assessment of Vulnerable Adults & Older People: -£865k (-£1,035k gross, +£170k income)**
The Mental Health assessment & related service contributes approximately £668k towards this forecast under spend as a result of both vacancy management through continuing to hold posts vacant and delaying any recruitment process pending the outcome of the internal restructure that is currently underway, alongside an historical difficulty in recruiting qualified social work staff. However this is partially offset by a forecast reduction in income, totalling £180k, as 3 of these vacant posts were previously funded by health. There are some other minor income variances totalling -£10k.
The remaining £367k of the forecast under spend on gross is the Directorate's prudency in holding back unallocated funding in order to offset other pressures within the directorate.

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
SCS	Fostering - Gross - In house non related activity above affordable level	+2,894	ASCPH	Residential (learning disability) - Gross - Preserved rights activity below affordable level	-2,934
ASCPH	Residential (learning disability) - Gross - Activity above affordable level	+2,883	ASCPH	Residential (older people) - Gross - Activity below affordable level	-2,343
ASCPH	Residential (learning disability) - Gross - Preserved rights unit cost above affordable level	+2,851	ASCPH	Domiciliary (learning disabled) - Gross - Activity below affordable level	-1,825
SCS	Assessment of Vulnerable Children - Gross - Increased costs of staffing following the 2010 Ofsted inspection	+2,623	ASCPH	Domiciliary (older people) - Gross - Unit cost below affordable level	-1,266
SCS	Fostering - Gross - Independent sector activity above affordable level	+2,386	ASCPH	Nursing (Older people) - Gross - Unit cost below affordable level	-1,139
SCS	Residential - Gross - Independent sector activity higher than affordable level	+1,959	ASCPH	Supported Accomodation (learning disability) - Gross - Unit cost below affordable level	-886
SCS	Fostering - Gross - Pressure on legal costs	+1,621	ASCPH	Domiciliary (older people) - Gross - Activity below affordable level	-858
ASCPH	Nursing (Older people) - Gross - Activity above affordable level	+1,594	ASCPH	Residential care (Learning Disability) - uncommitted funds held to offset unacheivable savings	-746
ASCPH	Residential (physical disability) - Gross - Activity above affordable level	+1,487	ASCPH	Residential (learning disability) - Income - Average charge above budgeted level	-704
ASCPH	Domiciliary (older people) - income - Activity below affordable level	+1,087	ASCPH	Residential (older people) - Income average charge higher than budgeted level	-693
ASCPH	Residential (older people) - Income - Activity below affordable level	+1,001	ASCPH	Assessment of Vulnerable Adults - Gross - vacancy management within Mental Health A&R	-668
SCS	Asylum Seekers - Gross - Support to asylum seekers who are appeal rights exhausted & costs of first 25 eligible young people who are not eligible for grant	+800	SCS	Fostering - Gross - In house non related unit cost below budgeted level	-634
SCS	Residential - Gross - Disability activity above affordable level	+787	SCS	Early Years & Childcare - Gross - Renegotiation of NCMA contract	-600
ASCPH	Residential care (Learning Disability) - unacheivable Procurement savings	+746	ASCPH	Nursing - Income - Activity above affordable level (Older people)	-586
ASCPH	Residential (older people) - Income - In House loss of income as result of modernisation strategy	+706	SCS	Preventative Services - Gross - Savings made on direct payments	-556
ASCPH	Domiciliary (learning disabled) - Gross - Unit cost above affordable level	+546	ASCPH	Direct Payments (older people) - Gross - Activity below affordable level	-470
ASCPH	Residential (older people) - Gross - Unit cost above affordable level	+520	ASCPH	Domiciliary (older people) - Gross - In House activity below budgeted level	-455
SCS	16+ Service - Gross - Independent Sector Fostering activity above affordable level	+480	ASCPH	Direct Payments (learning disability) - Gross - Activity below affordable level	-450

Annex 2

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
ASCPH	Supported Accomodation (learning disability) - Gross - Activity above affordable level	+467	ASCPH	Domiciliary (Older people) - uncommitted funds held to offset unacheivable savings	-447
ASCPH	Supported Accomodation (physical disability) - Gross - Activity above affordable level	+465	ASCPH	Domiciliary (mental health) - Gross - Activity below affordable level	-434
ASCPH	Supported Accomodation (mental health) - Gross - Activity above affordable level	+459	ASCPH	Other Adults Services - Saving due to under provision of meals	-421
ASCPH	Domiciliary (Older people) - unacheivable savings (procurement & delay in revised charging policy)	+447	ASCPH	Day Care (older people) - Gross - Recommissioning strategies	-420
SCS	Fostering - Gross - (Related Fostering & Kinship Non LAC) provision for reward payments to related foster carers	+437	SCS	Children's centres - Gross - savings made on staffing costs	-420
ASCPH	Other Adults Services - Lost income due to under provision of meals	+423	SCS	Asylum Seekers - Income - increased income as a result of increased client numbers	-396
ASCPH	Residential (learning disability) - Gross - Unit cost above affordable level	+422	ASCPH	Residential (older people) - Gross - In House savings as result of modernisation strategy	-381
SCS	16+ Service - Gross - Payments to Care Leavers & relevant children above affordable level	+400	ASCPH	Assessment of Vulnerable Adults - Gross - Prudent non-allocation of funds	-367
SCS	Adoption - Gross - increase in Special Guardianship Orders	+364	SCS	Fostering - Gross - Independent sector unit cost below budgeted level	-359
SCS	Asylum Seekers - Gross - Activity above affordable level for both under & over 18s	+343	ASCPH	Day Care (learning disability) - Gross - efficiencies from improved data quality and clients ceasing take-up of service	-311
ASCPH	Direct Payments (learning disability) - Income - Average charge lower than budgeted level	+336	ASCPH	Residential (physical disability) - Gross - Unit cost below budgeted level	-307
SCS	Preventative Services - Gross - increased section 17 payments	+307	ASCPH	Contributions to Voluntary Organisations - Gross - Recommissioning strategies	-303
SCS	Preventative Services - Gross - increased demand for day care due to fewer clients than anticipated transferring to direct payments	+274	SCS	Residential - Gross - Secure accomodation activity below affordable level	-232
ASCPH	Residential (mental health) - Income - Increase in Section 117 clients who do not contribute to costs	+226	ASCPH	Nursing (Older people) - Gross - release of provision and unrealised creditors following review of balance sheet	-231
ASCPH	Domiciliary (older people) - income - Average unit charge below budgeted level	+219	SCS	Residential - Income - increase in number of disability clients attracting funding	-219
ASCPH	Supported Accomodation (Learning Disability) - unacheivable Procurement savings	+208	ASCPH	Domiciliary (older people) - Gross - Savings against block contracts	-210
SCS	Fostering - Gross - Kinship non-LAC activity above affordable level	+203	ASCPH	Supported Accomodation (Learning Disability) - uncommitted funds held to offset unacheivable savings	-208
SCS	Adoption - Gross - increase in staffing within adoption team	+199	ASCPH	Residential (learning disability) - Income - Activity above affordable level	-207

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
ASCPH	Direct Payments (physical disability) - Gross - Unit costs above affordable level	+193	SCS	16+ Service - Gross - Independent Fostering unit cost below affordable level	-201
SCS	Residential - Income - reduction in number of independent sector clients attracting funding	+192	ASCPH	Supported Accomodation (learning disability) - Income - Unit charge above budgeted level	-193
ASCPH	Residential (physical disability) - Income - Unit charge below budgeted level	+190	ASCPH	Direct Payments (mental health) - Gross - Activity below affordable level	-180
ASCPH	Assessment of Vulnerable Adults - income - loss of recharge income to health due to vacant posts	+180	ASCPH	Residential (physical disability) - Income - Activity above affordable level	-164
SCS	Residential - Gross - Independent sector unit cost higher than affordable level	+175	SCS	Residential - Gross - Disability Unit cost below affordable level	-163
SCS	16+ Service - Gross - Residential activity above affordable level	+161	SCS	Preventative Services - Gross - Link placement scheme ending earlier than budgeted	-144
ASCPH	Residential (mental health) - Gross - Unit cost above affordable level	+130	ASCPH	Management & Support - Income - Additional Commissioning staffing income from health	-126
ASCPH	Residential (physical disability) - Gross - Preserved Rights Activity above affordable level	+126	ASCPH	Direct Payments (older people) - gross - Unit cost lower than budgeted level	-112
ASCPH	Management & Support - Gross - Pressure on Support Empower Advocate Promote (SEAP) contract	+122	ASCPH	Residential (Older people) - uncommitted funds held to offset unacheivable savings	-112
ASCPH	Domiciliary (mental health) - Gross - Unit cost above affordable level	+122	ASCPH	Direct Payments (learning disability) - Gross - Unit cost lower than affordable level	-102
ASCPH	Management & Support - Gross - Additional Commissioning staffing costs	+120			
ASCPH	Nursing (Older people) - Income - Average charge below budgeted level	+120			
ASCPH	Residential (Older people) - unacheivable savings relating to reducing waivers of top-ups	+112			
SCS	Residential - Gross - (In house provision) increased use of relief staff	+102			
		+35,215			-25,183

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.

The forecast presented assumes the Good Practice Guidelines adopted within the directorate are being adhered to and it is felt that this has assisted Adult's Services to report a position within cash limit this year. However the improvements required to Children's Services following the OFSTED inspection, and the continuing increasing trend of looked after children means that it is unlikely that significant management action can be applied in the current year, which will significantly reduce the current pressure that is being forecast.

1.1.5 **Implications for MTFP**:

The current MTFP for 2012-13 for both children's and adults assumes a balanced position for 2011-12.

It can be seen that within children's specialist services there are significant financial pressures which must be addressed during the MTFP process. Work is underway to establish the amount of base funding that is required to support the current numbers of children being supported.

Work is ongoing to establish the demographic pressures now anticipated in the medium term for adult social care compared to those estimates in the current MTFP for 2012-13 and beyond.

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

No revenue projects have been identified for re-phasing.

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.

Significant improvement has recently been informally reported within Specialist Children's Services following the unannounced OFSTED inspection in October. However, it is unlikely that the Specialist Children's Services will produce a balanced budget position by year end, unless recognition and additional funding is made available to support those children and families to whom we are currently providing 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 7th October 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
Specialist Children's Services Portfolio						
Budget	59,691	12,629	5	0	0	72,325
Adjustments:						
- Dartford Civic Centre		30				30
						0
Revised Budget	59,691	12,659	5	0	0	72,355
Variance		211	0	0	0	211
split:						
- real variance		+211				+211
- re-phasing						0
Adults Social Care & Public Health Portfolio						
Budget	7,611	14,811	7,186	2,699	3,146	35,453
Adjustments:						
- Re-phasing August Monitoring		-2,442	2,027		415	0
- Completed Projects	-3,230					-3,230
- Tunbridge Wells Respite		-80				-80
- Active Lives - Bower Mount		-45				-45
- OP Integrated Specialist Services		274	58			332
- Broadmeadow Extension		-332				-332
						0
Revised Budget	4,381	12,186	9,271	2,699	3,561	32,098
Variance		-5,348	655	4,693	0	0
split:						
- real variance						0
- re-phasing		-5,348	+655	+4,693		0
Directorate Total						
Revised Budget	64,072	24,845	9,276	2,699	3,561	104,453
Variance	0	-5,137	655	4,693	0	211

Real Variance	**0**	**+211**	**0**	**0**	**0**	**+211**
Re-phasing	**0**	**-5,348**	**+655**	**+4,693**	**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.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

			Project Status			
portfolio	Project	real/ phasing	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						
ASC&PH	Older Persons Integrated Specialist Services	phasing			-3,553	
ASC&PH	Dartford Town Centre - Trinity Centre	phasing			-999	
ASC&PH	IT Intrastructure Grant (Swift)	phasing			-610	
			0	**-0**	**-5,162**	**-0**
			0	**-0**	**-5,162**	**-0**

1.2.4 **Projects re-phasing by over £1m**:

1.2.4.1 **Older Persons Integrated Specialist Services re-phasing of £3.553m** (in 2011-12)

At present the solution for the replacement of the Dorothy Lucy Centre has not been confirmed. One suggested solution is a new build and if this is the preferred option then construction would not commence until late summer 2012. The project has been re-phased to 2012-13 and 2013-14 to provide a more realistic spend profile.

Revised phasing of the scheme is now as follows:

	Prior Years	2011-12	2012-13	2013-14	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget		3,553	58			3,611
Forecast			500	3,111		3,611
Variance	0	-3,553	+442	+3,111	0	0
FUNDING						
Budget:						
Dev Cont		76				76
Pru		274	58			332
Cap Rec		3,203				3,203
TOTAL	0	3,553	58	0	0	3,611
Forecast:						
Dev Cont			76			76
Pru			332			332
Cap Rec			92	3,111		3,203
TOTAL	0	0	500	3,111	0	3,611
Variance	**0**	**-3,553**	**+442**	**+3,111**	**0**	**0**

1.2.5 **Projects with real variances, including resourcing implications:**

There is a real variance of +£0.211m in 2011-12.

Specialist Children's Services portfolio:

Quarryfields/Aldington Eco Centre (formerly Schools Self Funded): +£0.211m (in 2011-12): The development of the Aldington Eco Centre is a partnership project with Aldington and Bonnington Parish Council and Ashford Borough Council. Their contribution to the project was the provision of land free of charge and councillors support. Our contribution is the erection of the building and landscaping which is to be met from revenue.

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

1.2.6 **General Overview of capital programme**:

(a) Risks

The risks linked to the Families and Social Care Directorate must be similar to those felt throughout the Authority in this current financially suppressed climate. As a Directorate that works alongside many partners such as District Councils, Private/Voluntary Organisations and Primary Care Trusts (PCT) in order to provide the most comprehensive service delivery to our users, the risks to FSC are potentially compounded.

(b) Details of action being taken to alleviate risks

The Directorate continues to closely monitor those risks associated with our partnership working arrangements on a regular basis through Divisional Management Teams which run alongside its over-arching capital strategy. However, the Directorate may not always be able to influence/control the final outcome.

1.2.7 **PFI projects-**

Excellent Homes for All (EHFA)

There is currently a Value for Money review being undertaken on Housing PFI projects which have not reached financial close. The EHFA PFI was given initial government approval at Outline Business Case stage in 2009. It original PFI had a credit of £75.090m. A value for money review is being undertaken by the Homes and Communities Agency (HCA) and Department for Communities and Local Government (DCLG) who will review the credit allocation and the basis on which the project can continue. The final decision will be made by the Minister for Housing.

The Authority has been asked to propose a reduced credit allocation that our bidders can commit to working within. A reduction of 6.2% has been proposed leaving a PFI credit of £70.4m. We currently have two bidders who have committed to managing within this credit allocation.

This project represents investment by a third party. No payment will be made by KCC for the newly built assets until they are ready for use. This will be by way of an annual unitary charge to the revenue budget. The timetable for reaching financial close has slipped as a result of the Central Government review and the project is now scheduled to reach financial close in 2012.

	Previous years	2011-12	2012-13	2013-14	2014-15	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
Budget				35,210	35,210	70,420
Forecast				35,210	35,210	70,420
Variance						

(a) **Progress and details of whether costings are still as planned (for the 3rd party)**

Overall costs still as planned.

(b) **Implications for KCC of details reported in (a) i.e. could an increase in the cost result in a change to the unitary charge?**

This contract has not been signed yet although the procurement is in the advanced stages of competitive dialogue. It is likely that the unitary charge will be fixed for the duration of the contract period. As with the previous PFI deductions will be made during the contract period if performance falls below the standards agreed or if the facilities are unavailable for use.

It is likely that if during the contract period if one of the partners proposes a change that either results in increased costs or a change in the balance of risk, this will need to be taken to the Project Board for agreement. Each partner will have a vote and any decision resulting in a change to the costs or risks would need unanimous approval.

1.2.8 **Project Re-Phasing**

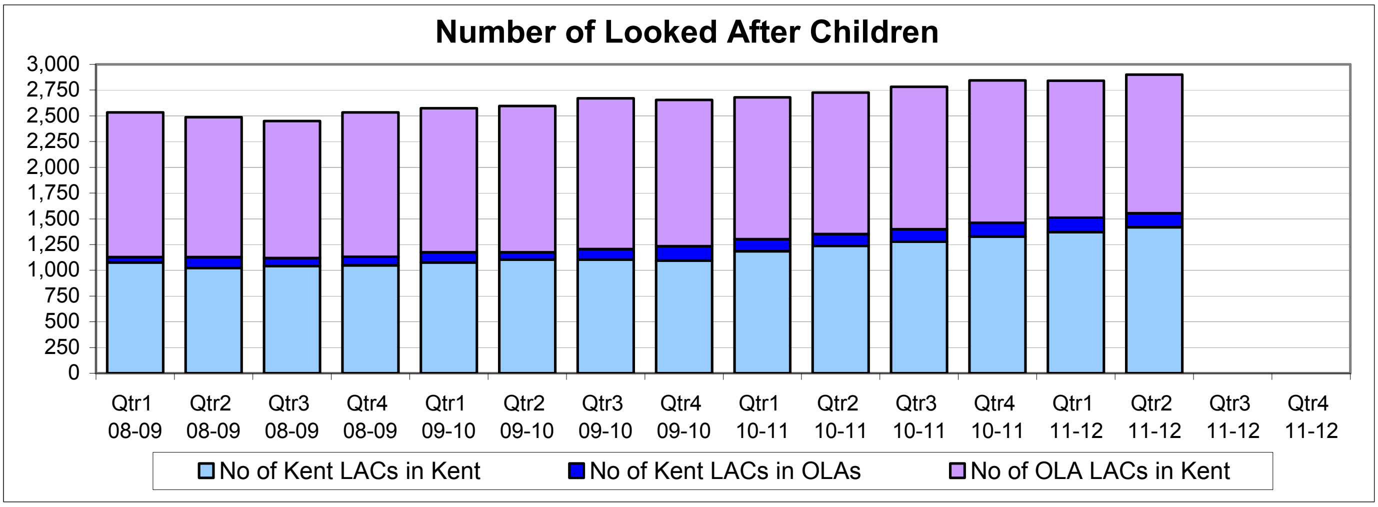
Cash limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the re-phasing will be shown. The possible re-phasing is detailed in the table below.

	2011-12	2012-13	2013-14	Future Years	Total
	£k	£k	£k	£k	£k
Dementia Care Modernisation					
Amended total cash limits	+171	0	0	0	+171
re-phasing	-171	+171	0	0	0
Revised project phasing	**0**	**+171**	**0**	**0**	**+171**
Dartford Town Centre - Trinity Centre					
Amended total cash limits	+999	0	0	0	+999
re-phasing	-999	+499	+500		0
Revised project phasing	**0**	**+499**	**+500**	**0**	**+999**
Older Persons Strategy - Integrated Specialist Service Centre					
Amended total cash limits	+3,553	+58	0	0	+3,611
re-phasing	-3,553	+442	+3,111	0	0
Revised project phasing	**0**	**+500**	**+3,111**	**0**	**+3,611**
Older Persons Strategy - Integrated Care Centres					
Amended total cash limits	0	+1,082	0	0	+1,082
re-phasing	0	-1,082	+1,082	0	0
Revised project phasing	**0**	**0**	**+1,082**	**0**	**+1,082**
IT Infrastructure (Swift & Swift ISP)					
Amended total cash limits	+894	0	0	0	+894
re-phasing	-610	+610	0	0	0
Revised project phasing	**+284**	**+610**	**0**	**0**	**+894**
Total re-phasing >£100k	**-5,333**	**+640**	**+4,693**	**0**	**0**
Other re-phased Projects below £100k	-15	+15			
TOTAL RE-PHASING	**-5,348**	**+655**	**+4,693**	**0**	**0**

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 **Numbers of Looked After Children (LAC)**: (Excludes Asylum Seekers)

	No of Kent LAC placed in Kent	No of Kent LAC placed in OLAs	TOTAL NO OF KENT LAC	No of OLA LAC placed in Kent	TOTAL No of LAC in Kent
2008-09					
Apr – Jun	1,075	52	**1,127**	1,408	**2,535**
Jul – Sep	1,022	105	**1,127**	1,360	**2,487**
Oct – Dec	1,042	77	**1,119**	1,331	**2,450**
Jan – Mar	1,048	84	**1,132**	1,402	**2,534**
2009-10					
Apr – Jun	1,076	100	**1,176**	1,399	**2,575**
Jul – Sep	1,104	70	**1,174**	1,423	**2,597**
Oct – Dec	1,104	102	**1,206**	1,465	**2,671**
Jan – Mar	1,094	139	**1,233**	1,421	**2,654**
2010-11					
Apr – Jun	1,184	119	**1,303**	1,377	**2,680**
Jul – Sep	1,237	116	**1,353**	1,372	**2,725**
Oct – Dec	1,277	123	**1,400**	1,383	**2,783**
Jan – Mar	1,326	135	**1,461**	1,385	**2,846**
2011-12					
Apr – Jun	1,371	141	**1,512**	1,330	**2,842**
Jul – Sep	1,419	135	**1,554**	1,347	**2,901**
Oct – Dec					
Jan – Mar					

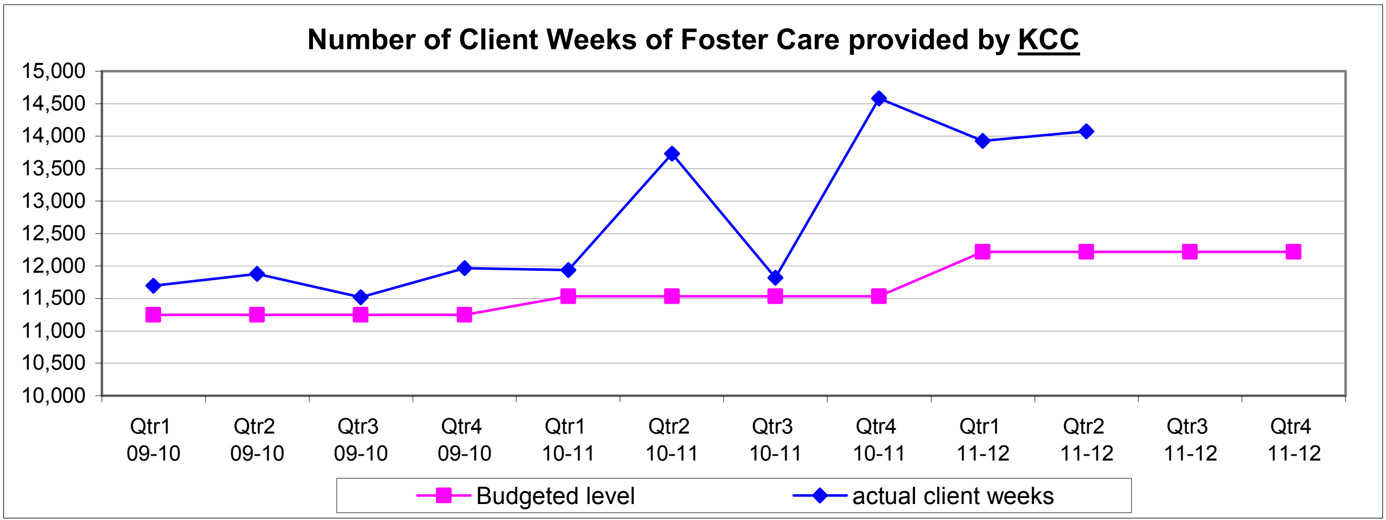


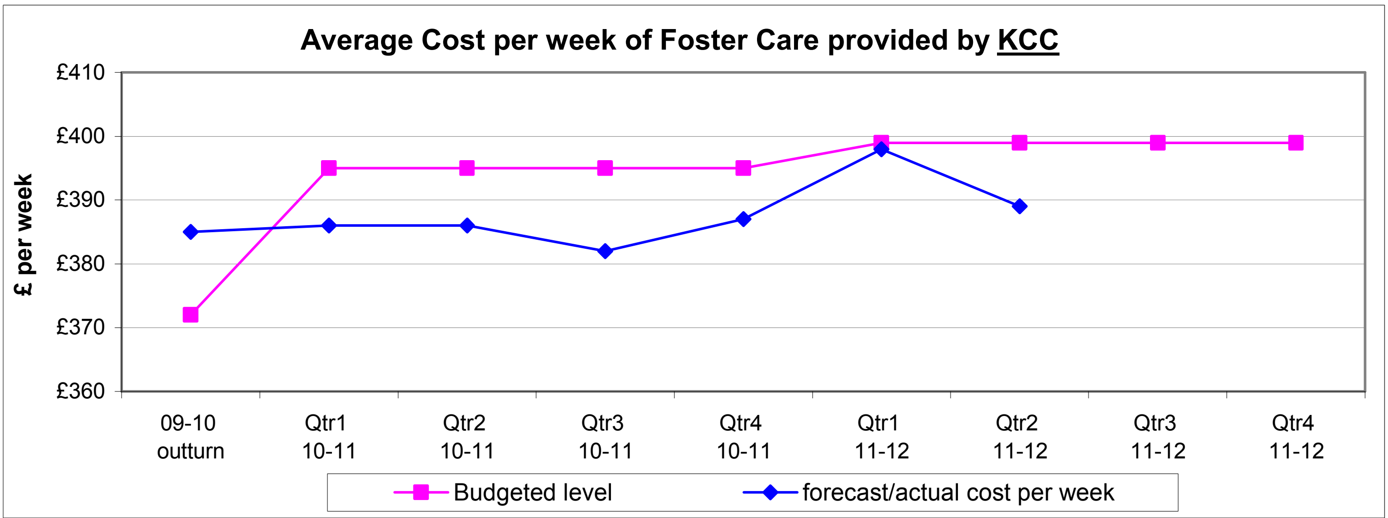
Comments:

- Children Looked After by KCC may on occasion be placed out of the County, which is undertaken using practice protocols that ensure that all long-distance placements are justified and in the interests of the child. All Looked After Children are subject to regular statutory reviews (at least twice a year), which ensures that a regular review of the child's care plan is undertaken. As at 30/09/2011, 99 (73%) of the Looked After Children placed outside of the Authority are in the following placements types: with KCC Foster Carers based outside of Kent; in specialist residential provision not available in Kent; Placed with Parents, Relatives or Friends; in Secure Units, Young Offenders Institutions or Prison; or in Hospital.
- The number of looked after children for each quarter represents a snapshot of the number of children designated as looked after at the end of each quarter, it is not the total number of looked after children during the period. Therefore, although the number of Kent looked after children appears to have increased by 42 this quarter, there are likely to have been more during the period.
- The increase in the number of looked after children has placed additional pressure on the services for Looked After Children, including Residential Services, Fostering services and 16+ services.

2.2.1 Number of Client Weeks & Average Cost per Client Week of Foster Care provided by KCC (Non Related Fostering):

	2009-10				2010-11				2011-12			
	No of weeks		Average cost per client week		No of weeks		Average cost per client week		No of weeks		Average cost per client week	
	Budget Level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	forecast
Apr - June	11,249	11,695			11,532	11,937	£395	£386	12,219	13,926	£399	£398
July - Sep	11,249	11,880			11,532	13,732	£395	£386	12,219	14,078	£399	£389
Oct - Dec	11,249	11,518			11,532	11,818	£395	£382	12,219		£399	
Jan - Mar	11,249	11,969			11,532	14,580	£395	£387	12,219		£399	
	44,997	**47,062**	**£372**	**£385**	**46,128**	**52,067**	**£395**	**£387**	**48,876**	**28,004**	**£399**	





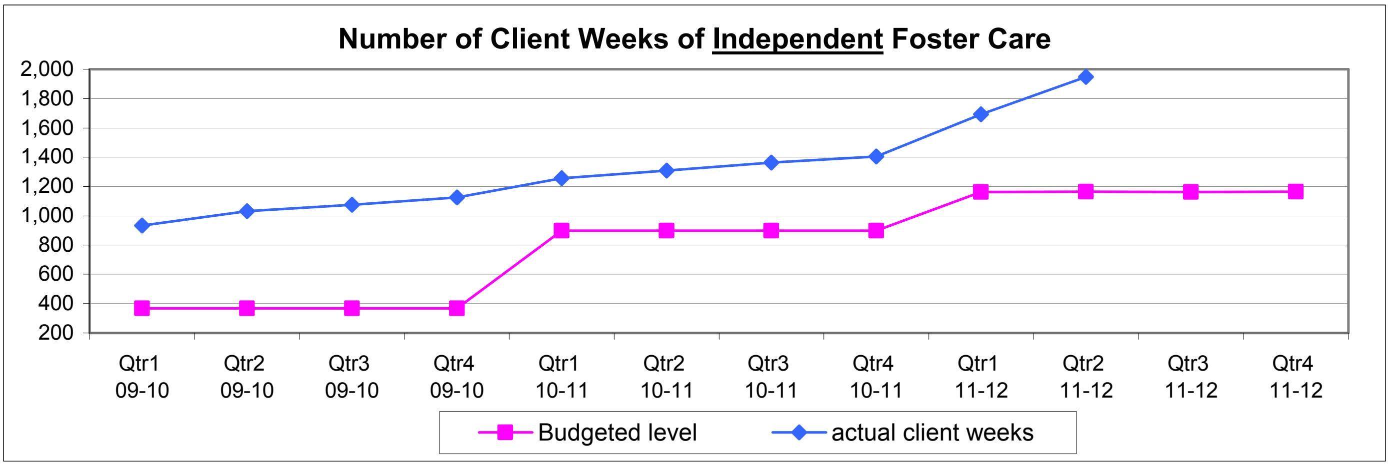
Comments:

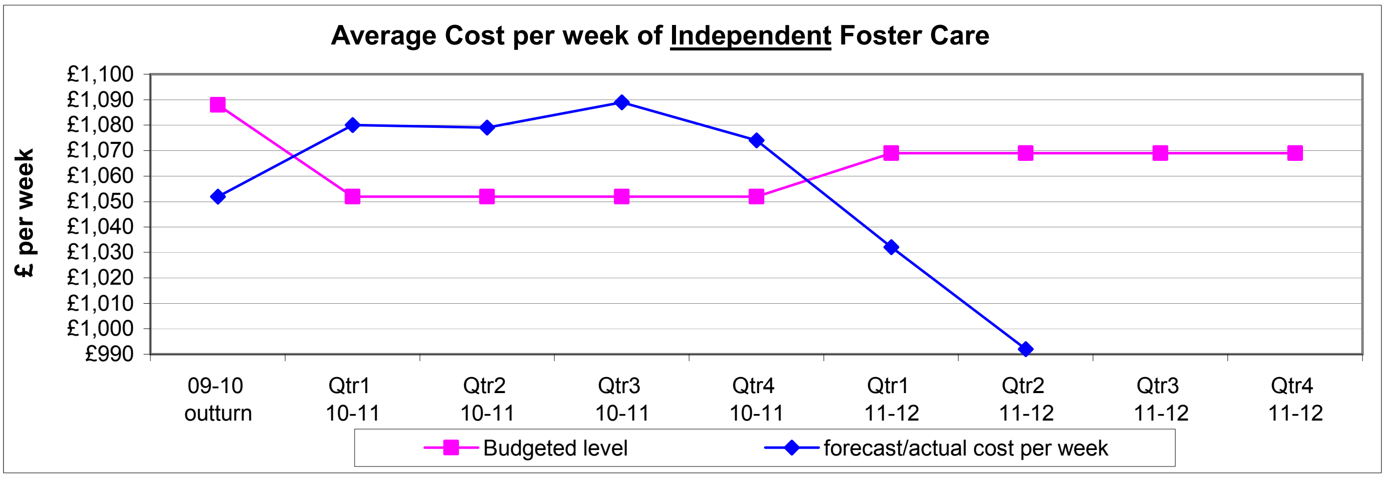
- The actual number of client weeks is based on the numbers of known clients at a particular point in time. This may be subject to change due to the late receipt of paperwork.
- The budgeted level has been calculated by dividing the budget by the average weekly cost. The average weekly cost is also an estimate based on financial information and estimates of the number of client weeks and may be subject to change.
- In addition, the 2011-12 budgeted level represents the level of demand as at the 3rd quarter's full monitoring report, which is the time at which the 2011-12 budget was set and approved. However, since that time, the service has experienced continued demand on this service.
- The current number of forecast weeks is 56,289 (including 16+, but excludes asylum), which is 7,413 weeks above the affordable level. At £399 per week, this increase in activity gives a pressure of £2,957k.
- The forecast unit cost of £388.50, (including both fostering and 16+, but excluding Asylum), is £10 below the budgeted level, which provides a saving of £585k

- Overall therefore, the combined gross pressure on this service for both under 16's (and those with a disability) and the 16+ service is +£2,372k, as reported in sections 1.1.3.2 and 1.1.3.5, with an income pressure of £2k giving a total net pressure of £2,374k.

2.2.2 **Number of Client Weeks & Average Cost per Client Week of Independent Foster Care**:

	2009-10				2010-11				2011-12			
	No of weeks		Average cost per client week		No of weeks		Average cost per client week		No of weeks		Average cost per client week	
	Budget Level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	forecast
Apr - June	369	935			900	1,257	£1,052	£1,080	1,177	1,693	£1,068.60	£1,032
July - Sep	369	1,032			900	1,310	£1,052	£1,079	1,178	1,948	£1,068.60	£992
Oct - Dec	369	1,075			900	1,363	£1,052	£1,089	1,177		£1,068.60	
Jan - Mar	369	1,126			900	1,406	£1,052	£1,074	1,178		£1,068.60	
	1,476	**4,168**	**£1,088**	**£1,052**	**3,600**	**5,336**	**£1,052**	**£1,074**	**4,710**	**3,641**	**£1,068.60**	





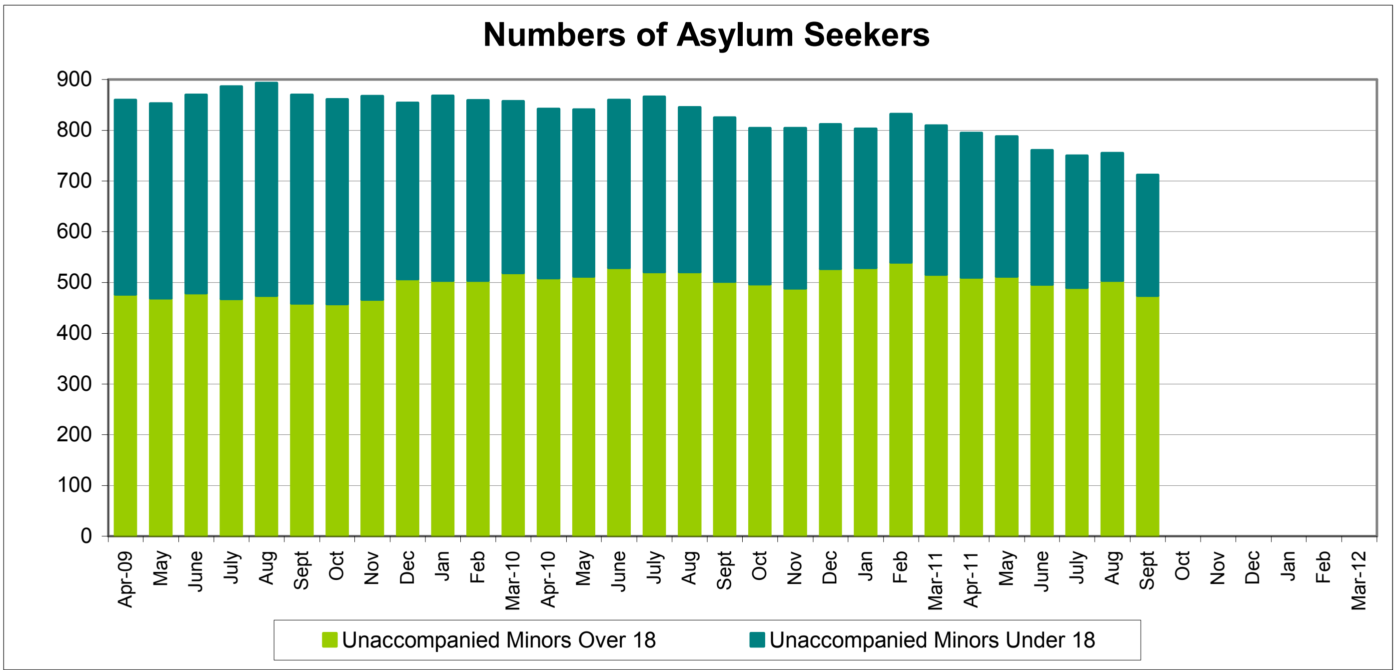
Comments:

- The actual number of client weeks is based on the numbers of known clients at a particular point in time. This may be subject to change due to the late receipt of paperwork.
- The budgeted level has been calculated by dividing the budget by the average weekly cost. The average weekly cost is also an estimate based on financial information and estimates of the number of client weeks and may be subject to change.
- The budgeted levels for 2010-11 were below the 2009-10 activity because although significant funding was made available as part of the 2010-13 MTP, this was insufficient to cover the demands for this service.
- For the 2011-12 budget further significant funding has been made available based on the actual level of demand at the 3rd quarter's monitoring position for 2010-11, the time at which the 2011-12 budget was set and approved. However, since that date the service has experienced continued demand on this service.

- The current number of forecast weeks is 7,396 (including 16+, but excludes asylum), which is 2,686 weeks above the affordable level. At £1,069 per week, this increase in activity gives a pressure of £2,870k
- The forecast unit cost of £992.30 (including both fostering and 16+, but excluding Asylum), is £76.30 below the budgeted level, which provides a saving of £564k
- The cost of placements made in 2011-12 are at a significantly lower level than originally forecast, and lower than those placements that have ended in the same period. As a result the current forecast unit cost is 7.6% lower than 2010-11 outturn
- Overall therefore, the combined gross pressure on this service for both under 16's (and those with a disability) and the 16+ service is +£2,306k, as reported in sections 1.1.3.2 and 1.1.3.5, together with an income pressure of +£5k giving a total net pressure of £2,311k.
- Whilst the current policy has been to use in-house placements where ever possible, the service has currently increased its IFA placements due to the current lack of availability of suitable in-house placements.

2.3 Numbers of Unaccompanied Asylum Seeking Children (UASC):

	2009-10			2010-11			2011-12		
	Under 18	Over 18	**Total Clients**	Under 18	Over 18	**Total Clients**	Under 18	Over 18	**Total Clients**
April	383	477	**860**	333	509	**842**	285	510	**795**
May	384	469	**853**	329	512	**841**	276	512	**788**
June	391	479	**870**	331	529	**860**	265	496	**761**
July	418	468	**886**	345	521	**866**	260	490	**750**
August	419	474	**893**	324	521	**845**	251	504	**755**
September	411	459	**870**	323	502	**825**	238	474	**712**
October	403	458	**861**	307	497	**804**			
November	400	467	**867**	315	489	**804**			
December	347	507	**854**	285	527	**812**			
January	364	504	**868**	274	529	**803**			
February	355	504	**859**	292	540	**832**			
March	338	519	**857**	293	516	**809**			



Comment:

- The overall number of children has reduced as a result of lower referrals, which are also lower than the budgeted number. It is unclear at this time whether this trend will continue. The number of clients supported, however, remains above the budgeted level of 700.

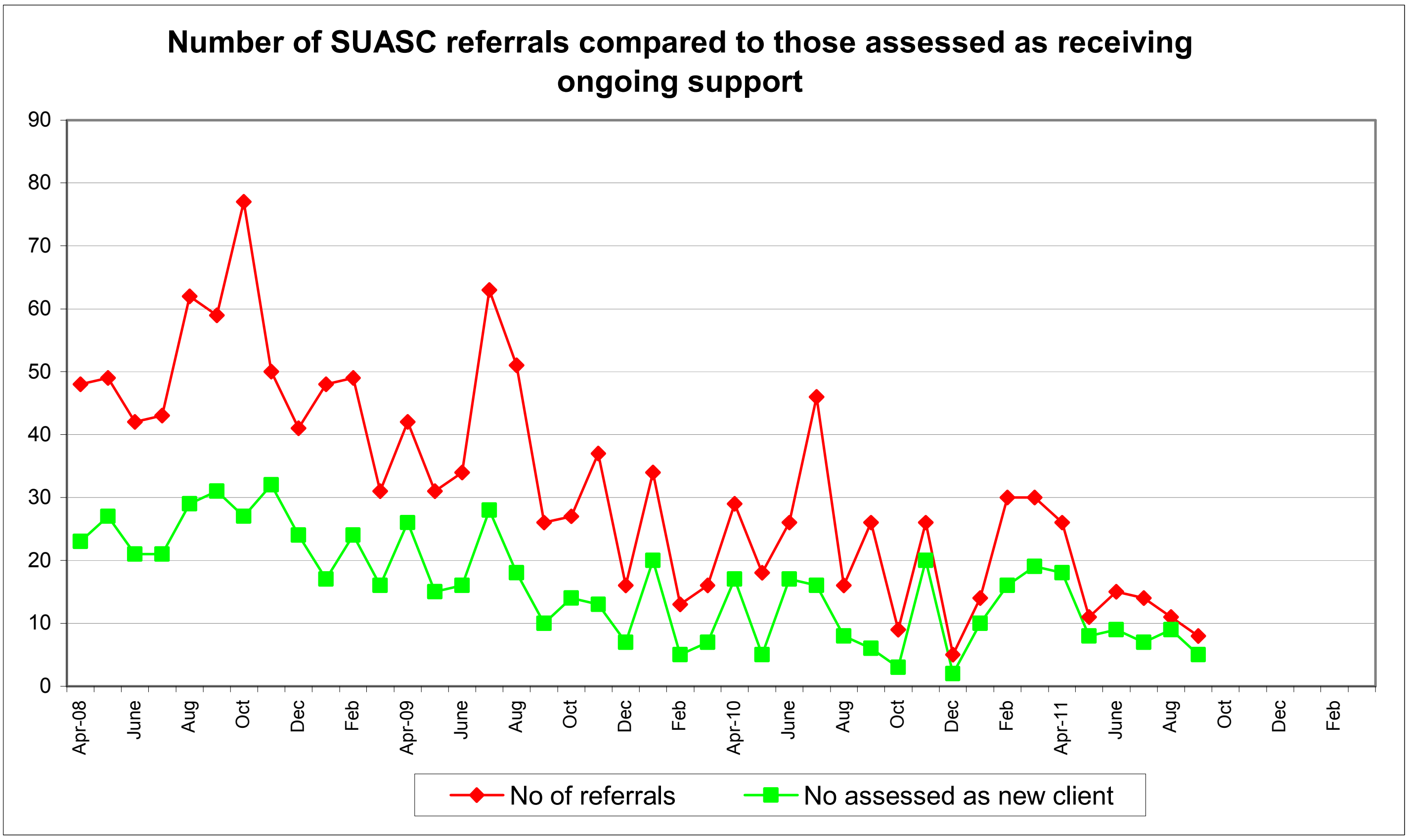
- The fall in the number of over 18's since March 2011 is largely the result of improved partnership working with the UKBA, which has seen a significant rise in the rate of All Rights of appeal Exhausted (ARE) removals.

- In general, the age profile suggests the number of over 18s is increasing and it is this service which is experiencing the shortfall of funding. In addition the age profile of the under 18 children has reduced, with significantly higher numbers being placed in foster care.

- The data recorded above will include some referrals for which the assessments are not yet complete or are being challenged. These clients are initially recorded as having the Date of Birth that they claim but once their assessment has been completed, or when successfully appealed, their category may change.

2.4 **Numbers of Asylum Seeker referrals compared with the number assessed as qualifying for on-going support from Service for Unaccompanied Asylum Seeking Children (SUASC) ie new clients**:

	2008-09			2009-10			2010-11			2011-12		
	No. of referrals	No. assessed as new client	%	No. of referrals	No. assessed as new client	%	No. of referrals	No. assessed as new client	%	No. of referrals	No. assessed as new client	%
April	48	23	48%	42	26	62%	29	17	59%	26	18	69%
May	49	27	55%	31	15	48%	18	5	28%	11	8	73%
June	42	21	50%	34	16	47%	26	17	65%	15	9	60%
July	43	21	49%	63	28	44%	46	16	35%	14	7	50%
August	62	29	47%	51	18	35%	16	8	50%	11	9	82%
Sept	59	31	53%	26	10	38%	26	6	23%	8	5	62%
Oct	77	27	35%	27	14	52%	9	3	33%			
Nov	50	32	64%	37	13	35%	26	20	77%			
Dec	41	24	59%	16	7	44%	5	2	40%			
Jan	48	17	35%	34	20	59%	14	10	71%			
Feb	49	24	49%	13	5	38%	30	16	53%			
March	31	16	52%	16	7	44%	30	19	63%			
	599	**292**	**49%**	**390**	**179**	**46%**	**275**	**139**	**51%**	**85**	**56**	**66%**

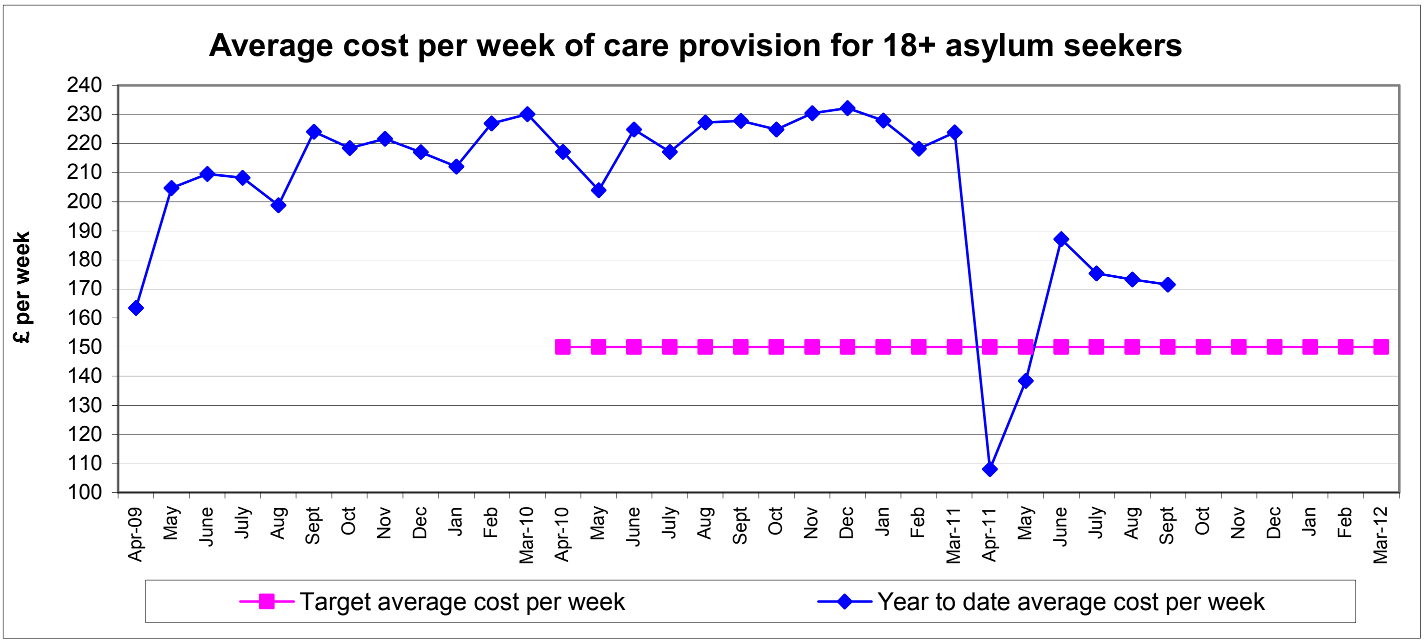


Comments:

- In general, referral rates have been lower since September 2009 which coincides with the French Government's action to clear asylum seeker camps around Calais. The average number of referrals per month is now 14.2, which is less than 50% of the budgeted number of 30 referrals per month.
- The number of referrals has a knock on effect on the number assessed as new clients. The budgeted level is based on the assumption 50% of the referrals will be assessed as a new client. In 2011-12 the rate has been 66%. The average number assessed as new clients is now 9.3, which is 38% lower than the original forecast of 15 new clients per month.

2.5 Average monthly cost of Asylum Seekers Care Provision for 18+ Care Leavers:

	2009-10		2010-11		2011-12	
	Target average weekly cost £p	Year to date average weekly cost £p	Target average weekly cost £p	Year to date average weekly cost £p	Target average weekly cost £p	Year to date average weekly cost £p
April		163.50	150.00	217.14	150.00	108.10
May		204.63	150.00	203.90	150.00	138.42
June		209.50	150.00	224.86	150.00	187.17
July		208.17	150.00	217.22	150.00	175.33
August		198.69	150.00	227.24	150.00	173.32
September		224.06	150.00	227.79	150.00	171.58
October		218.53	150.00	224.83	150.00	
November		221.64	150.00	230.47	150.00	
December		217.10	150.00	232.17	150.00	
January		211.99	150.00	227.96	150.00	
February		226.96	150.00	218.30	150.00	
March		230.11	150.00	223.87	150.00	



Comments:

- The funding levels for the Asylum Service agreed with the Government rely on us achieving an average cost per week of £150, in order for the service to be fully funded, which is also reliant on the UKBA accelerating the removal process. In 2011-12 UKBA have changed their grant rules and will now only fund the costs of an individual for up to three months after the All Rights of appeal Exhausted (ARE) process if the LA carries out a Human Rights Assessment before continuing support. We are currently seeking legal advice regarding this change. The LA remains responsible for costs under the Leaving Care Act until the point of removal.
- As part of our partnership working with UKBA, all ARE UASC in Kent are now required to report to UKBA offices on a regular basis, in most cases weekly. The aim is to ensure that UKBA have regular contact and can work with the young people to encourage them to make use of the voluntary methods of return rather than forced removal or deportation. As part of this arrangement any young person who does not report as required may have their support discontinued. As yet this has not resulted in an increase in the number of AREs being removed. The number of AREs supported continues to increase. As a result our ability to achieve a balanced position on the Asylum Service becomes more difficult.
- Moving clients on to the pilot housing scheme was slower than originally anticipated, however all our young people, who it was appropriate to move to lower cost accommodation, were moved by the end of 2010-11. However there remain a number of issues:

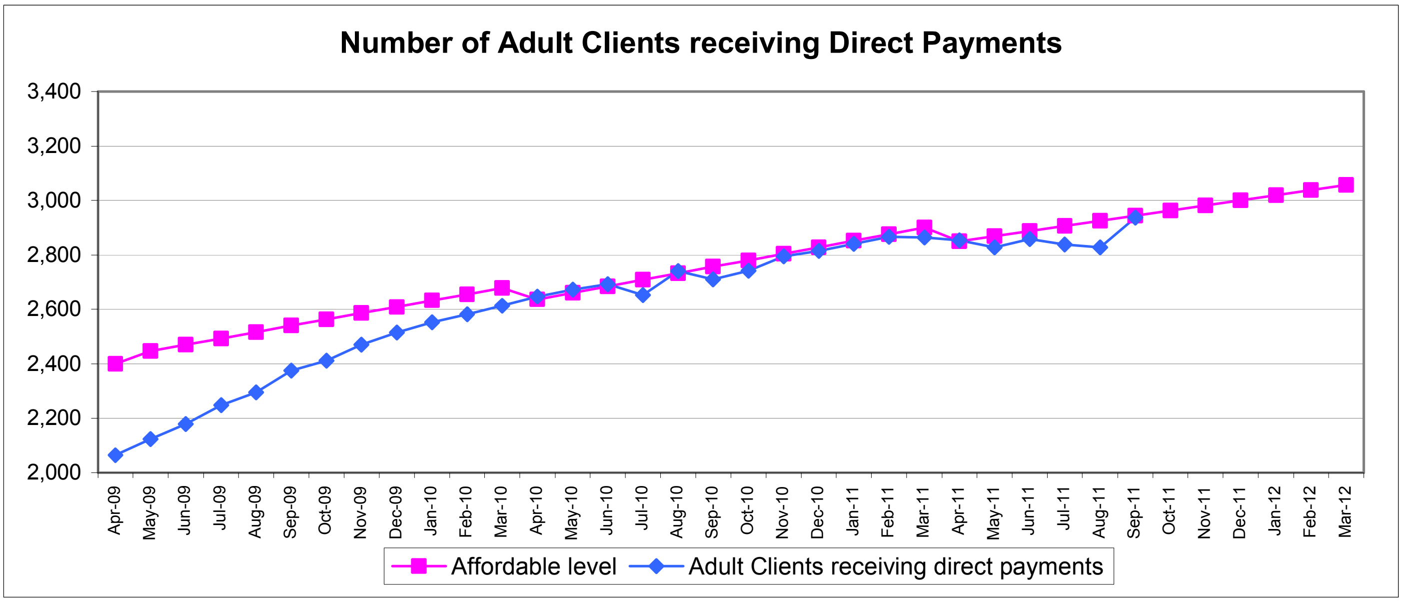
- For various reasons, some young people have not yet moved to lower cost properties, mainly those placed out of county. These placements are largely due to either medical/mental health needs or educational needs. Many of these placements, particularly those linked to education, have ended in the 2nd quarter.
- We are currently experiencing higher than anticipated level of voids, properties not being fully occupied. Following the incident in Folkestone in January, teams are exercising a greater caution when making new placements into existing properties. This is currently being addressed by the Accommodation Team.
- We are still receiving damages claims relating to closed properties.

The average weekly cost at the end of the second quarter of 2011-12 financial year was £171.58. While this is significantly higher than the target of £150, it is lower than the comparable figure at the end of the 1st quarter, and is adding £70k to the pressure on the Asylum budget, as reported in section 1.1.3.4. This forecast assumes that the unit cost will continue to fall throughout the second half of the year, to end the year slightly above the target of £150pw – this will be achieved by:

- Implementation of the new property strategy, which will reduce rental costs and damages
- Review of clients entitlement to DWP benefits to ensure they are claiming what they are entitled to – this will allow us to reduce our payment of allowances
- More efficient removal of ARE clients by the UKBA – as a group, these have a higher unit cost than the non-ARE clients (as they cannot work, are not entitled to DWP benefits, and as they are not in education they are not entitled to Council Tax benefit, therefore full liability falls to the Local Authority)

2.6 Direct Payments – Number of Adult Social Care Clients receiving Direct Payments (DPs):

	2009-10		2010-11		2011-12	
	Affordable Level	Adult Clients receiving Direct Payments	Affordable Level	Adult Clients receiving Direct Payments	Affordable Level	Adult Clients receiving Direct Payments
April	2,400	2,065	2,637	2,647	2,850	2,854
May	2,447	2,124	2,661	2,673	2,869	2,828
June	2,470	2,179	2,685	2,693	2,888	2,858
July	2,493	2,248	2,709	2,653	2,906	2,838
August	2,516	2,295	2,733	2,741	2,925	2,828
September	2,540	2,375	2,757	2,710	2,944	2,937
October	2,563	2,411	2,780	2,742	2,963	
November	2,586	2,470	2,804	2,795	2,982	
December	2,609	2,515	2,828	2,815	3,001	
January	2,633	2,552	2,852	2,841	3,019	
February	2,656	2,582	2,876	2,867	3,038	
March	2,679	2,613	2,900	2,864	3,057	

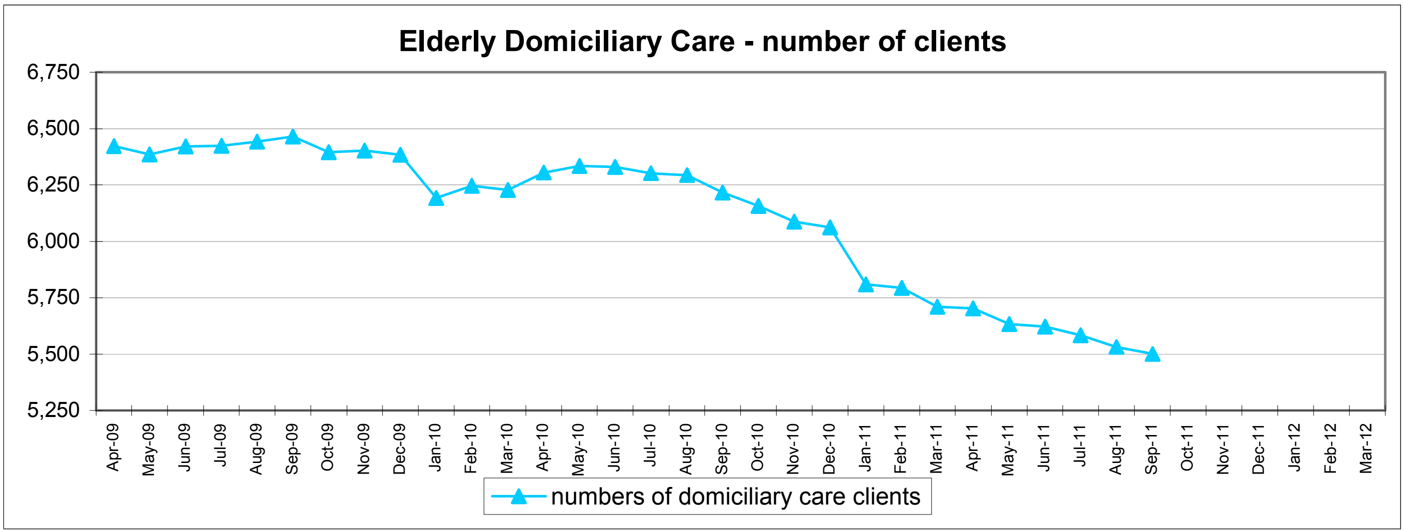


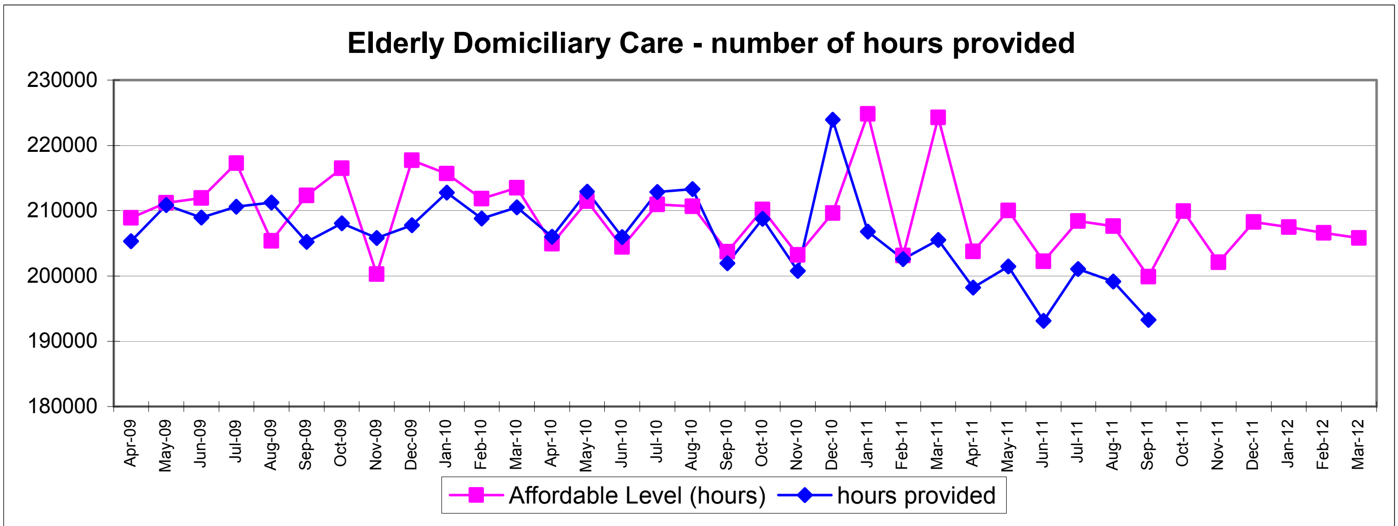
Comments:

- The activity being reported is the long term clients in receipt of direct payments in the year as at the end of the month plus any one off payments. The drive to implement personalisation and allocate personal budgets has seen continued increases in direct payments over the years. There will be other means by which people can use their personal budgets and this may impact on the take up of direct payments, we believe we may be seeing the beginning of this effect, since in the first few months of this financial year, client numbers appear to levelling out.

2.7.1 **Elderly domiciliary care – numbers of clients and hours provided**:

	2009-10			2010-11			2011-12		
	Affordable level (hours)	**hours provided**	**number of clients**	**Affordable level (hours)**	**hours provided**	**number of clients**	**Affordable level (hours)**	**hours provided**	**number of clients**
April	208,869	205,312	6,423	204,948	205,989	6,305	203,769	198,243	5,703
May	211,169	210,844	6,386	211,437	212,877	6,335	210,018	201,438	5,634
June	211,897	208,945	6,422	204,452	205,937	6,331	202,215	193,147	5,622
July	217,289	210,591	6,424	210,924	212,866	6,303	208,412	201,046	5,584
August	205,354	211,214	6,443	210,668	213,294	6,294	207,610	199,172	5,532
September	212,289	205,238	6,465	203,708	201,951	6,216	199,885	193,274	5,501
October	216,491	208,051	6,396	210,155	208,735	6,156	209,898		
November	200,292	205,806	6,403	203,212	200,789	6,087	202,080		
December	217,749	207,771	6,385	209,643	223,961	6,061	208,262		
January	215,686	212,754	6,192	224,841	206,772	5,810	207,445		
February	211,799	208,805	6,246	203,103	202,568	5,794	206,587		
March	213,474	210,507	6,227	224,285	205,535	5,711	205,813		
TOTAL	**2,542,358**	**2,505,838**		**2,521,376**	**2,501,274**		**2,471,994**	**1,186,320**	





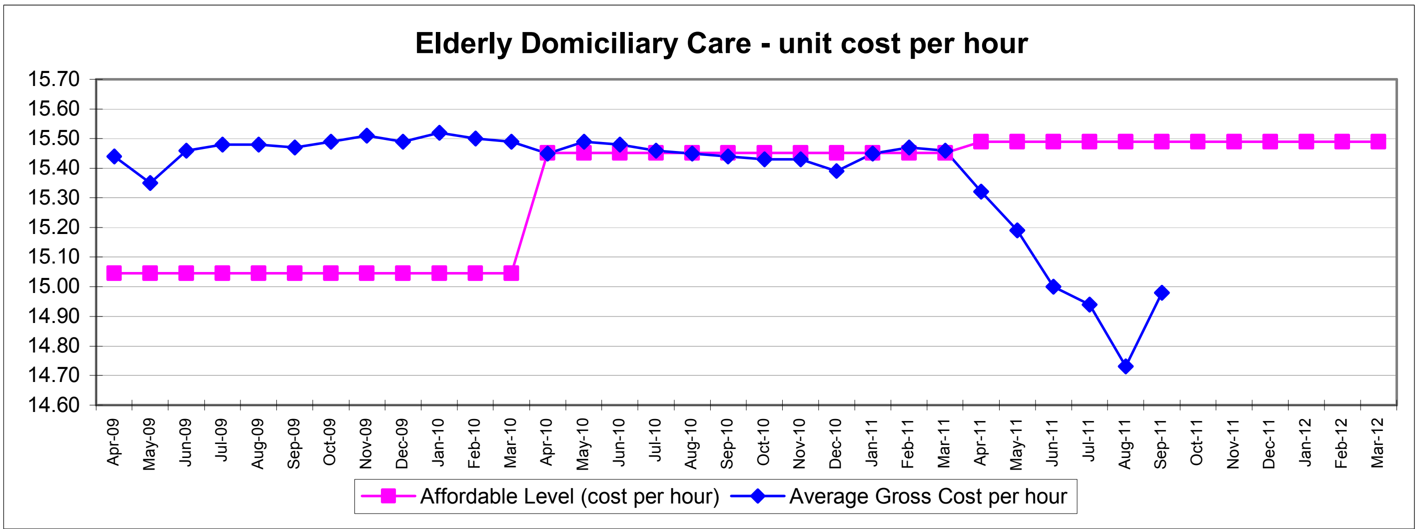
Comment:

- Figures exclude services commissioned from the Kent Enablement At Home Service.
- The current forecast is 2,414,721 hours of care against an affordable level of 2,471,994, a difference of -57,273 hours. Using the forecast unit cost of £14.98 this reduction in activity reduces the forecast by £858k, as highlighted in section 1.1.3.12.c

- To the end of September 1,186,320 hours of care have been delivered against an affordable level of 1,231,909 a difference of -45,589 hours.
- The year to date activity compared to the affordable level suggests a greater reduction in weeks than is currently forecast. Domiciliary for all client groups are volatile budgets, with the number of people receiving domiciliary care decreasing over the past few years as a result of the implementation of Self Directed Support (SDS). This is being compounded by a shift in trend in the take up of the enablement service, which currently requires further validation.
- Affordable levels have changed slightly to include the release of a provision and some rolled forward grant funding from 2010-11 which is now being used to fund activity.

2.7.2 **Average gross cost per hour of older people domiciliary care compared with affordable level**:

	2009-10		2010-11		2011-12	
	Affordable Level (Cost per Hour)	**Average Gross Cost per Hour**	**Affordable Level (Cost per Hour)**	**Average Gross Cost per Hour**	**Affordable Level (Cost per Hour)**	**Average Gross Cost per Hour**
April	15.045	15.44	15.452	15.45	15.49	15.32
May	15.045	15.35	15.452	15.49	15.49	15.19
June	15.045	15.46	15.452	15.48	15.49	15.00
July	15.045	15.48	15.452	15.46	15.49	14.94
August	15.045	15.48	15.452	15.45	15.49	14.73
September	15.045	15.47	15.452	15.44	15.49	14.98
October	15.045	15.49	15.452	15.43	15.49	
November	15.045	15.51	15.452	15.43	15.49	
December	15.045	15.49	15.452	15.39	15.49	
January	15.045	15.52	15.452	15.45	15.49	
February	15.045	15.50	15.452	15.47	15.49	
March	15.045	15.49	15.452	15.46	15.49	

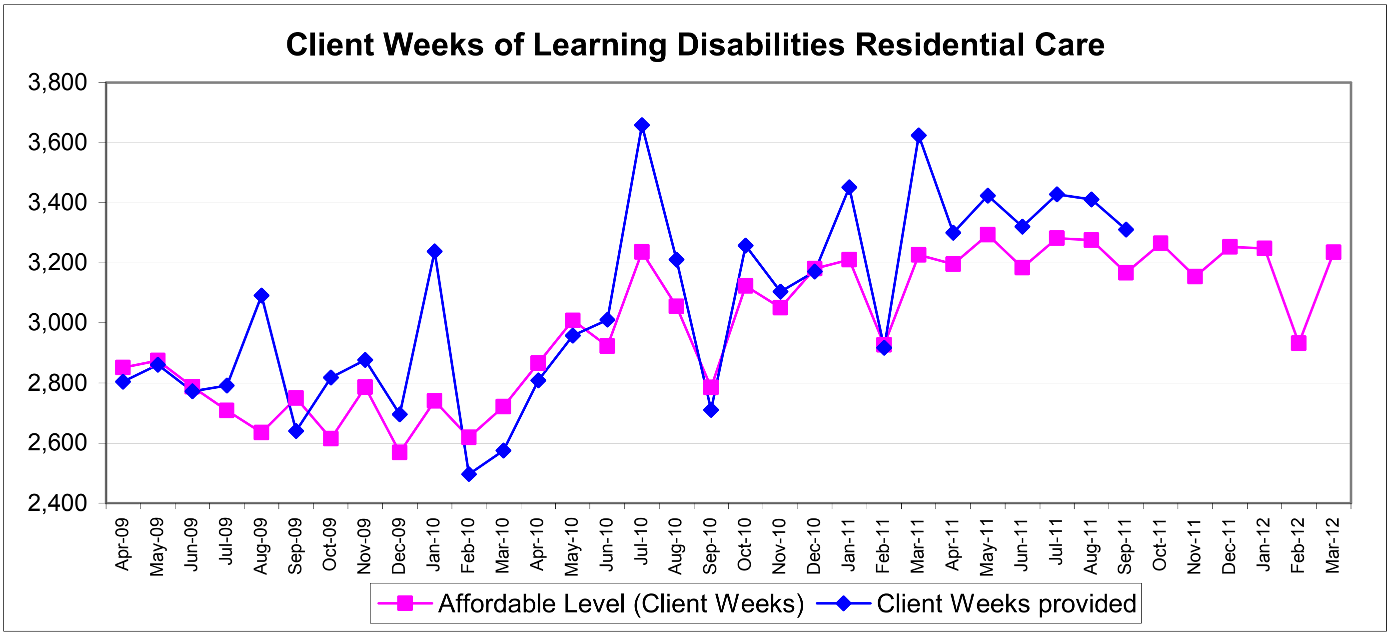


Comments:

- The forecast unit cost of £14.98 is lower than the affordable cost of £15.49 and this difference of -£0.51 reduces the forecast by £1,266k when multiplied by the affordable hours, as highlighted in section 1.1.3.12.c
- The unit cost continues to be lower than the affordable because current work with providers to achieve savings requires them to provide a service at a lower cost – this is ongoing work with all homecare providers and will contribute to the domiciliary re-let. In addition, we are focussing on reducing the unit rate of care packages which are provided in ½ and ¾ hours which have traditionally been slightly more expensive.

2.8.1 **Number of client weeks of learning disabilities residential care provided compared with affordable level (non preserved rights clients):**

	2009-10		2010-11		2011-12	
	Affordable Level (Client Weeks)	Client Weeks of LD residential care provided	Affordable Level (Client Weeks)	Client Weeks of LD residential care provided	Affordable Level (Client Weeks)	Client Weeks of LD residential care provided
April	2,851	2,804	2,866	2,808	3,196	3,300
May	2,875	2,861	3,009	2,957	3,294	3,423
June	2,787	2,772	2,922	3,011	3,184	3,320
July	2,708	2,792	3,236	3,658	3,282	3,428
August	2,635	3,091	3,055	3,211	3,275	3,411
September	2,750	2,640	2,785	2,711	3,167	3,311
October	2,615	2,818	3,123	3,257	3,265	
November	2,786	2,877	3,051	3,104	3,154	
December	2,569	2,696	3,181	3,171	3,253	
January	2,740	3,238	3,211	3,451	3,248	
February	2,619	2,497	2,927	2,917	2,932	
March	2,721	2,576	3,227	3,624	3,235	
TOTAL	**32,656**	**33,662**	**36,593**	**37,880**	**38,485**	**20,193**



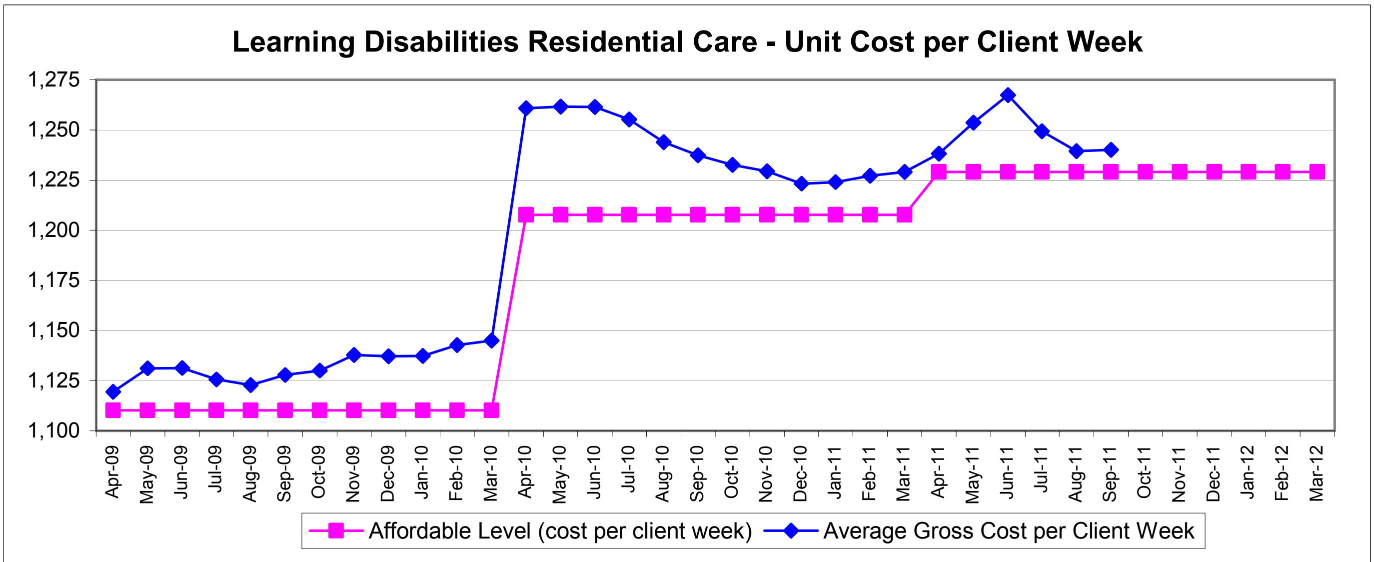
Comments:

- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in LD residential care at the end of 2009-10 was 632, at the end of 2010-11 it was 713 and at the end of September 2011 it was 745 including any ongoing transfers as part of the S256 agreement, transitions, provisions and Ordinary Residence.
- The current forecast is 40,810 weeks of care against an affordable level of 38,485, a difference of +2,325 weeks. Using the forecast unit cost of £1,240.17, this additional activity adds £2,883k to the forecast, as highlighted in section 1.1.3.13a. The forecast activity for this service is based on known individual clients, by individual periods of service, including provisional, transitional and ordinary resident clients. (Provisional clients are those who may move from domiciliary/direct payments to residential as a result of deterioration in their condition/personal requirements, as well as clients already in receipt of residential care, but whose personal/financial circumstances deteriorate). This is a volatile demand led budget forecast meaning that each month presents changes to the forecast as new data is obtained. In some cases there are timing differences between when the clients are added into SWIFT (the client activity system), compared to the inclusion within the financial forecast, maybe as a result of disputes or independent contract negotiations. As a result the year to date position has been re-stated, with the second half of the year expected to see an increased take up.

- To the end of September 2011 20,193 weeks of care have been delivered against an affordable level of 19,398, a difference of +795 weeks.

2.8.2 **Average gross cost per client week of Learning Disabilities residential care compared with affordable level (non preserved rights clients)**:

	2009-10		**2010-11**		**2011-12**	
	Affordable Level (Cost per Week)	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**
April	1,110.15	1,119.42	1,207.58	1,260.82	1,229.19	1,238.24
May	1,110.15	1,131.28	1,207.58	1,261.67	1,229.19	1,253.68
June	1,110.15	1,131.43	1,207.58	1,261.46	1,229.19	1,267.40
July	1,110.15	1,125.65	1,207.58	1,255.21	1,229.19	1,249.41
August	1,110.15	1,122.81	1,207.58	1,243.87	1,229.19	1,239.50
September	1,110.15	1,127.79	1,207.58	1,237.49	1,229.19	1,240.17
October	1,110.15	1,130.07	1,207.58	1,232.68	1,229.19	
November	1,110.15	1,137.95	1,207.58	1,229.44	1,229.19	
December	1,110.15	1,137.28	1,207.58	1,223.31	1,229.19	
January	1,110.15	1,137.41	1,207.58	1,224.03	1,229.19	
February	1,110.15	1,142.82	1,207.58	1,227.26	1,229.19	
March	1,110.15	1,145.12	1,207.58	1,229.19	1,229.19	

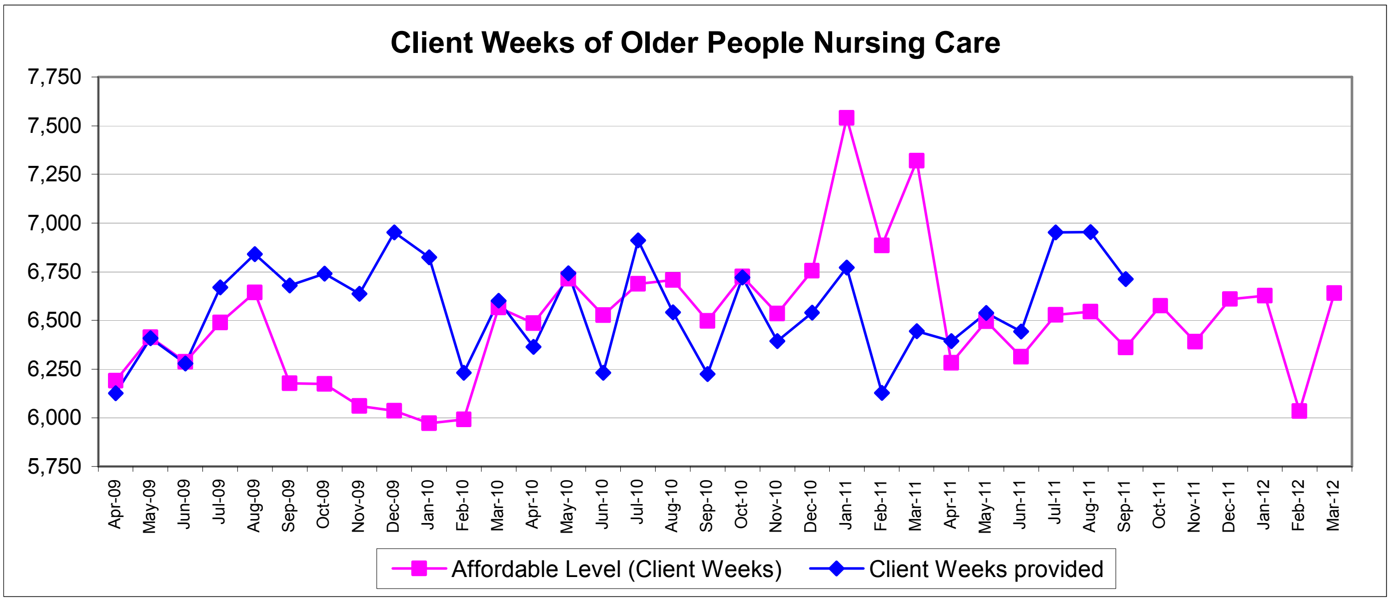


Comments

- Clients being placed in residential care are those with very complex and individual needs which make it difficult for them to remain in the community, in supported accommodation/supporting living arrangements, or receiving a domiciliary care package. These are therefore placements which attract a very high cost, with the average now being over £1,200 per week. It is expected that clients with less complex needs, and therefore less cost, can transfer from residential into supported living arrangements. This would mean that the average cost per week would increase over time as the remaining clients in residential care would be those with very high cost – some of whom can cost up to £2,000 per week. In addition, no two placements are alike – the needs of people with learning disabilities are unique and consequently, it is common for average unit costs to increase or decrease significantly on the basis of one or two cases
- The forecast unit cost of £1,240.17 is higher than the affordable cost of £1,229.19 and this difference of £10.98 creates a pressure of £422k when multiplied by the affordable weeks, as highlighted in section 1.1.3.13a.

2.9.1 Number of client weeks of older people nursing care provided compared with affordable level:

	2009-10		2010-11		2011-12	
	Affordable Level (Client Weeks)	Client Weeks of older people nursing care provided	Affordable Level (Client Weeks)	Client Weeks of older people nursing care provided	Affordable Level (Client Weeks)	Client Weeks of older people nursing care provided
April	6,191	6,127	6,485	6,365	6,283	6,393
May	6,413	6,408	6,715	6,743	6,495	6,538
June	6,288	6,279	6,527	6,231	6,313	6,442
July	6,489	6,671	6,689	6,911	6,527	6,953
August	6,644	6,841	6,708	6,541	6,544	6,954
September	6,178	6,680	6,497	6,225	6,361	6,713
October	6,175	6,741	6,726	6,722	6,576	
November	6,062	6,637	6,535	6,393	6,391	
December	6,037	6,952	6,755	6,539	6,610	
January	5,973	6,824	7,541	6,772	6,628	
February	5,992	6,231	6,885	6,129	6,036	
March	6,566	6,601	7,319	6,445	6,641	
TOTAL	**75,008**	**78,992**	**81,382**	**78,016**	**77,405**	**39,993**

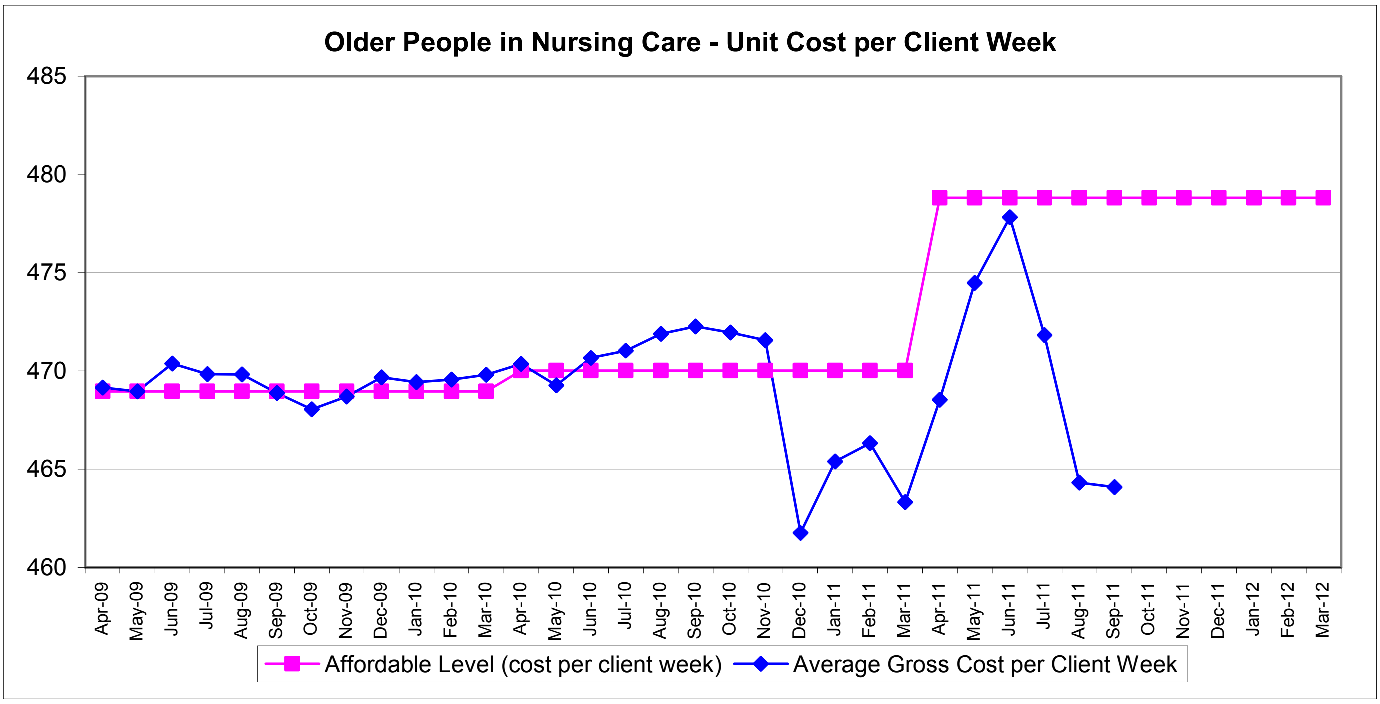


Comment:

- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in older people nursing care at the end of 2009-10 was 1,374, at the end of 2010-11 it was 1,379 at the end of September 2011 it was 1,481. In nursing care, there is not the same distinction between clients with dementia, as with residential care. The difference in intensity of care for nursing care and nursing care with dementia is not as significant as it is for residential care.
- The current forecast is 80,840 weeks of care against an affordable level of 77,405, a difference of +3,435. Using the actual unit cost of £464.09, this increased activity adds £1,594k to the forecast, as highlighted in section 1.1.3.13c
- To the end of September 2011 39,993 weeks of care have been delivered against an affordable level of 38,523 a difference of +1,470 weeks.
- There are always pressures in permanent nursing care, which may occur for many reasons. Increasingly, older people are entering nursing care only when other ways of support have been explored. This means that the most dependent are those that enter nursing care and consequently are more likely to have dementia. In addition, there will always be pressures which the directorate face, for example the knock on effect of minimising delayed transfers of care. Demographic changes – increasing numbers of older people with long term illnesses – also means that there is an underlying trend of growing numbers of people needing nursing care.

2.9.2 **Average gross cost per client week of older people nursing care compared with affordable level**:

	2009-10		2010-11		2011-12	
	Affordable Level (Cost per Week)	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**
April	468.95	469.15	470.01	470.36	478.80	468.54
May	468.95	468.95	470.01	469.27	478.80	474.48
June	468.95	470.37	470.01	470.67	478.80	477.82
July	468.95	469.84	470.01	471.03	478.80	471.84
August	468.95	469.82	470.01	471.90	478.80	464.32
September	468.95	468.88	470.01	472.28	478.80	464.09
October	468.95	468.04	470.01	471.97	478.80	
November	468.95	468.69	470.01	471.58	478.80	
December	468.95	469.67	470.01	461.75	478.80	
January	468.95	469.42	470.01	465.40	478.80	
February	468.95	469.55	470.01	466.32	478.80	
March	468.95	469.80	470.01	463.34	478.80	



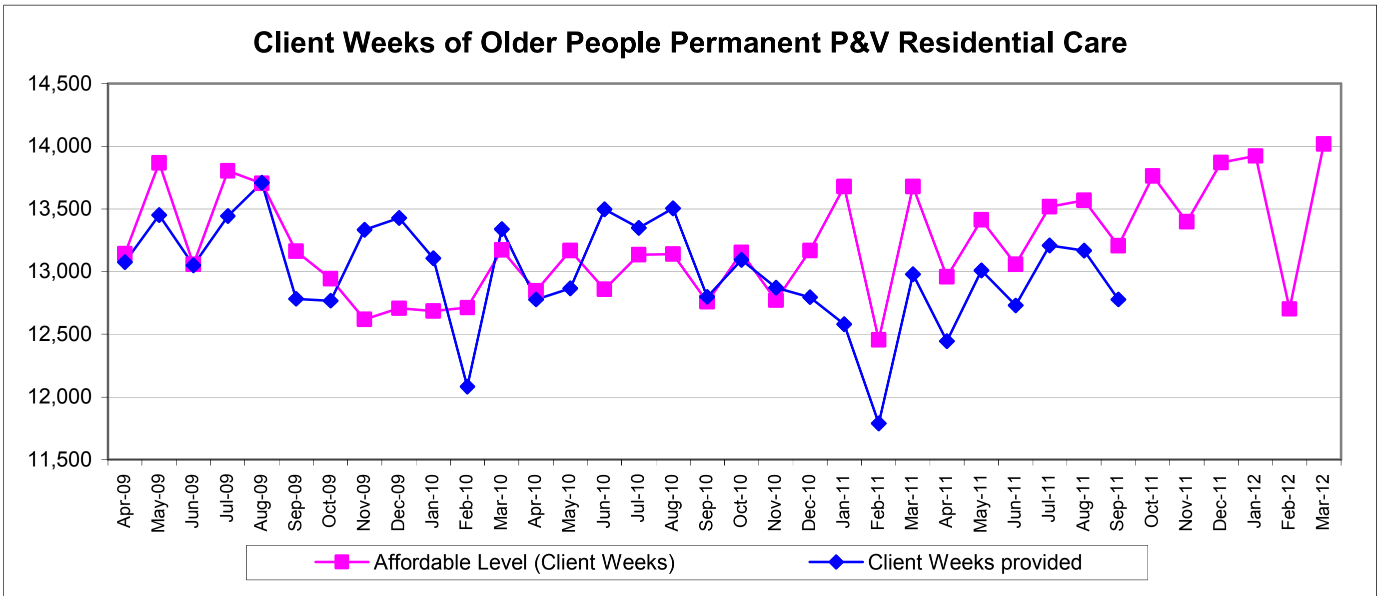
Comments:

- As with residential care, the unit cost for nursing care will be affected by the increasing proportion of older people with dementia who need more specialist and expensive care, which is why the unit cost can be quite volatile.

- The forecast unit cost of £464.09 is lower than the affordable cost of £478.80 and this difference of -£14.71 creates a saving of £1,139k when multiplied by the affordable weeks, as highlighted in section 1.1.3.13c

2.10.1 **Number of client weeks of older people permanent P&V residential care provided compared with affordable level**:

	2009-10		2010-11		2011-12	
	Affordable Level (Client Weeks)	**Client Weeks of older people permanent P&V residential care provided**	**Affordable Level (Client Weeks)**	**Client Weeks of older people permanent P&V residential care provided**	**Affordable Level (Client Weeks)**	**Client Weeks of older people permanent P&V residential care provided**
April	13,142	13,076	12,848	12,778	12,959	12,446
May	13,867	13,451	13,168	12,867	13,412	13,009
June	13,059	13,050	12,860	13,497	13,058	12,731
July	13,802	13,443	13,135	13,349	13,517	13,208
August	13,703	13,707	13,141	13,505	13,569	13,167
September	13,162	12,784	12,758	12,799	13,207	12,779
October	12,943	12,768	13,154	13,094	13,762	
November	12,618	13,333	12,771	12,873	13,398	
December	12,707	13,429	13,167	12,796	13,869	
January	12,685	13,107	13,677	12,581	13,922	
February	12,712	12,082	12,455	11,790	12,701	
March	13,172	13,338	13,678	12,980	14,019	
TOTAL	**157,572**	**157,568**	**156,812**	**154,909**	**161,392**	**77,340**

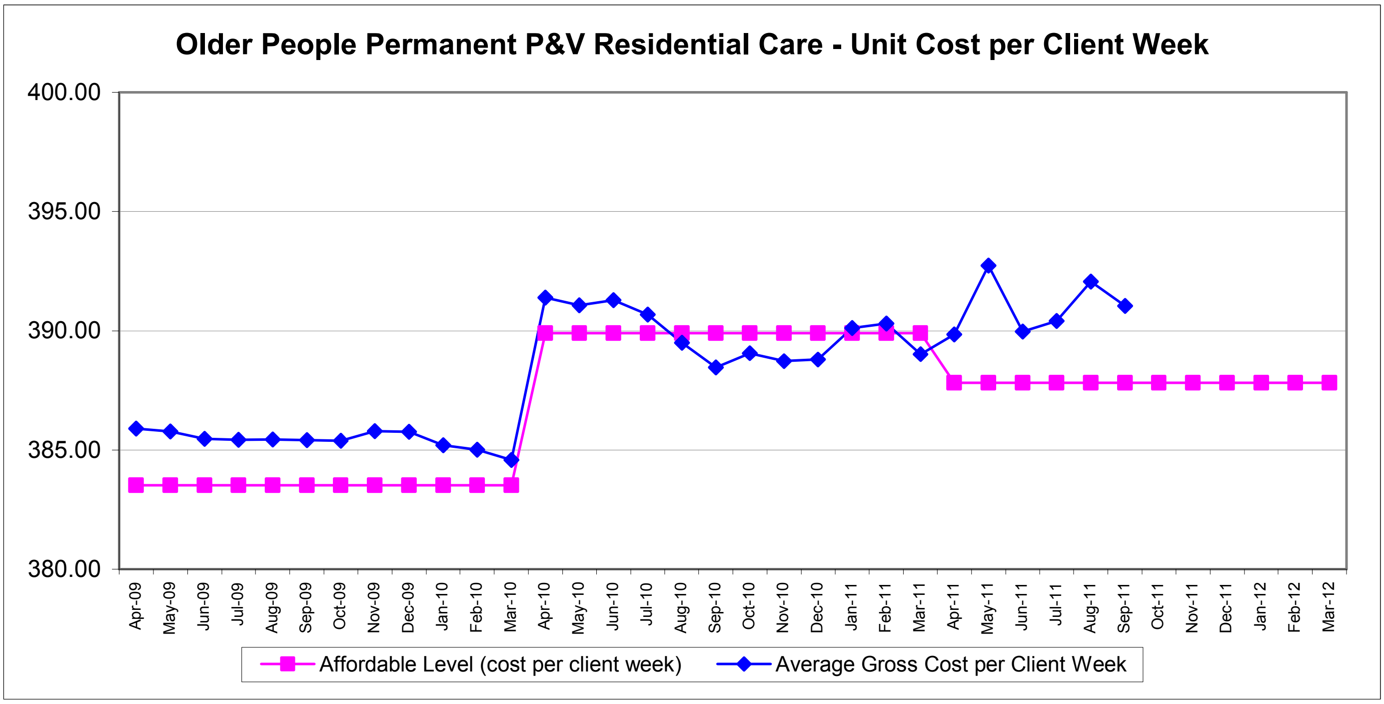


Comments:

- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in older people permanent P&V residential care at the end of 2009-10 was 2,751, at the end of 2010-11 it was 2,787 and by the end of September 2011 it was 2,829. It is evident that there are ongoing pressures relating to clients with dementia. Since April 2010, the number of clients with dementia has increased from 1,217 to 1,289 whilst the other residential clients have decreased.
- The current forecast is 155,400 weeks of care against an affordable level of 161,392, a difference of -5,992 weeks. Using the forecast unit cost of £391.04 this reduced activity saves £2,343k within the forecast, as highlighted in section 1.1.3.13d.
- To the end of September 77,340 weeks of care have been delivered against an affordable level of 79,722 a difference of -2,382 weeks.
- Affordable levels have changed slightly to include the release of a provision and some rolled forward grant funding from 2010-11, which is now being used to fund activity.

2.10.2 **Average gross cost per client week of older people permanent P&V residential care compared with affordable level**:

	2009-10		2010-11		2011-12	
	Affordable Level (Cost per Week)	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**
April	383.52	385.90	389.91	391.40	387.82	389.85
May	383.52	385.78	389.91	391.07	387.82	392.74
June	383.52	385.47	389.91	391.29	387.82	389.97
July	383.52	385.43	389.91	390.68	387.82	390.41
August	383.52	385.44	389.91	389.51	387.82	392.07
September	383.52	385.42	389.91	388.46	387.82	391.04
October	383.52	385.39	389.91	389.06	387.82	
November	383.52	385.79	389.91	388.72	387.82	
December	383.52	385.76	389.91	388.80	387.82	
January	383.52	385.20	389.91	390.12	387.82	
February	383.52	385.01	389.91	390.31	387.82	
March	383.52	384.59	389.91	389.02	387.82	

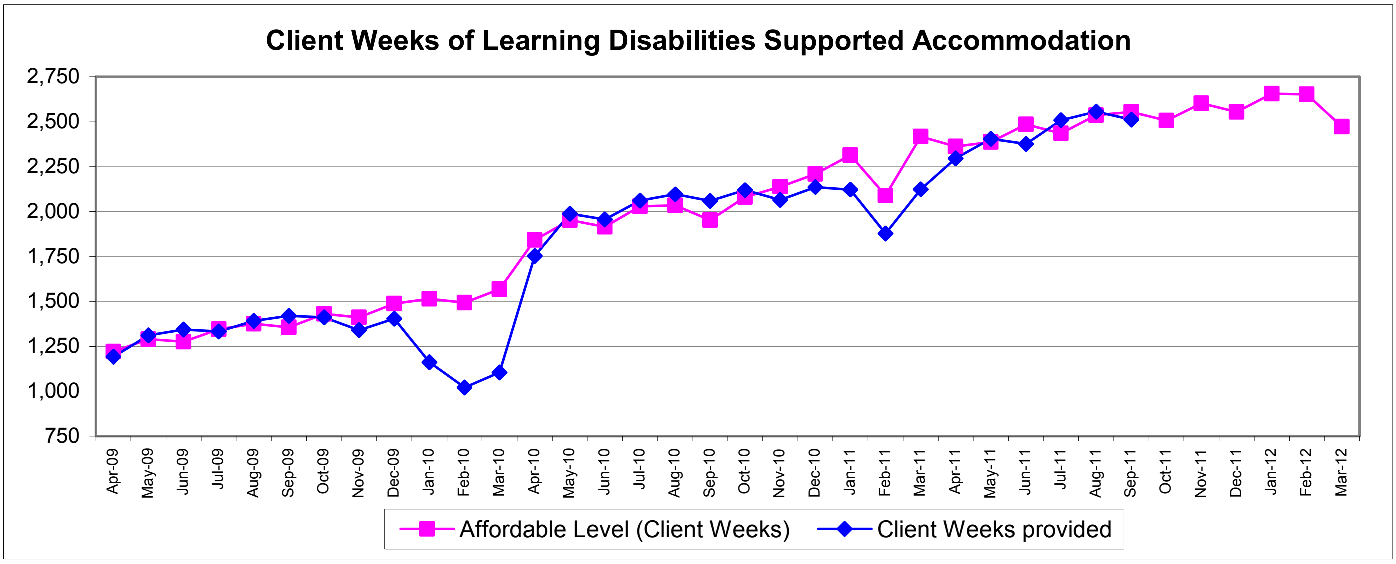


Comments:

- Average unit cost per week has increased above the affordable level as a reflection of the increasing numbers of clients with dementia.
- The forecast unit cost of £391.04 is higher than the affordable cost of £387.82 and this difference of +£3.22 adds £520k to the position when multiplied by the affordable weeks, as highlighted in section 1.1.3.13d.

2.11.1 **Number of client weeks of learning disabilities supported accommodation provided compared with affordable level:**

	2009-10		2010-11		2011-12	
	Affordable Level (Client Weeks)	**Client Weeks of LD supported accommodation provided**	**Affordable Level (Client Weeks)**	**Client Weeks of LD supported accommodation provided**	**Affordable Level (Client Weeks)**	**Client Weeks of LD supported accommodation provided**
April	1,221	1,192	1,841	1,752	2,363	2,297
May	1,290	1,311	1,951	1,988	2,387	2,406
June	1,276	1,344	1,914	1,956	2,486	2,376
July	1,346	1,333	2,029	2,060	2,435	2,508
August	1,375	1,391	2,034	2,096	2,536	2,557
September	1,357	1,421	1,951	2,059	2,555	2,512
October	1,431	1,412	2,080	2,119	2,506	
November	1,412	1,340	2,138	2,063	2,603	
December	1,487	1,405	2,210	2,137	2,554	
January	1,515	1,163	2,314	2,123	2,655	
February	1,493	1,021	2,088	1,878	2,652	
March	1,567	1,105	2,417	2,125	2,472	
TOTAL	**16,770**	**15,438**	**24,967**	**24,356**	**30,204**	**14,656**



Comments:

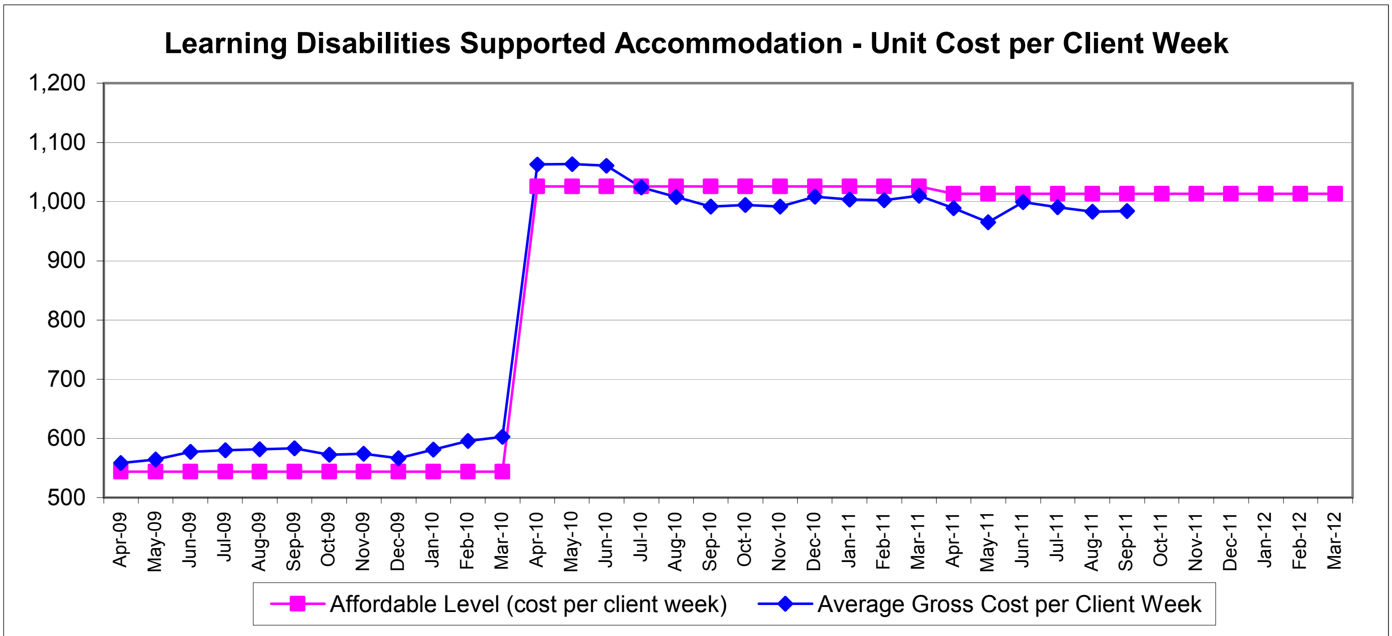
- The above graph reflects the number of client weeks of service provided. The actual number of clients in LD supported accommodation at the end of 2009-10 was 309, at the end of 2010-11 it was 491, of which 131 were S256 clients, and at the end of September 2011 it was 577.
- The current forecast is 30,679 weeks of care, against an affordable level of 30,204, a difference of +475 weeks and includes people that we expect to be supported through supported accommodation and adult placement. Some of this is as a result of the transfer of clients from NHS who were previously S256, following the closure of LD Campus.
- Using the forecast unit cost of £983.85, this increase in activity adds £467k to the forecast, as reflected in section 1.1.3.14a.
- To the end of September 14,656, weeks of care have been delivered against an affordable level of 14,762, a difference of -106 weeks
- A planned move of residential preserved rights clients to supported accommodation, due to occur in the latter part of the year, is included in the financial forecast, which backloads the forecast by approximately 480 weeks. The forecast activity for this service is based on known individual clients, by individual periods of service, including provisional, transitional and ordinary resident clients. It is a volatile demand led budget forecast meaning that each month presents changes to the forecast as new data is obtained. In some cases there are timing differences between when the clients are added into SWIFT (the client activity system), compared to the inclusion within the financial forecast, maybe as a result of disputes or independent contract negotiations. As a result, the year to date

position has been re-stated to include transitions, provisions and ordinary residents, with an increased uptake expected in the second half of the year.

- Like residential care for people with a learning disability, every case is unique and varies in cost, depending on the individual circumstances. Although the quality of life will be better for these people, it is not always significantly cheaper. The focus to enable as many people as possible to move from residential care into supported accommodation means that more and increasingly complex and unique cases will be successfully supported to live independently.

2.11.2 **Average gross cost per client week of Learning Disability supported accommodation compared with affordable level (non preserved rights clients)**:

	2009-10		2010-11		2011-12	
	Affordable Level (Cost per Week)	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**
April	544.31	558.65	1,025.67	1,062.38	1,013.18	988.73
May	544.31	564.49	1,025.67	1,063.22	1,013.18	964.95
June	544.31	577.33	1,025.67	1,060.59	1,013.18	999.24
July	544.31	580.27	1,025.67	1,023.90	1,013.18	990.45
August	544.31	581.76	1,025.67	1,007.58	1,013.18	983.09
September	544.31	583.26	1,025.67	991.20	1,013.18	983.85
October	544.31	572.59	1,025.67	993.92	1,013.18	
November	544.31	574.24	1,025.67	991.56	1,013.18	
December	544.31	566.87	1,025.67	1,007.95	1,013.18	
January	544.31	581.53	1,025.67	1,003.21	1,013.18	
February	544.31	595.89	1,025.67	1,001.98	1,013.18	
March	544.31	603.08	1,025.67	1,009.82	1,013.18	



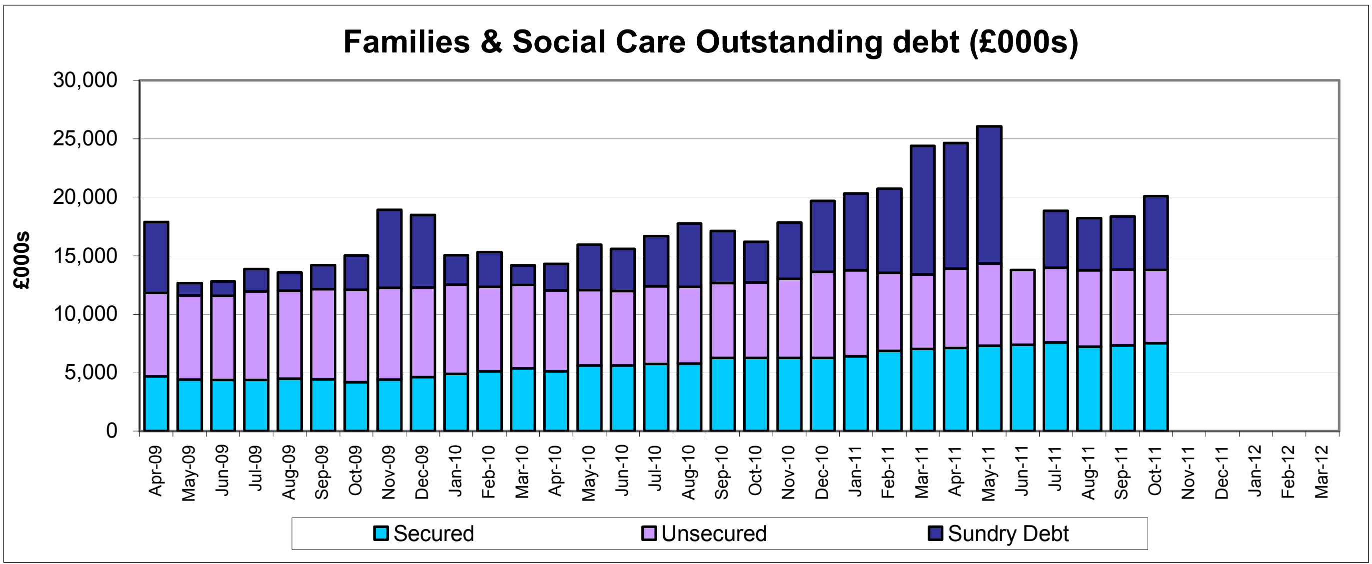
Comments:

- The forecast unit cost of £983.85 is lower than the affordable cost of £1013.18 and this difference of -£29.33 provides a saving of £886k when multiplied by the affordable weeks, as reflected in section 1.1.3.14a.
- There are three distinct groups of clients: Section 256 clients, Ordinary Residence clients and other clients. Each group has a very different average unit cost, which are combined to provide an overall average unit cost for the purposes of this report.
- The costs associated with these placements will vary depending on the complexity of each case and the type of support required in each placement. This varies enormously between a domiciliary type support to life skills and daily living support.

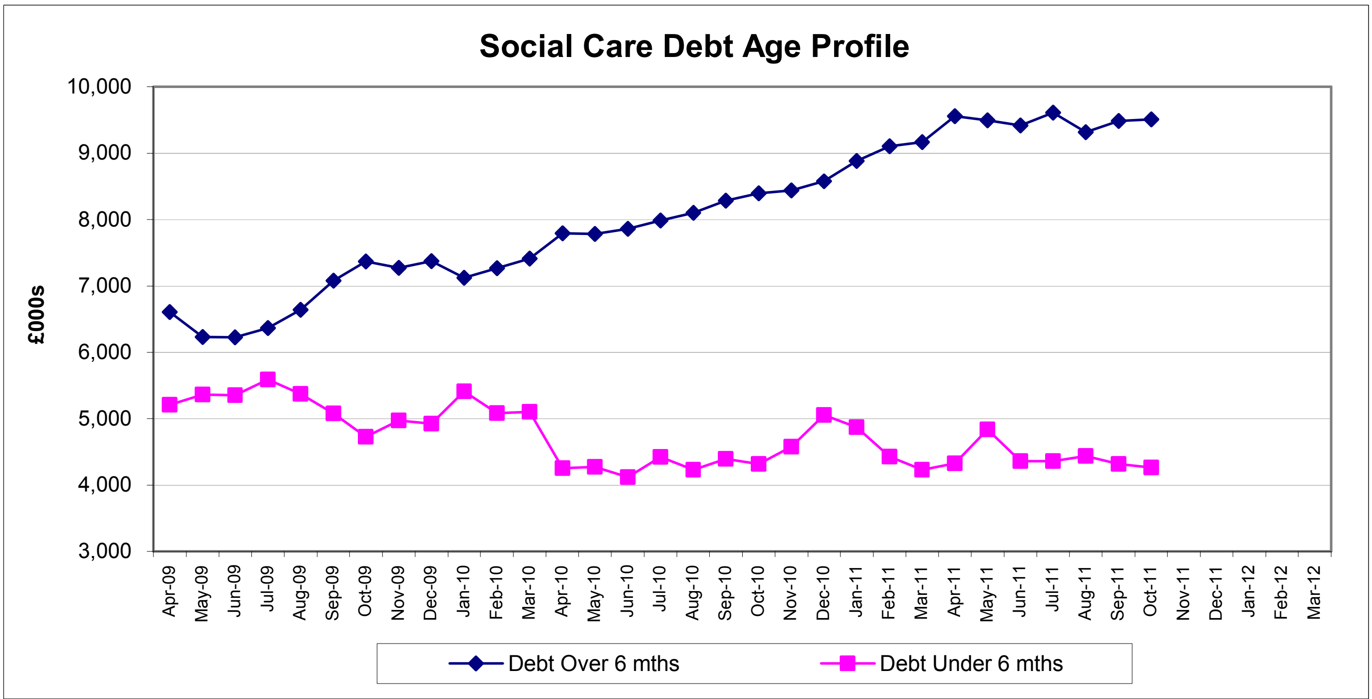
3. SOCIAL CARE DEBT MONITORING

The outstanding debt as at the end of October was £20.078m compared with July's figure of £18.829m (reported to Cabinet in September) excluding any amounts not yet due for payment (as they are still within the 28 day payment term allowed). Within this figure is £6.304m of sundry debt compared to £4.860m in July. Within the outstanding debt is £13.774m relating to Social Care (client) debt which is a decrease of £195k from the last reported position to Cabinet in September. The following table shows how this breaks down in terms of age and also whether it is secured (i.e. by a legal charge on the client's property) or unsecured, together with how this month compares with previous months. For most months the debt figures refer to when the four weekly invoice billing run interfaces with Oracle (the accounting system) rather than the calendar month, as this provides a more meaningful position for Social Care Client Debt. This therefore means that there are 13 billing invoice runs during the year.
* It should be noted that the Sundry debt reports were not successful in June, and hence no figure can be reported, the problem was rectified in time for the July report, but reports are unable to be run retrospectively.

			Social Care Debt				
Debt Month	**Total Due Debt (Social Care & Sundry Debt) £000s**	**Sundry Debt £000s**	**Total Social Care Due Debt £000s**	**Debt Over 6 mths £000s**	**Debt Under 6 mths £000s**	**Secured £000s**	**Unsecured £000s**
Apr-09	**17,874**	**6,056**	11,818	6,609	5,209	4,657	7,161
May-09	**12,671**	**1,078**	11,593	6,232	5,361	4,387	7,206
Jun-09	**12,799**	**1,221**	11,578	6,226	5,352	4,369	7,209
Jul-09	**13,862**	**1,909**	11,953	6,367	5,586	4,366	7,587
Aug-09	**13,559**	**1,545**	12,014	6,643	5,371	4,481	7,533
Sep-09	**14,182**	**2,024**	12,158	7,080	5,078	4,420	7,738
Oct-09	**15,017**	**2,922**	12,095	7,367	4,728	4,185	7,910
Nov-09	**18,927**	**6,682**	12,245	7,273	4,972	4,386	7,859
Dec-09	**18,470**	**6,175**	12,295	7,373	4,922	4,618	7,677
Jan-10	**15,054**	**2,521**	12,533	7,121	5,412	4,906	7,627
Feb-10	**15,305**	**2,956**	12,349	7,266	5,083	5,128	7,221
Mar-10	**14,157**	**1,643**	12,514	7,411	5,103	5,387	7,127
Apr-10	**14,294**	**2,243**	12,051	7,794	4,257	5,132	6,919
May-10	**15,930**	**3,873**	12,057	7,784	4,273	5,619	6,438
Jun-10	**15,600**	**3,621**	11,979	7,858	4,121	5,611	6,368
Jul-10	**16,689**	**4,285**	12,404	7,982	4,422	5,752	6,652
Aug-10	**17,734**	**5,400**	12,334	8,101	4,233	5,785	6,549
Sep-10	**17,128**	**4,450**	12,678	8,284	4,394	6,289	6,389
Oct-10	**16,200**	**3,489**	12,711	8,392	4,319	6,290	6,421
Nov-10	**17,828**	**4,813**	13,015	8,438	4,577	6,273	6,742
Dec-10	**19,694**	**6,063**	13,631	8,577	5,054	6,285	7,346
Jan-11	**20,313**	**6,560**	13,753	8,883	4,870	6,410	7,343
Feb-11	**20,716**	**7,179**	13,537	9,107	4,430	6,879	6,658
Mar-11	**24,413**	**11,011**	13,402	9,168	4,234	7,045	6,357
Apr-11	**24,659**	**10,776**	13,883	9,556	4,327	7,124	6,759
May-11	**26,069**	**11,737**	14,332	9,496	4,836	7,309	7,023
Jun-11	**13,780**	*	13,780	9,418	4,362	7,399	6,381
Jul-11	**18,829**	**4,860**	13,969	9,609	4,361	7,584	6,385
Aug-11	**18,201**	**4,448**	13,753	9,315	4,438	7,222	6,531
Sep-11	**18,332**	**4,527**	13,805	9,486	4,319	7,338	6,467
Oct-11	**20,078**	**6,304**	13,774	9,510	4,264	7,533	6,241
Nov-11	**0**		0				
Dec-11	**0**		0				
Jan-12	**0**		0				
Feb-12	**0**		0				
Mar-12	**0**		0				



Families & Social Care Outstanding debt (£000s)
£000s
30,000
25,000
20,000
15,000
10,000
5,000
0
Apr-09 May-09 Jun-09 Jul-09 Aug-09 Sep-09 Oct-09 Nov-09 Dec-09 Jan-10 Feb-10 Mar-10 Apr-10 May-10 Jun-10 Jul-10 Aug-10 Sep-10 Oct-10 Nov-10 Dec-10 Jan-11 Feb-11 Mar-11 Apr-11 May-11 Jun-11 Jul-11 Aug-11 Sep-11 Oct-11 Nov-11 Dec-11 Jan-12 Feb-12 Mar-12
Secured
Unsecured
Sundry Debt



Social Care Debt Age Profile
£000s
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
Apr-09 May-09 Jun-09 Jul-09 Aug-09 Sep-09 Oct-09 Nov-09 Dec-09 Jan-10 Feb-10 Mar-10 Apr-10 May-10 Jun-10 Jul-10 Aug-10 Sep-10 Oct-10 Nov-10 Dec-10 Jan-11 Feb-11 Mar-11 Apr-11 May-11 Jun-11 Jul-11 Aug-11 Sep-11 Oct-11 Nov-11 Dec-11 Jan-12 Feb-12 Mar-12
Debt Over 6 mths
Debt Under 6 mths

ENTERPRISE & ENVIRONMENT DIRECTORATE SUMMARY
OCTOBER 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 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 1 of the executive summary.

1.1.2 **Table 1** below details the revenue position by A-Z budget line:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Environment, Highways & Waste portfolio							
E&E Strategic Management & Directorate Support Budgets	7,373	-388	6,985	327	-77	250	Predominantly Directorate funded redundancy costs (Highways).
Environment:							
- Environment Management	4,180	-2,830	1,350	12	-3	9	
- Coastal Protection	686		686			0	
	4,866	-2,830	2,036	12	-3	9	
Highways Services:							
- Adverse Weather	3,159		3,159	9		9	
- Bridges & Other Structures	2,753	-294	2,459	25	29	54	
- General maintenance & emergency response	13,572	-345	13,227	-5	-2	-7	
- Highway drainage	3,431	-74	3,357	5	-9	-4	
- Highway improvements	1,690	-100	1,590	-36	35	-1	
- Road Safety	2,827	-1,213	1,614	49	-116	-67	Cycle training income and additional staff recharges.
- Signs, Lines & Bollards	1,819	0	1,819	13		13	
- Streetlight energy	5,104		5,104	69		69	
- Streetlight maintenance	3,767	-168	3,599	-23	3	-20	
- Traffic management	5,506	-2,924	2,582	-36	-247	-283	Additional income arising from successful recovery of S74 fees
- Tree maintenance, grass cutting & weed control	3,352	-192	3,160	40	-36	4	
	46,980	-5,310	41,670	110	-343	-233	
Integrated Transport Strategy & Planning:							
- Planning & Transport Policy	774	-15	759			0	
- Planning Applications	1,102	-500	602			0	
	1,876	-515	1,361	0	0	0	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Transport Services:							
- Concessionary Fares	16,332	-27	16,305	-918		-918	Successful negotiations with major operators on appeals.
- Freedom Pass	13,625	-2,230	11,395			0	
- Subsidised Bus Routes	9,259	-1,637	7,622			0	
- Sustainable Transport	2,503	-1,448	1,055	293	-263	30	Spend & income related to multi modal transport models.
	41,719	-5,342	36,377	-625	-263	-888	
Waste Management							
Recycling & Diversion from Landfill:							
- Household Waste Recycling Centres	8,416	-1,109	7,307	24	-617	-593	Additional income generated due to market prices remaining constant and above budgeted prices for sale of various recyclable materials(eg scrap metal, textiles, paper & card and lead acid batteries).
- Partnership & Behaviour Change	805	-126	679		-41	-41	External funding received to support campaign delivery
- Payments to Waste Collection Authorities (DCs)	5,334	-102	5,232	116		116	Additional enabling payments made under Joint Waste Arrangements to deliver disposal savings and improved performance.
- Recycling Contracts & Composting	10,262	-609	9,653	-470	-56	-526	Reduced waste tonnage & improved contract prices when compared with working budget
	24,817	-1,946	22,871	-330	-714	-1,044	
Waste Disposal:							
- Closed Landfill Sites & Abandoned Vehicles	779	-266	513	1	-5	-4	
- Disposal Contracts	29,476	-430	29,046	-2,932		-2,932	Reduced residual waste tonnage compared to budget, less waste processed via Allington, due to extended planned routine maintenance and more waste to landfill
- Landfill Tax	6,880		6,880	1,191		1,191	Waste diverted to landfill from Allington WtE as a result of the extended planned routine maintenance at the plant.

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Transfer Stations	8,583	-75	8,508	103		103	Reduced waste tonnage offset by additional costs of planned maintenance and contribution to capital overspend on improving the infrastructure.
	45,718	-771	44,947	-1,637	-5	-1,642	
Commercial Services		-7,131	-7,131			0	
Total E, H & W portfolio	**173,349**	**-24,233**	**149,116**	**-2,143**	**-1,405**	**-3,548**	
Regeneration & Enterprise portfolio							
Development Staff & Projects	**1,311**	**-1,311**	**0**			**0**	
Total E&E controllable	**174,660**	**-25,544**	**149,116**	**-2,143**	**-1,405**	**-3,548**	
Assumed Management Action							
- EHW portfolio							
- R&E portfolio							
Forecast after Mgmt Action				**-2,143**	**-1,405**	**-3,548**	

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:

Environment, Highways & Waste portfolio:

1.1.3.1 **Strategic Management and Directorate Support:** Gross +£327k, Income -77k, Net +250k

A gross pressure of £327k is forecast. A significant proportion of this (£219k) relates to the requirement for the Directorate to fund part of the redundancy costs arising from restructuring, as some of the costs are not eligible for corporate funding from the Workforce Reduction Fund because this funding is only available where there is a reduction in the overall number of posts.

1.1.3.2 **Highways Services:**

a. Road Safety: Gross +£49k, Income -£116k, Net -£67k
The additional income mainly relates to an increase in cycle training (£52k) and additional staff recharges to the Speed Awareness and the National Driver Improvement Scheme budgets (£45k). The gross variance reflects the corresponding expenditure related to the additional cycle training income.

b. Traffic Management: Gross -£36k, Income -£247k, Net -£283k
The additional income of £247k has resulted from the successful recovery of S74 fees from works promoters (utility companies etc) who have taken unreasonably prolonged occupation of the highway.

1.1.3.3 **Transport Services:**

a. Concessionary Fares: Gross -£918k, Income Nil, Net -£918k
Two major bus operators had registered appeals against the 2011-12 payments proposed by KCC. This is the first year that the authority has assumed full responsibility for this service and the budget included an element to cover issues such as the cost of appeals. A prudent approach was taken in previous months and the full value of these appeals was included in the forecast expenditure. The Directorate is pleased to report that negotiations with the bus operators has resulted in a mutually agreed position that has reduced the potential cost by £918k and this saving is reflected in the current forecast.

b. Sustainable Transport: Gross +£293k, Income -£263k, Net +£30k
The pressure on the gross budget relates to the development of multi modal transport models that are developed to predict transport impact of new developments. The income element mainly relates to contributions for the development of the Thanet Model (£100k) and the use of the Ashford Model (£148k).

1.1.3.4 **Waste Management:**

The waste tonnage for the first six months of 2011-12 indicates that the experience of the last two financial years is likely to be repeated and the final tonnage figure is forecast to be less than the affordable level. Based on actuals to date, an estimated level of 730,000 tonnes is predicted which is 30,000 tonnes below the affordable level. This is a prudent forecast to allow for any potential growth in future months. Details of activity are shown in section 2.4.

1.1.3.4.1 **Recycling & Diversion from Landfill**

a. Household Waste Recycling Centres: Gross +£24k, Income -£617k, Net -£593k
Additional income of £617k is predicted as a result of a new income stream of £130k from the sale of lead batteries which were previously collected at zero cost or for a small charge; and market prices received from the sale of recyclables (eg scrap metal, textiles and paper/card) remain buoyant and above budgeted prices providing a further £487k.

b. Payments to Waste Collection Authorities (DCs): Gross +£116k, Income Nil, Net +£116k
£116k of additional enabling payments have been made to District Councils under Joint Waste Arrangements in order to deliver gross disposal savings and improved performance. This additional support payment enables the collection of weekly food waste.

c. Recycling Contracts & Composting: Gross -£470k, Income -£56k, Net -£526k
A combination of reduced waste tonnage, approximately 14,000 tonnes, for recycling and composting and improved contract prices are anticipated to deliver an underspend of £470k in this financial year. Approximately £104k is due to improved prices and £366k is due to reduced activity. In addition to this, £56k is projected from the sale of recyclable material.

1.1.3.4.2 **Waste Disposal**

a. Disposal Contracts: Gross -£2,932k, Income Nil, Net -£2,932k
A net underspend of £2,932k is forecast for this budget line due to reduced residual waste tonnage being processed at the Allington Waste to Energy Plant when compared to the budget profile. The final tonnage figure for processing waste via Allington is expected to be 38,000 tonnes less than budget, however it is forecast that an additional 22,000 tonnes of waste will be sent to landfill due to the planned routine maintenance at the plant being extended which was due to operational circumstances and the continued commissioning phase of the plant.

b. Landfill Tax: Gross +£1,191k, Income Nil, Net +£1,191k
An overspend of £1,191k is forecast due to extended planned routine maintenance at the Allington Waste to Energy Plant during the early part of the financial year when it was necessary to divert a greater tonnage than anticipated to landfill, approximately a further 22,000 tonnes will be landfilled than planned.

c. Transfer Stations: Gross +£103k, income Nil, Net +£103k

An overspend of £103k is anticipated as a result of:

- an overspend on the capital project at the North Farm Transfer Station due to the removal of contaminated land during the construction phase, this capital overspend of +£302k is being funded from revenue.
- Additional maintenance at Church Marshes Transfer Station is anticipated to cost a further +£170k, and
- a £369k saving is due to reduced waste tonnage.

Overall annual forecast tonnes is expected to reduce by 30,000, which is made up of 38,000 tonnes less via Allington and 14,000 tonnes less via recycling/composting, however due to extended planned operational changes at Allington a further 22,000 tonnes is forecast to be landfilled.

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
EHW	Landfill Tax - diversion of waste to landfill due to extended planned routine maintenance at Allington Waste to Energy Plant	+1,191	EHW	Disposal Contracts - lower then budgeted residual waste tonnage processed through Allington WtE due to extended planned routine maintenance at the plant.	-2,932
EHW	Transfer Stations - revenue contribution to capital for the overspend on the North Farm TS construction project.	+302	EHW	Concessionary Fares - Successful negotiations with major bus operators have resulted in an agreement to settle appeals at a lower level than the original claims.	-918
EHW	Sustainable Transport - Cost of multi modal transport models offset by underspend arising from income.	+293	EHW	Household Waste Recycling Centres - Additional income due to market prices remaining buoyant for the sale of various recyclable materials.	-487
EHW	Strategic Management & Directorate Support Budgets - Directorate funded redundancy payments arising from the Highways restructure.	+219	EHW	Transfer Stations - lower than budgeted waste tonnage.	-369
EHW	Transfer Stations - operational need for additional planned maintenance at Church Marshes TS.	+170	EHW	Recycling Contracts & Composting - lower than budgeted waste tonnage	-366
EHW	Payments to Waste Collection Authorities (DCs) - additional enabling payments made to Districts under Joint Waste Arrangements.	+116	EHW	Sustainable Transport - Income from multi modal transport models offsetting pressure.	-248
			EHW	Traffic Management - Successful recovery of S74 fees from works promoters for unreasonably prolonged occupation of the highway.	-247
			EHW	Household Waste Recycling Centres - New income stream from the sale of lead acid batteries.	-130
			EHW	Recycling Contracts & Composting - improved contract prices	-104
		+2,291			-5,801

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

None

1.1.5 **Implications for MTFP**:

Waste will be reviewing the trends of recent years in respect of waste tonnage and disposal costs when considering savings and pressure for the development of the 2012-15 MTFP. There is no guarantee that tonnage will continue to reduce so contingency arrangements will need to be incorporated to deal with any reversal in trends.

The successful negotiation with the major bus operators in respect of Concessionary Fares will have an impact on the Medium Term Financial Plan although it is unlikely that the full extent of the 2011-12 savings will be realised in future years.

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

None

1.1.7 **Details of proposals for residual variance**:

The most significant element of the Directorate's forecast underspend arises from Waste Management**.** This is directly related to tonnage and whilst the forecast reflects the previous year's experience and tonnage data to date, it must be treated with an element of caution. The Directorate has a direct influence over the disposal and recycling of waste, but limited control over the amount of waste that is put into the system. Any surge in waste tonnage above the current forecast outturn of 730,000 tonnes will impact the financial outturn of the Directorate and the forecast underspend reported in this report. It must be noted that previous years underspend on Waste Management was negated by additional costs arising in Highways as a result of hard winters and this could be repeated in 2011-12.

1.2 CAPITAL

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 17th October 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
Enterprise & Environment Portfolio						
Budget	238,642	94,606	74,132	65,224	253,157	725,761
Adjustments:						
- Re-phasing August Monitoring		-1,349	773	-3,435	4,011	
- Completed Projects	-50,322					-50,322
- Wetland Creation	-22					-22
- Non grant supported land claims		-50	-108	-46		-204
- Integrated Transport Schemes		786				786
- Major Scheme Preliminary Design		-300				-300
- A2 Cyclo Park		905				905
Revised Budget	188,298	94,598	74,797	61,743	257,168	676,604
Variance		6,692	-19,651	-9,772	3	-22,728
split:						
- real variance		+7,214	-20,020	-9,922		-22,728
- re-phasing		-522	+369	+150	+3	0

Real Variance		**+7,214**	**-20,020**	**-9,922**	**0**	**-22,728**
Re-phasing		**-522**	**+369**	**+150**	**+3**	**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.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
EHW	Highway Major Maintenance	real	4,279			
EHW	Ashford Drovers & J9 Foot Bridge	real		1,697		
EHW	Victoria Way	real		1,000		
EHW	HWRC-North Farm Transfer Station	real		325		
EHW	Commercial Services	real	320			
			+4,599	**+3,022**	**+0**	**+0**
Underspends/Projects behind schedule						
EHW	East Kent Access Phase 2	phasing		-326		
			0	**-326**	**0**	**0**
			+4,599	**+2,696**	**+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 -£22.728m (+£7.214m in 2011-12, -£20.020m in 2012-13 and -£9.922m in 2013-14)

Highway Maintenance: +£4.279m (in 2011-12): Major patching and full surface dressing works are being undertaken on parts of the road networks that have been worst affected by winter damage. This approach is more cost effective and better value for money than simply dealing with individual pot holes and enhances the capital value of the County Council's assets. The bulk of the cost (£4m) will be covered by a Government revenue grant designed to address winter damage on the County's roads. £0.279m relates to additional surfacing repairs due to subsidence and installing new directional signs and will be funded from revenue.

Integrated Transport Schemes: +£0.060m (in 2011-12): There are two elements to this forecast overspend:

- +£0.100m Department of Transport grant (DfT) has been approved towards Local Sustainable Transport work and this will be spent on new infrastructure at Kent hospitals.
- -£0.040m is a managed underspend to be delivered by the Integrated Transport programme to fund an overspend on the A2 slip road.

A2 Slip Road: -£0.076m (in 2011-12): The cash limit includes a commuted sum of £0.116m for maintenance which has to be paid to the Highways Agency as revenue. The A2 slip road is now complete and the project is estimated to show an overspend of £0.040m which will be funded from the Integrated Transport programme underspend.

Commercial Services Vehicle & Plant: +£0.320m (in 2011-12): this will be matched by an increased contribution from their Renewals Fund so there is no funding implication.

Energy Usage Reduction Programme: -£0.150m (in 2011-15): This programme has a budget of £0.300m which is funded from revenue. The Carbon Trust grant of £0.150m has been repaid which has reduced the level of revenue available for this programme.

Energy and Water Efficiency Fund: +£0.078m (in 2013-14): The overspend is due to converting £0.078m from Exemplar energy saving projects to the Energy Loan Fund. The loan repayments for this extra fund are expected to be repaid in future years to cover the overspend.

North Farm Transfer Station: +£0.325m (in 2011-12): This overspend has arisen due to the unforeseen level of contaminated land that required removal during the construction phase. £0.302m is funded from revenue and £0.023m is met from an underspend on the Lydd/New Romney new site.

Re-shaping Kent Highways Accommodation: +£0.205m (in 2011-12): The reason for the increase is to the following:

- Purchase of existing modular portacabins within the depots +£0.085m – an opportunity arose to purchase portacabins that we were previously leasing. The ownership of these units will enable use to maximise the use of the depots, in particular, during winter services. The purchase cost will be funded by savings generated from the cessation of lease payments. The investment will generate further savings that will contribute towards identified revenue savings target.
- Additional works to the new Aylesford depot +£0.120m – with the engagement of the new Highways contractor Enterprise, some additional works (a de-watering facility, not in the original specification) have been carried out. The investment on these additional works will offer greater efficiency and cost reduction by providing an in house resource and avoiding external costs. These extra works are funded from revenue.

Sittingbourne Northern Relief Road: -£0.114m (in 2011-12): This scheme is due to complete in December, a financial review was undertaken to access the future risk and has led to a reduction of £0.114m.

Ashford Ring Road: -£0.204m (-£0.184m in 2011-12 and -£0.020m in 2012-13): Management action has been taken to ensure that only the essential safety and remedial works are undertaken.

Ashford Station Forecourt: -£0.125m (in 2011-12): This GAF funded scheme was to improve the access to the international side of the station for people with disabilities. The scheme is not progressing any further for the time being and the underspend on this scheme will be transferred into the Ashford Futures contingency fund.

Victoria Way: +£1.000m (in 2011-12): The scheme provides a new urban street with public realm and in particular to locate existing and future utility needs into the road corridor to provide clear development sites. Difficulties with the utilities aspects because of uncharted services, phasing and utility companies' lack of performance in particular has fully utilised the contingency allocation. Utility works have continued to have a significant impact on the contract and disturbance and prolongation costs together with residual risks have been on an upward trend over recent months that now lead to forecast overspend of £1.000m.
A robust approach to minimising and reducing the overspend is being taken with the contractor, the consultant and the utility companies. As this scheme is fully externally funded, there is no capacity within the capital programme to meet the forecast overspend funding which will be claimed from Growth Area Funding (GAF) which is held by Ashford Borough Council on behalf of the Ashford's Future Partnership Board. The AFPB has agreed in principle that the major highway schemes in Ashford (ie Victoria Way and Drovers Roundabout / J9 and Footbridge) should have first call on the GAF pot of some £2.7m (see also below). The £0.397m commuted sum for future maintenance has already been received and will be redirected to reduce the funding deficit.

Drovers Roundabout, J9 and Footbridge: +£1.697m (in 2011-12): An overspend of £0.300m was reported in 2010-11, to be funded from GAF. A further overspend of £1.697m is expected in this financial year which has resulted in a total forecast construction overspend of approximately £2.000m. The main cause of the overspend has been issues related to the unique cable stayed footbridge over the M20. The contractor has made very significant claims relating to design aspects, disturbance and prolongation and the consultant working for Kent County Council has indicated that there is some limited legitimacy to these claims.
In common with Victoria Way, this scheme is fully externally funded, with KCC acting as delivery agent for the Ashford's Future Partnership Board and funding to cover the overspend will be claimed from GAF. As stated above, the AFPB has agreed in principle that any overspend on this scheme and Victoria Way should have the first call on the remaining GAF budget of approximately £2.7m. This would cover the forecast overspend on Victoria Way and Drovers, but would mean

that the proposed improvements to the Station Forecourt, Ashford which were discussed by PAG on 21 February 2011 would not be able to proceed from GAF funds.

Smartlink Ashford: -£30.000m (-£20.000m in 2012-13 and -£10.000m in 2013-14): Indications are that this scheme is not likely to get Local Transport Plan programme entry before 2015-16, it seems prudent to remove this scheme until there is more clarity on the funding

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

1.2.6 **General Overview of capital programme**:

(a) Risks

As Victoria Way, Drovers Roundabout, M20 Junction 9 and Footbridge and East Kent Access Phase 2 near completion the key risk is around delivering the schemes within the current forecast expenditure levels.

(b) Details of action being taken to alleviate risks

Victoria Way - Outside of the normal contract management procedures, a risk workshop has been held with the contractor and consultant to seek to give added certainty to the out-turn cost prediction. The final account negotiations with utility companies will continue to be actively pursued to ensure we only pay valid costs and that we also maximise our income where works have been carried for them. Similarly, claims from our contractor will continue to be robustly assessed to ensure that payments are only agreed where there is proven entitlement. Instructions to the contractor will continue to be limited to those only required to complete the works.

Drovers Roundabout, M20 Junction 9 and Footbridge - We are in effect in dispute with the contractor on the content and quantum of his claims. Final contract costs may only be decided if agreement cannot be reached, after contractual provisions for mediation and arbitration are followed. A strategy has been put in place with our consultant to assess the claims and that is being progressed. Independent cost consultant's have been appointed to provided KCC with audit advice and to identify what components of the claims may relate to the bridge design.

East Kent Access Phase 2 - Management of the contract is supported by independent cost consultants. As construction progresses closer to the anticipated completion date of March 2012, the risks related to construction inflation reduce. The contract is being robustly managed to ensure that claims by the contractor are only agreed where there is proven entitlement. Similar efforts are being made in respect of third party costs for the utility diversion works and Network Rail fees for the two major railways structures.

1.2.7 **Project Re-Phasing**

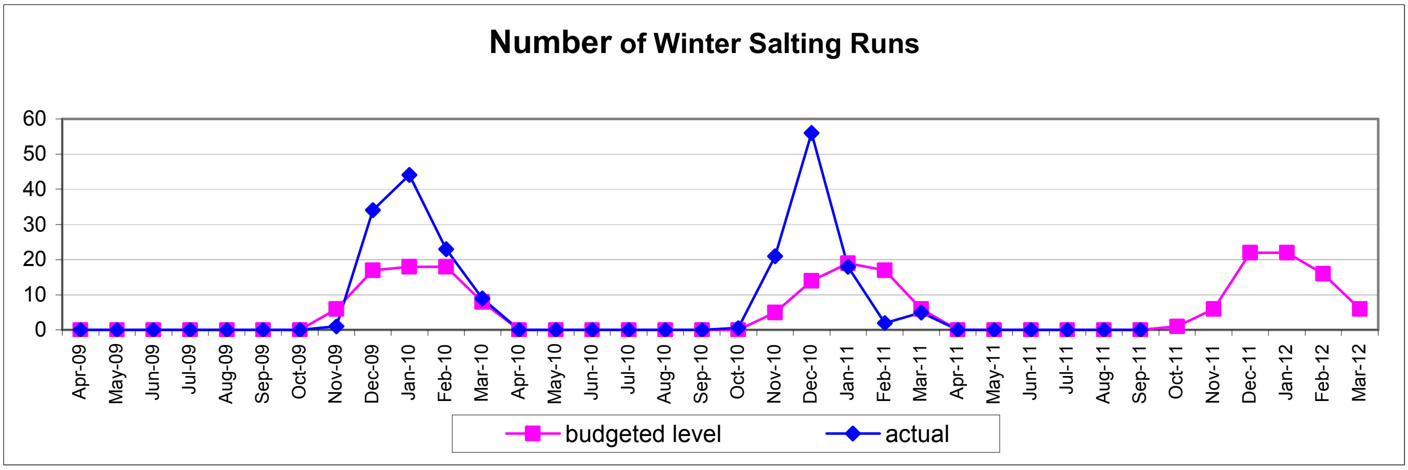
Cash limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the re-phasing will be shown. The possible re-phasing is detailed in the table below.

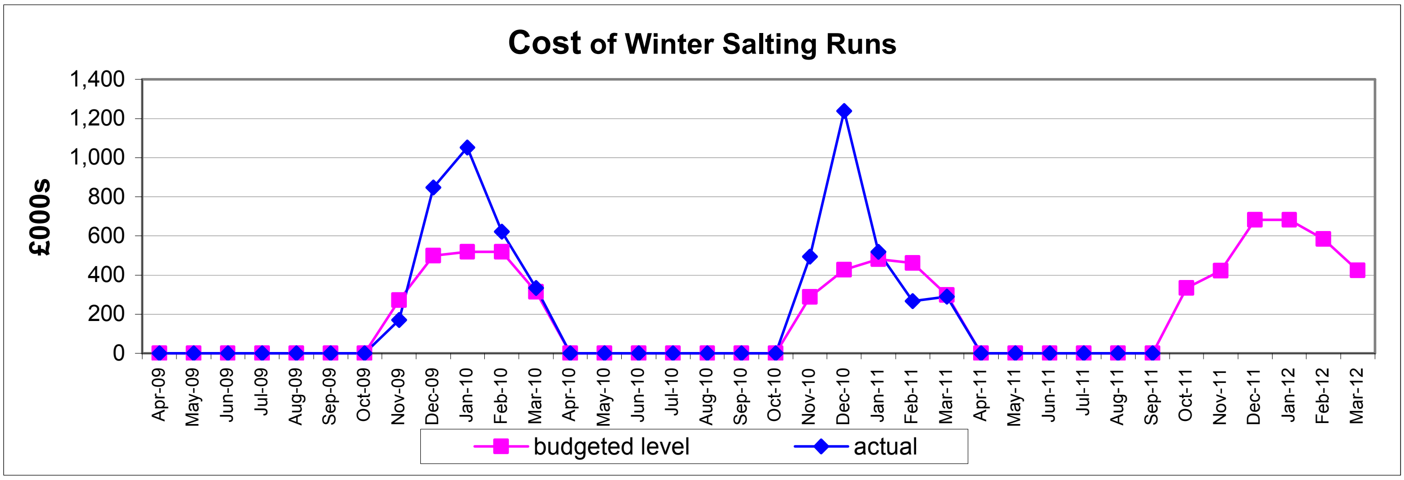
	2011-12	2012-13	2013-14	Future Years	Total
	£k	£k	£k	£k	£k
Energy and Water Efficiency Investment					
Amended total cash limits	+884	+129	+125	+248	+1,386
re-phasing	-197	+100	+94	+3	0
Revised project phasing	**+687**	**+229**	**+219**	**+251**	**+1,386**
Energy Usage Reduction Programme					
Amended total cash limits	+150	+50	+94	0	+294
re-phasing	+113	-19	-94	0	0
Revised project phasing	**+263**	**+31**	**0**	**0**	**+294**
East Kent Access Phase 2					
Amended total cash limits	+27,672	+1,807	+544	+2,000	+32,023
re-phasing	-326	+326	0	0	0
Revised project phasing	**+27,346**	**+2,133**	**+544**	**+2,000**	**+32,023**
Re-shaping Kent Highways Accommodation					
Amended total cash limits	+1,857	0	0	0	+1,857
re-phasing	-140	+140	0	0	0
Revised project phasing	**+1,717**	**+140**	**0**	**0**	**+1,857**
Ashford Drovers Roundabout					
Amended total cash limits	+3,556	+150	0	0	+3,706
re-phasing	0	-150	+150	0	0
Revised project phasing	**+3,556**	**0**	**+150**	**0**	**+3,706**
HWRC - Ashford Transfer Station					
Amended total cash limits	0	+4,250	0	0	+4,250
re-phasing	+100	-100	**0**	0	0
Revised project phasing	**+100**	**+4,150**	**0**	**0**	**+4,250**
Total re-phasing >£100k	**-450**	**+297**	**+150**	**+3**	**0**
Other re-phased Projects below £100k	**-72**	**+72**			
TOTAL RE-PHASING	**-522**	**+369**	**+150**	**+3**	**0**

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 **Number and Cost of winter salting runs**:

	2009-10				2010-11				2011-12			
	Number of salting runs		Cost of salting runs		Number of salting runs		Cost of salting runs		Number of salting runs		Cost of salting runs	
	Actual	Budgeted Level	Actual £000s	Budgeted Level £000s	Actual	Budgeted Level	Actual £000s	Budgeted Level £000s	Actual	Budgeted level	Actual £000s	Budgeted Level £000s
April	-	-	-	-	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-	-	-	-	-
October	-	-	-	-	0.5	-	6	-		1		335
November	1	6	171	273	21	5	494	288		6		423
December	34	17	847	499	56	14	1,238	427		22		682
January	44	18	1,052	519	18	19	519	482		22		682
February	23	18	622	519	2	17	268	461		16		584
March	9	8	335	315	5	6	291	299		6		425
TOTAL	**111**	**67**	**3,027**	**2,125**	**102.5**	**61**	**2,816**	**1,957**	**-**	**73**	**-**	**3,131**



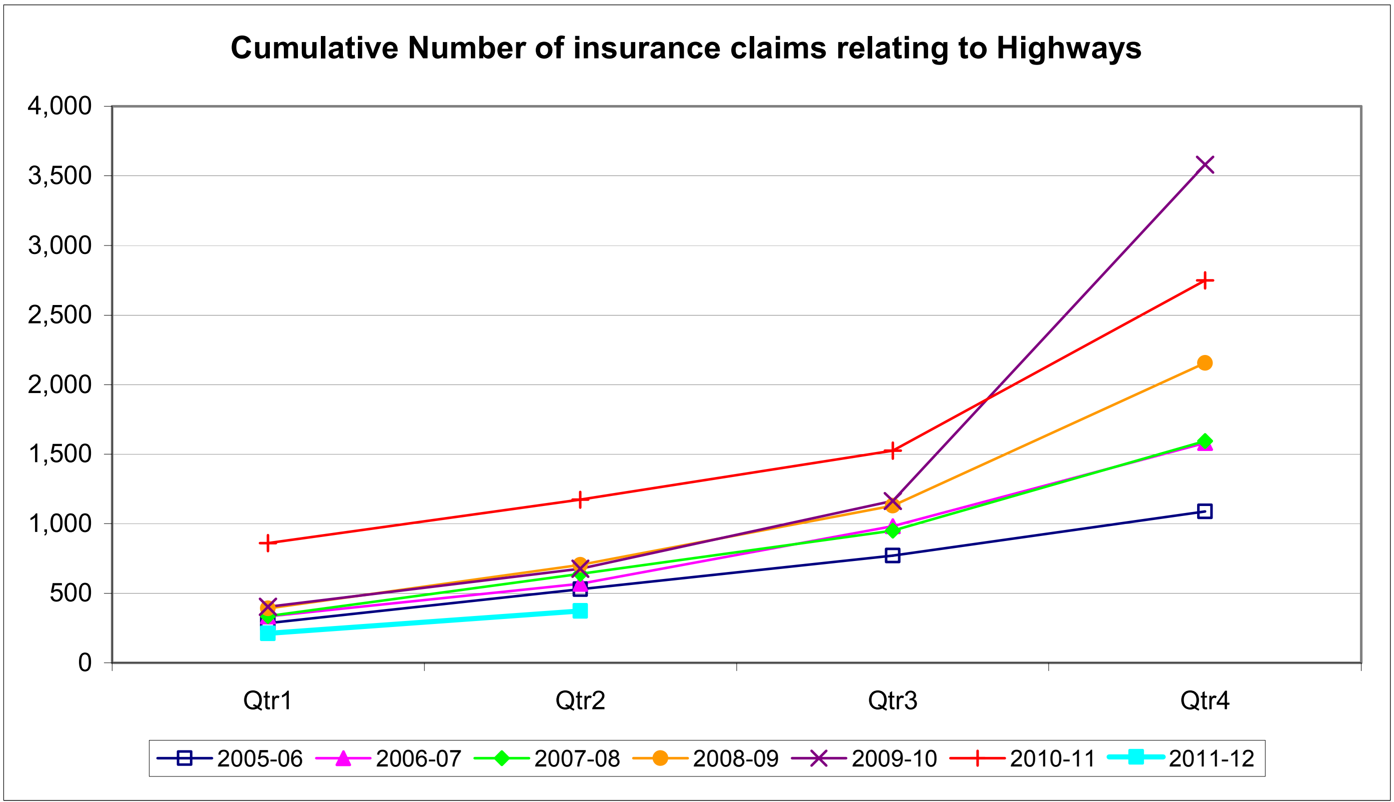


Comment:

- Under the Ringway contract, local and specific overheads and depot charges were dealt with separately and were consequently excluded whereas the new Enterprise contract is for an all inclusive price so these costs are now included, hence the increase in the budgeted cost in 2011-12 compared to previous years.

2.2 **Number of insurance claims arising related to Highways**:

	2005-06	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims
April-June	286	335	337	393	405	861	214
July-Sept	530	570	640	704	677	1,172	374
Oct-Dec	771	982	950	1,128	1,164	1,527	
Jan- Mar	1,087	1,581	1,595	2,155	3,581	2,750	

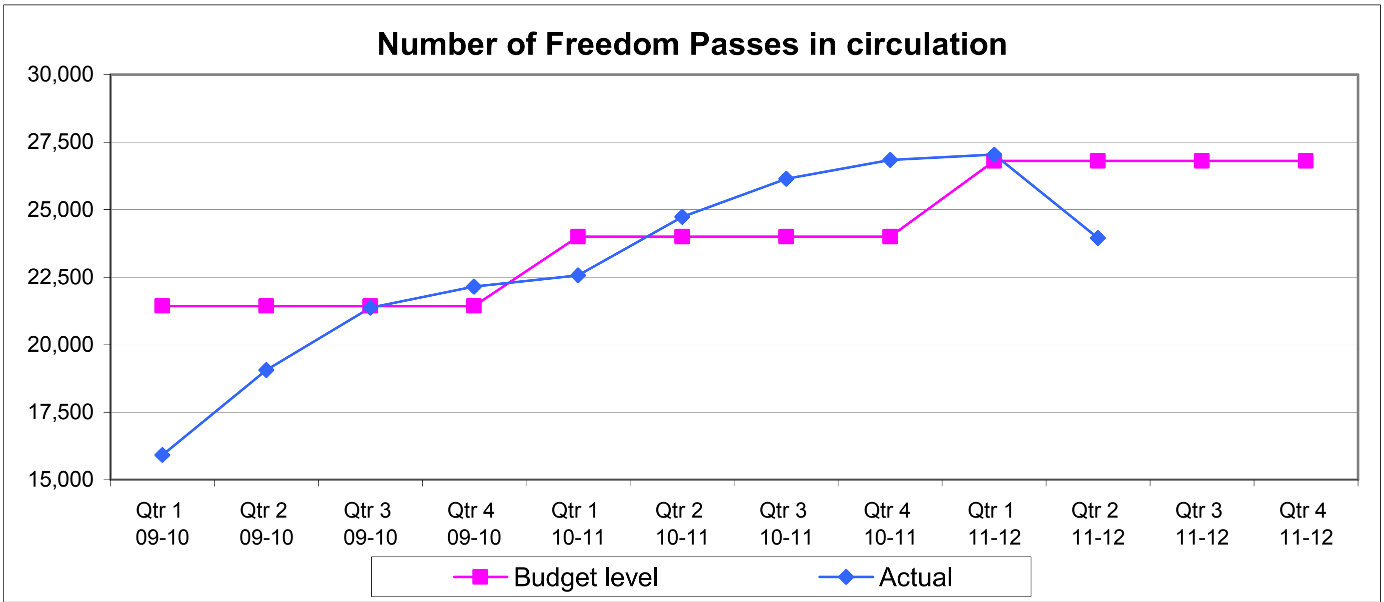


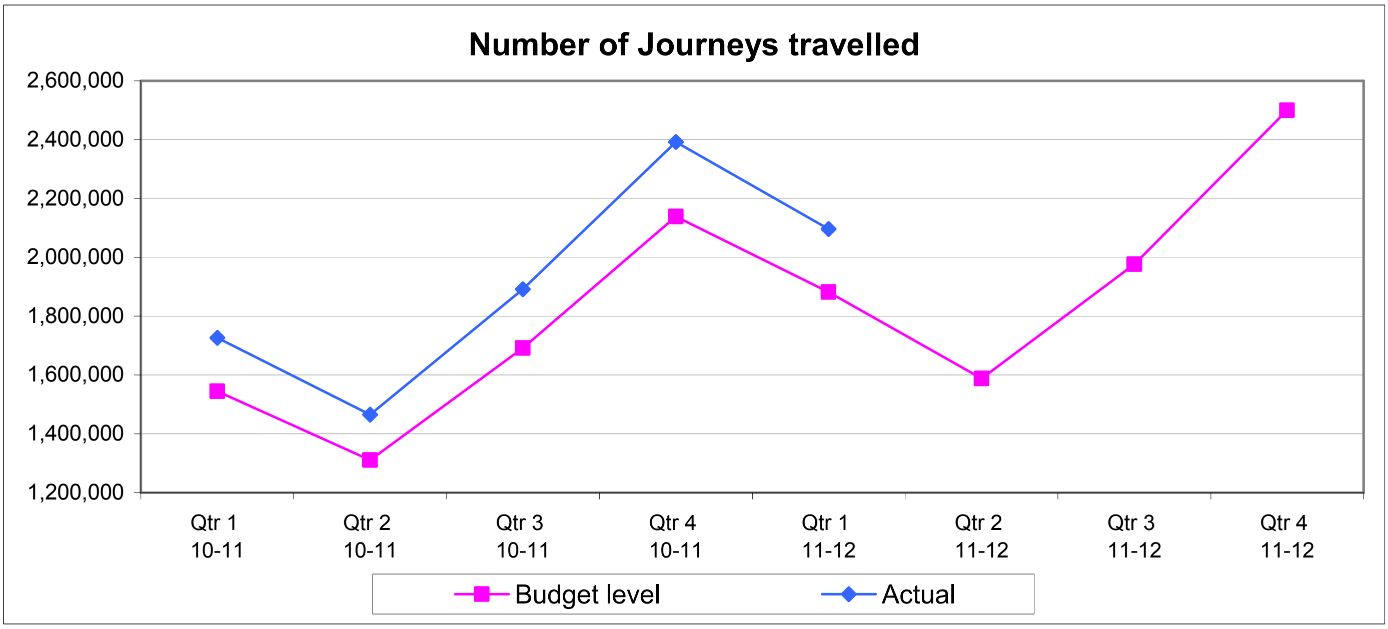
Comments:

- Numbers of claims will continually change as new claims are received relating to accidents occurring in previous quarters. Claimants have 3 years to pursue an injury claim and 6 years for damage claims. The data previously reported has been updated to reflect claims logged with Insurance as at 3 November 2011.
- Claims were high in each of the last three years largely due to the particularly adverse weather conditions and the consequent damage to the highway along with some possible effect from the economic downturn. These claim numbers are likely to increase further as more claims are received for incidents which occurred during the period of the bad weather. However, claim numbers reported for the previous three years have reduced this quarter as a result of the liability claims team pressing insurers to clarify the position on a large number of ‘open’ claims across several policy years, which has resulted in the opportunity to close a significant number of claims.
- The Insurance section continues to work closely with Highways to try to reduce the number of successful claims and currently the Authority is managing to achieve a rejection rate on 2011-12 claims where it is considered that we do not have any liability, of about 86%.

2.3 Freedom Pass - Number of Passes in circulation and Journeys travelled:

	2009-10				**2010-11**				**2011-12**			
	Passes		Journeys travelled		Passes		Journeys travelled		Passes		Journeys travelled	
	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual
Qtr 1 April - June	21,434	15,923			24,000	22,565	1,544,389	1,726,884	26,800	27,031	1,882,098	2,095,980
Qtr 2 July - Sept	21,434	19,060			24,000	24,736	1,310,776	1,465,666	26,800	23,952	1,588,616	
Qtr 3 Oct - Dec	21,434	21,369			24,000	26,136	1,691,828	1,891,746	26,800		1,976,884	
Qtr 4 Jan - Mar	21,434	22,157			24,000	26,836	2,139,053	2,391,818	26,800		2,499,462	
							6,686,046	7,476,114			7,947,060	2,095,980





Comments:

- The figures above for journeys travelled represent the number of passenger journeys which directly or indirectly give rise to reimbursement to the bus operator under the Kent Freedom Pass scheme. It was anticipated that the increase in the cost of the pass from £50 to £100 this year will limit the increases in demand that have been experienced since the introduction of the pass and this is reflected in the number of passes in circulation at the end of quarter 2. However, the number of journeys may not change in line with pass numbers as those students who are more likely not to take up a pass because of the increased cost, will be those travelling the least number of journeys, whilst those who do continue to take out the pass may increase journeys to gain maximum value from the pass, hence why no variance is reported against the budget for Freedom Pass at this stage.

- The above figures do not include journeys travelled relating to home to school transport as these costs are met from the Education, Learning & Skills portfolio budget and not from the Kent Freedom Pass budget.

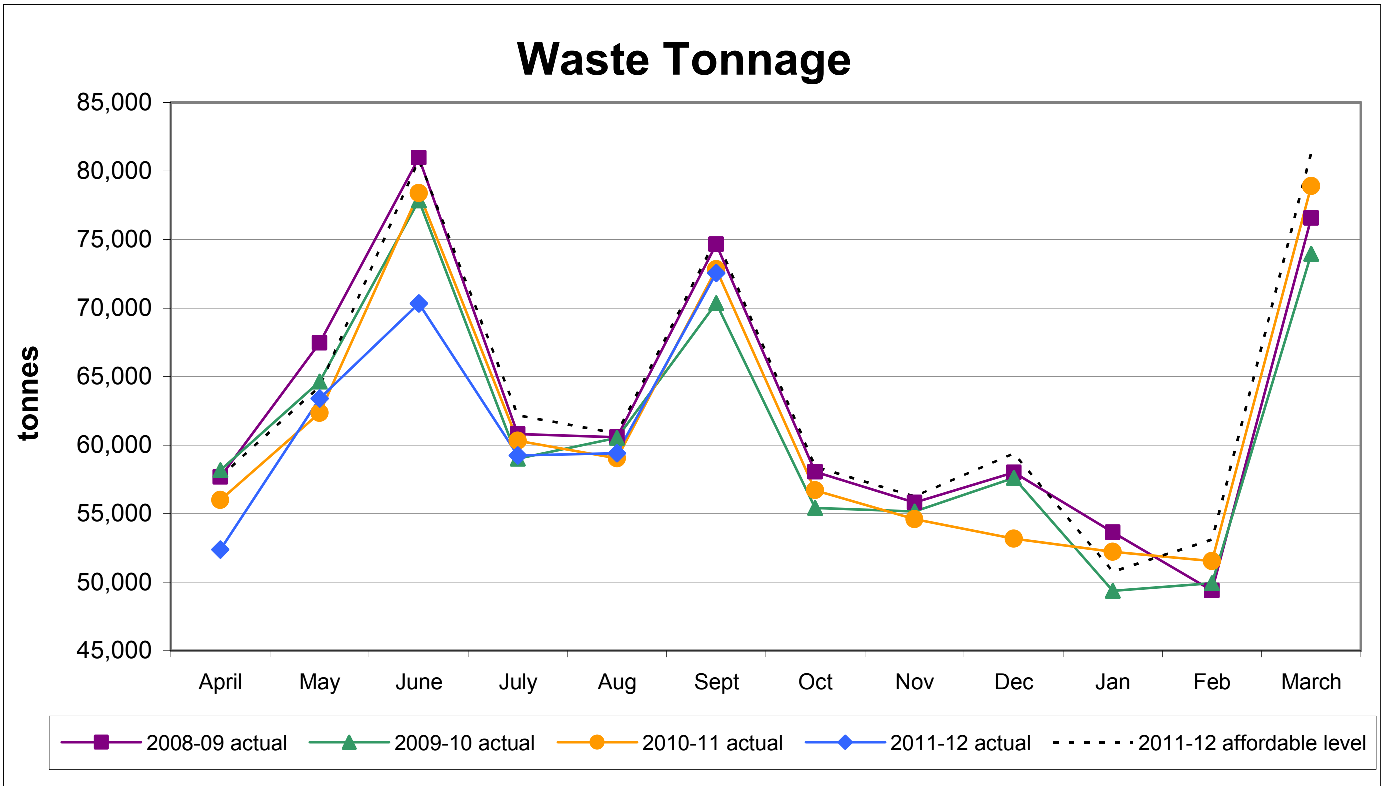
- The actual journey numbers travelled in quarter 2 is not yet available as the bus operators are paid on projected numbers and this is reconciled to actual journeys based on claims later on. This data is expected to be available for the quarter 3 report.

- Comparable figures for 2009-10 journeys travelled are not available because the scheme was still being rolled out and was changing radically year on year and we do not have the data in order to split out the home to school transport journeys.

2.4 Waste Tonnage:

	2008-09	2009-10	2010-11	2011-12	
	Waste Tonnage	Waste Tonnage	Waste Tonnage	Waste Tonnage *	Affordable Level
April	57,688	58,164	55,975	52,360	57,687
May	67,452	64,618	62,354	63,392	64,261
June	80,970	77,842	78,375	70,347	80,772
July	60,802	59,012	60,310	59,232	62,154
August	60,575	60,522	59,042	59,395	60,847
September	74,642	70,367	72,831	72,551	75,058
October	58,060	55,401	56,690		58,423
November	55,789	55,138	54,576		56,246
December	58,012	57,615	53,151		59,378
January	53,628	49,368	52,211		50,766
February	49,376	49,930	51,517		53,093
March	76,551	73,959	78,902		81,315
TOTAL	**753,545**	**731,936**	**735,934**	**377,277**	**760,000**

** Note: waste tonnages are subject to slight variations between quarterly reports as figures are refined and confirmed with Districts*



Comments:

- These waste tonnage figures include residual waste processed either through Allington Waste to Energy plant or landfill, recycled waste and composting.
- To date, the cumulative total amount of waste managed for the first two quarters is approximately 23,500 tonnes less than the affordable level stated above.
- The current forecast as reflected in section 1.1.3.4 of this annex assumes waste volumes will be around 30,000 tonnes below budget by year end. This is a prudent forecast to allow for any potential growth in future months.
- Cumulative tonnage activity for the first two quarters of 2011-12 shows a 3% reduction when compared with the corresponding two quarters for the last financial year. If this trend continues, the savings forecast in section 1.1.3.4 of this annex will increase.

CUSTOMER & COMMUNITIES DIRECTORATE SUMMARY
OCTOBER 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" i.e. 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 report to reflect the virement of £0.307m from the debt charges underspending within the Finance & Business Support portfolio to the Contact Centre budget to meet the increase in call volumes, as approved by Cabinet in September, and a number of other technical adjustments to budget.
- The inclusion of a number of 100% grants (i.e. 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 A-Z budget line:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Communities, Customer Services & Improvement portfolio							
C&C Strategic Management & Directorate Support Budgets	5,256	-1,451	3,805	164	331	495	Shortfall in savings and income target in the Communications and Engagement division.
Other Services for Adults:							
- Drug & Alcohol Services	18,617	-17,169	1,448	-13	13	0	
- Supporting People	29,821		29,821	0	0	0	
	48,438	-17,169	31,269	-13	13	0	
Community Services:							
- Archive Service (incl Museum Development)	1,345	-424	921	-42	41	-1	
- Arts Development (incl Turner Contemporary)	2,390	-90	2,300	-39	-2	-41	Reduced staff costs from vacancy management
- Community Learning Services	16,590	-16,790	-200	-241	332	91	Reduction in income from Skills Funding Agency, lower enrolment numbers (and lower drawdown on maximum contract values) & the associated reduction in employer contributions. Gross costs reduced accordingly but unable to fully mitigate the income reduction
- Community Safety	1,922	-225	1,697	66	2	68	Increased staff costs due to backfill of maternity leave and funding of two partnership officer posts. Managed in conjunction with the Community Wardens budget below.
- Community Wardens	2,798	-2	2,796	-104	1	-103	Vacancy management savings & reduced transport costs.

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Contact Centre & Consumer Direct	6,951	-2,917	4,034	0	181	181	Income: Reduced income from Trading Standards S.E Ltd (TSSEL) due to reduced call volumes, offset by increased internal and external fee income. Gross: Shortfall on savings target offset by lower spend on TSSEL.
- Gateways	2,522	-652	1,870	-9	-6	-15	Reduced staff costs & third party payments as a result of a delay in roll out of certain Gateways, offset by spend on projects brought forward from 2012.
- Library Services	16,504	-2,332	14,172	-69	-51	-120	Planned reduction in running costs to offset the moving costs associated with Kent History Centre (KHLC); reduced staff costs due to RFID project. Increased contributions from Kent Cultural Trading, increased internal income, offset by reduced merchandising & fees income.
- Sports Development	2,686	-1,337	1,349	14	-68	-54	underspend on the Sandwich Open Golf event.
- Supporting Independence & Supported Employment	3,201	-1,954	1,247	-331	112	-219	Reduced staff costs from vacancies expected to be held for the remainder of the year and reduced spend (and income) re Future Jobs Fund; reduced contributions from DWP due to lack of take-up for placements. Delays in the recruitment of Vulnerable Learners has led to a reduction in costs & corresponding reduction in the need to draw down from reserves.
- Big Society Fund	5,000		5,000	0	0	0	
	61,909	-26,723	35,186	-755	542	-213	
Environment:							
- Country Parks	1,749	-973	776	-29	29	0	
- Countryside Access (incl PROW)	3,233	-1,145	2,088	-64	67	3	
	4,982	-2,118	2,864	-93	96	3	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Local Democracy:							
- Local Boards	675		675	82	0	82	Shortfall in savings target in relation to Community Engagement Officer posts
- Member Grants	1,303		1,303	0	0	0	
	1,978	0	1,978	82	0	82	
Regulatory Services:							
- Coroners	2,840	-475	2,365	32	-22	10	Inflationary pressure due to NHS post mortem charges. Additional income from Medway .
- Emergency Planning	880	-199	681	-5	-6	-11	
- Registration	2,988	-3,166	-178	-97	75	-22	Vacancy management & release of CARA reserve, as no planned spend. Shortfall against income target associated with collaborative working with other local authorities.
- Trading Standards (incl KSS)	4,464	-865	3,599	-205	68	-137	Advancement of 2012-13 savings to be achieved in 2011-12 & savings on gross spend-mainly staffing. KSS shortfall against income target.
	11,172	-4,705	6,467	-275	115	-160	
Support for Individual Children:							
- Youth Service	10,308	-4,214	6,094	-3	2	-1	
- Youth Offending Service	6,013	-2,608	3,405	-43	-37	-80	Reduced number of referrals in secure accommodation in the first half of the year
	16,321	-6,822	9,499	-46	-35	-81	
Total controllable	**150,056**	**-58,988**	**91,068**	**-936**	**1,062**	**126**	
Assumed Management Action						**0**	
Forecast after Mgmt Action				**-936**	**1,062**	**126**	

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 <u>**Strategic Management & Directorate Support Budgets:** Gross +£164k, Income +£331k Net +£495k</u>

The gross variance relates primarily to pressures of +£357k in the Communication and Engagement division offset by a number of minor variances across a number of services within this service grouping, which in aggregate amount to -£193k.

The gross pressure of +£357k within Communication and Engagement is as a result of (i) £500k of the savings target of £1.5m that is yet to be fully achieved and (ii) compensating underspend on staffing of £143k. The -£193k of minor variances have been achieved in line with the directorate’s policy of curtailing all non essential spend and extending vacancy management wherever possible to try and mitigate the overspends within the directorate.

In addition to the gross variance, an income variance also exists and can be largely explained by a shortfall against an income target of £249k for Communications and Engagement, together with reduced internal income in Centrally Managed Budgets of £63k and other minor variances amounting to £19k.

Overall, therefore the net pressure of +£495k comprises a pressure on Communication and Engagement of +£606k *(+£357k gross and +£249k income)*, which is offset by underspends across this grouping of services of £111k *(-£193k gross, and +£63k & +£19k income)*.

1.1.3.2 **Community Services:**

a. Community Learning Services: Gross -£241k, Income +£332k, Net +£91k

The Community Learning and Skills service (Adult Education and Key Training) is forecasting a significant reduction in income, which the service is unable to fully mitigate due to the timing and nature of the reductions and hence a net pressure is being reported.

The income variance of +£332k is comprised of the following. The service has reduced its forecast in relation to sales, fees and charges due to a decline in enrolment numbers (+£93k) meaning a lower than expected drawdown of maximum contract values. The decline in enrolment numbers - as well as the economic environment that we are currently operating in - has also led to an expected diminution in contributions from employers of +£58k.

The most significant reason for the adverse income variance however, is the decision by the Skills Funding Agency to alter the eligibility criteria – mid year – for the equivalent learning programme, meaning that up to 75% of funding has been removed. This means that either the learner, or the employer, has to make good the difference in order to make the programme viable.

This reduced funding, and related income streams, amount to a variance of +£218k. In this climate SME's are unable to absorb such costs and therefore certain courses are being withdrawn, causing enrolment numbers to fall, which again means that employer contributions reduce accordingly.

The above reductions in funding explains a £369k income shortfall (£93k +£58k +£218k), which is partially offset by minor compensating income streams of -£37k.

The gross variance of -£241k is primarily the management action taken by the service to part-mitigate this income shortfall as follows: The service has withheld training and development budgets for its tutors*;* brought forward staff and management restructures (but the savings are offset by one-off costs to be incurred for pension and redundancy); and reduced business development budgets aimed at increasing the breadth and quality of services offered to students and employers.

The service is unable to fully absorb or mitigate these funding reductions in the current year due to the timing of these changes, as well as the one-off costs involved with staff restructures. It is hoped therefore that a balanced budget will prevail in 2012-13 but, given that in excess of £1m of income has been removed from the budget in the past 18 months; further funding changes do present a significant challenge to the service.

b. Contact Centre & Consumer Direct: Gross £0k, Income +£181k, Net +£181k

In the previous quarter's monitoring, the gross variance of £566k was primarily due to the call volume pressure of £460k and a partial shortfall against savings targets.

The call volume pressure has been fully mitigated by a combination of a virement of £307k from the Finance & Business Support portfolio from the underspend on debt financing, with the residual pressure of +£153k (£460k minus the £307k virement), alleviated by permitting a temporary relaxation of call answer rates for non critical services.

Therefore a pressure continues to remain in relation to the shortfall against the savings targets, amongst other things. The net variance of +£181k is mainly comprised of such a shortfall against the £246k savings target of the Kent Contact & Assessment Service (KCAS), which following specific one-off management action has a residual deficit of +£152k. CFIS also had a shortfall against its savings target of £120k but has found one-off solutions to fully mitigate this.

The gross pressure associated with KCAS (+£196k) is offset by a reduction in staff costs (-£209k) on the Consumer Direct South East Service (CDSE), which – when combined with a few other minor variances – means that no gross variance is currently being reported on the service overall. These staffing savings within CDSE have been made to offset a forecast income reduction of £246k due to lower call volumes (as funding is performance related). This income shortfall is partially offset by an increase in internal income (-£57k) and a small rise in sales, fees and charges of -£11k.

c. Gateways: Gross -£9k, Income -£6k, Net -£15k

A number of Gateways have been delayed resulting in a gross underspend of £227k, but the service has re-prioritised and accelerated future year's planned activity with an additional £114k of spend on cross authority projects. Also, the service has not drawn down £150k of reserves, given that funding is available in the current year due to the roll out delay. Other minor variances account for the residual difference.

d. Library Services: Gross -£69k, Income -£51k, Net -£120k

The service has made savings on gross expenditure, mainly through a planned reduction in running costs (-£250k) to mitigate against additional costs associated with Kent History and Library Centre (KHLC) where a switch of funding from capital to revenue is required due to the nature of the moving costs (+£168k). Accounting convention prevents capital funding to be used for revenue purposes so a strategy was enacted to allow these costs to be met from the revenue budgets, without causing a pressure to the service. This strategy enabled the costs to be met and an -£82k gross variance to be delivered *(+£168k – £250k)*.

Other compensating gross variances including an acceleration of RFID savings of -£198k, that were reported in quarter one's monitoring report, show an aggregated +£13k deviation from the approved budget, which when combined with the -£82k above, arrive back at the gross variance of -£69k.

Libraries are forecasting a reduction in their Audio Visual and Merchandising income of £60k, this is a continuation in the trend of reducing sales over the past number of years. An exit strategy is currently being devised and opportunities for replacing this with other forms of income investigated.

The above, combined with reduced income from fines (as reported in the previous quarter's monitoring) gives a shortfall in income of £123k, which is compensated by additional external contributions of £127k and increased income from internal clients of £65k. Other minor differences of +£18k account for the residual income variance.

e. Supporting Independence & Supported Employment: Gross -£331k, Income +£112k, Net -£219k

Kent Supported Employment (KSE) is forecasting a shortfall in external income from the Department for Work & Pensions (DWP), as well as income from external clients, totalling +£88k.

To compensate for this shortfall, and to contribute towards reducing the directorates net overspend, the service has made savings on gross expenditure of -£290k by holding staff vacancies. There are also other minor gross and income variances within Supporting Independence to reconcile back to the gross and income variances of -£331k and +£112k respectively.

Due to delays in the identification and subsequent recruitment of a number Vulnerable Learners, the Supporting Independence Programme (SIP) is forecasting a reduction in staffing and other related expenditure in 2011-12 of -£159k. This is however fully mitigated by a corresponding reduction in the required drawdown from reserves in the current year, with the scheme continuing into 2012-13 as the Vulnerable Learner programme involves a 12 month placement.

1.1.3.3 **Regulatory Services:**

a. Trading Standards (Incl. Kent Scientific Services): Gross -£205k, Income +£68k, Net -£137k

The net variance of -£137k comprises -£165k Trading Standards and +£28k Kent Scientific Services (KSS), the latter showing an improved position of £53k since the previous quarter's monitoring.

The majority of the Trading Standards net variance results from vacancy management and an acceleration of the review of service priorities, in order to deliver some of the planned 2012-13 savings a year early in an attempt to part mitigate the directorate's pressures elsewhere. This has achieved gross savings of £180k.

Within Kent Scientific Services there is a shortfall in income of £89k. The service was given a £50k target for increasing income from other authorities, which was predicated on more and more laboratories closing resulting in new custom to KSS. This trend has not continued and the whole of this £50k savings target is being shown as a pressure. In addition, other authorities are reducing the number of samples that are being placed at the laboratory until their own budget situation becomes clearer, reducing the service's income further.

Trading Standards are forecasting £21k of additional income and this, combined with the +£89k KSS variance, arrives back at the +£68k income variance.

To try to mitigate their income shortfall, KSS has made savings on staff costs of £60k. When combined with Trading Standards gross saving of £180k, this explains -£240k of the gross variance, with minor compensating variances.

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
CCSI	Strat. Mgmt & Directorate Support shortfall against Communications & Engagement activity savings target to be mitigated by management action	+500	CCSI	Kent Supported Employment: staff vacancies anticipated to be held for the remainder of the year.	-290
CCSI	Contact Centre: Shortfall against savings targets of KCAS (+£246k) and CFIS (+£120k)	+366	CCSI	Libraries: Planned reduction in running costs to mitigate additional KHLC moving costs	-250
CCSI	Communications & Engagement: Shortfall against the income target set at the time of building the budget.	+249	CCSI	CLS: management actions to part mitigate income shortall	-241
CCSI	Contact Centre (Consumer Direct): Reduced income from Trading Standards S.E.Ltd; income is based upon a price per call basis and call volumes have declined.	+246	CCSI	Gateways: reduced spend due to delayed opening of Gateways	-227
CCSI	CLS: Reduced income on the equivalent learners programme due to a combination of reduced demand and a change in the eligibility criteria (in-year) by the Skills Funding Agency.	+218	CCSI	Contact Centre: One-off solutions to offset shortfall against savings targets for the CFIS and KCAS services.	-214
CCSI	Libraries: Additional moving costs associated with Kent History & Library Centre (KHLC), mitigated by reduced spend on other running costs	+168	CCSI	Contact Centre (Consumer Direct): Reduced staff costs, primarily through vacancy management, as management action towards the reduce income stream from TSSEL.	-209
CCSI	SIP: Reduction in staff and other related expenditure for the Vulnerable Leaners Scheme. A delay in the identification of the learners means the scheme will continue into 2012/13.	+159	CCSI	Libraries: reduced staff costs arising from Radio Frequency Identification (RFID) self service implementation	-198
CCSI	Gateways - reduction in expected drawdown from reserves, no longer required due to delay in the rollout programme	+150	CCSI	Trading Standards: Reduced staff costs achieved through vacancy management and advancement of 2012-13 savings.	-180
CCSI	Libraries: reduced income from fines, Audio Visual & Merchandising	+123	CCSI	SIP - reduction in the drawdown from reserves in relation to the Vulnerable Learners Scheme. These reserves will now be called upon in 2012/13.	-159
CCSI	Gateways - additional other running costs as other projects brought forward to compensate for delay in roll out of the programme.	+114	CCSI	Strat Mgmt & Directorate Support: Comms & Engagement staff vacancy management savings	-143
			CCSI	Libraries: additional external contributions	-127
		+2,293			-2,238

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

1.1.4.1 Contact Kent

The Contact Centre was allocated a savings target of £406k for the current year, of which £366k related to the integration of the Kent Contact & Assessment Service (KCAS) and Children & Families Information Services (CFIS).

Due to a delay in the integration of KCAS and reductions in grant funding meaning that the CFIS saving was not deliverable in-year, alternative ways of mitigating the saving in the current year were sought. Subsequently one-off solutions of £214k have been found but a residual variance remains.

In addition, Consumer Direct is delivering a small underspend to part mitigate the above pressures, with vacancy management extended as far as possible across the whole service.

Alternative ways of achieving savings through the integration of further services into the Contact Centre are being devised, with the hope that management, support and logistical savings can still be generated, in order to present a balanced budget by the end of the year.
An update on progress with this review, and ergo the management action, will be reported through monitoring in subsequent reports as services and new ways of working are identified.

1.1.4.2 Communications & Media Relations

This division, which for the purposes of the restructure, includes Local Boards (Community Engagement Officers) - has a savings target of £1.5m to achieve in 2011-12 and a further £0.5m in 2012-13, giving a total savings target of £2m over the two years.

The overall position on this service in the current year is detailed below, and explained in the subsequent narrative:

	£m
Anticipated part year savings from restructure	-0.500
Activity savings	-0.500
Vacancy management savings	-0.143
Shortfall in income	+0.249
TOTAL	**-0.894**
2011-12 Savings Target	-1.500
Shortfall – Communications	**0.606**
Shortfall – Local Boards (incl CEO costs)	**0.082**
Total Shortfall – Communications & Engagement	**0.688**

a) Staff restructure

A restructure of the service has been explored. The restructure proceeded and was set to deliver in excess of £1m, full year effect. However one aspect of the proposals - in relation to Community Engagement Officers (previously Community Liaison Managers) - did not proceed as expected and this element of the saving (full year effect approximating to £265k) will not be achieved. The part-year effect of this shortfall against the savings target in the current year is shown under Local Boards; with a net overspend of £82k showing against this budget line for 2011-12.

Overall – and prior to the change to the Local Board structure – the review was anticipated to deliver in excess of £1m of savings, with the remaining £1m of savings to be achieved through reducing communication related activity costs.

The new structure was not fully in place by 1st September as first expected so the anticipated 6 month effect of a £1m saving (e.g. a £500k saving) would not be expected to materialise under normal circumstances.

However, the full year effect of the restructure (prior to the Local Board change) is now expected to deliver closer to £1.5m, or approximately £1.25m after the Local Board changes have been taken into account.

The part year effect in 2011-12 is expected to still deliver £500k for the Communications and Engagement element, but with the £82k Local Board pressure being reported separately.

b) Proposed reduction in activity levels and spend

The savings target of £2m cannot be met from staff reductions alone; as the £1m anticipated restructure saving was to reduce the establishment by in the region of 30 FTE, a significant reduction.

The balance of the savings of £1m will need to be delivered through a review of communications related activity expenditure and these budgets are not held within C&C directorate but remain across all directorates, so whilst this service will coordinate savings options, the actual savings will be delivered through reduced activity in the service units.

No area of related spend – including publicity, printing & photocopying, advertising, books/publications/newspapers, will escape scrutiny and options are being devised to contribute to this area. Half of the £1m activity reductions have been found, with a further £500k shortfall to be identified and then delivered.

Upon a review of communications related expenditure in the first 6 months of 2011-12, it does appear that funding restraints elsewhere has meant that this type of expenditure has already reduced significantly and the ability to deliver £500k in the current year will be extremely difficult.

A review is continuing to be undertaken, to investigate potential solutions but a prudent forecast has been included in this monitoring report to show that no further mitigation of the £500k shortfall is expected this financial year.

c) Vacancy Management Savings

In-year vacancy management and not backfilling staff on maternity has enabled the service to deliver £143k of staff savings and therefore this area has been fully exhausted unless further vacancies – in the new structure – ensue in the coming months.

1.1.4.3 Moratorium on non essential expenditure

In order to deliver a balanced budget position, the directorate will continue to review all non critical expenditure, with the view of maximising opportunities to reduce expenditure without adversely affecting service delivery. This has delivered significant savings since the last monitoring report.

1.1.4.4 Vacancy Management

Where possible, and not just within the Communications and Engagement division, the directorate will continue to maintain and extend vacancies as far as practicable. Currently vacancies are, in some cases, being held for up to 16 weeks and our ability to maintain vacancy management at this level - without impacting on service delivery - is becoming a significant challenge.

1.1.4.5 To date, in contrast to the initial gross pressures reported in quarter 1 of £644k for the Contact Centre and the £606k pressure on Communications and Engagement, the directorate has already enacted management action to reduce or contain these pressures wherever possible. These two pressures alone amounted to +£1.25m, with the directorate previously delivering significant underspends elsewhere as +£0.8m was the net underspend in quarter one.

1.1.4.6 Vacancy management, primarily within Trading Standards, Libraries and Kent Supported Employment, has delivered significant underspends to part mitigate the above gross overspends and is a significant contributor in enabling the directorate to report a current net pressure of +£126k, a significant reduction from the +£800k reported in quarter one's monitoring report.

The identification of management action will continue, with a balanced budget being the aspiration of the directorate by the end of the year.

1.1.5 **Implications for MTFP**:

The directorate will continue to manage in-year pressures and deliver savings proposals to the best of its ability and where this is not possible will aim to over-deliver or deliver future savings early in order to present a balanced budget at the year-end.

The outcome of the review of Communications and Engagement staffing restructure, as well as the reconfiguration of Contact Kent, will determine the extent of pressures and further savings options that will need to be considered as part of the Medium Term Financial Plan (MTFP) for the coming period.

The staff restructure in Communications was due to deliver significantly in excess of the £1m initial estimates – to part offset the activity requirement of £500k - but due to the consultation altering the structures around Community Engagement Officers, a revised staff saving of around £1.25m will now be possible.

This therefore means that the service needs to continue to explore ways of mitigating the need to reduce activity expenditure – across the authority as budgets remain dispersed – and to look at alternative ways to generate income to supplement the internal income that could not be achieved in the current year.

Note will also have to be taken of in-year and future grant funding reductions, as well as prior year funding reductions, that have implications on the ability of the directorate to balance their budgets and to deliver savings that had assumed no change to funding levels.

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

None, apart from the early delivery of certain savings options e.g. Trading Standards service priority review and over-delivery of the RFID libraries project. The rollout of some of the Gateway programme has been delayed and expenditure has been re-prioritised accordingly – both revenue and capital – to ensure that sufficient budget remains in 2012-13 for this rollout to continue.

1.1.7 **Details of proposals for residual variance**:

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.

Management action for Communications & Engagement and Contact Kent are currently being prepared and will be communicated through the monitoring reports as and when identified.

It was hoped that these would have been devised and implemented by now but as explained in previous sections, services have already reduced their expenditure on communication related activity to mitigate their own funding reductions and so this saving cannot be delivered twice.

Similarly, the two services integrated into the contact centre this year were partially funded by grants which were reduced pre-transfer, so base solutions are unlikely to be found unless further services are integrated into the centre, as the anticipated savings have been enacted merely to absorb the funding reductions.

As such the directorate has sought to extend vacancy management wherever possible, to impose a moratorium on non-essential spend and to release certain activity related budgets where the demand in the first half of the year has not been at forecast levels.

This has contributed to a significant improvement in the directorate's position and whilst this is not specific management action proposals for the two services noted above, these proposals have enabled the net pressure the directorate is facing to be reduced each month and is now a modest +£126k when compared to the +£800k of three months ago.

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 17th October 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
Communities, Customer Services & Improvement						
Budget	45,501	18,194	5,529	5,274	4,929	79,427
Adjustments:						
- Re-phasing August Monitoring		70	-52	-18		
- Completed Projects	-8,413					-8,413
- Edenbridge Community Centre		150				150
- Gateways		-150				-150
- Kent Library & History Centre		280				280
- Library Modernisation		-280				-280
Revised Budget	37,088	18,264	5,477	5,256	4,929	71,014
Variance	0	-79	+311	0	0	+232
split:						
- real variance		232				232
- re-phasing		-311	311			0
Real Variance	**0**	**232**				**232**
Re-phasing	**0**	**-311**	**311**			**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.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
	None					
			+0	**+0**	**+0**	**+0**
Underspends/Projects behind schedule						
	None					
			0	**-0**	**-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 +£0.232m in 2011-12

Public Rights of Way: +£0.194m (in 2011-12): This reflects an additional project funded by Department for Transport grant and the full cost of 3 existing projects with funding from external funding/developer contributions.

Overall this leaves a residual balance of +£0.038m which is to met from revenue.

1.2.6 **General Overview of capital programme**:

The risks set out in (a) below must be read in conjunction with section (b), which are the actions being taken to alleviate the potential risks.

(a) Risks

Library Modernisation Programme – consists of several large individual projects, which if delayed, could result in significant re-phasing of costs into 2012-13. As this is linked to the Modernisation of Assets (MOA) programme (an aim to conduct works simultaneously in order to minimise cost and disruption), delays in relation to Disability Discrimination Act (DDA) works and planned maintenance would also ensue.

Modernisation of Assets Programme – the programme of works is determined in conjunction with service requirements, corporate priorities and largely the Library Modernisation programme. Any delay from whatever source will impact directly on delivering improvements to facilities and result in slippage of the inter-related programmes.

The Beaney – costs from contractor claims for an extension of time, design team claims for additional fees, change control requests and the higher museum fit out costs could lead to unavoidable further increases to the overall project cost.

Turner – included within the project funding is an external funding target of £2.9m, which has been underwritten by KCC. In the current climate, the full amount of this target may not be achieved, therefore causing a potential funding shortfall.

Gateways – Sheerness running costs exceed anticipated levels.

Kent History & Library Centre – the remainder of project funding could be affected by the state of the property market, by virtue of reduced capital receipts/land value, which are needed in order for construction costs to be met.

Ramsgate Library – there is small risk that the costs of the final snagging works will exceed the funds available or that the surplus will have to be returned to the Administrator.

Tunbridge Wells Library – a risk that the associated costs to ensure full DDA and fire compliance, and the costs of the lift installation, cannot be met from the existing budget.

New Community Centre at Edenbridge – the project is partially dependent upon external partner funding and without this in place the KCC share of the project costs will rise.

Web Platform – programme delivery and cost is impacted by the availability of in-house technicians/external consultants.

(b) Details of action being taken to alleviate risks

Library Modernisation Programme – the Library Modernisation Project Board, including support from the Property Group, is overseeing this programme and co-ordinating appropriate project management, design development, estates and financial advice and linking into the Modernisation of Assets programme as appropriate. Expenditure has been profiled over the coming year for each of the key locations, in line with latest information available.

Modernisation of Assets Programme – by working very closely with Property and Heads of Service, careful planning is in place to ensure that, as far as possible, investment is co-ordinated with other funds available and targets service priorities in the most cost effective manner.

The Beaney – following a full assessment of all risks by the project managers the schedule of associated costs is continually reviewed and challenged. The bid to Viridor Credits is in hand for additional funding and will be submitted in December for approximately £150k. Further value engineering in relation to the museum fit out in taking place and the project managers are actively and robustly addressing various claims by the contractor and design team to minimise/ eliminate any additional costs.

Turner – Turner Contemporary Art Trust has raised £1.662m towards the funding target of £2.9m. Alternative methods are being explored should the full amount of funds not be forthcoming this year.

Gateways – The anticipated running costs and available budgets are being assessed in detail with Property to ensure sufficient funds are available.

Kent History & Library Centre – Alternative options are being developed and other sources of funding explored, should the fall in the residential property market impact on the disposal of land earmarked to fund the completion of the project.

Ramsgate Library – the outstanding defects liability has been costed by the Quantity Surveyor and formed part of the settlement negotiations. The programme of work is now being tendered and will be monitored against the funds available.

Tunbridge Wells Library – any additional works and therefore funding will have to be prioritised alongside other DDA priorities within the MOA programme. Half the costs of the works to the library will be shared equally with TWBC.

New Community Centre at Edenbridge – All partner funding agreements (including external contributions) are now in place, thereby eliminating this risk that has been logged from the outset. This is a design and build contract signed at a fixed price, limiting to a minimum future cost rises.

Web Platform – With active support from ISG, delay to the programme should be minimised with completion now expected in 2012-13. Governance for Customer Service Strategy-related web projects will be overseen by the Access & Assessment Team.

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.

	2011-12	2012-13	2013-14	Future Years	Total
	£k	£k	£k	£k	£k
Country Park Access & Development					
Amended total cash limits	+1,318	0	0	0	+1,318
re-phasing	-105	+105	0	0	0
Revised project phasing	**+1,213**	**+105**	**0**	**0**	+1,318
Web Platform					
Amended total cash limits	+504	0	0	0	+504
re-phasing	-150	+150			0
Revised project phasing	**+354**	**+150**	**0**	**0**	+504
Total re-phasing >£100k	**-255**	**+255**	**0**	**0**	**0**
Other re-phased Projects below £100k	**-56**	**+56**	**0**		**0**
TOTAL RE-PHASING	**-311**	**+311**	**0**	**0**	**0**

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

N/A

BUSINESS STRATEGY & SUPPORT DIRECTORATE SUMMARY OCTOBER 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 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 1 of the executive summary.

1.1.2 **Table 1** below details the revenue position by A-Z budget line:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Adult Social Care & Public Health portfolio							
Public Health Management & Support	344		344	18	-18	0	
Public Health - Health Promotion	314	-221	93	0	0	0	
Public Health - Local Involvement Network (LINk)	470	-30	440	0	0	0	
Total ASC&PH portfolio	**1,128**	**-251**	**877**	**18**	**-18**	**0**	
Communities, Customer Services & Improvement portfolio							
Public Health - Health Watch	78		78	0	0	0	
Total CCS&I portfolio	**78**	**0**	**78**	**0**	**0**	**0**	
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**	
Finance & Business Support portfolio							
Finance & Procurement	19,637	-4,648	14,989	78	0	78	Delay of restructure plans
Business Strategy External Funding	0	0	0	0	0	0	
HR Business Operations	8,150	-5,431	2,719	-423	911	488	Under-delivery of increased income targets in SPS, partially offset by reduced staffing/ activity costs; overspend in ESC mainly on staffing; reduced activity in L&D offset by reduced income
Total F&BS portfolio	**27,787**	**-10,079**	**17,708**	**-345**	**911**	**566**	

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							
Strategic Management & Directorate Support budgets	1,628	-9,484	-7,856	775	-14	761	Directorate's as yet unallocated savings still to be allocated across units.
Governance & Law	8,248	-9,472	-1,224	1,297	-1,729	-432	£603k disbursements costs & income; additional costs & income from trading activities
Business Strategy	3,865	-99	3,766	-49	0	-49	Underspend in Performance Management due to maternity leave/ supplies & services underspend
Property & Infrastructure	28,559	-7,129	21,430	0	0	0	
Human Resources	12,748	-2,647	10,101	-503	15	-488	Reduction in base funded external training activity; reduction in training activity to schools
Information & Communication Technology (incl Schools ICT)	36,928	-16,921	20,007	1,500	-1,500	0	IT pay as you go activitiy funded by income
Health Reform	250		250	0	0	0	
Total BSP&HR portfolio	**92,226**	**-45,752**	**46,474**	**3,020**	**-3,228**	**-208**	
Deputy Leader portfolio							
Finance - Audit	1,671	-742	929	-120	42	-78	-£67k u/spend on Insurance offset by reduced drawdown from Insurance Fund; -£53k delays in recruiting to vacancies/ additional income in audit
Business Strategy - International, Partnerships & Cabinet Office	1,089	-269	820	0	0	0	
Democratic & Member Services	3,948	-3	3,945	48	-57	-9	
Local Democracy:							
- County Council Elections	505		505	0	0	0	
- District Grants	703		703	0	0	0	
Total DL portfolio	**7,916**	**-1,014**	**6,902**	**-72**	**-15**	**-87**	
TOTAL CORPORATE POSC	**127,929**	**-56,845**	**71,084**	**2,603**	**-2,332**	**271**	
Total BSS Controllable	**133,550**	**-57,371**	**76,179**	**2,621**	**-2,350**	**271**	
Assumed Management Action:							
- ASC&PH portfolio						**0**	
- CCS&I portfolio						**0**	
- F&BS portfolio						**0**	
- BSP&HR portfolio				**-718**		**-718**	
- Deputy Leader portfolio						**0**	
- R&E portfolio						**0**	
Forecast after Mgmt Action				**1,903**	**-2,350**	**-447**	

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 Human Resources – Business Operations: Gross -£423k, Income +£911k, Net +£488k

Schools Personnel Service (SPS) was given an additional income target of £150k for 2011-12, but this 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. Consequently SPS are forecasting an under-delivery of income of **+£364k**, but also a partially compensating underspend mainly on salaries of **-£149k.** The Learning & Development unit is experiencing significantly reduced take-up of training courses compared to previous years, causing under-delivery of income of **+£660k**, which is partially offset by reduced expenditure of **-£459k.** Employee Services are forecasting a net pressure of +£172k, which comprises a gross pressure of **+£237k** mainly on staffing, partially offset by increased income of £65k.

Business Strategy, Performance & Health Reform Portfolio:

1.1.3.2 Strategic Management & Directorate Support budgets: Gross +£775k, Income -£14k, Net +£761k

+£718k of the gross pressure relates to the Directorate's as yet unallocated savings, which are being held centrally before being allocated across units. Managers are currently being informed of their additional savings targets, and the impact of the allocation of these savings will be built into the monitoring returns for individual units in the future.

A further variance of **+£950k** has arisen as a result of the development of the Enterprise Resource Planning (ERP) project. It is proposed that this will be met by a temporary drawdown from the IT Asset Maintenance reserve of **-£950k** in the current year, with the repayment of this funding back to the IT Asset Maintenance Reserve in 2012-13, which will be drafted into the 2012-15 MTFP. **Cabinet is asked to approve this proposal**. *It has been assumed for the purposes of this report that this will be approved and the drawdown from the reserve is reflected in the forecast in order to give a net nil overall effect.*

1.1.3.3 Governance & Law – Legal Services: Gross +£1,297k, Income -£1,729k, Net -£432k

Variances on gross spend **(+£694k)** and income **(-£1,126k)** 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 **+/-£603k** are due to increased costs & their recovery for Disbursements.

1.1.3.4 Human Resources: Gross -£503k, Income +£15k, Net -£488k

Much of the underspend on gross relates to a **-£264k** underspend in the Adult Learning Resource Team, this is due to a reduction in base funded training activity. In addition, as a result of the reduction in demand from schools for training courses, there is a reduction in gross spend of **-£194k** in this area, which is offset by a compensating under recovery of income from schools of **+£195k.** However, this income shortfall is largely offset by smaller variances, including savings resulting from salary sacrifice schemes recovered from directorates and additional subscriptions from schools for Improving Together Network.

1.1.3.5 Information & Communication Technology (including Schools ICT): Gross +£1,500k, Income -£1,500k, net Nil

Variances of **+/-£1,500k** on gross and income reflect the increased demand for additional IT Pay-as-you-go projects. Project demand is difficult to predict during budget setting.

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	Strat Mgt & Dir Support: Development of ERP project.	+950	BSPHR	Legal income resulting from additional work (partially offset by increased costs)	-1,126
BSPHR	Legal services cost of additional work (offset by increased income)	+694	BSPHR	Strat Mgmt & Dir Support: temporary drawdown of reserves to fund ERP project, to be repaid in 2012-13	-950
BSPHR	Strat Mgt & Dir Support: Directorate's as yet unallocated savings, still to be allocated across units.	+718	BSPHR	Legal Services: increased income relating to Disbursements	-603
F&BS	HR Business Ops: Learning & Development reduced income due to reduced take-up of training courses	+660	F&BS	HR Business Ops: Learning & Development reduced expenditure in line with reduced take-up of training courses	-459
BSPHR	Legal Services: increased costs of Disbursements	+603	BSPHR	HR: Adult Learning Resource Team reduced base funded training activity	-264
F&BS	HR Business Ops: Schools Personnel Service under delivery of increased income target/loss of internal income.	+364	BSPHR	HR: Reduced training activity provided to schools, offset by reduced income	-194
F&BS	HR Business Ops: pressure on Employee Services budget mainly on staffing	+237	F&BS	HR Business Ops: Schools Personnel Service underspend mainly on salaries, partially off-setting under delivery of income target	-149
BSPHR	HR: Underachievement of income due to reduction in demand for discretionary training provided to schools	+195			
		+5,921			-5,245

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.

Vacancy management is already in place across all BSS units.

1.1.5 **Implications for MTFP**:

Within HR, the allocation of the 2011/12 savings targets will be re-visited in advance of setting 2012/13 budgets for individual units to ensure that achievable budgets are set across the function.

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 & Procurement **(Finance & Business Support/Deputy Leader Portfolio)**
In the Finance & Business Support Portfolio, Finance & Procurement is reporting a net pressure of £78k. This is offset by a £78k net underspend in the Deputy Leader Portfolio (Finance – Audit & Risk) and therefore the overall budget forecast for the Corporate Director for Finance & Procurement is break-even.

1.1.7.2 Human Resources **(Finance & Business Support/Business Strategy, Performance & Health Reform Portfolio)**
In the Finance & Business Support Portfolio, 'HR – Business Operations' is reporting a net pressure of £488k. This is offset by a £488k net underspend in the Business Strategy, Performance & Health Reform Portfolio and therefore the overall budget forecast for the Corporate Director for Human Resources is break-even.

1.1.7.3 Strategic Management & Directorate Support Budgets **(Business Strategy, Performance & Health Reform Portfolio)**
The Directorate is currently holding £718k of unallocated savings centrally. Managers within the Directorate are currently being informed of their allocation of these savings targets, and the impact of this on individual units will be built into their future monitoring returns. It has been assumed that management action within the individual units will result in these savings being achieved.

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 17th October 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, Performance & Health Reform						
Budget	14,161	12,201	5,859	3,390	2,923	38,534
Adjustments:						
- Re-phasing August Monitoring		-4,483	1,733	2,750		0
- Completed Projects	-2,672					-2,672
- Disposal Costs		-40				-40
						0
Revised Budget	11,489	7,678	7,592	6,140	2,923	35,822
Variance		675	725	0	0	1,400
split:						
- real variance		+1,400				+1,400
- re-phasing		-725	+725			0
Regeneration & Economic Development Portfolio						
Budget	21,044	14,281	8,549	2,500	2,500	48,874
Adjustments:						
- Completed Projects	-3,820					-3,820
- Margate Eastern Seafront		193				193
						0
Revised Budget	17,224	14,474	8,549	2,500	2,500	45,247
Variance		-8,193	3,245	5,000	0	52
split:						
- real variance		+52				+52
- re-phasing		-8,245	+3,245	+5,000		0
Directorate Total						
Revised Budget	28,713	22,152	16,141	8,640	5,423	81,069
Variance	0	-7,518	3,970	5,000	0	1,452

Real Variance	**0**	**+1,452**	**0**	**0**	**0**	**+1,452**
Re-phasing	**0**	**-8,970**	**+3,970**	**+5,000**	**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.

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	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
BSPHR	Enterprise Resource Programme	real			1,400	
			+0	**+0**	**+1,400**	**+0**
Underspends/Projects behind schedule						
Regen	Capital Regeneration Fund	phasing			-4,245	
Regen	Margate Housing	phasing			-4,000	
BSPHR	Modernisation of Assets	phasing	-520			
Regen	Euro Kent Road	phasing		-425		
			-520	**-425**	**-8,245**	**-0**
			-520	**-425**	**-6,845**	**0**

1.2.4 **Projects re-phasing by over £1m**:

1.2.4.1 **Capital Regeneration Fund re-phasing of -£4.245m** (in 2011-12)

There are various bids under consideration but no expenditure is planned in relation to these bids for 2011-12.

Revised phasing of the scheme is now as follows:

	Prior Years	2011-12	2012-13	2013-14	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget		5,120	1,980	2,500	2,500	12,100
Forecast		875	6,225	2,500	2,500	12,100
Variance	0	-4,245	+4,245	0	0	0
FUNDING						
Budget:						
prudential		4,847	1,980		2,500	9,327
capital receipt		273		2,500		2,773
TOTAL	0	5,120	1,980	2,500	2,500	12,100
Forecast:						
prudential		602	6,225		2,500	9,327
capital receipt		273		2,500		2,773
TOTAL	0	875	6,225	2,500	2,500	12,100
Variance	**0**	**-4,245**	**+4,245**	**0**	**0**	**0**

1.2.4.2 **Margate Housing re-phasing of -£5.000m** (-£4.000m in 2011-12 and -£1.000m in 2012-12)

This project is progressing, however the requirement for KCC investment drawdown is coming forward at a slower pace than anticipated due to the need to secure match funding from partners. A meeting is scheduled for 23 November 2011 between KCC, Thanet District Council and the Homes and Communities Agency (HCA) to further explore, at the most senior level, the investment required from the HCS. A pilot scheme is being worked up which will commence in 2011-12, with substantial progress being anticipated in 2012-13 and 2013-14.

	Prior Years	2011-12	2012-13	2013-14	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget		5,000	5,000			10,000
Forecast		1,000	4,000	5,000		10,000
Variance	0	-4,000	-1,000	+5,000	0	0
FUNDING						
Budget:						
prudential		5000	5000		0	10000
TOTAL	0	5,000	5,000	0	0	10,000
Forecast:						
prudential		1000	4000	5000		10000
TOTAL	0	1,000	4,000	5,000	0	10,000
Variance	**0**	**-4,000**	**-1,000**	**+5,000**	**0**	**0**

1.2.5 **Projects with real variances, including resourcing implications:**

There is a real variance of +£1.452m in 2011-12.

Regeneration & Enterprise portfolio:

Euro Kent Road: -£0.212m (in 2011-12): the underspend is due to the Land Compensation Act part 1 claims projection reducing. The developer contributions set aside for compensation claims have been released to enable some of the capital investment to be repaid.

Margate Eastern Seafront: +£0.156m (in 2011-12): Additional costs due to changes to the original scheme including the costs of sub-base not factored in the original submission. The additional costs are to be met from revenue.

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 the 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. The overspend is to be met from revenue.

Business Strategy, Performance & Health Reform portfolio:

Enterprise Resource Programme: +£1.400m (in 2011-12): capital investment is required for the improvement of Oracle to enable ongoing savings of £3m per annum. **Members are asked to approve prudential borrowing to fund this project.**

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

N/A

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.

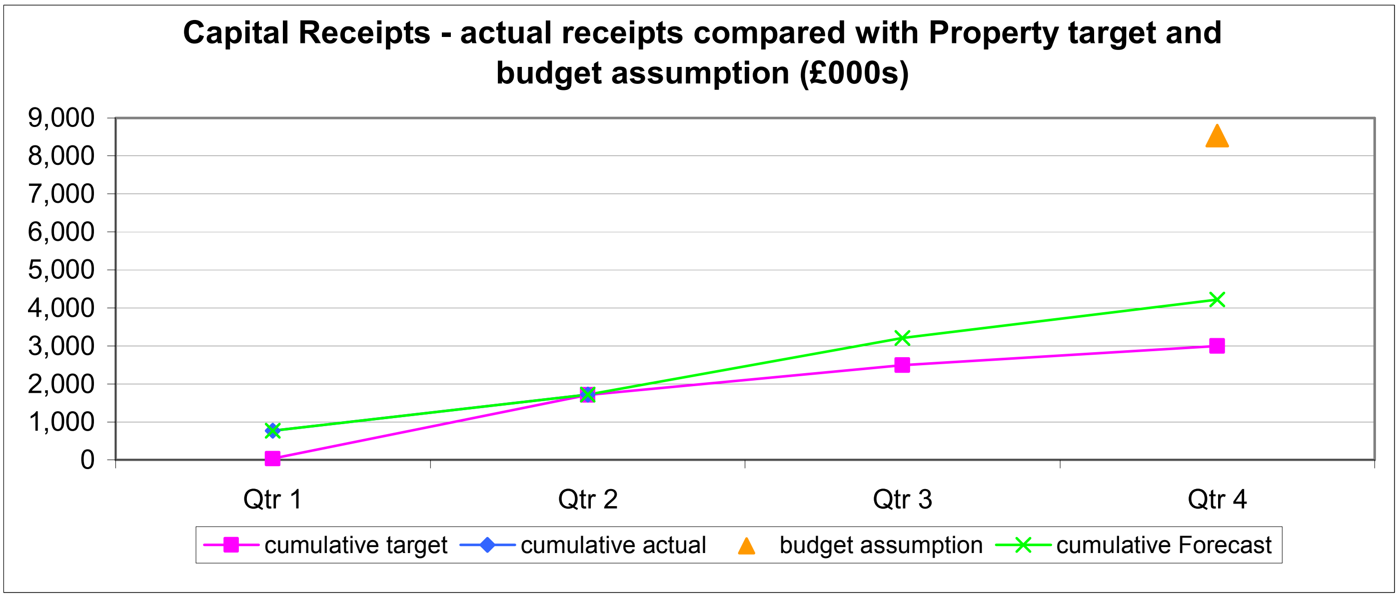
	2011-12	2012-13	2013-14	Future Years	Total
	£k	£k	£k	£k	£k
Euro Kent (Regen)					
Amended total cash limits	+662	0	0	0	+662
re-phasing	-425	+425			0
Revised project phasing	**+237**	**+425**	**0**	**0**	**+662**
Capital Regeneration Fund (Regen)					
Amended total cash limits	+5,120	+1,980	+2,500	+2,500	+12,100
re-phasing	-4,245	+4,245	0	0	0
Revised project phasing	**+875**	**+6,225**	**+2,500**	**+2,500**	**+12,100**
Margate Housing (Regen)					
Amended total cash limits	+5,000	+5,000	0	0	+10,000
re-phasing	-4,000	-1,000	+5,000	0	0
Revised project phasing	**+1,000**	**+4,000**	**+5,000**	**0**	**+10,000**
Modernisation of Assets (BSPHR)					
Amended total cash limits	+1,689	+1,250	+1,000	+2,000	+5,939
re-phasing	-520	+520	0	0	0
Revised project phasing	**+1,169**	**+1,770**	**+1,000**	**+2,000**	**+5,939**
Oracle Release 12 (BSPHR)					
Amended total cash limits	+534	0	0	0	+534
re-phasing	-140	+140	0		0
Revised project phasing	**+394**	**+140**	**0**	**0**	**+534**
Total re-phasing >£100k	**-9,330**	**+4,330**	**+5,000**	**0**	**0**
Other re-phased Projects below £100k	**-65**	**+65**	**0**	**0**	**0**
TOTAL RE-PHASING	**-9,395**	**+4,395**	**+5,000**	**0**	**0**

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	1,725	1,725
October - December		2,490		3,210
January - March		3,000		4,225
TOTAL	**8,538**	**3,000**	**1,725**	**4,225**

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.



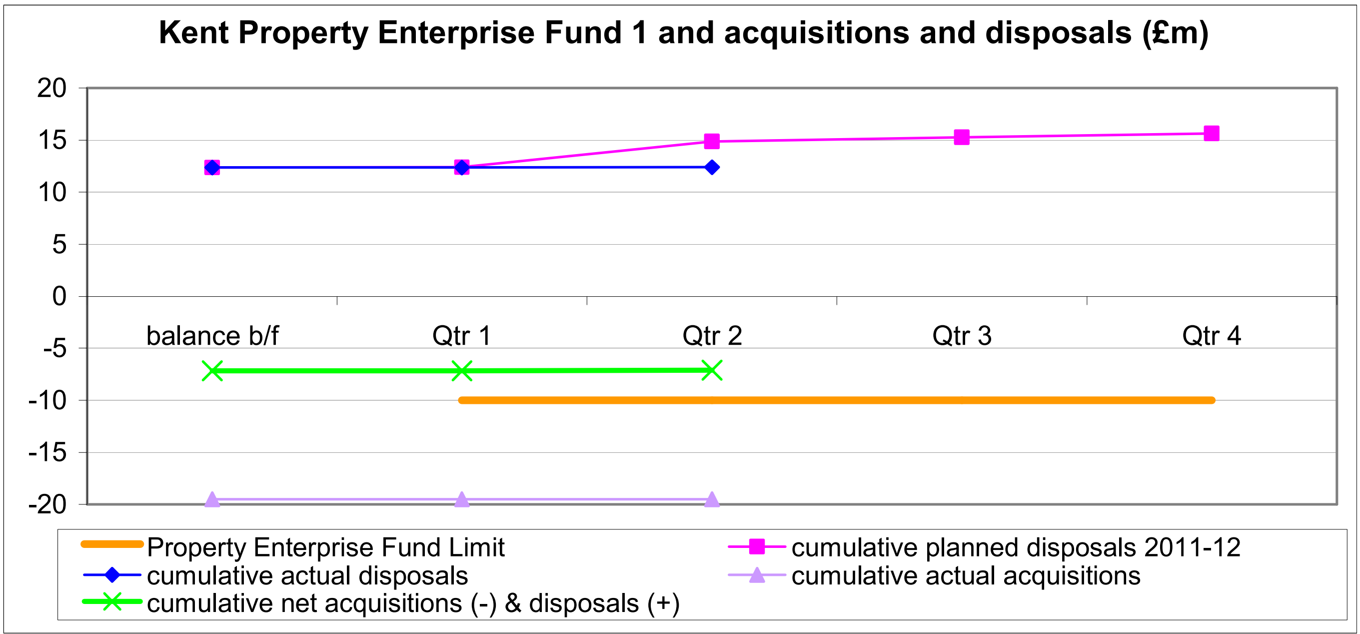
Comments:

- 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 £4.140m 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 a surplus of £4.785m 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	4,140
Receipts banked in previous years for use	7,504
Capital receipts from other sources	1,679
Potential Surplus Receipts	**4,785**

2.2 **Capital Receipts – Kent Property Enterprise Fund 1**:

	2011-12				
	Kent Property Enterprise Fund Limit £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	12.393	-19.504	-7.111
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 **£2.717m** 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 30 September 2011 there has been one disposal generating a receipt of £0.051m.

The fund has been earmarked to provide **£0.197m** for Gateways in this financial year.

There has been a **£0.212m** repayment towards the £5.304m owed by East Kent Opportunities for the Spine Road, Manston.

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 £4.604m at the end of 2011-12.

Opening Balance – 01-04-11	-£7.162m
Planned Receipts (Risk adjusted)	£2.717m
Costs	-£0.173m
Acquisitions	-
Other Funding: - Gateways	-£0.197m
Repayment of Spine Road, Manston	£0.212m
Closing Balance – 31-03-12	**-£4.604m**

Revenue Implications

In 2011-12 the fund is currently forecasting £0.010m of low value revenue receipts but, with the need to fund both costs of borrowing (£0.527m) against the overdraft facility and the cost of managing properties held for disposal (net £0.102m), the PEF1 is forecasting a £2.222m 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	-23.835
Forecast sale of PEF2 properties	22.964
Disposal costs	-1.148
Closing balance	-24.228
Revenue:	
Opening balance	-3.417
Interest on borrowing	-0.929
Holding costs	-0.638
Closing balance	-4.984
Overall closing balance	-29.212

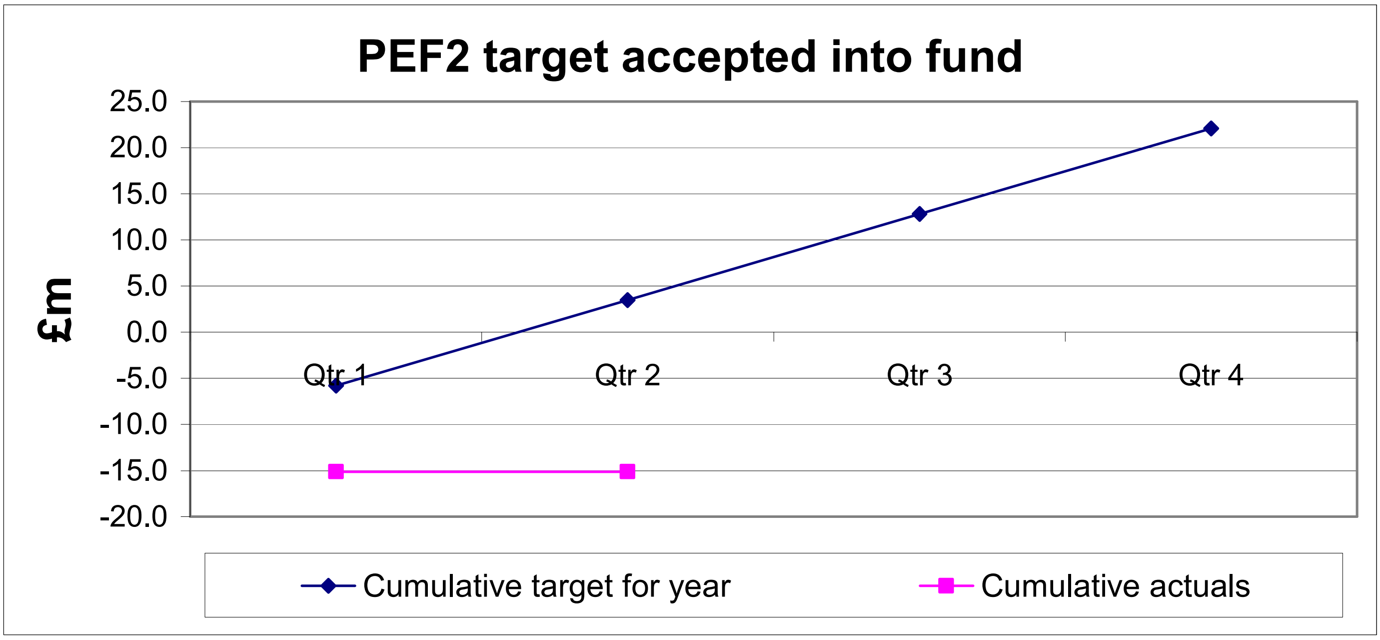
The forecast closing balance for PEF2 is -£29.212m, this is within the overdraft limit of £85m.

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	-15.1
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 eight PEF2 properties have been sold and four are in the process of completing. The cumulative profit on disposal to date is £1.250m. 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 £0.929m, an increase of £0.51m. 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
OCTOBER 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 full monitoring report to reflect the virement of £0.307m from the underspend on debt charges to the Contact Centre budget within the Communities, Customer Services and Improvement portfolio to cover the increase in call volumes, as approved by Cabinet in September 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 A-Z budget line:

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	961		961	transfer of 11-12 write down of discount saving from 08-09 debt restructuring to reserves; transfer of MRP saving to reserves to fund potential impact in future years; drawdown of Insurance Reserve to cover pressure on Insurance Fund
Insurance Fund	3,479		3,479	1,125		1,125	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)	123,889	-8,877	115,012	-7,297	1,128	-6,169	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; saving on leasing costs; in year MRP reduction; savings as no new borrowing against current requirement

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Other	6,490	0	6,490	-1,617	0	-1,617	-£1.546m unexpected unringfenced grant increase held to offset pressures across Authority; -£0.1m subscriptions; +£0.079m costs of Transformation Programme Manager for Change & related project costs
Total F&BS portfolio	**128,019**	**-8,877**	**119,142**	**-6,828**	**1,128**	**-5,700**	
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	**130,835**	**-8,877**	**121,958**	**-6,828**	**1,128**	**-5,700**	

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 £1.125m, 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. We are maintaining our provision for each of our registered period of time claims to reflect a worse case settlement position whilst consideration is being given to correspondence received in connection with interpretation of policy terms by relevant insurers.

The pressure has reduced from the position reported in quarter 1 because a concerted effort by the liability claims team in pressing insurers to clarify the position on a large number of 'open' claims across several policy years has resulted in the opportunity to close a significant number and remove recorded provisions.

1.1.3.2 Net Debt Charges (including Investment Income):

a) There is a saving of £3.683m as a result of:
   - deferring borrowing in 2010-11 due to the re-phasing of the capital programme and also no new borrowing in the first half of 2011-12, other than the replacement of maturing debt.
   - assumptions on the capital programme for 2011-12 and on cash flows generally.

b) The complex calculation to establish the Minimum Revenue Provision (MRP) saving resulting from the re-phasing of the capital programme in 2010-11 has now been completed and this has confirmed a saving of £1.599m this year. This is because fewer assets became operational than anticipated last year. 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, therefore we need to transfer this £1.599m to reserves in order to fund the potential impact in future years of this re-phasing. **Cabinet is asked to approve this transfer to reserves.** The forecast within this report assumes that this transfer is approved.

c) 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).

d) There is a saving on leasing costs of £0.4m.

1.1.3.3 <u>Contributions to/from reserves:</u>

a) 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 (future interest receipts from the Icelandic investments will also go towards offsetting this impairment cost).

b) At year end there will be a draw down from the Insurance Reserve to cover the pressure on the Insurance Fund, currently estimated at £1.125m.

c) As referred to in 1.1.3.2 (b) above, £1.599m will be transferred to reserves in order to fund the potential impact in future years of the current year saving on MRP.

1.1.3.4 <u>Other Financing Items:</u>

a) 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.

b) There is a £0.1m saving on local authority subscriptions.

c) There is a pressure of £0.079m relating to the Council restructure for the costs of the Transformation Programme Manager for Change and related project costs. 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	Contribution to reserves of in year MRP saving to cover potential impact in future years	+1,599	F&BS	treasury savings: assumptions on capital programme for 11-12 and on cash flows generally, together with savings on debt charges due to re-phasing of capital programme in 10-	-3,683
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	+1,125	F&BS	In year Minimum Revenue Provision saving as a result of 2010-11 re-phasing of the capital programme	-1,599
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	-1,125
			F&BS	2011-12 write down of discount saving from 2008-09 debt	-487
			F&BS	savings on leasing costs	-400
			F&BS	local authority subscriptions	-100
		+3,211			-8,940

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 largely offsetting pressures elsewhere across the authority.

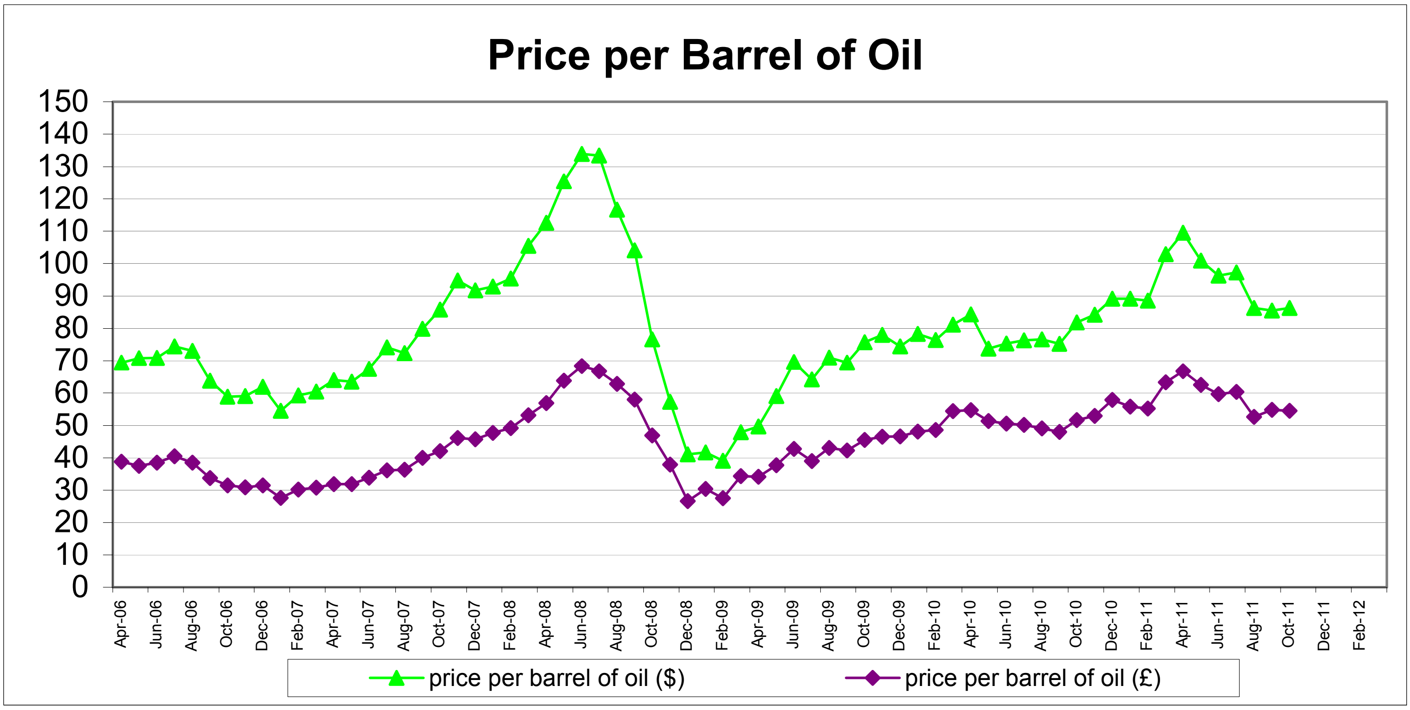
1.2 CAPITAL

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	86.33
September	63.80	79.91	104.11	69.41	75.24	85.52
October	58.89	85.80	76.61	75.72	81.89	86.32
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.