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To: Corporate Policy Overview Committee – 14 November 2008

Subject: Financial Monitoring Report: Corporate Services 2008/09

Classification: Unrestricted

For Information

1. Introduction

- 1.1 This is the second report to this Committee on the forecast outturn against budget for the Chief Executive's Department and the Financing Items budget for the year 2008/09.

2 Forecast Outturn

- 2.1 The detailed monitoring reports for the first quarter for the Chief Executive's Department and the Financing Items budget were presented to the September meeting of this Committee. The only movement reported in the following month's report, to Cabinet on 13 October, was an increased forecast spend of £29k in Democratic Services, due to increased transport costs. The following is therefore the latest reported position.

a) Chief Executive's Department

The forecast variance at year-end is an underspend of £249k. The main reasons for the forecast underspend, after the implementation of management action, can be summarized as:

Unit	£'000	Reason
Legal Services	-218	Additional internal and external legal work
Kent TV	-200	Reflects the anticipated re-phasing of second year spend following confirmed profile of £1.2m cost over 2 years. Initial cash limits based on £600k per annum.
Democratic Services	147	Delayed staff savings and increased transport costs
Personnel & Development	22	Reduced levels of income resulting from staff vacancies
Total	-249	

b) Financing Items

The latest reported forecast for the Financing Items budgets is a net underspend of £0.6m. This reflects:

Unit	£'000	Reason
Debt charges and interest on cash balances	-2,266	Lower levels of borrowing in 07/08 and 08/09 and better rates for new borrowing than assumed
Commercial Services	300	Shortfall on income from roundabout sponsorship
LABGI	1,349	Reduction in estimated LABGI grant
Total	-617	

- 2.2 The projections shown above are prior to the Icelandic banks issue and the general deterioration in the liquidity and confidence in the banking sector. However, they equally exclude the positive impact in the current year of the deferred capital schemes reported to Cabinet in October.
- 2.3 While Councils are still waiting for guidance from the Audit Commission on the accounting treatment for any deposits frozen in Iceland, it is estimated that any interest potentially lost in 2008/09 can be broadly absorbed by the saving in debt interest from the deferred capital schemes. The very latest projections will be reported to Cabinet on 1 December 2008.
- 2.4 The Economic Management Group met on 3 November and reviewed whether or not the strategy for placing deposits in the future should be altered. This could have a significant impact on future interest earned. More information may be available on this issue as a verbal update to this meeting.

3 Recommendations

- 3.1 Members of the Corporate POC are asked to note the projected outturn figures for the directorate.

Background Documents:

- 1) **Cabinet 15 September 2008 and Corporate Policy Overview Committee 26 September 2008 – Revenue and Capital Budgets, Key Activity and Risk Monitoring**
- 2) **Cabinet 13 October 2008 – Revenue Monitoring Exception report**

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