

To: CABINET – 15 January 2007

By: Nick Chard, Cabinet Member – Finance  
Lynda McMullan, Director of Finance

## REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT

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### 1. Introduction

The second full quarterly monitoring report for 2006-07 was presented to Cabinet in December. This exception report, based upon returns from directorates, highlights the main movements since that report. There remain significant revenue budget pressures within the directorates that will need to be managed during the year if we are to have a balanced revenue position by year end. The position reported below includes a significant amount of management action which is expected to be achieved by year end. Further management action is currently being put in place within the Chief Executives directorate, which is expected to reduce their forecast further.

The current underlying pressure by directorate, compared with the position reported last month, is as follows:

#### REVENUE

	This month £m	Last month £m	Movement £m
Children, Families & Education	-0.586	-0.586	-
Asylum	+2.650	+2.300	+0.350
Adult Services *	+1.253	+1.254	-0.001
Environment & Regeneration	+0.120	+0.060	+0.060
Communities	+0.517	-	+0.517
Chief Executives	+0.912	+1.635	-0.723
Financing Items	-0.700	-0.700	-
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	+4.166	+3.963	+0.203
Schools	-2.207	-2.207	-
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	+1.959	+1.756	+0.203
Dedicated Schools Grant	+2.432	+2.432	-
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	+4.391	+4.188	+0.203

\* Within Adult Services the impact of management action to date has reduced the forecast pressure from £4.42m to £3.9m since last month. Further assumed management action of £2.647m is expected to be achieved by year end to get to the £1.253m pressure reflected in this report.

#### CAPITAL

	This month £m	Last month £m	Movement £m
Children, Families & Education	-29.350	-8.511	-20.839
Adult Services	-2.054	-1.626	-0.428
Environment & Regeneration	-34.355	-29.383	-4.972
Communities	-6.636	-4.693	-1.943
Chief Executives	-1.564	-0.485	-1.079
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	-73.959	-44.698	-29.261
Adult Services PFI Housing	-6.900	-6.900	-
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	-80.859	-51.598	-29.261

### 2. 2006-07 REVENUE MONITORING POSITION BY DIRECTORATE

#### 2.1 Children, Families & Education Directorate:

The one main area that has changed since the detailed monitoring report submitted in November is Asylum. The increase in applications for asylum reported in the last month's monitoring has continued and does not appear to be a one-off. The service is currently staffed to deal with about 20 referrals a month, but they are having to deal with actual numbers of 50 plus for October and November (with similar numbers looking likely for December), which will result in increased costs. These costs will not be offset fully by Government grant and will increase the shortfall on the Asylum budget. Finance staff within Asylum are revising the forecasts for the remainder of the year and are working on the likely impact that this will have. The report which was attached to the quarter 2 monitoring report on Asylum indicated that if the increase in applications continued at the same rate for the rest of the financial year, this would equate to a £0.350m increase in the forecast and this will be confirmed shortly. However, this £0.350m estimate has been included in the forecast in this report until the work within the Asylum team is complete and a more robust forecast is available.

Negotiations with the DfES on the Special Circumstances bid have not come to a satisfactory conclusion. Following the joint meeting between the LGA and London Councils, the Minister announced a small increase in total grant available but this does not cover Local Authority costs. The LGA in conjunction with Local Authorities is pressing for further negotiations.

The CFE Director of Finance and Corporate Resources is developing a strategy to deal with this increase in activity, and using the work that Mary Blanche and David Godfrey have carried out for the Chief Executive to support further lobbying.

## **2.2 Adult Services Directorate:**

The forecast pressure on the Adult Services budget has reduced by £0.520m since last month, leaving a forecast pressure of £3.9m with assumed management action of £2.674m being achievable in order to reach the forecast position of £1.253m by year end. The main movements are:

- 2.2.1 Older Persons -£0.154m – an increase in the underspend from £2.317m to £2.471m which is broadly in line with the management actions around reductions in residential placements and domiciliary care.
- 2.2.2 Learning Disability -£0.071m – a reduction in the pressure from £5.321m to £5.250m mainly due to the net reduction of 4 residential placements.
- 2.2.3 Assessment & Related -£0.050m – an increase in the underspend from £0.975m to £1.025m which relates to further slippage on recruitment.
- 2.2.4 Mental Health +£0.091m – an increase in the pressure from £0.370m to £0.461m mainly due to high cost residential placements that have had to be made, and also the reduction of income from housing associations in respect of supporting people contracts that have ended.
- 2.2.5 Other Services -£0.332m – an increase in the underspend from £0.446m to £0.778m. This confirms the reality of the management actions we reported in the December Cabinet report in respect of support services. Until managers had confirmation of their cash limits following the disaggregation of budgets arising from the reorganisation, and the moving from 3 geographical areas to 2, it was not prudent of them to forecast any underspend. As in previous years, managed vacancies and the delay of non-urgent spend on these services will assist the Directorate in off-setting client related pressures.
- 2.2.6 In addition there has been a marginal reduction in the pressure within Specialist Services from £0.528m to £0.524m, whilst the pressure on Physical Disability services has remained static at £1.939m.
- 2.2.7 Management Action – the Directorate is still working towards achieving its management action plan, which should enable us to reach the forecast position of £1.253m. It should be noted however that if all the management action is achieved and the Directorate's outturn variance is +£1.253m, a number of one-off savings have been made which currently amount to £2.492m, which will not be sustainable in subsequent years.

## **2.3 Environment & Regeneration Directorate:**

The net pressure within the directorate has increased slightly to £0.120m, which is mainly as a result of increased emergency expenditure incurred due to road and drainage collapses. Where appropriate it is agreed that costs are recovered from third parties. These emergency costs now

total £0.450m but, consistent with previous practice, it is intended that this will be met from the Emergency Reserve. This will leave the directorate with an underlying underspend of £0.330m which it is intended will be requested to roll forward for Waste (£0.250m) and Public Transport (£0.080m).

## **2.4 Communities Directorate:**

The £1m overspending on Adult Education continues to be offset by underspending of:

- £0.5m loan from the Finance portfolio, to be repaid in 2007-08
- £0.3m within Community Safety following a review of commitments
- £0.1m on the Turner contemporary budget as a result of staff vacancies, closure of the Maidstone office and reduced expenditure on the Artistic budget
- £0.1m within the Policy Unit due to savings on vacancies.

Also reported this month is £0.517m of residual expenditure on the original Turner Contemporary scheme that needs to be charged to the revenue account. This mainly arises from the final settlement with the contractor. A case is being put together to see if the authority can seek damages from the original architect and design consultants to recover a substantial amount of the costs associated with the aborted scheme.

## **2.5 Chief Executives Directorate:**

The forecast pressure has reduced by £0.723m to £0.912m this month, which is mainly due to:

- Property -£0.573m. There is a very high probability that the cost of the Police HQ roof will be covered by Insurance (-£0.400m); a vacancy freeze and a freeze on planned maintenance (-£0.173m).
- Corporate Communications -£0.080m due to increased income and a reduction in the estimated costs of publications.
- There have also been smaller reductions in the forecasts for Payroll and the Home Computing Initiative this month.

Of the £0.912m current forecast pressure, £0.716m in respect of the Home Computing Initiative and Kent Works is proposed to roll forward to be met from earmarked resources in 2007-08. This leaves a residual pressure of £0.196m of which £0.150m relates to Kent Works, who have been tasked with identifying management action to address this and also Property are still in negotiations with service directorates regarding funding for the increase in energy costs. The directorate expect to manage this residual pressure by year end.

## **3. 2006-07 CAPITAL MONITORING POSITION BY DIRECTORATE**

### **3.1 Children, Families & Education Directorate:**

The forecast for the directorate has moved by -£20.839m this month to -£29.350m (Education & School Improvement portfolio -£28.111m and Children & Family Services portfolio -£1.239m). The main changes are detailed below.

#### **3.1.1 Education & School Improvement portfolio:**

This month's movement within the Education & School Improvement portfolio is a reduction in spend of £20.394m within 2006-07, but there are increased costs of £1.107m across all years of the capital programme.

#### **The main changes in 2006/07 are:**

- -£6.712m Children's Centres (Phase 2): due to the time needed to establish where both the Children's Centres & Extended School projects are to be located there has been a need to re-phase a large part of the Surestart grant into 2007-08.
- -£4.350m Development Opportunities 2005-06 (Tonbridge Grammar Girls): due to prolonged delays in securing Schedule 22 approval (sale of playing fields).
- -£4.094m Development Opportunities 2006-07:
  - -£3.094m Folkestone School for Girls due to delays following difficulties in securing residential development approval from Shepway District Council.

- -£1.000m Axton chase due to delays pending a decision on whether the school will become an Academy.
- -£2.600m Basic Need 2004-05 (Tovil Primary School (Archbishop Courteney PS)): the project has been delayed whilst awaiting the results of the Compulsory Purchase Order for the proposed site.
- -£0.959m Basic Need 2006-07 (The North School Ashford): as a result of re-phasing provided by the PFI Property Team.
- -£0.702m Modernisation Programme 2004/05/06: The main changes are:
  - -£0.186m Crockenhill PS – the project is on hold pending a potential larger project, which if agreed will be included in the 2008-10 Modernisation Programme.
  - -£0.489m Temple Ewell CEP – this project was to be funded from an enabling development which has not been successful. If this project is to proceed, the project will form part of the 2008-10 Modernisation Programme.
- -£0.618m Site Acquisitions 2005-06: the previous arrangement with regard to the land swap deal relating to the project at Clarendon House has been changed following legal advice. We will now be paying for the site at the completion of the project (estimated in 2007-08) rather than at the start.
- -£0.495m Special Schools Review: As mentioned in the quarter 2 monitoring report to Cabinet, the phasing of this project has now been reviewed and re-phased in order to limit the adverse impact on the borrowing costs as a result of the progress of the programmes implementation. As a result, compared to the forecast position last month, the re-phasing profile across the years is 2006-07 -£0.495m, 2007-08 -£11.368m, 2008-09 -£3.011m and +£14.874m in future years.

**The main changes across all years are:**

- +£0.228m Replacement of Catering Equipment: due to the Health & Safety need to replace heavy catering equipment in schools.
- +£0.200m Development Opportunities 2006-07: Original cash limit is insufficient to meet the demands for consultancy costs.
- +£0.194m Capital Strategy Unit: the costs of additional staffing in the Property Team to enable the delivery of the capital programme.
- +£0.141m Modernisation Programme 2006/07/08: mainly due to drainage works at St Paul's PS, Swanley.
- +£0.116m Basic Need Pre 2004-05 (Mascalls School): The contractor dispute has now been settled and the increased cost reflected.
- +£0.107m Basic Need 2007-08 (The North School Ashford): the costs have been updated from information supplied by the PFI Property Team.

The capital programme will be adjusted accordingly in future years to accommodate these increases and ensure that spend matches the available resources.

**3.1.2 Children & Family Services portfolio:**

This month's movement within the Children & Family Services portfolio is a reduction in spend of £0.445m within 2006-07, and reduced costs of £0.078m across all years of the capital programme.

**The main changes in 2006-07 are:**

- -£0.299m Improving Public Access – Lowfield Road: This was originally a 'shared' project with Adult Services but is now on hold because of redevelopments in the Dartford area. With the exception of minimal costs the project has been re-phased into 2007-08.
- -£0.171m Allsworth Court: The delay on this project has been due to insufficient monies being available to complete the project as originally intended and a decision on how to proceed has been pending. The budget will now be used to generally improve the fabric of the building.

## **The main changes across all years are:**

- +£0.750m East Kent Children's Resource Centre (Windchimes): Following approval by PAG and the Leader, the cash limit for this project has been increased by an internal virement from the Preventative Strategy budget and £750k to be funded by Capital Receipts.

### **3.2 Adult Services Directorate:**

The forecast for the directorate has moved by -£0.428m this month to -£2.054m, excluding PFI. This movement is mainly due to confirmation of the £0.4m virement from CFE directorate towards the Broadmeadow project. In addition the forecast on the Broadmeadow project has increased by a further £0.49m this month but this will be met from underspending on the Modernisation of Assets and Public Access budgets to be achieved by stopping any further commitments. The possibility of claiming some of these costs back from the contractor is currently being investigated.

### **3.3 Environment & Regeneration Directorate:**

The forecast for the directorate has moved by -£4.972m this month to -£34.355m (Environment, Highways & Waste portfolio -£18.270m and Regeneration & Supporting Independence portfolio -£16.085m). The main changes are:

#### E, H & W portfolio:

- -£0.850m of further re-phasing on the KHS co-location project into 2007-08 and 2008-09.

#### Regeneration & SI portfolio:

- -£2.700m re-phasing into 2007-08 due to delayed progress on the Folkestone Arts & Business Centre.
- -£1.000m further re-phasing of the Thamesway project due to a delayed start date. This is now due to start on site in February.
- -£0.350m further re-phasing on the Everards Link Road Phase 2, as no work will start in 2006-07 due to the poor ground condition.
- -£0.150m of re-phasing into 2007-08 on the Sittingbourne Northern Relief Road due to slower progress than anticipated.
- -£0.100m of re-phasing of the landscaping works on the A228 Leybourne/ West Malling bypass project into 2008-09.
- +£0.220m of costs brought forward from 2007-08 on the East Kent Access phase 1c project as the project is progressing faster than anticipated.

### **3.4 Communities Directorate:**

The forecast for the directorate has moved by -£1.943m this month to -£6.636m. The main changes are:

- -£1.585m Community Facilities at Edenbridge – there has been a reduction in the scale of the project by £0.250m down to the level now capable of being funded upfront by CFE. The project will eventually be funded from the residential development on the site and remains subject to achieving the necessary planning approvals. The -£1.335m balance of the reduction this month represents re-phasing into 2007-08.
- -£0.200m Ramsgate Library – re-phasing into next year due to protracted negotiations over the tender.
- -£0.198m Archives Development Costs – the Kent History Centre and Maidstone Library project has been delayed resulting in re-phasing into 2007-08.

### **3.5 Chief Executives Directorate:**

The forecast for the directorate has moved by -£1.079m this month to -£1.564m (Finance portfolio -£1.946m, Corporate Support & Health portfolio +£0.272m and Policy & Performance portfolio +£0.110m). The main changes are:

#### **3.5.1 Finance portfolio:**

- -£1.207m reduction in Commercial Services replacement of vehicles and equipment, matched by a reduced draw down from their renewals fund
- +£0.228m due to increased spend on the Oakwood House project, to be funded by directorate funded prudential borrowing which will be financed by additional income from the Lewis Wigan room extension.

3.5.2 Corporate Support & Health portfolio:

- -£0.200m following confirmation of a virement from CFE directorate towards the IT refresh programme.

3.5.3 Policy & Performance portfolio:

- +£0.110m on the refurbishment of the Brussels Office to be funded by directorate funded prudential borrowing, financed by savings from the new lease.

#### **4. RECOMMENDATIONS**

- 4.1 Cabinet Members are asked to note the latest forecast revenue and capital budget monitoring position for 2006-07.