

TO: Regeneration and Economic Development Policy Overview & Scrutiny Committee – 19th January 2012

BY: Kevin Lynes, Cabinet Member for Regeneration and Economic Development
David Cockburn, Corporate Director, Business Strategy and Support

SUBJECT: Financial Monitoring 2011/12

Classification: Unrestricted

Summary:

Members of the POSC are asked to note the second quarter's budget monitoring report for 2011/12 as reported to Cabinet on 5th December 2011 and the latest exception report on 9th January 2012.

FOR INFORMATION

1. Introduction

1.1 This is a regular report to this Committee on the forecast outturn for the Regeneration portfolio within Business Strategy & Support Directorate budget.

2. Forecast Outturn

2.1 A detailed quarterly budget monitoring report is presented to Cabinet, usually in September, December and March, and a draft final outturn report in June. These reports outline the full financial position for each portfolio and are reported to POSCs after they have been considered by Cabinet. In the intervening months an exception report is made to Cabinet outlining any significant variations from the quarterly report.

2.2 The second quarter's monitoring report for 2011/12 was presented to Cabinet on 5th December 2011. An extract from the annex for the Business Strategy & Support Directorate pertaining to this portfolio is attached as annex 1. The figures within the annex relate to quarter 2 monitoring. An exception report was presented to Cabinet on 9th January 2012 which included an additional variation for this portfolio on the capital budget. Para 2.3.1 refers to the current position for the portfolio and the figures quoted may therefore vary from the quarter 2 tables.

2.3 Capital

2.3.1 The capital forecast for Quarter 2 showed an underspend of -£8.6m for 2011/12 due primarily to the need to make significant re-phasing to future years.

- The capital regeneration fund is considering various bids, the expenditure of which will now fall in to 2012/13, resulting in the need for re-phasing of -£4.2m.
- The Margate Housing project is progressing at a slower pace than anticipated due to the need to secure match funding from partners. In quarter 2, -£4.0m was re-phased to future years. In the subsequent exception report to Cabinet on 9th January 2012, it was noted that the outcome of the planning application for the re-development of the Hotel Lesley site to Thanet District council, was not expected until the end of

March/early April. Expenditure will now fall in to 2012/13 and budget of -£1.0m has therefore been re-phased to 2012/13.

- Projections for the value of claims under the Land Compensation Act for the Euro Kent road scheme have been reduced by -£0.2m and re-allocated to repay some of the capital investment. The balance of the projection for potential claims has been re-phased to 2012-13 as claims can be submitted until 30 November 2015.

3 Recommendations

3.1 Members of the POSC are asked to note:

- a) the projected outturn for this portfolio for 2011/12 based on the second quarter's monitoring report to Cabinet and,
- b) the changes in the exception report of 9th January 2012 as detailed in para 2.3.1

Background Documents:

- 1) Cabinet 5th December 2011 – Revenue and Capital Budgets, Key Activity and Risk Monitoring
- 2) Cabinet 9th January 2012 – Revenue and Capital Budget Monitoring Exception Report

Officer Contact:

Jackie Hansen
Acting Finance Business Partner
(Business Strategy & Support)
Ext. 4054

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

1.2 CAPITAL

1.2.1 All changes to cash limits are in accordance with the virement rules contained within the constitution and have received the appropriate approval via the Leader, or relevant delegated authority.

There have been no adjustments to capital cash limits since last reported to this Committee for the Regeneration and Enterprise portfolio.

1.2.2 **Table 3** below provides a portfolio overview of the latest capital monitoring position excluding PFI projects.

	Prev Yrs Exp	2011-12	2012-13	2013-14	Future Yrs	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
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		-8,618	3,670	5,000	0	52
split:						
- real variance		+52				+52
- re-phasing		-8,670	+3,670	+5,000		0
Directorate Total						
Revised Budget	17,224	14,474	8,549	2,500	2,500	45,247
Variance	0	-8,618	3,670	5,000	0	52
Real Variance	0	+52	0	0	0	+52
Re-phasing	0	-8,670	+3,670	+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						
			+0	+0	+0	+0
Underspends/Projects behind schedule						
Regen	Capital Regeneration Fund	phasing			-4,245	
Regen	Margate Housing	phasing			-4,000	
Regen	Euro Kent Road	phasing		-425		
			-0	-425	-8,245	-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 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 +£0.052m 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.

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

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
Total re-phasing >£100k	-8,670	+3,670	+5,000	0	0
TOTAL RE-PHASING	-8,670	+3,670	+5,000	0	0