

**REPORT TO: CABINET – 16 APRIL 2007**

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

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MANAGING DIRECTORS**

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**SUMMARY:**

**Members are asked to:**

- **note the latest monitoring position on the revenue and capital budgets,**
  - **note the changes to the capital programme.**
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**1. INTRODUCTION**

1.1 This is the third full monitoring report to Cabinet for 2006-07, based on the monitoring returns for February.

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.

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

	Variance (£m)		Movement
	This Report	Last Quarter	
Revenue	-3.307	+4.188	-7.495
Capital	-18.138	-44.698	

2.1 The revenue projection above is **after** assuming the implementation of management action. Although much of this has now been achieved, if any management action is not achieved, directorates will be required to roll forward overspends into 2007-08, excluding the pressures on Asylum and the residual costs of the original Turner Contemporary project, which are currently forecast at £2.787m and £0.590m respectively. The treatment of these two pressures will need to be considered corporately. Directorates have identified a number of issues which will require roll forward into 2007-08 as a result of the re-phasing of projects and also requests for the roll forward of underspend. These are detailed in the Annex reports.

2.2 It was reported in the last quarter's monitoring report to Cabinet on 4 December 2006 that the capital cash limits would be adjusted in this report to reflect the re-phasing of capital projects which has been built into the 2007-10 MTFP. £79.100m of re-phasing from 2006-07 into future years has been reflected in the new MTFP for 2007-10, which includes £6.900m in respect of PFI projects. In addition to this, a £18.138m 'underspend' is now being forecast, of which £21.303m is further re-phasing and £3.165m is a real pressure.

**3. REVENUE**

**3.1 Virements/changes to budgets**

All changes to cash limits reported in this third full monitoring report 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.

### 3.2 Table 1 – Portfolio/Directorate position – revenue

Portfolio	Budget	Variance	Directorate					
			CFE	ASS	E&R	CMY	CED	FI
	£k	£k	£k	£k	£k	£k	£k	£k
E&SI	-71,688	-2,101	-2,101					
C&FS	+124,627	-469	-469					
Adult Social Services	+259,301	+1,010		+1,010				
E,H&W	+113,634	-2,375			-2,375			
Regen & SI	+8,022	-290			-290			
Communities	+55,687	-15				-15		
CS&H	+28,977	-228					-228	0
Policy & Performance	+3,229	+35			+25		+10	
Finance	+99,815	-3,471					+13	-3,484
<b>SUB TOTAL (excl Schools)</b>	<b>+621,604</b>	<b>-7,904</b>	<b>-2,570</b>	<b>+1,010</b>	<b>-2,640</b>	<b>-15</b>	<b>-205</b>	<b>-3,484</b>
Asylum	0	+2,787	+2,787					
<b>TOTAL (excl Schools)</b>	<b>+621,604</b>	<b>-5,117</b>	<b>+217</b>	<b>+1,010</b>	<b>-2,640</b>	<b>-15</b>	<b>-205</b>	<b>-3,484</b>
Schools *	+817,948	-622	-622					
<b>TOTAL</b>	<b>+1,439,552</b>	<b>-5,739</b>	<b>-405</b>	<b>+1,010</b>	<b>-2,640</b>	<b>-15</b>	<b>-205</b>	<b>-3,484</b>
DSG	-720,637	+2,432	+2,432					
<b>TOTAL</b>	<b>+718,915</b>	<b>-3,307</b>	<b>+2,027</b>	<b>+1,010</b>	<b>-2,640</b>	<b>-15</b>	<b>-205</b>	<b>-3,484</b>

\* the current forecast is that schools will spend at the level of their 2006-07 allocations but there is a forecast underspend of £0.622m of Dedicated Schools Grant which was not distributed at the time of setting the schools budgets. This is required to offset the £2.432m shortfall in DSG, together with a £1.810m forecast underspend on payments for 3 & 4 year olds, included in the £2.101m underspend forecast on the E&SI portfolio.

**Appendix 1** details all projected variances over £100k, in size order. Supporting detail to those projected variances is provided in individual Directorate reports as follows:

<b>Annex 1</b>	<b>Children, Families &amp; Education</b>
<b>Annex 2</b>	<b>Adult Social Services</b>
<b>Annex 3</b>	<b>Environment &amp; Regeneration</b>
<b>Annex 4</b>	<b>Communities</b>
<b>Annex 5</b>	<b>Chief Executives</b>
<b>Annex 6</b>	<b>Financing Items.</b>

### 3.3 Key issues and risks

3.3.1 In Children, Families & Education, the pressure on Asylum has increased, which is due to above average referrals since October and a higher proportion of 18+ clients. The new grant rules for 2006-07 have been issued and as previously anticipated, the unit costs have not changed from last year. The position regarding 2005-06 remains unresolved and negotiations continue with the DfES, however, the Home Office bid has been successful in part but remains subject to audit. In addition, following the preliminary audit of the 2004-05 grant claim the Home Office have disputed £4.6m of grant funding relating to 900 clients whose details do not exactly match with their records. It is expected that the majority of these queries will be resolved easily but it is possible that there may be an adjustment to the grant, although we are unable to quantify this at this stage. Significant pressure also remains on budgets for fostering, adoption and residential care placements within Children's Social Services but this is being offset in the current year by management action largely to hold posts vacant, which is not sustainable in the longer term. Also, as previously reported, there is a shortfall of £2.432m in the final settlement for Dedicated Schools Grant (DSG) compared to the level at which we set the schools budgets. This is being managed by an underspend on payments for 3 and 4 year olds of £1.810m and £0.622m of non-distributed DSG held within the Unallocated Schools budget - this was never distributed to schools as we anticipated a shortfall in DSG at the time of setting the schools budgets. All of these pressures are detailed in Annex 1.

3.3.2 The monitoring returns from schools currently indicate a £16.6m use of reserves in 2006-07. Past experience would suggest that this figure is vastly overstated and we have therefore projected breakeven. However there has been a change to the Scheme of Finance which schools operate under, which means the LEA must introduce a 'balance control mechanism' ie claw back schools reserves that are above a certain level. This therefore means that we cannot use past experience to

determine the level of schools reserves and there is a danger that schools will spend their reserves on non-urgent issues to avoid having them clawed back. This scheme was finalised in January 2007 for implementation at the end of this financial year.

- 3.3.3 In Adult Social Services, significant pressures remain on services for people with Learning and Physical disabilities largely to do with price increases and continuing growth in placements. Also our success in meeting the direct payments target is identifying previously unmet demand/need. Significant management action has been implemented to offset these pressures. Further details are provided in Annex 2. The forecast outturn is currently based on client numbers derived from local records and manual counts. This is because of delays in the implementation of SWIFT (client activity system) – it is not currently possible for us to obtain an accurate snapshot of client numbers until all of the input backlogs are cleared and management reports can be produced. There is some risk therefore that this forecast could change.
- 3.3.4 In Environment & Regeneration the pressures on essential operational highways maintenance, unbudgeted emergencies due to gales and snow and electricity prices for street lighting remain offset by savings within Waste Management due to reduced tonnages and reduced tonnage going into the Allington Waste to Energy plant. The unbudgeted emergency costs as a result of road collapses will now be treated as capital works and will be charged to the capital allocation for highway maintenance, rather than the Emergency Reserve as previously reported. Further details are provided in Annex 3.
- 3.3.5 Within Communities, a forecast pressure on Adult Education mainly due to the reduction in LSC funding is being offset by savings within other services of the directorate. As a result of the re-phasing of the Margate Library and Herne Bay Community & Youth Centre capital projects, the revenue contributions towards these projects approved from the 2005-06 'second homes' money will need to roll forward to 2007-08. There is also a forecast overspend resulting from the final settlement and litigation costs incurred on the original Turner Contemporary project. Further details are provided in Annex 4.
- 3.3.6 In the Chief Executives directorate, the previously reported pressures in respect of the Police HQ roof and Kent Works have been resolved as anticipated in the quarter 2 report. The pressure resulting from increased business rates and energy costs of the county office estate remains but has been largely offset by management action, predominantly holding vacancies, although Property are still in negotiations with directorates to secure some funding for these increased costs. There is also some re-phasing of revenue projects which will require funds to be rolled forward to 2007-08. Further details are provided in Annex 5.
- 3.3.7 The savings on treasury management within the Financing Items budget have increased to £2m. There is also £1.3m of additional LABGI grant and some other minor variances which are detailed in Annex 6.
- 3.3.8 Further management action is still expected to be achieved by year end. There is a risk that not all of this will be achieved, but directorates will be expected to roll forward any overspends as well as underspends into 2007-08.

#### **3.4 Implications for future years/MTFP**

- 3.4.1 The key issues and risks identified above have been addressed in directorate medium term financial plans (MTFP) for 2007-10. Although these are forecast to be largely offset by management action this year, a lot of the management action is one-off or not sustainable for the longer term. These and other pressures are detailed in the Annex reports.

### **4. CAPITAL**

#### **4.1 Changes to budgets**

- 4.1.1 The following adjustments have been made to the 2006-07 capital budget since the last full monitoring report. Further details are provided in the relevant annex reports, including the effect on the future years of the capital programme, where applicable.



Portfolio	Budget £k	Variance £k	Directorate				
			CFE	ASS	E&R	CMY	CED
			£k	£k	£k	£k	£k
<b>E&amp;SI</b>	<b>+111,722</b>	<b>-11,418</b>	-11,418				
<b>C&amp;FS</b>	<b>+3,629</b>	<b>-518</b>	-518				
<b>Adult SS</b>	<b>+11,718</b>	<b>-913</b>		-913			
<b>E,H&amp;W</b>	<b>+38,728</b>	<b>-1,590</b>			-1,590		
<b>Regen &amp; SI</b>	<b>+27,087</b>	<b>-758</b>			-758		
<b>Communities</b>	<b>+10,881</b>	<b>-1,371</b>				-1,371	
<b>CS&amp;H</b>	<b>+2,434</b>	<b>+196</b>					+196
<b>Policy &amp; Performance</b>	<b>+629</b>	<b>0</b>					0
<b>Finance</b>	<b>+7,091</b>	<b>-1,766</b>					-1,766
<b>TOTAL (excl Schools)</b>	<b>+213,919</b>	<b>-18,138</b>	-11,936	-913	-2,348	-1,371	-1,570
<b>Schools</b>	<b>+37,977</b>	<b>0</b>	0				
<b>TOTAL</b>	<b>+251,896</b>	<b>-18,138</b>	-11,936	-913	-2,348	-1,371	-1,570

<b>Real Variance</b>		<b>+3,165</b>	+2,225	-	+1,617	-104	-573
<b>Re-phasing (detailed below)</b>		<b>-21,303</b>	-14,161	-913	-3,965	-1,267	-997
		<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>Future yrs</b>		<b>Total</b>
<b>Re-phasing</b>		-21,303	+15,871	-1,026	+6,458		0

#### 4.3 Reasons for Real Variance and how it is being dealt with

4.3.1 The real variance identifies the actual over and underspends on capital schemes and not re-phasing of projects. The main areas of under and overspending in 2006-07 are listed below:-

- £0.909m overspend on additional development costs for Building Schools for the Future following the recent decision by the Secretary of State to include Kent in waves 3, 4, 5 & 6 of the national BSF Programme, which is earlier than previously anticipated. It is expected that these costs will be recovered from the BSF provider in 2008-09.
- £0.330m overspend on the Development Opportunities Consultancy budget as a result of supporting the New Line Learning Project at Oldborough Manor School. This will be repaid from additional capital receipts in the future.
- £0.3m overspend on Schools Access Initiative - this programme is running ahead of plan and the overspend will need to roll forward to be first call upon next years programme.
- £0.262m overspend on the Capital Strategy Unit due to the need for additional staffing in the Property Team to enable the delivery of the capital programme and additional estates management costs.
- £0.281m overspend as a result of the health & safety need to replace heavy catering equipment in schools.
- -£0.275m savings on the New & Replacement ICT programme within CFE in order to meet other project overspends as detailed above.

Action will be taken by the CFE directorate to ensure that the overspends detailed above are contained within the resources available for the overall CFE capital programme.

- £1.425m overspend on Fastrack as the land valuation has increased significantly with the land owners securing development land classification. Confirmation of this estimate and the funding issue this presents have yet to be resolved.
- £0.253m overspend on East Kent Access Phase 1c. Discussions are in hand to identify funding cover.

#### 4.4 Main projects re-phasing and why.

4.4.1 The main projects that are being re-phased are identified below:

- -£2.7m re-phasing into 2007-08 on the Special Schools Review. The programme continues to be slowed down to ensure that the costs can be contained within the overall CFE directorate capital cash limits for the individual years of the capital programme. Although we are now forecasting to be below cash limit in 2006-07, the project is still ahead of the budgeted schedule overall.

- -£2.6m re-phasing into 2007-08 of the basic need project at Archbishop Courtenay Primary School, Tovil, pending the outcome of the Compulsory Purchase Order for the proposed site.
- -£2.5m re-phasing into 2007-08 on Children's Centres due to delays in the selection of suitable locations for the centres.
- -£2.5m re-phasing into 2007-08 on a range of projects within the school Modernisation programme – further details are provided in annex 1.
- -£1.1m re-phasing into 2007-08 on the North School, Ashford. This is in line with delays on the main PFI programme (detailed in section 1.2.5 of Annex 1).
- -£0.6m re-phasing into 2007-08 on CFE site acquisitions following legal advice to pay for the site at Clarendon House on completion of the project rather than at the start.
- -£0.7m re-phasing into 2007-08 on the Integrated Children's Systems budget following supplier difficulties
- -£0.3m re-phasing into 2007-08 on the Social and Healthcare Centre at Dartford due to a later than anticipated start date.
- -£0.2m re-phasing into 2007-08 on the Adult Social Services System Replacement Project due to the slower than anticipated work around interfaces and hardware.
- -£0.2m re-phasing into 2007-08 as the refurbishment works at Hesketh Park Bungalow have been hampered by insurance negotiations following vandalism and arson attacks.
- -£2.0m re-phasing into 2007-08 on the PSA Property Target due to procedural hurdles.
- -£0.8m re-phasing into 2007-08 on the programme of Highways, PROW and Street Lighting Capital Maintenance Works and Integrated Transport Schemes.
- -£0.5m re-phasing of the Wetland Creation project into 2007-08.
- -£0.4m re-phasing into future years on the Turner Contemporary project as a more detailed cost profile is now available following early discussions with the architects and their quantity surveyors.
- -£0.2m re-phasing into 2007-08 on the Canterbury High AEC project reflects the uncertainty over final outturn costs for the project due to the litigation being pursued by the school against the professional advisors.
- -£0.2m re-phasing into 2007-08 on the Margate Library & One Stop Shop as progress has been affected by the inclusion of the Gateway into the project.
- -£0.1m re-phasing on the Herne Bay Community & Youth Centre as the project has been delayed due to the need to resubmit proposals to the Youth Capital Fund.
- -£0.7k re-phasing into 2007-08 on the Oakwood House extension due to delay of planning permission for the extended car park area.

#### 4.5 Key issues and risks

- 4.5.1 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.
- 4.5.2 The funding of the revised 2006-10 capital programme, as reflected in the 2007-10 MTFP, is reliant upon capital receipts of some £189.5m. 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 is therefore rigorous and intensive.
- 4.5.3 There is a risk that all of the additional costs of a joint project between Canterbury High School and Adult Education will not be picked up by the school and Adult Education will need to provide for some of this. Further details are provided in Annex 4.

#### 4.6 Implications for future years/MTFP

- 4.6.1 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 is in place before the project is contractually committed.

## 4.7 Impact on Treasury Management

4.7.1 The re-phasing from 2005-06, resulting in high cash balances at the end of the 2005-06 financial year, and the re-phasing on the capital programme projected in this report and already adjusted for in the 2007-10 MTFP, are major factors in the £2m underspend reported against the Interest on cash balances/debt charges budget within the Financing Items revenue budget. Further details are provided in Annex 6. This re-phasing will impact upon the phasing of the debt charges within the revenue budget and this has been reflected in the 2007-10 MTFP.

## 4.8 Resourcing issues

4.8.1 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”. As detailed in section 2.1 of annex 5, there is an issue surrounding the timing of capital receipts, but over the three year period of the MTFP, the level of receipts required to support the programme are expected to have been ‘banked’. At this stage, there are no other significant risks to report.

## 4.9 Prudential Indicators

4.9.1 The latest monitoring of Prudential Indicators is detailed in **appendix 2**. There are no adverse issues to report.

## 5. RISK MANAGEMENT

5.1 The Strategic Risk Register has been considered by the Chief Officer Group and is currently going through the moderation process. This is about to complete, which will mean the Register will be provided to the June meeting of the Governance & Audit (G&A) Committee.

5.2 The Directorate Risk Registers were considered at the March meeting of the G&A Committee and will now be considered by the appropriate Policy Overview Committees.

5.3 A series of Risk Management Workshops are being delivered throughout late April and May. All senior managers have been invited to attend. Following that, each manager will be contacted by Internal Audit in order to capture the risks and controls that the manager faces / is managing. These will then be mapped into our internal controls framework, from which risk management action plans and the audit plan will be developed.

## 6. BALANCE SHEET AND CONSOLIDATED REVENUE ACCOUNT

### 6.1 Impact on reserves

6.1.1 A copy of our balance sheet as at 31 March 2006 is provided at **appendix 3**. Highlighted are those items in the balance sheet that we provide a year-end forecast for as part of these quarterly budget monitoring reports, based upon the current forecast spend and activity for the year. The forecast for the three items highlighted are as follows:

Account	Projected balance at 31/3/07 £m	Balance at 31/3/06 £m
Earmarked Reserves	66.4	74.1
General Fund balance	25.8	25.8
Schools Reserves *	65.6	65.6

\* Under the school loans scheme, loans to schools are financed from the aggregate of school reserves, hence the sum of such reserves is accordingly reduced by the value of the loans outstanding. The level of school reserves shown in section 2.3 of annex 1 is prior to this reduction and hence differs from the figure in the table above. Both the table above and section 2.3 of annex 1 include delegated schools reserves and unallocated schools budget.

- 6.1.2 The reduction of £7.7m in earmarked reserves is mainly due to the anticipated movement in the rolling budget reserve, DSG reserve and Asylum reserve together with budgeted movements in reserves such as PRG, East Kent Access and IT Asset Maintenance, offset by contributions to reserves such as Supporting People, as detailed in the annex reports.

## **7. RECOMMENDATIONS**

### **Cabinet is asked to:**

- 7.1 Note the latest monitoring position on both the revenue and capital budgets.
- 7.2 Note the changes to the capital programme, as detailed in section 4.1.



## All Revenue Budget Variances over £100k in size order

(supporting detail is provided in individual Directorate reports (annex 1 - 6).)

Pressures (+)			Underspends (-)		
		£000's			£000's
ASS	Learning Disabled Community Care	+2,902	E&R	Waste Management: Reduced tonnages and less tonnage into Allington Plant.	-3,610
CFE	Asylum - funding shortfall	+2,787	ASS	Older Persons Community Care	-2,970
CED	Business Solutions & Policy - costs of increased work (mainly Agency staff for project work, Oracle development and TRP back-fill)	+2,600	CED	Business Solutions & Policy - recharges\income for increased work	-2,600
CFE	Shortfall in DSG income	+2,432	ASS	Supporting People underspend	-2,343
ASS	Transfer to Supporting People Reserve	+2,343	E&R	Kent Highway Services: Extra Income generated & greater recharges of staff time (including to the Capital Programme)	-2,230
E&R	Kent Highway Services: Essential revenue maintenance works	+2,340	FI	savings resulting from debt restructuring and higher investment income due to high cash balances and increased interest rates	-2,000
ASS	Learning Disabled Residential Care	+2,254	CFE	Management Information - saving on 3 & 4 year olds budget to cover shortfall in DSG	-1,810
E&R	Kent Highway Services: Increased cost of electricity and inventory.	+1,600	ASS	Assessment & Related staff vacancies	-1,472
CFE	Community Care - adoption	+1,300	CFE	Community Care - staffing	-1,400
E&R	Regeneration & Projects: Additional DCLG Activity	+1,150	FI	Additional LABGI grant	-1,315
ASS	Physical Disabled Direct Payments	+1,020	E&R	Regeneration & Projects: Additional DCLG grant	-1,150
E&R	Rural Bus Grant: More services largely funded from increased income	+900	E&R	Rural Bus Grant: More income received	-860
CFE	Residential Care	+835	CMY	Reduction in AE prisons spending	-700
E&R	Resources: Manston Flights setting-up	+768	CFE	Community Care - external funding	-692
ASS	Older Persons Nursing	+763	E&R	Resources: Manston flight contributions	-677
CMY	Reduction in Income on AE prisons contract	+700	CFE	School Budgets - undistributed DSG	-622
CFE	Community Care - fostering	+675	E&R	Waste Management: Increased income from sale of recyclates	-605
ASS	Mental Health - price pressures	+621	ASS	Release of SRP funding in revenue	-600
CMY	Spending on final settlement of original Turner Contemporary scheme and preparation of case for mediation/litigation	+590	CFE	ICT - Standards Fund match funding	-583
ASS	Physical Disabled Residential Care	+550	ASS	Management of Area admin. budgets	-569
E&R	Kent Regeneration Fund (Kent): Reduced draw-down from the Fund to match reduced spend	+500	CFE	Assessment and Related - staffing	-502
CMY	Reduction in AE grants for other projects	+500	E&R	Kent Regeneration Fund (Kent): Slower than expected spend on projects	-500
CMY	Overspends on AE budgets	+436	CMY	Reduction in AE spending on other projects	-500
CMY	Unexpect loss of AE grants	+380	CMY	Finance Loan to AE	-500
ASS	Learning Disabled Direct Payments	+337	ASS	Older Persons Residential Care	-459
E&R	Public Transport contracts: More services funded from increased income	+330	ASS	Movement in the Bad Debt Provision	-426
CFE	Personnel & Development - pensions	+300	E&R	Public Transport Contracts: More income received	-415
CED	Property - Increased rates and energy	+300	CFE	Community Care - day care	-375
CFE	Community Care - direct payments	+277	CFE	Assessment and Related - external funding	-366
CFE	International Development - interreg claim	+262	ASS	Mental Health - care staff vacancies	-363
E&R	Revenue funding to replace capital receipts for Colt's Hill Scheme	+212	CFE	Personnel & Development - redundancy	-358
E&R	Kent Highway Services: Unbudgeted emergencies (gales/snow)	+210	ASS	Resources - Management of Vacancies	-347
CFE	Children's Services Support - legal fees	+200	ASS	Release of Other Provisions	-328

## Appendix 1 cont'd

Pressures (+)			Underspends (-)		
		£000's			£000's
CFE	Community Care - family group conferencing	+188	ASS	Underspensing against Training budgets	-274
ASS	OPDSU - premises costs	+166	E&R	Planning Applications Group: Delay on Shaw Grange restoration work.	-250
CFE	Advisory Service Kent - staffing	+162	CED	Property - vacancies not filled as part of management action	-250
CFE	Children's Services Provider Unit - premises running costs	+156	CMY	Contact Centre staffing and other budgets	-240
ASS	Mental Health Direct Payments	+153	CFE	Education Psychologists - staffing	-226
CFE	Personnel & Development - tribunals	+148	CFE	Community Care - S17 & fostering	-211
CMY	AE deficit carried forward from 2005/06	+135	CFE	Community Care - S24	-200
ASS	ASPU - reduced Supporting People income	+124	CMY	Removal of Maidstone Team & vacancies in the Margate Team in Turner Contemporary	-200
ASS	OTB - Integrated Community Equipment Store Section 31 - Equipment	+121	ASS	Strategic Director's Budget	-190
CMY	Coroners - Increased pathology tests especially toxicology	+111	ASS	Draw Down from Reserves	-185
E&R	Change & Development: Unfunded posts	+110	CMY	Second homes money on Margate Library and One-Stop Shop	-175
			FI	Part year saving on insurance premiums	-150
			CMY	Arts Council Grants in Turner Contemporary	-149
			CFE	Policy - nurses for Clusters	-123
			CMY	Second homes money on Herne Bay Youth & Community Centre	-120
			ASS	Older Persons Direct Payments	-116
			CMY	Community Warden vacancies	-115
			E&R	Planning Applications Group: additional income from fees	-110
			CMY	Directorate infrastructure costs	-102
			CFE	Personnel & Development - training	-100
			E&R	Resources: Vacant Posts	-100
			CED	Business Solutions & Policy - CPA date set now in 2007-08	-100
		<b>+34,948</b>			<b>-37,933</b>

## **2006-07 Monitoring of Prudential Indicators – position as at February 2007**

### **1. Estimate of capital expenditure (excluding PFI)**

Actual 2005-06	£237.449m
Original estimate 2006-07	£309.170m
Revised estimate 2006-07	£233.758m

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

	<b>2005-06 Actual</b>	<b>2006-07 Original Estimate</b>	<b>2006-07 Revised Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Capital Financing Requirement	913.331	1,040.522	1,026.760
Annual increase in underlying need to borrow	85.656	111.375	113.429

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 2005-06	5.89%
Original estimate 2006-07	12.23%
Revised estimate 2006-07	11.32%

The lower ratio in the revised estimate reflects increased income from the investment of cash balances.

### **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 2006-07.

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

	<b>Prudential Indicator 2006-07</b>	<b>Forecast Outturn 2006-07</b>
	<b>£m</b>	<b>£m</b>
Borrowing	960.0	886.6
Other Long Term Liabilities	6.0	1.5
	<hr/> 966.0	<hr/> 888.1

#### **(b) Operational boundary for total debt managed by KCC including that relating to Medway Council etc**

	<b>Prudential Indicator 2006-07</b>	<b>Forecast Outturn 2006-07</b>
	<b>£m</b>	<b>£m</b>
Borrowing	1,024.0	942.4
Other Long Term Liabilities	6.0	1.5
	<hr/> 1,030.0	<hr/> 943.9

## 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 limits for 2006-07 are:

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

	£m
Borrowing	1,001
Other long term liabilities	6
	<hr/> 1,007 <hr/>

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

	£m
Borrowing	1,064
Other long term liabilities	6
	<hr/> 1,070 <hr/>

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 2006-07

(a) Borrowing

Fixed interest rate exposure	100%
Variable rate exposure	30%

(b) Investments

Fixed interest rate exposure	100%
Variable rate exposure	20%

These limits have been complied with in 2006-07. Total external debt is currently held at fixed interest rates.

**8. Upper limits for maturity structure of borrowings**

	<b>Upper limit</b>	<b>Lower limit</b>	<b>Forecast outturn</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Under 12 months	8	0	0
12 months and within 24 months	8	0	0
24 months and within 5 years	24	0	0
5 years and within 10 years	40	0	10.6
10 years and above	100	40	89.4

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

	<b>Indicator</b>	<b>Actual</b>
1 year to 2 years	£30m	£26m
2 years to 3 years	£30m	£24m
3 years to 4 years	£30m	£24m
4 years to 5 years	£25m	£15m
5 years to 6 years	£20m	£0m

There has been some movement in the position since the last monitoring as call options have been exercised by borrowing banks and some deals have been replaced with deals with differing maturity.

## County Fund Balance Sheet

The County Fund Balance Sheet shows the financial position of Kent County Council as a whole at the end of the year. Balances on all accounts are brought together and items that reflect internal transactions are eliminated.

	31 March 2006		31 March 2005	
	£'000	£'000	£'000	£'000
<b>Fixed assets</b>				
<b>Intangible Fixed Assets</b>		5,935		7,699
<b>Tangible Fixed Assets</b>				
<b>Operational assets</b>				
Land and buildings	1,239,218		1,198,926	
Vehicles, plant and equipment	17,511		10,468	
Roads and other highways infrastructure	518,182		521,570	
Community assets	6,664		4,956	
<b>Non-operational assets</b>				
Investment Property	1,955		1,955	
Assets under construction	131,573		72,730	
Surplus and non-operational property	74,349		63,873	
<b>Total Tangible Assets</b>		<u>1,989,452</u>		<u>1,874,478</u>
<b>Total fixed assets</b>		<u>1,995,387</u>		<u>1,882,177</u>
Long-term investments		66,000		24,000
Long-term debtors		62,002		65,234
<b>Total long-term assets</b>		<u>2,123,389</u>		<u>1,971,411</u>
<b>Current assets</b>				
Stocks and work in progress	6,809		5,382	
Debtors	166,929		154,056	
Investments	153,234		215,326	
Cash and bank balances	102,615		85,702	
<b>Total current assets</b>		<u>429,587</u>		<u>460,466</u>
<b>Current liabilities</b>				
Temporary borrowing	-40		-8,168	
Creditors	-237,452		-229,453	
Cash balances overdrawn	-101,924		-79,956	
		<u>-339,416</u>		<u>-317,577</u>
<b>Total assets less current liabilities (Net Assets Employed)</b>		<u>2,213,560</u>		<u>2,114,300</u>
<b>Long-term liabilities</b>				
Long-term borrowing	-882,523		-822,521	
Deferred liabilities	-1,523		-1,858	
Provisions	-12,855		-14,457	
Liability related to defined pensions - KCC schemes	-657,726		-624,636	
- DSO	-2,017			
		<u>-1,556,644</u>		<u>-1,463,472</u>
<b>Total assets less liabilities</b>		<u>656,916</u>		<u>650,828</u>

## County Fund Balance Sheet

Fixed asset restatement account	-498,793	-522,801
Capital financing account	-464,395	-397,950
Government grant deferred account	-119,267	-134,221
Deferred Premiums	21,940	22,890
Deferred credit - Medway Council	-57,926	-60,339
Earmarked capital reserve	-24,884	-27,955
Usable capital receipt reserve	-7,473	-4,278
Pensions reserve		
- KCC	657,726	624,636
- DSO	2,017	0
Earmarked reserves	-74,094	-59,875
General Fund balance	-25,835	-28,335
Schools reserves	-65,626	-60,698
Surplus on trading accounts	-306	-1,902
<b>Total net worth</b>	<b>-656,916</b>	<b>-650,828</b>

# CHILDREN, FAMILIES & EDUCATION DIRECTORATE SUMMARY

## FEBRUARY 2006-07 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 quarter 2 report to reflect a number of technical adjustments to budget.

1.1.2 Table 1 below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Education &amp; School Improvement portfolio</b>							
Delegated Budget:							
- Delegated Schools Budget	786,855	-66,947	719,909	-622	0	-622	Non distributed DSG to cover shortfall in DSG
- Standards Fund (incl SSG)	98,040	0	98,040	0	0	0	
- Targeted Standards Fund			0	0	0	0	
- Direct Funding for Schools			0	0	0	0	
<b>TOTAL DELEGATED</b>	<b>884,895</b>	<b>-66,947</b>	<b>817,948</b>	<b>-622</b>	<b>0</b>	<b>-622</b>	
Non Delegated Budget:							
- Finance	3,500	-952	2,548	-121	120	-1	
- Schools Formula	0	0	0	0	0	0	
- Awards	4,730	-814	3,916	134	-50	84	
- Contingency	-4,471	-213,265	-217,737	0	0	0	
- Personnel & Development	15,600	-3,464	12,135	-250	72	-178	Pensions overspends offset by redundancy, CRB & training underspends
- School Support Service	102	0	102	0	0	0	
- Capital Projects	4,789	-3,238	1,552	69	-5	64	
- Client Services	5,452	-2,499	2,953	253	-192	61	
- Provision Planning	0	0	0	0	0	0	
- Business Management	3,155	-408	2,746	-66	58	-8	
- ICT	10,381	-1,459	8,922	-391	-199	-590	Rephasing of standards fund spend - match funding element
- Health & Safety	419	-4	415	-12	-5	-17	
- Strategic Management	1,680	0	1,680	283	-212	71	
- Policy & Service Development	10,411	-2,125	8,287	-123	0	-123	Delay in recruitment of nurses employed within clusters
- Management Information	26,552	-35	26,517	-1,875	0	-1,875	Underspend to fund DSG shortfall, £65k due to vacancies
- International Initiatives Unit	416	-320	96	24	295	319	Unlikely to recover costs on Intereg claim due to tighter rules from GOSE
- School Organisation	5,397	-299	5,098	25	-1	24	
- Mainstream HTST	14,827	-484	14,343	-120	40	-80	Reduced number of pupils travelling



Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Early Years & Childcare	18,041	-842	17,199	-15	-12	-27	
- Clusters	16,293	-190	16,104	0	0	0	
- Advisory Service - Kent (incl Primary Excellence Project)	25,832	-4,969	20,862	1,271	-1,108	163	Staffing overspend
- Early Years (Children's SS)	573	0	573	2	10	12	
<b>TOTAL NON DELEGATED</b>	<b>163,679</b>	<b>-235,367</b>	<b>-71,688</b>	<b>-912</b>	<b>-1,189</b>	<b>-2,101</b>	
<b>Total E&amp;SI</b>	<b>1,048,574</b>	<b>-302,314</b>	<b>746,260</b>	<b>-1,534</b>	<b>-1,189</b>	<b>-2,723</b>	
<b>Children &amp; Family Services portfolio</b>							
- Attendance & Behaviour Service	15,503	-5,836	9,667	0	0	0	
- AEN & Resources	15,079	-6,443	8,635	0	0	0	
- SEN HTST	15,040	0	15,040	-52	0	-52	Reduced number of pupils travelling
- Independent Sector Provision	9,031	-300	8,731	0	0	0	
- Specialist Teaching Service	3,236	-349	2,887	9	-9	0	
- Educational Psychology Service	3,724	-259	3,465	-226	0	-226	Staff vacancies and reduced locum cover
- Minority Community Achievement	1,686	0	1,686	0	0	0	
- Children's Safeguard Service	669	-65	604	-19	0	-19	
- Joint Commissioning	2,117	-377	1,740	85	-85	0	Cash limits to be adjusted
- Residential Care	4,049	-478	3,571	1,083	-247	835	Increase in cost and number of placements
- Community Care	45,731	-2,432	43,299	198	-692	-494	Overspend on fostering & adoption offset by saving on family support
- Assessment & Related	17,968	-2	17,966	-502	-366	-867	Staffing underspend, increase in 'ready for practice' income
- Childrens Service Provider Unit	8,178	-187	7,991	89	86	175	Staffing
- Childrens Services Support	4,445	52	4,497	333	-154	179	Overspend on legal services, increase income due to work for Swindon
- Contingency	2,921	-8,074	-5,154	0	0	0	
<b>Total C&amp;FS</b>	<b>149,377</b>	<b>-24,750</b>	<b>124,627</b>	<b>998</b>	<b>-1,467</b>	<b>-469</b>	
<b>- Asylum Seekers</b>	<b>15,356</b>	<b>-15,356</b>	<b>0</b>	<b>0</b>	<b>2,787</b>	<b>2,787</b>	Funding shortfall
Total C&FS incl. Asylum	164,733	-40,106	124,627	998	1,320	2,318	
<b>Total Delegated</b>	<b>884,895</b>	<b>-66,947</b>	<b>817,948</b>	<b>-622</b>	<b>0</b>	<b>-622</b>	
<b>Total Non Delegated (excl. Asylum)</b>	<b>313,056</b>	<b>-260,117</b>	<b>52,939</b>	<b>86</b>	<b>-2,656</b>	<b>-2,570</b>	£1810k underspend on Management Info to cover DSG shortfall, £760k other underspends
<b>Total Directorate Controllable (excl. Asylum)</b>	<b>1,197,951</b>	<b>-327,064</b>	<b>870,887</b>	<b>-536</b>	<b>-2,656</b>	<b>-3,192</b>	
<b>Directorate Net Total (incl. Asylum)</b>	<b>1,213,307</b>	<b>-342,420</b>	<b>870,887</b>	<b>-536</b>	<b>131</b>	<b>-405</b>	

Memo:

Dedicated Schools Grant		-720,637	-720,637		2,432	2,432	
Directorate Net Total (incl. DSG income)	1,213,307	-1,063,057	150,250	-536	2,563	2,027	

### 1.1.3 Major Reasons for Variance

This quarter we are projecting:

- a £0.760m surplus on the non-delegated budget
- a £2.432m shortfall in Dedicated Schools Grant
- a £0.622m underspend due to budgets being held back from schools in anticipation of a DSG shortfall
- a £1.810m underspend against 3 & 4 year old budgets to offset the shortfall in DSG, and
- a £2.787m pressure on Asylum.

#### 1.1.3.1 Non-delegated:

Education & School Improvement Portfolio:

- Personnel & Development are projecting a net underspend of £178k. The pensions budget is projecting a pressure of £300k due to capitalisation costs. There are two employment tribunals which are coming to an end at an estimated cost of £148k. These pressures are offset by the underspend on the general personnel function of £44k, an underspend on the redundancy budget that is projected to be £358k, an underspend on the CRB budget of £91k, an underspend on the training budget of £100k, and small underspends on the recruitment and road crossing patrols budgets of £33k.
- ICT are projecting an underspend of £590k, mainly as a result of rephased expenditure on broadband connectivity. This is a 17 month project from April 06 to August 07 and a greater proportion of work than originally anticipated is now being carried out between April and August 2007. This project is 50% funded by Standards Fund. The KCC contribution will show as an underspend in the 2006/07 accounts and this will need to be rolled into 2007/08 in order to complete the project.
- Policy are projecting an underspend of £123k. The budget for employing nurses within Clusters is being held by Policy and released to Clusters once appointments have been made. It is now clear that this budget will underspend due to the delay in recruitment.
- Management Information – the budget for 3 and 4 year olds is now expecting to underspend significantly, due to the majority of providers continuing to offer 33 weeks rather than extending to the 38 weeks for which funding is offered. Although this underspend is within the DSG, it is reported here due to the need to offset the £1.8m DSG shortfall (see section 1.1.3.2 below).
- Within the International Initiatives Unit, following an audit of the 2005-06 Intereg project conducted by GOSE, it is now thought that some expenditure is unlikely to be recovered in full for the current and previous year, at a potential cost of £262k. This is as a result of GOSE tightening the rules surrounding match funding. We consider this to be an unfair interpretation and one that we are in the process of challenging, but until the result of the challenge is known, it seems prudent to report the possible extent of the shortfall. There is also a projected overspend of £50k on the Hardelot budget, mainly due to a shortfall against their income target.
- Advisory Service – Kent is projecting an overspend on staffing of £162k, this is on a variety of projects including WK treasure chest and Hands on Support.

Children & Family Services Portfolio:

- Educational Psychologists are projecting an underspend on staffing of £226k. This is due to staff vacancies, reduced locum cover and the increase in recruitment of the lower cost assistant and trainee psychologists due to a national shortfall of qualified psychologists.
- The pressure on the Residential Care budget has escalated to £835k. This is predominantly due to the continued placement of children in high cost care units. There are currently five children placed in residential colleges and a further two children in civil secure units for their own safety. A number of disabled children are placed in school units, being jointly funded by this budget and other budgets within the Education service.

- Community Care is projecting an underspend of £494k. This is made up of overspends on adoption of £1.3m, fostering of £675k, direct payments of £277k, and family group conferencing of £188k. Fostering and adoption lines have substantially overspent for a number of years. These overspends are offset by a number of underspends, the largest being staffing savings of £1.4m of which the majority are within family support, family group conferencing, related fostering and day care. This has been possible due to a reduction in care packages and management action to reduce the overall spend within community care. There is also a projected underspend of £375k on day care, mainly resulting from the success of the direct payments programme, an underspend on Section 17 (preventative services supporting families) and fostering of £211k, and an underspend of £200k on Section 24 payments (supportive payments made to aged 16+ children leaving care). This underspend is further increased by attracting £692k from external sources for the work carried out in three Family Support Centres.
- Assessment and Related are projecting a net underspend off £867k. £502k of this underspend is a direct result of management action to hold posts vacant in order to avoid a potential overspend situation within the Children's Social Services unit. A further £366k in external income is being generated from a variety of sources such as Sure Start, Education and funding towards the domestic violence project.
- The Children's Services Provider Unit is projecting an overspend of £175k, mainly due to the move to newly built premises and associated overlap in running costs during the transition period. This has been compounded by the loss of income from Medway.
- Children's Services Support are projecting an overspend of £179k, mainly due to higher than anticipated legal costs partially offset by increased income from our work with Swindon.

#### 1.1.3.2 Dedicated Schools Grant (DSG)

The DfES's original allocation of DSG for 2006-07 (announced in late 2005) was £723.005m, their final allocation announced in June 2006 was £718.205m, giving a reduction in grant of £4.8m. However £2.4m of this reduction was anticipated at the time of setting the budget, leaving a shortfall in grant of £2.4m against our published budget figure of £720.637m. £0.6m of this was never distributed to schools as we anticipated a further shortfall at the time of issuing schools budgets, therefore the shortfall that needed to be found from another source was £1.8m.

In July of last year, it was agreed by the Schools Forum that £1.6m of the shortfall could be funded from the unallocated ISB (the remaining £0.2m would come from the non-delegated budget for 3 & 4 year olds). However, it is now probable that there will be sufficient underspend within the budget for 3 & 4 year olds to meet the £1.8m shortfall in full, enabling the £1.6m unallocated ISB to be returned to schools.

There are a number of over and underspends on the DSG, the most significant of which are an overspend on the excepted items budget within Personnel and Development of £842k, offset by an underspend on the trade unions budget of £65k, an underspend on the Cluster budgets of £771k and further underspends within MCAS and Specialist Teaching Service due to staff vacancies following recent restructures. It is expected that the overall surplus on DSG headings will be somewhere between £0.6m and £1.0m. As previously reported, it should be noted that the DSG is a ringfenced grant and 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 underspends elsewhere in the directorate budget. Therefore, at year end these balances will be transferred to a new earmarked reserve for DSG and hence are not included in the overall directorate forecast.

#### 1.1.3.3 Delegated

The current forecast is that schools will not draw down on reserves this year and the overall schools budget will balance. It should be noted that the schools forecast is a £16.6m use of reserves in 2006-07. Past experience indicates that this figure is hugely overstated and we have therefore projected breakeven. But, there has been a change to the Scheme of Finance which schools operate under, which means that the LEA now has to introduce a 'balance control mechanism' (i.e clawing back of schools reserves that are above a certain level). This therefore

means that we can no longer use past experience to determine the level of reserves. The scheme was finalised in January 2007 for implementation at the end of the 2006/07 financial year.

There will be an underspend on the unallocated ISB of £0.6m in respect of the undistributed DSG (see 1.1.3.2 above).

#### 1.1.3.4 Asylum Budget

The Asylum budget is forecast to have a funding shortfall of £2.8m for the 2006-07 financial year. This is due to £2.3m of direct spending and £0.5m of indirect spend being unrecoverable at the new grant unit costs from the DfES and Home Office. The guidance has now been issued, and as previously anticipated, the unit costs used in calculating this forecast have not changed from the previous year.

The number of clients being referred to the Asylum team reached a peak during January at 43 referrals. The level of referrals has now reduced but is still higher than the previous average of 20 per month. This together with a higher proportion of 18+ clients has resulted in a slightly increased overspend than previously projected.

The Home Office bid, one of the two outstanding grant claims relating to the 2005-06 special circumstances bids has been successful in part, but still remains subject to audit. There is no news as yet on the DfES bid.

Following the preliminary audit of the 2004/05 grant claim, the Home Office have disputed the payment of £4.6m of grant funding relating to 900 clients whose details do not exactly match with the Home Office records. The asylum team are currently working through the records and it is expected that the majority of these queries will be resolved easily. It is possible that there may be an adjustment to the grant, but we are unable to quantify this at this stage.

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

The position has moved only marginally since our last exception report, from an underlying surplus of £361k to £760k. The management action that was put in place earlier in the year to avoid an overspend situation is coming into effect as predicted. This included:

- Use of grant funding for other purposes (ability to do this through having a 3 star status)
- Holding Vacancies
- Seeking alternative provision to reduce the costs of residential care

#### 1.1.5 Implications for MTFP:

The issues previously raised within the monitoring have been addressed in the 2007-2010 MTFP.

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

The unspent Standards Fund within ICT is 50% match funded, which means that £583k will need to be rolled into 2007/08 in order to make use of the grant element which, in accordance with the accounting principle agreed with our external auditors, will be treated as a receipt in advance and will therefore have no impact on the outturn position.

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

The net surplus on the CFE non-delegated budget is £2,570k. This, together with the underspend on the schools budget of £622k, which relates to non-distributed DSG, gives an underspend of £3,192k, excluding Asylum. Offset against this is the shortfall in DSG of £2,432k, leaving a projected surplus of £760k. The £583k Standards Fund match funding for the ICT project will be requested to roll forward, which will leave a net underspend on the non-delegated (non-DSG) budget of £177k.

## 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, or relevant delegated authority.

Cash limits have been adjusted since the quarter 2 report to reflect:

	2006-07	2007-08	2008-09	Future Years	Total
	£000s	£000s	£000s	£000s	£000s
<u>Education &amp; School Improvement portfolio:</u>					
• Re-phasing per the 2007-10 MTFP	-27,279	6,680	-689	-5,986	-27,274
• Hythe & St Leonards amalgamation – to be funded by capital receipts from the sale of St Leonards Junior School	864	1,092	44		2,000
• St James the Great – to be funded by capital receipts from the sale of Mill Stream Junior School	150	2,000	650		2,800
• Bellwood Children’s Centre virement from Children & Family Services portfolio	60				60
• Broadmeadow virement to Adult Social Services portfolio	-400				-400
• IT virement to Corporate Support & Health portfolio	-200				-200
• Devolved Capital Grant for Pupil Referral Units	515				515
• Specialist Schools Programme – a further approval from DfES to be funded by grant	100				100
• Marlowe Innovation Centre – to reflect the full gross cost of the scheme with the additional costs to be funded by external funding from Friends of Marlowe Academy and European Regional Development Fund		953			953
• Modernisation 2006-08 (Sussex Road School) – additional costs to be funded by external funding from Sorrell Foundation		150			150
<u>Children &amp; Family Services portfolio:</u>					
• Re-phasing per the 2007-10 MTFP	-1,264	1,317			53
• East Kent Children’s Resource Centre – to be funded by capital receipts from the sale of the Croft and Southdowns		750			750
• Bellwood Children’s Centre virement to Education & School Improvement portfolio	-60				-60
• Legionella virement from Adult Social Services	7				7
• Computers for Looked After Children – to be funded from revenue contributions and Pump Priming Grant	75				75

1.2.2 Table 2 below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp £000s	2006-07 £000s	2007-08 £000s	2008-09 £000s	Future Yrs £000s	TOTAL £000s
<b>Education &amp; School Improvement Portfolio</b>						
Revised Budget per qtr 2 report	104,554	137,912	77,644	17,302	23,163	360,575
- rephasing per 2007-10 MTFP		-27,279	6,680	-689	-5,986	-27,274
Additions:						
- Hythe & St Leonards amalgamation		864	1,092	44		2,000
- St James the Great		150	2,000	650		2,800
- Bellwood Children's Centre virement		60				60
- Devolved Capital Grant for Pupil Referral Units		515				515
- Specialist Schools Programme		100				100
- Marlowe Innovation Centre			953			953
- Modernisation 2006-08 (Sussex Road School)			150			150
Reductions:						
- Broadmeadow virement to Adults		-400				-400
- IT virement to Corporate Support		-200				-200
Revised Budget	104,554	111,722	88,519	17,307	17,177	339,279
Variance		-11,418	+16,134	+1,640	-3,129	+3,227
<b>split:</b>						
- real variance		+2,167	+1,464	-415	+11	+3,227
- re-phasing		-13,585	+14,670	+2,055	-3,140	0
<b>Children &amp; Family Services Portfolio</b>						
Revised Budget per qtr 2 report	3,795	4,871	2,353	50	100	11,169
- rephasing per 2007-10 MTFP		-1,264	1,317			53
Additions:						
- East Kent Children's Resource Centre			750			750
- Legionella virement from Adults		7				7
- Computers for Looked After Children		75				75
Reductions:						
- Bellwood Children's Centre virement		-60				-60
Revised Budget	3,795	3,629	4,420	50	100	11,994
Variance		-518	+645	+16	0	+143
<b>split:</b>						
- real variance		+58	+69	+16		+143
- re-phasing		-576	+576			0
<b>Directorate Total</b>						
Revised Budget	108,349	115,351	92,939	17,357	17,277	351,273
Variance	0	-11,936	16,779	1,656	-3,129	3,370
<b>Education &amp; School Improvement Portfolio</b>						
<b>Devolved Capital to Schools</b>						
Revised Budget per qtr 2 report		37,977				37,977
Additions:						
-						
Revised Budget		37,977				37,977
Variance		0				0
<b>split:</b>						
- real variance		0				0
- re-phasing		0				0
<b>Real Variance</b>		<b>+2,225</b>	<b>+1,533</b>	<b>-399</b>	<b>+11</b>	<b>+3,370</b>
<b>Re-phasing</b>		<b>-14,161</b>	<b>+15,246</b>	<b>+2,055</b>	<b>-3,140</b>	<b>0</b>

### 1.2.3 Capital Resourcing Issues:

#### Education & School Improvement portfolio:

The table shows a gross forecast pressure of £3.227m over the period of the MTFP. Within this figure we are spending ahead of plan on Schools Access Initiative (£0.300m), which will be first call upon the 2007-08 budget and Building Schools for the Future (King Ethelbert School £0.576m – mainly in 2007-08).

In total this means we currently have a pressure of £2.351m which will need to be managed within the current capital programme.

#### Children & Family Services portfolio:

The table shows a gross forecast pressure of £0.143m. However we believe this pressure can be covered from additional resources (Primary Care Grant and revenue contributions).

### 1.2.4 General Overview of capital programme

#### (a) Projects where there's re-phasing & reasons why:

#### Education & School Improvement portfolio:

**Special Schools Review:** The programme continues to be slowed down to ensure that the costs can be contained within the overall CFE directorate capital cash limits for the individual years of the capital programme. *Total rephasings of: 2006/07 -£2.725m, 2007/08 +£4.480m, 2008/09 +£1.457m, 2009/10 -£1.953m & Later Years -£ 1.259m.*

**Basic Need Projects 2004/05 starts: Archbishop Courtenay PS, Tovil** - Project delayed pending the results of the Compulsory Purchase Order for the proposed site. *Total rephasings of: 2006/07 -£2.600m & 2007/08 +£2.600m.*

**Children's Centres:** Re-phasing of estimated expenditure in line with delays on the selection of suitable locations for the centres. *Total re-phasings of: 2006/07 -£2.523m & 2007/08 +£2.523m.*

**Modernisation Programme 2004/05/06:** Some of the more significant changes on this programme of works are:

- Temple Ewell CP (-£0.489m) - This project was to be funded from an enabling development which hasn't been successful. If this project is to proceed any additional costs will form part of the 2008 to 2010 Modernisation Programme.
  - Kennington Juniors (-£0.291m) - project on hold due to planning/conservation issues.
  - Crockenhill PS (-£0.186m) - The project is on hold pending a potential larger project, which if agreed, will be included in the 2008 to 2010 Modernisation Programme.
  - Astor of Hever School (-£0.156m) - Delays with the land sale have delayed the project.
  - Other rephasings in the programme include: Seabrook CPS, Dover Grammar Boys, Monkton PS, Oaktree PS, Ashford, Pembury School, Reculver PS, & Wrotham Road PS.
- Total rephasings of: 2006/07 -£1.794m & 2007/08 +£1.794m.*

**The North School, Ashford:** Rephasing of estimated expenditure in line with delays on main PFI programme (see section 1.2.5). *Total rephasings of: 2006/07 -£1.108m & 2007/08 +£1.108m.*

**Modernisation Programme 2006/07/08:** Some of the more significant changes on this programme of works are:

- Mascalls School (+£0.470m) - A self managed School project. The project is progressing much faster than originally anticipated.
- Wilmington Hall School (-£0.409m) - The start on site date has been delayed from early February to early May due to hold ups in agreeing the tender documentation, predominantly because of the need to finalise DDA requirements.
- Barton Court School (-£0.154m) – Archaeology issues have delayed the project start date.
- Maplesden Noakes School (-£0.153m) – project delayed because the school have changed consultancies.

- Astor College for the Arts (-£0.180m) - Previous forecasts were based on the Budget Managers best estimate of when the project would be handed over to the School to self manage. The project has now been handed over and the current profile of spend has now been submitted by the School.
- Other rephasings in the programme include: Chilton PS, St Michaels Infants & Phoenix PS.  
*Total rephasings of: 2006/07 -£0.745m & 2007/08 +£0.745m.*

**Site Acquisitions:** Clarendon House - Previous arrangements have changed following legal advice. We will now be paying for the site at the completion of the project rather at the start.  
*Total rephasings of: 2006/07 -£0.614m & 2007/08 +£0.614m.*

**Marlowe Innovation Centre:** The indicative project costs are higher than anticipated causing the expected start date to be delayed to June 2007. *Total rephasings of: 2006/07 -£0.480m, 2007/08 +£0.477m & 2008/09 +£0.003m.*

**Basic Need Projects Pre 2004/05 starts:** Rephasing at Sedleys PS £113K - mainly due to an earlier than expected school contribution to the project & Singleton School £126K – a Local Authority contribution to an Aided School project which has been rephased by Canterbury Diocesan Architects who are managing this project.  
*Total rephasings of: 2006/07 -£0.239m & 2007/08 +£0.239m.*

**North Dartford Primary School:** Latest estimates on this project indicate a delayed opening date from Sept 2008 to April 2009 so the build start will be put back 6 months. *Total rephasings of: 2007/08 -£0.469m, 2008/09 +£0.410m & 2009/10 +£0.059m.*

**Development Opportunities – Newington PS Amalgamation:** Previous forecasts were based on the Budget Managers best estimate of when the project might start. The project has now been handed over to Corporate Property to manage and the current profile of spend has been submitted by the external consultancies. *Total rephasings of: 2006/07 +£0.197m, 2007/08 -£0.164m & 2008/09 -£0.033m.*

**Development Opportunities - Greenfields PS:** Delay to start on site due to performance issues with consultant and increase in tender prices. *Total rephasings of: 2006/07 -£0.066m, 2007/08 +£0.326m & 2008/09 -£0.260m.*

**St James the Great PS:** The estimates approved in the budget have been updated following revised spreads of payments from the external consultancies. *Total rephasings of: 2006/07 +£0.083m, 2007/08 -£0.571m, 2008/09 +£0.475m & 2009/10 +£0.013m*

**Non Delegated Devolved Formula Capital allocations to Pupil Referral Units:** The outturn estimate is based on February Year To Date spend. Under DfES regulations PRU's, like Schools, are allocated an annual allocation which has to be spent within 3 years of allocation. The forecast underspend in 2006/07 will need to be 'rolled forward' into 2007/08 for future years usage. *Total rephasings of: 2006/07 -£0.426m & 2007/08 +£0.426m.*

**Other Rephasings include:** Istead Rise PS (£0.100m), Specialist Schools Programmes (£0.250m), Downsview PS (£0.078m) & Ashford North Youth Club project (£0.066m). *Net rephasings of: 2006/07 -£0.545m, 2007/08 +£0.542m & 2008/09 +£0.003m.*

#### Children & Families portfolio:

**Integrated Childrens Systems:** In late 2006 it was agreed that the ICS system originally purchased by Social Services Directorate in the summer of 2005 was not fit for practice nor would the nominated supplier be able to develop a system to meet the DfES requirements or time scales. As a result of this investigation and test of the system it was agreed that CFE would resolve this situation by seeking to procure a new ICS system. CFE agreed that the capital funds used within this financial year would be covered and that the full ICS capital budget would be rolled over onto 2007/08 to support the purchase and implementation of the new ICS system. DfES recently supported the roll over of the total unspent grant from this year and previous years. The project is expected to be completed by January 2008. The ICS project board will closely monitor expenditure via the Project Manager. *Total rephasings of: 2006/07 -£0.718m & 2007/08 +£0.718m.*



**Preventative Strategy for Children :** The most significant rephasing relates to the Phoenix Centre project which, because of its direct link to the new School where build isn't due to commence until May 2007, will not incur any spend in 2006/07. *Total rephasings of: 2006/07 - £0.210m & 2007/08 +£0.210m.*

**East Kent Childrens Resources Centre (Windchimes):** The project is progressing faster than previously estimated. *Total rephasings of: 2006/07 +£0.352m & 2007/08 -£0.352m.*

(b) **Projects with real under or overspends** ie. After considering issues raised in 1.2.3 above.

Education & School Improvement portfolio:

**Mascalls School:** The dispute and claim by the contractor has now been agreed and the settlement is now being reflected in the outturn forecast. *Overspend 2006/07 +£0.106m*

**Modernisation 2004/05/06:** The overall increase in spend is predominantly made up of:

- Boughton under Blean PS (+£0.189m) – additional mobile classroom costs, additional survey and temporary car park costs.
- Kennington PS Juniors (+£0.158m) – additional costs have arisen because of delays in commencement of the project.
- Schools Improvement Grant (+£0.155m) – reduction in cash limit to deal with 2005/06 residual Improvement Grant payments to Schools.
- Other less significant increases have occurred on the following projects: Dover Grammar Boys & Oaktree PS, Ashford.

*Overspend 2007/08 +£0.681m & 2008/09 +£0.012m*

**Building Schools for the Future:** Additional development costs have arisen following the recent decision by the Secretary of State to include Kent in Waves 3, 4, 5 & 6 of the national BSF Programme, which is earlier than previously anticipated. It is expected that these costs will be recovered from the BSF provider in 2008-09. Additional funding is also being sought, but if this is unsuccessful, the programme will need to be adjusted in line with the funding available.

*Overspend 2006/07 +£0.909m.*

**Modernisation 2006/07/08:** Other than the King Ethelbert project mentioned in 1.2.3 above, the remainder of the overall increase in spend is predominantly made up of:

- Crockham Hill PS (+£0.185m) where costs on tender are higher than previously estimated.
- St Pauls PS, Swanley (+£0.141m) – unexpected additional drainage works have been required.

*Underspend 2007/08 -£0.020m, Overspend 2008/09 +£0.200m*

**Development Opportunities – Consultancy:** The additional costs are as a direct result of supporting the New Line Learning Project at Oldborough Manor School. We have an agreement with New Line Learning that we will be repaid in the future out of the receipts from the disposal of Senacre, which is also providing the sponsorship for the new Academies.

*Overspend 2006/07 +£0.330m.*

**Capital Strategy Unit:** The costs of additional staffing in the Property Team to enable the delivery of the capital programme and additional Estates Management costs of £0.070m

*Overspend 2006/07 +£0.262m.*

**New Replacement ICT:** Savings have been achieved to meet other project overspends.

*Underspend 2006/07 -£0.275m.*

**Replacement of Catering Equipment:** Health & Safety need to replace heavy catering equipment in Schools. *Overspend 2006/07 +£0.281m.*

**Development Opportunities – Newington PS:** The tender price is lower than the original estimates for the project. *Underspend -£0.307m (2006/07 +£0.033m & 2008/09 -£0.340m)*

**Other residual over and underspends:** There are a number of smaller variances across a range of projects. *2006/07 +£0.075m, 2007/08 +£0.375m, 2008/09 -£0.289m & future years +£0.011m.*

Children & Families portfolio:

As stated in 1.2.3 above, action will be taken over the course of the Medium Term Plan to ensure the spend remains with available resources.

**(c) Risks:**

The major risk remains those that were associated with the programme when it was approved, namely that a number of projects are wholly or partly dependant on capital receipts and/or external funding and if this funding is not achieved the projects will not proceed.

**(d) Details of action being taken to alleviate risks:**

If external funding/capital receipts are not realised and this shortfall cannot be managed within the capital programme, then Members would be asked to consider the cessation of projects.

**1.2.5 PFI Projects**

- Schools PFI**

The £92.4m investment in the Schools PFI project represents investment by a third party. No payment is made by KCC for the new/refurbished assets until the asset are ready for use and this is by way of an annual unitary charge to the revenue budget.

	<b>Previous years</b>	<b>2006-07</b>	<b>2007-08</b>	<b>TOTAL</b>
	£000s	£000s	£000s	£000s
<b>Budget</b>	38,247	51,462	2,701	92,410
<b>Forecast</b>	38,247	47,488	6,675	92,410
<b>Variance</b>	0	-3,974	+3,974	0

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

Target dates have now slipped due to issues with the building contractors and their suppliers and an extension of time has been granted by KCC.

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

Due to slippage in the construction programme, the contractor is receiving less income at this time from KCC than was expected under the contract, as service availability dates are directly linked into phased increases in the unitary charges. The effect of this has meant less revenue expenditure during 2006-07.

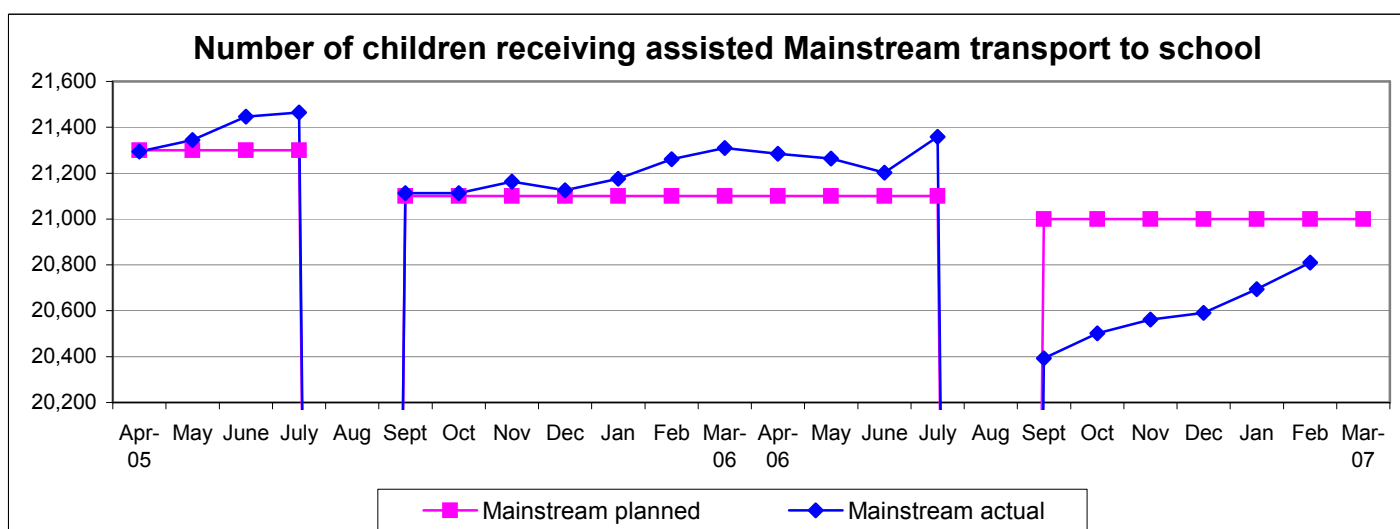
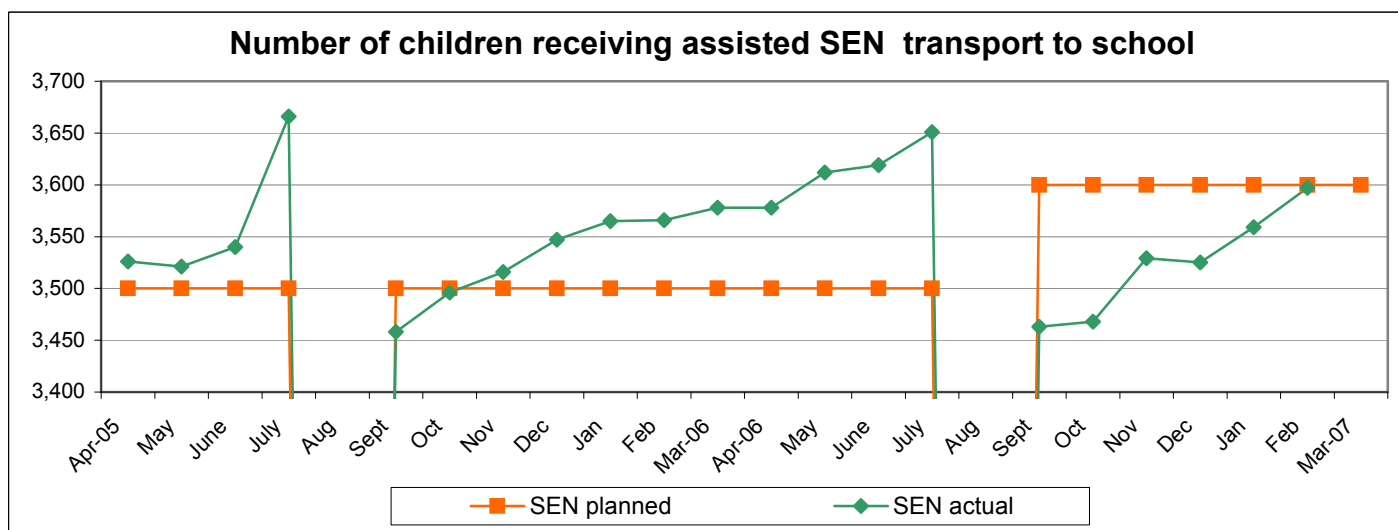
PFI credits have not been affected by this delay, as award of credits was dependent on service availability of the first school, which was achieved during October 2006.

Overall there will be no effect on the forecast revenue position in the current year, as in line with the accounting principle agreed with our external auditors, any excess PFI credits in the current year will be transferred to a PFI reserve to be drawn down in line with the re-phased expenditure.

**2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING**

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

	2005-06				2006-07			
	SEN		Mainstream		SEN		Mainstream	
	planned	actual	planned	actual	planned	actual	planned	actual
April	3,500	3,526	21,300	21,295	3,500	3,578	21,100	21,285
May	3,500	3,521	21,300	21,344	3,500	3,612	21,100	21,264
June	3,500	3,540	21,300	21,447	3,500	3,619	21,100	21,202
July	3,500	3,666	21,300	21,464	3,500	3,651	21,100	21,358
August	0	0	0	0	0	0	0	0
September	3,500	3,458	21,100	21,113	3,600	3,463	21,000	20,392
October	3,500	3,496	21,100	21,113	3,600	3,468	21,000	20,501
November	3,500	3,516	21,100	21,163	3,600	3,529	21,000	20,561
December	3,500	3,547	21,100	21,126	3,600	3,525	21,000	20,591
January	3,500	3,565	21,100	21,175	3,600	3,559	21,000	20,694
February	3,500	3,566	21,100	21,261	3,600	3,597	21,000	20,810
March	3,500	3,578	21,100	21,310	3,600		21,000	

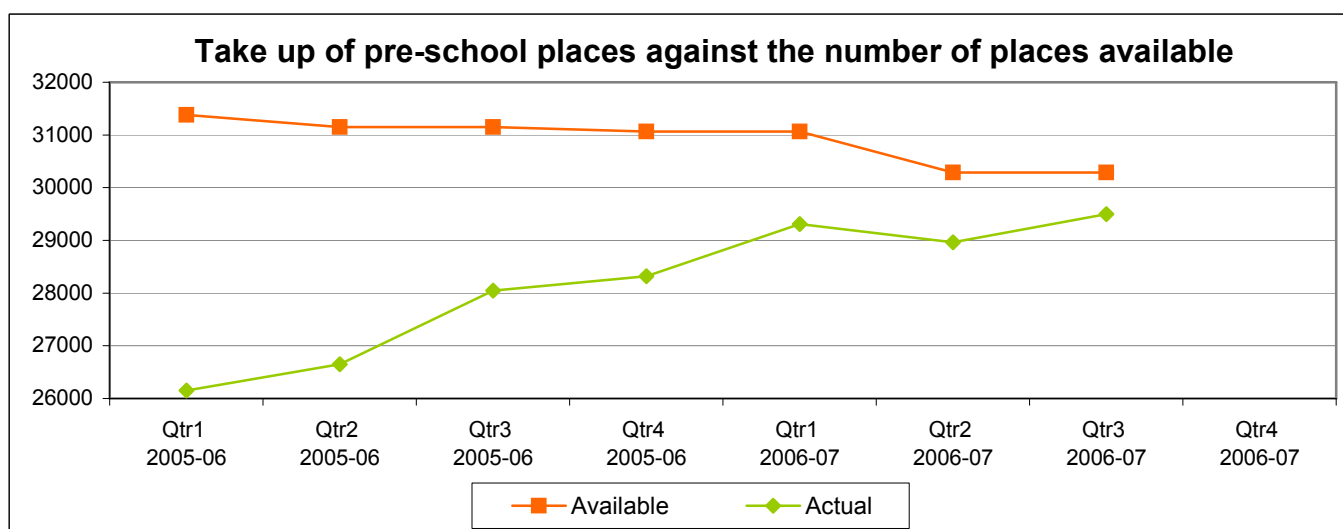


Comments:

- These graphs demonstrate increased demand over the summer term followed by a subsequent drop in the autumn term which is reflected in the small underspends reported in table 1 on pages 16 & 17.

## 2.2 Take up of pre-school places against the number of places available:

	2005-06			2006-07		
	Actual	Available	% take up	Actual	Available	% take up
April - June	26,152	31,378	83%	29,307	31,062	94%
July - September	26,650	31,147	86%	28,963	30,287	96%
October - December	28,047	31,147	90%	29,498	30,289	97%
January - March	28,319	31,062	91%			



### Comments:

- This graph demonstrates that the take-up of the extended hours has increased gradually throughout the year but remains significantly below the budgeted level. The £1.8m underspend generated by this pattern of activity will be used to repay the DSG shortfall referred in section 1.1.3.2 above.
- Data for this activity graph is collected quarterly, therefore data to the end of February is not yet available.

## 2.3 Number of schools with deficit budgets compared with the total number of schools:

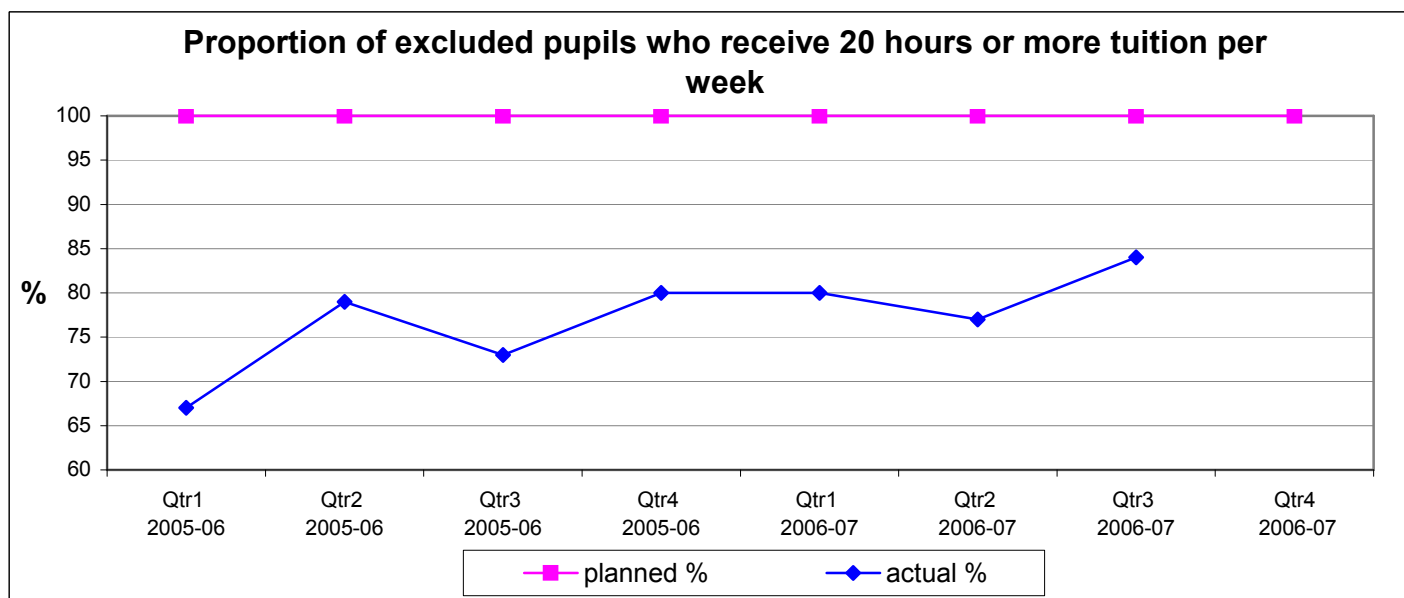
	2005-06	2006-07
	as at 31-3-06	Projection
Total number of schools	600	596
Total value of school reserves	£70,657k	£70,657k
Number of deficit schools	9	14
Total value of deficits	£947k	£1,339k

### Comments:

- 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 LEA, which could ultimately mean suspending delegation.
- The CFE Deficit and Compliance 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.

## 2.4 Proportion of excluded pupils who receive 20 hours or more tuition per week:

	2005-06		2006-07	
	planned	actual	planned	actual
April - June	100%	67%	100%	80%
July - September	100%	79%	100%	77%
October - December	100%	73%	100%	84%
January - March	100%	80%	100%	



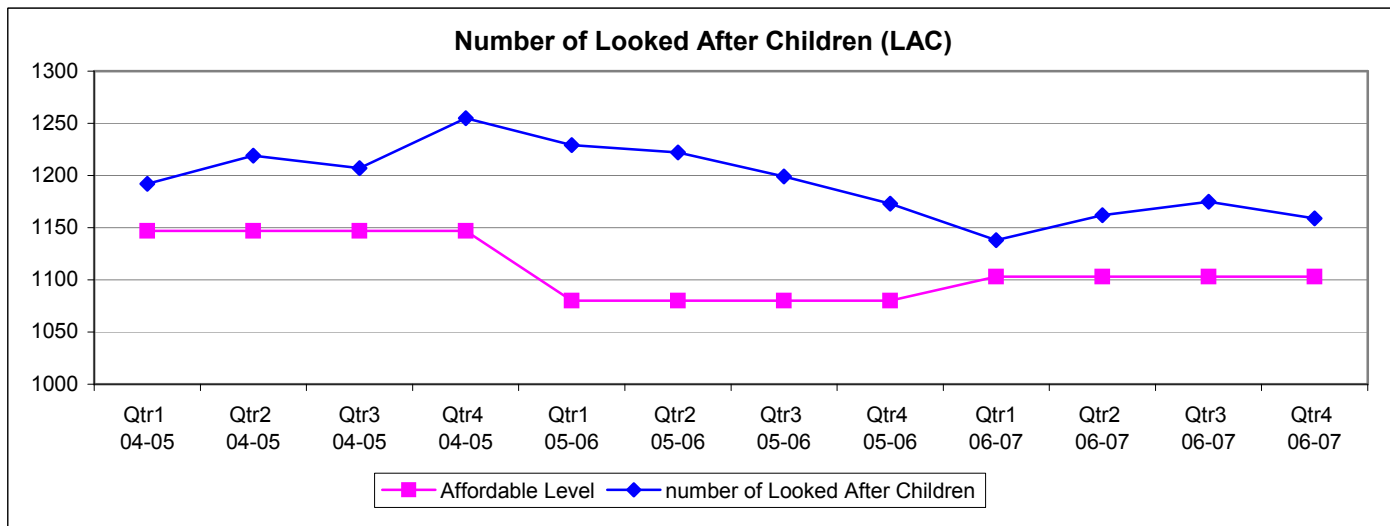
## Comments:

- There are no excluded pupils receiving 20 hours or more home tuition per week. They either receive their tuition in Pupil Referral Units or alternative curriculum (which is currently mostly provided by external sources).
- Please note that this data applies to BVPI 159 which is the % of excluded pupils who receive 20 hours or more tuition **within 15 days of exclusion** and not the total proportion of excluded pupils receiving 20 hours or more which is **93%**.
- Data from our alternative tuition establishments is only collected quarterly, therefore data to the end of February is not yet available for this activity.

2.5 Numbers of Looked After Children (LAC):

	2004-05		2005-06		2006-07	
	Affordable Level	number of Looked After Children	Affordable Level	number of Looked After Children	Affordable Level	number of Looked After Children
Apr – Jun	1,147	1,192	1,080	1,229	1,103	1,138
Jul – Sep	1,147	1,219	1,080	1,222	1,103	1,162
Oct – Dec	1,147	1,207	1,080	1,199	1,103	1,175
Jan – Mar	1,147	1,255	1,080	1,173	1,103	*1,159

\* includes data for January only



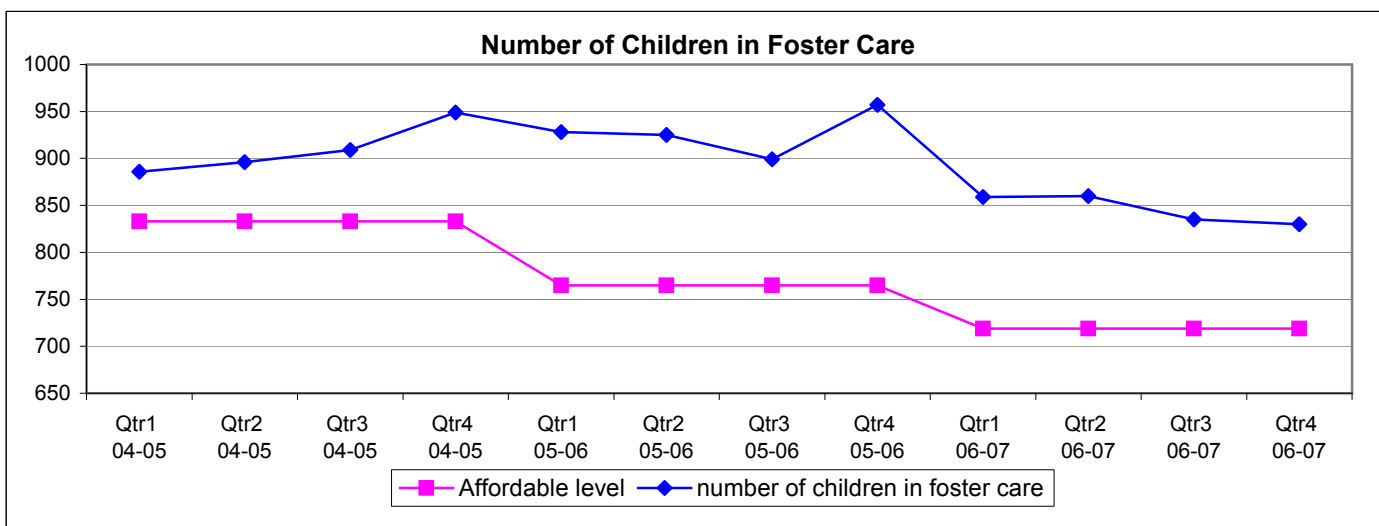
Comment:

- The graph demonstrates a considerable gap between the number of Looked After Children and the affordable level, which has resulted in a large overspend within the residential care budget.

2.6 Number of Children in Foster Care:

	2004-05		2005-06		2006-07	
	Affordable level	number of children in foster care	Affordable level	number of children in foster care	Affordable level	number of children in foster care
Apr - Jun	833	886	765	928	719	859
Jul - Sep	833	896	765	925	719	860
Oct - Dec	833	909	765	899	719	835
Jan - Mar	833	949	765	957	719	*830

\* includes data for January only

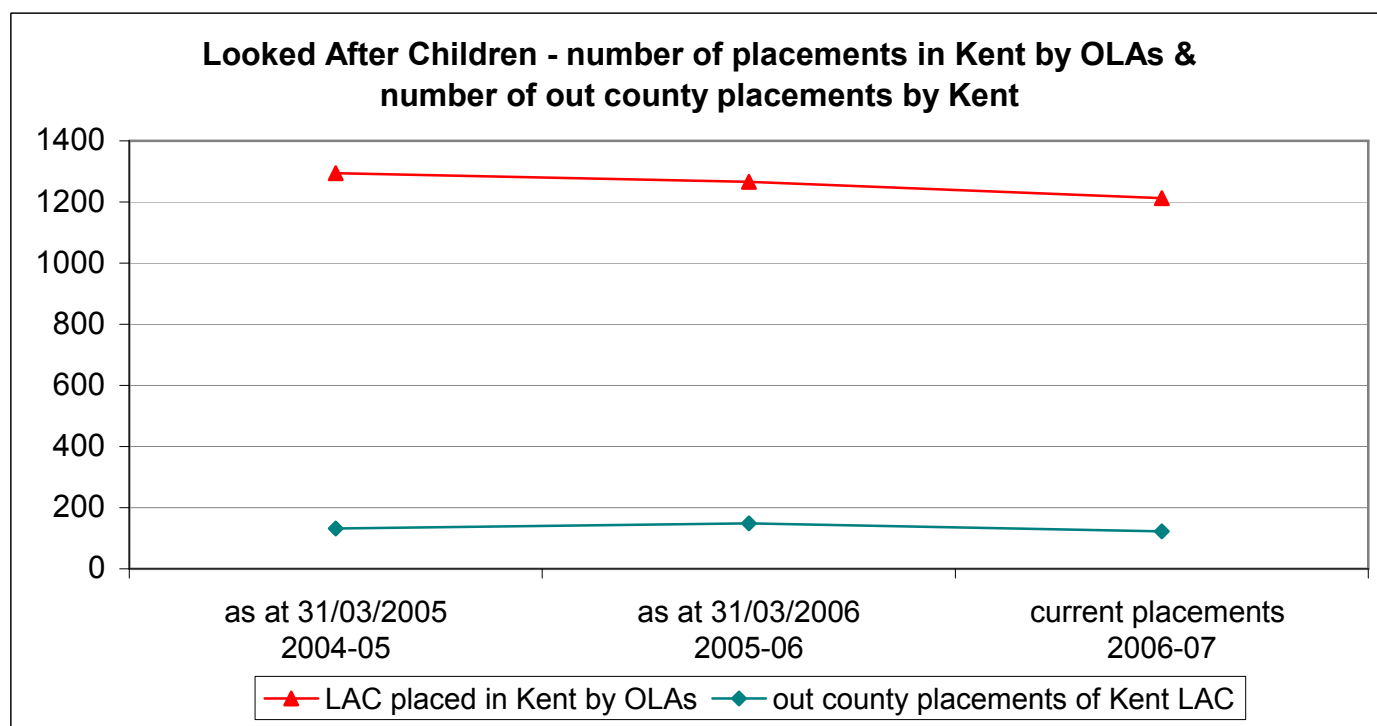


## 2.7 Number of Placements in Kent of LAC by other Authorities:

2004-05 as at 31/03/2005	2005-06 as at 31/03/2006	2006-07 current placements
1,294	1,266	1,213

## 2.8 Number of Out County Placements of LAC by Kent:

2004-05 as at 31/03/2005	2005-06 as at 31/03/2006	2006-07 current placements
132	149	122

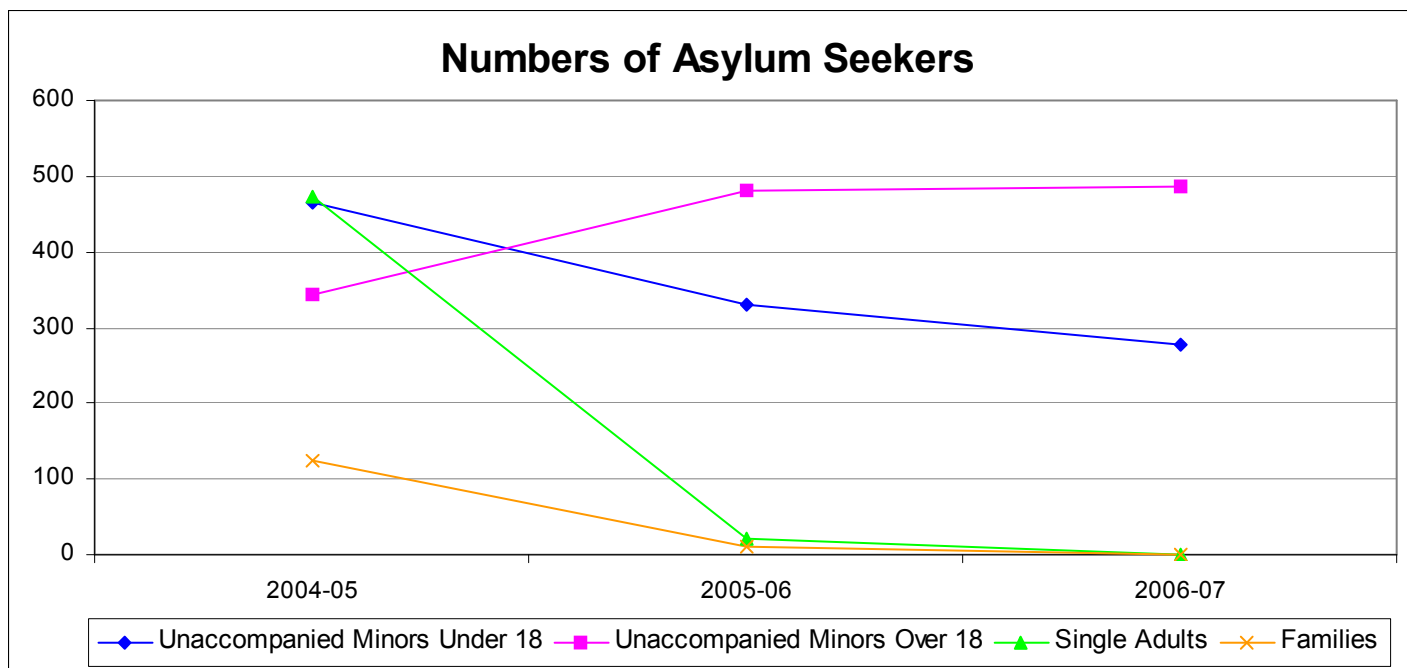


## Comments:

- The above figures are as at the end of January 2007. These are our best estimates of children placed in Kent, but we are not automatically kept informed, despite there being a requirement for local authorities to notify each other of changes.
- 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. The majority (over 99%) of Looked After Children placed out of the Authority are either in adoptive placements, placed with a relative, specialist residential provision not available in Kent or living with KCC foster carers based in Medway.

## 2.9 Numbers of Asylum Seekers (by category):

	2004-05	2005-06	2006-07
	Number	Number	Number
Unaccompanied Minors Under 18	466	330	277
Unaccompanied Minors Over 18	343	480	487
Single Adults	474	20	0
Families	123	10	0



## Comment:

- The above figures are as at the end of February 2007
- The numbers above refer to clients who have been assessed as qualifying for asylum. The numbers have reduced in line with expectation. However this masks the problem of increased referrals being experienced by the asylum team which has led to the current forecast overspend. Currently only 30% of referrals become ongoing clients, compared to a forecast of 50%. In addition to this we are seeing a higher number of clients leaving the service as they no longer require assistance.



Table 3

## CHILDREN, FAMILIES & EDUCATION DIRECTORATE

### VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)		Underspenders (-)	
	£000's		£000's
Asylum - funding shortfall	+2,787	Management Information - saving on 3 & 4 year olds budget to cover shortfall in DSG	-1,810
Shortfall in DSG income	+2,432	Community Care - staffing	-1,400
Community Care - adoption	+1,300	Community Care - external funding	-692
Residential Care	+835	School Budgets - undistributed DSG	-622
Community Care - fostering	+675	ICT - Standards Fund match funding	-583
Personnel & Development - pensions	+300	Assessment and Related - staffing	-502
Community Care - direct payments	+277	Community Care - day care	-375
International Development - tightening of rules on interreg claim	+262	Assessment and Related - external funding	-366
Children's Services Support - legal fees	+200	Personnel & Development - redundancy	-358
Community Care - family group conferencing	+188	Education Psychologists - staffing	-226
Advisory Service Kent - staffing	+162	Community Care - S17 (preventative services supporting families) &	-211
Children's Services Provider Unit - premises running costs	+156	Community Care - S24 (supportive payments to aged 16+ children leaving care)	-200
Personnel & Development - tribunals	+148	Policy - nurses for Clusters	-123
		Personnel & Development - training	-100
	+9,722		-7,568

## ADULT SOCIAL SERVICES DIRECTORATE SUMMARY FEBRUARY 2006-07 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 quarter 2 report to reflect a number of technical adjustments to budget.

1.1.2 Table 1 below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Adult Social Services portfolio</b>							
Older People	162,858	-63,556	99,301	-953	-1,579	-2,532	Client nos. below affordable levels.
People with a Learning Difficulty	64,915	-19,823	45,092	5,604	-598	5,006	Pressure on placements & prices
People with a Physical Disability	24,614	-6,820	17,794	1,082	560	1,642	Placement pressures & direct payments
Adults Assessment & Related	29,043	-4,894	24,149	-1,282	-88	-1,370	Vacancies
Older Persons Direct Service Unit	23,607	-3,702	19,905	262	-32	230	Premises costs & agency staff
Adult Service Provider Unit	13,318	-689	12,630	70	10	80	Reduction in charge to supporting people
SESEU	2,190	-579	1,611	88	-34	54	
Occupational Therapy Bureau	9,278	-2,544	6,735	969	-846	123	
Mental Health Service	22,174	-7,293	14,880	387	74	461	Prices challenges & other price pressure
Supporting People	32,928	-32,928	0	0	0	0	
Gypsy Unit	621	-276	346	-8	7	-1	
Strategic & Area Management	767	-2	764	-146	2	-144	Vacancies
Performance, Contracting & Planning	7,016	-1,675	5,341	-674	-184	-858	Vacancies
Training, Duty & Support	15,195	-4,440	10,755	-1,352	-329	-1,681	Vacancies, training, use of reserves and provisions.
<b>Total Adult SS controllable</b>	<b>408,524</b>	<b>-149,222</b>	<b>259,301</b>	<b>4,047</b>	<b>-3,037</b>	<b>1,010</b>	

#### 1.1.3 Major Reasons for Variance:

##### 1.1.3.1 General Comment

The current forecast position is a result of demographic pressures, specific to Adult Social Services and in common with other local authorities in the region.

##### 1.1.3.2 Older People (-£2,532k)

Comment: This underspend is consistent with the 2005-06 outturn position. Whilst client numbers have increased gradually during the year, they have still not yet reached affordable levels, as per the directorate's business plans.

There is some pressure from the increase in nursing placements, which we believe to result from closure of hospitals. This has adversely impacted on our ability to achieve fully the planned management action.

### 1.1.3.3 People with Learning Disabilities (+£5,006k)

Comment: Although demography funding was built into the 2006-07 budget, this was insufficient to cover both the inherent pressure from the previous year and continuing growth and prices pressures in the current year. The latest learning disability forecast reflects the full year effect of the increase in residential placements at the end of 2005-06 (23 extra clients) and the continuation of this trend in 2006-07 – a further 53 since the beginning of the financial year. The average unit cost is around £1k per week, but some clients with more complex needs can cost up to £2k per week.

Community Care comprises a variety of different preventative services. During the current year the directorate has been able to divert a number of clients out of residential placements and into independent living type arrangements. Although the costs of such placements are likely to be less expensive than residential care, the weekly costs are still significant in some instances, due to the needs of the clients. The management action implemented by supporting people has meant that some costs have fallen back onto Adult Social Services – most of which would have affected Learning Disability.

Direct payment clients have increased from 41 to over 265 since April 2005, and there is evidence to suggest that our success in meeting the direct payments target is identifying previously unmet demand/need. The directorate is continuing the work initiated to establish whether there is evidence that direct payments are costing more than traditional packages of care.

### 1.1.3.4 People with Physical Disabilities (+£1,642k)

Comment: Similarly with Learning Disability much of this pressure represents the full year effect of the growth in placements during 2005-06 and the continuation of this trend during 2006-07.

Direct payment clients increased significantly to 172 during 2005-06 and a further 319 clients have taken up direct payments during 2006-07 to date. As in Learning Disability work has been initiated to determine the reasons for additional cost pressures.

### 1.1.3.5 Assessment & Related (-£1,370k)

Comment: As in previous years, management action around staffing and vacancies has been implemented to fund pressure elsewhere within the budget.

### 1.1.3.6 Older People Direct Services Unit (+£230k)

Comment: Pressures across all premises headings, as a result of the age and condition of some of the buildings. Also some pressure relating to the use of agency staff to cover staff sickness.

### 1.1.3.7 Adult Services Provider Unit (+£80k)

Comment: Principally a reduction in internal income resulting from changes in the level of floating support provided to the Supporting People service.

### 1.1.3.8 SESEU (+£54k)

Comment: Lower than anticipated income generated by the Princess Christian Farm, together with some other premises related pressures.

### 1.1.3.9 Occupational Therapy Bureau (+£123k)

Comment: The pressure is in part due to additional planned spend required on sessional staff and minor equipment. Also, the success of the Integrated Community Equipment Store, funded via a pooled budget arrangement with the Health Service, has meant that the directorate has had to increase its contribution to the pool.

### 1.1.3.10 Mental Health (+£461k)

Comment: This year the net pressure against Mental Health is broadly comparable with the 2005-06 outturn. The main cost pressure relates to the full year effect of high price increases, in residential placements, towards the latter part of 2005-06.

As with other client groups direct payments have increased and hence there is now a pressure which we had anticipated would be offset by a reduction against other preventative services. As mentioned earlier this has not proved to be the case.

As in previous years recruitment has been delayed and vacancies held in order to offset other pressures within the Mental Health Service.

### 1.1.3.11 Other (-£2,683k)

Comment: This underspend comprises a variety of savings and one-off uses of reserves and provisions against the Strategic Management, Performance, Contracting and Planning and Training, Duty and Support budgets across HQ and the two Areas. The principal underspends are as follows:

- Identification of sufficient capacity within the capital programme to enable release of £600k of one-off revenue funds, set aside as a revenue contribution to capital for the Systems Renewal Project.
- Movement in bad debt provisions £150k. (Table 3 shows a £426k reduction in bad debt provision but some of this impacts upon the direct service budget lines detailed above)
- Release of other provisions no longer required £328k.
- Management of vacancies by the Director of Resources £347k.
- Management of staffing and other administrative budgets by Area Management Teams £569k
- Underspending against the directorate's training budget £274k.
- Underspending against the Strategic Director's budget £190k.
- One-off use of various reserves £185k.
- Various other underspends £40k.

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

All management actions to achieve this position are now reflected within the forecasts.

There is some risk as owing to delays in implementing SWIFT (client activity system), it is not possible for us to obtain an accurate snapshot of client numbers until all of our input backlogs are cleared and management reports can be produced. The forecast position therefore represents assumptions made from manual record keeping in a number of instances. The activity data presented in section 2 of this report for the period August 2006 to December 2006 has been reliant on local records and manual counts. The activity data available for January and February is not fully comprehensive and there would be no merit in reporting partial data in section 2 of this report.

### 1.1.5 **Implications for MTFP:**

This forecast outturn position of +£1,010k is consistent with the position assumed in the 2007-10 Medium Term Financial Plan.

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

There are no plans to re-phase revenue projects at this time.

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

The directorate's forecast position reflects carry forward of the entire Supporting People underspend into reserves, consistent with previously agreed practice. This is in anticipation of a reduction in the grant in future years. The transfer to the reserve is currently forecast to be £2,343k this year.

## 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, or relevant delegated authority.

Cash limits have been adjusted since the quarter 2 report to reflect:

	2006-07 £000s	2007-08 £000s	2008-09 £000s	Future years £000s
• Re-phasing per 2007-10 MTFP	-1610.8	2,889	2,570	-240
• Home Support Fund – Use of Client Contributions held on balance sheet	+132.0			
• Broadmeadow – Contribution from CFE	+400.0			
• Virement to CFE re: Legionella Works	-7.3			
• Virement to CED re: Ashford Gateway	-6.5			
<b>TOTAL</b>	<b>-1,092.6</b>	<b>2,889</b>	<b>2,570</b>	<b>-240</b>

1.2.2 Table 2 below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp £000s	2006-07 £000s	2007-08 £000s	2008-09 £000s	Future Yrs £000s	TOTAL £000s
<b>Adult Services portfolio</b>						
Revised Budget per qtr 2 report	7,309	12,811	2,705	484	562	23,871
- re-phasing per 2007-10 MTFP		-1,611	2,889	2,570	-240	3,608
Additions & Removals:						
- Home Support Fund		132				132
- Broadmeadow virement from CFE		400				400
- Legionella virement to CFE		-7				-7
- Gateways virement to CED		-7				-7
						0
Revised Budget	7,309	11,718	5,594	3,054	322	27,997
Variance		-913	+831	+82	0	0
<b>split:</b>						
- real variance		0	0	0	0	0
- re-phasing		-913	+831	+82	0	0
<b>Real Variance</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Re-phasing</b>		<b>-913</b>	<b>+831</b>	<b>+82</b>	<b>0</b>	<b>0</b>

1.2.3 **Capital Resourcing issues:**

N/A

1.2.4 **General Overview of capital programme:**

(a) Projects where there's re-phasing and reasons why:

### **Various Disability Discrimination Act and Legionella Works**

There is an allocation of £56k in 2006-07 and we are asking for £47k to be re-phased to 2007-08, due to conservation planning issues with regards to a property sited within Canterbury.

### **Hesketh Park Bungalow**

There is an allocation of £152k set aside in 2006-07 to fund the refurbishment works at this building. However, work has been hampered by insurance negotiations, as a result of recent vandalism and arson attacks, therefore this will re-phase into 2007-08.

**Dartford Town Centre**

As part of the MTFP process, this is a new project added into the Directorates programme. Due to a later than anticipated start date, the current year budget will re-phase into 2007-08, at a value of £270k.

**Osborne Court/Faversham DOS**

As more planning is required on establishing the service requirement to meet our modernisation agenda, the remaining balance on this project, of £50k, will re-phase into 2007-08.

**Ladesfield Works**

There are 3 pieces of capital works currently being carried out at this site, the driveway, top floor and asbestos. The re-phasing, to 2007-08, of £52k reflects the likelihood of certain works not being carried out by the end of the financial year.

**Princess Christian Farm**

There is £625k, within the Directorate programme, for this project, of which £25k is reflected in this financial year. This will re-phase into 2007-08, due to a later than anticipated start date.

**Broadmeadow**

Recent discussions, with the construction consultants, suggest that £149k of the £5m budget set aside, in 2006-07, should be re-phased into future years. (£67k 2007-08 & £82k 2008-09)

**Crispe House**

As part of the MTFP process, this is a new project added onto the Directorates programme. We are requesting to pull forward a further £27k into 2006-07, from 2007-08, to cover various works, which appear to be progressing quicker than anticipated.

**SRP**

Due to the slower than anticipated work around interfaces and hardware, £195k will re-phase into 2007-08.

(b) Projects with real under or overspend:

N/A

(c) Risks:

N/A

After allowing for the funding issues detailed in paragraph 1.2.3 and re-phasing in paragraph 1.2.4 (a), the true underlying variance is **breakeven**.

## 1.2.5 PFI projects

- PFI Housing

The £72.489m investment in the PFI Housing project represents investment by a third party. No payment is made by KCC for the new/refurbished asset until the asset is ready for use and this is by way of an annual unitary charge to the revenue budget.

	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000
<b>Budget</b>	0	33,600	38,700	189	72,489
<b>Forecast</b>	0	33,600	38,700	189	72,489
<b>Variance</b>	0	0	0	0	0

- (a) Progress and details of whether costings are still as planned (for the 3<sup>rd</sup> party)

Currently the progress of this PFI project is going ahead as planned. No payment is made by KCC for the new extra care facilities across Kent until each facility has been built and available for occupation. The first payment to the contractor is likely to be incurred in 2008-09. The payment will be by way of a unitary charge to the revenue budget.

- (b) Implications for KCC of details reported in (a) above:

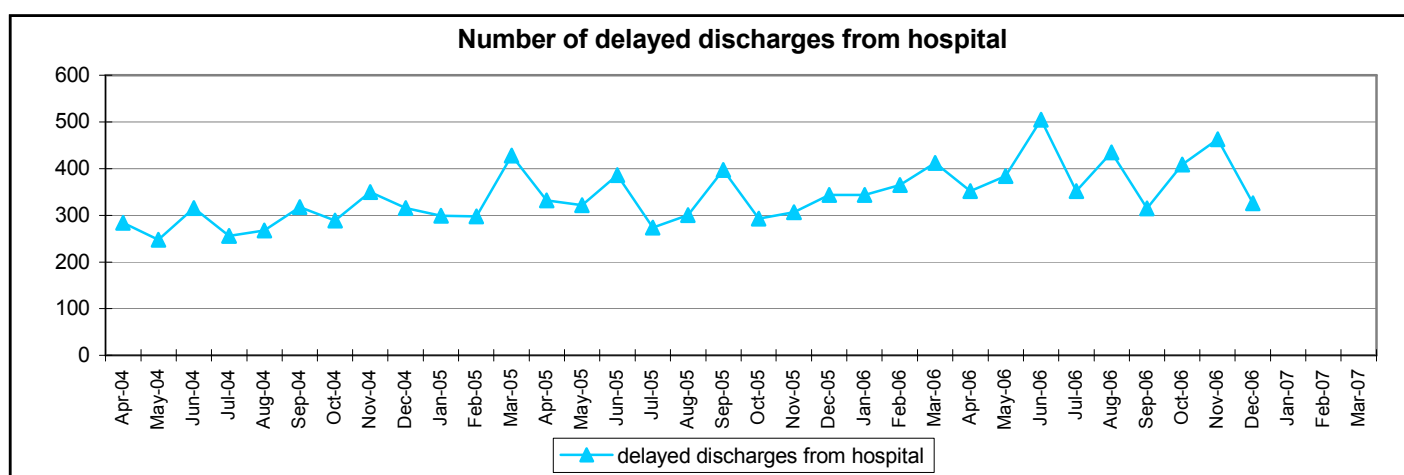
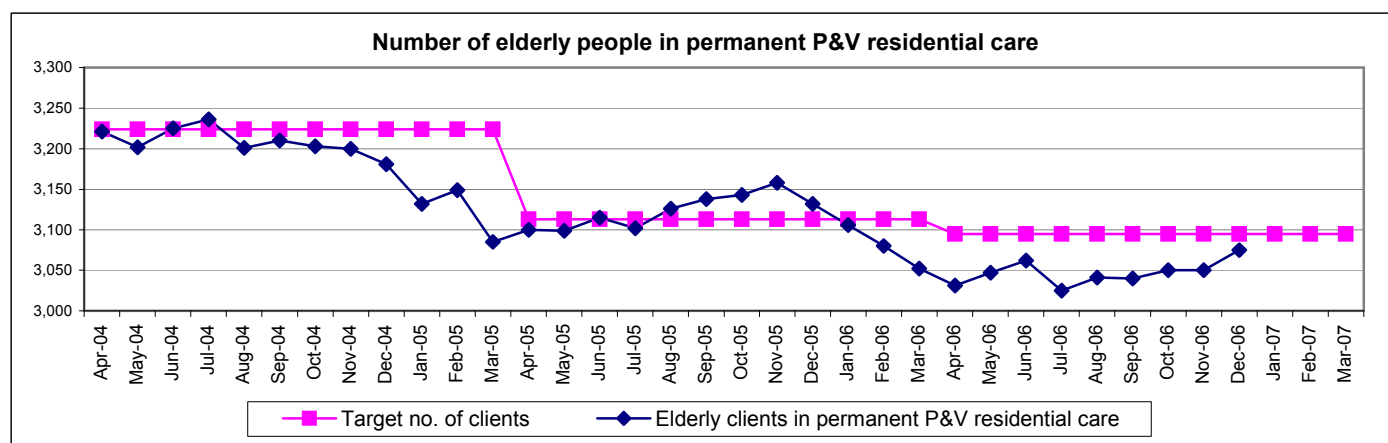
We are expecting no cost implications to KCC.

## KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

Owing to delays in implementing SWIFT (client activity system), the activity data for the period August 2006 to December 2006 has been reliant on local records and manual counts. The activity data available for January and February is not fully comprehensive and there would be no merit in reporting partial data in this report.

### 2.1 Numbers of elderly people in permanent P&V residential care, including indicators on delayed discharges:

	2004-05			2005-06			2006-07		
	Target	Elderly clients in permanent P&V residential care	Delayed discharges from hospital	Target	Elderly clients in permanent P&V residential care	Delayed discharges from hospital	Target	Elderly clients in permanent P&V residential care	Delayed discharges from hospital
April	3,224	3,221	284	3,113	3,100	332	3,095	3,031	352
May	3,224	3,202	248	3,113	3,099	322	3,095	3,047	384
June	3,224	3,225	316	3,113	3,115	386	3,095	3,062	505
July	3,224	3,236	256	3,113	3,102	274	3,095	3,025	352
August	3,224	3,201	268	3,113	3,126	301	3,095	3,041	435
September	3,224	3,210	318	3,113	3,138	397	3,095	3,040	315
October	3,224	3,203	289	3,113	3,143	293	3,095	3,050	409
November	3,224	3,200	350	3,113	3,158	307	3,095	3,050	463
December	3,224	3,181	316	3,113	3,132	344	3,095	3,075	326
January	3,224	3,132	299	3,113	3,106	344	3,095		
February	3,224	3,149	298	3,113	3,080	365	3,095		
March	3,224	3,085	428	3,113	3,052	412	3,095		



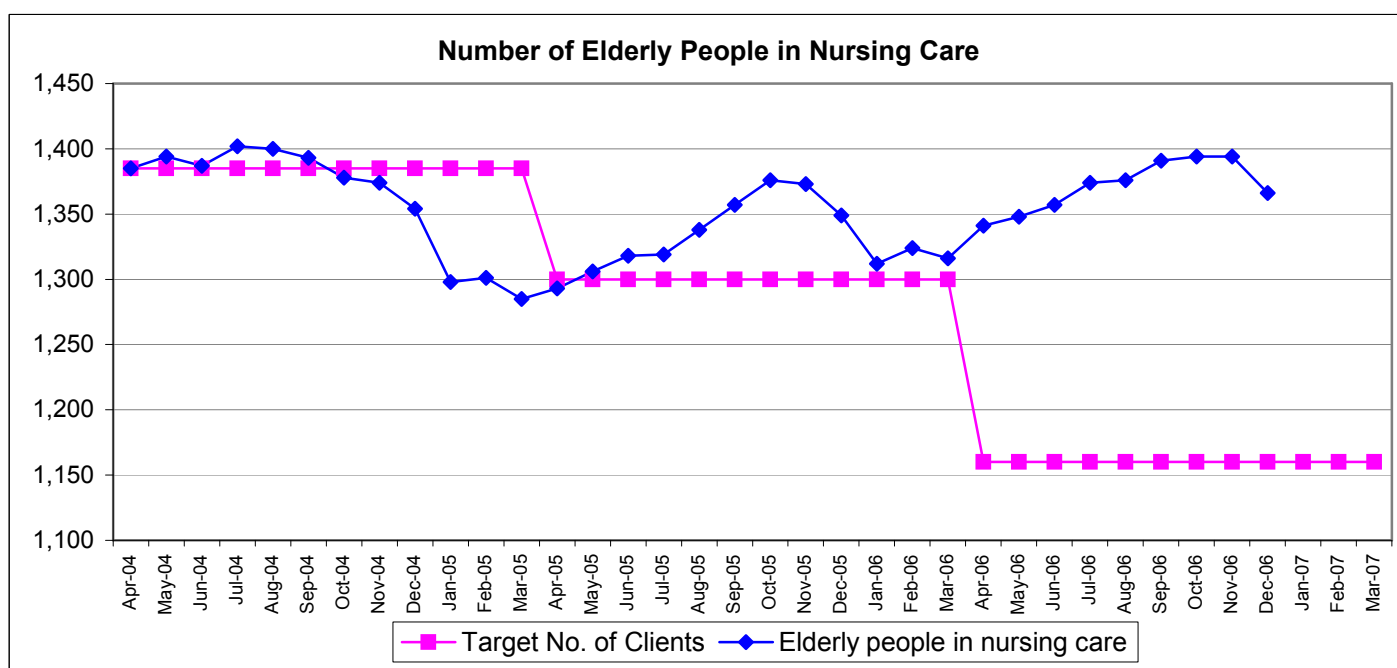


## Comments:

The Delayed Transfers of Care (DTCs) show the numbers of people whose movement from an acute hospital has been delayed. Typically this may be because they are waiting for an assessment to be completed, they are choosing a residential or nursing home placement, or waiting for a vacancy to become available. This figure shows all delays, but those attributable to Adult Social Services, and therefore subject to the reimbursement regime, are a minority. There are many reasons for fluctuations in the number of DTCs which result from the interaction of various different factors within a highly complex system over which we have very little influence. The average number of delayed discharges per week appears to have risen, relative to the 65-75 average levels experienced in previous years (measured by the number of delayed discharges as at midnight Thursday). Approximately 13%-22% of these will be the responsibility of Social Services, but this occasionally rises and there are some more predictable "seasonal" variations throughout the year. It should also be noted that each third month is a five-week month.

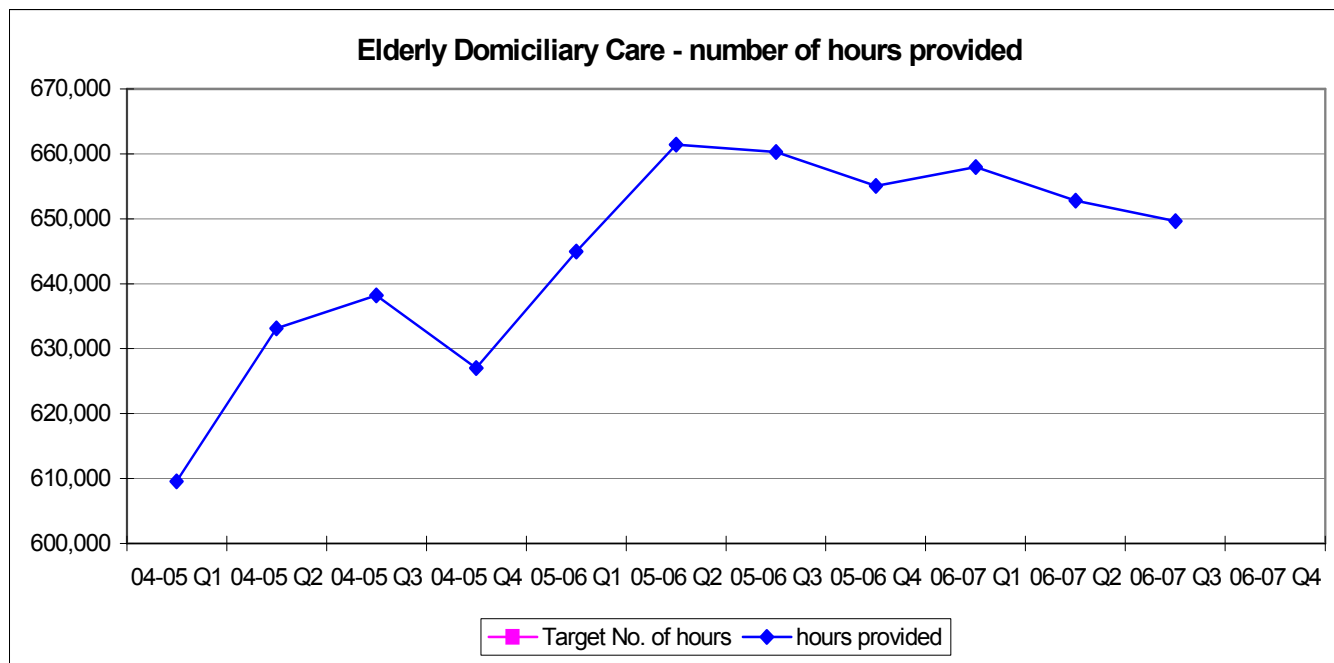
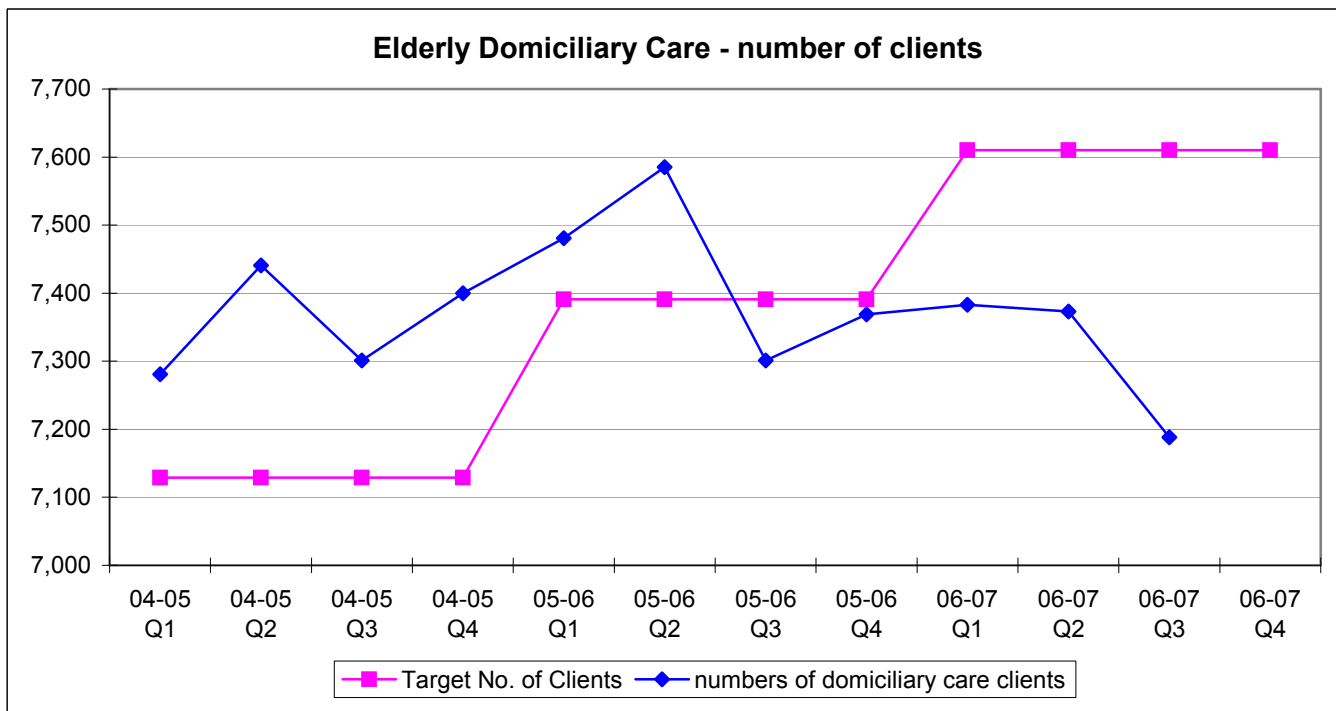
## 2.2 Numbers of elderly people in nursing care:

	2004-05		2005-06		2006-07	
	Target	Elderly people in nursing care	Target	Elderly people in nursing care	Target	Elderly people in nursing care
April	1,385	1,385	1,300	1,293	1,160	1,341
May	1,385	1,394	1,300	1,306	1,160	1,348
June	1,385	1,387	1,300	1,318	1,160	1,357
July	1,385	1,402	1,300	1,319	1,160	1,374
August	1,385	1,400	1,300	1,338	1,160	1,376
September	1,385	1,393	1,300	1,357	1,160	1,391
October	1,385	1,378	1,300	1,376	1,160	1,394
November	1,385	1,374	1,300	1,373	1,160	1,394
December	1,385	1,354	1,300	1,349	1,160	1,366
January	1,385	1,298	1,300	1,312	1,160	
February	1,385	1,301	1,300	1,324	1,160	
March	1,385	1,285	1,300	1,316	1,160	



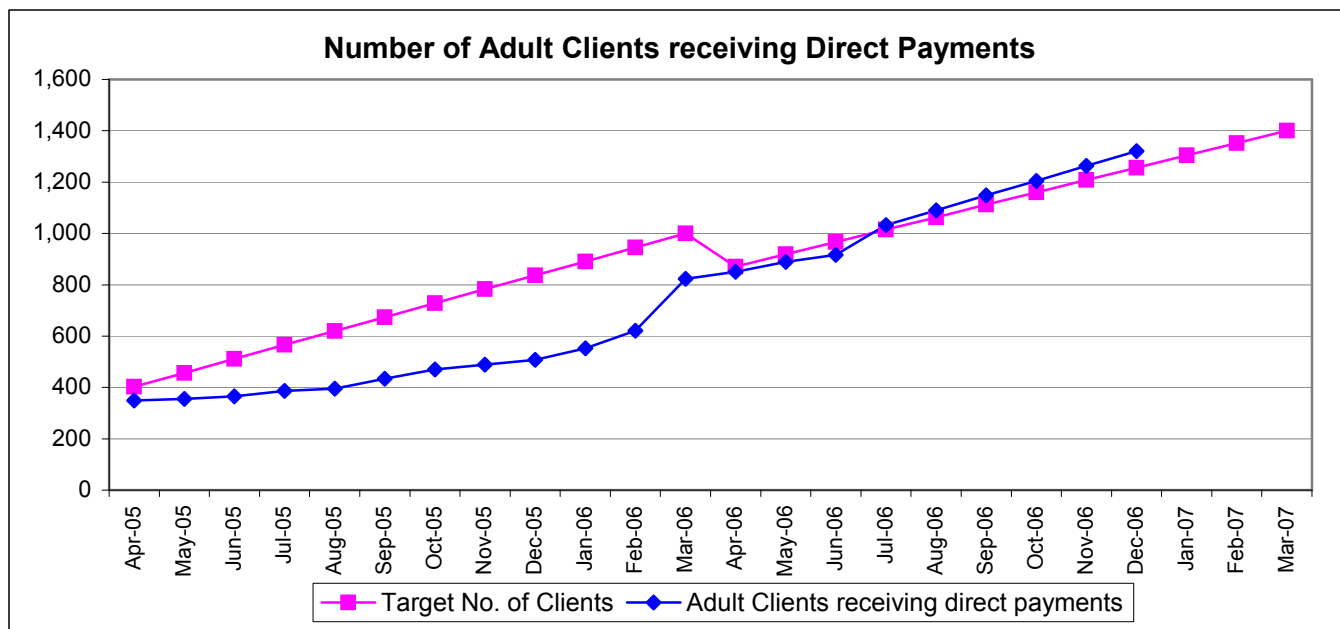
2.3 Elderly domiciliary care – numbers of clients and hours provided:

	2004-05			2005-06			2006-07		
	Target	numbers of domiciliary care clients	hours provided	Target	numbers of domiciliary care clients	hours provided	Target	numbers of domiciliary care clients	hours provided
Apr - Jun	7,129	7,281	609,577	7,391	7,481	644,944	7,610	7,383	657,948
Jul - Sep	7,129	7,441	633,134	7,391	7,585	661,415	7,610	7,325	652,789
Oct - Dec	7,129	7,301	638,187	7,391	7,301	660,282	7,610	7,188	649,624
Jan - Mar	7,129	7,400	626,996	7,391	7,369	655,071	7,610		



## 2.4 Direct Payments – Number of Adult Social Services Clients receiving Direct Payments:

	2005-06		2006-07	
	Target	Adult Clients receiving Direct Payments	Target	Adult Clients receiving Direct Payments
April	403	349	871	851
May	457	355	919	889
June	511	366	967	917
July	566	386	1,015	1,032
August	620	395	1,063	1,090
September	674	434	1,112	1,148
October	728	470	1,160	1,205
November	783	489	1,208	1,263
December	837	507	1,256	1,321
January	891	553	1,304	
February	945	621	1,352	
March	1,000	823	1,400	

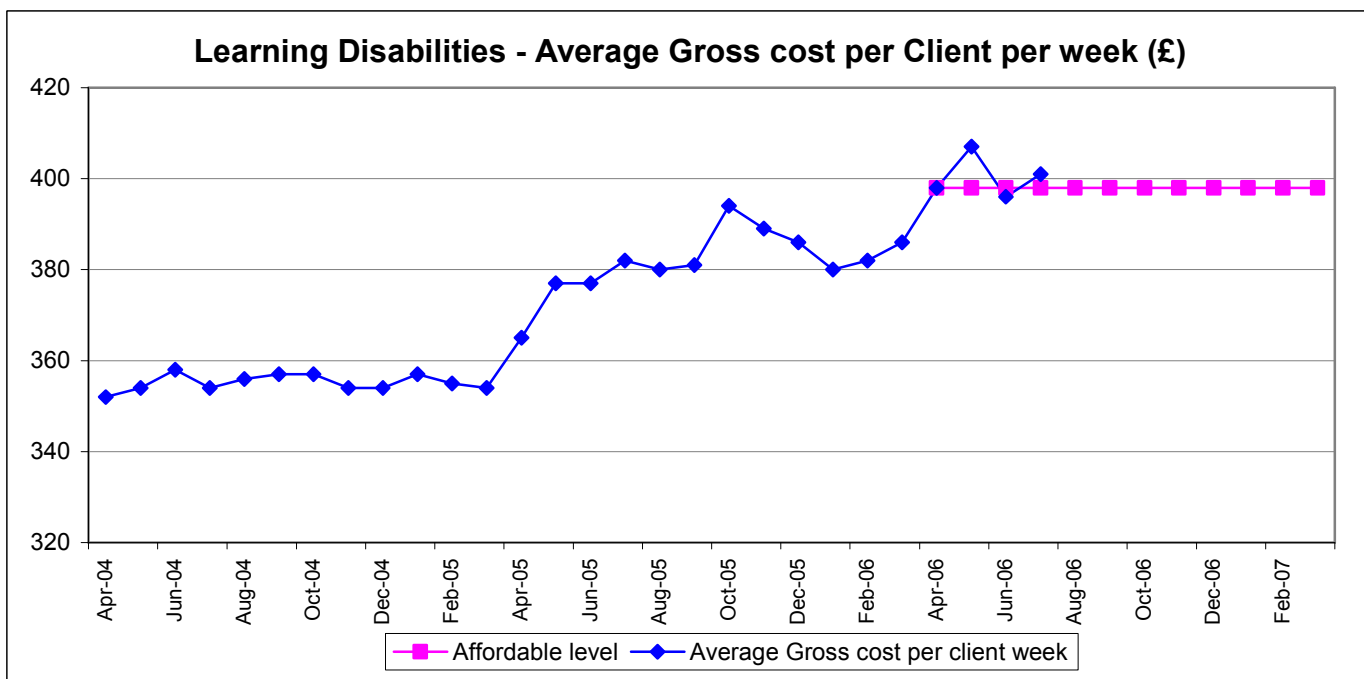


## Comment:

- Direct payments are increasing, however work is ongoing to ascertain:
  - (i) the extent to which direct payments are identifying previously unmet demand/need and
  - (ii) whether evidence exists that direct payments are on average more expensive than traditional packages of care.
- The 2005-06 target of 1,000 clients was not met and whilst the 2006-07 target remains at 1,400 clients, the monthly targets have been revised to reflect the fact that actual client numbers were at a lower level than they were expected to be at the beginning of the year.

2.5 Learning Disabilities – Average Gross Cost per Client per Week:

	2004-05	2005-06	2006-07	
	Average Gross cost per client £	Average Gross cost per client £	Affordable level £	Average Gross cost per client £
April	352	365	398	398
May	354	377	398	407
June	358	377	398	396
July	354	382	398	401
August	356	380	398	Please see comment below graph
September	357	381	398	
October	357	394	398	
November	354	389	398	
December	354	386	398	
January	357	380	398	
February	355	382	398	
March	354	386	398	

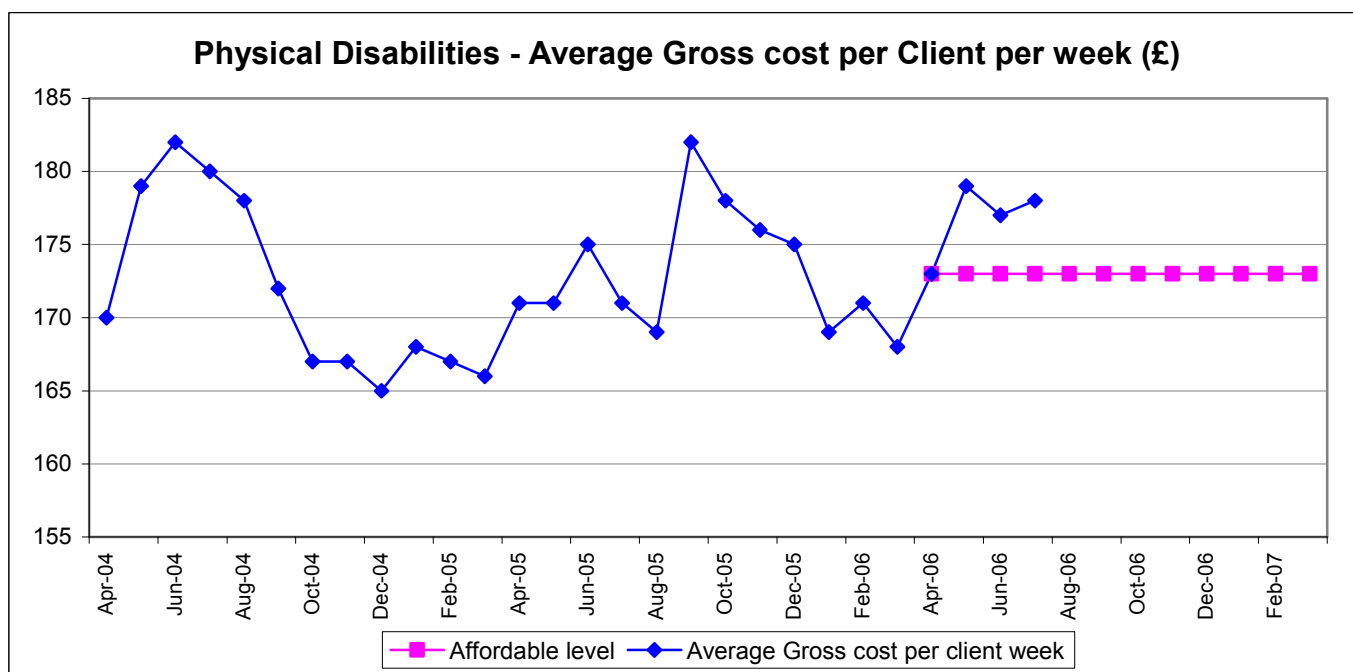


Comment:

- Targets did not exist prior to 2006-07 as this average cost is not a real performance indicator. It merely serves to demonstrate the general upward trend in the cost of supporting clients with Learning Disabilities, however targets have been created retrospectively based upon the previous years outturn plus 3% inflation.
- This graph reflects the average cost per client week across all Learning Disability services, including those with the lowest levels of need.
- Owing to the difficulties the directorate has experienced in implementing SWIFT, the new client information system, data in respect of domiciliary clients is unreliable and consequently any attempt to calculate the average cost per client would be misleading.

## 2.6 Physical Disabilities – Average Gross Cost per Client per Week:

	2004-05	2005-06	2006-07	
	Average Gross cost per client £	Average Gross cost per client £	Affordable level £	Average Gross cost per client £
April	170	171	173	173
May	179	171	173	179
June	182	175	173	177
July	180	171	173	178
August	178	169	173	Please see comment below graph
September	172	182	173	
October	167	178	173	
November	167	176	173	
December	165	175	173	
January	168	169	173	
February	167	171	173	
March	166	168	173	



## Comment:

- Targets did not exist prior to 2006-07 as this average cost is not a real performance indicator. It merely serves to demonstrate the general upward trend in the cost of supporting clients with Physical Disabilities, however targets have been created retrospectively based upon the previous years outturn plus 3% inflation.
- This graph reflects the average cost per client week across all Physical Disability services, including those with the lowest levels of need.
- Owing to the difficulties the directorate has experienced in implementing SWIFT, the new client information system, data in respect of domiciliary clients is unreliable and consequently any attempt to calculate the average cost per client would be misleading.

Table 3

## ADULT SOCIAL SERVICES DIRECTORATE

### VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)		Underspends (-)	
	£000's		£000's
Learning Disabled Community Care	+2,902	Older Persons Community Care	-2,970
Transfer to Supporting People Reserve	+2,343	Supporting People underspend	-2,343
Learning Disabled Residential Care	+2,254	Assessment & Related staff vacancies	-1,472
Physical Disabled Direct Payments	+1,020	Release of SRP funding in revenue	-600
Older Persons Nursing	+763	Management of Area admin. budgets	-569
Mental Health - price pressures	+621	Older Persons Residential Care	-459
Physical Disabled Residential Care	+550	Movement in the Bad Debt Provision	-426
Learning Disabled Direct Payments	+337	Mental Health - care staff vacancies	-363
OPDSU - premises costs	+166	Resources - Management of Vacancies	-347
Mental Health Direct Payments	+153	Release of Other Provisions	-328
ASPU - reduced Supporting People	+124	Underspensing against Training budgets	-274
OTB - Integrated Community Equipment Store Section 31 - Equipment	+121	Strategic Director's Budget	-190
		Draw Down from Reserves	-185
		Older Persons Direct Payments	-116
	+11,354		-10,642

## ENVIRONMENT & REGENERATION DIRECTORATE SUMMARY FEBRUARY 2006-07 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.
- This quarter cash limits have been adjusted to reflect two technical adjustments to the E, H & W Portfolio budget, totalling -£43k. The R&SI Portfolio budget remains unchanged.

1.1.2 Table 1 below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Environment, Highways &amp; Waste portfolio</b>							
Kent Highways Services	46,883	-3,182	43,701	4,150	-2,230	1,920	Electricity prices & inventory and essential operational maintenance. Improved income generation & Government funding. £1.23m needs to be rolled forward for Transformation, IBMS, Traffic Management Act and maintenance.
Public Transport Contracts	5,595	-634	4,961	330	-415	-85	More income received and recycled into service. £85k to be bid for roll forward
Rural Bus Grant	2,236	-2,223	13	900	-860	40	More income received and recycled into service
Waste Management	58,067	-2,625	55,442	-3,610	-605	-4,215	Reduced tonnages & more sales of recyclates. £700k needs to be rolled forward
Environmental Group	8,578	-4,420	4,158	-35	85	50	Additional works approved.
Transport Strategy	527	0	527	-35	0	-35	Vacant post. £50k to be bid for roll forward for CTRL work.
Resources	5,103	-272	4,831	825	-875	-50	Vacant Posts & AIT Group extra income. £70k needs to be rolled forward for a replacement finance and management information system
<b>TOTAL E, H &amp; W</b>	<b>126,990</b>	<b>-13,356</b>	<b>113,634</b>	<b>2,525</b>	<b>-4,900</b>	<b>-2,375</b>	
<b>Regeneration &amp; SI portfolio</b>							
Regeneration & Projects - Area Teams & Major Projects	4,742	-1,109	3,633	1,150	-1,185	-35	Mainly increased DCLG Activity funded by 100% grant
Capital Programme Group	826	-285	541	175	-65	110	Funding to replace capital receipts for Colts Hill Bypass. Income earned from forward design.
Economic Development Group	2,426	-981	1,445	-70	100	30	Vacant posts. Income target unlikely to be met
Planning & Development Group	1,084	-94	990	-115	5	-110	Staff vacancies and delay on WLDF. £70k to be bid for roll forward.
Planning Applications Group	1,405	-308	1,097	-250	-110	-360	Delay on Shaw Grange restoration - £270k needs to be rolled forward. Additional fee income. A bid to be made to roll forward a further £60k
Change & Development	317	0	317	110	-35	75	Unfunded Posts
Kent Regeneration Fund (Kent)	705	-705	0	-500	500	0	Slower than expected spend on a number of projects
<b>TOTAL Regeneration &amp; SI</b>	<b>11,504</b>	<b>-3,482</b>	<b>8,022</b>	<b>500</b>	<b>-790</b>	<b>-290</b>	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Policy &amp; Performance portfolio</b>							
International Affairs Group	466	-145	321	35	-10	25	
Kent Regeneration Fund (EU & International)	295	-295	0	47	-47	0	
<b>TOTAL Policy &amp; Performance</b>	<b>761</b>	<b>-440</b>	<b>321</b>	<b>82</b>	<b>-57</b>	<b>25</b>	
<b>Total Directorate Controllable</b>	<b>139,255</b>	<b>-17,278</b>	<b>121,977</b>	<b>3,107</b>	<b>-5,747</b>	<b>-2,640</b>	

### 1.1.3 Major Reasons for Variance: [provides an explanation of the 'headings' in table 3]

#### 1.1.3.1 Environment, Highways & Waste portfolio:

##### *Waste Management:*

- The actual waste tonnage start point for 2006/07 is below the assumed tonnage for the purposes of setting the budget, and the tonnage for the period April 2006 to February 2007 is 1.2% less than for the same period last year. Also, less waste than forecast is being handled by the Allington Plant, leading to cost savings. As a consequence, together with an improvement in the level of income from the sale of recyclates, the forecast is for an under spend on the Waste Management budget of £4.2m. A bid will be made to roll forward £0.700m of this sum to 2007/08.

##### *Kent Highway Services:*

- The budget does not include a provision for an increase in the price of electricity, or the impact of a revision to the inventory, for street lighting and lit signs and bollards. The new contract will result in a part year impact of +£1.6m (£2.6m in a full year).
- It is anticipated that Operational Maintenance will be under considerable pressure and is likely to exceed the budget for essential activity by £2.34m.
- The gales and snow fall in January has resulted in unbudgeted emergency expenditure of £0.210m that the service will need to absorb.
- Extra income has been generated of £2.23m. This relates largely to recharges of staff time (including to the Capital Programme).
- A bid will be made to roll forward a sum of £1.23m including for additional operational maintenance works.
- A reconsideration of the nature of the corrective works for the subsidence problems has resulted in these works being treated as capital expenditure. The cost will therefore be met from the capital allocation for Highway Maintenance. The Emergency Reserve will not be drawn-down, leaving the funding in place, within the Balance Sheet, for 2007/08.

##### *Public Transport Contracts & Rural Bus Grant:*

- The receipt of higher levels of income for both KCC supported services and the Government funded Rural Bus Grant services are being recycled into more service. A bid will be made to roll forward a sum of £0.085m to support services in 2007/08, to ease the pressure in that year.

##### *Resources:*

- The development of Manston Airport, involving flights to the State of Virginia, will lead to additional costs of £0.768m, but with this being financed by external contributions and by the Kent Regeneration Fund.
- The Division has vacant posts and is generating more income from the Analysis and Information Team. A bid will be made to roll forward £0.070m for project management work required for replacing the Directorate's financial monitoring system.



### 1.1.3.2 Regeneration & Supporting Independence portfolio:

#### *Capital Programme Group:*

- £175k of the revenue funds needed to replace the Kings Hill receipts used for the early design on the Colt's Hill major road scheme will be found from this budget group. The balance of £37k will be funded from the Regeneration & Projects Group, from funds available in the current year.

#### *Regeneration & Projects Group:*

- Additional DCLG activity of £1.15m will be matched by an equal sum of Government grant. Also, additional income (-£35k), from a variety of sources, will be achieved.

#### *Strategy:*

- There has been a delay in commencing the site restoration work at Shaw Grange, but this will commence early in the new financial year and a roll forward of £0.270m will be sought. Additional planning fees will be received. The Planning & Development Group has staff vacancies and a delay has occurred in progressing the Waste Local Development Framework. There will be a further bid for roll forward of £0.130m, for a number of items.

#### *Change & Development:*

- Unfunded posts will lead to an over spend.

#### *Kent Regeneration Fund:*

- Slower progress than expected, on a number of projects, will lead to a reduced drawdown from the Fund.

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

N/A

### 1.1.5 **Implications for MTFP:**

The financial benefit from the reduced waste tonnage will roll forward into the MTFP, though other changes are also likely on contract prices.

The new electricity contract has necessitated a price allocation uplift of £2.6m into the base budget for 2007/08.

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

- The Shaw Grange Restoration works are expected to commence early in the new financial year, now that procedural issues have been resolved (£270k).
- There has been re-phasing on a number of works on Civic Amenity Waste sites where works completion early in the new financial year is anticipated (£105k).
- The project work for the replacement for the Midas Financial & Management Information System will be delayed until early in 2007/08 (£70k).
- The Waste Local Development Framework has not progressed as quickly as expected (staff resource issue) (£30k).

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

N/A

## 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, or relevant delegated authority.

Cash limits have been adjusted this quarter to reflect:

	2006-07 £000s	2007-08 £000s	2008-09 £000s	Future Years £000s
<b>Environment, Highways &amp; Waste portfolio:</b>				
• Re-phasing included in the 2007-10 MTFP	-18,233	16,786	-2,605	-718
• Shorne Country Park – to be met by additional grant funding	33			
<b>Regeneration &amp; Supporting Independence portfolio:</b>				
• Re-phasing included in the 2007-10 MTFP	-15,621	-6,584	7,626	3,828
• Removal of A228 Colts Hill Strategic Link from the capital programme, as the preliminary costs are to be met from revenue until Government Approval is obtained for this major road scheme	-20	-10	-10	-10

1.2.2 Table 2 below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp £000s	2006-07 £000s	2007-08 £000s	2008-09 £000s	Future Yrs £000s	TOTAL £000s
<b>Environment, Highways &amp; Waste Portfolio</b>						
Revised Budget per qtr 2 report	4,881	56,928	5,942	2,979	721	71,451
- rephasing per 2007-10 MTFP		-18,233	16,786	-2,605	-718	-4,770
Additions:						
- Shorne Country Park		33				33
-						0
Revised Budget	4,881	38,728	22,728	374	3	66,714
Variance		-1,590	+1,652	0	0	+62
split:						
- real variance		+65	-3			+62
- re-phasing		-1,655	+1,655			0
<b>Regeneration &amp; SI Portfolio</b>						
Revised Budget per qtr 2 report	56,406	42,728	52,978	22,000	15,100	189,212
- rephasing per 2007-10 MTFP		-15,621	-6,584	7,626	3,828	-10,751
Reductions:						
- A228 Colts Hill preliminary activity		-20	-10	-10	-10	-50
-						0
Revised Budget	56,406	27,087	46,384	29,616	18,918	178,411
Variance		-758	+2,293	-33	+50	+1,552
split:						
- real variance		+1,552				+1,552
- re-phasing		-2,310	+2,293	-33	+50	0
<b>Directorate Total</b>						
Revised Budget	61,287	65,815	69,112	29,990	18,921	245,125
Variance	0	-2,348	+3,945	-33	+50	+1,614
<b>Real Variance</b>						
<b>Real Variance</b>		<b>+1,617</b>	<b>-3</b>	<b>0</b>	<b>0</b>	<b>+1,614</b>
<b>Re-phasing</b>		<b>-3,965</b>	<b>+3,948</b>	<b>-33</b>	<b>+50</b>	<b>0</b>

### 1.2.3 Capital Resourcing issues:

Environment, Highways & Waste portfolio:

- Shorne CP, Country Parks, and Civic Amenity site developments – a net overspending of £65k in 2006-07 will be covered from revenue resources.

Regeneration & Supporting Independence portfolio:

- Thamesway – Fastrack Urban – a modest (£34k) increase in costs, to be met from grant.
- Swale Delivery Board – An overspending of £31k, to be met from grant and a contribution from Swale BC.

### 1.2.4 General Overview of Capital Programme:

(a) Projects where there is re-phasing and reasons why:

These re-phrasings are caused by delays – some procedural and some work related.

Environment, Highways & Waste portfolio:

- Shorne Heritage Park – a re-phasing; 2006/07 -£127k, 2007/08 +£127k.
- Wetland Creation – a re-phasing; 2006/07 -£500k, 2007/08 +£500k.
- Energy Usage Reduction Programme – a re-phasing 2006/07 -£118k, 2007/08 +£118k.
- Waste CA Site Various Works – a re-phasing 2006/07 -£105k, 2007/08 +£105k.
- The programme of Highways, PROW and Street Lighting Capital Maintenance Works and Integrated Transport Schemes will re-phase; 2006/07 -£806k, 2007/08 +£806k.

Regeneration & Supporting Independence portfolio:

- East Kent Access Phase 1 c – there will be re-phasing into the current year – 2006/07 +£561k, 2007/08 -£428k, 2008/09 -£133k.
- A228 Leybourne/West Malling – a fairly modest re-phasing of costs into later years – 2006/07 -£348k, 2007/08 +£198k, 2008/09 +£100k, 2009/10 +£50k.
- Sittingbourne NRR – a modest re-phasing from 2006/07 -£200k into 2007/08 +£200k.
- Thamesway – a re-phasing; 2006/07 -£150k, 2007/08 +£150k.
- Major Schemes Design – a re-phasing; 2006/07 -£50k, 2007/08 +£50k.
- Everards Link Phase 2 - re-phasing; 2006/07 -£350k, 2007/08 +£350k.
- Rushenden Link – a re-phasing; 2006/07 -£150k, 2007/08 +£150k.
- Ashford Ring Road – a re-phasing; 2006/07 +£400k; 2007/08 -£400k.
- Folkestone Arts & Business Centre – a re-phasing; 2006/07 -£23k, 2007/08 +£23k.
- PSA Property Target – procedural hurdles now mean that expenditure will be limited in 2006/07. A re-phasing; 2006/07 -£2m, 2007/08 +£2m.

(b) Projects with real under or overspend ie after considering issues raised in 1.2.3 above:

Regeneration & Supporting Independence portfolio:

- Fastrack land valuation estimate has increased significantly (+£1,425k), with land owners securing development land classification. The confirmation of this estimate, and the funding problems this will present, have yet to be resolved.
- East Kent Access Phase 1 C – an overspending of £0.253m is forecast. Discussions are in hand to identify funding cover.
- Everards Link Phase 2 - a small overspend of £15k
- A number of net small underspendings where funding is “freed-up” – total of -£206k

(c) Risks:

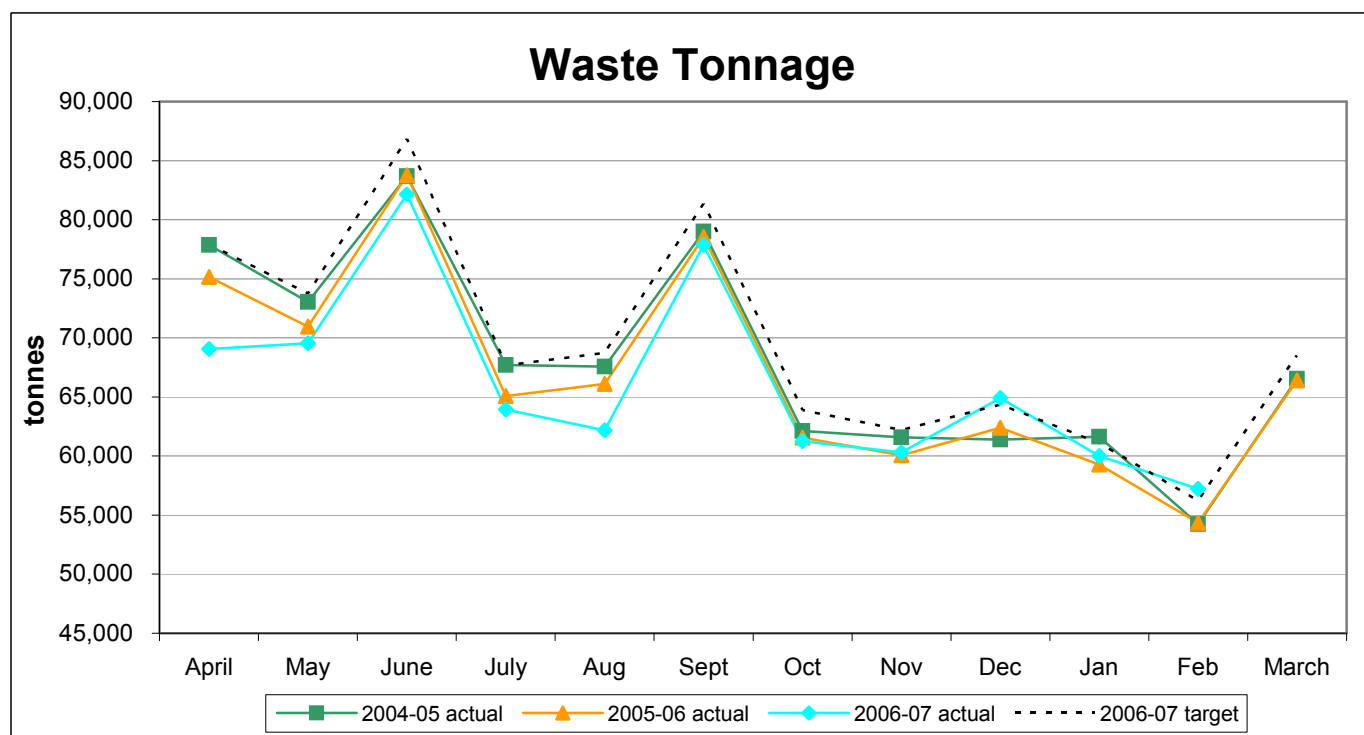
- An urgent resolution is being sought to the funding shortfall on Fastrack.

After allowing for the funding issues detailed in paragraph 1.2.3, and the re-phasing in paragraph 1.2.4 (a), the true underlying variance is **+£1.484m** over the period of the MTFP: E,H&W portfolio -£0.003m in 2007/08; R&SI portfolio £1.487m in 2006/07.

## 2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

### 2.1 Waste Tonnage:

	2004-05	2005-06	2006-07	
	Waste Tonnage	Waste Tonnage	Waste Tonnage	Business Plan Target
April	77,866	75,142	69,068	77,897
May	73,042	70,964	69,547	73,751
June	83,690	83,770	82,144	86,840
July	67,709	65,063	63,926	67,682
August	67,556	66,113	62,165	68,746
September	78,999	78,534	77,853	81,347
October	62,118	61,553	61,257	63,870
November	61,580	60,051	60,315	62,198
December	61,379	62,397	64,925	64,336
January	61,630	59,279	60,016	61,099
February	54,235	54,337	57,227	56,228
March	66,546	66,402		68,506
<b>TOTAL</b>	<b>816,350</b>	<b>803,605</b>	<b>728,443</b>	<b>832,500</b>



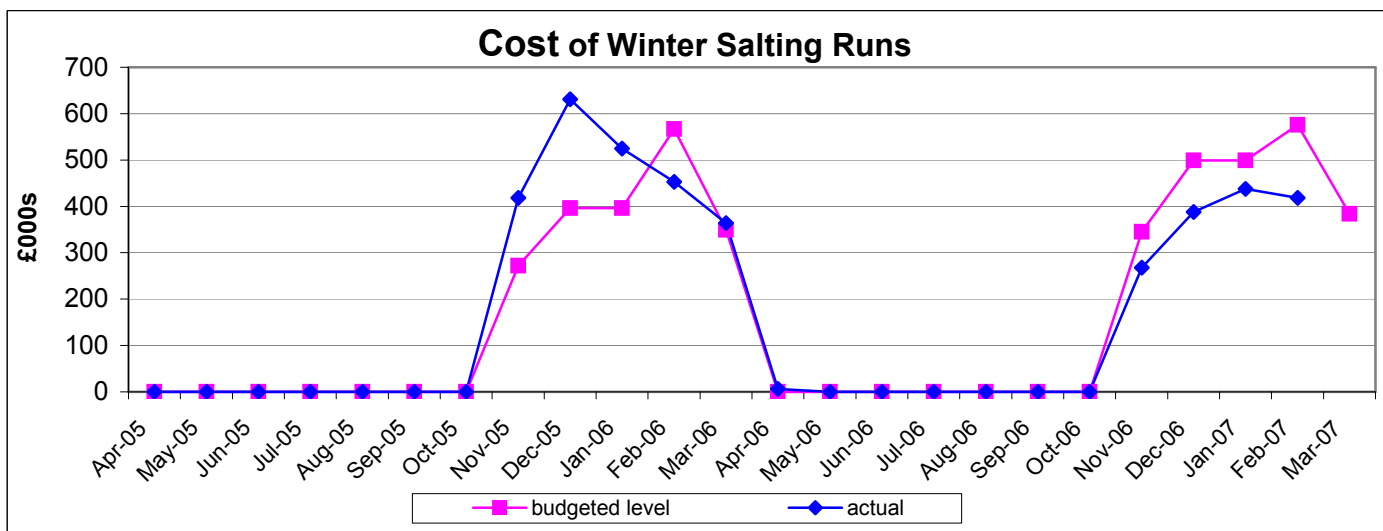
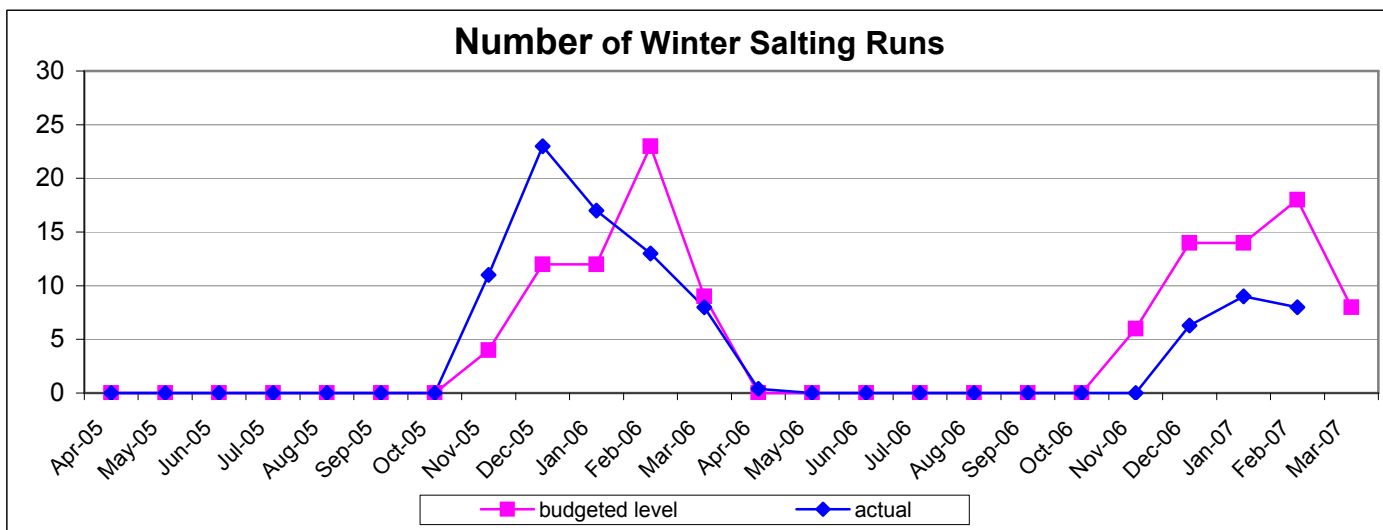
#### Comments:

- The cumulative tonnage for the period April to February is 1.2% below the same period last year.
- The budget assumes growth of 2.5%.

2.2 Number and Cost of winter salting runs:

	2005-06				2006-07			
	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
April	-	-	-	-	0.4 *	-	6	-
May	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-
October	-	-	-	-	-	-	-	-
November	11	4	418	272	-	6	268	345
December	23	12	631	396	6.3	14	388	499
January	17	12	525	396	9.0	14	438	499
February	13	23	453	567	8.0	18	418	576
March	8	9	364	349		8		384
<b>TOTAL</b>	<b>72</b>	<b>60</b>	<b>2,391</b>	<b>1,980</b>	<b>23.7</b>	<b>60</b>	<b>1,518</b>	<b>2,303</b>

\* only part of the Kent Highways Network required salting

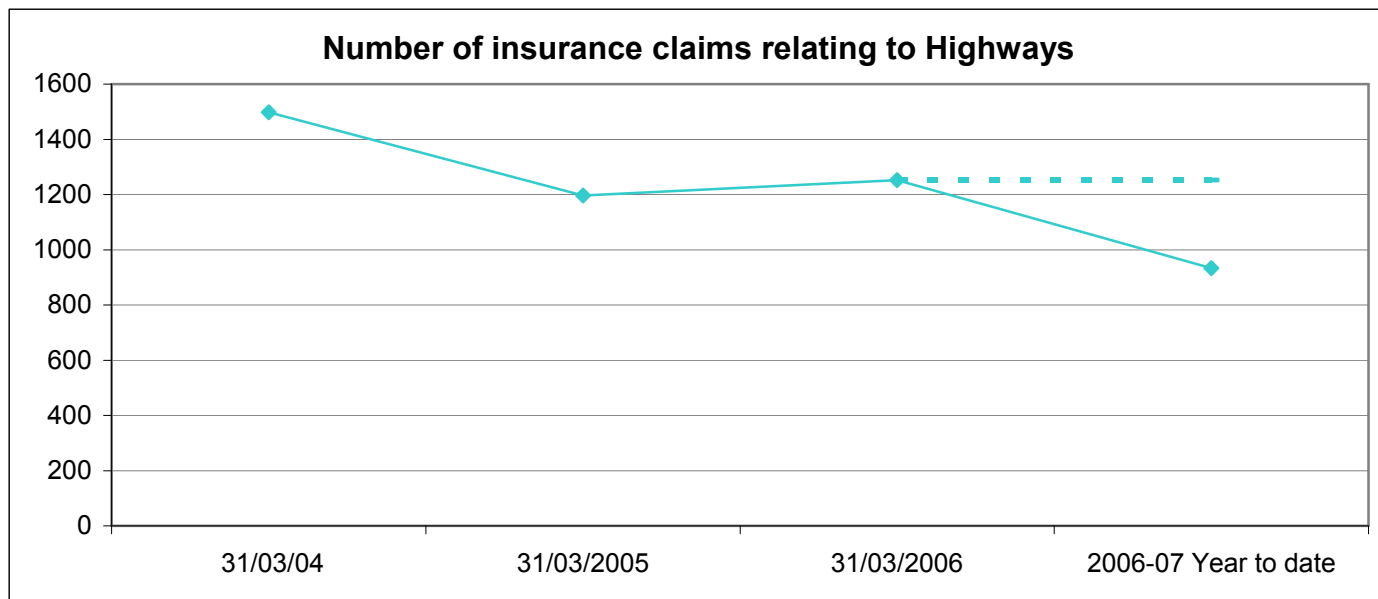


Comment:

- Contractual fixed costs have been apportioned equally over the 5 months of the salting period, hence there are costs in November 06 despite there being no salting runs.

## 2.3 Number of insurance claims arising related to Highways:

2003-04	2004-05	2005-06	2006-07
as at 31/03/2004	as at 31/03/2005	as at 31/03/2006	Year to date
1,498	1,197	1,252	933



## Comments:

- The figure for the number of Highway Insurance Claims previously stated for 2005-06 was 1,030. This was incorrect and a revised figure is now included in the above Table.
- The dotted line on the graph represents the 2006-07 full year projection, at the same level as last year.

Table 3

## ENVIRONMENT & REGENERATION DIRECTORATE

### VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)		Underspends (-)	
	£000's		£000's
Kent Highway Services: Essential revenue maintenance works	+2,340	Waste Management: Reduced tonnages and less tonnage into Allington Plant.	-3,610
Kent Highway Services: Increased cost of electricity and inventory.	+1,600	Kent Highway Services: Extra Income generated & greater recharges of staff time (including to the Capital Programme)	-2,230
Regeneration & Projects: Additional DCLG Activity	+1,150	Regeneration & Projects: Additional DCLG grant	-1,150
Rural Bus Grant: More services largely funded from increased income	+900	Rural Bus Grant: More income received	-860
Resources: Manston Flights setting-up	+768	Resources: Manston flight contributions	-677
Kent Regeneration Fund (Kent): Reduced draw-down from the Fund to match reduced spend	+500	Waste Management: Increased income from sale of recyclates	-605
Public Transport contracts: More services funded from increased income	+330	Kent Regeneration Fund (Kent): Slower than expected spend on projects	-500
Revenue funding to replace capital receipts for Colt's Hill Scheme	+212	Public Transport Contracts: More income received	-415
Kent Highway Services: Unbudgeted emergencies (gales/snow)	+210	Planning Applications Group: Delay on Shaw Grange restoration work.	-250
Change & Development: Unfunded posts	+110	Planning Applications Group: additional income from fees	-110
		Resources: Vacant Posts	-100
	+8,120		-10,507

## COMMUNITIES DIRECTORATE SUMMARY FEBRUARY 2006-07 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.
- The cash limits have been adjusted since the quarter 2 report to reflect a number of technical adjustments to budget.

1.1.2 Table 1 below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Communities portfolio</b>							
Community Safety Partnership	4,618	-134	4,484	-115		-115	Staff vacancies
Youth & Community Service	7,846	-245	7,601	-120		-120	Second homes money for Herne Bay Youth & Community centre
Libraries, Information & Archives	24,993	-2,989	22,004	-165		-165	Second homes money for Margate Library & One-Stop Shop & Marlowe Academy Community Facilities
Arts	1,351	-225	1,126			0	
Turner Contemporary	1,292	-82	1,210	-237	-112	-349	Restructuring of Maidstone Team & vacancies in the Margate Team (£200k) and Arts Council Grant funded activities (149k)
Adult Education	16,380	-16,015	365	-1,129	1,629	500	Reduction in LSC FE & ACL income & transfer of Prisons contract
Sports Development	904	-120	784	5		5	
Youth Offending Service	6,304	-2,574	3,730			0	
Kent Drug & Alcohol Action Team	15,126	-13,438	1,688	13		13	
Kent Volunteers	140		140	-5	-8	-13	
Registration	4,102	-2,420	1,682	-3		-3	
Coroners	2,037	-322	1,715	111		111	Increase in number of tests required, particularly toxicology
Trading Standards	4,194	-351	3,843	70		70	Legal fees due to increased prosecutions
Kent Scientific Services	1,534	-1,546	-12	12		12	
Emergency Planning	725	-76	649	-51	-60	-111	Underspends on various budgets and unbudgeted income on district council training



Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Policy & Resources	1,202		1,202	-98		-98	Staff vacancies
Central Budgets (unallocated)	895	-521	374	-102		-102	Unallocated budget from Community Safety rollforward from 2005/06 towards directorate infrastructure costs
E-Government	3,544	-442	3,102	-240		-240	Staff vacancies and provision for replacement call management system
Consumer Direct	1,452	-1,452	0			0	Provision to add to reserve towards future costs
<b>Total Communities Controllable</b>	<b>98,639</b>	<b>-42,952</b>	<b>55,687</b>	<b>-2,054</b>	<b>1,449</b>	<b>-605</b>	
Original Turner Contemporary				590		590	Residual costs of final settlement and litigation
<b>Total</b>	<b>98,639</b>	<b>-42,952</b>	<b>55,687</b>	<b>-1,464</b>	<b>1,449</b>	<b>-15</b>	

### 1.1.3 Major Reasons for Variance: [provides an explanation of the 'headings' in table 3]

#### 1.1.3.1 Adult Education

The Adult Education Service (KAES) has gone through major changes in the last two years with a significant reduction in funding from the Learning & Skills Council (LSC). The LSC funding for the academic year 2005/06 (LSC funding is determined for August to July) was £932.4k less than 2004/05 and the funding for 2006/07 £910.8k less than 2005/06. This has resulted in a loss of a net £988k of LSC grant in financial year 2006/07 compared to 2005/06 outturn. Some of the reduction was anticipated and the variance from the approved budget is £380k mainly due to the unanticipated reduction in Adult Community Learning (ACL) grants.

KAES along with all other local authorities has also lost the LSC contract to provide the prisons service which was worth £1.5m in a full year (although this has been matched by a reduction in spending as staff transferred under TUPE) which was not anticipated when budgets were approved. The impact in 2006/07 is a reduction of £700k on expenditure and income budgets.

KAES has also lost funding for a number of other small projects totalling £500k compared to when budgets were approved. This too is reflected in reduced expenditure and income. The service had also received £49k less in tuition fees than planned in the approved budget. The total loss of funding compared to the original budget is £1.629m. However there is only a £1.2m offsetting reduction in spend, leaving a net £429k reduction in income to be managed.

KAES has undergone major structural changes in response to the loss of LSC funding by reducing gross expenditure by over £2.368m compared to 2005/06 outturn. The budget included provision for £1.604m saving on 2005/06 outturn, thus the service has made additional savings over and above the original budget of £764k. However, the £2.368m saving includes the unanticipated reductions for the transfer of prisons service and other projects (£1.2m) following the loss of specific grants. This means that on the rest of the AE service there has been an unexpected variance of +£436k on spending.

The overall net effect (excluding prisons and other projects) of the over spend on other budget headings and the unexpected shortfall on LSC and fee income leaves the service with an in year deficit of £865k. Added to this is the £135k overspend carried forward from 2005/06 which would leave the service with a deficit of £1m by the end of 2006/07. This is funded £500k from savings elsewhere in Communities (see 1.1.3.2 to 1.1.3.9 below) and £500k one-off loan from Finance portfolio to be repaid in 2007/08.

### 1.1.3.2 *Turner Contemporary*

The revenue budget for Turner Contemporary included an operational team based in Margate and a development team based in Maidstone. Following the demise of the original Turner Centre development earlier in the year the Maidstone based team has been disbanded and the work passed out to external consultants. There have also been vacancies in the Margate team that has resulted in a predicted under spend of £200k in 2006/07.

The Turner Contemporary development is a catalyst for regeneration in Margate and is central to the plans of the Margate Renewal Partnership Board in which KCC, TDC, SEEDA and ACE are all partners. Turner Contemporary has done much to boost confidence in East Kent in spite of the delays in getting the gallery constructed. The work of the operational team is critical in ensuring that the gallery is positioned at a local, regional, national and international level.

The Turner Contemporary team is responsible for a number of arts exhibitions and events in Margate. The team receives funding from the Arts Council towards these activities. Within the cash limit for 2006/07 is £140k of unspent Arts Council grants rolled forward from 2005/06. The team has received a further £160k of Arts Council grants in 2006/07. Due to the vacancies within the team it has not been possible to spend the grant this year and there is a further predicted under spend of £149k.

### 1.1.3.3 *Libraries, Information and Archives*

The net under spend in Libraries is due to capital projects. The Margate Library and One-Stop Shop scheme includes funding of £275k from the reduced Council Tax discount on second homes in 2005-06, which is shown as a revenue contribution. Expenditure on the project this year will be no more than £100k and the £175k balance will be requested to roll forward to 2007/08.

### 1.1.3.4 *Contact Centre*

The £240k under spend is due to savings on the staffing budget from not filling all the vacancies within the service and minor savings on other budget headings. From the saving we would like to request roll forward of £161k to 2007/08 to cover the replacement/upgrade to the Call Management System. The remainder of the savings offset pressures in other services, including those on the central budgets (see 1.1.3.9 below).

### 1.1.3.5 *Youth and Community Service*

The £120k under spend is due to the proposed community centre in Herne Bay. The revenue budget includes £120k contribution to the scheme from the additional council tax collected from the reduced discount on second homes in 2005-06. Due to delays in the approval of Youth Capital Fund we have not been able to start the scheme this year. A revised scheme is being prepared and the under spend will be requested to roll forward to 2007/08 to support this scheme.

### 1.1.3.6 *Community Safety Partnership*

There is a £115k under spend due to not filling vacancies for Community Wardens.

### 1.1.3.7 *Coroners*

The overspend of £111k represents increased cost of pathology tests (notably toxicology tests) due to a larger than anticipated number of tests. The Coroners Service is quasi-judicial and although appointments are made by the County Council the authority has very little control over the work of the service. We are undertaking further work to identify whether the increased requirement for tests is a trend that is likely to continue or whether it is an unusual occurrence this year. We are also testing the extent to which the council can limit the requirement for tests.

### 1.1.3.8 *Original Turner Contemporary Project*

The overspend of £590k represents the final settlement to the contractor and quantity surveyors and other outstanding professional fees on the original Turner Contemporary scheme. It also includes the costs likely to be incurred this year in compiling a case for mediation/litigation against the designers and their professional advisers for not identifying realistic costs of a steel structure when it was agreed to proceed with the original scheme. We have no clear indication at this point regarding the likely outcome.

### 1.1.3.9 *Central Budgets*

These represent operational budgets outside Policy and Resources that are yet to be allocated to services following the creation of the new directorate or operational budgets that it has subsequently been agreed are better managed for the whole directorate rather than individual services. By and large most budgets have now been allocated. The largest single item that has not been allocated is the under spend of £572.6k on Community Safety from 2005/06 which was to be used to support one-off costs associated with setting up the new directorate.

The amount unspent has had to be reduced from previous projections to £102k due to a number of one-off issues that have required funding in 2006/07. These include, amongst other things, £70k revenue contribution to Marlowe Academy for a sports facility and £65k development grant to Kent Youth County Council. This reduced under spend has been offset by increased under spends in other services e.g. contact centre, emergency planning, etc. to ensure a balanced budget.

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

KAES has made the necessary structural changes to both management and service delivery. We are expecting a further reduction in LSC grants for academic year 2007/08 (still not finalised) but thereafter we are anticipating LSC funding to stabilise. KAES has drawn up plans to make further savings and generate additional income to bring the service back onto a sound financial footing for the academic year 2007/08.

The directorate has reviewed the budgets of all services in 2007/08 to introduce a consistent approach to managing vacancies. This will reduce under spends on staffing budgets during the year in future years.

### 1.1.5 **Implications for MTFP:**

The directorate will have to repay the £500k loan for Adult Education to the Finance portfolio in 2007/08.

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

The re-phasing of the Margate Library and Herne Bay Community Centre capital projects has delayed the need for the revenue contributions to fund these projects until 2007/08 (£175k and £120k respectively). This funding will therefore be requested to roll forward.

### 1.1.7 **Details of proposals for residual variance:** *[eg roll forward proposals]*

The current forecast outturn for the directorate (excluding the residual costs of the original Turner Contemporary project) is an under spend of £605k. £295k of this will be requested to roll forward to 2007/08 for funding support to the Margate Library and Herne Bay Community Centre capital projects, as detailed in 1.1.6 above. This leaves £310k which will be requested to roll forward into 2007-08 for the following projects:

- |   |       |
|---|-------|
| • Turner Contemporary Arts Council Grants | £149k |
| • Contact Centre Call Management System   | £161k |

## 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, or relevant delegated authority.

Cash limits have been adjusted this quarter to reflect:

	2006-07 £000s	2007-08 £000s	2008-09 £000s	Future Years £000s
• re-phasing per 2007-10 MTFP	-6,368	6,548	-1,062	1,740

1.2.2 Table 2 below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp £000s	2006-07 £000s	2007-08 £000s	2008-09 £000s	Future Yrs £000s	TOTAL £000s
<b>Communities portfolio</b>						
Revised Budget per Qtr 2 report	15,215	17,249	11,237	11,823	400	55,924
- re-phasing per 2007-10 MTFP		-6,368	6,548	-1,062	1,740	858
Additions:						
-						0
Revised Budget	15,215	10,881	17,785	10,761	2,140	56,782
Variance		-1,371	-5,151	-3,130	9,548	-104
<b>split:</b>						
- real variance		-104				-104
- re-phasing		-1,267	-5,151	-3,130	+9,548	0
<b>Real Variance</b>		<b>-104</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-104</b>
<b>Re-phasing</b>		<b>-1,267</b>	<b>-5,151</b>	<b>-3,130</b>	<b>+9,548</b>	<b>0</b>

### 1.2.3 Capital Resourcing issues:

- Marlowe Running Track – the project is now included in the Communities portfolio in its entirety at £140k, with the additional £70k to be met by a revenue contribution from CFE.
- Sports England – Spaces for Sports – a small underspend of £11k will be matched by a reduction in external funding.

### 1.2.4 General Overview of capital programme:

(a) Projects where there's re-phasing and reasons why

- Turner Contemporary – a more detailed cost profile is now available following early discussions with the architects and their quantity surveyors; this has changed significantly from the estimates available when the budget was prepared. The overall cost remains the same but there has been a re-profiling 2006-07 -£449k; 2007-08 -£5,879k; 2008-09 -£3,220k; 2009-10 +£9,548k. The designs for the building are due by June 2007 when further revisions to the profiling may be exposed.
- Canterbury High AEC – the re-phasing of £194k into 2007-08 on this project reflects the uncertainty over final outturn costs for the project due to the litigation being pursued by the school against the professional advisors. Clarification and agreement has also yet to be reached on the level of contribution to the overall overspend anticipated by the school on this project.
- Gravesend Library & Information Centre – The project has been reduced from previous forecasts subject to the outcome of BLF lottery application of some £2m now being prepared for submission by end March 2007. The spending profile was an estimate which will be revised when the outcome of the bid is known, but re-phasing of £90k is now expected into 2008-09.

- Margate Library & One Stop Shop – progress has been affected by the inclusion of the Gateway into the project with £175k re-phasing into 2007-08. It is now scheduled to start on site in April and complete in December 2007.
  - Herne Bay Community & Youth Centre – the project has been delayed due to the need to resubmit proposals to the Youth Capital Fund. This has now been successful in securing £250k and the project plans are now being worked up. Consequently £120k will re-phase into 2007-08.
  - Other Projects – there has been minor re-phasing into 2007-08 totaling £239k on a number of other projects including Sevenoaks Kaleidoscope, Ashford Library Learning and Information Centre, The Hub Southborough, and Edenbridge Youth and Community Centre.
- (b) Projects with real under or overspend ie after considering issues raised in 1.2.3 above
- Modernisation of Assets – an overspend of £94k is forecast which will be rolled forward as a first call on the 2007-08 budget.
  - Village Hall Grants – an underspend of £257k is now forecast and measures to revise the scheme are now being put in place to ensure the resources are fully allocated in future. It is likely that a virement of this underspend to the Herne Bay Community & Youth Centre project will be requested, once the project plans for that project are complete.
- (c) Risks
- Adult Education at Canterbury High School – we may need to make provision for part of the overspend on this project if the school will not fund it all.
- (d) Details of action being taken to alleviate risks
- Adult Education at Canterbury High School – the school are taking legal action against their professional advisors to reduce the overspend.

After allowing for the funding issues detailed in paragraph 1.2.3, re-phasing in paragraph 1.2.4 (a) and the roll forward in paragraph 1.2.4 (b), the true underlying variance is -£257k.

## 2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

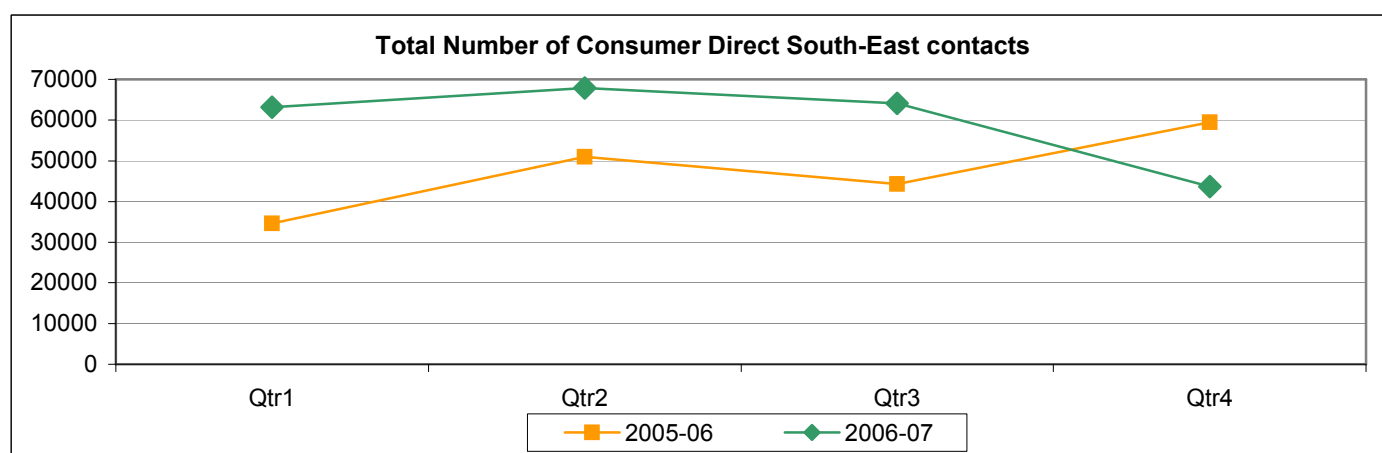
### 2.1 Number of Consumer Direct South-East contacts, by local authority area:

	2005-06	2006-07			
		Qtr1	Qtr2	Qtr3	Qtr4
	<i>Total for the year</i>	01/04/06 to 30/06/06	01/07/06 to 30/09/06	01/10/06 to 31/12/06	01/01/07 to 31/03/07
Bracknell Forest	715	47	33	11	139
Brighton & Hove	7,116	1,489	1,637	1,420	845
Buckinghamshire	9,006	1,192	1,166	827	540
East Sussex	9,717	2,376	2,726	2,323	1,492
Hampshire	19,105	3,352	3,632	2,999	1,696
Isle of Wight	2,129	513	639	490	294
Kent	29,074	5,887	5,694	5,000	3,024
Medway	1,671	266	286	319	217
Milton Keynes	1,037	264	174	135	63
Oxfordshire	<b>No immediate plans to switch</b>				
Portsmouth	5,524	1,367	1,299	856	533
Reading	2,582	706	847	700	438
Royal Borough of Windsor & Maidenhead <sup>2</sup>	809	<b>Callers to RBWM are asked to redial CDSE direct</b>			
Slough	1,826	537	462	341	242
Southampton	4,680	1,058	1,071	842	530
Surrey	21,660	5,012	5,352	4,796	2,660
West Berkshire	1,503	351	369	753	221
West Sussex	<b>Plan to divert calls &amp; e-mails to CDSE in January 2007</b>				1,463
Wokingham	758	165	144	158	100
Main English Landline <sup>*1</sup>	60,248	27,908	33,464	32,108	21,209
Main English Mobile <sup>*1</sup>	7,712	6,857	6,283	5,937	3,983
Calls handled for other regions	2,532	1,722	571	1,521	2,358
Call-backs handled for other regions		325	81	530	0
E-Mails		1,791	1,935	2,014	1,617
<b>2006-07 TOTAL</b>		<b>63,185</b>	<b>67,865</b>	<b>64,080</b>	<b>43,664<sup>*3</sup></b>
<b>2005-06 TOTAL by Qtr</b>	<b>189,404</b>	<b>34,616</b>	<b>51,015</b>	<b>44,334</b>	<b>59,439</b>

\*1 – These are calls received directly on the 0845 number which, although known to be from one of the local authorities in the CDSE area, cannot be identified by individual local authority.

\*2 – since 01/01/06 callers to RBWM Trading Standards are asked to redial CDSE direct

\*3 – As this report is based on February monitoring, Quarter 4 includes actual figures for January & February only



#### Comments:

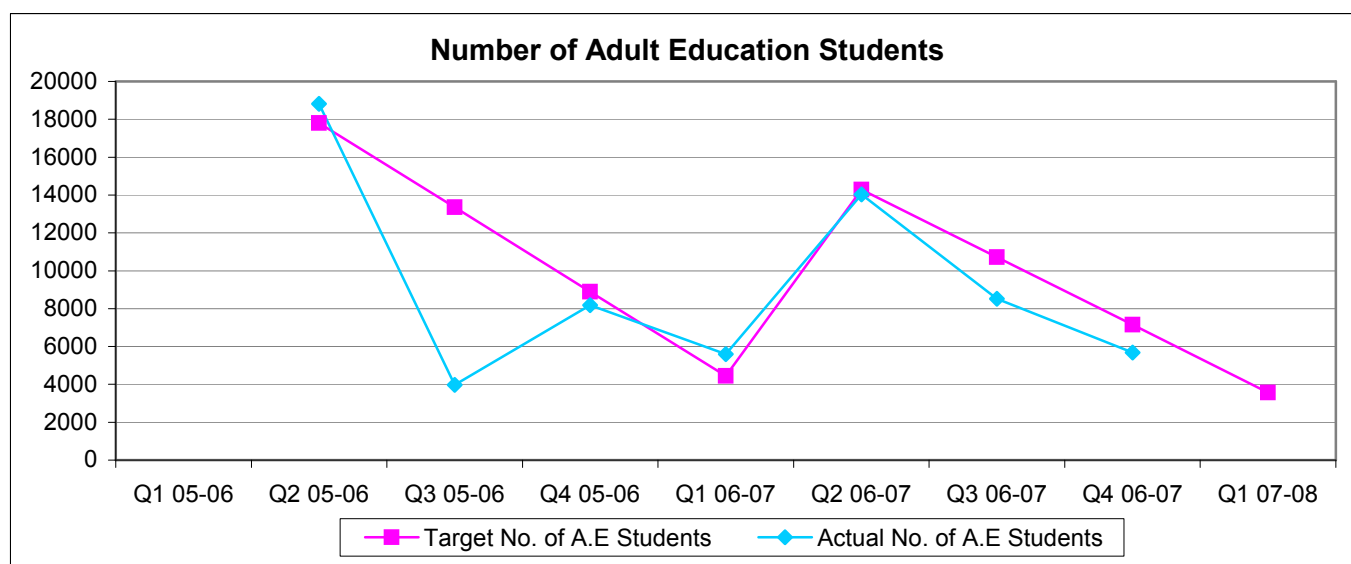
- West Sussex Trading Standards have announced plans to divert their calls & e-mails to CDSE in January 2007, which will result in a further estimated 18,000 contacts per year. Calls to the 0845 number have increased dramatically as awareness of the service grows, whilst historic Local Authority diverts have remained steady and only in some cases, reduced slightly.

## 2.2 Number of Adult Education Students:

	Financial Year					
	2005-06		2006-07		2007-08	
	Target	A.E Students	Target	A.E Students	Target	A.E Students
April – June			4,450	5,589	3,573	
July – September	17,800	18,822	14,293	14,033		
October – December	13,350	3,977	10,718	8,525		
January - March	8,900	8,183	7,148	5,685 <sup>1</sup>		

This data is collected on an academic year rather than a financial year basis ie quarters 2, 3 & 4 of one financial year plus quarter 1 of the following financial year make up an academic year. The data shaded in yellow relates to the 2005-06 academic year and the 2006-07 academic year is shaded in green.

**\*1 – As this report is based on February monitoring, the actual A.E Student numbers for Quarter 4 (January – March) currently includes actual figures for January & February only**



Comment:

- Targets are agreed with the Learning and Skills Council (LSC) for the number of student enrollments for the academic year (running from July to June). The LSC funding for adult learners depends on the course of study. Students taking non-vocational courses not leading to a formal qualification are funded via a block grant, referred to as Adult and Community Learning Grant (ACL). Students taking courses leading to a qualification are funded via Further Education (FE) grant based upon the course type and qualification – student numbers are gathered via a census at three points during the academic year.

Students pay a fee to contribute towards costs of tuition and examinations. There is a concession on ACL tuition fees for those aged under 19, those in receipt of benefits and those over 60. FE courses are free for those aged under 19 or in receipt of benefits undertaking Basic Skills or Skills for Life Courses

The LSC targets for ACL courses were 32,000 students in 2005-06 school year and 25,500 in 2006-07. The targets for FE courses were 12,500 in 2005-06 and 10,232 in 2006-07. The actual enrolments in 2005-06 were 46,051.

- Note – the actual figures for 2005/06 show the number of enrolments for the respective months in each quarter. In the quarter 1 report, the numbers reflected the number for each term (3 terms during the year).

### 2.3 **Number of Uneconomic Adult Education Classes**

This graph has been removed for 2007/08 whilst more work is undertaken to agree definition of uneconomic classes and to identify those classes that make a surplus. Part of the strategy that is being considered to bring the service back onto a sound financial footing is to relocate classes into AE centres from community localities e.g. schools, pubs, etc, and to look at fees. If agreed this would significantly change the pattern of “uneconomic” courses.



**COMMUNITIES DIRECTORATE**  
**VARIANCES OVER £100K IN SIZE ORDER**

<b>Pressures (+)</b>		<b>Underspends (-)</b>	
	£000's		£000's
Reduction in Income on AE prisons contract	+700	Reduction in AE prisons spending	-700
Spending on final settlement of original Turner Contemporary scheme and preparation of case for mediation/litigation	+590	Reduction in AE spending on other projects	-500
Reduction in AE grants for other projects	+500	Finance Loan to AE	-500
Overspends on AE budgets	+436	Contact Centre staffing and other budgets	-240
Unexpect loss of AE grants	+380	Removal of Maidstone Team & vacancies in the Margate Team in Turner Contemporary	-200
AE deficit carried forward from 2005/06	+135	Second homes money on Margate Library and One-Stop Shop	-175
Coroners - Increased pathology tests especially toxicology	+111	Arts Council Grants in Turner Contemporary	-149
		Second homes money on Herne Bay Youth & Community Centre	-120
		Community warden vacancies	-115
		Directorate infrastructure costs	-102
	+2,852		-2,801

## CHIEF EXECUTIVES DIRECTORATE SUMMARY FEBRUARY 2006-07 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.
- This quarter cash limits have been adjusted to reflect a number of technical adjustments to budget.

1.1.2 Table 1 below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Corporate Support &amp; Health portfolio</b>							
Personnel & Development	10,951	-4,198	6,753	-85	-83	-168	£70k Reward Strategy, £50k Members Dev - project re-phasing
Business Solutions & Policy (previously Information Systems)	20,789	-5,227	15,562	3,380	-3,480	-100	£100k for CPA, £2,600k costs\income from increased work
Council Secretariat	1,462	-42	1,420	10	-5	5	
Members	2,344	-39	2,305	23	-18	5	
Legal	4,374	-4,630	-256	738	-738	0	
Corporate Management & Support (incl. Strategic Development Unit)	1,132	-20	1,112	997	-967	30	Gateway spend exceeding 1st year estimates
Local Boards	359		359	0	0	0	
<b>Total CS&amp;H</b>	<b>41,411</b>	<b>-14,156</b>	<b>27,255</b>	<b>5,063</b>	<b>-5,291</b>	<b>-228</b>	
<b>Policy &amp; Performance portfolio</b>							
Policy & Performance	1,520	-270	1,250	-169	149	-20	£20k PMG software
Kent Partnerships & Kent Works	1,318	-850	468	116	-86	30	
Corporate Communications	1,282	-92	1,190	21	-21	0	
<b>Total P&amp;P</b>	<b>4,120</b>	<b>-1,212</b>	<b>2,908</b>	<b>-32</b>	<b>42</b>	<b>10</b>	
<b>Finance Portfolio</b>							
Corporate Management	1,703	-187	1,516	-8	8	0	
Finance Group	8,223	-3,174	5,049	-65	25	-40	Internal Audit r/fwd
Property Group	16,823	-6,340	10,483	-181	234	53	increased rates/energy costs. Vacancies.
Efficiency Review & VFM	620	0	620	0	0	0	
<b>Total Finance</b>	<b>27,369</b>	<b>-9,701</b>	<b>17,668</b>	<b>-254</b>	<b>267</b>	<b>13</b>	
<b>Total Directorate Controllable</b>	<b>72,900</b>	<b>-25,069</b>	<b>47,831</b>	<b>4,777</b>	<b>-4,982</b>	<b>-205</b>	

1.1.3 **Major Reasons for Variance:** [provides an explanation of the ‘headings’ in table 3]

#### Corporate Support & Health Portfolio

Personnel & Development:

- -£120k relating to the re-phasing of Reward Strategy system and Members training and development projects, which will be requested to roll forward.
- -£48k relates to underspend within Payroll.

**Business Solutions & Policy:**

- Increased costs of new project work, Oracle development and TRP back-fill (mainly through agency staff) which is in turn off-set by income\recharges.
- £100k underspend for Comprehensive Performance Assessment activity which was to fall between April 2006 and March 2008 but date now confirmed within 2007-08, hence the need to roll this forward.

**Corporate Management (incl. Strategic Development Unit):**

- £30k overspend on Ashford Gateway, a result of higher than expected first year operating costs for the county's first Gateway.

**Policy & Performance Portfolio****Kent Works:**

- £30k overspend as a result of the higher costs of establishing the on-going operation.

**Policy & Performance:**

- -£20k for Performance Management Software, the purchase of which has been delayed whilst a decision is agreed across Directorates as to the specific software needed.

**Finance Portfolio**

Property: £53k overspend, which is net of:

- reduced income at Oakwood (£60k),
- increased premises costs (£300k),
- savings from unfilled vacancies (-£250k) and
- reduced R&R contribution (-£50k).

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

Kent Works: following consultation by the Kent Partnership Director with CFE, CFE have confirmed that they will meet some of the higher than expected costs of establishing the on-going operation which will be transferred to CFE in 2007-08 to form part of that directorate's vocational service.

Property: management action of not filling vacancies has contributed £250k towards achieving a balanced position

**1.1.5 Implications for MTFP:****Finance Portfolio**

Property: Increased business rates and energy costs have been accepted as a pressure within the 2007-10 MTFP.

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

The following projects are re-phasing into 2007-08:

Personnel & Development: £70k Reward Strategy and £50k Members Development programme.

Business Solutions & Policy: £100k for Comprehensive Performance Assessment.

Policy & Performance: £20k for Performance Management Software, the purchase of which has been delayed to 2007-08 whilst a decision is agreed across Directorates as to the specific software needed.

Finance: £40k for IT Audit.

### 1.1.7 Details of proposals for residual variance: [eg roll forward proposals]

The current forecast underspend of £205k includes roll-forward requests for £280k as detailed in section 1.1.6 above, leaving an underlying variance of +£75k. Property are still in negotiations with directorates to secure some funding for the higher than expected increase in the energy costs of the county office estate.

The directorate as a whole expects to manage down the remaining underlying variance by the year-end. If this is not achieved, any residual overspend will also need to be rolled forward to 2007-08.

## 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, or relevant delegated authority.

Cash limits have been adjusted since the quarter 2 report to reflect:

	2006-07 £000s	2007-08 £000s
Corporate Support & Health portfolio:		
• Re-phasing per 2007-10 MTFP	2	
• IT Virement from CFE	200	
• Gateways Virement from Adult Social Services	7	
	209	0
Policy & Performance portfolio:		
• Re-phasing per 2007-10 MTFP	110	
Finance portfolio:		
• Re-phasing per 2007-10 MTFP	-1,936	53
• Removal of the Property Enterprise Fund from the capital programme (this is reported as a stand alone Fund in section 2 of this annex).	-10,000	
	-11,936	53

1.2.2 Table 2 below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp £000s	2006-07 £000s	2007-08 £000s	2008-09 £000s	Future Yrs £000s	TOTAL £000s
<b>Corporate Support &amp; Health Portfolio</b>						
Revised Budget per qtr 2 report	7,251	2,225	1,544	2,257	1,236	14,513
Additions:						
- IT virement from CFE		200				200
- re-phasing per 2007-10 MTFP		2				2
- Gateway virement from ASD		7				7
Revised Budget	7,251	2,434	1,544	2,257	1,236	14,722
Variance		+196				+196
<b>split:</b>						
- real variance		+271				+271
- re-phasing		-75	+75			0
<b>Policy &amp; Performance Portfolio</b>						
Revised Budget per qtr 2 report	481	519				1,000
Additions:						
- re-phasing per 2007-10 MTFP		110				110
Revised Budget	481	629	0	0	0	1,110
Variance		0				0
<b>split:</b>						
- real variance		0				0
- re-phasing		0				0
<b>Finance Portfolio</b>						
Revised Budget per qtr 2 report	685	19,027				19,712
Additions:						
- remove Property Enterprise Fund from Capital Prog		-10,000				-10,000
- re-phasing per 2007-10 MTFP		-1,936	53			-1,883
						0
Revised Budget	685	7,091	53	0	0	7,829
Variance		-1,766				-1,766
<b>split:</b>						
- real variance		-844				-844
- re-phasing		-922	+922			0
<b>Directorate Total</b>						
Revised Budget	8,417	10,154	1,597	2,257	1,236	23,661
Variance	0	-1,570	0	0	0	-1,570
<b>Real Variance</b>		<b>-573</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-573</b>
<b>Re-phasing</b>		<b>-997</b>	<b>+997</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 1.2.3 Capital Resourcing issues:

#### Corporate Support & Health Portfolio

- £261k of spend on the Home Computing Initiative is to be met by revenue contributions.
- Overspend of £10k on Gateways to be met by revenue contribution.

#### Finance Portfolio

- £905k underspend on Commercial Services Vehicle, Plant & Equipment acquisitions, due to the vehicles now being funded through operating leases instead of renewals. This will be matched by a reduced contribution to the Renewals Fund.

- £61k increased cost of capitalisation for works on capital programme to be met by revenue contribution.

#### 1.2.4 General Overview of capital programme:

- (a) Projects where there is re-phasing and why

##### Corporate Support and Health Portfolio

- £75k re-phasing into 2007-08 on the Sustaining Kent project owing to a supplier re-call of faulty goods.

##### Finance Portfolio

The following projects are all re-phasing into 2007-08:

- £82k re-phasing of the Property Database project.
- £679k re-phasing on Oakwood House extension due to delay of planning permission for the extended car park area.
- £131k of works to properties for disposal, following the re-phasing into early 2007-08 of some the planned property disposals.
- £30k re-phasing of Commercial Services renewal of equipment.

- (b) Projects with real under or overspend ie after considering issues raised in 1.2.3 above,

- None

- (c) Risks

- None

- (d) Details of action being taken to alleviate risks

- No additional action taken to date

After allowing for the funding issues detailed in paragraph 1.2.3 and re-phasing in paragraph 1.2.4 (a), the true underlying variance is **zero**

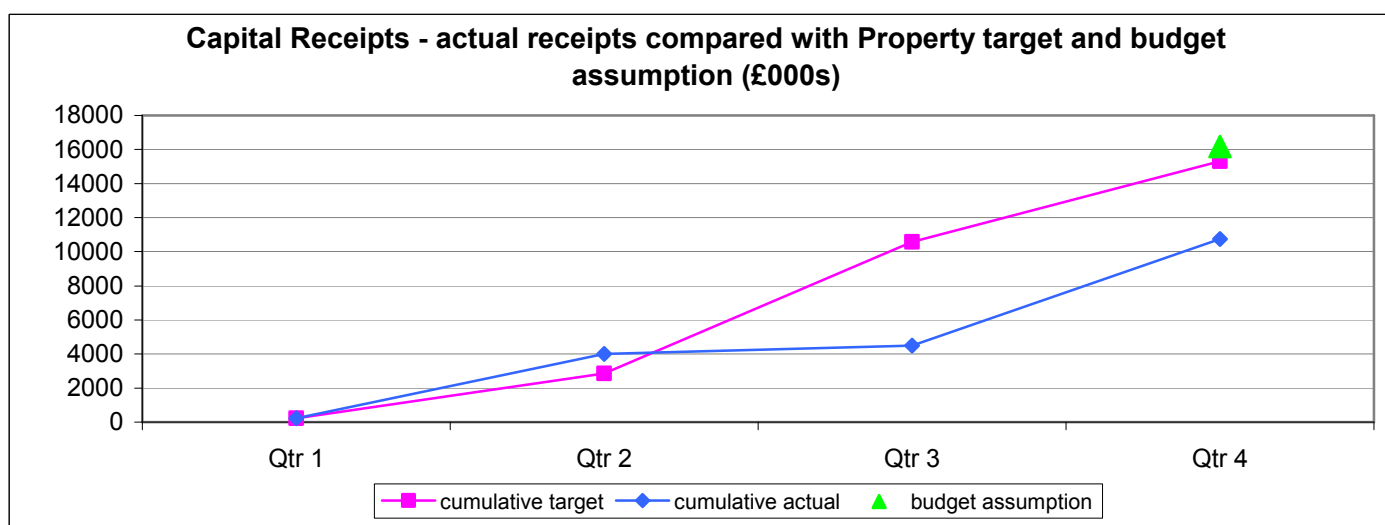
## 2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

### 2.1 Capital Receipts – actual receipts compared to budget profile:

	2006-07		
	Budget funding assumption £000s	Cumulative Target profile £000s	Cumulative Actual receipts £000s
April - June		217	217
July - September		2,851	4,015
October - December		10,562	4,492
January - March		15,312	**10,732
<b>TOTAL</b>	<b>*16,177</b>	<b>15,312</b>	<b>10,732</b>

\* figure updated from 2006-07 budget assumption to reflect 2007-10 MTP

\*\* banked receipts to end of February 2007



#### Comments:

- The gap shown in the graph between the budget assumption and the Property target is due to a timing issue. The capital receipts need to be looked at over the three year span of the Medium Term Plan (MTP), in conjunction with the funding assumption, as shown in the table below.
- Forecast receipts for 2006-07 are now estimated at £12.5m as there has been some re-phasing into early 2007-08. This has an impact on the cost of disposals for the year, some of which have also been re-phased into 2007-08.

	2006-07 £'000	2007-08 £'000	2008-09 £'000	Total £'000
Capital receipt funding per 2007-10 MTP	16,177	47,973	71,943	136,093
Property Group's forecast receipts	*11,966	41,312	45,590	98,868
Net re-phasing of receipts **		5,068		5,068
Receipts banked in previous years for use	204	907	10	1,121
Receipt funding from other sources	0	500	1,500	2,000
Sites identified by Directorates for Property to work up for disposal***	0	3,106	29,670	32,776
<b>Potential Surplus\Deficit Receipts (-)</b>	<b>-4,007</b>	<b>2,920</b>	<b>4,827</b>	<b>3,740</b>

\* Excludes £561k for Edenbridge properties as earmarking is under review

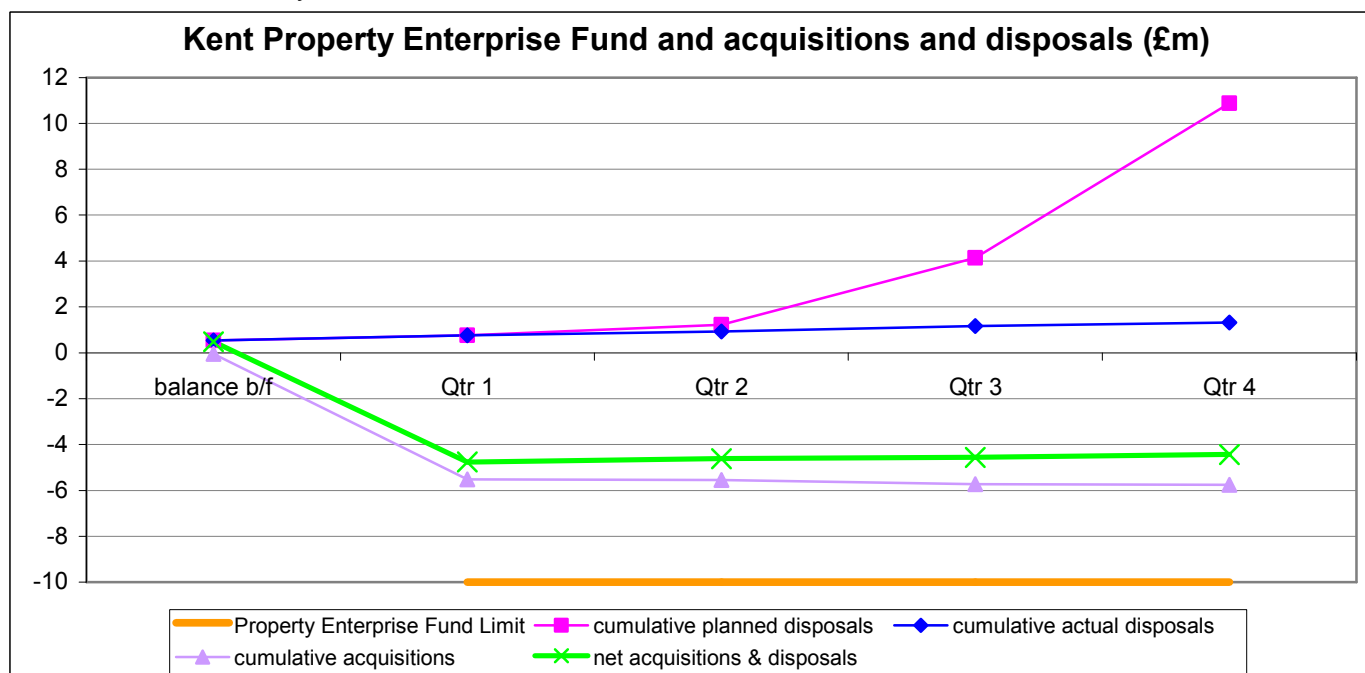
\*\* Some property disposals included in the £15.3m target for 2006-07 have slipped into 2007-08; these have also been revalued and are now expected to achieve a greater receipt in total. In addition, some receipts originally expected in 2007-08 are now forecast to proceed in 2006-07. This represents the net movement.

\*\*\* Timescale for delivery uncertain until worked up by Property Group

## 2.2 Capital Receipts – Kent Property Enterprise Fund:

	<i>Kent Property Enterprise Fund Limit</i> £m	Cumulative Planned Disposals (+) £m	Cumulative Actual Disposals (+) £m	Cumulative Actual Acquisitions (-) £m	Cumulative Net Acquisitions (-) & Disposals (+) £m
Balance b/f		0.541	0.541	-0.054	+0.487
April - June	-10	0.756	0.756	-5.517	-4.761
July - September	-10	1.226	0.926	-5.545	-4.619
October - December	-10	4.151	1.161	-5.720	-4.559
January - March	-10	10.875	1.319*	-5.755*	-4.436*

\* to end of February 2007



## Comments:

- County Council have approved the establishment of the Property Group Enterprise Fund, 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 disposal income from assets is realised. It is anticipated that the Fund will be in surplus at the end of the 10 year period.

**Balance brought forward from 2005-06**

In 2005-06, £0.541m of capital receipts were realised from the disposal of non-operational property. The associated disposal costs of £0.054m were funded from these receipts, leaving a balance of £0.487m available for future investment in the Kent Property Enterprise Fund.

**Actual Disposals**

As at the end of February 2007, the Fund has realised £0.778m of receipts in this financial year from the sale of 6 non-operational properties.



**Planned Disposals**

At the start of 2006-07, Property Group had identified £10.334m worth of potential receipts in this financial year. As a result of some receipts either subsequently being identified as earmarked or re-phasing into 2007-08, the forecast disposals for this year is now estimated at £2.732m.

**Acquisitions**

The Enterprise Fund was used to purchase land at Manston Business Park. This land has been vested with Environment & Regeneration to optimise its development opportunity.

With no further acquisitions planned at the time of writing, total expenditure against the fund is forecast at £5.755m. This reflects the cost of the only acquisition to date and the associated costs of both the acquisition and disposal activity, including temporary borrowing costs.

Table 3

**CHIEF EXECUTIVES DIRECTORATE**  
**VARIANCES OVER £100K IN SIZE ORDER**

<b>Pressures (+)</b>		<b>Underspends (-)</b>	
	£000's		£000's
Business Solutions & Policy - costs of increased work (mainly Agency staff for project work, Oracle development and TRP back-fill)	+2,600	Business Solutions & Policy - recharges\income for increased work	-2,600
Property - Increased rates and energy costs	+300	Property - vacancies not filled as part of management action	-250
		Business Solutions & Policy - CPA date set now in 2007-08	-100
	+2,900		-2,950

## FINANCING ITEMS SUMMARY

### FEBRUARY 2006-07 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.
- This quarter cash limits have been adjusted to reflect a number of technical adjustments to budget.

1.1.2 Table 1 below details the revenue position by Budget Book line:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Corporate Support &amp; Health portfolio</b>							
Contribution to IT Asset Maintenance Reserve	2,433		2,433			0	
PFI Grant	-711		-711			0	
<b>Total CS&amp;H</b>	<b>1,722</b>	<b>0</b>	<b>1,722</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Finance Portfolio</b>							
Insurance Fund	4,079		4,079	-150		-150	pro rata saving on premiums
County Council Elections	255		255			0	
Workforce Reduction	1,247		1,247			0	
Environment Agency Levy	349		349			0	
Joint Sea Fisheries	242		242			0	
Audit Fees & Subscriptions	800		800			0	
Interest on Cash Balances / Debt Charges	89,715	-6,168	83,547	14,423	-16,423	-2,000	debt restructuring savings & increased investment income
Contribution from Commercial Services		-3,000	-3,000				
Public Consultation	140		140			0	
Provision for Kent Scheme Revision	1,003		1,003			0	
Local Priorities	611		611	-19		-19	
Local Scheme spending recommended by Local Boards	1,996		1,996			0	
Local Boards - Member Community Grants	47		47			0	
Transferred Services Pensions	22		22			0	
PRG & Capital Reserves		-6,640	-6,640			0	
Contribution from Provisions		-400	-400			0	
Contribution to Reserves	363		363			0	
Bad debt provision	350		350			0	
LABGI income		-1,400	-1,400		-1,315	-1,315	additional grant
Income from Kings Hill		-1,000	-1,000			0	
Income Generation		-463	-463			0	
<b>Total Finance</b>	<b>101,219</b>	<b>-19,071</b>	<b>82,148</b>	<b>14,254</b>	<b>-17,738</b>	<b>-3,484</b>	
<b>Total Controllable</b>	<b>102,941</b>	<b>-19,071</b>	<b>83,870</b>	<b>14,254</b>	<b>-17,738</b>	<b>-3,484</b>	

### 1.1.3 Major Reasons for Variance:

1.1.3.1 The forecast underspending on the Interest on Cash Balances/ Debt Charges budget has increased to £2m. This saving is due to:

#### Interest on Cash Balances

- Increase in year end balances allowing for longer maturity profile of lending
- Increase in market interest rates available
- Increase in base rates and investment interest

#### Debt Charges

- £20m of new market borrowing was arranged below the budgeted interest rate
- Loan restructuring has reduced the average interest rate for debt and delivered annual savings and discounts.
- Funding from cash balances and deferring new borrowing means that some saving is made on debt financing costs.
- Re-phasing of the capital programme has resulted in a reduced level of borrowing required in this year.

1.1.3.2 The DCLG has recently announced the allocation of the Local Authority Business Growth Incentive Scheme (LABGI) grant for 2006-07. We have been awarded £1.315m more than we estimated at the time of setting the 2006-07 budget. This is largely as a result of the completion of the new shopping centres in Canterbury, Maidstone and Thanet.

1.1.3.3 The Insurance Section has negotiated a reduction in insurance premiums from 1 January 2007 of £600k per annum, saving £150k in the current year.

1.1.3.4 Currently two District Councils have requested that their grant for local priorities, funded from the second homes money, be rolled forward to 2007-08 in order to provide greater benefit to the local community. Roll forward of these grants for one year is allowed within the terms agreed by Kent County Council with Leaders.

### 1.1.4 Actions required to achieve this position:

N/A

### 1.1.5 Implications for MTFP:

The current level of forecast re-phasing on the capital programme has contributed to the saving on debt charges and increased income from high cash balances, however as a result of the re-phasing there will be higher debt charges than budgeted in future years. This has been adjusted for in the 2007-10 MTFP.

The full year effect of the saving on insurance premiums has been reflected in the 2007-10 MTFP.

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

£19k in respect of the District Council grants for local priorities, as detailed in 1.1.3.3 above, will be requested to roll forward to 2007-08.

### 1.1.7 Details of proposals for residual variance: *[eg roll forward proposals]*

N/A

## 1.2 CAPITAL

N/A

## 2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

N/A

## FINANCING ITEMS

### VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)		Underspends (-)	
	£000's		£000's
		savings resulting from debt restructuring and higher investment income due to high cash balances and increased interest rates	-2,000
		additional LABGI grant	-1,315
		Part year saving on insurance premiums	-150
	0		-3,465