

To: CABINET – 16 April 2012

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REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT 2011-12

1. Introduction

1.1 This exception report is based on the monitoring returns for February and highlights the main movements since the third full monitoring report presented to Cabinet on 19 March 2012.

2. REVENUE

2.1 The current underlying net revenue position by portfolio, compared with the net position reported last month, is shown in **table 1** below.

Table 1: Net Revenue Position

Portfolio	Variance		Movement £m
	This Month £m	Last Month £m	
Education, Learning & Skills	-1.702	-1.702	-
Specialist Children's Services	+14.926	+14.703	+0.223
Adult Social Care & Public Health	-5.231	-3.873	-1.358
Environment, Highways & Waste	-5.504	-4.891	-0.613
Customer & Communities	-5.046	-5.046	-
Regeneration & Enterprise	-	-	-
Finance & Business Support	-9.283	-9.283	-
Business Strategy, Performance & Health Reform	-2.241	-2.241	-
Democracy & Partnerships	-0.252	-0.252	-
Total (excl Schools)	-14.333	-12.585	-1.748
<i>Schools (ELS portfolio)</i>	+3.126	+3.126	-
<i>Schools (SCS portfolio)</i>	-	-	-
Schools (TOTAL)	+3.126	+3.126	-
TOTAL	-11.207	-9.459	-1.748

2.2 The forecast net revenue underspend (excluding schools) is currently £14.333m as shown in table 1 above. The recently approved 2012-13 budget assumes rolled forward underspending from 2011-12 of £3.512m as follows:

- £1.200m Early Years underspending as reported in the quarter 2 monitoring report and approved by Cabinet on 5 December,
- £1.879m underspending from within the overall £3.476m underspend reported to Cabinet in the last exception report on 25 January,
- £0.433m within Customer & Communities portfolio.

Following approval of the 2012-13 budget at County Council on 9 February, items a) and b) above have been transferred to an earmarked reserve to support next year's budget and are therefore no longer reported in the £14.333m underspend forecast in this report.

In addition, the position reported in table 1 above includes some underspending related to projects which are re-phasing into 2012-13, such as the Big Society, and are committed and therefore will require roll forward. There are also some known bids which have the support of the relevant Corporate Director and Cabinet Member. The adjusted position is therefore:

Total forecast underspend (excl Schools) per table 1	£m
	-14.333
Required to roll forward to 2012-13 per approved 2012-15 MTFP (item c above)	0.433
Other committed roll forwards/re-phased projects	5.193
	<hr/>
	-8.707
Supported bids	0.439
Adjusted position after supported bids	<hr/>
	-8.268

Details of the committed roll forwards, re-phased projects and supported bids were provided in sections 1.1.6 and 1.1.7 of the annex reports of the third full monitoring report presented to Cabinet on 19 March.

It is likely that much of this uncommitted balance will be held in reserves pending future decisions on its use. Further details will be provided in the outturn report to Cabinet in July.

2.3 In the context of a savings requirement of £95m, increasing demands for services and the need to deliver the Children's Services Improvement Plan, an overall forecast underspending position is a considerable achievement.

2.4 Table 1 shows that there has been a movement of -£1.748m in the overall position since the last report to Cabinet. The main movements, by portfolio, are detailed below:

2.5 Specialist Children's Services (SCS) portfolio:

The pressure on this portfolio has increased by £0.223m this month to £14.926m. The movements above £0.1m are:

- 2.5.1 +£0.536m Fostering – an increase in the pressure from £7.923m to £8.459m, mainly as a result of:
- +£0.144m: a net increase in activity against Non Related (In House) Fostering of 45 placements.
 - +£0.150m: an increase of 9 placements in Independent Fostering.
 - +£0.150m: other associated costs such as specialist and legal fees
 - +£0.066m: Kinship Non LAC costs
 - +£0.026m increased transport costs.
- 2.5.2 +£0.541m Asylum – an increase in the pressure from £1.530m to £2.071m. This increase in the forecast is due to a number of 'pressures' including an increase in the number of clients for whom we cannot claim grant funding, a slight increase in the unit costs, and dilapidation costs resulting from damages to clients' accommodation.
- 2.5.3 -£0.119m Other Preventative Services – a reduction in the position from +£0.070m to -£0.049m, due to additional income of £0.130m from Extended Schools, unfilled vacancies associated with Preventative Service Managers of £0.040m, increased recoveries from schools of £0.045m in respect of Family Liaison Officer funding and additional Health funding of £0.045m for other preventative services. These forecast reductions have been partially offset by an increase of +£0.141m against disability day care due to a consistent rise in demand.
- 2.5.4 -£0.118m Safeguarding – an increase in the underspend from -£0.110m to -£0.228m, mainly as a result of vacancies and slippage in appointment of sessional workers as well as agency recruitment, coupled with £0.050m extra income in respect of training provision to the Early Years service.
- 2.5.5 -£0.191m Children's Centres – an increase in the underspend from -£0.939m to -£1.130m due to unexpected sundry income associated with rent, rates, room hire and utilities which the directorate did not expect to benefit from.
- 2.5.6 -£0.212m Integrated Looked After Children's Service/Virtual School Kent – an increase in the underspend from -£0.079m to -£0.291m. £0.160m of the reduction is as a result of a delay in recruitment against a Children & Adolescent Mental Health Service (CAMHS) project run by West Kent Health Authority, with a further £0.050m re-phasing against Personal Education Allowances associated with the LAC Pledge, these were intended to be used to purchase laptops for LAC but it is now planned to purchase I-Pads in 2012-13.
- 2.5.7 The remaining -£0.214m movement in the Children's forecast is as a result of many minor movements, all below £0.1m.

2.6 Adult Social Care & Public Health portfolio:

The forecast underspend on this portfolio has increased by a further £1.358m this month from £3.873m to £5.231m. The movements over £0.1m this month are:

- 2.6.1 -£0.174m Older People Domiciliary – an increase in the underspend from -£1.178m to -£1.352m mainly as result of a lower take up of the service than previously assumed (-£0.185m), which is slightly offset by a small reduction in the income expected.
- 2.6.2 -£0.468m Learning Disability Residential Care – a reduction in the pressure from £2.235m to £1.767m, which is mainly as a result of a net reduction of 8 clients (-£0.083m), the removal of a specific bad debt provision which is no longer required (-£0.165m) and a reduction in the costs associated with the re-negotiation of the block contract related to the LD Transfer from Health (-£0.220m).
- 2.6.3 -£0.151m Older People Nursing – an increase in the underspend from -£0.148m to -£0.299m. the main movements have been the net result of a reduction in the number of clients and a slight increase in the bad debt provision (+£0.094m) and an increase in income following a review of the last 6 months client billing runs (-£0.246m).
- 2.6.4 -£0.169m Physical Disability Residential Care – a reduction in the pressure from £1.076m to £0.907m due to a continuing reduction of approximately 61 weeks in short term provision.
- 2.6.5 -£0.171m Older People Day Care – an increase in the underspend from -£0.372m to -£0.543m mainly as a result of the re-negotiation of a block contract.
- 2.6.6 The remaining -£0.225m movement in the Adults forecast is as a result of many minor movements, all below £0.1m.

2.7 Environment, Highways & Waste portfolio:

The forecast underspend for this portfolio has increased by £0.613m this month from £4.891m to £5.504m. This movement is due to:

- 2.7.1 +£0.073m E&E Strategic Management & Directorate Support: an increase in the pressure from £0.226m to £0.299m which is predominantly due to the inclusion of a worst case scenario position for ongoing negotiations surrounding energy charges for the Gypsy and Traveller unit (+£0.099m), offset by a minor movement (-£0.026m) on Management and Business Support. Both of these movements relate to the Planning & Environment Division.

Planning and Environment: (Environment Management, Coastal Protection, Planning & Transport Policy & Planning Applications)

- 2.7.2 Also within the Planning and Environment Division is a £0.1m reduction in the forecast pressure from £0.188m to £0.088m. This mainly relates to:
 - a. -£0.144m Environment Management: a reduction in the position from +£0.043m to -£0.101m relating to flood project work that has re-phased into 2012-13. Partnership working with district councils and the Environment Agency has led to re-phasing which is not in our direct control and roll forward will be required to fund our contribution to this partnership work in order to complete the project.
 - b. +£0.042m Planning Applications: a increase in the pressure from £0.050m to £0.092m where some applications anticipated for 2011-12 will now be processed in 2012-13 and consequently the associated income will be accounted for in 2012-13 in accordance with accounting practice.

Highways and Transportation:

- 2.7.3 The forecast pressure within the Highways and Transportation Division has increased by £0.590m from £0.031m to £0.621m. This has arisen from a re-evaluation of the division's forecast outturn based on the latest information provided by Enterprise. This has impacted as follows:
 - a. +£0.300m Adverse Weather: an increase in the pressure from £0.754m to £1.054m.
 - b. +£0.290m General Maintenance & Emergency Response: an increase in the pressure from £0.373m to £0.663m.

Waste Division:

2.7.4 Waste Management & Waste Disposal:

The budgeted waste tonnage for 2011-12 is 760,000 tonnes. Actual waste tonnage for the period April to February combined with the experience of the last two financial years has allowed the Directorate to estimate that the final tonnage will be 46,000 tonnes less than budgeted. This is a further reduction of 6,000 tonnes on the previous forecast and contributes a significant element of an additional £0.758m underspend on the Waste budgets, bringing the forecast underspend on the waste budgets to £4.456m. This increase in forecast underspend has mainly arisen across the more expensive disposal contracts managed by KCC, for example Allington Waste to Energy (-£0.204m) and Landfill Contracts (-£0.253m including landfill tax), therefore generating a larger underspend than would normally be associated with a 6,000 tonne reduction. A detailed analysis of this movement follows:

- a. -£0.089m Household Waste Recycling Centres: an increase in the underspend from £0.777m to £0.866m due to less tonnage managed through the sites than previously forecast.
 - b. -£0.139m Recycling Contracts and Composting: an increase in the underspend from £0.454m to £0.593m has been identified this month as a result of less tonnage being managed through these contracts.
 - c. -£0.300m Disposal Contracts: an increase in the underspend from £4.029m to £4.329m as a result of a -£0.050m price reduction for new landfill contracts and -£0.250m resulting from reduced volumes of residual waste being sent to landfill (-2,800 tonnes) and Allington Waste to Energy plant (-2,400 tonnes).
 - d. -£0.157m Landfill Tax: a reduction in the pressure from £1.733m to £1.576m as a result of the lower volume of waste being sent to landfill (approx 2,800 tonnes).
 - e. -£0.073m Transfer Stations: a reduction in the pressure from £0.132m to £0.059m due to the impact of the reduction in waste tonnage.
- 2.7.5 -£0.418m Commercial Services contribution: an improvement in the position from a shortfall in the contribution of £0.150m to a surplus of £0.268m, which has arisen due to a greater than anticipated contribution from Commercial Services following better than expected trading in the last quarter of the year.

3. **CAPITAL**

3.1 There have been a number of cash limit adjustments this month as detailed in **table 3** below:

Table 3: Cash Limit Changes

	2011-12	2012-13
	£m	£m
1 Cash Limits as reported to Cabinet on 9th January	289.179	281.036
2 Re-phasing agreed at Cabinet on 9th January		
Education, Learning & Skills (ELS)	-5.750	4.831
Adults Social Care & Public Health (ASC&PH)	-1.957	1.943
Environment, Highways & Waste (EHW)	-3.463	2.640
Customer & Communities (C&C)	-0.528	0.528
Regeneration & Enterprise	-1.239	1.239
Business Strategy, Performance & Health Reform (BSPHR)	-3.942	3.942
3 Modernisation of Assets - Lydd Primary School - additional external funding - ELS portfolio	0.005	0.136
4 Public Access Development - reduction in grant funding - FSC portfolio	-0.010	
5 Ashford Ring Road - reduction external funding - EHW portfolio	-0.069	
6 Sittingbourne Northern Relief Road - additional external funding - EHW Portfolio	0.105	0.021
7 Cyclo Park - additional external funding - EHW portfolio	0.150	0.150
8 Kent Library & History Centre - additional external funding - C&C portfolio	0.098	0.010
9 PROW - a reduction in external funding - C&C portfolio	-0.084	0.010
10 Country Park Access & Development - reduction in external funding - C&C portfolio	-0.013	
11 Youth Reconfiguration - new project met from capital receipt - C&C portfolio	0.070	
12 Disposal Costs - reduction in capital receipt - BSPHR portfolio	-0.126	
	272.426	296.486

3.2 The current forecast capital position by portfolio, is shown in **table 4** below.

Table 4: Capital Position

	Real and	Real	Movement
	Re-phasing	Variance	This month
	Variance	Last month	
	This month		
Portfolio	£m	£m	£m
Education, Learning & Skills	-3.898	-0.325	-3.573
Specialist Children's Services	0.540	-0.093	0.633
Adult Social Care & Public Health	-0.395	-0.029	-0.366
Environment, Highways and Waste	0.380	1.244	-0.864
Customer & Communities	0.090	0.149	-0.059
Regeneration & Enterprise	0.000	0.000	0.000
Business Strategy, Performance & Public Health	0.005	0.005	0.000
Total (excl Schools)	-3.278	0.951	-4.229
Schools	0.000	0.000	0.000
Total	-3.278	0.951	-4.229

Since last month's report, the forecast outturn has reduced by £4.229m as detailed below:

3.3 Education, Learning & Skills portfolio:

The forecast has moved by -£3.573m. Projects subject to re-phasing and overall variances affecting 2011-12 are:

- Planned Enhancement Programme (-£1.090m, re-phasing): The main reasons for the re-phasing are due to the following:
 - Reactive Works** – this work needs to take place during the school holiday period which will now fall into 2012-13.
 - Water Hygiene Work** – contractors have not met their targets.
- Repton Park Primary School (-£0.571m, re-phasing): poor performance of the subcontractors have caused delays to the completion of the external load bearing wall.
- Primary Improvement Programme (-£0.298m real & -£0.127m re-phasing): The main reasons for the re-phasing are due to the following:
 - Warden Bay Primary School:** -£0.181m real variance. The January forecast indicated an overspend of £0.256m for utility and drainage costs which was to be met from next year's Modernisation programme. A contribution from the Children's Centre programme has now been agreed the additional funding from the Modernisation programme is no longer required.
 - St Matthews High Brooms:** -£0.117m real variance. A contingency sum set aside for this project is no longer required.
 - West Minster Primary School:** -£0.096m re-phasing due to further delays in re-siting of gas mains.
- Unit Reviews (-£0.390m, re-phasing): The main reasons for re-phasing are due to the following:
 - Cage Green Primary School:** -£0.159m due to late delivery of the timber frame.
 - West Malling CoE Primary School and Language Unit:** -£0.150m re-phasing due to design issues regarding the structure and the lead-on time for order and delivery of steel work. These delays have extended the completion time for this project.
 - Joy Lane Primary School:** -£0.073m due to problems in the supply of roofing materials, where the roof covering originally supplied was found not to be fit for purpose in a marine environment.
- Special Schools Review (-£0.364m, re-phasing): the majority of the re-phasing relates to Milestone School project where previous estimates for 2011-12 assumed that the contractor claim element allowed for in the project would be settled in this financial year.
- Modernisation Programme 2011-12 (-£0.264m, re-phasing): £0.222m of the re-phasing is due to the Modular Classroom programme and specifically Highview School where planning was obtained for one classroom modular unit but the brief has changed to incorporate two units which has delayed the process into 2012-13.

- Wyvern School – SSR phase 2 (-£0.182m, re-phasing): The revised build programme forecast in January was over optimistic in that the three weeks of cold weather meant that brickwork could not progress as planned.
- Specialist Schools – Ursuline College (-£0.095m, re-phasing): The outcome on the proposal to amend the land lease is outstanding which requires this project to re-phase to 2012-13

Overall this leaves a residual balance of -£0.192m on a number of minor projects.

3.4 Specialist Children's Services portfolio:

The forecast has moved by +£0.633m. This is mainly due to the following project:

- Multi Agency Specialist Hubs (+£0.678m, real): The overspend relates to contactor claims against the three projects within this programme. Funding of the overspend is in the process of being resolved.

3.5 Adult Social Care and Public Health portfolio:

The forecast has moved by -£0.363m. Projects subject to re-phasing and overall variances affecting 2011-12 are:

- Home Support Fund (-£0.140m, re-phasing): The commitment of this fund has been re-profiled but there are no contractual difficulties.
- LD good Day programme (-£0.075m, re-phasing): A grant to Sevenoaks Leisure Centre has been re-phased to next year.

Overall this leaves a residual balance of -£0.148m on a number of minor projects.

3.6 Environment, Highways and Waste portfolio:

The forecast has moved by -£0.864m. Projects subject to re-phasing and overall variances affecting 2011-12 are:

- Sittingbourne Northern Relief Road (-£0.087m re-phasing and -£0.221m real variance): Savings have been achieved on the final account and the removal of signage work.
- East Kent Access Phase 2 (-£0.296m, re-phasing): Delays in construction work during February have led to re-phasing into 2012-13.
- Rushenden Relief Road (-£0.148m, re-phasing): Re-phasing of landscape and safety work audit.
- Victoria Way (-£0.133m, re-phasing): Reduction due to final utility accounts being settled in 2012-13.
- Integrated Transport Schemes (-£0.104m re-phasing and -£0.018m real variance): Re-phasing has occurred due to labour being diverted to assist with the snow emergency. The £0.018m underspend is to offset an overspend on the A2 Slip Road scheme.
- Kent Thameside Strategic Programme (+£0.118m, re-phasing): Estimated costs for 2011-12 now include Rathmore Road, which was previously included in 2012-13.

Overall this leaves a residual balance of +£0.025m on a number of minor projects.

3.7 Customer and Communities portfolio:

The forecast has moved by +£0.253m. Projects subject to re-phasing and overall variances affecting 2011-12 are:

- Kent History & Library Centre (-£0.268m re-phasing and +£0.209m real variance): £0.207m of real variance relates to planning fees which KCC has to pay Bouyges in line with the developer

agreement following the sale of Springfield not progressing. These costs were absorbed within the anticipated capital receipt and were not part of the original budget, which only related to the cost of construction. The re-phasing relates to public realm work where final specification changes have delayed the programme of works.

4. RECOMMENDATIONS

Cabinet is asked to:

- 4.1 **Note** the latest forecast revenue and capital budget monitoring position for 2011-12.
- 4.2 **Note** the changes to the capital programme.