REPORT TO: CABINET – 1 DECEMBER 2008

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

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MANAGING DIRECTORS

SUMMARY:

Members are asked to:
- **note the latest monitoring position on the revenue and capital budget,**
- **note the additional revenue grant income as identified in appendix 2 to this report,**
- **note the changes to the capital programme**

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1. INTRODUCTION

1.1 This is the second full monitoring report to Cabinet for 2008-09.

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

2.1 Revenue

2.1.1 The net projected variance against the combined portfolio revenue budgets is an underspend of £2.393m after management action (excl. Asylum). Section 3 of this report provides the detail, which is summarised in Table 1a in section 2.1.4 below. A residual pressure remains forecast within the CFE portfolios of Operations, Resources & Skills and Children, Families & Educational Achievement. CFE is reviewing its services with the intention of identifying areas where further savings can be achieved in order to balance their budget by year end. If achieved this will reduce the position by a further £0.682m to an underspend of £3.075m (excl. Asylum).

2.1.2 Asylum Update:
The Asylum Service is forecasting to have a funding shortfall of £4,186k for the 2008-09 financial year, £3,686k of direct costs and £500k of indirect costs. The number of referrals in Kent is running at its highest monthly level for this point in the financial year with on average 50 cases per month. It is now clear from recent discussions with the Home Office that, with a static position nationally, Kent is receiving a greater proportion of the national Unaccompanied Asylum Seeking Children (UASC) intake than previously.
The forecast income for 2008-09 is based on the 2007-08 rules and levels. The Home Office have given an undertaking that no authority would be out of pocket in 2008-09 but there has been no reference to levels of income in any correspondence. However the latest information from the LGA says that costs "directly attributed to the care of an individual" in the current year should be reimbursed at 100% subject to audit. Until we receive anything in writing from the Home Office clarifying what costs will be reimbursed, based on last years grant levels and rules, the authority will have a shortfall of just over £4m. The Home Office has also referred to a winding down of indirect costs in line with reducing numbers which should be achieved over two years, although at this stage it is not clear what costs they consider to be indirect. Also while nationally the number of UASCs may be falling, the number of referrals in Kent remains significantly higher than our service was designed for.
A letter received on 12 November from the Home Office confirms that it will meet in full the shortfall of £2.1m for 2007-08 subject to a final audit. This, together with the £2.4m for 2006-07 confirmed by the Home Office in September, means that we have agreement that the Home Office will fund the full £4.5m of our special circumstances bids, leaving just the anticipated £1.5m to come from the DCSF. It was expected that the issue surrounding the DCSF grant would be

resolved by the 31st October but the DCSF have still to agree final client numbers so the issue remains outstanding. If the full £1.5m is secured (of the original claim for £2.6m), then we will have received the £6m of the £10m originally claimed and this is as per the agreement reached with the LGA in the summer.

2.1.3 Investments in Icelandic Banks update:

As a result of our investments in Icelandic Banks, interest on these deposits will not be received this year as expected, resulting in a potential loss of income. This, however, needs to be considered in light of the whole Treasury Management budget, which is impacted by recent and predicted changes in the bank base rate. Also, the revisions to the capital programme approved by Cabinet in October will have an impact on the treasury management budget. When all of these issues are taken together, we expect there to be a broadly neutral impact on the overall treasury management position in the current year.

We are still awaiting advice from CIPFA and the Audit Commission on how we will account for this when we close the accounts for 2008-09 and how we should budget in future years for the impact of this. We are having ongoing discussions with both the CLG and the Icelandic banks via the creditors group, to ensure the best possible outcome for the residents of Kent.

Until the situation becomes clearer we have not reflected the impact of this in the forecast outturn position in this report.

2.1.4 **Table 1a** – Portfolio position – net revenue position **after** proposed management action

Portfolio	Budget	Gross Variance	Management Action	Net Variance
	£k	£k	£k	£k
O,R&S (CFE)	-810,833	+1,916	-1,277	+639
CF&EA	+132,004	+43	0	+43
Kent Adult Social Services	+325,239	+1,113	-1,113	0
E,H&W	+144,259	-1,463	0	-1,463
Regen & SI	+9,641	-375	0	-375
Communities	+52,512	+594	-594	0
Public Health	+949	-116	0	-116
Corporate Support	+31,271	-45	-464	-509
Policy & Performance	+1,582	+22	-22	0
Finance	+106,454	+139	-751	-612
TOTAL (excl Schools)	-6,922	+1,828	-4,221	-2,393
Asylum	0	+4,186	0	+4,186
TOTAL (excl Schools)	-6,922	+6,014	-4,221	+1,793
Schools	+872,188	0	0	0
TOTAL	+865,266	+6,014	-4,221	+1,793

2.2 Capital

2.2.1 The capital programme has been recast to reflect action taken to address the funding issues brought about by the current economic situation ie reduced capital receipts and potentially other capital funding, together with changing building tender price inflation and a revised capital programme was approved by Cabinet in October. This report reflects the current monitoring position against this revised programme, where a pressure of £6.201m and re-phasing of £6.520m of expenditure into future years is forecast, giving a total variance in 2008-09 of -£0.319m. Further details are provided in section 4 of this report.

3. REVENUE

3.1 Virements/changes to budgets

Directorate cash limits have been adjusted to include:

- the transfer of functions between portfolios as follows:
  - the transfer of the Contact Centre from Communities portfolio to Corporate Support & External Affairs portfolio
  - the transfer of Legal and Democratic Services from Policy & Performance portfolio to Corporate Support & External Affairs portfolio

- the transfer of Local Involvement Networks from Public Health portfolio to Environment, Highways & Waste portfolio.
- The inclusion of a number of 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set or adjustments to the level of grant allocation assumed in the budget following confirmation from the awarding bodies. These are detailed in Appendix 2.

All other changes to cash limits reported this quarter 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.

3.2.1 **Table 1b** – Portfolio/Directorate position – gross revenue position **before** management action

			Directorate					
Portfolio	**Budget**	**Variance**	CFE	KASS	E&R	CMY	CED	FI
	£k	**£k**	£k	£k	£k	£k	£k	£k
O,R&S (CFE)	**-810,833**	**+1,916**	+1,916					
CF&EA	**+132,004**	**+43**	+43					
Kent Adult Social Services	**+325,239**	**+1,113**		+1,113				
E,H&W	**+144,259**	**-1,463**			-1,463			
Regen & SI	**+9,641**	**-375**			-375			
Communities	**+52,512**	**+594**				+594		
Public Health	**+949**	**-116**					-116	
Corporate Support	**+31,271**	**-45**					-45	0
Policy & Performance	**+1,582**	**+22**					+22	
Finance	**+106,454**	**+139**					+756	-617
SUB TOTAL (excl Schools)	**-6,922**	**+1,828**	+1,959	+1,113	-1,838	+594	+617	-617
Asylum	**0**	**+4,186**	+4,186					
TOTAL (excl Schools)	**-6,922**	**+6,014**	+6,145	+1,113	-1,838	+594	+617	-617
Schools	**+872,188**	**0**	0					
TOTAL	**+865,266**	**+6,014**	+6,145	+1,113	-1,838	+594	+617	-617

3.2.3 **Table 1c** – Gross, Income, Net (GIN) position – revenue (**before** management action)

	CASH LIMIT			**VARIANCE**		
Portfolio	**Gross**	**Income**	**Net**	**Gross**	**Income**	**Net**
	£k	£k	£k	£k	£k	£k
O,R&S (CFE)	+141,639	-952,472	**-810,833**	+1,053	+863	**+1,916**
CF&EA	+221,330	-89,326	**+132,004**	+2,298	-2,255	**+43**
Kent Adult Social Services	+447,827	-122,588	**+325,239**	+1,477	-364	**+1,113**
E,H&W	+156,854	-12,595	**+144,259**	-903	-560	**-1,463**
Regen & SI	+12,264	-2,623	**+9,641**	-375	0	**-375**
Communities	+102,851	-50,339	**+52,512**	+1,794	-1,200	**+594**
Public Health	+949	0	**+949**	-111	-5	**-116**
Corporate Support	+54,227	-22,956	**+31,271**	+5,730	-5,775	**-45**
Policy & Performance	+2,662	-1,080	**+1,582**	-1	+23	**+22**
Finance	+171,735	-65,281	**+106,454**	-1,863	+2,002	**+139**
SUB TOTAL (excl Schools)	+1,312,338	-1,319,260	**-6,922**	+9,099	-7,271	**+1,828**
Asylum	+14,129	-14,129	**0**	0	+4,186	**+4,186**
TOTAL (excl Schools)	+1,326,467	-1,333,389	**-6,922**	+9,099	-3,085	**+6,014**
Schools	+952,705	-80,517	**+872,188**	0	0	**0**
TOTAL	+2,279,172	-1,413,906	**+865,266**	+9,099	-3,085	**+6,014**

A reconciliation of the above gross and income cash limits to the approved budget book is detailed in **Appendix 2.**

3.3 Table 2 below details all projected revenue variances over £100k, in size order. Supporting detail to each of these projected variances is provided in individual Directorate reports as follows:

Annex 1 **Children, Families & Education**
incl. Operations, Resources & Skills (CFE) and Children, Families & Educational Achievement portfolios
Annex 2 **Kent Adult Social Services**
Annex 3 **Environment & Regeneration**
incl. Environment, Highways & Waste & Regeneration & Supporting Independence portfolios
Annex 4 **Communities**
Annex 5 **Chief Executives**
incl. Public Health, Corporate Support & External Affairs, Policy & Performance and Finance portfolios
Annex 6 **Financing Items**
incl. elements of the Corporate Support & External Affairs and Finance portfolios

Table 2 - All Revenue Budget Variances over £100k in size order

Pressures (+)			**Underspends (-)**		
portfolio			portfolio		
CFEA	Asylum - Shortfall in income (income)	+4,186	CS	Information Systems income from additional services/projects	-3,918
CS	Information Systems costs of additional services/projects	+3,918	FIN	Treasury Management	-2,266
KASS	LD Residential gross - activity in excess of affordable level in independent sector placements	+2,294	EHW	Reduced waste tonnage	-1,580
CFEA	Independent Sector Residential Care - increase in demand and high cost placements (gross)	+1,686	FIN	Insurance Recovery for cost of higher value claims	-1,432
CFEA	Fostering Service - Independent fostering allowances (gross)	+1,567	CFEA	Family Support - Planned management action (gross)	-1,270
FIN	Higher value claims recoverable from insurance	+1,432	KASS	Older People Domiciliary gross - reduction in hours in independent care	-1,270
KASS	PD Residential gross - activity in excess of affordable level in independent sector placements	+1,408	ORS	ICT - Broadband connectivity project reduced spend due to reduced buy back from schools (gross)	-1,223
EHW	Invest to save schemes within KHS to address MTP issues	+1,400	CS	Legal income resulting from additional work (partially offset by increased costs)	-1,204
FIN	Reduction in LABGI income	+1,349	EHW	Diversion to landfill while Allington waste to energy plant off-line	-1,100
ORS	ICT - Broadband connectivity project reduced income from schools (income)	+1,216	EHW	Public transport including Freedom pass	-900
CFEA	Assessment and Related - Frontline staffing overspend (gross)	+1,023	CFEA	Independent Sector Residential Care - placement funding from Joint Residential Assessment Panel (income)	-886
ORS	SEN Transport - increase in numbers travelling (gross)	+766	CFEA	ASK Early Years - rebadge of Sure start expenditure (gross)	-700
CFEA	Other Services Support - Legal costs (gross)	+752	CFEA	Fostering Service - Non Independent Fostering Allowance lines (gross)	-653
FIN	Change in accounting treatment of some staffing costs of Corporate Property Unit, previously charged to capital	+751	KASS	Older People Domiciliary gross - reduction in in-house hours	-640
EHW	Vegetation control	+700	KASS	Older People Residential gross - release of Deferred Payments Loan from DoH	-628

Pressures (+)			Underspends (-)		
portfolio			portfolio		
KASS	LD Direct Payments gross - activity in excess of aforadable level	+682	KASS	Older People Nursing gross - release of Deferred Payments Loan from DoH	-628
EHW	One-off costs of implementing the permit scheme from the Traffic Management Act	+655	KASS	LD Supported Accommodation gross - activity below affordable level	-626
KASS	LD Residential gross - Preserved Rights reduced attrition	+654	ORS	Mainstream Home to School Transport - reduction in numbers travelling (gross)	-603
KASS	Older People Nursing gross - activity in excess of affordable level in independent sector placements	+649	CS	Legal services costs of disbursements recovered from clients	-585
ORS	Capital Strategy - closed schools revenue maintenance (gross)	+648	KASS	PD Domiciliary gross - activity below affordable level	-511
KASS	MH Residential gross - tfr of clients to supported accomodation not yet happened	+648	KASS	MH Assessment & Related gross - vacancy management	-501
ORS	SEN Transport - price increases (gross)	+624	KASS	PPQA gross - vacancy management	-484
KASS	Older People Domiciliary income - under-recovery of income due to lower activity	+590	CMY	Youth external contributions for Connexions	-475
CS	Legal services cost of additional disbursements	+585	CMY	KDAAT Additional income for prescribing & Alcohol services	-456
CS	Legal services cost of additional work (offset by increased income)	+572	KASS	Older People Other Services - release of the balance of the Managing Director's contingency	-436
KASS	LD Domiciliary gross - pressure against Independent Living Scheme	+528	KASS	PD Residential gross - additional income through additional activity	-432
CMY	Youth expenditure on connexions covered by increased income	+475	KASS	LD Residential income - additional income resulting from additional activity	-429
CMY	KDAAT Additional investment for prescribing & Alcohol services	+456	KASS	Older People Nursing gross - RNCC activity below affordable level	-402
ORS	Personnel and Development - pensions (gross)	+451	CS	P&D - recovery from Directorates of increased costs of Staff Care Services	-390
KASS	Older People Nursing income - under recovery of income due to lowere RNCC activity	+402	CMY	Reduced expenditure within AE on sessional staff and other budget headings in response to lower than anticipated enrolments	-378
CS	P&D - increased charges from Commercial Services for additional Staff Care Services	+390	CMY	Transfer of expenditure for Education Business System within AE to capital programme	-373
CMY	Loss of income due to lower than anticipated Adult Education enrolments	+378	KASS	Resources gross - release of client billing provision	-362
CMY	AE rolled forward deficit from 2007-08 due to lower than expected enrolments and restructure costs	+373	CMY	Youth - contribution from CFE for Positive Activities for Young People	-352
CMY	Youth expenditure on Positive Activities for Youth People covered by contribution from CFE	+352	CFEA	Assessment and Related - additional income from Best project, training and Health (income)	-316
KASS	Older People Residential gross - pressure relating to change in unit cost in independent sector placements	+347	EHW	Recycling income	-314
KASS	LD Residential gross - pressure relating to change in unit cost of independent sector placements	+338	ORS	Personnel and Development - reduction in school staff redundancy costs (gross)	-304
KASS	LD Domiciliary gross - activity in excess of affordable level	+335	KASS	PD Supported Accommodation gross - activity below affordable level	-304
KASS	PD Residential gross - pressure relating to change in unit cost of independent sector placements	+325	KASS	Resources gross - release of Supporting People reserve to fund PFI legal costs	-300

Pressures (+)			Underspends (-)		
portfolio			portfolio		
CFEA	Other Services Support - Out of Hours Service staffing (gross)	+320	EHW	MIDAS financial and management information system replacement project phasing	-300
KASS	All Adults Assessment & Related Gross - staffing pressures	+320	KASS	LD Supported Accommodation gross - difference in unit cost	-291
CS	ISG Unmet savings target for reduced Directorate activity	+314	KASS	Older People Nursing income resulting from additional activity	-286
CS	ISG Unmet savings target re: provision of new printer contract	+300	KASS	LD Other Services - release of the balance of the Managing Director's contingency	-264
FIN	Commercial Services - Shortfall in income from sponsorship of roundabouts	+300	KASS	Older People Residential income resulting from additional activity	-250
ORS	Capital Strategy - mobile classroom costs (gross)	+294	RSI	Shaw Grange remedial works phasing	-240
CMY	Central Budgets - Unrealistic income assumptions to meet the full cost of the Policy & Resources unit.	+290	CFEA	Independent Day Care - lower take up of places (gross)	-238
KASS	PD Direct Payments gross- activity in excess of affordable level	+243	EHW	Additional income from "Operation Cubit" (partnership project to tackle abandoned vehicles)	-236
KASS	LD Other Services gross - in-house day services in excess of affordable level	+239	CFEA	Other Services Support - Out of Hours Service increased income (income)	-232
KASS	Resources income - write back of PFI debtor	+225	KASS	LD Residential gross - Preserved Rights change in unit cost	-232
KASS	Older People Residential gross - activity in excess of affordable level in independent sector placements	+219	KASS	LD Domiciliary income resulting from additional activity	-215
KASS	Older People Residential gross - in house provision staffing costs	+210	CS	P&D - Income from Schools for Health & Safety training	-210
CS	P&D - Consultancy costs for Health & Safety training for Schools	+210	CFEA	Other Services Support - Family Law (gross)	-200
KASS	Older People Domiciliary gross - pressure relating to change in unit cost in independent sector placements	+206	CS	SDU - Confirmed profile of Kent TV revenue spend to Aug09 (roll forward proposal)	-200
EHW	Increased Network Operation Management Unit (NOMU) activity	+202	EHW	Reduction on anticipated IT transformation spend	-190
EHW	Country parks	+200	CFEA	Other Services Support - Additional BPMU income (income)	-186
KASS	MH Domiciliary gross - activity in excess of affordable level	+180	ORS	Client Services - Additional contract income (income)	-184
KASS	LD Residential gross - in house provision staffing	+167	CFEA	ASK Professional Development - staffing vacancies (gross)	-171
KASS	PD Domiciliary income - under-recovery of income due to lower activity	+156	CFEA	Leaving Care/16 plus - Care Matters grant funding (via Area Based Grant) (gross)	-170
CFEA	ASK Primary - School Improvement Partners project staffing (gross)	+146	KASS	All Adults Assessment & Related one-off income from Health	-170
CMY	Coroners long inquests payments	+139	KASS	Older People Direct Payments gross - lower unit cost & activity	-170
CFEA	Section 17 - increased support to clients (gross)	+123	CMY	Libraries & Archives Staff underspends to cover costs of stamps and merchandise	-161
FIN	Property Grp - Reduced fee income following downturn in project work	+120	KASS	PD Residential gross - Preserved Rights increased attrition	-160
CS	Democratic Services delay in budgeted staff savings	+118	ORS	Home to College Transport - reduction in numbers travelling (gross)	-154
CMY	Central Budgets: Unrealistic budgets set for directorate events	+116	CFEA	Education Psychology - staffing vacancies (gross)	-147
CMY	Key Training: Costs associated with unaccompanied minors project.	+114	CMY	Trading Standards staff underspends	-146

Pressures (+)			Underspends (-)		
portfolio			portfolio		
CMY	Coroners Pathology Fees, Mortuary Attendants and Histology fees	+110	CFEA	Fostering Service - additional income for training, placements etc (income)	-133
CMY	Libraries & Archives Purchase of stamps & merchandise	+100	FIN	Unfilled Property vacancies following downturn in project work	-120
			CMY	Key Training: Unaccompanied minors project. Funding agreed after budgets set.	-114
			ORS	Strategic Management - staff reduction (gross)	-112
			KASS	LD Residential income resulting from additional Preserved Rights activity	-105
			CFEA	Family Support - increase in income (income)	-103
			KASS	Learning Domiciliary gross - change in unit cost in independent sector	-101
			KASS	Older People Nursing gross - Preserved Rights increased attrition	-100
		+41,586			**-35,922**

3.4 **Key issues and risks**

3.4.1 In the Children, Families & Education directorate, the key issues by portfolio are:

3.4.1.1 **Operations, Resources & Skills portfolio:** Forecast excl Schools **+£1.916m**
This pressure is mainly due to increased demand and costs of SEN Home to School transport; increased pension costs resulting from early retirements due to school closures and amalgamations in previous years and the costs of boarding up closed schools and repairs required as a result of vandalism. This is partially offset by a saving on Mainstream Home to School transport.

3.4.1.2 **Children, Families & Educational Achievement portfolio:** Forecast excl Asylum **+£0.043m**
This pressure is mainly a continuation of the pressures experienced in 2007-08 on independent sector residential care, independent fostering allowances and legal fees within Children's Social Services, and an overspend on frontline staffing within Children's Social Services. These pressures are largely offset by savings elsewhere within the Children's Social Services budgets and the re-badging of eligible Sure Start expenditure to fully utilise the grant provided for Children's Centres. The increase during 2008-09 in the number of foster care client weeks is a concern and will be closely managed.

3.4.1.3 **Children, Families & Educational Achievement portfolio - Asylum:** Forecast **+£4.186m**
The forecast assumes the same grant rules and unit costs as 2007-08, which will give a shortfall in funding of £3.686m of direct costs and £0.5m of indirect costs. The Home Office has given an undertaking that no authority will be out of pocket in 2008-09 and the LGA has said that costs "directly attributable to the care of an individual" will be 100% reimbursed subject to audit. However we have yet to receive anything in writing clarifying what costs will be reimbursed, therefore we continue to report this pressure. Negotiations regarding previous year costs continue. The 2006-07 and 2007-08 Home Office bids have been agreed at 100%, amounting to £4.5m, but the position regarding the bid outstanding with the DCSF for 2007-08 is still to be resolved.
All of these pressures are detailed in Annex 1.

3.4.2 **Kent Adult Social Services portfolio:** Forecast **+£1.113m**
This pressure is mainly as a result of demographic and placement pressures, primarily within services for people with learning and physical disabilities. The impact of young adults transferring from Children's Services, many of whom have very complex needs and require a much higher level of support, continues to be felt. Alongside these so-called "transitional" placements are the increasing number of older learning disabled clients who are cared for at home by ageing parents who will begin to require more support. These pressures are largely offset by underspends on services for older people and central services.
Further details are provided in Annex 2.

3.4.3 In the Environment & Regeneration directorate, the key issues are:

3.4.3.1 **Environment, Highways & Waste portfolio:** Forecast **-£1.463m**

There is an underspend on waste due to lower waste tonnage than assumed in the budget, increased recycling income and savings resulting from diverting more waste to landfill whilst the Waste to Energy plant in Allington was not working, which is currently a cheaper means of disposal in the short term. This is partially offset by increased spend within Kent Highway Services on vegetation control, implementation costs of the permit scheme within the Traffic Management Act and invest to save schemes to produce future savings to assist with meeting the 2009-12 MTP pressures.

3.4.3.2 **Regeneration & Supporting Independence portfolio:** Forecast **-£0.375m**

This underspend mainly relates to re-phasing of the Shaw Grange remedial works, for which roll forward will be requested, together with some staff vacancy savings.

Further details are provided in Annex 3.

3.4.4 **Communities portfolio:** Forecast **+£0.594m**

There is pressure on the Coroners service due to increased costs as a result of an increasing number of long inquests and increased pathology and mortuary costs. There is also pressure on the Central Budgets, specifically directorate events and income.

Further details are provided in Annex 4.

3.4.5 In the Chief Executives directorate, the key issues by portfolio are:

3.4.5.1 **Corporate Support & External Affairs portfolio:** Forecast **-£0.045m**

A pressure on the IS budget relating to unmet savings targets, is offset by an underspend within Legal Services as a result of additional internal and external work. There is also a re-phasing of Kent TV expenditure through to August 2009.

3.4.5.2 **Finance portfolio:** Forecast **+£0.756m**

This pressure results from the continuation of the change in accounting treatment in 2007-08 of some staffing costs of the Corporate Property Unit, which were previously capitalised.

Further details are provided in Annex 5.

3.4.6 On the Financing Items budgets, the key issues are:

Finance portfolio: Forecast **-£0.617m**

Treasury management savings are largely offset by a reduction in LABGI income and a shortfall in income from the sponsorship of roundabouts. The treasury management position remains as previously reported until the situation regarding our investments in Icelandic banks becomes clearer, as explained in paragraph 2.1.3.

Further details are provided in Annex 6

3.4.7 Directorates have implemented management action plans which are expected to reduce the pressures from +£6.014m to +£1.793m (including the pressure on Asylum of +£4.186m), with residual pressures currently anticipated within the Operations, Resources & Skills and Children, Families & Educational Achievement portfolios. However further action is currently being considered to address this. Details of the proposed management action are provided in the annex reports. Progress against these management action plans will be closely monitored throughout the remainder of the financial year so that, if necessary, a decision on further action can be taken as soon as possible.

3.5 Implications for future years/MTP

3.5.1 The key issues and risks identified above will need to be addressed in directorate medium term plans (MTP) for 2009-12. 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. The Directorates are currently assessing the medium term impact of these issues and the outcome will be reflected in the 2009-12 MTP.

4. CAPITAL

4.1 Changes to budgets

4.1.1 The capital monitoring focuses on projects which are re-phasing by £1m or more and it distinguishes between real variances/re-phasing on projects which are:

- part of our year on year rolling programme or projects which already have approval to spend and are underway , and
- projects which are still only at the preliminary stage or are only at the approval to plan stage and their timing remains uncertain.

We separately identify projects which have yet to get underway, but despite the uncertainty surrounding their timing they were included in the budget because there is a firm commitment to the project. By identifying these projects separately, we can focus on the real re-phasing in the programme on projects which are up and running.

4.1.2 A revised capital programme was approved by Cabinet at its meeting on 13 October and forms the basis for this monitoring report. Since the approval of this programme, the following adjustments have been made to the 2008-09 capital budget:

		£000's
1.	As reported to Cabinet on 13 October (excl. PFI)	317,253
2.	Income from the Strategic Health Authority for Learning Disability Development Fund (LDDF) Partnership projects (KASS portfolio)	300
3.	Reduction in Department of Transport grant to reflect final grant settlement for Improvements to Public Transport Infrastructure (E,H&W portfolio)	-333
4.	Increased developer contributions for Everards Link Phase 2 (E,H&W portfolio)	90
5.	Additional GAF3 grant for Ashford Ring Road (E,H&W portfolio)	46
6.	Increased developer contributions Ashford Newtown Road Bridge Scheme (E,H&W portfolio)	91
7.	Additional Interreg grant for Forthill de-dualling project (R&SI portfolio)	32
		317,479
8.	PFI	73,420
		390,899

4.1.3 Revised budget book pages were published on KNet following Cabinet approval of the revised capital programme. These identified a funding gap on the Operations, Resources & Skills portfolio of £4.337m over the period of the MTP. This is also in line with the current forecast overspend on this portfolio of £4.336m over the period of the capital programme as detailed in annex 1, £3.617m of which is in the current year and shown in the table below. This will be addressed through the medium term plan.

4.2 **Table 3** – Portfolio/Directorate position – capital

			Directorate				
Portfolio	**Budget**	**Variance**	CFE	KASS	E&R	CMY	CED
	£k	**£k**	£k	£k	£k	£k	£k
O,R&S (CFE)	**+152,886**	**+3,438**	+3,438				
CF&EA	**+2,045**	**0**	0				
KASS	**+5,298**	**+984**		+984			
E,H&W	**+78,188**	**-4,367**			-4,367		
Regen & SI	**+14,071**	**-1,500**			-1,500		
Communities	**+10,678**	**-971**				-971	
Corporate Support	**+6,016**	**+2,000**					+2,000
Policy & Performance	**+526**	**0**					0
Finance	**+4,651**	**+97**					+97
TOTAL (excl Schools)	**+274,359**	**-319**	+3,438	+984	-5,867	-971	+2,097
Schools	**+43,120**	**0**	0				
TOTAL	**+317,479**	**-319**	+3,438	+984	-5,867	-971	+2,097

Real Variance		**+6,201**	+3,617	+417	+20		+2,147
Re-phasing (detailed below)		**-6,520**	-179	+567	-5,887	-971	-50
		2008-09	**2009-10**	**2010-11**	**Future yrs**		**Total**
Re-phasing		-6,520	+1,354	+900	+4,266		0

4.2.1 Table 3 shows that there is an overspend of £6.201m on the capital programme for 2008-09 and £6.520m of re-phasing of expenditure into later years. Of the current -£6.520m forecast re-phasing, -£5.937m relates to projects with variances of £1m or more which are identified in table 6 and section 4.6 below and reported in detail in the annex reports; -£0.479m relates to projects with variances between £0.25m and £1m which are also identified in table 6 and the balance of £0.104m made up of projects with variances of under £0.25m which do not get reported in detail in this report.

4.3 Table 4 below, splits the forecast variance on the capital budget for 2008-09 as shown in table 3, between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and the timing remains uncertain, and
- projects at the preliminary stage.

Table 4 – Analysis of forecast capital variance by project status (excl. Devolved Capital to Schools & PFI)

		Variance			
	budget	**real variance**	**re-phasing**	**total**	
Project Status	£'000s	£'000s	£'000s	£'000s	
Rolling Programme	89,015	2,158	-581	1,577	
Approval to Spend	94,845	3,853	-270	3,583	
Approval to Plan	87,219	190	-5,669	-5,479	
Preliminary Stage	3,280	-	-	-	
Total	274,359	6,201	-6,520	-319	
	2008-09	**2009-10**	**2010-11**	**future years**	**total**
	£'000s	£'000s	£'000s	£'000s	£'000s
Re-phasing:					
Rolling Programme	-581	562	53	-34	-
Approval to Spend	-270	213	57	-	-
Approval to Plan	-5,669	579	790	4,300	-
Preliminary Stage	-	-	-	-	-
Total	-6,520	1,354	900	4,266	-

4.3.1 Table 4 shows that of the -£0.319m forecast capital variance (excluding devolved capital to schools) -£5.479m is due to projects which are still only at the approval to plan or preliminary stages and their timing remains uncertain. This leaves a variance of +£5.160m which relates to projects that are either underway or are part of our year on year rolling programme.

4.3.2 Table 5 below shows the effect of the capital variance on the different funding sources. The variance against borrowing (supported and prudential) is +£2.910m. This largely relates to a shortfall in funding on the Operations, Resources & Skills portfolio as detailed in paragraph 4.1.3 above, and later phasing of the external funding for the Turner Contemporary project than originally anticipated, requiring more up front borrowing in advance of receipt of these funds – this is purely a phasing issue and not an overall change to the level of borrowing required for the project.

Table 5: 2008-09 Capital Variance analysed by funding source (incl Devolved Capital to Schools)

	Capital Variance £m
Supported Borrowing	0.000
Prudential	+3.139
Prudential/Revenue (directorate funded)	-0.030
PEF2	-0.199
Grant	-4.349
External Funding - Other	-1.854
External Funding - Developer contributions	-0.126
Revenue & Renewals	+1.955
Capital Receipts	+1.299
General Capital Receipts (generated by Property Enterprise Fund)	-0.154
TOTAL	**-0.319**

4.4 Table 6 below details all projected capital variances over £250k, in size order. These variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications; or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m, which is due to phasing of the project, excluding those projects identified as only being at the preliminary stage, is explained further in section 1.2.4 of the individual Directorate annex reports, and all real variances are explained in section 1.2.5 of the individual Directorate annex reports, together with the resourcing implications.

Table 6 - All Capital Budget Variances over £250k in size order

portfolio	Project	real/ phasing	Project Status Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
CSEA	Sustaining Kent (KPSN)	real		+2,000		
EHW	Highway Maintenance	real	+1,097			
ORS	Development Opportunities - Dartford Campus	real		+885		
ORS	Hugh Christie - All Weather Pitch	real	+653			
KASS	Crispe House - Rephase	phasing		+567		
ORS	Site Aquistions 2008/09	real	+554			
ORS	The North School - all Weather Pitch	real	+425			
KASS	Broadmeadow	real		+417		
			+2,729	**+3,869**	**+0**	**+0**
		Real	*+2,729*	*+3,302*	*0*	*0*
		Phasing	*0*	*+567*	*0*	*0*
Underspends/Projects behind schedule						
EHW	East Kent Access Rd Ph 2	phasing			-4,437	
RSI	Regeneration Fund	phasing			-1,500	
EHW	Intergrated Transport	real	-1,357			
CMY	Ashford Gateway Plus	phasing		-771		
ORS	Modernisation 08-09 - Sissinghurst	phasing	-275			
			-1,632	**-771**	**-5,937**	**0**
		Real	*-1,357*	*0*	*0*	*0*
		Phasing	*-275*	*-771*	*-5,937*	*0*
			1,097	**3,098**	**-5,937**	**0**
		Real	*1,372*	*3,302*	*0*	*0*
		Phasing	*-275*	*-204*	*-5,937*	*0*

4.5 **Reasons for Real Variance and how it is being dealt with**

4.5.1 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 2008-09 are listed below together with their resourcing implications:-

- +£2.0m on the Sustaining Kent (Kent Public Services Network) project relating to the higher than expected up-front capital requirement which will be funded from a revenue contribution to capital outlay from existing revenue grant monies.
- -£1.357m on Integrated Transport – this is a planned underspend to be used to offset:
- +£1.097m planned overspend on Highway maintenance, to contribute towards service pressures in this area; +£0.170m pressure on the Ashford Ring Road major contract resulting from the pedestrianisation now included in the scheme; and +£0.090m of cycle route that has been added to the major Newtown road scheme (also in Ashford). It is permissible for Integrated Transport funding to be spent on highway maintenance and vice versa.
- +£0.417m Broadmeadow refurbishment of registered care centre project - this reflects the full outcome of the mediation process with the architects and the contractors. Discussions are currently underway as to how this pressure is to be funded.

The following pressures within the OR&S portfolio form part of the £4.337m pressure (see paragraph 4.1.3 above)

- +£0.885m Dartford Campus - as this project has progressed, additional costs have arisen including: prolongation & disruption claim from the contractor, changes in architects instructions, reinstatement works to the temporary site access & additional external works on the Dartford Technology College aspect of the project. In addition, new issues have arisen which have been added to the programme of works.

- +£0.653m and +£0.425m for all weather pitches at Hugh Christie and The North School respectively, required to complete the School PFI project. In the case of the North School this is required in order to provide sufficient playing space for its increase to an 8 form entry school.
- +£0.554m Site Acquisitions - this commitment relates to the purchase of land which will allow a second access to the old Hereson School Site which will facilitate and enhance a future capital receipt.

Further details of smaller real variances are provided in the annex reports.

4.6 **Main projects re-phasing and why**.

4.6.1 The projects that are re-phasing by £1m or more are identified below: -

- -£4.437m East Kent Access Road Phase 2 – the start date has been delayed by 6 months because of difficulties encountered in purchasing an additional small area of land for relocation of a sub-station for EDF Energy.
- -£1.500m Capital Regeneration Fund – projects are normally carried out in conjunction with partners and the timing is therefore dependent on a number of external factors including partners funding availability.

4.7 **Key issues and risks**

4.7.1 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. The impact on service delivery of projects which are re-phasing by £1m or more, as identified in table 6 above, is highlighted in section 1.2.4 of the annex reports.

4.7.2 There is severe pressure mounting on the Education building maintenance programme, and work to identify a potential overspend situation is currently being undertaken.

4.8 **Implications for future years/MTP**

4.8.1 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, or agreement to utilising PEF2 is in place before the project is contractually committed.

4.9 **Impact on Treasury Management**

4.9.1 The re-phasing of the capital programme from 2007-08, resulting in a lower level of borrowing required in the 2007-08 financial year, and the re-casting of the capital programme approved by Cabinet in October are major factors in the £2.266m treasury management underspend reported 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 will be reflected in the 2009-12 MTP.

4.10 **Resourcing issues**

4.10.1 The funding of the 2008-11 capital programme, is reliant upon some £27.440m of capital receipts, £88.313m of developer contributions and £31.625m of external funding. 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”. The current economic situation will only intensify this risk, with property prices falling, the number of new housing developments reducing and developers pulling out of new developments. This has largely been addressed in the revised capital programme, which was agreed by Cabinet in October and the creation of PEF2, but there remains an element of risk for the reduced level of funding still assumed from these sources. 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 and external funding is therefore rigorous and intensive.
At this stage, there are no other significant risks to report.

4.11 **Prudential Indicators**

4.11.1 The latest monitoring of Prudential Indicators is detailed in **appendix 3**.

5. RISK MANAGEMENT

5.1 The Corporate Risk Management Group, which has been re-constituted, supports the development of risk management and monitoring of risks across the authority. The first meeting of this re-constituted group has been planned to take place in November and will be chaired by the Head of Audit & Risk. The Group will report to the Resource Directors Group as necessary.

5.2 A further training workshop was held in September for those officers wishing to learn about the management of risk within KCC. It was evident from feedback that the general level of awareness that officers now have through their jobs about risk management has improved considerably since these workshops were first introduced in 2007. The provision of training is currently under review.

5.3 The formal refresh of directorate risk registers is currently underway. Refreshed registers will be presented to the Governance & Audit Committee in March 2009. A separate report on the financial risks is on the agenda of this meeting.

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 2008 is provided at **appendix 1**. 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 31/3/09 £m	Balance at 31/3/08 £m
Earmarked Reserves	73.1	86.0
General Fund balance	25.8	25.8
Schools Reserves *	79.4	79.4

* 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 £12.9m in earmarked reserves is mainly due to the anticipated movements in the rolling budget, DSG and Supporting People reserves as reflected in the annex reports and the planned movements in reserves such as PRG, IT Asset Maintenance, Kingshill Smoothing, earmarked reserve to support the 2008-09 budget, insurance reserve and PFI equalisation reserves.

7. RECOMMENDATIONS

Cabinet is asked to:

7.1 Note the latest monitoring position on the revenue and capital budget.

7.2 Note the additional revenue grant income as identified in appendix 2 to this report.

7.3 Note the changes to the capital programme.

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 2008		31 March 2007 Restated	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets			3,629		4,732
Tangible fixed assets					
Operational assets					
Land and buildings		1,443,378		1,414,844	
Vehicles, plant and equipment		21,576		15,863	
Roads and other highways infrastructure		568,640		514,320	
Community assets		8,047		7,775	
Non-operational assets					
Investment property		6,588		6,584	
Assets under construction		256,871		237,813	
Surplus and non-operational property		81,737		95,423	
Total tangible assets			2,386,837		2,292,622
Total fixed assets			2,390,466		2,297,354
Long-term investments			134,547		115,000
Long-term debtors			56,533		59,736
Deferred premiums			0		20,990
PFI debtor			3,933		441
Total long-term assets			2,585,479		2,493,521
Current assets					
Stocks and work in progress		5,390		5,905	
Debtors		177,518		175,613	
Investments		264,121		153,059	
Total current assets			447,029		334,577
Current liabilities					
Temporary borrowing		-35		-38	
Creditors		-266,688		-260,119	
Cash balances overdrawn		-108,383		-27,957	
			-375,106		-288,114
Total assets less current liabilities			2,657,402		2,539,984
(Net assets employed)					
Long-term liabilities					
Long-term borrowing		-1,017,200		-952,365	
Deferred liabilities		-535		-957	
Deferred credit - Medway Council		-53,385		-55,609	
Provisions		-14,636		-13,786	
Government grant deferred account		-196,381		-174,435	
Liability related to defined benefit	- KCC	-564,100		-637,700	
pensions schemes	- DSO	-2,447		-2,487	
			-1,848,684		-1,837,339
Total assets less liabilities			808,718		702,645

Balance Sheet

Revaluation reserve		-72,530		0	
Capital adjustment account		-1,071,609		-1,126,217	
Financial instruments adjustment account		20,803		0	
Earmarked capital reserve		-52,436		-26,698	
Usable capital receipt reserve		-7,825		-7,942	
Pensions reserve	- KCC	564,100		637,700	
	- DSO	2,447		2,487	
Earmarked reserves		-86,015		-80,929	
General fund balance		-25,835		-25,835	
Schools reserves		-79,360		-74,376	
Surplus on trading accounts		-458		-835	
Total net worth			-808,718		-702,645

Appendix 2

Reconciliation of Gross and Income Cash Limits in Table 1c to the Approved Budget Book

	Gross	Income	Net	
	£k	£k	£k	
Reconciliation:				
Cash Limits Per Sept report	+2,280,188	-1,414,937	**+865,251**	
Subsequent changes:				
CF&EA	+15		+15	additional ABG for Learning Together to be Safe toolkit for schools
				Changes to grant/income allocations:
OR&S	+159	-159	0	Transition Information Sessions grant
OR&S	+260	-260	0	Standards Fund Aim Higher grant
OR&S	+16	-16	0	Extended Schools Pilot
OR&S	+62	-62	0	Department of Innovation University & Skills grant for additional Awards work
OR&S	-1,194	+1,194	0	DSG final adjustment
OR&S	-352	+352	0	SSG final adjustment
CF&EA	+13	-13	0	KPSN WAN transfer to CED
CF&EA	+1,470	-1,470	0	Sure Start grant increase
CF&EA	-344	+344	0	DSG final adjustment
CF&EA	+484	-484	0	Kent Safe Schools grant increase
CF&EA - Asylum	+679	-679	0	Grant for increase in client numbers
KASS	+166	-166	0	Specific grant for Stroke Care for Adults in the Community
CMY	+749	-749	0	Sports England - Regional Sports Board & Projects
				Technical Adjustments:
OR&S & CS	-25	+25	0	Tfr of budget rather than recharge for CFE standard courses
OR&S	-120	+120	0	AEN&R realignment of gross & income budgets (iro school meals & independent non-maintained schools)
OR&S	+12	-12	0	ICT realignment of gross & income budgets (recharge of Oxford Rd site to service users)
CF&EA	+185	-185	0	Early Yrs realignment of gross & income budgets (rent of rooms in Children's Centres & nursery places)
CF&EA	+15	-15	0	Attendance & Behaviour realignment of gross & income budgets (court costs spend & recharge)
KASS	+258	-258	0	Older People Other Services - correction to cash limit to reflect Health funding in respect of the Partnerships for Older People Projects
Corporate Support	+200	-200	0	budgeted saving from Kent TV sponsorship incorrectly shown against gross in budget
Corporate Support	-49	+49	0	Tfr of Staff Care Services to Commercial Services, therefore external income to go direct to CSD
Finance	+376	-376	0	Creation Of Oakwood Trading a/c
Finance	-100	+100	0	realignment of Corporate Procurement gross & income budgets
Finance	-3,951	+3,951	0	PRG - 50% is capital grant. Incorrectly treated as 100% revenue in qtr 1 report
Revised Budget per table 1c	+2,279,172	-1,413,906	+865,266	

Appendix 3

2008-09 OCTOBER Monitoring of Prudential Indicators

1. Estimate of capital expenditure (excluding PFI)

Actual 2007-08	£247.999m	
Original estimate 2008-09	£349.665m	
Revised estimate 2008-09	£317.160m	(this includes the rolled forward re-phasing from 2007-08)

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

	2007-08 Actual £m	2008-09 Original Estimate £m	2008-09 Revised Estimate £m
Capital Financing Requirement	1,071.090	1,144.895	1,177.129
Annual increase in underlying need to borrow	60.963	49.195	106.039

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 2007-08	11.13%
Original estimate 2008-09	10.27%
Revised estimate 2008-09	10.82%

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 2008-09.

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

	Prudential Indicator 2008-09 £m	Position as at 31.10.08 £m
Borrowing	1,060.0	960.7
Other Long Term Liabilities	2.0	0.3
	1,062.0	961.0

(b) Operational boundary for total debt managed by KCC including that relating to Medway Council etc (pre Local Government Reorganisation)

	Prudential Indicator 2008-09 £m	Position as at 31.10.08 £m
Borrowing	1,113.0	1,012.6
Other Long Term Liabilities	2.0	0.3
	1,115.0	1,012.9

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 2008-09 are:

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

	£m
Borrowing	1,098
Other long term liabilities	2
	1,100

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

	£m
Borrowing	1,153
Other long term liabilities	2
	1,155

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 2008-09

(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 2008-09. Total external debt is currently held at fixed interest rates.

8. Upper limits for maturity structure of borrowings

	Upper limit	Lower limit	As at 31.10.08
	%	%	%
Under 12 months	8	0	0
12 months and within 24 months	8	0	0
24 months and within 5 years	24	0	3
5 years and within 10 years	24	0	13
10 years and above	100	40	84

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

	Indicator	Actual
1 year to 2 years	£45m	£34m
2 years to 3 years	£45m	£37m
3 years to 4 years	£40m	£26m
4 years to 5 years	£40m	£35m
5 years to 6 years	£20m	£0m
	£190m	**£132m**

CHILDREN, FAMILIES & EDUCATION DIRECTORATE SUMMARY OCTOBER 2008-09 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 inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the last full monitoring report. These are detailed in Appendix 2 to the executive summary.
- Cash limits have also been adjusted since the last full monitoring report to reflect a number of technical adjustments to budgets.

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	
OPERATIONS, RESOURCES AND SKILLS potfolio							
Delegated Budget:							
- Delegated Schools Budget	851,074	-80,517	770,557	0	0	0	
- Devolved Standards Fund	101,631	0	101,631	0	0	0	
- Targeted Standards Fund	0	0	0	0	0	0	
- Direct Financing for schools	0	0	0	0	0	0	
TOTAL DELEGATED	952,705	-80,517	872,188	0	0	0	
Non Delegated Budget:							
- Finance	3,849	-1,071	2,778	-34	34	0	
- Awards	5,120	-889	4,231	-116	13	-103	Overspend on admin team £51k offset by an underspend on Home to College transport £154k and other minor underspends £13k
- Grant income & contingency	2,280	-933,480	-931,200	0	0	0	
- Personnel & Development	15,982	-3,606	12,376	311	-22	289	Redundancy costs for school staff underspend £304k, pensions overspend £451k, CRB overspend £79k, LCSP recruitment £45k, other misc overspends £40k.
- Capital Strategy Unit	2,808	-242	2,566	922	-5	917	Revenue maintenance due to school closures and vandalism £648k, 3 new projects for mobile moves £294k, underspend on feasibility studies £20k
- BSF/ PFI and academies unit	450	0	450	153	0	153	Asbestos costs £83k, accommodation costs £70k

Annex 1

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Client Services	6,005	-3,471	2,534	49	-184	-135	Additional income received for cleaning and refuse contracts, client services packages to schools and from training
- Business Management	2,445	-143	2,302	99	-39	60	
- ICT	7,642	-1,893	5,749	-1,223	1,216	-7	Gross and income variance on broadband connectivity for schools
- Health & Safety	437	-8	429	-7	0	-7	
- Strategic Management	1,714	0	1,714	-112	-3	-115	Reduction of the number director posts & vacancy
- Extended Services	6,629	-410	6,219	115	-115	0	Gross and income variance on Childrens University £80k, other minor variances £35k
- Kent Music	858	0	858	0	0	0	
-14-24 unit	2,307	-202	2,105	15	-5	10	
- School Organisation	3,051	-66	2,985	-44	-41	-85	
- Mainstream HTST	16,555	-484	16,071	-603	14	-589	Large reduction in the numbers travelling
- Clusters	21,224	-378	20,846	0	0	0	
- AEN & Resources	15,972	-5,587	10,385	138	0	138	Overspend on management & admin £69k and Partnership with Parents £69k
- SEN Transport to Schools	15,483	0	15,483	1,390	0	1,390	Higher than affordable numbers travelling, some very expensive travel arrangements
- Independent Sector Provision	10,828	-542	10,286	0	0	0	
TOTAL NON DELEGATED	**141,639**	**-952,472**	**-810,833**	**1,053**	**863**	**1,916**	
Total ORS	**1,094,344**	**-1,032,989**	**61,355**	**1,053**	**863**	**1,916**	
OR&S Assumed Mgmt Action				**-1,277**		**-1,277**	
OR&S non delegated Forecast after Mgmt Action	**141,639**	**-952,472**	**-810,833**	**-224**	**863**	**639**	
Total OR&S incl schools delegated	**1,094,344**	**-1,032,989**	**61,355**	**-224**	**863**	**639**	
CHILDREN, FAMILIES AND EDUCATIONAL ACHIEVEMENT portfolio							
- Strategic Planning & Review	1,301	0	1,301	-4	0	-4	
- P & P (Vulnerable Children)	4,347	-395	3,952	63	-63	0	
- MDO & Democratic Services	2,063	0	2,063	30	-50	-20	
- Project Management (SPR)	117	0	117	0	0	0	
- Advisory Service Kent (ASK) Secondary Team	3,386	-160	3,226	89	7	96	
- ASK Primary Team	5,801	-360	5,441	134	-47	87	SIP £146k, vacancies £12k
- ASK Early Years Team	7,226	-12	7,214	-700	0	-700	Rebadging of eligibile Sure Start expenditure to fullly utilise the grant

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- ASK Improvement Partnerships	3,486	0	3,486	120	-120	0	Additional spend and income from NCSL and professional advice to schools
- ASK Professional Development	5,080	-2,262	2,818	-231	100	-131	Underspend on staff vacancies £171k, reduction in training courses £95k, governor training overspend 35k. Reduction in training income £90k
- Early Years & Childcare	22,755	-339	22,416	97	-100	-3	Gross and income variance on the Big Lottery £68k and CSS Early Years £30k
- Management Information	30,943	-35	30,908	0	-8	-8	
- International Development	195	-100	95	32	0	32	
- Educational Psychology Service	3,678	0	3,678	-147	-1	-148	vacancies £147k
- Attendance & Behaviour Service	18,282	-6,100	12,182	0	0	0	
- Minority Community Achievement	1,720	-96	1,624	0	0	0	
- Specialist Teaching Service	3,152	-590	2,562	0	0	0	
- Joint Commissioning	1,502	0	1,502	0	0	0	
- Commissioning General	12,695	-614	12,081	0	0	0	
- Residential Care provided by KCC	2,261	-25	2,236	62	-33	29	
- Independent Sector res. care	5,119	-403	4,716	1,707	-886	821	Overspend due to increased demand and high cost placements made up of non disability £214k, disability £1,156k, secure accommodation £316k and other minor variances £21k. Increased income from joint funding arragements as agreed by JRAP
- Residential care - not looked after children	664	-7	657	13	-23	-10	
- KCC Family support	11,187	-960	10,227	-1,270	-103	-1,373	Planned underspend to cover the pressures on Assessment and Related, fostering and independent sector residential care. Additional income for Kent Childrens Fund projects
- Family group conferencing	1,143	-241	902	12	-11	1	

Annex 1

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Fostering service	23,589	-97	23,492	914	-133	781	Increase in independent fostering allowances £1,567k, underspend on other fostering lines £653k. Additional income from placements, training and OLAs.
- Adoption service	5,988	-22	5,966	-22	-23	-45	
- Independent Sector day care	920	0	920	-238	0	-238	Lower than anticipated number of clients
- Section 17	908	-5	903	123	5	128	Higher than anticipated number of clients, more expensive support
- Link placements	236	0	236	-9	2	-7	
- Grants to voluntary organisations	5,740	-266	5,474	-81	-18	-99	
- Direct payments	735	0	735	-33	-10	-43	
- Teenage pregnancy	706	0	706	6	-6	0	
- Leaving care/16+	3,583	0	3,583	-263	0	-263	Lower than anticipated take up of places, increase in funding from Care Matters grant (ABG)
- Other services support	6,541	-824	5,717	871	-418	453	Legal overspend £752k, Family Law underspend £200k, Out of Hours gross overspend £320k. Out of hours income underspend £232k, additional income from facilities and BPMU £186k
- Assessment and related	19,614	-16	19,598	1,023	-316	707	Staffing overspend covered by planned underspend on Family Support
- Grant income & contingency	4,667	-75,397	-70,730	0	0	0	
Total C,F&EA	221,330	-89,326	132,004	2,298	-2,255	43	
CF&EA Assumed Mgmt Action						0	
CF&EA Forecast after Mgmt Action	**221,330**	**-89,326**	**132,004**	**2,298**	**-2,255**	**43**	
- Asylum Seekers	**14,129**	**-14,129**	**0**	**0**	**4,186**	**4,186**	
Total C,F&EA incl. Asylum	**235,459**	**-103,455**	**132,004**	**2,298**	**1,931**	**4,229**	
Total Delegated	952,705	-80,517	872,188	0	0	0	
Total Non Delegated (excl. Asylum)	362,969	-1,041,798	-678,829	3,351	-1,392	1,959	
Total Directorate Controllable (excl. Asylum)	**1,315,674**	**-1,122,315**	**193,359**	**3,351**	**-1,392**	**1,959**	
Directorate Assumed mgmt action				-1,277		-1,277	
Total Directorate Controllable (excl. Asylum) after mgnt action	1,315,674	-1,122,315	193,359	2,074	-1,392	682	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Directorate Net Total (incl. Asylum) before mgmt action	**1,329,803**	**-1,136,444**	**193,359**	**3,351**	**2,794**	**6,145**	
Directorate Net Total (incl. Asylum) after mgmt action	**1,329,803**	**-1,136,444**	**193,359**	**2,074**	**2,794**	**4,868**	

1.1.3 **Major Reasons for Variance**:

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

OR&S portfolio:

There is a net pressure of £1,916k on this portfolio before the implementation of management action. The main variances are:

1.1.3.1 Awards (Gross)

The Awards Unit is forecasting a gross underspend of £116k. There is a pressure on the management and administration budget of £51k due to the high cost of temporary staff being employed because of staff retention issues as a result of the transfer of the service to the Student Loans Company in Glasgow. This is offset by an underspend on the Home to College transport budget of £154k due to the reduction in numbers travelling and other minor underspends of £13k.

1.1.3.2 Personnel and Development (Gross and Income)

The Personnel and Development Unit is forecasting a gross overspend of £311k. The pensions budget has a pressure of £451k, the majority of which is due to previous years early retirements resulting from school closures and amalgamations. This is partly offset by an underspend of £304k on the budget for redundancies of school staff which is due to a reduction in the number of school closures and amalgamations during the 2008-09 financial year.

There are also pressures on the CRB budget of £79k, the recruitment budget of £45k due to the LCSP recruitment process and other minor overspends totalling £40k.

1.1.3.3 Capital Strategy Unit (Gross)

The Capital Strategy Unit is projecting a £922k gross pressure. The budget for revenue maintenance of non operational sites is forecast to overspend by £648k due to the boarding up of closed schools and repairs caused by vandalism. The balance of the pressure is attributed to the costs of moving and hiring mobile classrooms in excess of the amount funded through the MTP 2008-11 (including 3 large projects) of £294k. This is consistent with spend in previous years.

1.1.3.4 BSF/PFI and Academies Unit (Gross)

This unit is forecasting a gross pressure of £153k. This is partly due to the cost of asbestos work at PFI schools of £83k with the balance due to accommodation costs of £70k that cannot be contained within the main budget.

1.1.3.5 Client Services (Gross and income)

There is an income variance of £184k which is due to additional income received for cleaning and refuse contracts, client services packages to schools and from training.

1.1.3.6 ICT (Gross and Income)

The gross and income variance on this budget line is due to the broadband connectivity for schools project. The budgets were set at previous years levels of expenditure and income but as the project nears completion and schools only have to pay for upgraded service connection the levels of spend and income are reduced.

1.1.3.7 Strategic Management (Gross)

There is a forecast underspend on this budget of £112k which is due to the reduction in the number of director posts and the current Director of Childrens Services retiring with his post being temporarily covered by other directors within CFE.

1.1.3.8 Extended Services (Gross and Income)

The Extended Services unit is forecasting a gross and income variance of £115k. This variance is due to additional spend and income for Kent Childrens University and other minor gross and income variances of £35k.

1.1.3.9 Mainstream Home to School Transport (Gross)

An underspend of £603k is forecast on this budget due to the numbers travelling being lower than the affordable numbers. Details of the number of children receiving assisted mainstream transport to school have been included in section 2.1.

1.1.3.10 Additional Educational Needs and Resources (Gross)

The AEN&R unit is forecasting a gross pressure of £138k. The management and administration budget is forecasting an overspend on staffing of £69k whilst Partnership with Parents is forecasting a similar overspend, £69k due to the expansion of the service.

1.1.3.11 SEN Transport to Schools (Gross)

An overspend of £1,390k is forecast due to higher than affordable numbers travelling and the very expensive nature of the arrangements in place for some pupils. Details of the number of children receiving assisted SEN transport to school have been included in section 2.1. This activity data shows that there are on average 170 more children per month in receipt of SEN transport to schools compared to the same time last year and the estimated cost of the increase in numbers is £766k. In 2007-08 there was a MTP savings target of £870k for SEN transport. However with the economic down turn and in particular the increase cost of fuel it is estimated that only £246k of the savings can be achieved leaving a base pressure of £624k in 2008-09.

CF&EA portfolio:

There is a net pressure of £43k on this portfolio (excluding Asylum), before the implementation of management action. The main variances are:

1.1.3.12 Advisory Service Kent – Primary (Gross)

There is a gross pressure on this service of £134k. There is a forecast overspend on the School Improvement Partners (SIP) project of £146k which relates to additional staffing costs to support school improvement. This overspends is partly offset by a general staffing vacancy underspend of £12k

1.1.3.13 Advisory Service Kent – Early Years (Gross)

There is a forecast underspend on this service of £700k. In the last report an overspend of £1m was forecast which has reduced to £900k in this quarter. As part of the declared management action, £1m of eligible Sure Start expenditure within ASK will be rebadged against the underspend caused by delays in opening Childrens Centres. There has also been an increase in the Graduate Leader fund strand of the Sure Start grant of £600k. This forms part of the main revenue element of the Sure Start grant and as it is not anticipated there will be any additional costs associated with the increase, it too will be used to rebadge other eligible expenditure within ASK.

1.1.3.14 Advisory Service Kent – Improvement Partners (Gross and Income)

There is a gross and income variance on this budget of £120k. Additional income of £60k from the National College of School Leadership (NCSL) will increase spend by the same level. There is also additional spend on providing professional advice to schools which will be recouped by income from schools £60k.

1.1.3.15 Advisory Service Kent – Professional Development (Gross and Income)

There is a gross underspend on ASK Professional Development of £231k. This is largely due to staff vacancies of £171k and a reduction in training course costs of £95k. This is partly offset by additional costs of governor training £35k. The forecast overspend on income of £100k is largely linked to the reduction in training courses and therefore the level of income than can be achieved from providing them.

1.1.3.16 Educational Psychology (Income)

A forecast underspend of £147k is due to staff vacancies.

1.1.3.17 Independent Sector Residential Care (Gross and Income)

A pressure of £1,707k is forecast is mainly due to an increase in demand and high cost placements which is consistent with the pressure experienced in 2007-08. The key pressure can be analysed between disability placements £1,156k, non disability placements £214k and secure accommodation £316k. This is partly offset by additional funding of £886k for placements following agreement from the Joint Residential Assessment Panel (JRAP) for this financial year. This pressure has reduced since the previous quarter monitoring. Work is currently being undertaken to establish if the reduced pressure is of a permanent nature.

1.1.3.18 KCC Family Support (Gross and Income)

The Family Support Unit is forecasting a gross underspend of £1,270k and an income underspend of £103k. The underspend is due to planned management action to balance the forecast overspend declared on Assessment and Related (see section 1.1.3.25) and general pressures on the Fostering and Independent Residential Care budgets. The underspend on income of £103k is due to additional income being received to cover projects now funded from the Kent Childrens Fund grant.

1.1.3.19 Fostering Service (Gross and Income)

There is a gross pressure on this budget of £914k. The independent fostering allowances budget is forecasting an overspend of £1,567k. Based on the average weekly cost of £1,010 the 2008-09 budget of £1,502k can afford 1,487 weeks of independent foster care. The activity details in section 2.5.2 show actual client weeks as 1,626.69 to the end of quarter 2, with a forecast of 3,038.61 weeks for the full financial year, which equates to a forecast spend of £3,069k.

This overspend is partly offset by an underspend of £653k on other fostering lines such as KCC fostering and the County Fostering Team. This underspend has reduced significantly since the last monitoring. There has been an increase of 33 new placements in just 3 of the districts, with increases and extensions to placements in most others. The planned movement of 16+ placements into supported independent living has also not happened as quickly as was anticipated leaving increased pressure on the Fostering service.

There is an income variance of £133k due to income received for training, placements and from OLAs for non Kent children being placed with KCC foster carers.

1.1.3.20 Independent Sector Day Care (Gross)

This is a preventative service managed in conjunction with Section 17 payments and the variances are inter-related. The forecast underspend of £238k is due to lower than anticipated number of clients receiving support under this line.

1.1.3.21 Section 17 (Gross)

This is a preventative service managed in conjunction with Independent Sector Day Care and the variances are inter-related. The forecast overspend of £123k is due to higher than anticipated number of clients receiving more expensive support under this line.

1.1.3.22 Leaving Care/16+ (Gross)

There is a forecast underspend on this service of £263k. This is a client based service and current usage is below the anticipated level leading to an underspend of £93k. Funding of £170k from the Care Matters Grant, paid through the Area Based Grant, has also contributed to the underspend. It should be noted that there are pressures on the other 16+ services which are overspent and are reported within the Independent residential lines and Fostering Service Lines.

1.1.3.23 Other Services Support (Gross and Income)

The pressure on this budget continues and the gross overspend of £871k is mainly attributed to Legal Services which is forecast to overspend by £752k. The pressure on this budget has continued from 2007-08 and the Directorate will be reviewing this budget further with a view of identifying the ongoing base pressure in the 2009-12 MTP. The Family Law strand of the Area Based grant is forecast to underspend by £200k but it should be noted that this is likely to be one off as the introduction of the new system has led to a time delay in the processing of cases.

There is a gross pressure on the Out of Hours budget of £320k which is partly covered by an increase in income of £232k. The net pressure on the Out of Hours service is due to additional staff being required while the transition of the service to the Call Centre takes place.

There is also an increase in income received by the Facilities and the Business Planning Management Unit (BPMU) of £186k mainly in respect of a disputed invoice from a previous financial year. The total increase in income totals £418k.

1.1.3.24 Assessment and Related (Gross and Income)

Assessment and Related is forecasting a gross overspend of £1,023k and an increase in income of £316k. The overspend is due to the filling of frontline posts and this is being offset by a planned underspend on the Family Support line (see 1.1.3.19).

The variance on income is due to income for the Best project £165k and Ready for Practice income and training money £147k with the balance being attributed to ad hoc money secured from Health and other sources.

1.1.3.25 **Asylum**

The Asylum Service is forecasting to have a funding shortfall of £4,186k for the 2008-09 financial year, £3,686k of direct costs and £500k of indirect costs. The number of referrals in Kent is running at its highest monthly level for this point in the financial year with on average 50 cases per month. It is now clear from recent discussions with the Home Office that, with a static position nationally, Kent is receiving a greater proportion of the national Unaccompanied Asylum Seeking Children (UASC) intake than previously.

The forecast income for 2008-09 is based on the 2007-08 rules and levels. The Home Office have given an undertaking that no authority would be out of pocket in 2008-09 but there has been no reference to levels of income in any correspondence. However the latest information from the LGA says that costs “directly attributed to the care of an individual” in the current year should be reimbursed at 100% subject to audit. Until we receive anything in writing from the Home Office clarifying what costs will be reimbursed, based on last years grant levels and rules, the authority will have a shortfall of just over £4m. The Home Office has also referred to a winding down of indirect costs in line with reducing numbers which should be achieved over two years, although at this stage it is not clear what costs they consider to be indirect. Also while nationally the number of UASCs may be falling, the number of referrals in Kent remains significantly higher than our service was designed for.

A letter received on 12 November from the Home Office confirms that it will meet in full the shortfall of £2.1m for 2007-08 subject to a final audit. This, together with the £2.4m for 2006-07 confirmed by the Home Office in September, means that we have agreement that the Home Office will fund the full £4.5m of our special circumstances bids, leaving just the anticipated £1.5m to come from the DCSF. It was expected that the issue surrounding the DCSF grant would be resolved by the 31st October but the DCSF have still to agree final client numbers so the issue remains outstanding. If the full £1.5m is secured (of the original claim for £2.6m), then we will have received the £6m of the £10m originally claimed and this is as per the agreement reached with the LGA in the summer.

Other Issues

1.1.3.26 Payments to PVI providers for the free entitlement for 3 and 4 year olds (DSG)

The latest forecast suggests an underspend of around £900k on payments to PVI providers for 3 and 4 year olds. This budget is funded entirely from DSG and therefore 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, as any unspent Early Years funding has to be returned to schools, at year end any underspend will be transferred to the schools unallocated reserve for DSG and hence is not included in the overall directorate forecast in this report.

Delegated Schools Budgets

1.1.3.27 Six Month Monitoring

The detailed half yearly monitoring returns from all schools are currently being received by the LA. An update on their forecast movement in reserves will be provided in the next monitoring return.

Reserves and Balance Control Mechanism (BCM)

The Local Authority has consulted the Schools' Funding Forum regarding the levels of school reserves and agreed to challenge those with the highest reserves. Following a round of panel meetings and appeals, a total of £1.5m is being recovered from 15 schools. The Forum agreed that this recovered money be used to contribute to all schools' increased fuel costs, and support more training in strategic financial planning.

Those discussions highlighted a number of issues, relating to both the standards of some schools' strategic financial management, and the effectiveness of the current Kent BCM, which was felt to be both over-generous and imprecise. As a result of these conclusions the Schools' Funding Forum on 3 October approved a number of significant changes to the BCM which will apply to balances held at the end of March 2010.

It should be stressed that these changes are designed to encourage schools to spend their revenue budgets in-year on current cohorts of pupils to raise standards. The prime intention is not to recover monies from schools. In setting the date for these changes the LA and Forum wanted to give schools adequate time to review their individual positions and to plan sensibly for how they might, where applicable, spend reserves which will otherwise put them over the limit in 18 months' time. Although fully effective in March/April 2010 headteachers with their governing bodies will need to act now to ensure they avoid rushed decisions later in 2009 resulting in poor use of their resources.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CFEA	Asylum - Shortfall in income (income)	+4,186	CFEA	Family Support - Planned management action (gross)	-1,270
CFEA	Independent Sector Residential Care - increase in demand and high cost placements (gross)	+1,686	ORS	ICT - Broadband connectivity project reduced spend due to reduced buy back from schools (gross)	-1,223
CFEA	Fostering Service - Independent fostering allowances (gross)	+1,567	CFEA	Independent Sector Residential Care - placement funding from Joint Residential Assessment Panel (income)	-886
ORS	ICT - Broadband connectivity project reduced income from schools (income)	+1,216	CFEA	ASK Early Years - rebadge of Sure start expenditure (gross)	-700
CFEA	Assessment and Related - Frontline staffing overspend (gross)	+1,023	CFEA	Fostering Service - Non Independent Fostering Allowance lines (gross)	-653
ORS	SEN Transport - increase in numbers travelling (gross)	+766	ORS	Home to School Transport - reduction in numbers travelling (gross)	-603
CFEA	Other Services Support - Legal costs (gross)	+752	CFEA	Assessment and Related - additional income from Best project, training and Health (income)	-316
ORS	SEN Transport - price increases (gross)	+624	ORS	Personnel and Development - reduction in school staff redundancy costs (gross)	-304
ORS	Capital Strategy - closed schools revenue maintenance (gross)	+648	CFEA	Independent Day Care - lower take up of places (gross)	-238
ORS	Personnel and Development - pensions (gross)	+451	CFEA	Other Services Support - Out of Hours Service increased income	-232
CFEA	Other Services Support - Out of Hours Service staffing (gross)	+320	CFEA	Other Services Support - Family Law (gross)	-200
ORS	Capital Strategy - mobile classroom costs (gross)	+294	CFEA	Other Services Support - Additional BPMU income (income)	-186
CFEA	ASK Primary - School Improvement Partners project staffing (gross)	+146	ORS	Client Services - Additional contract income (income)	-184
CFEA	Section 17 - increased support to clients (gross)	+123	CFEA	ASK Professional Development - staffing vacancies (gross)	-171
			CFEA	Leaving Care/16 plus - Care Matters grant funding (via Area Based Grant) (gross)	-170
			ORS	Home to College Transport - reduction in numbers travelling	-154
			CFEA	Education Psychology - staffing vacancies (gross)	-147
			CFEA	Fostering Service - additional income for training, placements etc (income)	-133
			ORS	Strategic Management - staff reduction (gross)	-112
			CFEA	Family Support - increase in income (income)	-103
		+13,802			-7,985

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

N/A.

1.1.5 **Implications for MTP**:

Some of these ongoing pressures are being addressed through the 2009-12 MTP process. The pressure on Fostering and SEN Transport are a cause for concern and work is being undertaken to establish whether the reported pressures are a permanent issue. Any permanent pressures will be addressed through the 2009-12 MTP.

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

None

1.1.7 **Details of proposals for residual variance**: *[eg roll forward proposals; mgmt action outstanding]*

The Directorate intends to offset the current pressures using the proposals listed below:

In the OR&S portfolio:

- The directorate underspent its LAA grant in 2007-08 by £277k. LAA funding which is one off in nature will be used to offset part of the pressure.

- We will continue to look in detail at expenditure items in the Directorate – particularly in the OR&S portfolio – that we may be able to charge to the LA element of the DSG where we have some capacity. We have set a target of £1,000k.

These management actions will cover £1,277k of the reported pressures and leaves the directorate with a residual overspend of £682k (excluding Asylum), (£639k OR&S portfolio and £43k CF&EA portfolio).

The directorate is reviewing its services with the intention of identifying areas where further savings can be achieved in order to address this residual pressure and achieve a balanced position by year end.

1.2 CAPITAL

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

The revised capital cash limits agreed by Cabinet on 13 October 2008 are now being used for monitoring purposes and are reflected in this report. However, these differ from the cash limits shown in appendix 3 of the October Cabinet report, as the cash limits reflected in this report only include those projects starting in the current or previous years, whereas the cash limits approved by Cabinet in October also include projects due to start in future years of the 2008-11MTP.

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

[*To include projects starting in the current year and previous years only* including the rolling programmes but to **EXCLUDE** PFI projects]

	Prev Yrs Exp £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	Future Yrs £000s	TOTAL £000s
Operations, Resources & Skills Portfolio						
Budget approved at Oct Cabinet	159,879	152,886	180,135	148,021	91,218	732,139
Adjustments:						
-						0
Revised Budget	159,879	152,886	180,135	148,021	91,218	732,139
Variance		+3,438	+861	+83	-46	+4,336
split:						
- real variance		+3,617	+693	+30	-4	+4,336
- re-phasing		-179	+168	+53	-42	0
Children, Families & Educational Achievement Portfolio						
Budget approved at Oct Cabinet	8,044	2,045	3,313	250	500	14,152
Adjustments:						
-						0
Revised Budget	8,044	2,045	3,313	250	500	14,152
Variance		0	0	0	0	0
split:						
- real variance		0	0	0	0	0
- re-phasing		0	0	0	0	0
Directorate Total						
Revised Budget	167,923	154,931	183,448	148,271	91,718	746,291
Variance	0	3,438	861	83	-46	4,336
Operations, Resources & Skills Portfolio						
Devolved Capital to Schools						
Budget approved at Oct Cabinet		43,120	26,089	26,089	52,178	147,476
Variance		0	0	0	0	0
split:						
- real variance		0	0	0	0	0
- re-phasing		0	0	0	0	0

Real Variance		**+3,617**	**+693**	**+30**	**-4**	**+4,336**
Re-phasing		**-179**	**+168**	**+53**	**-42**	**0**

1.2.3 **Main Reasons for Variance**

Table 4 below, details all forecast capital variances over £250k in 2008-09 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- projects at preliminary stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
ORS	Development Opportunities - Dartford Campus	real		+885		
ORS	Hugh Christie - All Weather Pitch	real	+653			
ORS	Site Aquistions 2008/09	real	+554			
ORS	The North School - all Weather Pitch	real	+425			
			+1,632	**+885**	**+0**	**+0**
Underspends/Projects behind schedule						
ORS	Modernisation 08-09 - Sissinghurs	Phasing	-275			
			-275	**0**	**0**	**0**
			+1,357	**+885**	**+0**	**+0**

1.2.4 **Projects re-phasing by over £1m**:

None

1.2.5 **Projects with real variances, including resourcing implications:**

The variance over the lifetime of the revised Medium Term Plan, which is all within the OR&S portfolio, indicates an overspend of £4.336m (this figure across the years of the MTP is 2008/09 +£3.617m, 2009/10 +£0.693m, 2010/11 +£0.030m & later years -£0.004m)

This overspend of £4.336m across all years of the MTP is consistent with the shortfall in funding of £4.337m shown in the revised budget book pages published on KNet following Cabinet agreement in October to the revised capital programme and will be managed through the medium term plan.

This overspend relates to:

- **Dartford Campus +£1.545m (2008/09 +£0.885m & 2009/10 +£0.660m)** – as this project has progressed, additional costs have become necessary. The reasons for the increases cost include: prolongation & disruption claim from the contractor, changes in architects instructions, reinstatement works to the temporary site access & additional external works on the Dartford Technology College aspect of the project. As well as the reasons for the extra costs mentioned, new issues have arisen which have been added to the programme of works notably: Maintenance to the 'Travel Lodge' building at Dartford Grammar Girls £0.212m), reconditioning of the playing fields at Roseberry Gardens £0.124m & the need to relocate the Social Services establishment on the site £0.047m.
- **Hugh Christie School +£0.653m (all in 2008/09)** – the extra costs relate to additional LEA liability works required to complete the School PFI project (the provision of an 'All Weather Pitch').
- **Site Acquisitions +£0.554m (all in 2008/09)** - This commitment relates to the purchase of land which will allow a second access to the old Hereson School Site which will facilitate & enhance a future capital receipt.

- **The North School +£0.425m (all in 2008/09)** – the extra costs relate to additional LEA liability works required to complete the School PFI project. The extra costs relate to the provision of an All Weather Pitch in order to provide sufficient playing space for its increase to an 8 form entry school.
- **Modernisation Programme 2004/5/6 starts +£0.223m (+£0.227m in 2008/09, -£0.004m in later years)** – The majority of this programme overspend relates to the project at Boughton under Blean Methodist Primary School (+£0.196m) where a recharge of costs to the Condition Programme funding has been withdrawn, causing the charge against the 2004/05/06 Modernisation Programme to rise.
- **Astor of Hever Development Opportunity Project +£0.146m (all in 2008/09)** – The increased cost is the result of the inclusion of additional maintenance works & increased costs agreed at the receipt of tender.
- **Modernisation Programme 2008/9 starts +£0.140m (all in 2008/09)** The majority of this programme overspend relates to the project at Northbourne Primary School (+£0.106m) where the discovery of contaminated materials on site & design modifications has resulted in increased costs.
- **Westmount +£0.100m (all in 2008/09)** – This additional cost represents the inclusion of a project to relocate the Landscape Depot at Westmount, Dover which was necessary to realise the Westmount Capital receipt.
- **Mersham Primary School +£0.100m (all in 2008/09)** - A new project to recondition the School playing field enabling an outdoor sports/play area for the children at the School.

Overall this leaves a residual balance of +£0.450m (across all years: +£0.387m 2008-09, +£0.033k 2009/10 & +£0.030m 2010/11) on a number of more minor projects.

1.2.6 **General Overview of capital programme**:

(a) 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 need to be reviewed. It should also be noted that there is severe pressure mounting on the Building Maintenance Programme where work to identify a potential overspend situation is being undertaken

(b) 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 cancellation of projects.

1.2.7 PFI projects

- Building Schools for the Future (wave 3)

£69.6m of investment in the BSF Wave 3 programme 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.

	Previous years	2008-09	2009-10	2010-11	TOTAL
	£000s	£000s	£000s	£000s	£000s
Budget	-	21,602	43,204	4,801	69,607
Actual / Forecast	-	21,602	43,204	4,801	69,607
Variance	-	0	0	0	0

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

The contracts for the Building Schools for the Future programme and the establishment of Local Education Partnership 1 (LEP1) were signed on 24th October 2008. These include the PFI Agreement for the construction of the three PFI schools. Preliminary works on the three PFI sites began slightly before financial close (at the Contractor's risk) in order to maintain the construction programme. The construction of the new assets is therefore currently running to schedule and in accordance with the costings above.

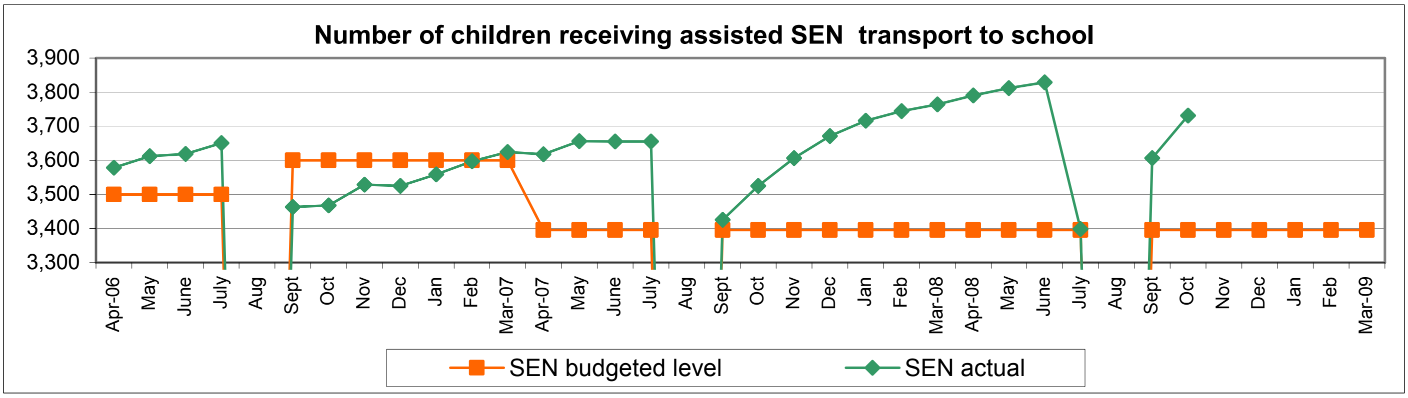
(b) **Implications for KCC of details reported in (a) ie could an increase in the cost result in a change to the unitary charge ?**

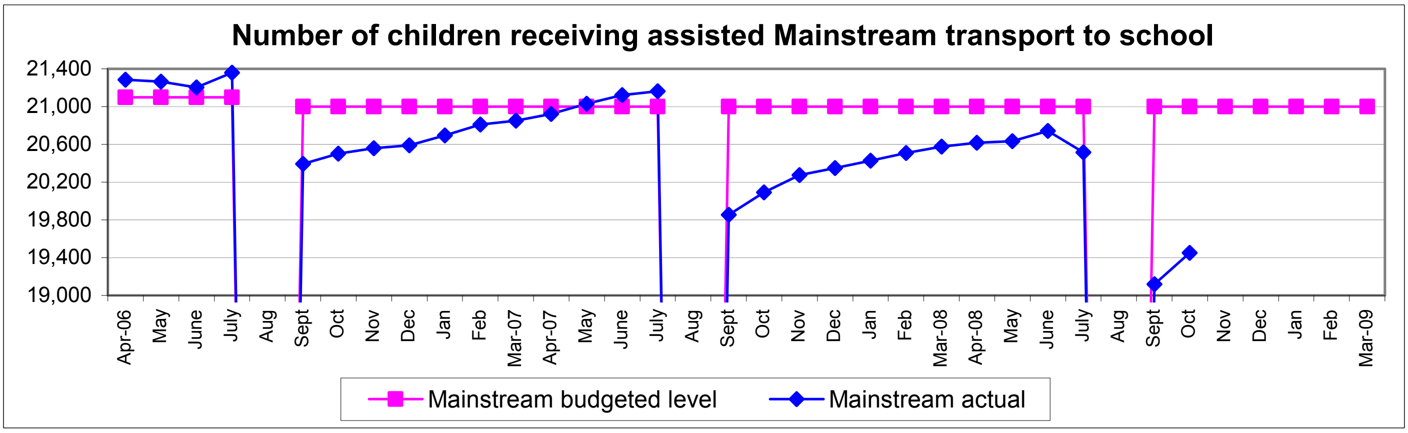
The PFI Contractor bears the risk of any delays to the construction programme (with the exception of any agreed compensation events). Consequently, any delays that may arise in the construction programme will not impact on the unitary charge.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

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

	2006-07				2007-08				2008-09			
	SEN		Mainstream		SEN		Mainstream		SEN		Mainstream	
	Budgeted level	actual	Budgeted level	actual	Budgeted level	actual	Budgeted level	actual	Budgeted level	actual	Budgeted level	actual
April	3,500	3,578	21,100	21,285	3,396	3,618	21,000	20,923	3,396	3,790	21,000	20,618
May	3,500	3,612	21,100	21,264	3,396	3,656	21,000	21,032	3,396	3,812	21,000	20,635
June	3,500	3,619	21,100	21,202	3,396	3,655	21,000	21,121	3,396	3,829	21,000	20,741
July	3,500	3,651	21,100	21,358	3,396	3,655	21,000	21,164	3,396	3,398	21,000	20,516
Aug	0	0	0	0	0	0	0	0	0	0	0	0
Sept	3,600	3,463	21,000	20,392	3,396	3,426	21,000	19,855	3,396	3,607	21,000	19,118
Oct	3,600	3,468	21,000	20,501	3,396	3,525	21,000	20,093	3,396	3,731	21,000	19,450
Nov	3,600	3,529	21,000	20,561	3,396	3,607	21,000	20,276	3,396		21,000	
Dec	3,600	3,525	21,000	20,591	3,396	3,671	21,000	20,349	3,396		21,000	
Jan	3,600	3,559	21,000	20,694	3,396	3,716	21,000	20,426	3,396		21,000	
Feb	3,600	3,597	21,000	20,810	3,396	3,744	21,000	20,509	3,396		21,000	
March	3,600	3,624	21,000	20,852	3,396	3,764	21,000	20,575	3,396		21,000	





Comments:

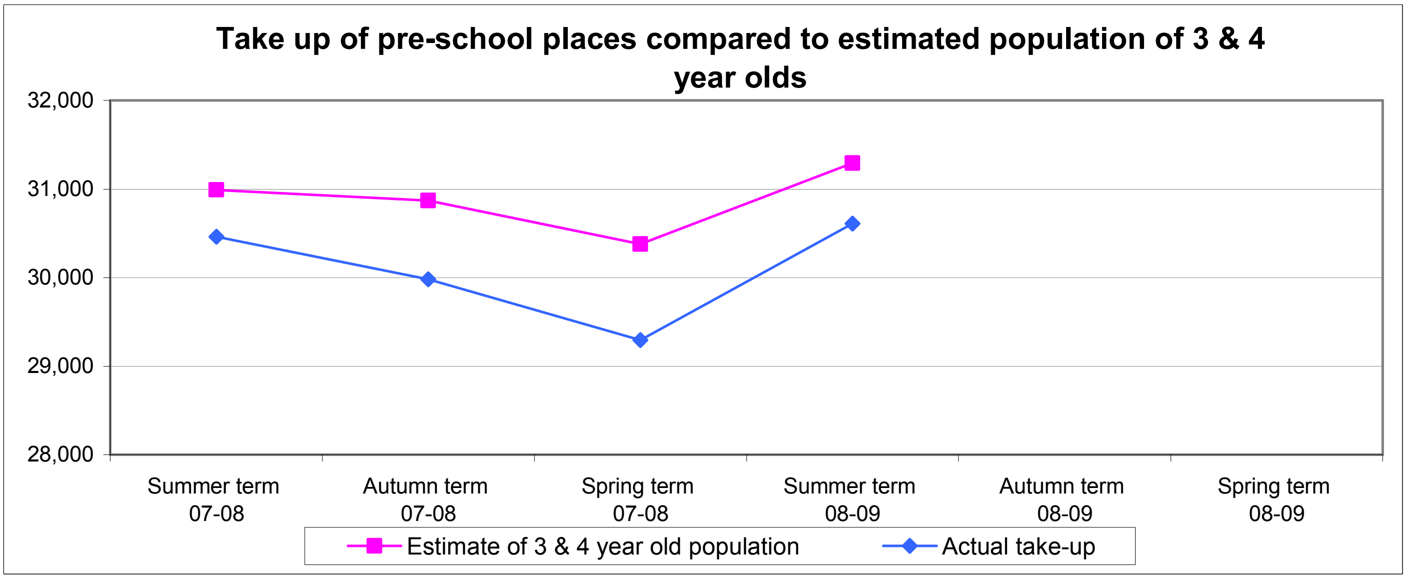
- **SEN HTST** – In 2007-08 there was a significant gap between the actual and budgeted level of assisted SEN transport to schools which related to the savings targets which significantly reduced the budgeted level and the fact that the service was unable to achieve these. The actual numbers travelling continues to exceed budgeted levels and following some detailed work undertaken by Passenger Transport Unit a forecast overspend has now been reported in section 1.1.3.11.

  The actual number of pupils travelling appears low in July as the ‘day of count’ was after some special schools had closed for the summer. (The count is only taken on one day in the month). The data in September gives a better view of the levels of pupils receiving assisted transport.

- **Mainstream HTST** - The budgeted level has been calculated by dividing the 2008/09 budget by the current average cost per child. Actual numbers travelling continue to be slightly less than budgeted levels and an underspend has now been reported in section 1.1.3.9.

2.2.1 **Take up of pre-school places against the number of places available, split between Private Voluntary and Independent Sector (PVI) places and School places**:

	2007-08					2008-09				
	PVI places taken up	*School places taken up*	Total places taken up	Estimate of 3 & 4 year old population	% take up	*PVI places taken up*	*School places taken up*	Total places taken up	Estimate of 3 & 4 year old population	% take up
Summer term	*20,675*	*9,485*	30,460	30,992	98%	*20,766*	*9,842*	30,608	31,294	98%
Autumn term	*14,691*	*15,290*	29,981	30,867	97%					
Spring term	*17,274*	*12,020*	29,294	30,378	97%					

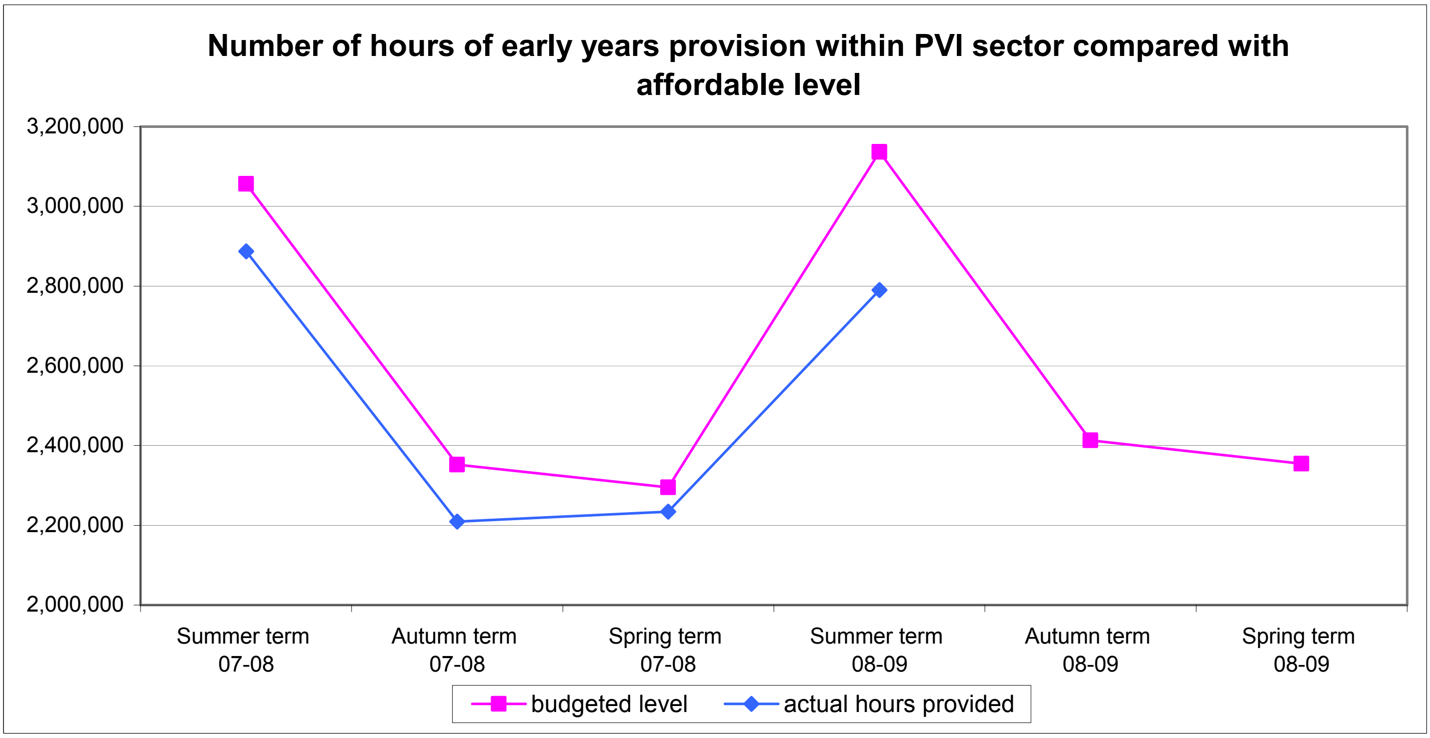


Comments:

- This graph shows that currently 98% of the estimated population of 3 and 4 year olds are receiving some level of early years provision, whether this be one session per week for 33 weeks or the maximum of five sessions per week for the full 38 weeks. This activity indicator is based on headcount and provides a snapshot position at a point in time, whereas the activity data in 2.2.2 below provides details of the number of hours provided in the Private, Voluntary & Independent sector, and will correlate with the variance on the Early Years budget within the Management Information Unit. However as this budget is funded entirely from DSG, 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, as any unspent Early Years funding has to be returned to schools, at year end any underspend will be transferred to the schools unallocated reserve for DSG and hence is not included in the overall directorate forecast shown in table 1, but is reported in the narrative in section 1.1.3.26 of this annex.
- The graph will be updated in the next monitoring report when data on the take up of places in the autumn term is available.

2.2.2 Number of hours of early years provision provided to 3 & 4 year olds within the Private, Voluntary & Independent Sector compared with the affordable level:

	2007-08		2008-09	
	Budgeted number of hours	Actual hours provided	Budgeted number of hours	Actual hours provided
Summer term	3,056,554	2,887,134	3,136,344	2,790,446
Autumn term	2,352,089	2,209,303	2,413,489	
Spring term	2,294,845	2,233,934	2,354,750	
	7,703,488	**7,330,371**	**7,904,583**	**2,790,446**



Comments:

- The budgeted number of hours per term is based on an assumed level of take-up and the assumed number of weeks the providers are open. The variation between the terms is due to two reasons: firstly, the movement of 4 year olds at the start of the Autumn term into reception year in mainstream schools; and secondly, the terms do not have the same number of weeks.
- The current activity suggests an underspend on this budget which has been mentioned in section 1.1.3.26 of this annex.
- It should be noted that not all parents currently take up their full entitlement and this can change during the year.
- The graph will be updated in the next monitoring report when data on actual hours provided in the autumn term is available.

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

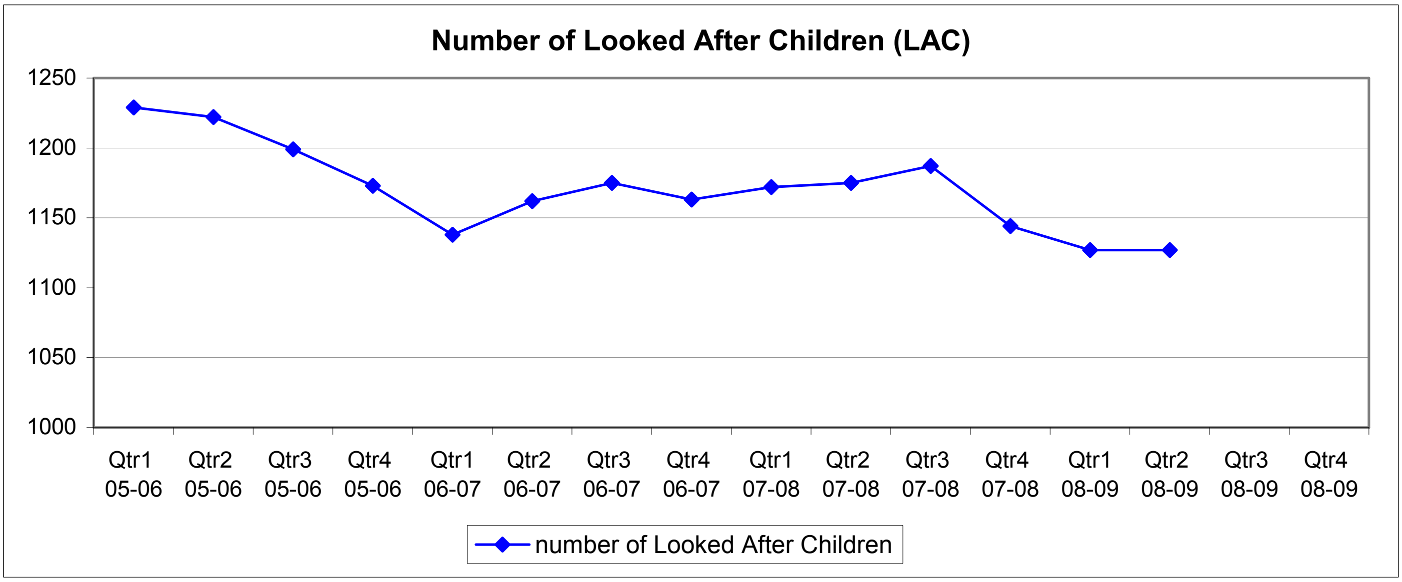
	2005-06 as at 31-3-06	2006-07 as at 31-3-07	2007-08 as at 31-3-08	2008-09 Projection
Total number of schools	600	596	575	574
Total value of school revenue reserves	£70,657k	£74,376k	£79,360k	£79,360k
Number of deficit schools	9	15	15	12
Total value of deficits	£947k	£1,426k	£1,068k	£809k

Comments:

- The information on deficit schools for 2008/09 has been obtained from the schools budget submissions. The LA receives updates from schools through budget monitoring returns from all schools after 6 months, and 9 months as well as an outturn report at year end.
- KCC 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 LA.
- The CFE Statutory 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.
- The recent work on school balances reported 1.1.3.27 has led to £1.5m being recovered from 15 schools. The projected school revenue reserves in the table above has not been amended to reflect this recovery but will be updated next quarter once the 6 monthly school monitoring has been received from all schools.

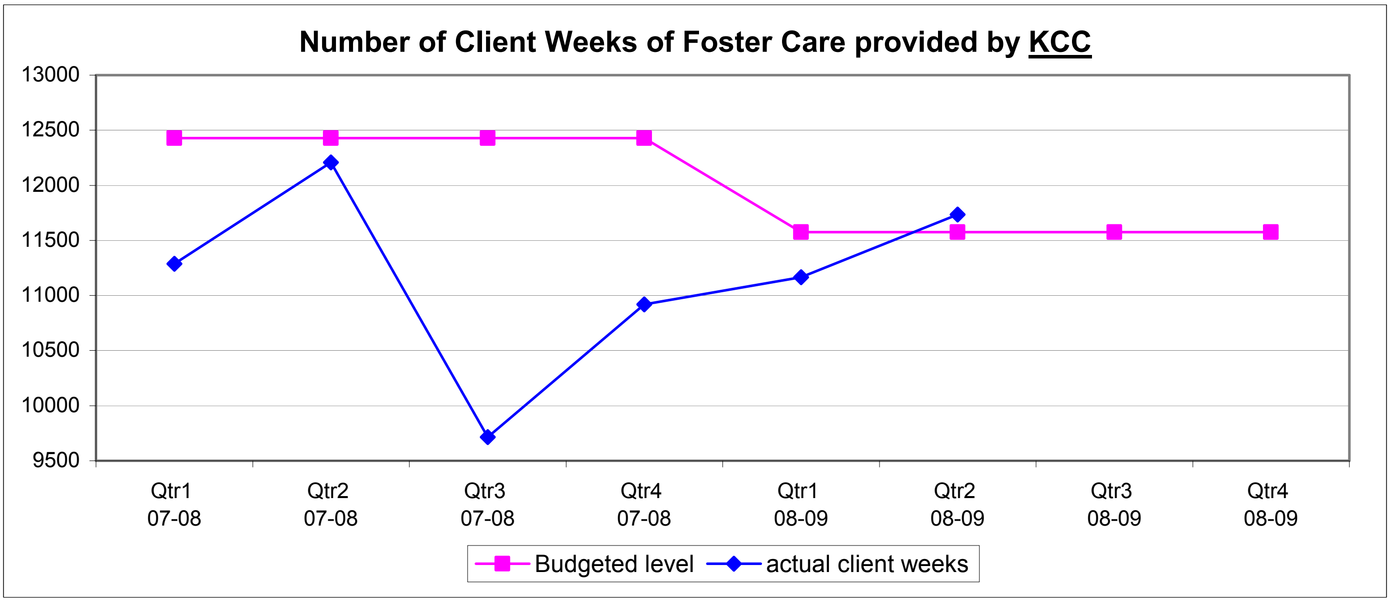
2.4 **Numbers of Looked After Children (LAC)**:

	2005-06	2006-07	2007-08	2008-09
Apr – Jun	1,229	1,138	1,172	1,127
Jul – Sep	1,222	1,162	1,175	1,127
Oct – Dec	1,199	1,175	1,187	
Jan – Mar	1,173	1,163	1,144	



2.5.1 **Number of Client Weeks of Foster Care provided by KCC**:

	2007-08		2008-09	
	Budgeted level	**Actual Client Weeks**	**Budgeted level**	**Actual Client Weeks**
Apr - Jun	12,427.25	11,286.75	11,575.8	11,165.70
Jul - Sep	12,427.25	12,207.99	11,575.8	11,735.39
Oct - Dec	12,427.25	9,716.04	11,575.8	
Jan - Mar	12,427.25	10,917.96	11,575.8	
	49,709.00	**44,128.74**	**46,303.2**	**22,901.09**



Comments:

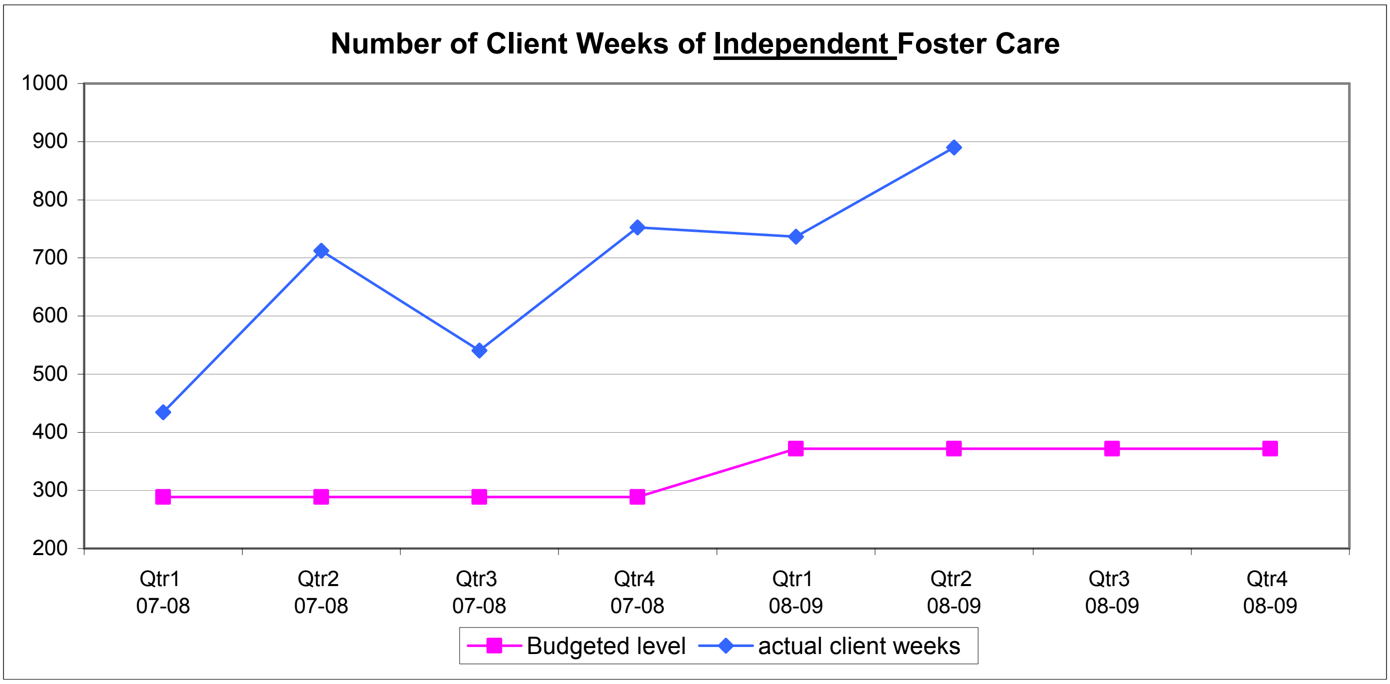
- The actual number of client weeks is based on the numbers of known clients at a particular point in time. This may be subject to change due to the late receipt of paperwork.

- The budgeted level has been calculated by dividing the budget by the average weekly cost. The average weekly cost is also an estimate based on financial information and estimates of the number of client weeks and may be subject to change.

- The current year to date activity suggests an underspend on this budget which has been mentioned in 1.1.3.19 of this annex although due to the recent increase in the number of placements, the underspend is forecast to be much smaller than reported in the last monitoring report.

2.5.2 **Number of Client Weeks of Independent Foster Care**:

	2007-08		2008-09	
	Budgeted level	**Actual Client Weeks**	**Budgeted level**	**Actual Client Weeks**
Apr - Jun	288.50	434.57	371.78	736.59
Jul - Sep	288.50	712.00	371.78	890.10
Oct - Dec	288.50	540.42	371.78	
Jan - Mar	288.50	752.15	371.78	
	1,154.00	**2,439.14**	**1,487.12**	**1,626.69**



Comments:

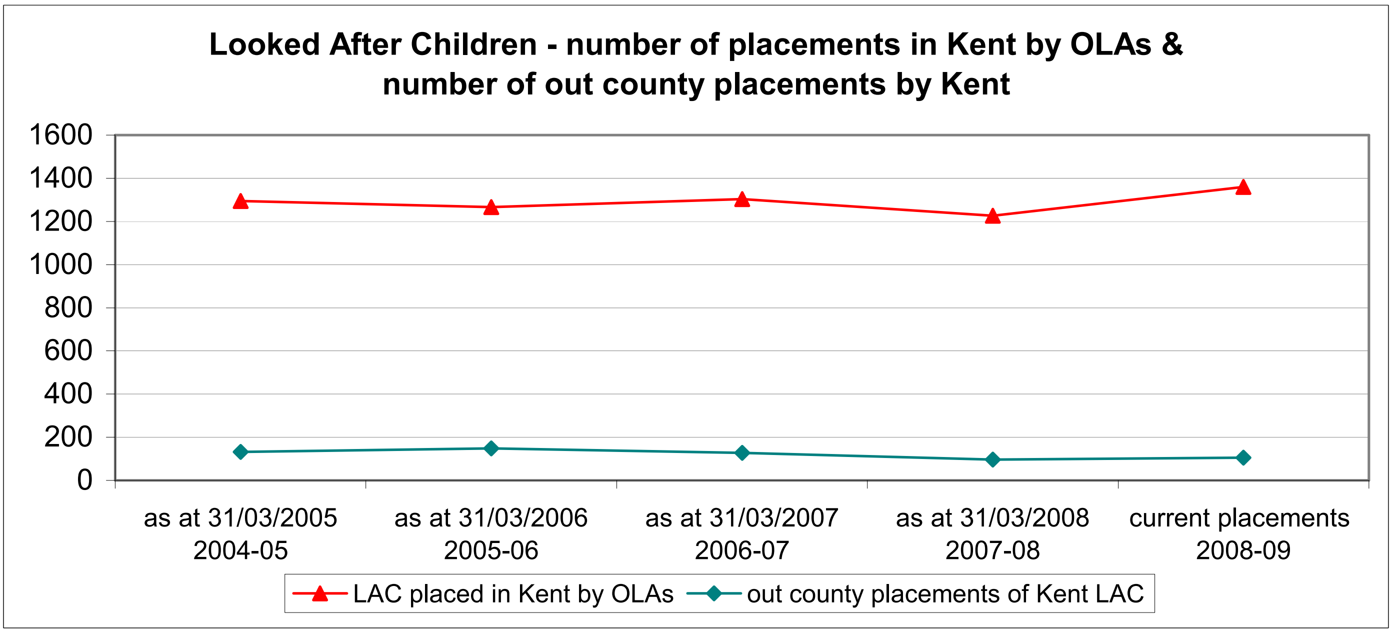
- The actual number of client weeks is based on the numbers of known clients at a particular point in time. This may be subject to change due to the late receipt of paperwork.
- The budgeted level has been calculated by dividing the budget by the average weekly cost. The average weekly cost is also an estimate based on financial information and estimates of the number of client weeks and may be subject to change.
- The current activity suggests an overspend on this budget which has been mentioned in 1.1.3.19 of this annex.

2.6 **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 as at 31/03/2007	2007-08 as at 31/03/2008	2008-09 Current placements
1,294	1,266	1,303	1,226	1,360

2.7 **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 as at 31/03/2007	2007-08 as at 31/03/2008	2008-09 Current placements
132	149	127	97	105



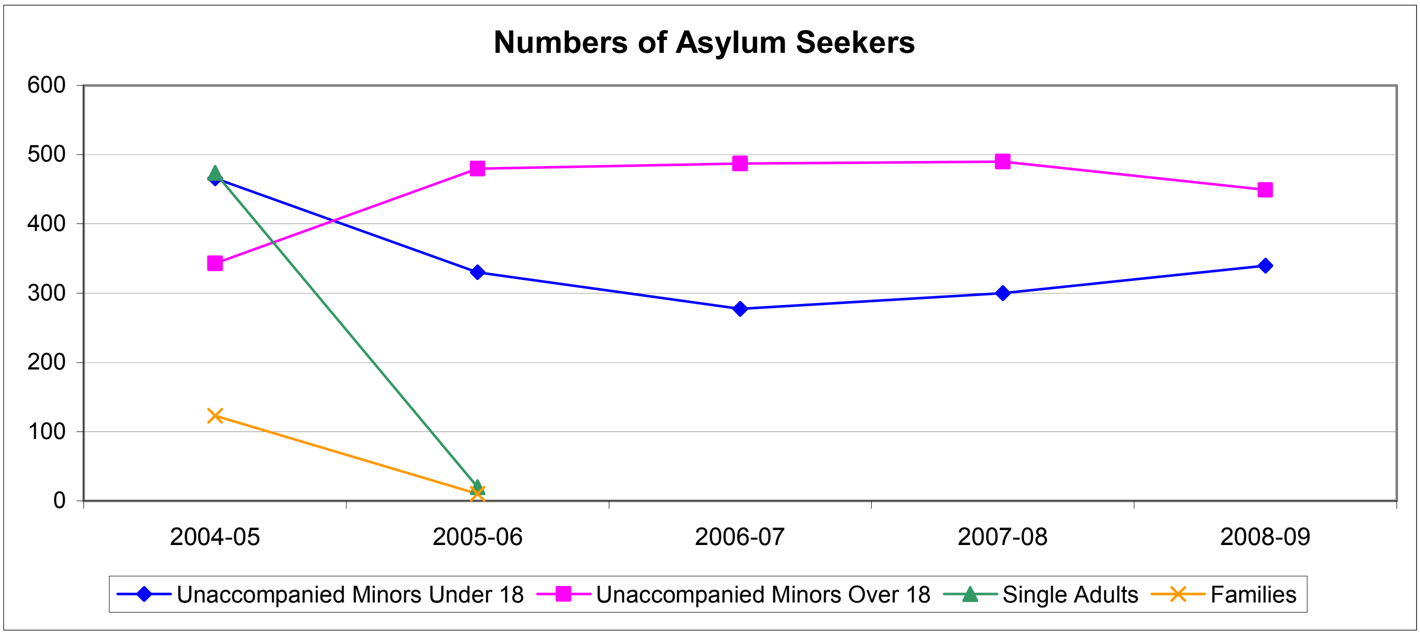
Comment:

- 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.

- In the last monitoring report it was noted that the data shown for 2008-09 was an estimate as accurate data was unavailable due to data migration problems with the Integrated Childrens System (ICS). A team within Management Information has been undertaking a task to check the data quality of records and the data presented above is now accurate and much more in line with expected results.

2.8 **Numbers of Asylum Seekers (by category)**:

	2004-05	**2005-06**	**2006-07**	**2007-08**	**2008-09**
	31-03-05	**31-03-06**	**31-03-07**	**31-03-08**	**31-09-08**
	Number	Number	Number	Number	Number
Unaccompanied Minors Under 18	466	330	277	300	340
Unaccompanied Minors Over 18	343	480	487	490	449
Single Adults	474	20	0	0	0
Families	123	10	0	0	0

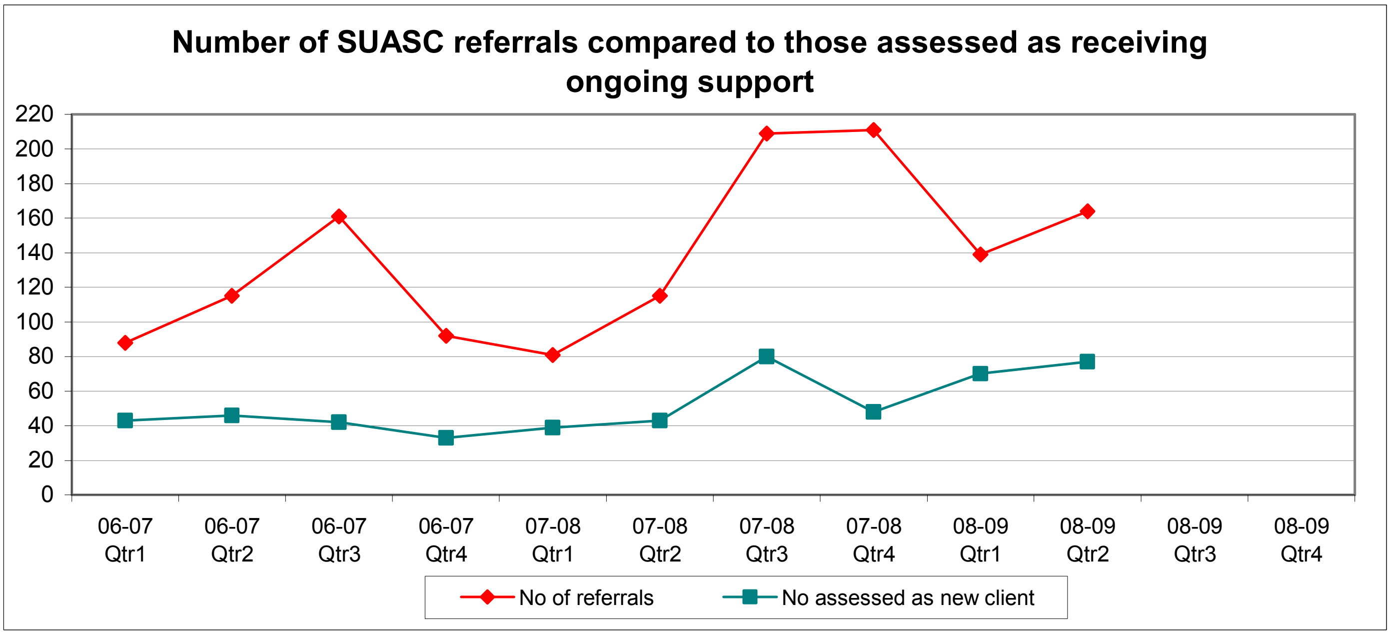


Comment:

- Client numbers have risen as a result of higher referrals and are higher than projected numbers.

2.9 **Numbers of Asylum Seeker referrals compared with the number assessed as qualifying for on-going support from Service for Unaccompanied Asylum Seeking Children (SUASC) ie new clients**:

	2006-07			2007-08			2008-09		
	No. of referrals	No. assessed as new client	%	No. of referrals	No. assessed as new client	%	No. of referrals	No. assessed as new client	%
April - June	88	43	49%	81	39	48%	139	70	50%
July - Sept	115	46	40%	115	43	37%	164	77	46%
Oct - Dec	161	42	26%	209	80	38%			
Jan - March	92	33	36%	211	48	23%			
	456	**164**	**36%**	**616**	**210**	**34%**			



Comments:

- Referral rates have reduced compared to the last half of 2007-08. However the numbers remain considerably higher than for the same period in the previous two years. The number being assessed as under 18 is significantly higher than the same period in the previous two years.

KENT ADULT SOCIAL SERVICES DIRECTORATE SUMMARY OCTOBER 2008-09 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 inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the last full monitoring report. These are detailed in Appendix 2 to the executive summary.
- Cash limits have also been adjusted since the last full monitoring report to reflect a number of technical adjustments to budgets.

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	
Adult Services portfolio							
Older People:							
- Residential Care	87,732	-29,891	57,841	230	-140	90	Demographic and placement pressures offset by one-off release of grant and additional income
- Nursing Care	42,753	-18,982	23,771	-508	138	-370	Demographic and placement pressures offset by one-off release of grant and additional income
- Domiciliary Care	45,964	-10,461	35,503	-1,704	590	-1,114	Reducing clients but more intensive packages
- Direct Payments	4,042	-327	3,715	-170	28	-142	Low unit cost/activity
- Other Services	21,894	-5,627	16,267	-532	12	-520	Balance of Managing Director's Contingency to offset overall pressure
Total Older People	202,385	-65,288	137,097	-2,684	628	-2,056	
People with a Learning Difficulty:							
- Residential Care	62,104	-9,946	52,158	3,302	-550	2,752	Demographic and placement pressures offset by additional income
- Domiciliary Care	5,822	-696	5,126	710	-215	495	Demographic pressures
- Direct Payments	3,772	-49	3,723	682	-18	664	Demographic pressures
- Supported Accommodation	7,247	-593	6,654	-999	91	-908	Less than expected activity
- Other Services	20,033	-1,970	18,063	83	11	94	Balance of Managing Director's Contingency to offset overall pressure
Total People with a LD	98,978	-13,254	85,724	3,778	-681	3,097	

Table 1

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
People with a Physical Disability							
- Residential Care	10,897	-1,649	9,248	1,621	-476	1,145	Demographic and placement pressures offset by additional income
- Domiciliary Care	8,039	-689	7,350	-511	156	-355	Forecast activity below affordable level
- Direct Payments	5,712	-247	5,465	243	-5	238	Forecast activity in excess of affordable level
- Supported Accommodation	604	-59	545	-304	59	-245	Forecast activity below affordable level
- Other Services	5,628	-972	4,656	31	17	48	Balance of Managing Director's Contingency to offset overall pressure
Total People with a PD	30,880	-3,616	27,264	1,080	-249	831	
All Adults Assessment & Related	35,122	-1,596	33,526	320	-170	150	Pressure of increments, low turnover and increasing numbers of referrals/assessments
Mental Health Service			0			0	
- Residential Care	6,441	-948	5,493	648	19	667	Increased activity, price pressures
- Domiciliary Care	874	0	874	180	-5	175	Forecast activity in excess of affordable level
- Direct Payments	234	0	234	45	0	45	
- Supported Accommodation	303	-62	241	-61	0	-61	
- Assessment & Related	10,131	-854	9,277	-501	14	-487	Vacancy management
- Other Services	6,569	-881	5,688	-191	1	-190	Balance of Managing Director's Contingency to offset overall pressure
Total Mental Health Service	24,552	-2,745	21,807	120	29	149	
Supporting People	32,957	0	32,957	-17	0	-17	
Gypsy & Traveller Unit	628	-279	349	39	-13	26	
People with no recourse to Public Funds	100	0	100	-20	0	-20	
Strategic Management	1,407	0	1,407	1	0	1	
Policy, Performance & Quality Assurance	6,152	-307	5,845	-484	5	-479	Vacancy management
Resources	14,666	-392	14,274	-656	87	-569	Release from reserve and provision, write back of debtor
Specific Grants	0	-35,111	-35,111	0	0	0	
Total Adult Services controllable	**447,827**	**-122,588**	**325,239**	**1,477**	**-364**	**1,113**	
Assumed Management Action				**-1,113**		**-1,113**	
Forecast after Mgmt Action				**364**	**-364**	**0**	

1.1.3 **Major Reasons for Variance**:

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

1.1.3.1 General Comment

The Directorate continues to face significant demographic pressures, primarily within services for People with Learning and Physical Disabilities, and although they are largely offset by underspends elsewhere, there remains an overall pressure of £1,113k.

Contributions to KASS from the Eastern & Coastal Kent PCT

As previously reported the Directorate secured funding from the Eastern & Coastal Kent PCT in late 2007/08 in respect of intermediate care proposals and services for patients leaving hospital and requiring social care. This funding has continued into 2008/09 and recognises the growing pressures that have been seen within our financial forecast on services for older people, and has allowed us to work jointly on a strategy for intermediate care across the East Kent area for 2008/09. The income and associated costs are included within the forecast.

1.1.3.2 **Older People:**

The overall net position is an underspend of £2,056k, and includes the release of the one–off Deferred Payments Loan of £1,256k from the Department of Health. Although there are underlying pressures remaining within residential and nursing care, particularly the increasing proportion of clients who are suffering from dementia, the Directorate is reporting a very significant underspend against domiciliary care resulting from a continuing reduction in the number of clients requiring this form of care.

a. Residential Care
There is a pressure of £230k against gross expenditure which includes the release of the proportion of the Deferred Payments Loan that relates to residential care (£628k). The number of clients in permanent placements in the independent sector was 2,916 in September. In terms of client weeks the forecast assumes 587 weeks more than is affordable at a cost of £219k. This primarily results from additional non-permanent/respite placements to assist clients to remain within their own homes. In addition the forecast unit cost is £373.78 per week against an affordable figure of £371.60 which has resulted in a pressure of £347k. This pressure reflects the increasing number of clients with dementia that the Directorate is having to contend with as placements are more expensive, and this trend can clearly be seen in table 2.1.2. There is an over-recovery in income of £250k resulting from activity levels which are higher than afforded in the budget.

It should also be noted that the residential budget was previously adjusted with funding transferred to the domiciliary and direct payments lines to support current levels of clients and/or expected growth in these services.

A pressure of £82k is forecast against Preserved Rights because the actual attrition rate is currently less than that assumed in the budget.

In house residential provision is showing a pressure of £210k on staffing because of the continuing need to cover sickness and absence with agency staff in order to meet care standards set by the regulator (Commission for Social Care Inspection - CSCI).

b. Nursing Care
There is an underspend of £508k on gross expenditure which includes the release of the proportion of the Deferred Payments Loan that relates to nursing care (£628k). Client numbers have decreased from 1,420 in June to 1,391 by the end of September, a figure more in line with the 1,386 seen in March. The forecast is assuming 1,432 weeks more than budget. The cost of these extra weeks is £649k. The unit cost is also forecast to be marginally lower than budget, £453.42 instead of £453.77, which reduces the pressure by £26k. The additional activity has resulted in increased income of £286k.

It is worth noting that there is some evidence to suggest that client numbers may have increased more than they have done but for the implementation of the National Framework for NHS Continuing Healthcare in October 2007. This greatly clarified when someone should receive NHS care with the result that many clients that may otherwise have received a service via KASS are now paid for directly by Health.

The attrition within Preserved Rights is actually higher than budgeted for and this has resulted in an underspend of £100k against gross expenditure.

There is currently an underspend of £402k against Registered Nursing Care Contributions with an identical under-recovery of income and is based on the latest estimates of client activity. Although realignment of gross and income has been considered it has not been requested because the forecast remains subject to changes throughout the year.

c. Domiciliary Care
This service remains the most volatile and difficult to forecast and currently this line is forecasting a very significant underspend against gross of £1,704k. The number of clients receiving packages of care from an independent sector provider continues to fall with the figure standing at 6,335 at the end of September. This is a significant drop from both the 6,739 in March and the 6,696 in June and as a result the forecast assumes 85,637 hours less than the budget, a saving of £1,270k. The forecast unit cost is slightly more expensive than affordable, at an additional cost of £211k. The average number of hours per client per week continues to increase with September showing 7.8 hours per week compared with 7.2 in March and 7.6 in June. This reflects the increasing number of clients with higher needs, including those with dementia, requiring more intensive packages to enable them to remain within their own homes. The higher unit cost reflects these intensive packages and the increasing number of clients requiring ‘double-handers’ (two carers). There has also been a significant reduction in the number of clients accessing the in-house domiciliary service and this is currently forecasting an underspend of £640k.

The reduced level of activity has meant a corresponding under-recovery in income of £590k.

It was estimated that the number of clients in residential would fall, with clients instead remaining in their own homes and receiving a domiciliary package, and as a consequence budget has transferred from residential care to domiciliary. However it may be the case that a growing proportion of clients with higher levels of need, particularly those with dementia, have no option but to go into residential care.

d. Direct Payments
Since March there has been a significant increase in the number of clients accessing a service via a direct payment – 694 in September compared with 626 clients in June and 518 in March – but a good number of these only require small payments to access transport to day-care facilities. These payments are well below the average cost per week afforded in the budget which helps to explain why this line is forecasting an underspend of £170k.

e. Other Services
The position is a £532k underspend against the gross budget with an under-recovery against income of £12k. There are small variances, both over and under, against a number of services, including meals, payments to voluntary organisations, occupational therapy equipment and in-house day-care, but the significant portion of the underspend relates to the £436k release of the remaining balance of the Contingency held by the Managing Director to offset the overall pressure within the Directorate.

1.1.3.3 **People with a Learning Difficulty**:

Overall the position for this client group is a net pressure of £3,097k. Services for this client group remain under extreme pressure as a result of both demographic and placement price pressures. As a result there continue to be significant forecast overspends against both residential and domiciliary care, as well as direct payments. The Directorate had hoped to achieve some significant savings by transferring clients from residential care to supported accommodation.

The impact of young adults transferring from Children’s Services, many of whom have very complex needs and require a much higher level of support, continues to be felt. Alongside these so-called “transitional” placements are the increasing number of older learning disabled clients who are cared for at home by ageing parents who will begin to require more support. There are also more cases of clients becoming “ordinarily resident” in Kent. A client would become “ordinarily resident” when placed by another local authority in Kent and following de-registration of the home, the individual moves into supported accommodation.

a. Residential Care
Although the number of clients reduced from 633 in March to 623 in June, this figure has since increased to 635 in September, with the result that the forecast assumes 2,141 more weeks than is affordable. It should be noted that the Directorate had previously transferred a significant proportion of the cash limit from this line to support the increasing demand for services against domiciliary care, direct payments and supported accommodation. The additional weeks result in a pressure of £2,294k. The forecast unit cost is also above the affordable level which adds £338k to the position. The additional activity has resulted in an over-recovery of income of £429k.

The position on the pre-2002 Preserved Rights clients is also a pressure. Lower than expected attrition means that there are 720 more client weeks than budgeted for at a cost of £654k. However the actual unit cost is £907.76 per week which is just over £10 lower than the £918.05 budgeted for. This reduces the pressure by £232k. Also there is additional income from this extra activity of £105k.

As with Older People, in house residential provision is showing a pressure of £167k on staffing because of the need to cover sickness and absence with agency staff to meet CSCI care standards.

b. Domiciliary Care
Demand against this budget continues to be significant as the Directorate tries to support clients to remain at home rather than in a residential placement. The current forecast pressure of £710k is partially offset by additional income of £215k. The forecast for services provided through the independent sector assumes 27,794 hours more than is affordable, which with a cost per hour of £12.04 means a pressure of £335k. However the cost per hour is actually 31p less than affordable so when applied to affordable hours of 325,643 there is actually a saving of £101k. There has also been a significant increase in the number of clients accessing independent living services, especially a number with wide ranging and profound disabilities, with the result that this line is currently forecasting an overspend of £528k.

c. Direct Payments
Client numbers have increased from 338 in March and 365 in June to 424 in September which is significantly above the affordable level of 360 clients. This budget is therefore showing a pressure of £682k on gross expenditure with a small over-recovery on income of £18k.

d. Supported Accommodation
The overall position is an underspend on gross expenditure of £999k. It should be noted that budget was previously increased greatly to support expected growth in these services which has not happened as yet. The forecast assumes 1,268 weeks less than affordable resulting in a saving of £626k. The forecast unit cost is also below the affordable level which reduces the position by a further £291k. The reduced activity has resulted in an under-recovery of income of £91k.

e. Other Services
There is an overspend on gross of £83k but within this is the £264k release of the remaining balance of the Contingency held by the Managing Director to offset the overall pressure within the Directorate. Alongside minor variances against a number of services including, supported employment, Learning Disability Development Fund and payments to voluntary organisations, is a much more significant pressure of £239k against in-house day services. Day-care provides much needed respite for carers which in turn helps to enable clients to remain at home rather than in a residential placement.

1.1.3.4 **People with a Physical Disability:**

There are similar pressures here to those for services for People with Learning Disabilities, especially demand and demographic pressures against residential care budgets. The overall position is a net pressure of £831k.

a. Residential Care
This line is forecasting a pressure against gross expenditure of £1,621k. Client numbers have increased from a figure of 207 in March to 214 in September and overall the forecast assumes 1,649 weeks of care above the affordable level. The additional cost of these weeks is £1,408k.

The additional activity has resulted in an over-recovery income of £432k. The unit cost is also forecast to be £854.05 per week as opposed to the £823.38 assumed within the budget, and this adds £325k.

It should be noted that the residential budget was adjusted in the first full monitoring return with funding transferred to domiciliary, direct payments and supported accommodation to support current levels of clients and/or expected growth in these services.

The attrition within Preserved Rights is actually higher than budgeted for and this has resulted in an underspend of £160k against gross expenditure.

b. Domiciliary Care
The forecast is for an underspend of £511k on gross and an under-recovery in income of £156k. The adjusted budget gives an affordable level of activity which is currently in excess of actual demand. It is anticipated that spend will increase in the remaining months of the year as more clients remain at home rather than enter residential care.

c. Direct Payments
This budget is currently forecasting a pressure of £243k, with a small over-recovery of income. The number of clients has increased from 547 in March and 586 in June to 620 in September, which is 58 clients more than is currently affordable.

d. Supported Accommodation
There is an underspend on gross expenditure of £304k with an under-recovery in income of £59k as client numbers remain slightly below what is affordable. As with domiciliary, the supported accommodation budget was previously increased at the expense of residential care and gives an affordable level of in excess of actual demand. Again it is anticipated that spend will increase in the remaining months of the year as more clients remain in the community rather than enter residential care, especially as existing clients in residential care are being reviewed , and where appropriate transferred back into the community.

e. Other Services
The current forecast is a pressure of £31k on gross, however within this is an underspend of £90k following release of the balance of the Contingency held by the Managing Director to offset the overall pressure within the Directorate. The remaining budgets, which include day-care, OT equipment, sensory disabilities unit, payments to voluntary organisations and assisted telephones are showing small variances.

1.1.3.5 **All Adults Assessment & Related:**

There is a pressure against gross expenditure of £320k, with an over-recovery in income of £170k. As a result there is currently a hold on recruitment for all non-essential posts. An impact assessment is also currently being undertaken on the use of agency staff to inform any decision that may be taken to reduce their numbers or move to a position of no agency staff. The over-recovery in income relates to additional one-off contributions from Health.

For several years now the Directorate has taken the decision not to fund the cost of increments on the assumption that staff turnover will cover this cost. However there is some evidence, including from the staff survey that the level of turnover is reduced on previous years, and this has impacted on the forecast. The forecast also includes the additional costs of their travel due to the recent increases.

1.1.3.6 **Mental Health Service:**

The overall position for Mental Health is a pressure of £149k.

a. Residential Care
Although the number of clients has remained at 270 this budget continues to report a significant pressure of £648k against gross expenditure. This is mainly due to the fact that cash limit has been transferred to Supported Accommodation to reflect the changed priorities in the Directorate and the desire for clients to remain within a community based setting. It is hoped that the application of good financial practice and delaying planned placements will start to reduce this

pressure. Where appropriate, specialist resettlement teams will work to get clients out of residential care and into the community.

b. Domiciliary Care
This line is forecasting a pressure of £180k against gross expenditure. Demand against this budget is significant as the Directorate tries to support clients to remain at home rather than in a residential placement.

c. Assessment & Related
A significant underspend of £501k on gross expenditure is being forecast as a result of the vacancy management necessary to offset the pressure within residential care. Savings also accrue from difficulties experienced in recruiting to senior posts in both social care and health.

d. Other Services
The current forecast is an underspend of £191k on gross, however within this is £69k released as the balance of the Contingency held by the Managing Director to offset the overall pressure within the Directorate. The forecasts against the remaining budgets, including day-care, payments to voluntary organisations, facilities, and community services, make up the remaining underspend of £122k.

1.1.3.7 **Policy, Performance & Quality Assurance:**

The gross budget is estimated to underspend by £484k which is spread across a number of teams both at Headquarters and in the two Areas and reflects savings through vacancy management. There are also cases where costs have been funded through a grant. For example several posts are either partly or totally covered through the Whole Systems Demonstrator (Telecare/Telehealth) funding awarded by the Department of Health. Backfilling of posts has either been done at a lower cost or the post has not been covered, both of which have added to the underspend.

1.1.3.8 **Resources:**

There is a £656K underspend on gross expenditure. Within this is a credit of £300k released from the Supporting People reserve to fund some of the legal costs incurred in 2007/08 on the Better Homes Active Lives PFI as agreed by the Supporting People Commissioning Body. The release from reserve is shown as a credit entry in revenue and offsets the £225K debit against income as outlined below. The remaining £75K released from reserve reduces the Directorate's position as the costs were incurred last year.

This line is also benefitting from the release of the provision set up in respect of the costs of client billing. The provision was set up at the end of 2007/08 because of uncertainty around the replacement grant for Social Care IT Infrastructure Capital grant from the Department of Health. However the Directorate has since been notified that it will receive £362k in 2008/09 thereby allowing release of this amount from the provision to offset the overall revenue pressure within the Directorate.

The current income position is an under-recovery of £87k. The position is skewed by the writing back (to revenue as a debit) of a debtor for £225K set up in 2007/08 in respect of contributions from District Councils towards the legal costs of the Better Homes Active Lives PFI scheme. The contribution will instead come from the Supporting People reserve as described above. In addition we are expecting income from Medway Council in respect of Enhanced Pensions as well as contributions from District Councils involved in the new Excellent Homes For All PFI scheme.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
KASS	LD Residential gross - activity in excess of affordable level in independent sector placements	+2,294	KASS	Older People Domiciliary gross - reduction in hours in independent care	-1,270
KASS	PD Residential gross - activity in excess of affordable level in independent sector placements	+1,408	KASS	Older People Domiciliary gross - reduction in in-house hours	-640
KASS	LD Direct Payments gross - activity in excess of afforadable level	+682	KASS	Older People Residential gross - release of Deferred Payments Loan from DoH	-628
KASS	LD Residential gross - Preserved Rights reduced attrition	+654	KASS	Older People Nursing gross - release of Deferred Payments Loan from DoH	-628
KASS	Older People Nursing gross - activity in excess of affordable level in independent sector	+649	KASS	LD Supported Accommodation gross - activity below affordable level	-626
KASS	MH Residential gross - tfr of clients to supported accomodation not yet happened	+648	KASS	PD Domiciliary gross - activity below affordable level	-511
KASS	Older People Domiciliary income - under-recovery of income due to lower activity	+590	KASS	MH Assessment & Related gross - vacancy management	-501
KASS	LD Domiciliary gross - pressure against Independent Living Scheme	+528	KASS	PPQA gross - vacancy management	-484
KASS	Older People Nursing income - under recovery of income due to lowere RNCC activity	+402	KASS	Older People Other Services - release of the balance of the Managing Director's contingency	-436
KASS	Older People Residential gross - pressure relating to change in unit cost in independent sector placements	+347	KASS	PD Residential gross - additional income through additional activity	-432
KASS	LD Residential gross - pressure relating to change in unit cost of independent sector placements	+338	KASS	LD Residential income - additional income resulting from additional activity	-429
KASS	LD Domiciliary gross - activity in excess of affordable level	+335	KASS	Older People Nursing gross - RNCC activity below affordable	-402
KASS	PD Residential gross - pressure relating to change in unit cost of independent sector placements	+325	KASS	Resources gross - release of client billing provision	-362
KASS	All Adults Assessment & Related Gross - staffing pressures	+320	KASS	PD Supported Accommodation gross - activity below affordable	-304
KASS	PD Direct Payments gross- activity in excess of affordable level	+243	KASS	Resources gross - release of Supporting People reserve to fund PFI legal costs	-300
KASS	LD Other Services gross - in-house day services in excess of affordable level	+239	KASS	LD Supported Accommodation gross - difference in unit cost	-291
KASS	Resources income - write back of PFI debtor	+225	KASS	Older People Nursing income resulting from additional activity	-286
KASS	Older People Residential gross - activity in excess of affordable level in independent sector	+219	KASS	LD Other Services - release of the balance of the Managing Director's contingency	-264

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
KASS	Older People Residential gross - in house provision staffing costs	+210	KASS	Older People Residential income resulting from additional activity	-250
KASS	Older People Domiciliary gross - pressure relating to change in unit cost in independent sector placements	+206	KASS	LD Residential gross - Preserved Rights change in unit cost	-232
KASS	MH Domiciliary gross - activity in excess of affordable level	+180	KASS	LD Domiciliary income resulting from additional activity	-215
KASS	LD Residential gross - in house provision staffing	+167	KASS	All Adults Assessment & Related one-off income from Health	-170
KASS	PD Domiciliary income - under-recovery of income due to lower activity	+156	KASS	Older People Direct Payments gross - lower unit cost & activity	-170
			KASS	PD Residential gross - Preserved Rights increased attrition	-160
			KASS	LD Residential income resulting from additional Preserved Rights activity	-105
			KASS	Learning Domiciliary gross - change in unit cost in independent sector	-101
			KASS	Older People Nursing gross - Preserved Rights increased	-100
		+11,365			-10,297

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

The forecast pressure of £1,113k assumes that most of the savings identified within the MTP will be achieved however it is unlikely that the Directorate will be able to deliver the whole saving against Learning Disability residential as moving the required number of clients into supported accommodation is proving more difficult than anticipated. Despite this the Directorate remains confident that other savings, through the application of Good Financial Practice, will be found to ensure that a balanced budget is achieved by the end of the year. The management actions, or ‘Guidelines for Good Financial Practice’ as they are now referred to, required to address the residual pressure is referred to in section 1.1.7 below.

1.1.5 **Implications for MTP**:

Although the MTP assumes a breakeven position for 2008/09 it does also assume an underlying pressure of £1,256k as this year’s position has been reduced by the same amount in respect of the one-off Deferred Payments Loan.

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

No revenue projects have been identified for re-phasing.

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

The KASS Management Team have previously refined the ‘Guidelines for Good Financial Practice’, which were referred to as ‘Management Action Plans’ in 2007-08. Details of these guidelines were provided to Cabinet in September. Robust monitoring arrangements are in place on a monthly basis to ensure that all areas and HQ budgets are aggressively challenged and monitored.

Also it should be noted that at this time of the year, as managers become more confident in their forecasts, that forecasts begin to fall over the autumn months, especially on non-direct services.

The KASS Directorate is wholly committed to delivering a balanced outturn position by the end of the year. The range of innovations that the Directorate has implemented will help us to achieve this, for example telehealth and telecare through the successful investment of the 'Whole Systems Demonstrator Programme', and extra care sheltered housing as the new units come on stream in the next few months.

The guidelines are currently expected to balance the £1,113k forecast pressure by year end.

1.2 CAPITAL

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

The revised capital cash limits agreed by Cabinet on 13 October 2008 are now being used for monitoring purposes and are reflected in this report. However, these differ from the cash limits shown in appendix 3 of the October Cabinet report, as the cash limits reflected in this report only include those projects starting in the current or previous years, whereas the cash limits approved by Cabinet in October also include projects due to start in future years of the 2008-11MTP.

In addition to the changes agreed by Cabinet on 13 October, there has a further change to the capital cash limit as follows:

	2008-09 £000s
▪ Income from the Strategic Health Authority for Learning Disability Development Fund (LDDF) Partnership projects	300

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

	Prev Yrs Exp £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	Future Yrs £000s	TOTAL £000s
Kent Adult Social Services portfolio						
Budget approved at Oct Cabinet	11,602	4,998	8,260	5,531	4,960	35,351
Adjustments:						
- LDDF income from SHA		300				300
-						0
						0
Revised Budget	11,602	5,298	8,260	5,531	4,960	35,651
Variance		984	-567			417
split:						
- real variance		+417				+417
- re-phasing		+567	-567			0

Real Variance		**+417**	**0**	**0**	**0**	**+417**
Re-phasing		**+567**	**-567**	**0**	**0**	**0**

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2008-09 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- projects at preliminary stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
KASS	Crispe House - Rephase	Phasing		+567		
KASS	Broadmeadow	Real		+417		
			+0	**+984**	**+0**	**+0**
Underspends/Projects behind schedule						
			-0	**-0**	**-0**	**-0**
			+0	**+984**	**+0**	**+0**

1.2.4 Projects re-phasing by over £1m:

None

1.2.5 Projects with real variances, including resourcing implications:

[All real variances need to be explained in this section]

The true underlying variance is +£417k which relates to the Broadmeadow project. This reflects the full outcome of the mediation process with the architects and the contractors. Discussions are currently underway as to how this pressure is to be funded.

1.2.6 General Overview of capital programme:

(a) Risks

Most of the directorate’s capital programme was to be funded by back-to-back receipts. In the current climate of falling property prices and uncertainty over sales, this funding stream is risky.

(b) Details of action being taken to alleviate risks

In order to minimise the risk to the KASS capital programme, all of the properties for disposal which were not at advanced stages of negotiation have been put into PEF2. For KASS, this means that the value of funding may be below that which was originally sought. KASS are currently undertaking work to ensure that the PEF2 funding is adequate for the projects.

1.2.7 **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 assets until the asset are ready for use and this is by way of an annual unitary charge to the revenue budget.

	Previous years	**2008-09**	**2009-10**	**2010-11**	**TOTAL**
	£000s	£000s	£000s	£000s	£000s
Budget	8,892	51,818	11,779	-	72,489
Forecast	8,892	51,818	11,779	-	72,489
Variance	-	-	-	-	-

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

Overall costings are still as planned.

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

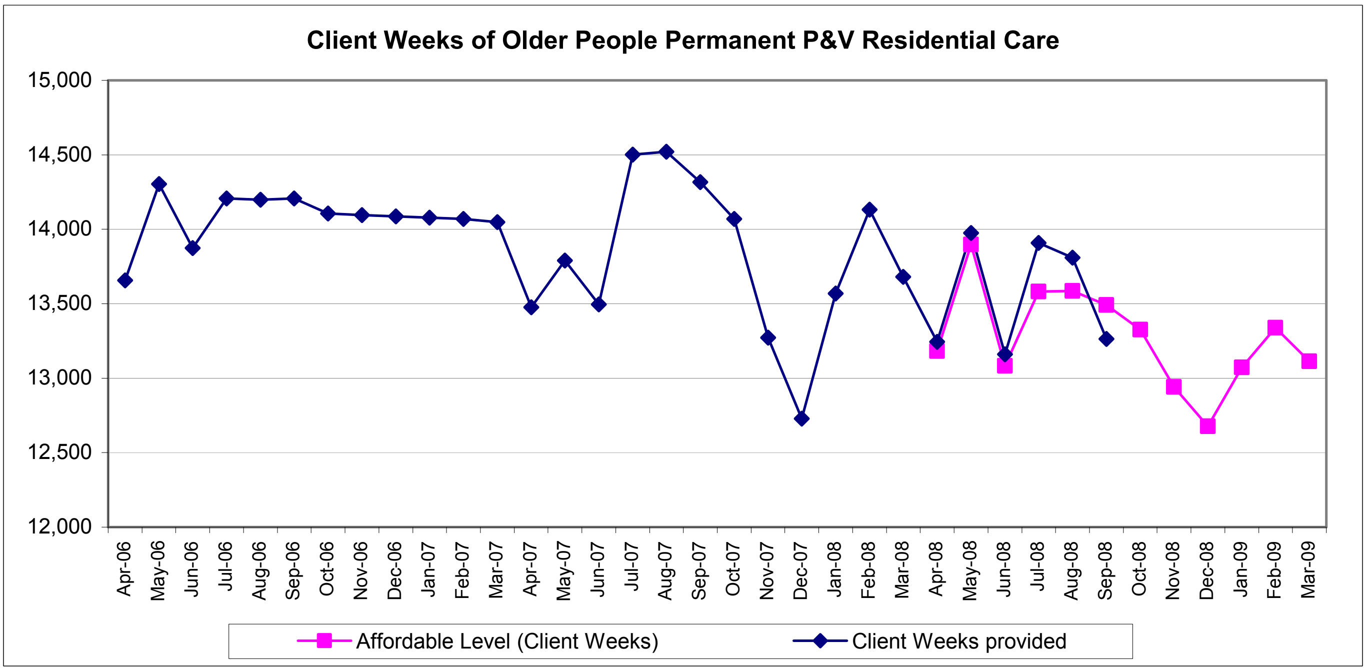
The unitary charge is not subject to indexation as the contractor has agreed to a fixed price for the duration of the contract. Deductions will be made during the contract period if performance falls below the standards agreed or if the facilities are unavailable for use.

During the contract period if one of the partners proposes a change that either results in increased costs or a change in the balance of risk, this must be taken to the Project Board for agreement. Each partner has a vote and any decision resulting in a change to the costs or risks would need unanimous approval.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1.1 **Number of client weeks of older people permanent P&V residential care provided compared with affordable level**:

	2006-07		2007-08		2008-09	
	Affordable Level (Client Weeks)	**Client Weeks of older people permanent P&V residential care provided**	**Affordable Level (Client Weeks)**	**Client Weeks of older people permanent P&V residential care provided**	**Affordable Level (Client Weeks)**	**Client Weeks of older people permanent P&V residential care provided**
April		13,656		13,476	13,181	13,244
May		14,303		13,789	13,897	13,974
June		13,875		13,495	13,084	13,160
July		14,207		14,502	13,581	13,909
August		14,199		14,520	13,585	13,809
September		14,206		14,316	13,491	13,264
October		14,105		14,069	13,326	
November		14,095		13,273	12,941	
December		14,086		12,728	12,676	
January		14,077		13,568	13,073	
February		14,069		14,131	13,338	
March		14,049		13,680	13,114	
TOTAL	**167,393**	**168,928**	**169,925**	**165,546**	**159,287**	**81,360**

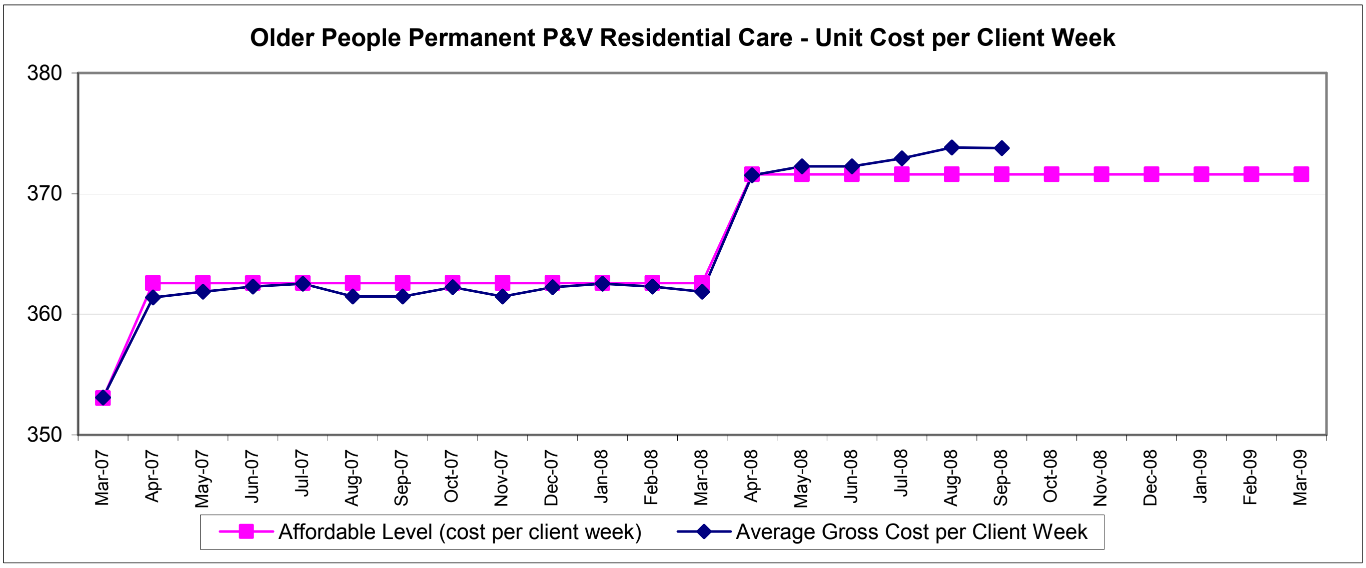


Comments:

- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in older people permanent P&V residential care at the end of 2006-07 was 3,045, at the end of 2007-08 it was 2,917 and at the end of September 2008 it was 2,916. It is evident that there are ongoing pressures relating to clients with dementia. During this year, the number of clients with dementia have increased from 1,113 in April to 1,168 in September, whilst the other residential clients have decreased.
- The current forecast is 159,874 weeks of care against an affordable level of 159,287, a difference of 587 weeks. Using the forecast unit cost of £373.78 this additional activity adds £219k to the forecast, as highlighted in section 1.1.3.2.a.
- To the end of September 81,360 weeks of care have been delivered against an affordable level of 80,819, a difference of 541 weeks.

2.1.2 **Average gross cost per client week of older people permanent P&V residential care compared with affordable level**:

	2006-07		2007-08		2008-09	
	Affordable Level (Cost per Week)	Average Gross Cost per Client Week	Affordable Level (Cost per Week)	Average Gross Cost per Client Week	Affordable Level (Cost per Week)	Average Gross Cost per Client Week
April			362.60	361.41	371.60	371.54
May			362.60	361.90	371.60	372.28
June			362.60	362.31	371.60	372.27
July			362.60	362.56	371.60	372.94
August			362.60	361.50	371.60	373.84
September			362.60	361.50	371.60	373.78
October			362.60	362.27	371.60	
November			362.60	361.50	371.60	
December			362.60	362.27	371.60	
January			362.60	362.56	371.60	
February			362.60	362.31	371.60	
March	353.04	353.10	362.60	361.90	371.60	

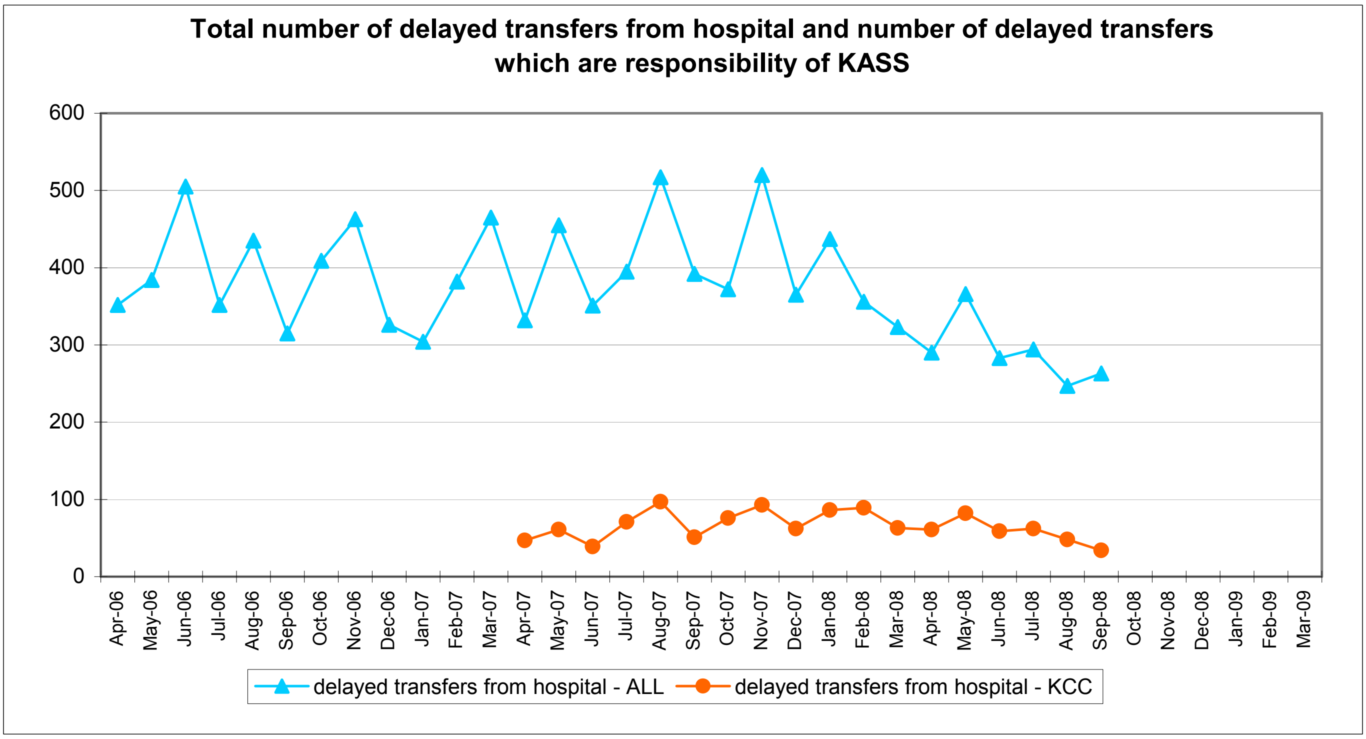


Comments:

- Average unit cost per week has increased more than inflation and is likely to reflect the increasing numbers of clients with dementia.
- The forecast unit cost of £373.78 is higher than the affordable cost of £371.60 and this difference of £2.18 adds £347k to the position when multiplied by the affordable weeks, as highlighted in section 1.1.3.2.a.

2.1.3 **Total of All Delayed Transfers from hospital compared with those which are KASS responsibility**:

	2006-07		2007-08		2008-09	
	ALL	**KASS responsibility**	**ALL**	**KASS responsibility**	**ALL**	**KASS responsibility**
April	352		332	47	290	61
May	384		455	61	366	82
June	505		351	39	283	59
July	352		395	71	294	62
August	435		517	97	247	48
September	315		392	51	263	34
October	409		372	76		
November	463		520	93		
December	326		365	62		
January	304		437	86		
February	382		356	89		
March	465		323	63		

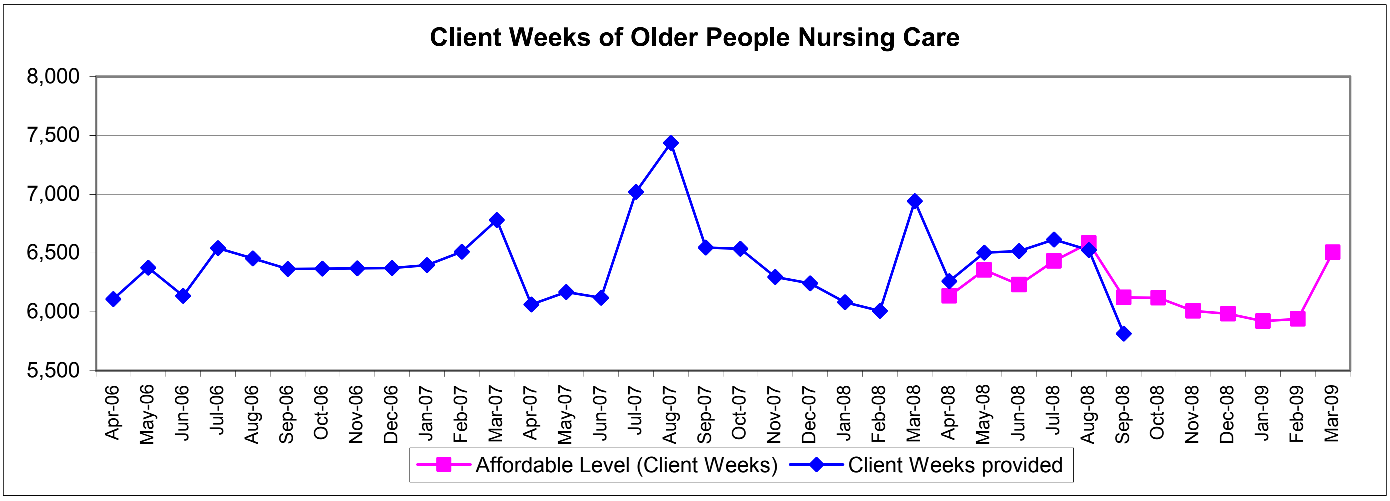


Comments:

- 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 across both Health and Social Care. The average number of delayed transfers per week is on a steadily reducing trend from a peak in the second quarter of 2007/08. Approximately 13%-22% of these will be the responsibility of Social Services and trends over the last three months show a decreasing trend.

2.2.1 Number of client weeks of older people nursing care provided compared with affordable level:

	2006-07		2007-08		2008-09	
	Affordable Level (Client Weeks)	**Client Weeks of older people nursing care provided**	**Affordable Level (Client Weeks)**	**Client Weeks of older people nursing care provided**	**Affordable Level (Client Weeks)**	**Client Weeks of older people nursing care provided**
April		6,109		6,062	6,137	6,263
May		6,375		6,170	6,357	6,505
June		6,136		6,120	6,233	6,518
July		6,542		7,020	6,432	6,616
August		6,454		7,436	6,586	6,525
September		6,366		6,546	6,124	5,816
October		6,368		6,538	6,121	
November		6,371		6,298	6,009	
December		6,374		6,243	5,984	
January		6,399		6,083	5,921	
February		6,513		6,008	5,940	
March		6,780		6,941	6,507	
TOTAL	**74,256**	**76,786**	**74,707**	**77,463**	**74,351**	**38,243**

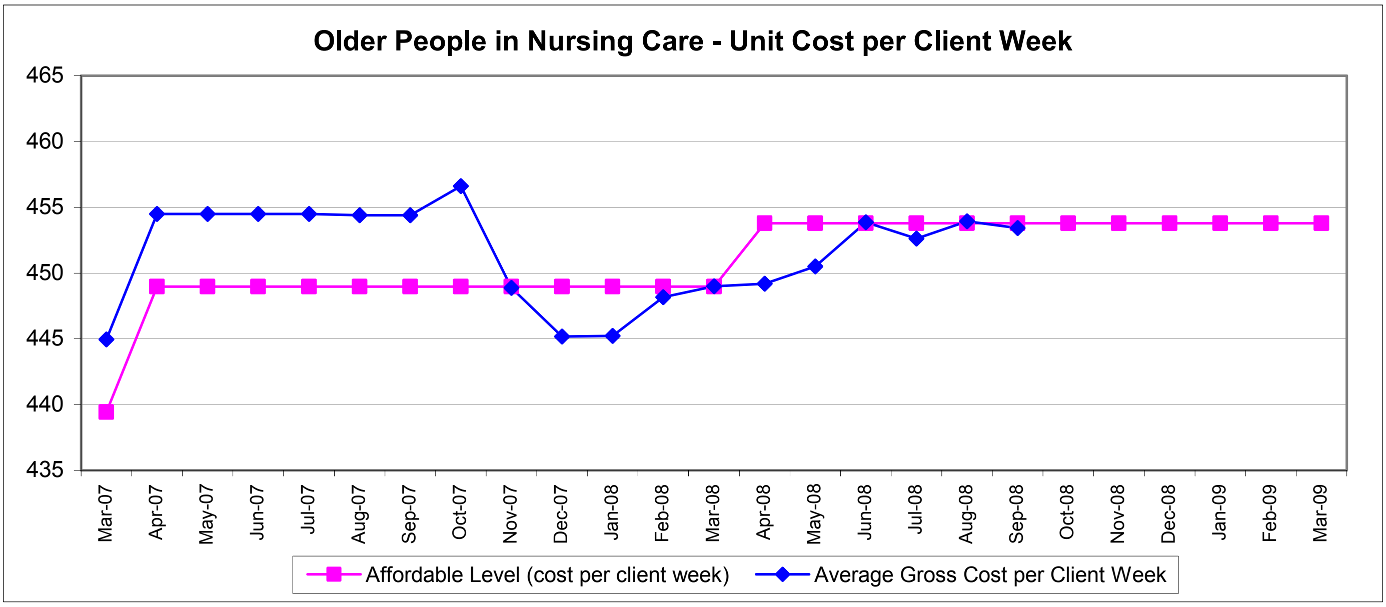


Comment:

- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in older people nursing care at the end of 2006-07 was 1,387, at the end of 2007-08 it was 1,386, at the end of June it was 1,420 and these levels have decreased to 1,391 by the end of September. In nursing care, there is not the same distinction between clients with dementia, as with residential care. The difference in intensity of care for nursing care and nursing care with dementia is not as significant as it is for residential care.
- The current forecast is 75,783 weeks of care against an affordable level of 74,351, a difference of 1,432 weeks. Using the forecast unit cost of £453.42 this additional activity adds £649k to the forecast, as highlighted in section 1.1.3.2.b.
- To the end of September 38,243 weeks of care have been delivered against an affordable level of 37,869, a difference of 374 weeks.
- There are always pressures in permanent nursing care which may occur for many reasons. Although numbers are decreasing at the present, significant issues still remain. There will always be pressures which the directorate face, for example the knock on effect of minimising delayed transfers of care. Demographic changes – increasing numbers of older people with long term illnesses – also means that there is an underlying trend of growing numbers of people needing more intense nursing care. This is further supported by the increasing age of older people entering residential and nursing care. In 2000, 4.5% of placements were made for people aged 94+. This year, this is 7.5% and is likely to mean that these people will require more intense support. If they are not placed in nursing care, then an alternative needs to be found.

2.2.2 **Average gross cost per client week of older people nursing care compared with affordable level**:

	2006-07		2007-08		2008-09	
	Affordable Level (Cost per Week)	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**
April			448.98	454.50	453.77	449.18
May			448.98	454.50	453.77	450.49
June			448.98	454.50	453.77	453.86
July			448.98	454.50	453.77	452.61
August			448.98	454.40	453.77	453.93
September			448.98	454.40	453.77	453.42
October			448.98	456.60	453.77	
November			448.98	448.88	453.77	
December			448.98	445.16	453.77	
January			448.98	445.22	453.77	
February			448.98	448.17	453.77	
March	439.42	444.94	448.98	449.00	453.77	

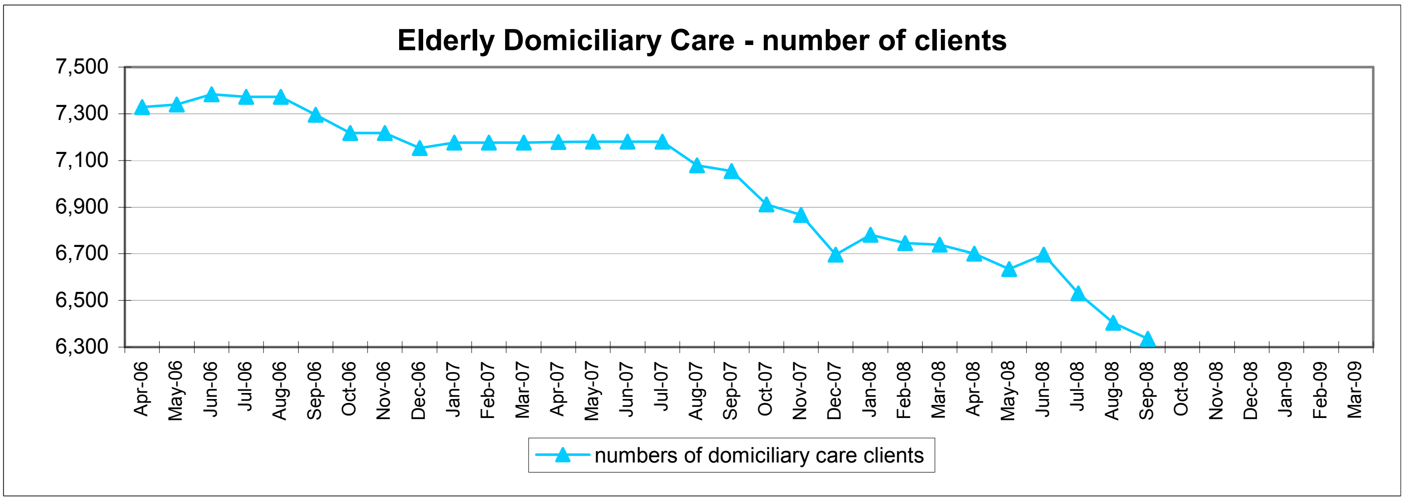


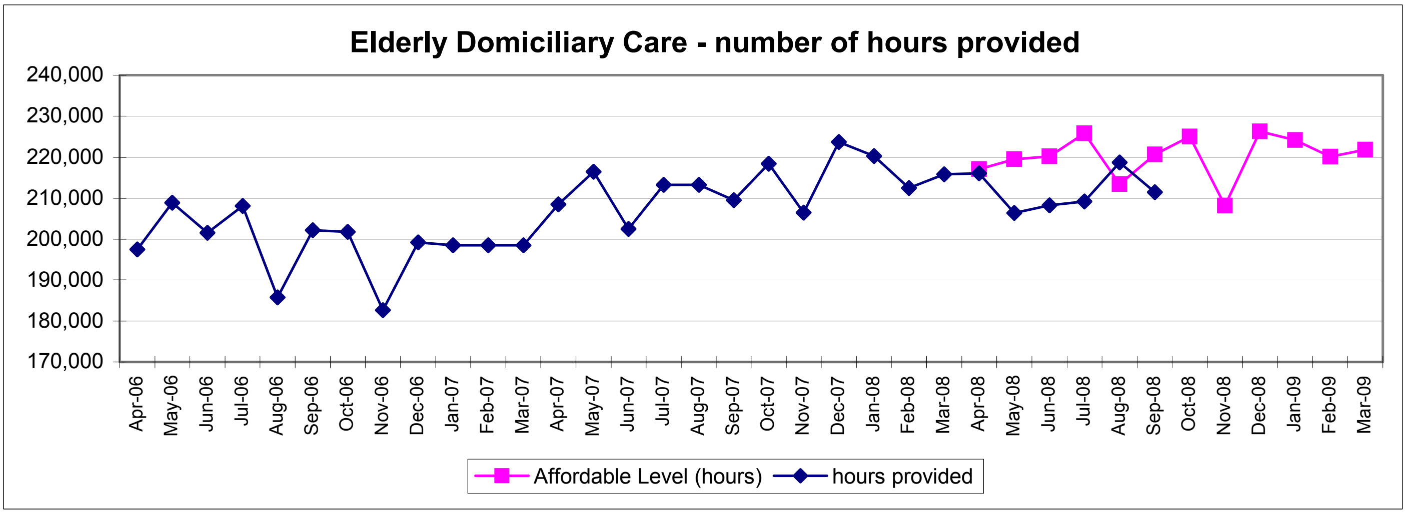
Comments:

- The forecast unit cost of £453.42 is slightly below the affordable cost of £453.77 but does fluctuate with the differing placements within it (Non OPMH, OPMH and non permanent). The difference in unit cost of 35p reduces the position by £26k when multiplied by the affordable weeks, as highlighted in section 1.1.3.2.b.

2.3.1 Elderly domiciliary care – numbers of clients and hours provided in the independent sector:

	2006-07			2007-08			2008-09		
	Affordable level (hours)	**hours provided**	**number of clients**	**Affordable level (hours)**	**hours provided**	**number of clients**	**Affordable level (hours)**	**hours provided**	**number of clients**
April		197,531	7,329		208,524	7,179	217,090	215,448	6,700
May		208,870	7,339		216,477	7,180	219,480	218,200	6,635
June		201,559	7,383		202,542	7,180	220,237	218,557	6,696
July		208,101	7,373		213,246	7,180	225,841	209,230	6,531
August		185,768	7,373		213,246	7,079	213,436	218,739	6,404
September		202,227	7,295		209,504	7,054	220,644	211,487	6,335
October		201,815	7,218		218,397	6,912	225,012		
November		182,608	7,218		206,465	6,866	208,175		
December		199,235	7,153		223,696	6,696	226,319		
January		198,524	7,177		220,313	6,782	224,175		
February		198,524	7,177		212,499	6,746	220,135		
March		198,524	7,177		215,865	6,739	221,875		
TOTAL	**2,462,712**	**2,383,286**		**2,610,972**	**2,560,774**		**2,642,419**	**1,291,661**	





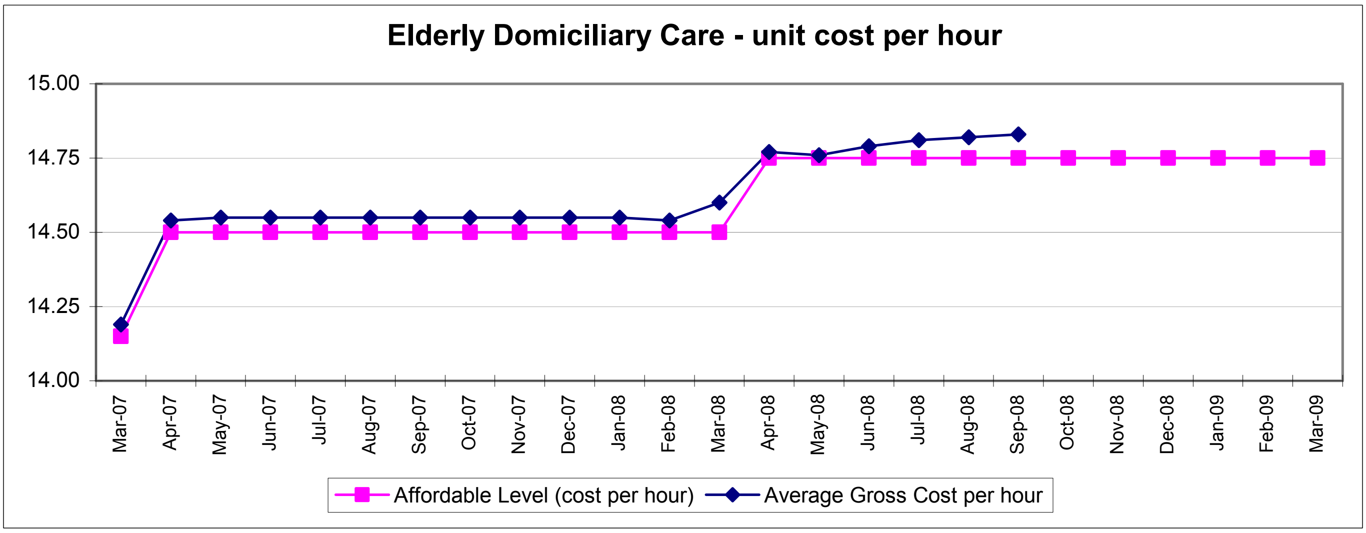
Comments:

- Figures exclude services commissioned from the Kent HomeCare Service.
- The current forecast is 2,556,782 hours of care against an affordable level of 2,642,419, a difference of 85,637 hours. Using the forecast unit cost of £14.83 this reduction in activity reduces the forecast by £1,270k, as highlighted in section 1.1.3.2.c.
- To the end of September 1,291,661 hours of care have been delivered against an affordable level of 1,316,728 a difference of 25,067 hours.

- The decrease in numbers of people receiving domiciliary care is partly as a result of the increase in direct payments. This is not linked to nursing care placements, as the two cohorts of service users are completely different. There are a number of other factors reducing the need for formal domiciliary care. Ongoing service developments with the voluntary sector and other organisations mean that we continue to prevent people from needing 'mainstream' domiciliary care, and they can access services, very often involving social inclusion (e.g. luncheon clubs and other social activities), without having to undergo a full care management assessment. Public health campaigns and social marketing aimed at improving people's health is already starting to result in healthier older people. Increase in the use of Telecare and Telehealth similarly reduces the need for domiciliary care, and it is possible that this trend will continue despite the growth in numbers of older people. In addition, intermediate and recuperative care provides intensive support to increasing numbers of people, which allows them to return home with little or no support at all, or prevents them from entering hospital, or needing intense services. Our LAA/Kent Agreement target on intermediate care focuses on this very issue.

2.3.2 **Average gross cost per hour of older people domiciliary care compared with affordable level**:

	2006-07		2007-08		2008-09	
	Affordable Level (Cost per Hour)	**Average Gross Cost per Hour**	**Affordable Level (Cost per Hour)**	**Average Gross Cost per Hour**	**Affordable Level (Cost per Hour)**	**Average Gross Cost per Hour**
April			14.50	14.54	14.75	14.77
May			14.50	14.55	14.75	14.76
June			14.50	14.55	14.75	14.79
July			14.50	14.55	14.75	14.81
August			14.50	14.55	14.75	14.82
September			14.50	14.55	14.75	14.83
October			14.50	14.55	14.75	
November			14.50	14.55	14.75	
December			14.50	14.55	14.75	
January			14.50	14.55	14.75	
February			14.50	14.54	14.75	
March	14.15	14.19	14.50	14.60	14.75	

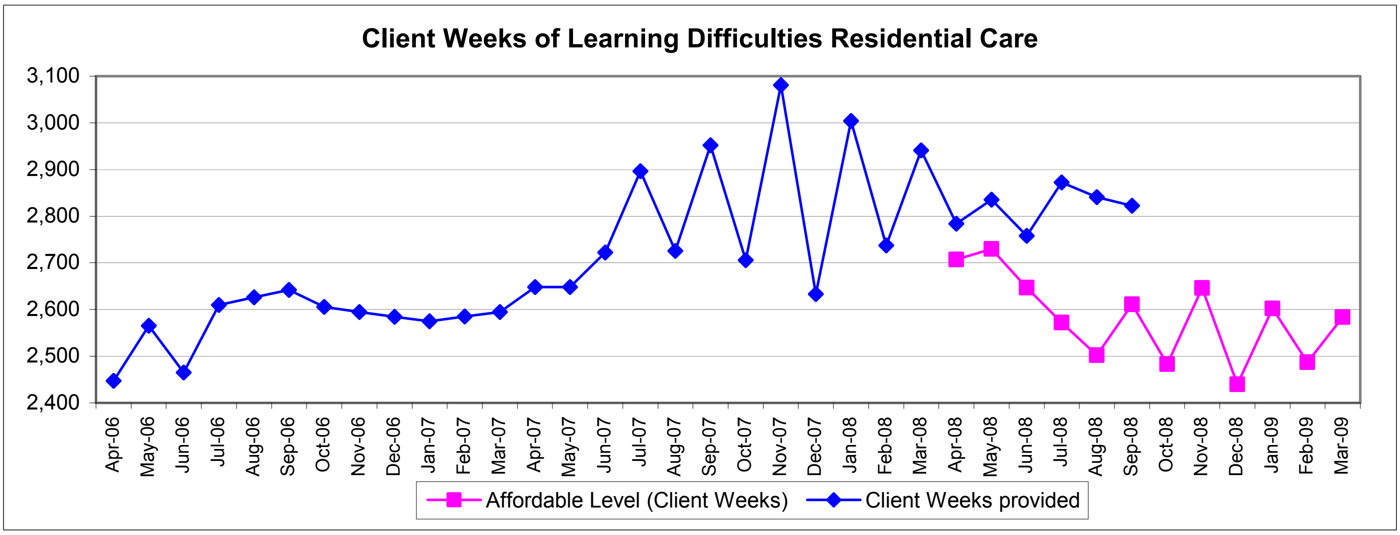


Comments:

- Average unit cost is increasing and is likely to reflect the same issues outlined above concerning more intense packages and higher levels of need.
- The forecast unit cost of £14.83 is slightly higher than the affordable cost of £14.75 and this difference of 8p increases the pressure by £211k when multiplied by the affordable hours, as highlighted in section 1.1.3.2.c.

2.4.1 **Number of client weeks of learning difficulties residential care provided compared with affordable level (non preserved rights clients):**

	2006-07		2007-08		2008-09	
	Affordable Level (Client Weeks)	Client Weeks of LD residential care provided	Affordable Level (Client Weeks)	Client Weeks of LD residential care provided	Affordable Level (Client Weeks)	Client Weeks of LD residential care provided
April		2,447		2,648	2,707	2,784
May		2,565		2,648	2,730	2,836
June		2,465		2,722	2,647	2,758
July		2,610		2,897	2,572	2,872
August		2,626		2,725	2,502	2,841
September		2,642		2,952	2,611	2,822
October		2,606		2,706	2,483	
November		2,595		3,081	2,646	
December		2,584		2,633	2,440	
January		2,575		3,004	2,602	
February		2,585		2,737	2,487	
March		2,595		2,941	2,584	
TOTAL	**30,984**	**30,895**	**30,984**	**33,695**	**31,011**	**16,913**



Comments:

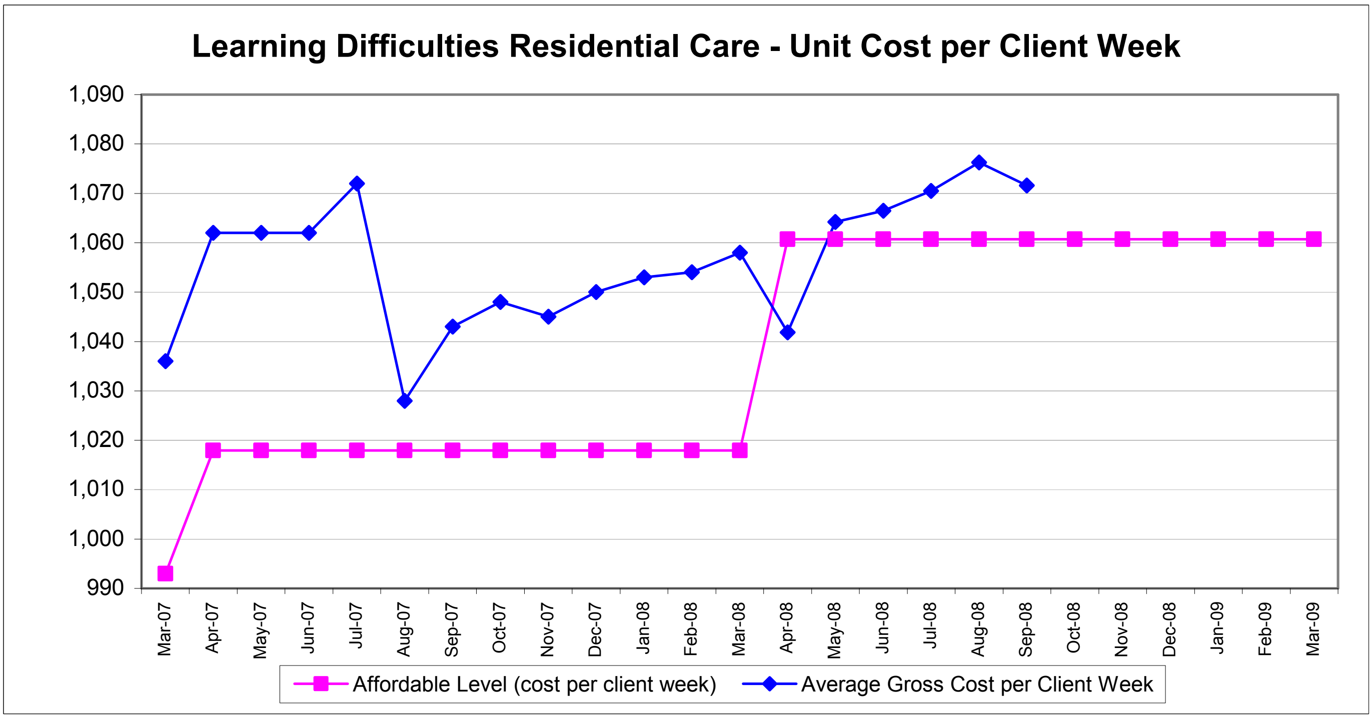
- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in LD residential care at the end of 2006-07 was 615, at the end of 2007-08 it was 633 and at the end of June 2008 it was 623 and at the end of September it was 635.

- The current forecast is 33,152 weeks of care against an affordable level of 31,011, a difference of 2,141 weeks. Using the forecast unit cost of £1,071.59 this additional activity adds £2,294k to the forecast, as highlighted in section 1.1.3.3.a.

- To the end of September 16,913 weeks of care have been delivered against an affordable level of 15,769, a difference of 1,144 weeks.

2.4.2 **Average gross cost per client week of Learning Difficulties residential care compared with affordable level (non preserved rights clients)**:

	2006-07		2007-08		2008-09	
	Affordable Level (Cost per Week)	Average Gross Cost per Client Week	Affordable Level (Cost per Week)	Average Gross Cost per Client Week	Affordable Level (Cost per Week)	Average Gross Cost per Client Week
April			1,018.00	1,062.00	1,060.70	1,041.82
May			1,018.00	1,062.00	1,060.70	1,064.19
June			1,018.00	1,062.00	1,060.70	1,066.49
July			1,018.00	1,072.00	1,060.70	1,070.50
August			1,018.00	1,028.00	1,060.70	1,076.27
September			1,018.00	1,043.00	1,060.70	1,071.59
October			1,018.00	1,048.00	1,060.70	
November			1,018.00	1,045.00	1,060.70	
December			1,018.00	1,050.00	1,060.70	
January			1,018.00	1,053.00	1,060.70	
February			1,018.00	1,054.00	1,060.70	
March	993.00	1,036.00	1,018.00	1,058.00	1,060.70	



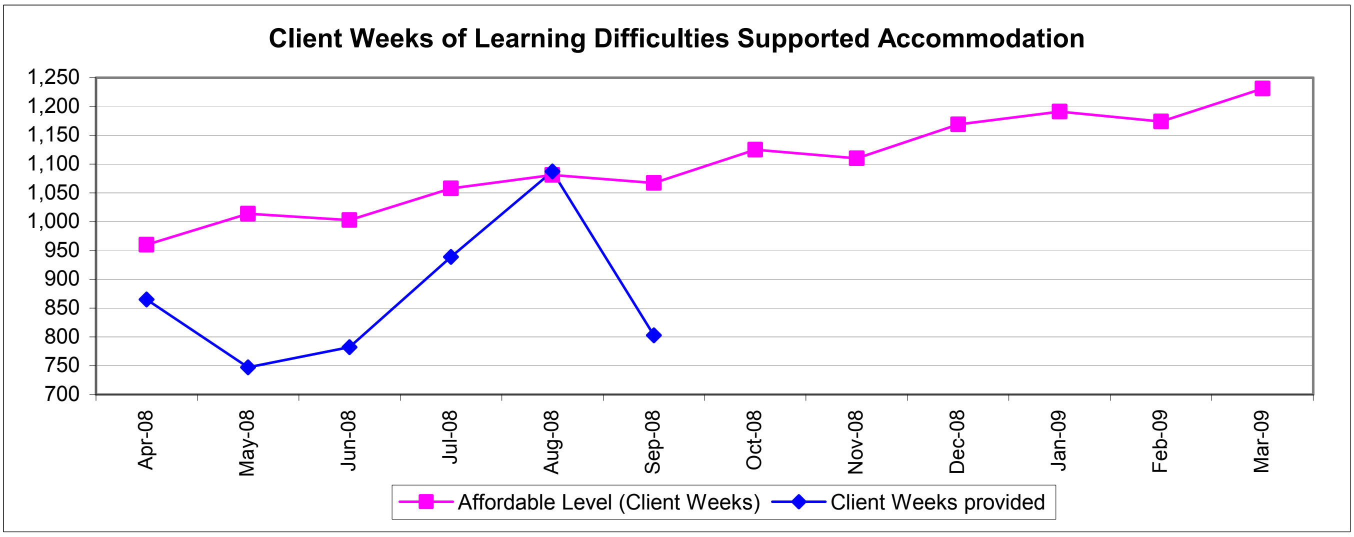
Comments:

- Clients being placed in residential care are those with very complex needs which makes it difficult for them to remain in the community, in supported accommodation/supporting living arrangements, or receiving a domiciliary care package. These are therefore placements which attract a very high cost, with the average now being over £1,000 per week. It is expected that clients with less complex needs, and therefore less cost, can transfer from residential into supported living arrangements. This would mean that the average cost per week would increase over time as the remaining clients in residential care would be the very high cost ones – some of whom can cost up to £2,000 per week.

- The forecast unit cost of £1,071.59 is higher than the affordable cost of £1,060.70 and this difference of £10.89 adds £338k to the position when multiplied by the affordable weeks, as highlighted in section 1.1.3.3.a.

2.5.1 Number of client weeks of learning difficulties supported accommodation provided compared with affordable level:

	2007-08		2008-09	
	Affordable Level (Client Weeks)	Client Weeks of LD supported accommodation provided	Affordable Level (Client Weeks)	Client Weeks of LD supported accommodation provided
April			960	865
May			1,014	747
June			1,003	782
July			1,058	939
August			1,081	1,087
September			1,067	803
October			1,125	
November			1,110	
December			1,169	
January			1,191	
February			1,174	
March			1,231	
TOTAL	**7,618**	**11,156**	**13,182**	**5,223**

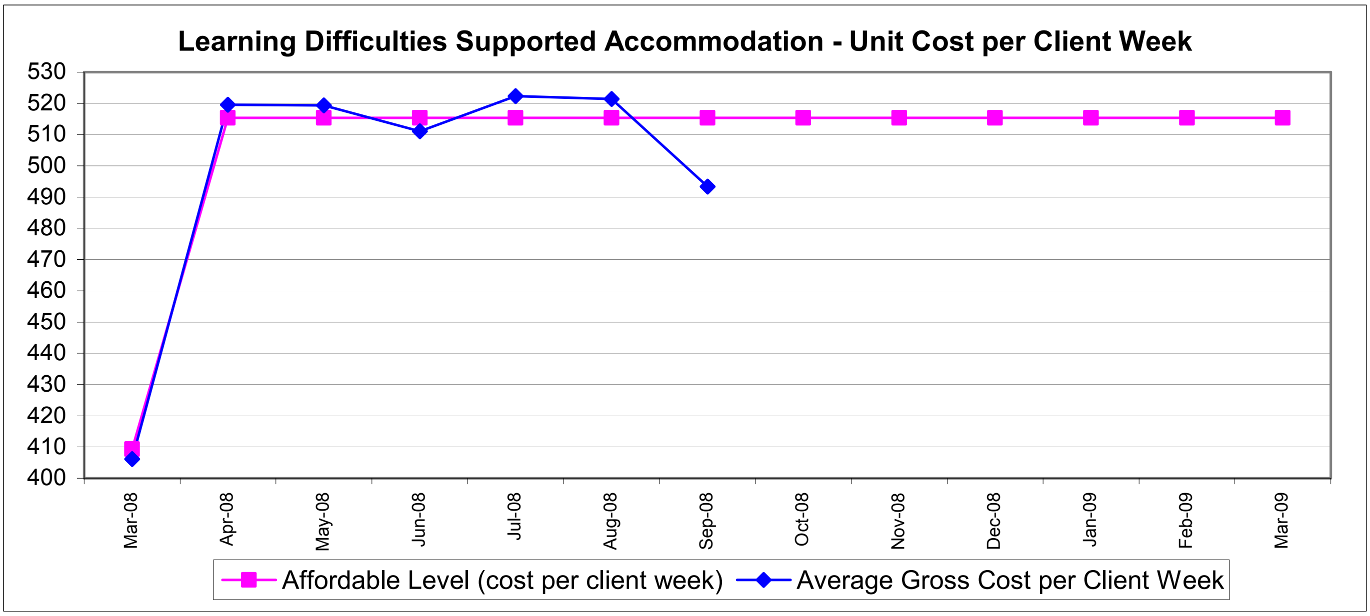


Comments:

- Supported Accommodation is a rapidly growing area of expenditure and as such there is little activity/unit cost data available from prior years. In addition, supported accommodation is regarded as a community service and is often provided as an hourly service. Following recent national consultation, we are still awaiting confirmation on how supported accommodation should be recorded. Some adjustments to the activity have been made since the first full monitoring report to reflect our developing understanding of this service, and more may be required in the future once an agreed definition nationally has been reached.
- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in LD supported accommodation at the end of 2007-08 was 193 and at the end of June 2008 it was 193. The September position was 205.
- The current forecast is 11,914 weeks of care against an affordable level of 13,182, a difference of 1,268 weeks. Using the forecast unit cost of £493.33 this reduction in activity provides a saving of £626k as highlighted in section 1.1.3.3.d.
- To the end of September 5,223 weeks of care have been delivered against an affordable level of 6,183, a difference of 960 weeks.
- It is hoped that this number will increase in line with the expectation of transferring clients with less complex needs from residential care and using this service as an alternative to a residential placement for new clients. As such there has previously been a corresponding increase in the cash limit to support these additional clients.

2.5.2 Average gross cost per client week of Learning Difficulties supported accommodation compared with affordable level (non preserved rights clients):

	2007-08		2008-09	
	Affordable Level (Cost per Week)	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**
April			515.41	519.60
May			515.41	519.40
June			515.41	511.10
July			515.41	522.30
August			515.41	521.40
September			515.41	493.33
October			515.41	
November			515.41	
December			515.41	
January			515.41	
February			515.41	
March	409.31	406.18	515.41	

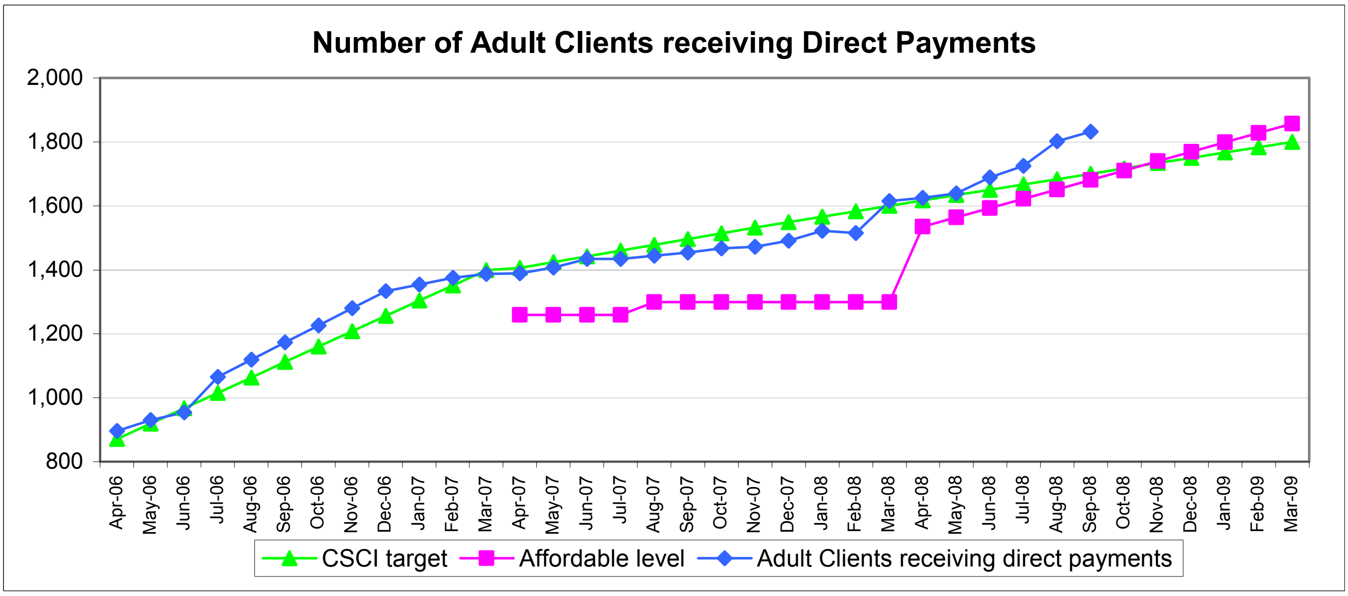


Comments:

- Supported Accommodation is a rapidly growing area of expenditure and as such there is little activity/unit cost data available from prior years. The service is difficult to measure in weeks as it is regarded as a community service. The weekly unit cost for the service will fluctuate as the service assists people with a learning disability with a wide range of needs, and even a few hours or more intensive support will change the weekly cost. As already mentioned above there have been changes to the figures since the first full monitoring report to reflect our developing understanding of the service. A Department of Health consultation has just finished and we are now awaiting the confirmation of the definition for Supported Accommodation. There will be some adjustments to the activity and unit costs once this has happened.
- Since the first full monitoring report the Directorate has revised its estimates for both the affordable and forecast unit costs to reflect the latest definitions for this type of care. Previously the affordable unit cost was estimated to be £439.54, with the forecast unit costs reported as £441.00, £442.40 and £446.13 for April, May and June respectively.
- The forecast unit cost of £493.33 is lower than the affordable cost of £515.41 and this difference of £22.08 provides a saving of £291k when multiplied by the affordable weeks as highlighted in section 1.1.3.3.d.

2.6 Direct Payments – Number of Adult Social Services Clients receiving Direct Payments:

	2006-07			2007-08			2008-09		
	CSCI Target	Affordable Level	Adult Clients receiving Direct Payments	CSCI Target	Affordable Level	Adult Clients receiving Direct Payments	CSCI Target	Affordable Level	Adult Clients receiving Direct Payments
April	871		896	1,406	1,259	1,390	1,617	1,535	1,625
May	919		930	1,424	1,259	1,407	1,634	1,564	1,639
June	967		954	1,442	1,259	1,434	1,650	1,593	1,689
July	1,015		1,065	1,460	1,259	1,434	1,667	1,622	1,725
August	1,063		1,119	1,478	1,299	1,444	1,683	1,651	1,802
September	1,112		1,173	1,496	1,299	1,454	1,700	1,681	1,832
October	1,160		1,226	1,514	1,299	1,467	1,717	1,710	
November	1,208		1,280	1,532	1,299	1,472	1,734	1,740	
December	1,256		1,334	1,549	1,299	1,491	1,750	1,769	
January	1,304		1,355	1,566	1,299	1,522	1,767	1,799	
February	1,352		1,376	1,583	1,299	1,515	1,783	1,828	
March	1,400		1,388	1,600	1,299	1,615	1,800	1,857	



Comments:

- Figures provided for last year represented the number of people who had a direct payment to provide permanent support. As of March 2008 and onwards, the monitoring of these figures have changed slightly, in line with guidance from the Department of Health. We are now monitoring all people who have had a direct payment, irrespective of whether permanent ongoing support is being purchased, or whether the direct payment is being used to purchase respite care.
- The introduction of direct payments is identifying some previously unmet demand/need. Work is ongoing to track all new direct payment clients to prove /disprove this belief.

ENVIRONMENT & REGENERATION DIRECTORATE SUMMARY OCTOBER 2008-09 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.
- The inclusion of new 100% grants (i.e. grants which fully fund the additional costs) awarded since the last full monitoring report. These are detailed in Appendix 2 to the executive summary.
- Cash limits have also been adjusted since the last full monitoring report to reflect a number of technical adjustments to budgets, including the transfer of the Local Involvement Networks budget from Public Health portfolio to Environment, Highways & Waste portfolio.

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	
Environment, Highways & Waste portfolio							
Kent Highways Services	59,540	-6,306	53,234	2,957	0	2,957	Pressures on traffic management act (£655k one-off set up), increased NOMU activity (£200k) and vegetation control (£700k). Plus invest to save (£1400k)
Public Transport Contracts	14,524	-669	13,855	-900	0	-900	Cost increases on bus contracts held down and Freedom Pass costs lower than estimates
Waste Management	66,760	-1,158	65,602	-2,670	-560	-3,230	Gross: Diversion to landfill while Allington off-line and reduced tonnage. Income: recycling and "operation cubit"
Environmental Group	8,140	-4,000	4,140	200	0	200	Country parks
Transport Strategy	617	0	617	0	0	0	
Strategic Management, Finance, Performance & Information & Analysis Group	7,273	-462	6,811	-490	0	-490	IT (£190k) and underspend on MIDAS replacement (£300k) - will need to be carried forward
Total E, H & W	**156,854**	**-12,595**	**144,259**	**-903**	**-560**	**-1,463**	
Regeneration & Supporting Independence portfolio							
Regeneration & Projects	6,540	-1,118	5,422	-50	0	-50	Bio fuel project
Economic Development	3,147	-991	2,156	-25	0	-25	Vacancy
Planning & Development	1,100	-46	1,054	-60	0	-60	Vacancies
Planning Applications	1,477	-468	1,009	-240	0	-240	Further delays on Shaw Grange remedial work - will need to roll into new year
Total Regen & SI	**12,264**	**-2,623**	**9,641**	**-375**	**0**	**-375**	
Total Directorate Controllable	**169,118**	**-15,218**	**153,900**	**-1,278**	**-560**	**-1,838**	
Assumed Management Action:							
- EH&W portfolio						**0**	
- R&SI portfolio						**0**	
Forecast after Mgmt Action				**-1,278**	**-560**	**-1,838**	

1.1.3 **Major Reasons for Variance**:

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

Environment, Highways & Waste portfolio:

1.1.3.1 Waste Management:

- There is a one-off saving of £1.1m from the waste to energy plant at Allington not being operational during the first few months of the financial year. This saving results from 73,000 tonnes of waste at approximately £16 per tonne being diverted to landfill (which is currently a cheaper option but not sustainable in the long run due to increasing landfill taxes and restrictions in the allowances).
- Waste tonnage continues to be down on last year's actuals and this year's targets. This has resulted in predicted savings of about £1.6m. Further waste savings will be achieved if tonnage reduction exceeds the -2% (compared to the affordable level) forecast for the rest of this year (on which this forecast is based). Each further 1% reduction produces a saving of around £440k.
- As discussed in the last exception report, income from the sale of recyclable materials is expected to exceed original forecast. This is as a result of the higher prices for raw materials currently being experienced in the general economy, although this may tail off in the coming months as the economy continues to slow and demand falls. However, we still expect to exceed target by just over £300k.
- We are also achieving additional income (£236k) from "Operation Cubit" which is a partnership with District Councils, Police and Fire to tackle untaxed and unwanted vehicles.

1.1.3.2 Country Parks have an inherent budget problem of about £0.2m. This has been brought about by under investment in an adequate maintenance programme (leading to health and safety issues) and taking on Lullingstone park and the loss-making Canterbury environment centre. The Country Parks service is currently reviewing all of its activity and looking to make efficiencies where possible. They are also trying to increase income generation but without some capital investment, this strategy is limited. An MTP capital bid has been submitted in order to invest in facilities that will encourage people to attend the parks and to spend money while they are there. £800k of this bid has been accepted for each of the next three years, and now forms part of our medium term capital proposals.

1.1.3.3 There are several new pressures to declare on the Kent Highways Service. These have resulted from additional Network Operation Management Unit (NOMU) activity (£202k), which are the general road crews that fix minor highway repairs such as potholes; from increased vegetation control (£700k) and one-off costs of implementing the permit scheme from the Traffic Management Act (£655k). The NOMU increases have been part of the drive to respond to customer service requests and the vegetation increases as a result of focusing NOMU crews more on potholes. In addition there will be £1.4m of spend on Invest to Save projects, as agreed by Cabinet in September. Further details are provided in paragraph 1.1.3.6.

1.1.3.4 There is a significant underspend on the public transport group, which partly offsets the pressures on highways maintenance. This has resulted from the Unit working in partnership with the bus companies to keep the costs of supporting socially necessary but uneconomic bus services and the Freedom Pass below the original estimates.

1.1.3.5 There are two underspends on the Resources division one resulting from an underspend against one-off IT money (£190k) and the other from specific roll-forward from 2007-08 for the MIDAS financial and management information system replacement project (£300k). Due to the phasing of the MIDAS replacement project, £300k of the £450k rolled forward from 2007-08 will be required to roll forward to 2009-10 to meet the commitments on the project.

1.1.3.6 After offsetting all of the portfolio pressures against the £3.2m waste savings, and allowing for the £300k re-phasing of the MIDAS replacement project to be rolled forward, there is a residual underspend of £2.6m. Cabinet has agreed that £1.4m of this one-off money can be used to fund invest to save schemes within KHS, which will be needed to help address the MTP inflation issues within the portfolio (for waste, highways maintenance, energy and transport inflation). Of the two original invest to save schemes being worked up, the street lighting proposals are nearly complete and we are formally requesting a virement from Waste to KHS for this purpose. The other scheme for paying off coastal protection loans to save on interest payments will be held in abeyance and brought forward if further waste underspends can be utilised. The savings from the street lighting project are part of the portfolio's medium term plan proposals. The remainder of the underspend will be held to assist, if necessary, with any Countywide pressures that arise during 2008-09 or will be rolled forward to assist with pressures within the EH&W portfolio in 2009-10.

1.1.3.7 The LASER team is working hard to keep the increase in energy costs to a minimum. KHS have budgeted for a substantial rise in electricity costs for street lights and traffic signals from October of this year. By changing their method of procuring electricity, Commercial Services are optimistic that costs will not rise as much as the budget provision, so some savings may be available against the £6m energy budget. This will be clarified over the coming months and will depend on the prices LASER is able to secure in the short term markets.

Regeneration & Supporting Independence portfolio:

1.1.3.8 There are some small underspends coming through on this portfolio from vacancies in the Economic Development (£25k) and Planning budgets (£60k). There is also a likely underspend on the bio-fuel project within Regeneration and Projects (£50k).

1.1.3.9 The Shaw Grange remedial work will not happen again this year and will cause an underspend of £240k in the Planning Applications section. This "saving" will need to be rolled forward into 2009-10 to meet our commitment on this.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			**Underspends (-)**		
portfolio		£000's	portfolio		£000's
EHW	Invest to save schemes within KHS to address MTP issues	+1,400	EHW	Reduced waste tonnage	-1,580
EHW	Vegetation control	+700	EHW	Diversion to landfill while Allington waste to energy plant off-line	-1,100
EHW	One-off costs of implementing the permit scheme from the Traffic Management Act	+655	EHW	Public transport including Freedom pass	-900
EHW	Increased Network Operation Management Unit (NOMU) activity	+202	EHW	Recycling income	-314
EHW	Country parks	+200	EHW	MIDAS financial and management information system replacement project phasing	-300
			RSI	Shaw Grange remedial works phasing	-240
			EHW	Additional income from "Operation Cubit" (partnership project to tackle abandoned vehicles)	-236
			EHW	Reduction on anticipated IT transformation spend	-190
		+3,157			-4,860

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

N/A

1.1.5 **Implications for MTP**:

Although the inflation issues affecting KHS, Public Transport and Waste have been met through allocation from the one-off corporate contingency for 2008-09, these will need to be addressed in the base budget for the 2009-12 MTP. There will be a double impact on the MTP price allocations, firstly to address the base shortfall from 2008-09 and secondly to top up the allowances to take account of the difference between the existing MTP inflation estimates and those that are now prevalent. This is currently estimated to produce significant additional pressures on the EH&W portfolio of over £6m in 2009-10 in order to maintain current service levels, however fuel and energy prices seem to be reducing, which, if this is maintained will relieve some of this pressure.

It has been agreed that we will invest £1.4m of our underspend to produce future savings to assist with meeting the MTP inflation pressures.

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

The following projects are re-phasing into 2009-10:

- MIDAS finance system replacement - £300k (EHW)
- Shaw Grange remedial work - £240k (RSI)

1.1.7 **Details of proposals for residual variance**: *[eg roll forward proposals; mgmt action outstanding]*

The underspend for the Directorate is currently £1.838m, as shown in table 1. After taking into account the £0.540m of re-phasing of the MIDAS replacement and Shaw Grange projects detailed in section 1.1.6 above, we are left with an underspend of £1.298m which will be held to assist, if necessary, with countywide pressures during 2008-09 or will be rolled forward to support pressures in the 2009-10 budget.

1.2 CAPITAL

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

The revised capital cash limits agreed by Cabinet on 13 October 2008 are now being used for monitoring purposes and are reflected in this report. However, these differ from the cash limits shown in appendix 3 of the October Cabinet report, as the cash limits reflected in this report only include those projects starting in the current or previous years, whereas the cash limits approved by Cabinet in October also include projects due to start in future years of the 2008-11MTP.

In addition to the changes agreed by Cabinet on 13 October, there have been a number of further changes to the capital cash limits as follows:

	2008-09 £000s
<u>Environment, Highways & Waste portfolio:</u>	
▪ Reduction in Department of Transport grant to reflect final grant settlement for Improvements to Public Transport Infrastructure	-333
▪ Increased developer contributions for Everards Link Phase 2	90
▪ Additional GAF3 grant for Ashford Ring Road	46
▪ Increased developer contributions Ashford Newtown Road Bridge Scheme	91
<u>Regeneration & Supporting Independence portfolio:</u>	
▪ Additional Interreg grant for Forthill de-dualling project	32

1.2.4 **Table 3** below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	Future Yrs £000s	TOTAL £000s
Environment, Highways & Waste Portfolio						
Budget approved at Oct Cabinet	88,666	78,294	93,655	108,636	180,420	549,671
Adjustments:						
- Public Transport Infrastructure		-333				-333
- Everards Link Ph2		90				90
- Ashford Ring Road		46				46
- Ashford Newtown Road Bridge		91				91
Revised Budget	88,666	78,188	93,655	108,636	180,420	549,565
Variance		-4,367	-711	790	5,201	913
split:						
- real variance		+20	0	0	+893	+913
- re-phasing		-4,387	-711	+790	+4,308	0
Regeneration & Supporting Independence Portfolio						
Budget approved at Oct Cabinet	5,969	14,039	8,264	2,420	0	30,692
Adjustments:						
- Forthill de-dualling		32				32
Revised Budget	5,969	14,071	8,264	2,420	0	30,724
Variance		-1,500	1,500			0
split:						
- real variance		0	0	0	0	0
- re-phasing		-1,500	+1,500	0	0	0
Directorate Total						
Revised Budget	94,635	92,259	101,919	111,056	180,420	580,289
Variance	0	-5,867	789	790	5,201	913
Real Variance		**+20**	**0**	**0**	**+893**	**+913**
Re-phasing		**-5,887**	**+789**	**+790**	**+4,308**	**0**

1.2.3 **Main Reasons for Variance**

Table 4 below, details all forecast capital variances over £250k in 2008-09 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- projects at preliminary stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
EHW	Highway Maintenance	real	+1,097			
			+1,097	**+0**	**+0**	**+0**
Underspends/Projects behind schedule						
EHW	East Kent Access Rd Ph 2	phasing			-4,437	
RSI	Regeneration Fund	phasing			-1,500	
EHW	Intergrated Transport	real	-1,357			
			-1,357	**0**	**-5,937**	**0**
			-260	**0**	**-5,937**	**0**

1.2.4 **Projects re-phasing by over £1m**:

1.2.4.1 **East Kent Access Road Phase 2 – slippage £4.437 million**

This scheme is designed to deliver improved economic performance for east Kent. It has slipped by £4.437million, representing 6.3% of the total value of the scheme. It has been delayed in starting by 6 months because of the difficulties encountered in purchasing an additional small area of land for relocation of a sub-station for EDF Energy. There will be no impact on the completion date because every effort is being made to mitigate the programme slippage by continuing with the procurement process. This will therefore run in parallel with the Government Funding approval process, which ultimately requires real tender price rather than current scheme estimate. We are aiming to achieve full approval of funding by May 2009. There are no direct service implications of this delay but it might increase the scheme cost due to increases in construction inflation. The financial implications for KCC of this delay may be in the region of £0.644m (which represents 25% of the overall cost increase above the original £64m government approval for the scheme, less the £1.1m prudential borrowing already approved for this scheme). However construction inflation is very turbulent at the moment and this estimate may prove to be overstated. If the additional cost is real and the increased construction inflation cannot be resisted, this will result in a prudential revenue contribution from E&R of £0.644m. The revised phasing of this scheme is as follows:

East Kent Access Road phase 2

	Prior Years	2008-09	2009-10	2010-11	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	0	4,700	22,053	26,955	16,373	70,081
Forecast		263	21,392	27,745	21,574	70,974
Variance	0	-4,437	-661	+790	+5,201	+893
FUNDING						
Budget:						
prudential					1,100	1,100
prudential/revenue						0
grant		4,700	22,053	26,955	15,273	68,981
TOTAL	0	4,700	22,053	26,955	16,373	70,081
Forecast:						
prudential					1,100	1,100
prudential/revenue					644	644
grant		263	21,392	27,745	19,830	69,230
TOTAL	0	263	21,392	27,745	21,574	70,974
Variance	**0**	**-4,437**	**-661**	**+790**	**+5,201**	**+893**

1.2.4.2 **Regeneration Fund – slippage £1.5 million**

This scheme is designed to facilitate the regeneration of areas of Kent that are in particular need and where investment by KCC can lever in substantial external funding and can make a significant impact. It has slipped by £1.5m representing 30% of the total value of the scheme. There are a number of schemes in the pipeline for which this funding is earmarked but the projects are normally entered into with other partners and the timing of delivery therefore will be dependent on a number of external factors including funding availability. There is no service impact on KCC from the delay of these schemes, but obviously the effects of the intended regeneration will take longer to be realised. There are no financial implications from this delay. Revised phasing of the scheme is now as follows:

Regeneration fund

	Prior Years	2008-09	2009-10	2010-11	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	0	2,500	2,500	0	0	5,000
Forecast		1,000	4,000	0	0	5,000
Variance	0	-1,500	+1,500	0	0	0
FUNDING						
Budget:						
prudential		2,500	2,500			5,000
TOTAL	0	2,500	2,500	0	0	5,000
Forecast:						
prudential		1,000	4,000			5,000
TOTAL	0	1,000	4,000	0	0	5,000
Variance	**0**	**-1,500**	**+1,500**	**0**	**0**	**0**

1.2.5 **Projects with real variances, including resourcing implications:**

An overspend of £20k on Design Fees for Smart Link is to be met by a contribution from the Regeneration revenue fund.

A planned underspend on Integrated Transport (IT) of £1,357k will be used to offset:
- A planned overspend on Highway maintenance of £1,097k, to contribute towards service pressures in this area;
- a £170k pressure on the Ashford Ring Road major contract resulting from the pedestrianisation now included in the scheme;
- the £90k of cycle route that has been added to the major Newtown road scheme (also in Ashford).

It is permissible for IT funding to be spent on highway maintenance and vice versa.

The under and overspends above, coupled with the additional funding secured means that there are no overall resource implications for the Directorate currently.

1.2.6 **General Overview of capital programme**:

(a) Risks

The major risk facing E&R at the moment is still the much higher than expected inflation that is currently being experienced on road construction. For instance we have to pick up 25% of any inflation cost increase on the East Kent Access Phase 2 scheme (our share is currently £1.6m), with the DfT picking up the other 75%.

(b) **Details of action being taken to alleviate risks**

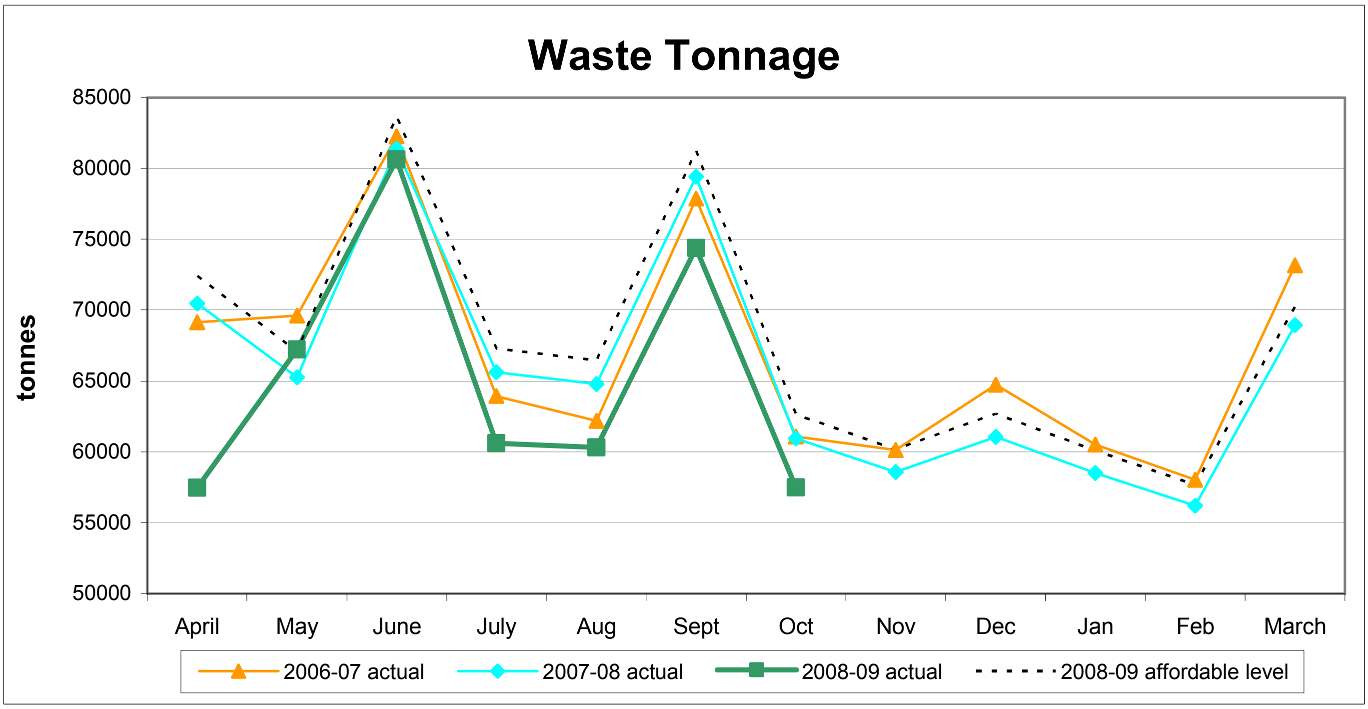
We are negotiating with DfT, CLG and other bodies to ensure that funding is sufficient to meet the increased construction costs but there is still considerable risk in this area. We are also re-doubling our efforts to ensure that schemes are fit for purpose but not over designed and that we achieve the best possible value for money on tender prices.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Waste Tonnage:

	2006-07	2007-08	2008-09	
	Waste Tonnage	Waste Tonnage	Waste Tonnage*	Affordable Level
April	69,137	70,458	57,462	72,411
May	69,606	65,256	67,226	67,056
June	82,244	81,377	80,624	83,622
July	63,942	65,618	60,611	67,275
August	62,181	64,779	60,302	66,459
September	77,871	79,418	74,381	81,212
October	61,066	60,949	57,493	62,630
November	60,124	58,574		60,180
December	64,734	61,041		62,669
January	60,519	58,515		60,073
February	58,036	56,194		57,679
March	73,171	68,936		70,234
TOTAL	**802,631**	**791,115**	**458,099**	**811,500**

** Note: waste tonnages are subject to slight variations between quarterly reports as figures are refined and confirmed with Districts*



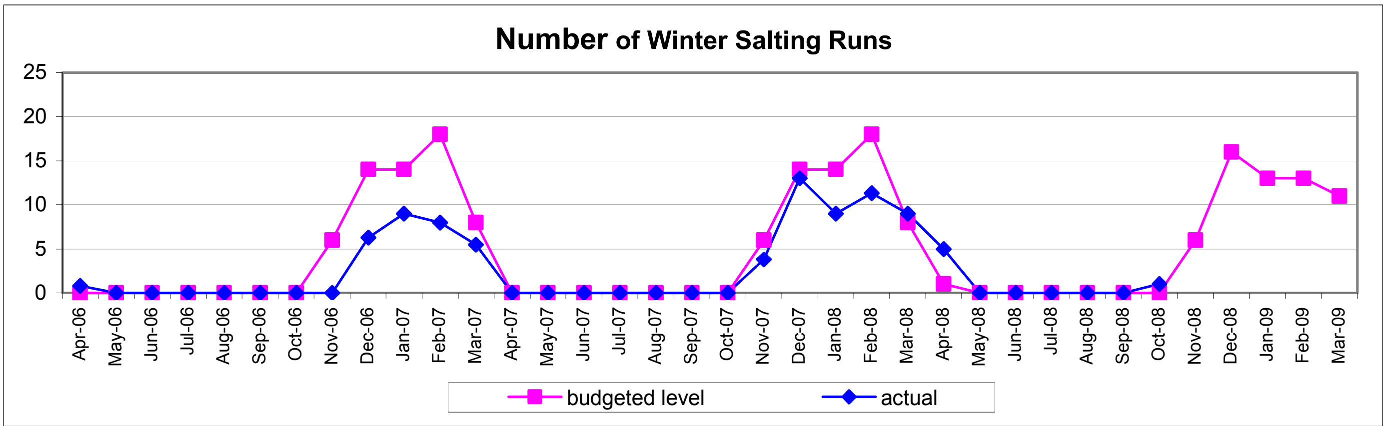
Comments:

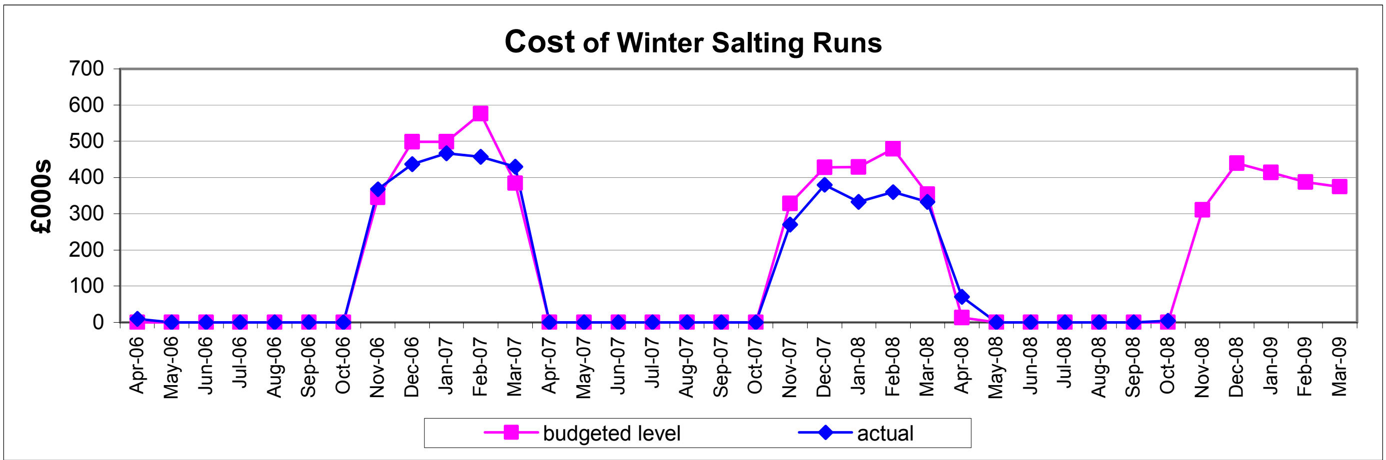
- April, July, August and September tonnage is significantly down on previous years (as is the provisional October figure) but May and June are similar to expectations. The reduced April figure may be partly attributable to Easter being in March this year or possibly a reflection of a downturn in consumption. The July, August and September figures may also be reflective of the slowing economy but the same pattern did not occur in the recession in the early 90's, so this cause and effect cannot be guaranteed. The reducing waste campaigns may be contributing to this reduction, along with the reduction in packaging that some manufacturers have started to pursue. Waste tonnage continues to be very difficult to predict accurately but we have built into our MTP proposals an assumption of a 2% reduction year on year, which seems a reasonable risk at this stage.
- The current forecast underspend of £1.580m in respect of reduced waste tonnage assumes that actual waste tonnage will be 2% below the affordable level shown in the table above for the remainder of this financial year.

2.2 Number and Cost of winter salting runs:

	2006-07				2007-08				2008-09			
	Number of salting runs		Cost of salting runs		Number of salting runs		Cost of salting runs		Number of salting runs		Cost of salting runs	
	Actual [2] £000s	Budgeted Level £000s	Actual £000s	Budgeted Level £000s	Actual £000s	Budgeted Level £000s	Actual £000s	Budgeted Level [2] £000s	Actual	Budgeted level	Actual £000s	Budgeted Level [2] £000s
April	0.8 [1]	-	10	-	-	-	-	-	5	1	70	13
May	-	-	-	-	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-	-	-	-	-
October	-	-	-	-	-	-	-	-	1	-	4	-
November	-	6	368	345	3.8	6	270	328		6		310
December	6.3	14	437	499	13.0	14	380	428		16		440
January	9.0	14	467	499	9.0	14	332	429		13		414
February	8.0	18	457	576	11.3	18	360	479		13		388
March	5.5	8	430	384	9.0	8	332	354		11		375
TOTAL	**29.6**	**60**	**2,169**	**2,303**	**46.1**	**60**	**1,674**	**2,018**	**6**	**60**	**74**	**1,940**

Note [1]: only part of the Kent Highways Network required salting
Note [2]: the 2007-08 & 2008-09 budgets exclude overheads, as these are now charged centrally.



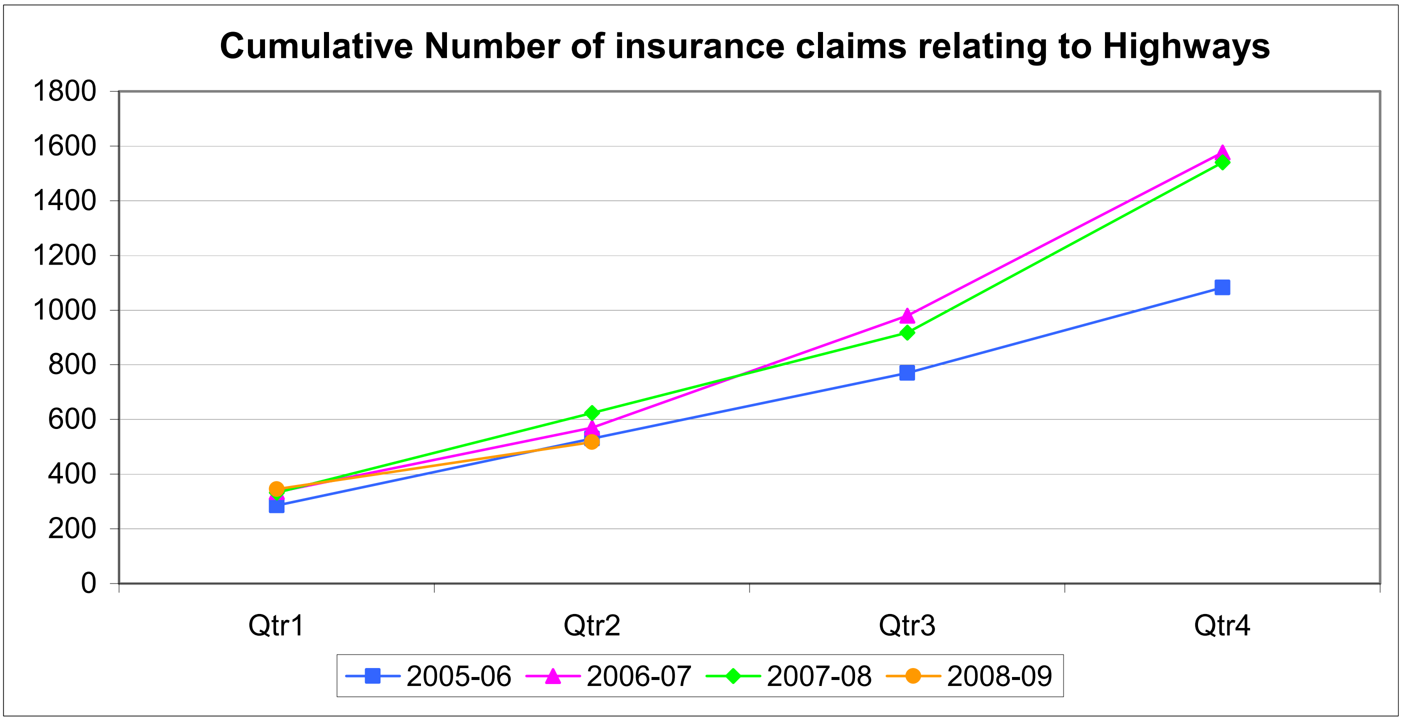


Comment:

- The charges for the Winter Maintenance Service reflect two elements of cost: the smaller element being the variable cost of the salting runs undertaken; the major element of costs, relating to overheads and mobilisation within the contract, have been apportioned equally over the 5 months of the salting period.
- In setting the 2008-09 budget, a reassessment of the overheads and mobilisation element of the costs of the service has enabled a slightly lower budget to be set.

2.3 **Number of insurance claims arising related to Highways with accident dates during these periods**:

	2005-06	2006-07	2007-08	2008-09
Accident Date	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims
April – June	286	335	332	345
July – September	530	570	624	517
October – December	770	980	917	
January - March	1,083	1,576	1,540	



Comments:

- Numbers of claims will continually change as new claims are received relating to accidents occurring in previous quarters. Claimants have 3 years to pursue an injury claim and 6 years for damage claims. The data previously reported has been updated to reflect claims logged with Insurance as at 14 October 2008.
- Quarter 1 figures for 2008-09 have now exceeded previous years and although quarter 2 is currently down, this may increase in due course, reflecting the delay in some claimants submitting their claim.
- The Insurance section continues to work closely with Highways to try to reduce the number of successful claims and currently the Authority manages to achieve a rejection rate of claims where it is considered that we do not have any liability, of about 80%.

COMMUNITIES DIRECTORATE SUMMARY
OCTOBER 2008-09 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 inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the last full monitoring report. These are detailed in Appendix 2 to the executive summary.
- Cash limits have also been adjusted since the last full monitoring report to reflect a number of technical adjustments to budgets, including the transfer of the Contact Centre to Corporate Support & External Affairs portfolio.

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	
Communities portfolio							
Turner Contemporary	1,016	-200	816	39	-39	0	
Kent Drug & Alcohol Action Team	15,399	-13,414	1,985	456	-456	0	Additional investment for prescribing and alcohol services
Youth Offending Service	6,417	-2,639	3,778	172	-172	0	additional costs & income for: seconded officer to prison service & East Kent safer schools initiative
Youth Services	12,678	-5,207	7,471	892	-892	0	unbudgeted expenditure & income for connexions, PAYP and various other minor over/underspends
Adult Education	13,472	-13,845	-373	-378	378	0	fewer than anticipated enrolments; reduced sessional staff & other costs
Arts Development	1,305	-15	1,290	69	-69	0	
Libraries, Information & Archives	25,594	-3,210	22,384	59	-59	0	
Sports, Leisure & Olympics	2,163	-1,083	1,080	0	0	0	
Key Training	4,001	-3,865	136	115	-115	0	Unaccompanied minors project. Funding agreed after budget set.
Kent Community Safety Partnership	4,379	-275	4,104	-10	-10	-20	Maternity leave, slippage between current vacancies and planned recruitment. Income from Kent Police and Gravesham BC for section 17 training

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Coroners	2,394	-384	2,010	249		249	Continuation of 2007-08 pressures on Mortuary Fees, pathology costs and long inquests
Emergency Planning	736	-142	594	-2	2	0	
Kent Scientific Services	1,628	-1,655	-27	-28	28	0	
Registration	4,321	-2,855	1,466	1	-1	0	
Trading Standards	4,515	-340	4,175	-140	-25	-165	Staff underspends £145.5k. Remainder made up of various under/overspends.
Policy & Resources	1,369	-77	1,292	42	-42	0	
Business Development Team	203	0	203	50	-50	0	
Strategic Management	985	0	985	0	0	0	
Centrally Managed directorate budgets	278	-1,135	-857	208	322	530	Directorate costs for which no budget existed
Total Communities controllable	**102,851**	**-50,339**	**52,512**	**1,794**	**-1,200**	**594**	
Assumed Management Action				**-594**		**-594**	
Forecast after Mgmt Action				**1,200**	**-1,200**	**0**	

1.1.3 **Major Reasons for Variance**: *[provides an explanation of the 'headings' in table 2]*

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

1.1.3.1 Adult Education

The adult education service has made significant progress to address the deficits it has incurred in previous years arising from a combination of reductions in funding from the Learning and Skills Council in 2005/06 and 2006/07, and lower than anticipated enrolments in 2007/08. The service has now agreed a budget plan to ensure expenditure does not exceed income in 2008/09 and to repay the £373k in year deficit made during 2007/08. To achieve this, the AE service will capitalise expenditure on the Education Business System which will be funded from a capital receipt from the sale of a redundant AE centre. This position is after the £750k virement from Finance portfolio to reflect the agreed recovery plan.

Enrolments for courses starting in September/October are on average 8% lower than the previous year and within manageable tolerances due to the economic down turn. The impact on tuition fees is not quite as severe, as take-up of premium courses has been slightly above the anticipated level. Nonetheless, the service has had to make compensatory savings on sessional staff and other expenditure headings to ensure targets on group sizes and a balanced budget can be achieved.

1.1.3.2 Youth Service

The budget assumed that that the contract with Connexions to provide information, support and advisory services to young people would come to an end at the end of 2007/08. We have negotiated an extension with Connexions until the end of March 2009 with additional income and expenditure amounting to £475k. This contract may be extended further. The Youth Service has also received a contribution of £352k from CFE to support Positive Activities for Young People (PAYP). As with Connexions, PAYP has matching additional income and expenditure.

1.1.3.3 Coroners

Despite providing an additional £200k into the budget in 2008/09 the Coroner's service continues to be overspent. The demands placed on Coroners to investigate deaths are increasingly more complex resulting in more long inquests and thus additional expenses for the Coroners and other costs associated with conducting inquests. Coroners are also incurring additional expense for pathology fees (both as a consequence of investigating more cases and due to higher charges from hospital trusts) and for mortuary attendants. KCC has very little influence over the work of the Coroners and therefore little control over expenditure which is governed by the claims from Coroners themselves.

1.1.3.4 Libraries, Information and Archives

Income from the rental of audio visual materials in libraries has declined in recent years in line with changes in the market and despite the fact that action taken has slowed the decline the service has been unable to meet its income budgets. The service has explored other merchandising opportunities and this year is forecasting that it can make sufficient from these e.g. the sale of jute bags and Kent on Canvas, to meet income targets in the budget. However, there are additional costs associated with merchandising new products meaning the service has to make savings on staff costs through managing vacant posts and other expenditure budgets to ensure the overall budget is in balance.

1.1.3.5 Kent Drug and Alcohol Action Team

KDAAT has negotiated an additional £456k from the East Kent Primary Care Trust to fund additional investment in adults' prescribing service and alcohol treatment services. The additional income is matched by expenditure on commissioned services.

1.1.3.6 Trading Standards

Trading standards have delayed recruiting to a number of posts during the year in order to retain/hold positions for trainees as they qualify, which has resulted in a saving of £146k. The service continues to experience severe difficulties in attracting qualified staff to Kent mainly due to a national skills shortage, for example recent advertising produced no suitable applicants and hence the continued reliance on appointing trainees and using their well established career grade scheme.

1.1.3.7 KEY Training

The additional income and expenditure reflects a contribution from Children Families and Education for a contract to deliver a programme to be run for unaccompanied minors housed at Swattenden.

1.1.3.8 Central Budgets

There are a number of budgets which are managed centrally on behalf of the directorate rather than devolved to individual services. This includes expenditure on revenue building maintenance, directorate events, service level agreements and a range of specific projects that do not relate to individual services. Income from overhead recharges to Adult Education is also held centrally. The budget set for directorate events is unrealistic as it was based on activities before the new directorate was fully established. The income budget included unrealistic assumptions from services within Communities to meet the full cost of the Policy and Resources Unit.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CMY	Youth expenditure on connexions covered by increased income	+475	CMY	Youth external contributions for Connexions	-475
CMY	KDAAT Additional investment for prescribing & Alcohol services	+456	CMY	KDAAT Additional income for prescribing & Alcohol services	-456
CMY	Loss of income due to lower than anticipated Adult Education enrolments	+378	CMY	Reduced expenditure within AE on sessional staff and other budget headings in response to lower than anticipated enrolments	-378
CMY	AE rolled forward deficit from 2007-08 due to lower than expected enrolments and restructure costs	+373	CMY	Transfer of expenditure for Education Business System within AE to capital programme	-373
CMY	Youth expenditure on Positive Activities for Youth People covered by contribution from CFE	+352	CMY	Youth - contribution from CFE for Positive Activities for Young People	-352
CMY	Central Budgets - Unrealistic income assumptions to meet the full cost of the Policy & Resources unit.	+290	CMY	Libraries & Archives Staff underspends to cover costs of stamps and merchandise	-161
CMY	Coroners long inquests payments	+139	CMY	Trading Standards staff underspends	-146
CMY	Central Budgets: Unrealistic budgets set for directorate events	+116	CMY	Key Training: Unaccompanied minors project. Funding agreed after budgets set.	-114
CMY	Key Training: Costs associated with unaccompanied minors project.	+114			
CMY	Coroners Pathology Fees, Mortuary Attendants and Histology fees	+110			
CMY	Libraries & Archives Purchase of stamps & merchandise	+100			
		+2,903			-2,455

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

1.1.4.1 The Adult Education Service has developed a financial recovery plan to address previous years' deficits and to ensure that in future it can respond more quickly to changes in income. Particular actions include:

- a review of terms and conditions for sessional lecturers so that their hours can be reduced without the individual having the right to redundancy benefits
- a reduction in fixed overheads through staff savings on management and administration
- significant progress in setting local managers increased targets for student numbers on individual courses to make courses financially viable
- review of course fees, freezing fees at 2007/08 levels for existing courses, and introducing a wider range of premium courses where the fees paid by students cover the full cost of courses
- transfer expenditure on Education Business System to the capital programme, to be funded by a combination of revenue contribution and proceeds from sale of redundant AE centre

These actions will resolve the deficit accrued in 2007/08 due to lower than expected enrolments and restructure costs.

In response to the lower than anticipated enrolments for courses starting in September and October the Service has reduced sessional tutors hours by 6,058 hours (8.4%)

1.1.4.2 The Youth Offending Service has taken further management action through vacancies and better use of joint funding arrangements to stay within its net budget. The County Youth Justice Board did not accept a recommendation that we should approach partners for additional funds to address budget pressures and that the service would have to agree a strategy to balance the budget. This has now been achieved and the consequences will be reported to the board.

1.1.4.3 The Arts Development Unit has completed a major staff restructuring to deliver the efficiency saving and staffing reductions assumed in the budget.

1.1.4.4 The Registration Service has increased charges for non statutory services by an average of approximately 45% in order to deliver the increased income agreed through medium term financial plan. At this stage this appears to have minimal impact on take-up of services.

1.1.4.5 Community Safety has ceased grants to Crime and Disorder Reduction Partnerships for community safety projects. This was taken as a saving in the 2008-11 MTP. This has not been well received by some partnerships although KCC remains committed that our priority for supporting crime and disorder reductions is through the warden service.

1.1.5 **Implications for MTP**:

The ongoing pressures faced by the Coroners Service and the full year impact of the recent fuel and electricity price rises remain the main additional medium term financial pressures for the portfolio. Coroners are being expected to investigate more cases leading to additional mortuary and specialist fees. Where these cases result in a long inquest Coroners can claim additional expenses.

The shortfalls in the central budgets for directorate events and income will be addressed in setting the 2009/10 budget.

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

N/A

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

Compensatory savings elsewhere within the Coroners and central budgets are unlikely unless demands on services reduce. We are working with the individual Coroners to identify the underlying reasons for different patterns of investigations but this is unlikely to result in significant savings. We are working with other local authorities to lobby the Local Government Association for additional government funding to resolve the situation but in the meantime we will be looking to identify savings in other services to offset the Coroners overspend.

To balance the overall portfolio budget we are looking to make further savings on staffing budgets through holding posts vacant for the remainder of the year wherever possible. There is still a reasonable level of staff turnover and we will look to manage vacancies through covering work with existing staff rather than recruiting new staff. Individual services will be given target figures for vacancy savings based on their ability to make savings although we are not proposing a mandatory vacancy freeze. We are currently assessing the impact on services of further vacancy savings. If sufficient savings cannot be made without impact on front line services we will look to reduce spending on non essential non staffing budgets along the same lines as those achieved in 2007/08 to balance the portfolio.

1.2 CAPITAL

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

The revised capital cash limits agreed by Cabinet on 13 October 2008 are now being used for monitoring purposes and are reflected in this report. However, these differ from the cash limits shown in appendix 3 of the October Cabinet report, as the cash limits reflected in this report only include those projects starting in the current or previous years, whereas the cash limits approved by Cabinet in October also include projects due to start in future years of the 2008-11MTP.

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

[*To include projects starting in the current year and previous years only including the rolling programmes* but to **EXCLUDE** PFI projects]

	Prev Yrs Exp £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	Future Yrs £000s	TOTAL £000s
Communities Portfolio						
Budget approved at Oct Cabinet	17,628	10,678	22,741	5,855	5,542	62,444
Adjustments:						
-						
-						
Revised Budget	17,628	10,678	22,741	5,855	5,542	62,444
Variance		-971	+865	+57		-49
split:						
- real variance		0	-49	0		-49
- re-phasing		-971	+914	+57		0

Real Variance		**0**	**-49**	**0**	**0**	**-49**
Re-phasing		**-971**	**+914**	**+57**	**0**	**0**

1.2.3 **Main Reasons for Variance**

Table 4 below, details all forecast capital variances over £250k in 2008-09 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- projects at preliminary stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
	None					
			+0	**+0**	**+0**	**+0**
Underspends/Projects behind schedule						
CMY	Ashford Gateway Plus	Phasing		-771		
			-0	**-771**	**-0**	**-0**
			+0	**+771**	**+0**	**+0**

1.2.4 **Projects re-phasing by over £1m**:

None

1.2.5 **Projects with real variances, including resourcing implications:**

[All real variances need to be explained in this section]

(a) Modernisation of Assets – underspend of £10k planned to meet the extra costs incurred on the mortuaries refurbishments.
(b) Mortuaries refurbishments – overspend of £10k due to furniture & equipment requirements not included in the revised figures, to be funded from modernisation of assets.
(c) Ramsgate Library betterment – underspend in 2009-10 of £49k as a result of lower than expected costs for the ground source heat pump. This cost reduction is off-set by a corresponding reduction in the grant secured.

After allowing for these funding issues the true underlying variance is nil.

1.2.6 **General Overview of capital programme**:

(a) Risks
- Ashford Gateway Plus
  - Outstanding planning/design issues may delay project and/or increase costs.
  - If the promised GAF3 funding is not available from Government, the project will be unaffordable.

- Gravesend Library
  - There is currently forecast re-phasing of £200k into 2009-10 due to delays as a result of Gravesham BC raising new concerns with design/listed building consent as this is a Grade II listed building. Planning issues and listed building consent delays may increase project costs, which will have to accommodated within the overall project budget.

- Turner Contemporary
  - External funding from Arts Council England (ACE) and SEEDA will not be provided pro rata to spend as had been expected. This will require upfront funding by KCC in advance of receipt of these funds, currently estimated at an additional £6.387m over 2 years. This is purely a phasing issue and not an overall increase in the level of prudential borrowing required.

(b) Details of action being taken to alleviate risks

- Ashford Gateway Plus
  - Urgent detailed discussions with all parties, including the design team, are identifying the cost of measures on the Ashford B.C. planners/Ashford's Future 'shopping list' in order to support bids for additional funding. The planning application will be submitted in November.
  - A continuing dialogue with Ashford's Future Chief Executive is in place to ensure that, as far as possible, funding will be provided as agreed, including extra monies for additional requirements.

- Gravesend Library
  - A planning consultant has been appointed to support the project and to resolve outstanding concerns with Gravesham BC.

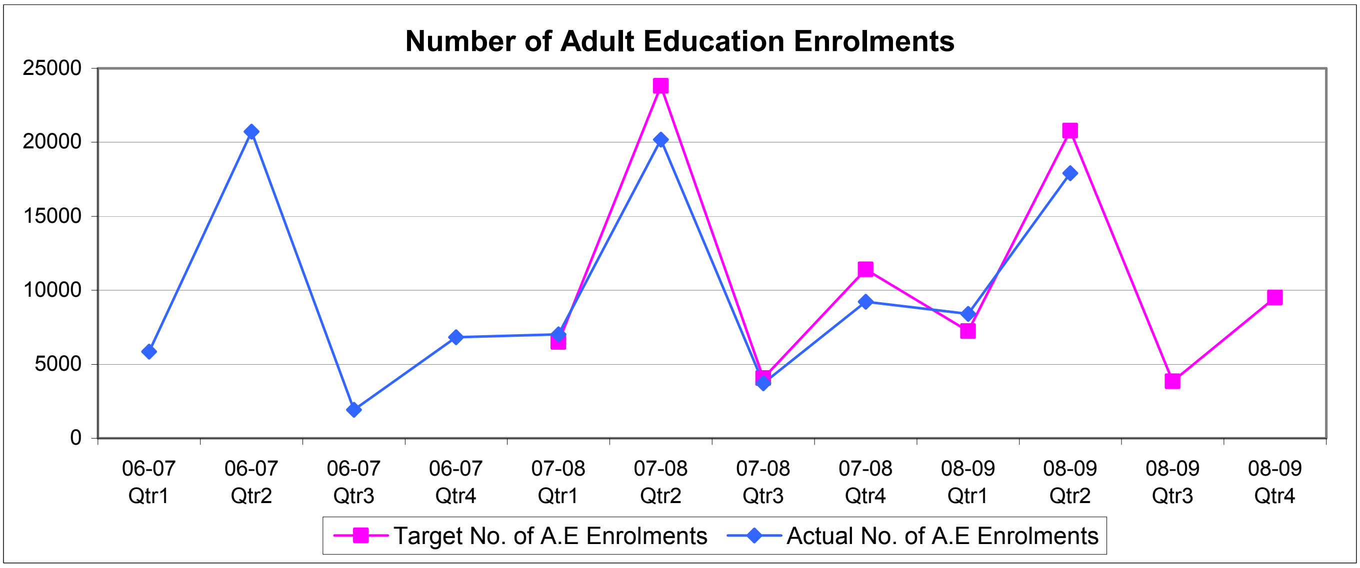
- Turner Contemporary
  - Tenders received, preferred contractor selected and when the contract is let we will have a revised spend profile. ACE and SEEDA funding agreements due to be signed imminently. Both ACE and SEEDA will provide £525k six months after construction starts (planned May 2009) and a further £750k half way through construction (planned October 2009). They will pay a further £1,480k on completion of construction (planned May 2010) and the balance (£1,095k ACE and £1,245k SEEDA) 6 months after opening (planned April 2011).

    We are expecting to claim the remaining £2.9m of external funding required for the project from the Turner Contemporary Arts Trust during 2010-11.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 **Number of Adult Education Enrolments**:

	Financial Year				
	2006-07	**2007-08**		**2008-09**	
	A.E Enrolments	Target	A.E Enrolments	Target	A.E Enrolments
Q1 07-08	5,849	6,501	7,030	7,241	8,416
Q2 07-08	20,713	23,803	20,183	20,788	17,907
Q3 07-08	1,925	4,071	3,727	3,839	
Q4 07-08	6,829	11,416	9,230	9,507	
TOTAL	**35,316**	**45,791**	**40,173**	**48,205**	**26,323**



Comments:

- The LSC grants depend partly on enrolments to courses and are subject to a contract agreement with LSC. Students taking courses leading to a qualification are funded via Further Education (FE) grant based upon the course type and qualification. However, students taking non-vocational courses not leading to a formal qualification are funded via a block allocation not related to enrolments, referred to as Adult and Community Learning Grant (ACL) grant.

- 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.

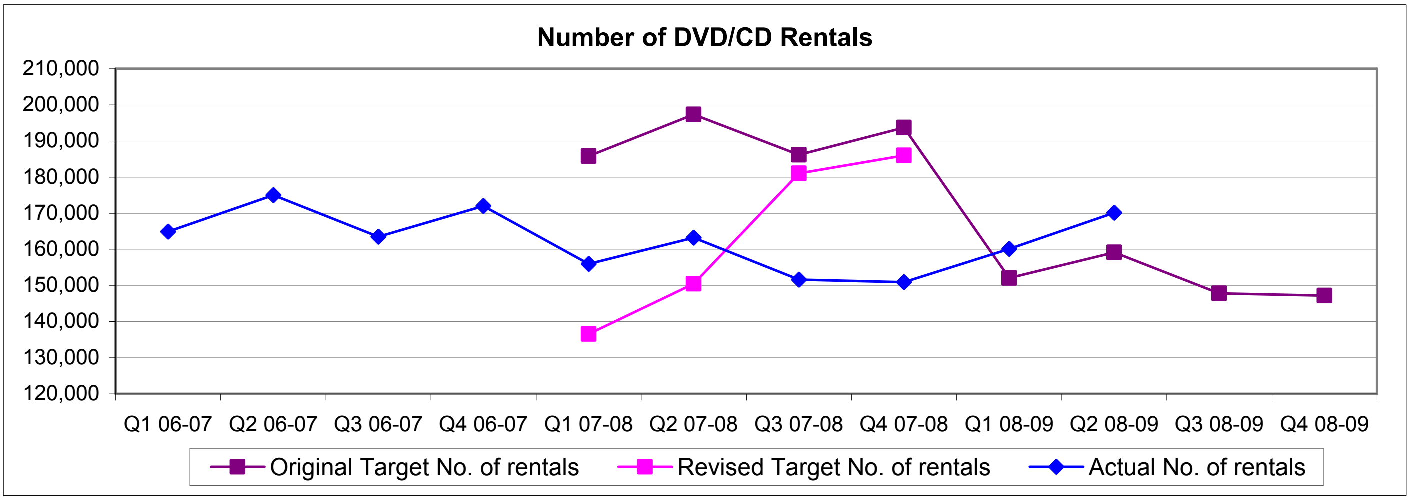
- The AE service reduced expenditure on course provision in 2007-08 as a result of lower than anticipated enrolments, however a residual pressure remained on the AE budget which was largely as a result of a reduction in tuition fee income due to the reduced enrolments, hence a rolled forward overspend of £0.373m into 2008-09.

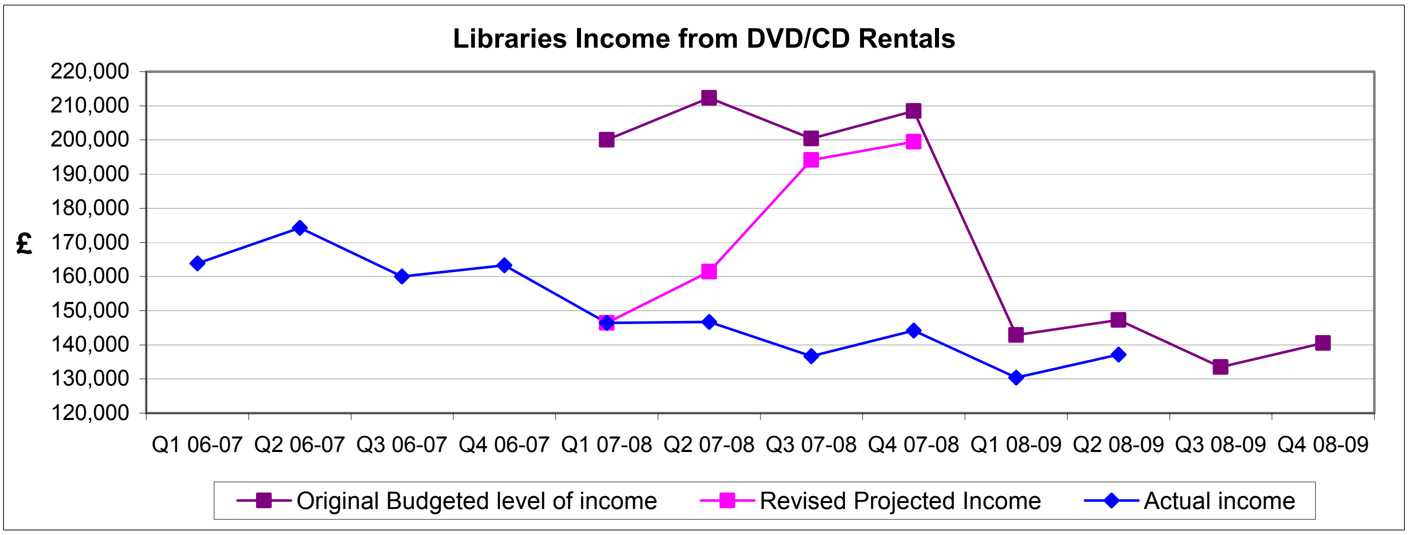
- The target numbers of enrolments for 2008-09 reported in the outturn report to Cabinet on 16 June were indicative as they still needed to be negotiated and agreed with the LSC. The indicative figures were based on estimates used for curriculum plans to set the 2008-09 budget. The target numbers now reflect the figures agreed with the LSC, the overall total remains the same as previously reported but the profile across the four quarters has changed.

- The target enrolments relate to courses starting in the stated periods i.e. April to June, July to September, October to December, January to March. The actual enrolments similarly relate to courses starting in those periods. In some instances students enrol for courses after the course has started. This means that the actual enrolments may be different from those previously reported. This is especially the case in the autumn when significant numbers may enrol in October or November for courses starting in September.

2.2 Number of Library DVD/CD rentals together with income raised:

	2006-07		2007-08						2008-09			
	No of rentals	Income (£)	No of rentals			Income (£)			No of rentals		Income (£)	
	actual	actual	Budgeted target	revised target	actual	budget	revised projected income	actual	Budgeted target	actual	Budget	actual
April–Jun	164,943	163,872	185,800	136,556	155,958	200,000	146,437	146,437	152,059	160,162	142,865	130,379
July–Sep	174,975	174,247	197,300	150,500	163,230	212,300	161,390	146,690	159,149	170,180	147,232	137,132
Oct–Dec	163,470	160,027	186,200	181,000	151,650	200,400	194,096	136,698	147,859		133,505	
Jan–Mar	171,979	163,269	193,700	186,000	150,929	208,500	199,458	144,136	147,156		140,533	
TOTAL	**675,367**	**661,415**	**763,000**	**654,056**	**621,767**	**821,200**	**701,381**	**573,961**	**606,223**	**330,342**	**564,135**	**267,511**





Comments:

- Target figures for 2006/07 have not been shown as this data was not presented in previous monitoring reports
- Rentals of audio visual materials (especially videos and CDs) continue to decline as videos become more obsolete and alternative sources for music become more widely available. Demand for DVDs has remained reasonably stable. Demand for spoken word materials has increased but these do not attract a loan charge as they replace the core service (the printed word) for people with a visual impairment, hence why rentals are above target but income is below.
- Targets and income budgets set for 2008-09 are based on a continued decline. The service has increased income from other merchandising to offset the loss of income from AV issues.
- The actual number of rentals includes those from visits to lending libraries, postal loans and reference materials.

CHIEF EXECUTIVES DIRECTORATE SUMMARY
OCTOBER 2008-09 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 inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the last full monitoring report. These are detailed in Appendix 2 to the executive summary.
- Cash limits have also been adjusted since the last full monitoring report to reflect a number of technical adjustments to budgets, including the transfer of the Contact Centre from Communities portfolio to Corporate Support & External Affairs portfolio, the transfer of the Local Involvement Networks budget from Public Health portfolio to Environment, Highways & Waste portfolio and the transfer of Legal and Democratic Services from Policy & Performance portfolio to Corporate Support & External Affairs portfolio.

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	
Public Health portfolio							
Kent Department of Public Health	**949**	**0**	**949**	**-111**	**-5**	**-116**	£78k delayed start to HealthWatch prog
Corporate Support & External Affairs portfolio							
Personnel & Development	10,053	-4,385	5,668	524	-498	26	Increased costs & income re: Staff Care Services & H&S. HCI Scheme ends Jul09
Information Systems	22,411	-6,975	15,436	3,918	-3,290	628	Increased costs & income re:projects plus unmet targeted savings
Corporate Communications	1,307	-294	1,013	25	-25	0	
International Affairs Group	461	-113	348	-10	10	0	
Strategic Development & Corporate Management	2,917	-14	2,903	-196	-39	-235	Kent TV contract runs to Aug09.
Contact Centre	4,734	-1,986	2,748	107	-107	0	
Legal Services	5,346	-5,726	-380	1,157	-1,789	-632	Costs & income of additional work
Democratic Services	4,574	-18	4,556	205	-37	168	Delayed staff savings
Dedicated Schools Grant		-2,789	-2,789	0	0	0	
Total CS&EA	**51,803**	**-22,300**	**29,503**	**5,730**	**-5,775**	**-45**	
Policy & Performance portfolio							
Policy & Performance	1,266	-340	926	31	-31	0	
Kent Partnerships	456	0	456	4	-4	0	
Kent Works	940	-740	200	-36	58	22	
Total P&P	**2,662**	**-1,080**	**1,582**	**-1**	**23**	**22**	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Finance Portfolio							
Strategic Management	1,530	-184	1,346	-4	4	0	
Finance Group	20,554	-15,623	4,931	-106	106	0	
Oakwood Trading	2,050	-2,050	0	-17	17	0	Creation of Oakwood Park Trading a/c
Property Group	15,342	-6,018	9,324	1,328	-572	756	Corp Property Unit change in accounting treatment
Total Finance	**39,476**	**-23,875**	**15,601**	**1,201**	**-445**	**756**	
Total Directorate Controllable	**94,890**	**-47,255**	**47,635**	**6,819**	**-6,202**	**617**	
Assumed Management Action:							
- CS&EA portfolio					-464	-464	Directorate income £314k, Printer receipt £150k
- P&P portfolio					-22	-22	Attract additional income
- Finance portfolio				-751		-751	Review of MRP
Forecast after Mgmt Action				**6,068**	**-6,688**	**-620**	
Memorandem Item							
Property Enterprise Fund	0	-12	-12	501	-171	330	See section 2.2 Annex 5

1.1.3 **Major Reasons for Variance**: *[provides an explanation of the 'headings' in table 2]*

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

Corporate Support & External Affairs portfolio:

1.1.3.1 Personnel & Development: Variances on gross spend **(+£390k)** and income **(-£390k)** are caused by increased charges from Commercial Services for additional services from Staff Care Services, which are then recharged to Directorates. Further variances on gross **(+£210k)** and income **(-£210k)** arising from the cost of and subsequent income from Health & Safety training for Schools.

1.1.3.2 Information Systems: Variances on gross spend **(+£3,918k)** and income **(-£3,918k)** reflect the increased demand for additional IT services and projects, a demand which is difficult to predict during budget setting. **(+£314k)** relates to unmet targeted savings for reduced Directorate activity and **(+£300k)** implementation of new Corporate Printer contract, the savings from which will be realised within directorates and not within ISG where the savings target sits.

1.1.3.3 Strategic Development: **(-£200k)** relating to the Kent TV contract which will need to be re-phased into 2009-10 as the profile of spend finishes in Aug09.

1.1.3.4 Legal Services:

- Variances on gross spend **(+£572k)** and income **(-£1,204k)** reflect the additional work that the function has taken on over and above that budgeted for, responding to both internal and external demand.
- Variances on gross spend **(+£585k)** and income **(-£585k)** are a result of additional disbursements incurred. Costs of disbursements are recovered from clients but they are difficult to predict during budget setting.

1.1.3.5 Democratic Services: Variance on gross spend **(+£118K)** as not all of the staffing reductions assumed in the budget have happened. Alternative savings options are being considered.

Finance portfolio:

1.1.3.6 Property Group: Variance on income **(+£732k)** and gross spend **(+£19k)** is due to a change in the accounting treatment of some staffing costs of the Corporate Property Unit, which were previously capitalised but upon latest guidance, these costs must be charged to revenue.
Variance on gross **(+£1,432k)** and income **(-£1,432k)** relates to higher value claims which are recoverable from the Insurance Fund.
Variance on gross **(-£120k)** and income **(+£120k)** due to Property freezing fee generating vacancies due to a downturn in project work from Directorates.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CS	Information Systems costs of additional services/projects	+3,918	CS	Information Systems income from additional services/projects	-3,918
FIN	Higher value claims recoverable from insurance	+1,432	FIN	Insurance Recovery for cost of higher value claims	-1,432
FIN	Change in accounting treatment of some staffing costs of Corporate Property Unit, previously charged to capital	+751	CS	Legal income resulting from additional work (partially offset by increased costs)	-1,204
CS	Legal services cost of additional disbursements	+585	CS	Legal services costs of disbursements recovered from clients	-585
CS	Legal services cost of additional work (offset by increased income)	+572	CS	P&D - recovery from Directorates of increased costs of Staff Care Services	-390
CS	P&D - increased charges from Commercial Services for additional Staff Care Services	+390	CS	P&D - Income from Schools for Health & Safety training	-210
CS	ISG Unmet savings target for reduced Directorate activity	+314	CS	SDU - Confirmed profile of Kent TV revenue spend to Aug09 (roll forward proposal)	-200
CS	ISG Unmet savings target re: provision of new printer contract	+300	FIN	Unfilled Property vacancies following downturn in project work	-120
CS	P&D - Consultancy costs for Health & Safety training for Schools	+210			
FIN	Property Grp - Reduced fee income following downturn in project work	+120			
CS	Democratic Services delay in budgeted staff savings	+118			
		+8,710			-8,059

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

N/A

1.1.5 **Implications for MTP**:

Finance portfolio:
The consequences of the change in the accounting treatment of the indirect staffing costs of the Corporate Property Unit have been reflected as a pressure in the MTP for 2009-10.

<u>Corporate Support & External Affairs portfolio:</u>
The planned reduction in demand from Directorates for ISG services has not taken place and has therefore caused an underlying pressure of £314k which has been highlighted to Resource Directors. The introduction of a new contract to deliver savings of £300k on printing costs will not be signed until Dec/Jan and will then deliver savings across the Authority but not within ISG where the savings target sits. Hence, there is an underlying Base pressure of £614k. This will be considered as part of the MTP process.

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

The following projects are re-phasing into 2009-10:

<u>Public Health:</u> **-£78k** for HealthWatch programme will be required to roll forward to 2009-10 due to a delayed start to the programme.

<u>Strategic Development:</u> **-£200k** for Kent TV, to meet the contractual commitment through to Aug09.

<u>Personnel & Development:</u> **+£26k** Home Computing Initiative. Due to the accounting treatment of this scheme, a scheduled overspend of £26k will be required to roll forward into 2009-10 to be met from staff salary deductions to July 2009, when the scheme is due to complete.

1.1.7 **Details of proposals for residual variance**: *[eg roll forward proposals; mgmt action outstanding]*

The following management action is expected to be delivered by the end of the financial year:

<u>Policy & Performance portfolio:</u>
Kent Works is continuing to review its contracts with Schools and aims to attract additional income to offset the current forecast pressure of £22k.

<u>Finance portfolio:</u>
Corporate Property Unit: It is envisaged that a review of the regulations around the minimum repayment of outstanding debt, known as the Minimum Revenue Provision (MRP), the full implications of which are currently being assessed, will release funds to cover the revenue shortfall of £751k.

<u>Corporate Support and External Affairs portfolio</u>:
ISG will be requesting that Directorate Resource Directors find additional funding for the **£314k** which relates to the continued Directorate demand for its services.
ISG anticipate a one-off receipt of **£150k** for the transfer of assets to a new contractor when a new print contract is signed at the end of December/January.
This leaves ISG with a residual pressure of £164k which is largely due to covering unplanned infrastructure pressures of £75k for a new switch at Kroner House and £84k for the rental of servers to support SWIFT.

After management action there is a forecast underspend of £620k of which £252k will be requested to roll forward to 2009/10 as detailed in section 1.1.6 above, leaving a £368k residual underspend.

1.2 CAPITAL

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

The revised capital cash limits agreed by Cabinet on 13 October 2008 are now being used for monitoring purposes and are reflected in this report. However, these differ from the cash limits shown in appendix 3 of the October Cabinet report, as the cash limits reflected in this report only include those projects starting in the current or previous years, whereas the cash limits approved by Cabinet in October also include projects due to start in future years of the 2008-11MTP.

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

[*To include projects starting in the current year and previous years only including the rolling programmes* but to **EXCLUDE** PFI projects]

	Prev Yrs Exp £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	Future Yrs £000s	TOTAL £000s
Corporate Support & External Affairs Portfolio						
Budget approved at Oct Cabinet	2,571	6,016	2,412	1,227	1,115	13,341
Adjustments:						
-						0
Revised Budget	2,571	6,016	2,412	1,227	1,115	13,341
Variance		2,000	8,000	8,000	14,000	32,000
split:						
- real variance		+2,000	+3,000	+3,000	+5,250	+13,250
- re-phasing						0
Policy & Performance Portfolio						
Budget approved at Oct Cabinet		526	500	500	1,000	2,526
Adjustments:						
-						0
Revised Budget	0	526	500	500	1,000	2,526
Variance		0	0	0	0	0
split:						
- real variance		0	0	0	0	0
- re-phasing		0	0	0	0	0
Finance Portfolio						
Budget approved at Oct Cabinet		4,651	4,186	2,125	4,250	15,212
Adjustments:						
-						0
Revised Budget	0	4,651	4,186	2,125	4,250	15,212
Variance		+97	+50	0	0	+147
split:						
- real variance		+147				+147
- re-phasing		-50	+50			0
Directorate Total						
Revised Budget	2,571	11,193	7,098	3,852	6,365	31,079
Variance	0	2,097	8,050	8,000	14,000	32,147

Real Variance		**+2,147**	**+3,000**	**+3,000**	**+5,250**	**+13,397**
Re-phasing		**-50**	**+50**	**0**	**0**	**0**

1.2.3 **Main Reasons for Variance**

Table 4 below, details all forecast capital variances over £250k in 2008-09 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- projects at preliminary stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
CS&EA	Sustaining Kent (KPSN)	Real		+2,000		
			0	**+2,000**	**0**	**0**
Underspends/Projects behind schedule						
			0	**0**	**0**	**0**
			0	**+2,000**	**0**	**0**

1.2.4 **Projects re-phasing by over £1m**:

None

1.2.5 **Projects with real variances, including resourcing implications:**

Corporate Support & External Affairs portfolio:

- Sustaining Kent (Kent Public Services Network) overspend of £2m in 2008/09 which is the higher than expected up-front capital requirement to be funded from a revenue contribution to capital outlay from existing revenue grant monies. In subsequent years, all spend will be capital spend, and will be funded by Revenue Contributions freed up from the replacement of the existing revenue contract.

Finance portfolio:

- Commercial Services underspend of -£95k. The decrease in expenditure on vehicles, plant & equipment will be funded by a reduced contribution to and drawdown from their Renewals Fund.
- Works to Properties for Disposal overspend of +£242k, to be funded by top-slicing earmarked capital receipts.

After allowing for these funding issues there is no real underlying variance and the Directorate will break-even.

1.2.6 **General Overview of capital programme**:

(a) Risks

N/A

(b) Details of action being taken to alleviate risks

N/A

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

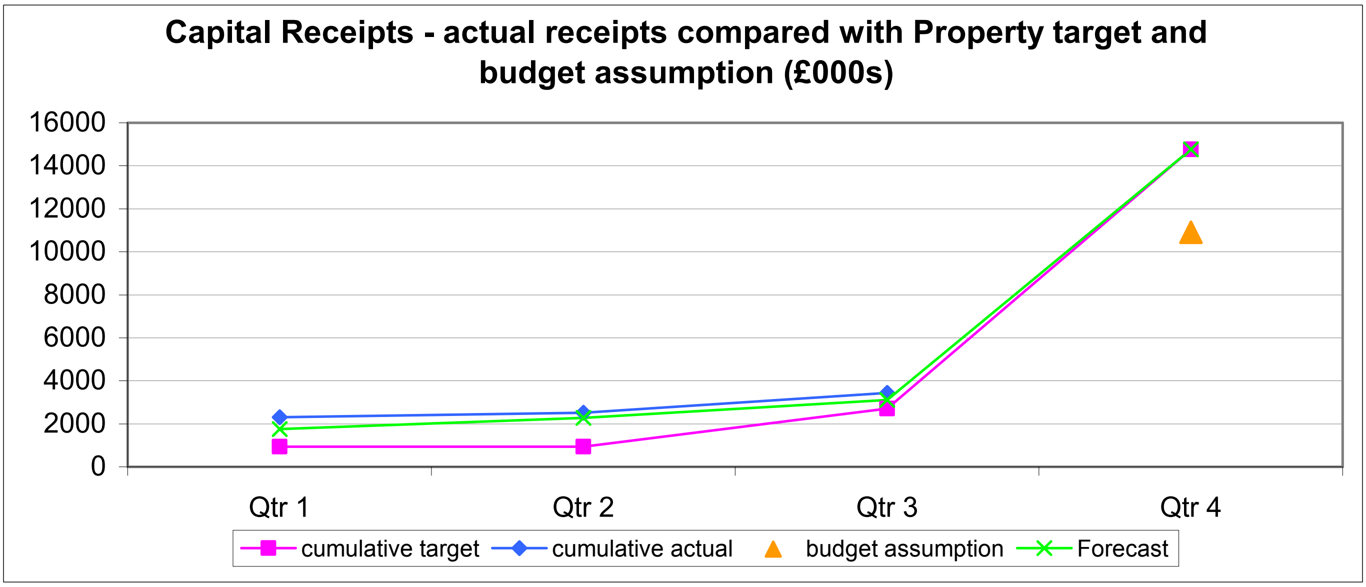
2.1 Capital Receipts – actual receipts compared to budget profile:

	2008-09			
	Budget funding assumption £000s	Cumulative Target profile £000s	Cumulative Actual receipts £000s	Forecast receipts £000s
April - June		945	2,314	1,762
July - September		945	2,521	2,284
October - December		2,702	**3,442	3,111
January - March		14,761		14,761
TOTAL	***10,913***	*****14,761**	**3,442**	**14,761**

* *figure updated to reflect revised capital budget*

** *actuals to 31 October*

*** *The cumulative target profile shows that anticipated receipts for 2008-09 now total £14,761k. The variance between this and the budget funding assumption is due to timing differences between when the receipts are anticipated to come in and when the spend in the capital programme to be funded by these receipts is due to occur. This shows that an element of the receipts due to come in during 2008-09 are not needed for funding the capital programme until 2009-10 or later.*



Comments:

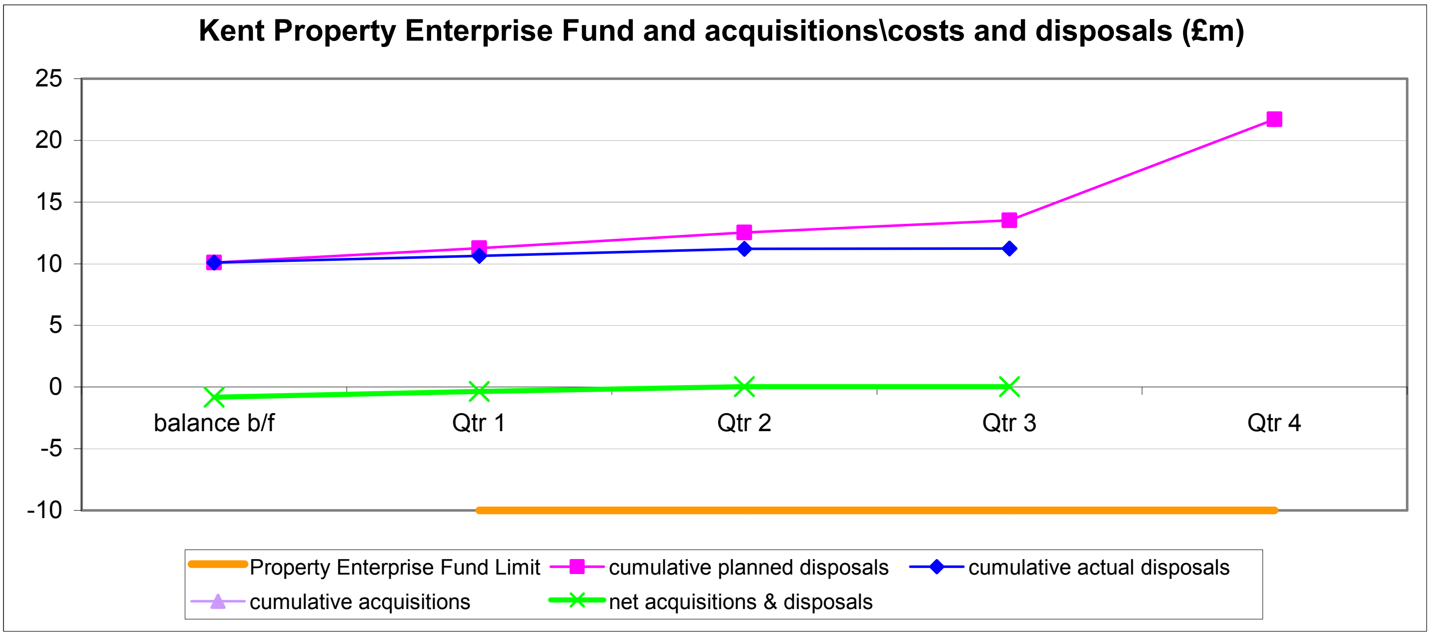
- A review of the capital programme was undertaken to take into account the downturn in the property market due to the global credit crunch. This has resulted in the budget for 2008-09 now only relying on £10,913k of capital receipts, which is more realistic given the current forecasts.
- The table below shows we are currently forecasting a potential surplus of £5,307k for the current year. This in year "surplus" is due to timing differences between when receipts are due to come in and when the projects the receipts are due to fund are forecasting to spend. The current economic position makes it even more difficult to forecast when and how much receipts are expected to achieve, therefore this in year "surplus" should be viewed with caution.

	2008-09 £'000
Capital receipt funding per revised 2008-11 MTP	10,913
Property Group's forecast receipts	14,761
Receipts banked in previous years for use	1,459
Potential Surplus Receipts	**5,307**

2.2 **Capital Receipts – Kent Property Enterprise Fund 1**:

	Kent Property Enterprise Fund Limit £m	Cumulative Planned Disposals (+) £m	Cumulative Actual Disposals (+) £m	Cumulative Actual Acquisitions (-) £m	Cumulative Net Acquisitions (-) & Disposals (+) £m
Balance b/f		10.096	10.096	-10.924	-0.828
April - June	*-10*	11.259	10.642	-10.995	-0.353
July – September	*-10*	12.526	11.199	-11.173	0.026
October – December *	*-10*	13.507	11.234	-11.207	0.027
January - March	*-10*	21.695			

** reflects the position to the end of October*



Comments:

- County Council approved the establishment of the Property Group Enterprise Fund No.1, 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

  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.
  In 2006-07, £3.065m of capital receipts were realised from the disposal of non-operation property giving a balance of £3.606m for investment. The Fund was used to acquire land at Manston Business Park. Together with the costs of acquisition and disposal, costs in the year totalled £5.864m, leaving a deficit of £2.312m to be temporarily funded from the £10m borrowing facility.
  In 2007-08, £6.490m of receipts were realised of which £3.3m was used for revenue budget support, £1.110m was used to fund expenditure on the Eurokent Access Road and there was £0.596m of acquisition and disposal costs, leaving a balance of £1.484m to offset against the £2.312m deficit brought forward. Therefore the deficit carried forward to 2008-09 was £0.828m.

Actual Disposals

At the start of 2008-09 Property Group identified **£11.599m** worth of potential non-earmarked receipts to be realised this financial year.

Disposals to date this year have been **£1.138m** from the disposal of 10 non-operational properties, but as a result of the credit crunch, the market has hardened affecting the ability to achieve the original target. Property Group is now forecasting receipts of **£3.520m** this year.

Acquisitions\Costs

At present there are no committed acquisitions to report, however forecast outturn for costs of disposals (staff and fees) is currently estimated at **£0.578m**.

Other Fund Commitments

The 2008-09 revenue budget includes £0.7m of receipts to be generated by the Fund in the current year.

The Fund has also been earmarked to provide a further £4.194m of funding for the Eurokent Access Road, £1m for Ashford Library (currently forecast for 2009-10), £2m for Gateways over the MTP (currently forecast at £0.587m in 2008-09, £1.4m in 2009-10 and £0.013m in 2010-11) and £0.3m for Upper Stone Street Lay-by, within the Integrated Transport Programme (currently forecast for 2009-10).

Forecast Outturn

Taking all the above into consideration, the Fund is expected to be in a deficit position of £3.367m at the end of 2008-09.

Opening Balance – 01-04-08	-£0.828m
Planned Receipts (Risk adjusted)	£3.520m
Costs	-£0.578m
Acquisitions	-
Other Funding: - revenue budget support - Eurokent Access Road - Gateways	 -£0.700m -£4.194m -£0.587m
Closing Balance – 31-03-09	**-£3.367m**

Revenue Implications

The Fund also generated £0.096m of low value revenue receipts during 2007-08 but, with the need to fund both costs of borrowing (£0.107m) against the overdraft facility and a small deficit on the cost of managing non-earmarked properties held for disposal (£0.001m), the PEF carried forward a £0.012m deficit on revenue which has been rolled forward to be met from future income streams.

In 2008-09 the fund is currently forecasting £0.052m of low value revenue receipts but, with the need to fund both costs of borrowing (£0.164m) against the overdraft facility and the cost of managing properties held for disposal (net £0.206m), the PEF1 is forecasting a £0.330m deficit on revenue which will be rolled forward to be met from future income streams.

FINANCING ITEMS SUMMARY
OCTOBER 2008-09 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 inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the last full monitoring report. These are detailed in Appendix 2 to the executive summary.
- Cash limits have also been adjusted since the last full monitoring report to reflect a number of technical adjustments to budgets.

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	
Corporate Support & External Affairs portfolio							
Contribution to IT Asset Maintenance Reserve	2,424		2,424			0	
PFI Grant		-656	-656			0	
Total Corporate Support	**2,424**	**-656**	**1,768**	**0**	**0**	**0**	
Finance Portfolio							
Insurance Fund	3,479		3,479			0	
County Council Elections	255		255			0	
Workforce Reduction	1,434		1,434			0	
Environment Agency Levy	359		359			0	
Joint Sea Fisheries	264		264			0	
Audit Fees & Subscriptions	800		800			0	
Interest on Cash Balances / Debt Charges	125,089	-29,896	95,193	-3,064	798	-2,266	treasury management savings
Contribution from Commercial Services		-6,210	-6,210		300	300	roundabout sponsorship shortfall
Public Consultation	100		100			0	
Member Community Grants	848		848			0	
Local Priorities	595		595			0	
Local Scheme spending recommended by Local Boards	656		656			0	
Transferred Services Pensions	22		22			0	
PRG	2,225	-3,951	-1,726			0	
Contribution from Reserves	-2,400	0	-2,400			0	
Income from Kings Hill	-1,000	0	-1,000			0	
ABG Safer Stronger Communities	1,384		1,384			0	
LABGI income	-1,851	-1,349	-3,200		1,349	1,349	reduced level of LABGI income
Total Finance	**132,259**	**-41,406**	**90,853**	**-3,064**	**2,447**	**-617**	
Total Controllable	**134,683**	**-42,062**	**92,621**	**-3,064**	**2,447**	**-617**	

1.1.3 **Major Reasons for Variance**: *[provides an explanation of the 'headings' in table 2]*

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

1.1.3.1 Interest on Cash Balances and Debt Charges

As a result of our investments in Icelandic Banks, interest on these deposits will not be received this year as expected, resulting in a potential loss of income. This, however, needs to be considered in light of the whole Treasury Management budget, which is impacted by recent and predicted changes in the bank base rate. Also, the revisions to the capital programme approved by Cabinet in October will have an impact on the treasury management budget. When all of these issues are taken together we expect there to be a broadly neutral impact on the overall treasury management position in the current year.

We are still awaiting advice from CIPFA and the Audit Commission on how we will account for this when we close the accounts for 2008-09 and how we should budget in future years for the impact of this. We are having ongoing discussions with both the CLG and the Icelandic banks via the creditors group, to ensure the best possible outcome for the residents of Kent.

Until the situation becomes clearer we have not reflected the impact of this in the forecast outturn position in this report, therefore the treasury management position remains as previously forecast.

1.1.3.2 Local Authority Business Growth Incentive (LABGI)

The Government has reconsidered all aspects of the approach used to distribute the resources available for year 3 of this scheme. As a result, the worst case scenario is that we will receive £1.349m less income than we previously expected. However, the Government has retained some funding to cover the potential outcomes of existing Judicial Reviews against the LABGI scheme. It is possible that not all of this will be required and that we will receive a further distribution, if so our position could improve to a best case scenario of a £0.595m shortfall.

1.1.3.3 Commercial Services Contribution:

We are currently reporting a £300k shortfall in the budgeted contribution from Commercial Services. This is due to problems with obtaining planning consent from the Districts for the erection of signs for sponsorship of roundabouts; we will therefore not achieve all of the expected income from this initiative this year.
The impact of increased fuel and electricity prices, which mainly affects Transport Services and Landscape Services, is expected to be offset by attracting new business.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
FIN	Reduction in LABGI income	+1,349	FIN	Treasury Management	-2,266
FIN	Commercial Services - Shortfall in income from sponsorship of roundabouts	+300			
		+1,649			-2,266

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

N/A

1.1.5 **Implications for MTP**:

These are currently being assessed and will be reflected in the 2009-12 MTP.

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

N/A

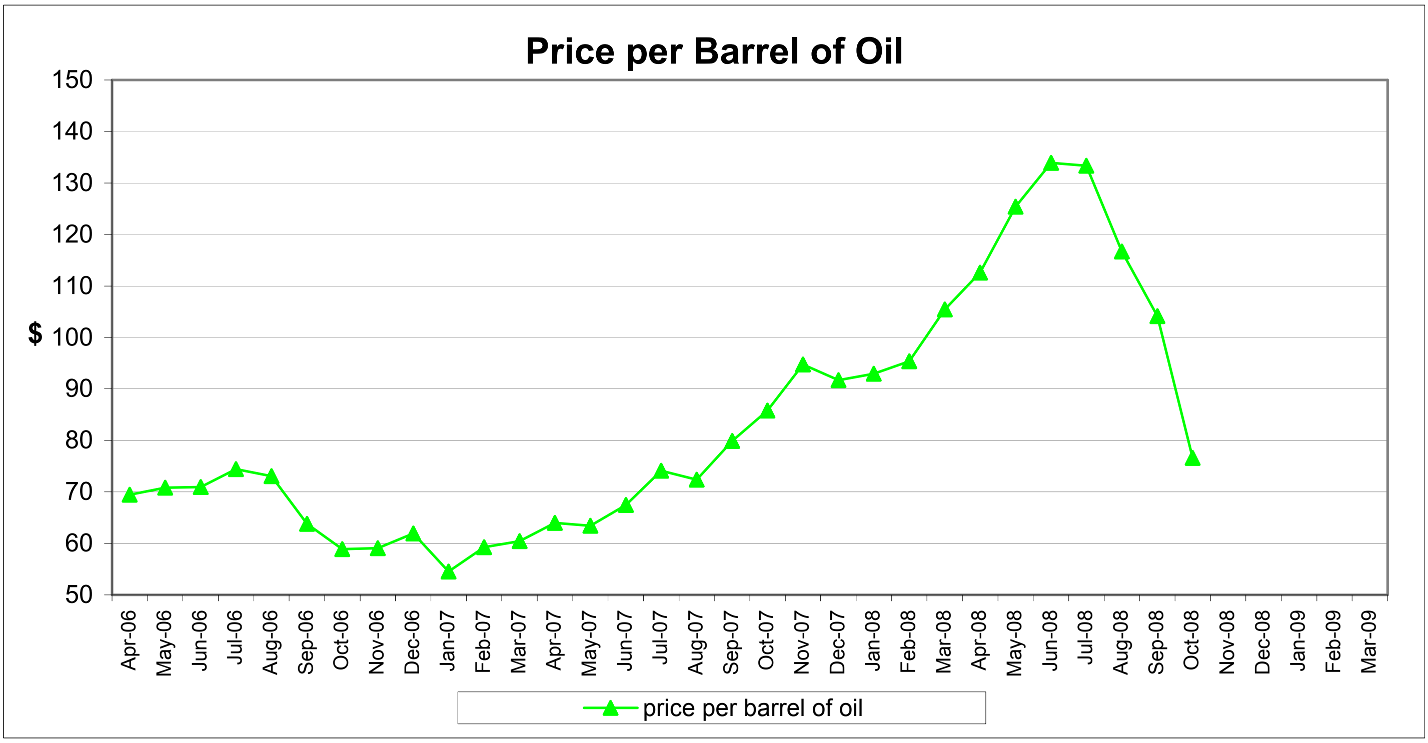
1.1.7 **Details of proposals for residual variance**: *[eg roll forward proposals; mgmt action outstanding]*

N/A

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Price per Barrel of Oil - average monthly price in dollars since April 2006:

	Price per Barrel of Oil		
	2006-07	**2007-08**	**2008-09**
	$	$	$
April	69.44	63.98	112.58
May	70.84	63.45	125.40
June	70.95	67.49	133.88
July	74.41	74.12	133.37
August	73.04	72.36	116.67
September	63.80	79.91	104.11
October	58.89	85.80	76.61
November	59.08	94.77	
December	61.96	91.69	
January	54.51	92.97	
February	59.28	95.39	
March	60.44	105.45	



Comments:

- The figures quoted are the monthly average of the West Texas Intermediate Spot Price in dollars per barrel.