REPORT TO: CABINET – 3 DECEMBER 2007

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 budgets,**
- **note the changes to the capital programme,**
- **agree the revenue virements detailed in section 3.6 of this report.**

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1. INTRODUCTION

1.1 This is the second full monitoring report to Cabinet for 2007-08. The first full monitoring report was presented to Cabinet on 17 September 2007. Since the first report there has been a change to the portfolio structure with the creation of two new portfolios, Operations, Resources & Skills (CFE) and Children, Families & Educational Achievement (CF&EA). These effectively replace the previous portfolios for Education & School Improvement and Children & Family Services, however Kent Works has also transferred from the Policy & Performance portfolio to the new OR&S (CFE) portfolio. In addition, part of the Policy & Performance portfolio has transferred to the Regeneration & Supporting Independence portfolio.

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 The net projected variance against the combined portfolio revenue budgets is an underspend of £0.9m. Section 3 of this report provides the detail, which is summarised in Table 1a below.

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

Portfolio	Budget	Gross Variance	Proposed Management Action	Net Variance
	£k	£k	£k	£k
O,R&S (CFE) *	-807,894	+2,649	-1,829	+820
CF&EA	+104,647	+1,879	-2,144	-265
Kent Adult Social Services	+271,898	+4,109	-2,194	+1,915
E,H&W	+121,802	-1,700	0	-1,700
Regen & SI	+9,313	-795	0	-795
Communities	+53,541	+1,365	-535	+830
Public Health	+312	-50	0	-50
Corporate Support	+27,258	-145	0	-145
Policy & Performance	+3,107	0	0	0
Finance	+107,034	-1,559	0	-1,559
TOTAL (excl Schools)	-108,982	+5,753	-6,702	-949

* Of the £0.820m residual pressure within the OR&S (CFE) portfolio, +£0.570m relates to budgets managed within the CFE directorate and +£0.250m relates to budgets managed by the Chief Executives directorate (Kent Works).

2.2 In addition to the projected portfolio variances, there are two projected overspends:

a) The Asylum Service is expected to overspend by £3.4m
b) Schools are projecting a draw-down of their reserves of £15m.
Further details are provided throughout this report.

2.3 The forecast against the capital programme is showing an underspend of £8.7m, plus a re-phasing of £82.4m of expenditure into later years. Section 4 of this report provides further details. A report on the outcomes that have been delivered by the capital programme will be presented to Cabinet in the new year.

3. REVENUE

3.1 Virements/changes to budgets

Cash limits have been adjusted to reflect the revised portfolio structure and a virement of £0.4m from the Finance portfolio to the Regeneration & Supporting Independence portfolio for costs associated with the development of Manston & Eurokent. 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 The revenue projection, before management action, is a pressure of £9.149m, a breakdown of this position by portfolio is shown in table 1b below. This is a movement of +£1.097m since the position reported to Cabinet in the first full monitoring report on 17 September 2007. The position after assumed management action reduces to a pressure of £2.447m (including Asylum of +£3.396m), a breakdown by portfolio is shown in table 1a above. In addition, we are currently forecasting that schools will overspend their delegated budgets and draw down their reserves by up to £15m this year.

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

			Directorate					
Portfolio	**Budget**	**Variance**	CFE	KASS	E&R	CMY	CED	FI
	£k	**£k**	£k	£k	£k	£k	£k	£k
O,R&S (CFE)	**-807,894**	**+2,649**	+2,399				+250	
CF&EA	**+104,647**	**+1,879**	+1,879					
Kent Adult Social Services	**+271,898**	**+4,109**		+4,109				
E,H&W	**+121,802**	**-1,700**			-1,700			
Regen & SI	**+9,313**	**-795**			-795			
Communities	**+53,541**	**+1,365**				+1,365		
Public Health	**+312**	**-50**					-50	
Corporate Support	**+27,258**	**-145**					-145	0
Policy & Performance	**+3,107**	**0**					0	
Finance	**+107,034**	**-1,559**					0	-1,559
SUB TOTAL (excl Schools)	**-108,982**	**+5,753**	+4,278	+4,109	-2,495	+1,365	+55	-1,559
Asylum	**0**	**+3,396**	+3,396					
TOTAL (excl Schools)	**-108,982**	**+9,149**	+7,674	+4,109	-2,495	+1,365	+55	-1,559

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

	CASH LIMIT			VARIANCE		
Portfolio	**Gross**	**Income**	**Net**	**Gross**	**Income**	**Net**
	£k	£k	£k	£k	£k	£k
O,R&S (CFE)	+143,740	-951,635	**-807,895**	+2,343	+306	**+2,649**
CF&EA	+195,032	-90,385	**+104,647**	+3,473	-1,594	**+1,879**
Kent Adult Social Services	+425,859	-153,961	**+271,898**	+4,344	-235	**+4,109**
E,H&W	+140,814	-19,012	**+121,802**	-435	-1,265	**-1,700**
Regen & SI	+12,788	-3,475	**+9,313**	-350	-445	**-795**
Communities	+100,205	-46,664	**+53,541**	+2,528	-1,163	**+1,365**
Public Health	+312	0	**+312**	-50	0	**-50**
Corporate Support	+45,653	-18,395	**+27,258**	+3,159	-3,304	**-145**
Policy & Performance	+3,485	-378	**+3,107**	+441	-441	**0**
Finance	+138,238	-31,204	**+107,034**	-780	-779	**-1,559**
SUB TOTAL (excl Schools)	+1,206,126	-97,477	**-108,983**	+14,673	-8,920	**+5,753**
Asylum	+13,200	-13,200	**0**	-1,122	+4,518	**+3,396**
TOTAL (excl Schools)	+1,219,326	-110,677	**-108,983**	+13,551	-4,402	**+9,149**
Schools	+938,969	-80,517	**+858,452**	+15,000	0	**+15,000**
TOTAL	+2,158,295	+797,767	**+749,469**	+28,551	-4,402	**+24,149**

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. Education & School Improvement & Children & Family Services 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, Policy & Performance & Finance portfolios
Annex 6 **Financing Items**
incl. elements of the Corporate Support & Finance portfolios

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

Pressures (+)			**Underspends (-)**		
portfolio		£000's	portfolio		£000's
ORS	Schools delegated budgets - expected drawdown of reserves	+15,000	EHW	Reduced tonnage through Allington WtE plant.	-2,300
CFEA	Asylum - Shortfall in income (income)	+4,518	FIN	savings resulting from debt restructuring & higher investment income due to cash balances and increased interest rates	-1,809
CFEA	Independent Sector Residential Care - increased number and cost of placements (gross)	+1,956	CFEA	Asylum - potential draw down of residual balance in Corporate Asylum reserve (gross)	-1,122
KASS	Older People Domiciliary expenditure	+1,376	CFEA	Independent sector residential care - funding from health and education (income)	-743
KASS	Learning Disability Supported Accommodation	+1,032	KASS	Assessment & Related - Management action around staffing	-706

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
KASS	Learning Disability Residential	+1,019	EHW	Waste - improved sales / Operation Cubit income	-650
KASS	Learning Disability Independent Living Schemes & Group Homes	+1,000	CMY	YOS Prevention Grant Income	-566
ORS	Capital Strategy - costs previously charged to capital (gross)	+970	KASS	Management Action on Training	-525
CFEA	Fostering Service - independent fostering allowances (gross)	+964	KASS	Older People Preserved Rights	-474
KASS	Learning Disability Direct Payments	+865	KASS	Provision for risk within SRP expenditure not now required	-468
EHW	The Waste WPEG grant was budgeted as 100% revenue grant but it is being paid as 50% capital grant and is therefore not available to support the revenue	+800	RSI	Increased Volume of DCLG grant - Kent Thameside & Swale Delivery Boards	-460
CFEA	Independent Sector Residential Care - children in secure accommodation	+750	EHW	Increased level of external funding enabling more projects within	-460
EHW	E&R Directorate Budget Gap (covered from Waste under spend)	+735	RSI	Re-phasing of Fort Hill, Margate de-dualling project	-450
ORS	SEN Home to School Transport - savings targets linked to purchase cards (gross)	+696	CFEA	Leaving care/16+ - managed underspend (gross)	-419
KASS	Physical Disability Direct Payments	+681	CMY	AE Income for Immigration Contract	-373
CMY	AE loss of Tuition Fees	+568	EHW	Increase on non-grant income on rural bus services	-350
CFEA	Other Services Support - Recharges from Legal services (gross)	+559	EHW	WEEE Grant not budgeted as income	-350
CMY	YOS Prevention Grant Expenditure covered by increased income	+532	KASS	Management action - Resources	-297
ORS	Personnel and Development - Pensions budget (gross)	+474	KASS	Area Contracts & planning Teams - management action around staffing	-286
EHW	More project expenditure supported by external funding within Environment	+460	CFEA	Section 17 - managed underspend (gross)	-266
RSI	Increased Volume of DCLG activity - Kent Thameside & Swale Delivery Boards	+460	CMY	AE Business Development Income	-260
CFEA	Fostering Service -County Fostering team staffing costs (gross)	+416	KASS	Older People Residential	-249
EHW	Rural Bus Services - non-grant income supporting further rural service.	+350	CFEA	Fostering service - in-house fostering provision (gross)	-249
CMY	AE Immigration Contract Expenditure covered by increased income	+336	KASS	Management action in facilities	-248
KASS	Older People Nursing (excl Pres Rights)	+334	RSI	Delay in Minerals and Waste Local Development Framework activity	-230
KASS	Learning Disability Domiciliary	+329	CMY	Additional LSC AE Formula Grants	-230
CFEA	Assessment & Related - delay in achieving staffing savings target (gross)	+264	RSI	Delay in Shaw Grange remedial works	-220
FIN	Commercial Services - delay in letting outdoor advertising contract	+250	CFEA	Other Services Support - Out of Hours service matched by additional expenditure (income)	-219
ORS	Kent Works - higher costs & reduced income	+250	CFEA	Direct payments - managed underspend	-198
KASS	Mental Health Residential Care exp.	+241	CFEA	In-house residential care - Alderden House (gross)	-180
EHW	Extra take-up of Freedom Bus Pass	+240	CFEA	Residential care - Non Looked after children - reduction in placements (gross)	-175
KASS	Part year impact of 'fairer charging' decision by Ombudsman	+225	CMY	AE Project grants	-161
ORS	Personnel and Development - closing schools redundancy costs (gross)	+225	EHW	Additional income from base revenue supported bus services	-160

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CFEA	Other Services Support - Out of Hours service covered by additional income (gross)	+219	KASS	HQ Policy & Performance - management action around staffing	-157
RSI	1 Unfunded post and Seconded Staff funded externally in Change & Development Division	+210	CFEA	KCC Family Support - management of staff vacancies (gross)	-155
KASS	Learning Disability Day Care	+209	CFEA	Assessment & Related - additional income for Education for Best project	-150
KASS	PD Supported Accommodation	+200	EHW	Additional Recharges income from KHS Division	-130
KASS	Older Persons Direct Services Unit (staffing costs)	+198	KASS	Part year saving on establishment of SRP Systems Support Team	-122
CMY	YOS Secure Accommodation	+163	CFEA	ASK: Improvement and Leadership - advisory headteachers recharge to schools (income)	-122
CMY	Increased guided learning hours for Family and Lifelong Learning in AE covered by increased income	+161	CMY	Libraries and Archives savings from reduced expenditure on consumables and other non pay headings.	-120
CMY	Coroners Mortuary Fees	+142	CFEA	Fostering service - training income from county fostering team (income)	-107
KASS	PD Residential Care	+139	RSI	Seconded Staff funded externally in Change & Development Division	-100
CMY	Neighbourhood Learning & SIP	+135	RSI	Kent Regeneration Fund - projects delayed due to expected funding shortfall	-100
CMY	AE fee and concessions policy revisions not implemented	+133	KASS	Occupational Therapy Bureau - Provision for Replacement Hoists	-100
EHW	Budget under-estimate on KHS depot running costs.	+130	ORS	Personnel and Development - reduction in expenditure from incorrectly placing staff on pension schemes (income)	-100
CMY	YOS Staffing	+124			
CMY	AE Business Development Expenditure covered by increased income	+120			
CMY	Libraries & Archives underachievement of AV income covered by savings on non pay headings	+120			
CMY	AE Loss of Information and guidance grant amd clawback of LSC grants from 2005/06 and 2006/07	+117			
ORS	ASK: Improvement and Leadership - increase in number of advisory headteachers (gross)	+117			
CMY	AE Project expenditure covered by increased income	+104			
EHW	Reduction in Country Parks income due to poor summer weather	+100			
RSI	Kent Regeneration Fund expected funding shortfall	+100			
CMY	Arts Unit reduction in grant income	+100			
KASS	Physical Disability Day Care Exp.	+100			
ORS	Personnel and Development - reduction in income from incorrectly placing staff on pension schemes (income)	+100			
		+42,116			**-17,316**

3.4 **Key issues and risks**

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

3.4.1.1 **Operations, Resources & Skills (CFE) portfolio**: Forecast excl. Asylum **+£2.399m**
This pressure is mainly due to the inability to achieve the budgeted savings on SEN transport in the current year; additional pensions and redundancy costs largely as a result of a number of school closures and amalgamations, and a requirement to meet some costs from revenue which were previously charged to capital upon the advice of our external auditors.

3.4.1.2 **Children, Families & Educational Achievement portfolio**: Forecast excl. Asylum **+£1.879m**
This pressure is mainly due to an increased number of children placed in independent sector residential care; an increase in independent fostering allowances largely due to an increase in placements, and increased legal fees within Children's Social Services. These pressures are partially offset by managed savings elsewhere within the Children's Social Services budgets.

3.4.1.3 **Children, Families & Educational Achievement portfolio - Asylum**: Forecast **+£3.396m**
The forecast assumes the same grant rules and unit costs as 2006-07. Also the Border & Immigration Agency will not be funding any increase in pay and prices in 2007-08. In addition we are experiencing higher rental costs from landlords and once again we saw an increase in applications for Asylum in October representing the highest number of referrals in a single month for over 4 years. Overall this results in a forecast pressure of £4.518m which we have offset by the £1.122m balance in the Asylum Reserve. The position regarding 2006-07 and 2005-06 remains unresolved and negotiations continue with the Home Office and the DCSF. The Home Office special circumstances bid for 2006-07 is being audited and we should know by the end of December whether or not the funding is approved. There is no formal procedure for the DCSF special circumstances bids and we are therefore reliant on lobbying central government. A Joint Councils meeting was held at the LGA on 13 November to discuss the money, which nine local authorities, including Kent, Hillingdon and Hammersmith & Fulham, claim is owed to them by the Government for the care of unaccompanied asylum seeking children. It was agreed at this meeting to commission an independent audit of these costs to be completed in January and, on receipt of that report, KCC is to arrange a meeting with Ministers to take forward discussions. The Joint Councils meeting was followed by a very positive briefing of MPs and government officials at Westminster, attended by the Leader and Chief Executive, and we are now hoping to bring this long standing financial issue to a successful resolution.

Further details of these pressures are provided in Annex 1.

3.4.2 **Kent Adult Social Services portfolio**: Forecast **+£4.109m**
This pressure is mainly as a result of demographic and placement pressures on most client groups but most significantly people with learning difficulties where we are experiencing young adults transferring from Children's Services and increasing numbers of clients over 65 in line with the trend for people to live longer and many of these clients have very complex needs. In addition, within services for older people, there is increasing demand for nursing care placements and domiciliary care. Also, our success in meeting the direct payments target continues to identify previously unmet demand/need.
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 **-£1.700m**
There is a large underspend on waste, mainly because the Waste to Energy plant at Allington, which is still in the commissioning stage, is not working as expected. As a result, more waste is going to landfill, which is currently a cheaper means of disposal. This is offsetting a gap in the budget identified in the 2007-10 MTFP as requiring an in-year management action plan of one-off actions. This forecast also assumes that corrective work of £0.425m following the earthquake and floods in June will be funded from the Emergency Conditions Reserve, consistent with previous practice.

3.4.3.2 **Regeneration & Supporting Independence portfolio**: Forecast **-£0.795m**
Within the portfolio a number of projects are re-phasing into 2008-09, including the de-dualling of Fort Hill, Margate, Shaw Grange remedial works and the Minerals and Waste Local Development Framework, and £0.9m will be required to roll forward to reflect the revised timing of these projects. This leaves an underlying pressure of £0.105m which relates to a post for which the external funding has now ceased.

Further details are provided in Annex 3.

3.4.4 **Communities portfolio**: Forecast **+£1.365m**

The main pressures are within Adult Education, Coroners, Youth Offending Service and the Arts Unit. The pressures within the Adult Education service are largely in respect of difficulties the service has faced in delivering the challenging target of generating a £500k surplus to repay the loan from the Finance portfolio provided in 2006-07, a significant reduction in tuition fee income due to lower than anticipated take-up of courses and the additional costs associated with the restructuring of the service and the rationalisation of premises. The Youth Offending Service is under pressure as a result of more young people being placed in secure accommodation or on remand; there is a continuation of the pressures experienced in 2006-07 on the Coroners Service and a reduction in EU grants for the Arts Unit.
Further details are provided in Annex 4.

3.4.5 In the Chief Executive's directorate, the key issues are:

Operations, Resources & Skills (CFE) portfolio: Forecast **+£0.250m**

Increased costs and reduced income for services provided to schools within Kent Works. A review of the service is underway to try to address this.

Further details are provided in Annex 5

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

Finance portfolio: Forecast **-£1.559m**

Savings as a result of debt restructuring, lower assumed external borrowing for the capital programme and increased investment income are partially offset by an anticipated reduction in the contribution from Commercial Services as a result of a delay in letting the contract for outdoor advertising and sponsorship.

Further details are provided in Annex 6

3.4.7 Directorates have implemented management action plans which are expected to reduce the pressures from £9.149m to £2.447m including Asylum, with residual pressures currently anticipated at year end within KASS, OR&S (CFE) and Communities portfolios. It is expected that the position within OR&S (CFE) portfolio will be partially offset by the forecast underspend within the other portfolio managed within the CFE directorate, the CF&EA portfolio, which is consistent with previous practice adopted when a directorate has been faced with an imbalance at year end between their portfolios. Also, CFE expect that this position will improve further as we progress through the remainder of the year. Progress against these management action plans will be closely monitored throughout the remainder of the financial year. With regard to Asylum, the current forecast of +£3.396m is after the balance of the Asylum Reserve is utilised. Provisionally this residual pressure at year end, will be considered as the first call on any Finance portfolio underspend, although KCC fully expects Government to meet the full costs of this national pressure.

3.5 Implications for future years/MTFP

3.5.1 The key issues and risks identified above will need to be addressed in directorate medium term financial plans (MTFP) for 2008-11. 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 trying to assess the medium term impact of these issues. There are other pressures which, although not hugely significant this year, will also need addressing in the MTFP. These are detailed in the Annex reports.

3.6 Revenue Virements

There are a couple of new projects for which funding is required and Cabinet is asked to agree the following virements in order to provide this funding:

3.6.1 £0.2m of the underspend reported on the Waste Management budget be vired to Kent Highways Services, both within the Environment, Highways & Waste portfolio, to fund the work required to get to the planning application stage of the Borough Green and Platt by-pass.

3.6.2 £0.1m of the underspend within the Finance portfolio on interest and debt financing costs be used to provide funding for Health Watch within the Public Health portfolio.

3.6.3 In both cases, some of the costs are likely to fall into 2008-09, in which case roll forward will be required.

4. CAPITAL

4.1 **Changes to budgets**

4.1.1 This year 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 initial planning stage or are only at the approval to plan stage and their timing remains uncertain.

We now 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. It is intended that from 2008-09 the presentation of the capital budget will also change to show this distinction between projects.

4.1.2 This quarter, the following adjustments have been made to the 2007-08 capital budget. Further details are provided in the relevant annex reports, including the effect on the future years of the capital programme, where applicable.

		£000's
1	As reported to Cabinet on 17 September (excl. PFI)	360,246
2	Marlowe Innovation Centre – additional external funding from European Regional Development Fund (OR&S (CFE) portfolio)	220
3	Additional Integrated Transport Grant (EH&W portfolio)	2,290
4	Waste Performance Grant (EH&W portfolio)	812
		363,568
5	PFI	36,301
		399,869

4.1.3 In addition to the cash limit adjustments above, there has been a couple of virements since the last report:

- £40k from KASS portfolio to CF&EA portfolio in respect of Systems Replacement project funded by Improving Information Management grant
- £5k from Policy & Performance portfolio to Communities portfolio in respect of a Small Community Capital Grant for Herne Bay Youth & Community Centre.

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)	**+148,675**	**-37,386**	-37,386				
CF&EA	**+6,627**	**-1,169**	-1,169				
KASS	**+11,023**	**-4,974**		-4,974			
E,H&W	**+112,251**	**-22,988**			-22,988		
Regen & SI	**+10,607**	**-4,950**			-4,950		
Communities	**+23,661**	**-17,610**				-17,610	
Corporate Support	**+3,995**	**-669**					-669
Policy & Performance	**+501**	**0**					0
Finance	**+6,527**	**-1,413**					-1,413
TOTAL (excl Schools)	**+323,867**	**-91,159**	-38,555	-4,974	-27,938	-17,610	-2,082
Schools	**+39,701**	**0**	0				
TOTAL	**+363,568**	**-91,159**	-38,555	-4,974	-27,938	-17,610	-2,082

Real Variance		**-8,716**	-4,013		-1,949	-1,281	-1,473
Re-phasing (detailed below)		**-82,443**	-34,542	-4,974	-25,989	-16,329	-609
		2007-08	**2008-09**	**2009-10**	**Future yrs**		**Total**
Re-phasing		-82,443	+28,881	+30,498	+23,064		0

4.2.1 Table 3 shows that there is an underspend of £8.716m on the capital programme for 2007-08 and £82.443m of re-phasing of expenditure into later years. This represents an increase in the underspend of £2.965m and an increase in the re-phasing of expenditure by £35.003m since the last full monitoring report to Cabinet on 17 September 2007.

4.3 Table 4 below, splits the forecast variance on the capital budget for 2007-08 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 initial planning 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	108,296	-2,052	-10,236	-12,288	
Approval to Spend	151,907	-2,655	-28,616	-31,271	
Approval to Plan	54,945	99	-39,411	-39,312	
Initial Planning Stage	8,719	-4,108	-4,180	-8,288	
Total	323,867	-8,716	-82,443	-91,159	
	2007-08	**2008-09**	**2009-10**	**future years**	**total**
	£'000s	£'000s	£'000s	£'000s	£'000s
Re-phasing:					
Rolling Programme	-10,236	5,266	4,470	500	-
Approval to Spend	-28,616	28,337	279	-	-
Approval to Plan	-39,411	-8,902	25,749	22,564	-
Initial Planning Stage	-4,180	4,180	-	-	-
Total	-82,443	28,881	30,498	23,064	-

4.3.1 Table 4 shows that of the -£91.159m forecast capital variance -£8.288m is due to projects at the initial planning stage and -£39.312m is due to projects which are still only at the approval to plan stage and their timing remains uncertain. This leaves a variance of -£43.559m which relates to projects that are either underway or are part of our year on year rolling programme.

4.3.2 The majority of the capital variance has been analysed as being broadly due to the following reasons:

- £43m due to delays in obtaining planning permission or due to public objections
- £20m due to delays caused by a re-think of the project / new opportunities
- £24m is due to over optimism in the original spend profile

4.3.3 Table 5 below shows the effect of the capital variance on the different funding sources. The variance against borrowing (supported and prudential) is -£32.397m and this is a major contributory factor in the underspend reported within the Finance portfolio.

Table 5: 2007-08 Capital Variance analysed by funding source

	Capital Variance (£m)
Supported Borrowing	-4.492
Prudential	-20.696
Prudential/Revenue (directorate funded borrowing)	-7.209
Grant	-17.643
External Funding	-8.415
Revenue & Renewals	-1.772
Capital Receipts	-30.732
General Capital Receipts (generated by Property Enterprise Fund)	-0.200
TOTAL	**-91.159**

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 initial planning 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

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Initial Planning Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
EHW	Ashford Ring Road	Real		+870		
OR&S	SSR - Whitfield & Aspen	Real		+683		
OR&S	Mod 06/07/08 - Chaucer Tech. School	Real	+438			
KASS	Improving Information Management (IIM)	Real		+427		
OR&S	BN - The North School, Ashford	Real	+328			
OR&S	SSR - St Nicholas School	Real		+255		
OR&S	Build Mtce Prog. - Catering Equipment	Real	+250			
OR&S	Primary BSF Pathfinder Programme	Real			+250	
			+1,016	**+2,235**	**+250**	**+0**
		Real	*+1,016*	*+2,235*	*+250*	*0*
		Phasing	*0*	*0*	*0*	*0*
Underspends/Projects behind schedule						
EHW	Rushenden Link Road	Phasing			-10,349	
EHW	Re-shaping Kent Highways Accommodation	Phasing		-8,522		
CMY	Turner Contemporary	Phasing			-8,310	
OR&S	Dev Opps - Kingsmead	Phasing			-4,000	
RSI	East Kent Empty Property Initiative	Phasing		-3,700		
OR&S	BN - Tovil PS (Archbishop Courtenay)	Phasing	-3,328			
CMY	The Hub Southborough	Phasing				-3,025
CMY	The Hub Southborough	Real				-200
OR&S	Dev Opps - Folkestone School for Girls	Real				-3,094
KASS	Dartford Town Centre project	Phasing			-2,880	
OR&S	Dev Opps - Tonbridge Girls Grammar	Phasing		-2,725		
OR&S	Freshstart - Castle Hill	Phasing		-2,289		
OR&S	Freshstart - Castle Hill	Real		-386		
OR&S	Dev Opps - Darford Campus	Phasing		-2,198		
OR&S	Valence School - Refurbishment	Phasing			-2,002	
OR&S	BN - Dartford Grammar Girls	Phasing	-2,000			
EHW	Thamesway	Real		-1,919		
EHW	Thamesway	Phasing		-80		
OR&S	SSR - Orchard School	Phasing		-1,696		
OR&S	SSR - Orchard School	Real		-27		
OR&S	Dev Opps - St James the Great	Phasing		-1,620		

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Initial Planning Stage
			£'000s	£'000s	£'000s	£'000s
CMY	Community Facilities - Edenbridge	Phasing			-1,465	
CMY	Library Campus Gravesend	Phasing			-1,439	
FIN	Commercial Services Vehicles, Plant & Equipment	Real	-1,373			
OR&S	Mod 06/07/08 - Phoenix CPS	Phasing	-918			
OR&S	Mod 06/07/08 - Phoenix CPS	Real	-254			
OR&S	SSR - Rowhill	Phasing			-979	
OR&S	SSR - Rowhill	Real			-69	
OR&S	Mod 07/08 - Park Farm PS	Phasing	-1,011			
OR&S	Dev Opps - Istead Rise	Phasing			-1,000	
OR&S	Academies - Minster College	Phasing			-1,000	
OR&S	Dev Opps - The Towers School	Phasing				-1,000
OR&S	Dev Opps - Axton Chase School	Real				-1,000
CMY	Ashford Learning & Information Centre	Phasing			-888	
CMY	Ashford Learning & Information Centre	Real			-104	
CF&EA	Preventative Strategy - Kingmead Family Centre	Phasing			-896	
OR&S	Dev Opps - Greenfield	Phasing		-649		
OR&S	Dev Opps - Greenfield	Real		-234		
EHW	East Kent Access Phase 1c	Real		-843		
RSI	Arts & Business Centre at Folkestone	Phasing		-800		
OR&S	Dev Opps - Headcorn PS	Phasing			-750	
OR&S	Build Mtce Prog. - Mobile Moves	Real	-700			
KASS	Princess Christian Farm	Phasing			-622	
EHW	Sittingbourne Northern Relief Road	Phasing			-583	
CMY	Herne Bay Youth Centre	Phasing		-465		
CMY	Herne Bay Youth Centre	Real		-90		
OR&S	SSR - Milestone	Phasing		-327		
OR&S	SSR - Milestone	Real		-226		
OR&S	Marlowe Innovation Centre	Phasing		-552		
OR&S	Mod 04/05/06 - Kennington Juniors	Phasing	-551			
CMY	Big Lottery Fund - PE & Sport	Real		-443		
CMY	Big Lottery Fund - PE & Sport	Phasing		-59		
EHW	Energy & Water Investment Fund	Phasing		-500		
OR&S	Dev Opps - Valence School - Fountain Cottages	Phasing		-488		
KASS	Westerham Write Back-To Fund IIM/Broadmeadow	Real		-475		
RSI	Fort Hill De-dualling	Phasing			-450	
KASS	Crispe House	Phasing		-432		
KASS	Osborne Court/Faversham DOS	Phasing			-415	
OR&S	SSR - Bower Grove	Phasing		-406		
OR&S	SSR - Ridgeview	Phasing			-401	
OR&S	Mod 06/07/08 - The Wildernesse Sch.	Phasing	-390			
OR&S	Non Delegated PRU's	Phasing	-387			
OR&S	Mod 06/07/08 - Sussex Road PS	Phasing	-378			
OR&S	Mod 06/07/08 - Sussex Road PS	Real	-1			

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Initial Planning Stage
			£'000s	£'000s	£'000s	£'000s
CMY	Village Halls & Com Ctrs - Grants	Real	-300			
CMY	Village Halls & Com Ctrs - Grants	Phasing	-53			
OR&S	H&S - Tree Safety	Real	-350			
CS	Gateways	Phasing			-336	
EHW	Newtown Road Bridge	Phasing			-334	
KASS	Beaney Centre	Phasing		-300		
OR&S	Mod 04/05/06 - Crockenhill Primary	Phasing	-295			
KASS	Edenbridge LD Services	Phasing		-289		
CF&EA	Improving Public Access - Lowfield Road	Real		-273		
OR&S	BN - Site Acquisitions	Phasing	-264			
CMY	Tun Wells Library, Museum & Gallery	Phasing			-250	
EHW	Non TSG Land, Part 1 Comp.Claims	Real	-250			
			-12,803	**-33,013**	**-39,522**	**-8,319**
		Real	*-3,228*	*-4,916*	*-173*	*-4,294*
		Phasing	*-9,575*	*-28,097*	*-39,349*	*-4,025*
			-11,787	**-30,778**	**-39,272**	**-8,319**
		Real	*-2,212*	*-2,681*	*77*	*-4,294*
		Phasing	*-9,575*	*-28,097*	*-39,349*	*-4,025*

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 2007-08 are listed below together with their resourcing implications:-

- -£3.1m on the Development Opportunities project at Folkestone School for Girls as the school is not progressing with the scheme at this time due to planning issues with the enabling development, which indicate that we are unlikely to achieve a capital receipt to the level necessary to develop the project to current proposals. The saving across all years of the capital programme is £9.1m but this is matched by a reduction in capital receipts.
- -£1.9m on the Thamesway project due to the benefits of value engineering being achieved. This scheme is 100% grant funded and therefore any underspend will be matched by a reduction in grant.
- -£1.4m on Commercial Services Vehicle, Plant & Equipment replacement, which is largely due to continuing the trend adopted last year of leasing vehicles rather than purchasing outright. This will be matched by a reduced contribution to their Renewals Fund.
- -£1.1m on the costs of moving and hiring mobile classrooms and tree safety works, as these costs now need to be charged to revenue following latest advice from the external auditors. This therefore represents a pressure on the revenue budget and a real saving to the capital budget.
- -£1m on the Development Opportunities project at Axton Chase School as this project is on hold pending Academy application, which if successful will change the current funding arrangements. The potential saving across all years of the capital programme could be up to £20m, funded by capital receipts.
- -£0.8m on East Kent Access Phase 1c due to a reduction in the forecast following a review of the land acquisition estimate. There is no compensatory reduction in resources so this represents a real saving to the capital budget.
- +£0.8m on costs of construction of the Ashford Ring Road following tender returns. We will bid for additional grant funding.

Further details and 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: -

- -£10.3m Rushenden Link Road as SEEDA has not been able to complete its land assembly and planning permission status as quickly as assumed. Construction is now expected to start in February 2008.
- -£8.5m reshaping Kent Highways accommodation due to delays in starting the Wrotham and Sandwich schemes because of objections to elements of the intended construction.
- -£8.3m Turner Contemporary - the budgeted phasing of the project was based on early discussions with architects before we had received their initial outline and concept design reports. This re-phasing simply represents movement between years and not a delay on completion.
- -£4m Development Opportunities project at Kingsmead as the start has been delayed due to time taken to agree the purchase of the new site from Canterbury City Council. The only expenditure that is likely to be incurred this financial year is the site purchase and minimal development costs.
- -£3.7m East Kent Empty Property Initiative – the budget assumed that there would be a substantial and early need for a rolling loan facility but this has not materialised to the extent anticipated in the budget.
- -£3.3m Archbishop Courtenay (Tovil) Primary School – the project has been delayed as we have been unable to agree the Compulsory Purchase Order for the site with the current site owners.
- -£3m The Hub, Southborough has been delayed in the planning process due to prolonged discussions with the adjoining land owners who have now come forward with an offer to buy land owned by the Town Council (over which KCC has a claw back covenant). They are now revising their offer which is expected in a few weeks.
- -£2.9m Dartford Social & Healthcare Centre has been delayed due to the land predicated for the site not having yet been marketed by its owner. Planning surrounding this project has been generally delayed due to rejection of the major Lowfield Street regeneration application. The redevelopment of Dartford town centre is being reviewed by Dartford Borough Council (DBC) with consultation anticipated during the autumn. An alternative site is being investigated in conjunction with DBC.
- -£2.7m Development Opportunities project at Tonbridge Girls' Grammar because of ongoing difficulties in obtaining Section 22 approval, regulations relating to the sale of school playing fields.
- -£2.3m Castlehill Freshstart project - the development of this project has taken longer than expected.
- -£2.2m Dartford Campus – delays due to difficulties obtaining the necessary Section 77 and Schedule 22 approvals (regulations relating to the sale of school playing fields) from the DfES (as then was).
- -£2m Dartford Grammar Girls - the project start date has slipped into the next financial year as it cannot begin until the Dartford Campus project has finished (see above).
- -£2m Valence School refurbishment has been delayed due to green belt objections.
- -£1.7m The Orchard School (Special Schools Review) - the project comprises a mixture of new-build and refurbishment to the main part of the school and two satellite centres for primary aged pupils. The re-phasing is due to the satellite centres being on hold.
- -£1.6m Development Opportunities project at St James the Great school was unexpectedly delayed by an objection from English Heritage which has now been resolved.
- -£1.5m Edenbridge Community Facilities – planning approval is now being sought with an expected start on site possible in late spring.
- -£1.4m Library Campus, Dartford – as a result of the failure of the Big Lottery bid, a number of other options are now being assessed, including partnerships with a range of other service providers.
- -£1m Development Opportunities project at Istead Rise has been delayed due to the school being unhappy with the original feasibility. A revised feasibility has been completed and the school are currently considering the proposals.
- -£1m Minster College Academy as a result of the Secretary of States decision to have an independent review of the planned provision undertaken, in light of objections.
- -£1m Development Opportunities project at the Towers School due to planning issues.

- -£1m Park Farm Primary School Modernisation project – the project needs to be reviewed following preliminary tender costs being much higher than the resources available.
- -£1m Rowhill Special School due to delays in getting to the final design caused by difficulties in reaching a decision on a change of location, plus the new site is green belt so additional work has been necessary to present a water tight case.
- -£1m Phoenix Primary School Modernisation project due to difficulties in obtaining outline planning permission and undertaking a value engineering exercise in order to reduce the specification to bring tender costs to within the available resources.

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 The funding of the 2007-10 capital programme, is reliant upon capital receipts of some £178.428m. It is not always possible to have receipts 'in the bank' before starting any replacement project, due to the obvious need to have the re-provision in place before the existing provision is closed. Management of the delivery of capital receipts is therefore rigorous and intensive.

4.8 Implications for future years/MTFP

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 is in place before the project is contractually committed.

4.8.2 As a result of the level of capital re-phasing experienced this year, a series of meetings have taken place to scrutinise the reasons for it. These broadly fell into three categories:

- Delays in obtaining planning permission/public objections ie outside of our control
- Delays caused by a re-think of the project/ new opportunities
- Over optimism in the original budget phasing

To address these issues for next year's capital programme, to avoid as far as possible a repeat of the level of re-phasing experienced in the last few years, the budget setting process now includes a session for detailed scrutiny of capital spend planned for 2008-09 to help ensure a more realistic timing of delivery of projects is reflected in the budget and that assumptions made around the time required to gain the necessary planning approvals etc are in line with more recent past experience and therefore more realistic. It is also planned to categorise capital schemes in the budget book according to the stage of development that they are at, including "projects at initial planning stage" to identify the more embryonic schemes, in line with the format of the monitoring adopted this year.

4.9 Impact on Treasury Management

4.9.1 The re-phasing of the capital programme from 2006-07, resulting in high cash balances at the end of the 2006-07 financial year, and the re-phasing on the capital programme projected in this report are major factors in the £1.8m underspend reported against the Interest on cash balances/debt charges budget within the Financing Items revenue budget. Further details are provided in Annex 6. This re-phasing will impact upon the phasing of the debt charges within the revenue budget and this will be reflected in the 2008-11 MTFP.

4.10 Resourcing issues

4.10.1 There will always be an element of risk relating to funding streams which support the capital programme until all of that funding is "in the bank". As detailed in section 2.1 of annex 5, there is an issue surrounding the timing of capital receipts, but over the three year period of the MTFP, the level of receipts required to support the programme is expected to have been 'banked'. 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 1**. There has been some deviation from the prudential indicator for the upper limit for principal sums invested for periods longer than 364 days. A £35m limit was set for sums invested for 2-3 years, however the best value in long term investments has mostly been in the period of up to 3 years duration. A decision was therefore taken to 'over-invest' against this indicator to take the best advantage of the market yield curve, however this has been compensated for by lower longer term investments. Investments are still within the overall prudential limit of £135m. Further details are provided in section 9 of appendix 1.

5. RISK MANAGEMENT

Internal Audit have completed the process of interviewing business unit managers and capturing their risks and controls. This has led the development of the final 6 month audit plan (October 2007 - March 2008). The audit plan, along with a description of the risk scoring process is being submitted to the December Governance and Audit committee. It is also being presented for discussion at the Finance Strategy Board and Resource Directors Group for discussion and agreement.

The strategic risk register is currently being refreshed and will be finalised in January 2008. The Head of Audit and Risk is looking at integrating this process with the business planning process and audit planning and it will culminate with a facilitated risk workshop in late January/early February with the Governance & Audit Committee Members.

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 2007 is provided at **appendix 2**. 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 31/3/08 £m	Balance at 31/3/07 £m
Earmarked Reserves	55.1	80.9
General Fund balance	25.8	25.8
Schools Reserves *	52.6	67.6

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

6.1.2 The reduction of £25.8m in earmarked reserves is mainly due to the anticipated movements in the rolling budget reserve, Asylum reserve, and Emergency Conditions reserve and planned movements in reserves such as PRG, Kent Regeneration, Environmental Initiatives, IT Asset Maintenance and the Kingshill Smoothing reserve.

6.1.3 The reduction of £15m in schools reserves is our assessment of the impact of the introduction of the 'balance control mechanism' since January 2007, which is a means of clawing back schools reserves over and above a specified level. The half-yearly forecast from schools indicates a draw down of approximately £22m this year, as they undertake projects that formed part of their 'committed' balances (which were £37.6m of the total £67.6m of schools reserves as at 31 March 07) to avoid any clawback, but past experience suggests that this is overstated.

7. RECOMMENDATIONS

Cabinet is asked to:

7.1 Note the latest monitoring position on both the revenue and capital budgets.

7.2 Note the changes to the capital programme, as detailed in section 4.1.

7.3 Agree to the virements as detailed in section 3.6 of this report.

Appendix 1

2007-08 OCTOBER Monitoring of Prudential Indicators

1. Estimate of capital expenditure (excluding PFI)

Actual 2006-07 £237.059m

Original estimate 2007-08 £315.683m

Revised estimate 2006-07 £272.409m (this includes the rolled forward re-phasing from 2006-07)

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

	2006-07 Actual	2007-08 Original Estimate	2007-08 Revised Estimate
	£m	£m	£m
Capital Financing Requirement	1,010.127	1,131.934	1,102.046
Annual increase in underlying need to borrow	96.796	104.598	91.919

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 2006-07 11.33%
Original estimate 2007-08 12.01%
Revised estimate 2007-08 10.95%

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

4. Operational Boundary for External Debt

The operational boundary for debt is determined having regard to actual levels of debt, borrowing anticipated in the capital plan, the requirements of treasury strategy and prudent requirements in relation to day to day cash flow management.

The operational boundary for debt will not be exceeded in 2007-08.

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

	Prudential Indicator 2007-08	Position as at 31.10.07
	£m	£m
Borrowing	1,084.0	894.7
Other Long Term Liabilities	8.0	1.5
	1,092.0	896.2

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

	Prudential Indicator 2007-08	Position as at 31.10.07
	£m	£m
Borrowing	1,139.0	952.6
Other Long Term Liabilities	8.0	1.5
	1,147.0	954.1

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 2007-08 are:

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

	£m
Borrowing	1,121
Other long term liabilities	8
	1,129

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

	£m
Borrowing	1,179
Other long term liabilities	8
	1,187

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 2007-08

(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 2007-08. Total external debt is currently held at fixed interest rates.

8. Upper limits for maturity structure of borrowings

	Upper limit	Lower limit	As at 31.7.07
	%	%	%
Under 12 months	8	0	0
12 months and within 24 months	8	0	0
24 months and within 5 years	24	0	0
5 years and within 10 years	24	0	8.7
10 years and above	100	40	91.3

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

	Indicator	Actual
1 year to 2 years	£35m	£34m
2 years to 3 years	£35m	£45m
3 years to 4 years	£35m	£17m
4 years to 5 years	£20m	£16m
5 years to 6 years	£10m	£0m
	£135m	**£112m**

The best value in long-term investments has mostly been in the period of up to 3 years duration. A decision was taken to over-utilise against the Prudential Indicator for investments with a duration of 2-3 years to take best advantage of the market yield curve. Investments are still within the overall prudential limit with £112m invested against an overall allowance of £135m.

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 2007		31 March 2006 Restated	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible Fixed Assets			4,732		5,935
Tangible Fixed Assets					
Operational assets					
Land and buildings		1,414,844		1,239,411	
Vehicles, plant and equipment		15,863		17,511	
Roads and other highways infrastructure		514,320		518,182	
Community assets		7,775		6,664	
Non-operational assets					
Investment Property		6,584		1,955	
Assets under construction		237,813		131,573	
Surplus and non-operational property		95,423		74,349	
Total Tangible Assets			2,292,622		1,989,645
Total fixed assets			2,297,354		1,995,580
Long-term investments			115,000		66,000
Long-term debtors			59,736		62,002
Deferred Premiums			20,990		21,940
PFI debtor			441		0
Total long-term assets			2,493,521		2,145,522
Current assets					
Stocks and work in progress		5,905		6,809	
Debtors		175,613		173,145	
Investments		153,059		153,234	
Cash and bank balances		96,652		102,615	
Total current assets			431,229		435,803
Current liabilities					
Temporary borrowing		-38		-40	
Creditors		-266,856		-237,452	
Cash balances overdrawn		-124,609		-101,924	
			-391,503		-339,416
Total assets less current liabilities (Net Assets Employed)			2,533,247		2,241,909
Long-term liabilities					
Long-term borrowing		-952,365		-882,523	
Deferred liabilities		-957		-1,523	
Deferred credit - Medway Council		-55,609		-57,926	
Provisions		-13,786		-12,855	
Government grant deferred account		-174,435		-173,058	
Liability related to defined benefit	- KCC	-637,700		-719,900	
pensions schemes	- DSO	-2,487		-2,017	
			-1,837,339		-1,849,802
Total assets less liabilities			695,908		392,107

Balance Sheet

Fixed asset restatement account		-664,125		-498,986	
Capital financing account		-462,092		-416,820	
Earmarked capital reserve		-26,698		-24,884	
Usable capital receipt reserve		-7,942		-7,473	
Pensions reserve	- KCC	637,700		719,900	
	- DSO	2,487		2,017	
Earmarked reserves		-80,929		-74,094	
General Fund balance		-25,835		-25,835	
Schools reserves		-67,639		-65,626	
Surplus on trading accounts		-835		-306	
Total net worth			-695,908		-392,107

CHILDREN, FAMILIES & EDUCATION DIRECTORATE SUMMARY OCTOBER 2007-08 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered “technical adjustments” ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the last full monitoring report to reflect the new portfolio structure and a number of technical adjustments to budget.

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

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
OPERATIONS, RESOURCES & SKILLS (CFE) portfolio							
Delegated Budget:							
- Delegated Schools Budget	837,274	-80,517	756,757	15,000	0	15,000	expected drawdown of reserves of up to £15m due to the balance control mechanism
- Standards Fund (incl SSG)	101,695	0	101,695	0	0	0	
TOTAL DELEGATED	**938,969**	**-80,517**	**858,452**	**15,000**	**0**	**15,000**	
Non Delegated Budget:							
- Finance	3,384	-931	2,453	-19	0	-19	
- Awards	5,066	-999	4,067	-19	67	48	
- Grant income & contingency	5,232	-924,317	-919,085	0	0	0	
- Personnel & Development	15,739	-3,493	12,246	613	107	720	Pensions overspend £474k; redundancy overspend due to closed schools £225k
- School Support Service	53	0	53	0	0	0	
- Capital Strategy	4,880	-3,284	1,596	964	11	975	costs previously charged to capital
- Building Schools for the Future	0	0	0	0	0	0	
- Client Services	6,810	-4,281	2,529	29	0	29	
- Business Management	2,760	-143	2,617	15	-16	-1	
- ICT	13,987	-3,635	10,352	7	0	7	
- Health & Safety	434	-8	426	6	-1	5	
- Strategic Management	1,785	-103	1,682	0	0	0	
- Kent Music School	838	0	838	0	0	0	
- Extended Schools	5,818	-2,261	3,557	55	-40	15	
-14-24 unit	1,490	-94	1,396	0	0	0	
- School Organisation	2,851	-141	2,710	22	-22	0	
- Mainstream HTST	15,432	-484	14,948	-93	51	-42	
- SEN HTST	14,806	0	14,806	696	0	696	Travel requirements of SEN children have increased and the service is unable to meet all of the £989k savings targets
- Clusters	17,718	-2,654	15,064	-34	0	-34	
- Kent Children's Trusts	536	0	536	0	0	0	
- AEN & Resources	13,577	-3,722	9,855	0	0	0	
- Independent Sector Provision	9,719	-260	9,459	0	0	0	
TOTAL NON DELEGATED	**142,915**	**-950,810**	**-807,895**	**2,242**	**157**	**2,399**	
OR&S Assumed Mgmt Action						**-1,829**	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
OR&S Non delegated forecast after Mgmt Action				**2,242**	**157**	**570**	
Total OR&S incl delegated	**1,081,884**	**-1,031,327**	**50,557**	**17,242**	**157**	**15,570**	
CHILDREN, FAMILIES & EDUCATIONAL ACHIEVEMENT portfolio:							
- Attendance & Behaviour Service	16,431	-5,359	11,072	0	0	0	
- Specialist Teaching Service	3,064	-337	2,727	0	0	0	
- Educational Psychology Service	3,721	-129	3,592	-74	34	-40	
- Minority Community Achievement	1,850	-96	1,754	0	0	0	
- Children's Safeguard Service	763	-13	750	0	0	0	
- Joint Commissioning	2,431	-226	2,205	0	0	0	
- Commissioning General	146	0	146	0	0	0	
- In House Residential care	2,630	-25	2,605	-156	-10	-166	savings from closure of Alderden £180k
- Ind sector residential care	3,465	-351	3,114	2,706	-700	2,006	higher number of placements than budgeted for, plus 3 children in secure accommodation costing £750k in 07-08
- Residential care - not looked after children	649	-7	642	-163	-12	-175	Number of placements reduced
- KCC Family support	9,736	-892	8,844	-155	-81	-236	staff vacancies; various income
- Family group conferencing	1,106	-241	865	-4	-17	-21	
- Fostering service	21,396	-97	21,299	1,131	-107	1,024	Increase in independent fostering allowances & staffing; training income
- Adoption service	6,030	-22	6,008	76	-49	27	
- Independent Sector day care	885	0	885	-8	0	-8	
- Section 17	1,030	-5	1,025	-266	0	-266	managed underspend
- Link placements	232	0	232	-25	0	-25	
- Grants to voluntary organisations	7,166	-398	6,768	0	0	0	
- Direct payments	826	0	826	-198	0	-198	managed underspend
- Teenage pregnancy	616	0	616	0	0	0	
- Leaving care/16+	3,399	0	3,399	-419	-6	-425	managed underspend
- Other services support	5,325	-824	4,501	758	-219	539	legal costs, various income
- Assessment and related	19,018	-110	18,908	314	-219	95	high social worker recruitment costs, various income
- Policy & Service Development	9,519	-2,413	7,106	-9	0	-9	
- Management Information	28,045	-35	28,010	-38	-5	-43	
- International Development	194	-100	94	33	-4	29	
- Early Years & Childcare Operations unit	17,379	-234	17,145	26	-25	1	
- Advisory Service Kent (ASK) Secondary Team	3,273	0	3,273	-85	0	-85	
- ASK Primary Team	4,498	-650	3,848	-3	-20	-23	
- ASK Early Years Team	6,739	-187	6,552	-2	-10	-12	
- ASK Improvement & Leadership	2,808	-150	2,658	117	-122	-5	Increase in number of advisory headteachers offset by recharge to schools.

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- ASK Improvement Partnerships	4,148	-85	4,063	-83	-22	-105	vacancies; increased income from schools
- ASK Professional Development	4,793	-2,217	2,576	0	0	0	
- Grant income & contingency	1,721	-75,182	-73,461	0	0	0	
Total CF&EA	**195,032**	**-90,385**	**104,647**	**3,473**	**-1,594**	**1,879**	
CF&EA Assumed Mgmt Action						**-2,144**	
CF&EA Forecast after Mgmt Action	**195,032**	**-90,385**	**104,647**	**3,473**	**-1,594**	**-265**	
- Asylum Seekers	13,200	-13,200	0	-1,122	4,518	3,396	
Total CF&EA incl. Asylum	**208,232**	**-103,585**	**104,647**	**2,351**	**2,924**	**3,131**	
SUMMARY:							
Total Delegated	**938,969**	**-80,517**	**858,452**	**15,000**	**0**	**15,000**	
Total Non Delegated (excl. Asylum)	**337,947**	**-1,041,195**	**-703,248**	**5,715**	**-1,437**	**4,278**	
Total Directorate Controllable (excl. Asylum)	**1,276,916**	**-1,121,712**	**155,204**	**20,715**	**-1,437**	**19,278**	
Directorate Assumed mgmt action						**-3,973**	
Total Directorate Controllable (excl. Asylum) after mgmt action	**1,276,916**	**-1,121,712**	**155,204**	**20,715**	**-1,437**	**15,305**	
Directorate Net Total (incl. Asylum) before mgmt action	**1,290,116**	**-1,134,912**	**155,204**	**19,593**	**3,081**	**22,674**	
Directorate Net Total (incl. Asylum) after mgmt action	**1,290,116**	**-1,134,912**	**155,204**	**19,593**	**3,081**	**18,701**	

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:

O,R&S (CFE) Portfolio

1.1.3.1 Personnel and Development

The Personnel and Development unit is projecting a £720k net overspend. The pensions budget is due to overspend by £474k, this has slightly increased since previously reported. The majority of the overspend is due to early retirements within schools, which is mainly the result of the number of recent schools closures and amalgamations. The remainder of the overspend is mainly attributed to the redundancy costs associated with closing schools (£225k) as a result of the implementation of the primary strategy and the transfer of 6 secondary schools to academies.

There is a gross and income variance of £100k which represents the income from schools associated with additional pensions contributions where teaching staff who have been incorrectly charged against the Kent pensions scheme, and the corresponding expenditure as this money is passed on to the teachers pension agency.

1.1.3.2 Capital Strategy (Gross)

Following the audit of the accounts and latest advice from the external auditors, £970k of items previously charged to capital will be processed through revenue. This includes tree safety costs of £270k and the costs of moving and hiring mobile classrooms estimated at £700k. This has been reported previously.

1.1.3.3 SEN Transport (Gross)

As part of the 2007-10 MTP process the SEN transport budget was reduced by 10% over the period 2007-09 and the Directorate was asked to look at implementing purchase cards as a way of delivering part of that saving (£870k) and keeping price increases to under 5% (£119k).

As part of that process to try and deliver the required savings we carried out a survey of all 3,500 users and a number of users have requested more information about making their own arrangements. Some of these may have the potential to be moved to a system of direct payments or a purchase card but whether that will generate savings will largely depend on the nature of the transport those students currently have. If they travel by bus or are one of a number of students in a taxi then KCC is unlikely to be able to realise any saving by moving them to a direct payment/purchase card arrangement as the existing bus/taxi will still need to run.

A pressure of £935k on this budget line was reported in the first full monitoring return in September which largely represented the low level of demand from parents to organise their own transport, along with inflation and appeals decisions.

However, a review and re-tender was recently undertaken of all single occupancy taxi journeys, and a potential saving was identified of £700k for a full academic year, equating to £400k for the remainder of the current financial year. The first two months of term saw a period of re-negotiations with parents and the identification of further children requiring transport to school, and as a result the saving from this process has been reduced to £239k. This means that the pressure we are forecasting on this budget is reduced to £696k from the previously reported £935k.

CF&EA Portfolio

1.1.3.4 In House Residential Care (Gross)

A saving of £180k is forecast as a result of the closure of the Alderden Centre.

1.1.3.5 Independent Sector Residential Care (Gross and Income)

A pressure of £2,706k is forecast, of which £750k has been previously reported resulting from 3 children being placed in high-cost secure placements. The remainder of the overspend is attributed to a 29% increase in the number of paid placement weeks compared to last year and an increase in the unit cost of these placements by 14%.

Additional Funding of £743k from education and health is expected for placements following agreement from the Joint Residential Assessment Panel for this financial year.

1.1.3.6 Residential Care – Non Looked after Children

A saving of £175k is forecast from a reduction of 2 placements; these children have been moved to looked after children residential care budget lines.

1.1.3.7 KCC Family Support (Gross)

A forecast underspend of £155k is due to the management of staff vacancies. A number of posts are being held vacant to help with the pressure on staffing on the Assessment and Related budget line.

1.1.3.8 Fostering Service (Gross and Income)

The independent fostering allowances budget is forecasting an overspend of £964k. There have been growing difficulties placing difficult children with foster parents, along with resistance from both the Guardians and the children themselves from being moved to alternative placements. This has resulted in a net increase of 12 placements since April 2007. This is partly being offset by £249k savings on other fostering lines due to management action.

The County Fostering Team is due to overspend by £416k due to staffing. This is partly offset by an increase in training income from this team of £107k.

1.1.3.9 Section 17 (Gross)

An underspend of £266k is forecast due to the management of section 17 payments to help with the pressure on the Fostering service budget lines.

1.1.3.10 Direct Payments (Gross)

An underspend of £198k is forecast due to managing a delay in introducing new clients to the direct payment scheme. This will result in a reduced take-up of direct payments for this financial year which will help with pressures on other children social services budget lines.

1.1.3.11 Leaving care/16+

Expenditure against this service is being managed in order to assist with pressures on other Children's Social Services budget lines, and is currently forecasting an underspend of £419k.

1.1.3.12 Other Services Support (Gross and Income)

There is a pressure of £559k forecast against the budget for Legal services due to higher than average monthly bills. This service line is currently under review with a view to identifying efficiencies.

The Out of Hours Service is currently forecasted to overspend by £219k but this is offset by additional income of £219k.

1.1.3.13 Assessment and Related (Gross and Income)

The forecast pressure on the assessment and related gross budget line is down to a shortfall in achieving the staffing savings target for 07/08 plus the introduction of market premium for new front-line social work staff (£264k and £30k respectively). Much of this has been offset by further income received from other projects mainly Education for Best Project £150k (Social Workers visiting schools to promote best behaviour).

1.1.3.14 ASK: Improvement and Leadership

The £117k overspend is due to an increase in the number of advisory head-teachers appointed. This is offset by recharging schools for their services and generating estimated income of £122k.

1.1.3.15 Asylum

The Asylum Service is now forecast to have a funding shortfall of £4,518k for the 2007-08 financial years, £4,018k of direct spending and £500k of indirect spending.

The overall funding shortfall is partly offset by the expected draw down of the remaining balance in the corporate asylum reserve of £1,122k, leaving a residual net pressure of £3,396k.

The forecast pressure of £4,518k is mainly due to the fact that the unit costs claimable under the grant conditions set by the Home Office and Department for Children, Schools & Families (DCSF) are significantly lower than the real unit costs of providing the service. The resulting shortfall in income is estimated to be £3,852k.

In August 2007, the Home Office announced that the grant rates for 2007-08 would remain at the same level as the previous year and would not be uplifted for inflation. The resulting shortfall in income is estimated to be £185k. Guidance has not yet been issued from the DCSF, but it is assumed that 2006-07 funding rates will apply.

The New Asylum Model (NAM) introduced by the Border Immigration Agency (BIA) is an attempt to streamline the decision process for new arrivals, with the aim of providing every applicant a decision in 7 weeks. The new procedures that the BIA have introduced has significantly increased the workloads on the Service for Unaccompanied Asylum Seeking Children (SUASC) staff, for example each of our clients is required to make at least three trips to either Croydon or Hayes, Middlesex for various immigration interviews - they have to be accompanied by two members of staff on each trip. These new procedures were introduced in April with little notice or consultation, and no additional funding has been made available to meet the increased costs, which are estimated to be around £135k for this financial year.

A further pressure of £115k has been identified this month due to a higher than usual referral rate. In October there were 70 referrals compared to 57 at the same time last year. This has costs implications for the service in terms of the numbers of agency staff and the additional accommodation that needs to be funded.

A further pressure of £70k is forecast due to the increased staffing needed to manage the currently large proportion of care leavers, and another £250k resulting from higher rental costs from landlords. This has been offset to some extent by the savings made from reduced client numbers of around £105k.

Finally, the change in client placements has resulted in additional forecast cost pressure of £16k.

In relation to previous years, there is also the issue of the outstanding grant income relating to our special circumstances bids for 2006-07 to the Home Office and the DCSF. Additionally, the special circumstances bid for 2005-06 to the DCSF remains outstanding. The 2006-07 Home Office bid is being audited next week and we should know by the end of December whether or not the funding has been approved. There is no formal procedure for the DCSF special circumstances bids and we are reliant on lobbying central government to meet these additional costs. A Joint Councils meeting was held at the LGA on 13 November to discuss the money nine local authorities, including Kent, Hillingdon and Hammersmith & Fulham, claim is owed to them by the Government for the care of unaccompanied asylum seeking children. It was agreed at this meeting to commission an independent audit of these costs to be completed in January and, on receipt of that report, KCC is to arrange a meeting with Ministers to take forward discussions. The Joint Councils meeting was followed by a very positive briefing of MPs and government officials at Westminster, attended by the Leader and Chief Executive, and we are now hoping to bring this long standing financial issue to a successful resolution.

As previously reported, we have assumed that we will be successful in receiving part of this income and the balance has been met from the Corporate Asylum reserve. If elements of these expected grants are challenged and we receive less income than we assumed from these special circumstances bids, then the forecast will increase from the current £4.518m.

Other Issues

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

The latest forecast suggests an underspend of around £1.5m 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.

1.1.3.17 **Delegated Schools Budgets**

The half-yearly forecast from schools indicates a draw down of reserves this year of approximately £22m. Past experience indicates that this figure is overstated, but January 2007 saw the introduction of the 'balance control mechanism' which is a means of clawing back schools reserves over and above a specified level. We predict that this will start to have an impact on the level of reserves held by schools in this financial year, and we are therefore projecting a possible drawdown of reserves of up to £15m as schools undertake the projects that formed part of their 'committed' balances in the previous year.

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
ORS	Schools delegated budgets - expected drawdown of reserves	+15,000	CFEA	Asylum - potential draw down of residual balance in Corporate Asylum reserve (gross)	-1,122
CFEA	Asylum - Shortfall in income (income)	+4,518	CFEA	Independent sector residential care - funding from health and education (income)	-743
CFEA	Independent Sector Residential Care - increased number and cost of placements (gross)	+1,956	CFEA	Leaving care/16+ - managed underspend (gross)	-419
ORS	Capital Strategy - costs previously charged to capital (gross)	+970	CFEA	Section 17 - managed underspend (gross)	-266
CFEA	Fostering Service - independent fostering allowances (gross)	+964	CFEA	Fostering service - in-house fostering provision (gross)	-249
CFEA	Independent Sector Residential Care - children in secure accommodation	+750	CFEA	Other Services Support - Out of Hours service matched by additional expenditure (income)	-219
ORS	SEN Home to School Transport - savings targets linked to purchase cards (gross)	+696	CFEA	Direct payments - managed underspend	-198
CFEA	Other Services Support - Recharges from Legal services (gross)	+559	CFEA	In-house residential care - Alderden House (gross)	-180
ORS	Personnel and Development - Pensions budget (gross)	+474	CFEA	Residential care - Non Looked after children - reduction in placements (gross)	-175
CFEA	Fostering Service -County Fostering team staffing costs (gross)	+416	CFEA	KCC Family Support - management of staff vacancies (gross)	-155
CFEA	Assessment & Related - delay in achieving staffing savings target (gross)	+264	CFEA	Assessment & Related - additional income for Education for best project (income)	-150
ORS	Personnel and Development - closing schools redundancy costs (gross)	+225	CFEA	ASK: Improvement and Leadership - advisory headteachers recharge to schools (income)	-122
CFEA	Other Services Support - Out of Hours service covered by additional income (gross)	+219	CFEA	Fostering service - training income from county fostering team (income)	-107
ORS	ASK: Improvement and Leadership - increase in number of advisory headteachers (gross)	+117	ORS	Personnel and Development - reduction in expenditure from incorrectly placing staff on pension schemes (income)	-100
ORS	Personnel and Development - reduction in income from incorrectly placing staff on pension schemes (income)	+100			
		+27,228			-4,205

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

The above position can only be achieved as a result of a number of management actions which are now in place.

The balance control mechanism is designed to discourage schools from holding excessive reserves for future years and instead to spend their budgets for the benefit of the pupils in school today. The £15m “pressure” above represents an anticipated drawdown of reserves which would not be achievable without such a scheme being in place.

The pressure on the directorate budget would be significantly greater without the management action which has been put in place within the Children’s Social Services budget lines. A number of vacancies are being held and various other budgets are being managed in order to assist with the difficulties within the residential care and fostering lines.

The review undertaken within the SEN transport budget has enabled some savings to be achieved in this budget line.

1.1.5 **Implications for MTFP**:

Some of these ongoing pressures are being addressed through the 2008-11 MTFP process, such as fostering and covering the costs of services previously funded from capital. We are expecting to manage the remaining pressures downwards on an ongoing and sustainable basis, however if this is not fully achieved we may need to address some of these issues within an already extremely difficult 2008-11 MTFP.

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

None

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

The Directorate intends to balance the 2007-08 budget using the proposals listed below:

- The majority of the pensions overspend relates to school staff and following a recent change there are now specific limited circumstances under which these costs can be charged to the DSG. The redundancy costs associated with closing schools may also be chargeable to DSG. This would be subject to proving an overall saving in the schools budget, such as that arising from a school closure under the Primary Strategy. In addition to this condition, it would also require school funding forum approval. Therefore we are currently investigating the possibility of using one-off DSG underspend from the previous financial year, to fund this **£699k** pressure.
- We have also received a one-off payment from the DCSF for prior year mandatory student awards, which we had not accrued for in the accounts, as the debt dated back to 2002-03. This will give us a further **£535k** to support the overspend in this financial year.
- The directorate has delayed the distribution of this year's superannuation uplift of **£1,107k** (ORS £463k, CFEA £644k**)** and has also held back a budget of **£132k** for the costs of the technology refresh programme. It is now proposed that managers will be required to cover the associated increase in costs from within existing budgets so that these funds may be used to cover the remainder of the porfolio's shortfall.
- The directorate underspent its LAA grant in 2006-07. This is one-off money which was rolled forward as a receipt in advance in accordance with the grant rules, some of which has already been committed, but it is proposed that the remainder of **£1,500k** is used to badge against qualifying expenditure within the Children's Social Services budgets in order to fund some of the overspends in the current financial year. It should be noted that this is one-off funding and the underlying issues will need to be addressed in the MTFP.

These management actions will cover £3,973k of the reported pressures. Although Table 1 shows an imbalance between portfolios, with OR&S having a shortfall of £570k and CF&EA (excluding Asylum) a surplus of £265k, the directorate as a whole is left with a small residual overspend of £305k. Historically directorates have been able to use the underspend in one portfolio to offset a pressure in another. The residual overspend will be dealt with later in the year as further budget variances come to light, and should the position worsen the directorate will need to consider further management action.

Although these measures will cover the majority of this year's overspend, there will still be an underlying pressure in the base budget, as most of the proposals listed above are using one-off monies. The directorate is looking to manage this pressure downwards on an ongoing and sustainable basis, however if this is not fully achieved we may need to address some of these issues within the 2008-11MTFP.

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.

Cash limits have been adjusted since the last full monitoring report to reflect the new portfolio structure and the following adjustments:

	2007-08	2008-09
	£000s	£000s

Operations, Resources & Skills (CFE) portfolio:

▪ Marlowe Innovation Centre – additional external funding from European Regional Development Fund, Thanet District Council & East Kent Partnership	220	
▪ Castlehill Freshstart project – DCSF Devolved Capital Grant for new schools		244

Children, Families & Educational Achievement portfolio:

▪ Virement from KASS portfolio in respect of Improving Information Management grant	40	

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

	Prev Yrs Exp £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	Future Yrs £000s	TOTAL £000s
Operations, Resources & Skills (CFE) portfolio						
Budget	117,714	148,455	95,833	53,180	53,863	469,045
Additions:						
- Marlowe Innovation Centre		220				220
- Castle Hill Freshstart			244			244
- devolved capital for PRUs						
Revised Budget	117,714	148,675	96,077	53,180	53,863	469,509
Variance		-37,386	+7,224	+11,401	-2,012	-20,773
split:						
- real variance		-3,740	-16,763	+367	-637	-20,773
- re-phasing		-33,646	+23,987	+11,034	-1,375	0
Children & Family & Educational Achievement portfolio						
Budget	7,366	6,587	300	350	500	15,103
Additions:						
- virement from KASS portfolio		40				40
Revised Budget	7,366	6,627	300	350	500	15,143
Variance		-1,169	+896	0	0	-273
split:						
- real variance		-273	0	0	0	-273
- re-phasing		-896	+896	0	0	0
Directorate Total						
Revised Budget	125,080	155,302	96,377	53,530	54,363	484,652
Variance	0	-38,555	8,120	11,401	-2,012	-21,046
Operations, Resources & Skills (CFE) portfolio						
Devolved Capital to Schools						
Revised Budget		39,701	27,673	27,673	55,346	150,393
Variance		0	0	0	0	0
split:						
- real variance		0	0	0	0	0
- re-phasing		0	0	0	0	0

Real Variance		**-4,013**	**-16,763**	**+367**	**-637**	**-21,046**
Re-phasing		**-34,542**	**+24,883**	**+11,034**	**-1,375**	**0**

1.2.3 **Main Reasons for Variance**

Table 4 below, details all forecast capital variances over £250k in 2007-08 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 initial planning 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 initial planning 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	Initial Planning Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
OR&S	SSR - Whitfield & Aspen	Real		+683		
OR&S	Mod 06/07/08 - Chaucer Tech. School	Real	+438			
OR&S	BN - The North School, Ashford	Real	+328			
OR&S	SSR - St Nicholas School	Real		+255		
OR&S	Build Mtce Prog. - Catering Equipment	Real	+250			
OR&S	Primary BSF Pathfinder Programme	Real			+250	
			+1,016	**+938**	**+250**	**+0**
Underspends/Projects behind schedule						
OR&S	Dev Opps - Kingsmead	Phasing			-4,000	
OR&S	BN - Tovil PS (Archbishop Courtenay)	Phasing	-3,328			
OR&S	Dev Opps - Folkestone School for Girls	Real				-3,094
OR&S	Dev Opps - Tonbridge Girls Grammar	Phasing		-2,725		
OR&S	Freshstart - Castle Hill	Phasing		-2,289		
	Freshstart - Castle Hill	Real		-386		
OR&S	Dev Opps - Darford Campus	Phasing		-2,198		
OR&S	Valence School - Refurbishment	Phasing			-2,002	
OR&S	BN - Dartford Grammar Girls	Phasing	-2,000			
OR&S	SSR - Orchard School	Phasing		-1,696		
	SSR - Orchard School	Real		-27		
OR&S	Dev Opps - St James the Great	Phasing		-1,620		
OR&S	Mod 06/07/08 - Phoenix CPS	Phasing	-918			
	Mod 06/07/08 - Phoenix CPS	Real	-254			
OR&S	SSR - Rowhill	Phasing			-979	
	SSR - Rowhill	Real			-69	

Annex 1

portfolio	Project	real/ phasing	Project Status: Rolling Programme	Approval to Spend	Approval to Plan	Initial Planning Stage
			£'000s	£'000s	£'000s	£'000s
OR&S	Mod 07/08 - Park Farm PS	Phasing	-1,011			
OR&S	Dev Opps - Istead Rise	Phasing			-1,000	
OR&S	Academies - Minster College	Phasing			-1,000	
OR&S	Dev Opps - The Towers School	Phasing				-1,000
OR&S	Dev Opps - Axton Chase School	Real				-1,000
CF&EA	Preventative Strategy - Kingmead Family Centre	Phasing			-896	
OR&S	Dev Opps - Greenfield	Phasing		-649		
	Dev Opps - Greenfield	Real		-234		
OR&S	Dev Opps - Headcorn PS	Phasing			-750	
OR&S	Build Mtce Prog. - Mobile Moves	Real	-700			
OR&S	SSR - Milestone	Phasing		-327		
	SSR - Milestone	Real		-226		
OR&S	Marlowe Innovation Centre	Phasing		-552		
OR&S	Mod 04/05/06 - Kennington Juniors	Phasing	-551			
OR&S	Dev Opps - Valence School - Fountain Cottage	Phasing		-488		
OR&S	SSR - Bower Grove	Phasing		-406		
OR&S	SSR - Ridgeview	Phasing			-401	
OR&S	Mod 06/07/08 - The Wildernesse Sch.	Phasing	-390			
OR&S	Non Delegated PRU's	Phasing	-387			
OR&S	Mod 06/07/08 - Sussex Road PS	Phasing	-378			
	Mod 06/07/08 - Sussex Road PS	Real	-1			
OR&S	H&S - Tree Safety	Real	-350			
OR&S	Mod 04/05/06 - Crockenhill Primary	Phasing	-295			
CF&EA	Improving Public Access - Lowfield Road	Real		-273		
OR&S	BN - Site Acquisitions	Phasing	-264			
			-10,827	**-14,096**	**-11,097**	**-5,094**
			-9,811	**-13,158**	**-10,847**	**-5,094**

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

Several of the projects detailed below are funded partially or entirely by capital receipts. Assumptions have been made regarding the timing of these receipts. If, however, the actual timing of these receipts differs from our assumptions then we may need to borrow temporarily until the receipt is realised if we cannot manage this short term funding within the overall programme.

1.2.4.1 **Kingsmead (Development Opportunities) – slippage £4.0million**

This scheme is designed to provide a new 1.5FE school to replace the existing Kingsmead & Diocesan Payne Smith Primary School. The only expenditure that is likely to be incurred in 2007/08 is the site purchase and minimal development costs. The project has slipped by £4m representing 57% of the total value of the scheme. Its start has been delayed due to time taken to agree the purchase of the new site from Canterbury City Council. Until the new facility becomes available, education provision will continue at Kingsmead and Diocesan Payne Smith Primary Schools. The project which was expected to complete in 2007/08 is now not expected to become available until August 2010. This is a further years slippage since the last detailed report to Cabinet. Until the scheme has been developed and the existing site sold it is assumed that the scheme will be self funding although there is an expectation that the eventual position could require additional funding to be identified. This could be in the order of £2m. Any such cost pressures caused by the delay will be addressed either by management action to deliver compensating savings or by identification of additional funding to contain the overall capital programme within existing cash limits over the medium term.

Revised phasing of the scheme is now as follows:

BUDGET & FORECAST						
Budget	10	7,000	0	0	0	7,010
Forecast	10	3,000	600	2,400	1,000	7,010
Variance	0	-4,000	600	2,400	1,000	0
FUNDING						
Budget:						
supported borrowing	10					10
prudential		7,000	-7,000			0
capital receipts			7,000			7,000
TOTAL	10	7,000	0	0	0	7,010
Forecast:						
supported borrowing	10					10
prudential		3,000	600	-3,600		0
capital receipts				6,000	1,000	7,000
TOTAL	10	3,000	600	2,400	1,000	7,010
Variance	**0**	**-4,000**	**600**	**2,400**	**1,000**	**0**

1.2.4.2 **Archbishop Courtenay (Tovil) PS – Basic Need – slippage £ 3.328 million**

This scheme is designed to provide a new 1.5FE school to replace the existing Tovil, St Stephens Infant School & All Saints Primary School which amalgamated in September 2005. The forecast cost of the project has recently been increased from £3.330m to £5.503m to reflect the predicted costs of obtaining a suitable site for the new School, via a Compulsory Purchase Order. The project has slipped by £3.328m which represents 100% of the total budget for the scheme following difficulties agreeing the CPO with the current site owners British Telecom. Until the facility becomes available, education provision will continue at St Stephens Infants & All Saints. The overspend & the expected shortfall in developer contributions will be met from additional capital receipts which have yet to be identified.

Revised phasing of the scheme is now as follows:

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	2	3,328	0	0	0	3,330
Forecast	2	0	2,800	2,701		5,503
Variance	0	-3,328	2,800	2,701	0	2,173
FUNDING						
Budget:						
supported borrowing	2					2
External (Dev Conts)		3,328				3,328
TOTAL	2	3,328	0	0	0	3,330
Forecast:						
supported borrowing	2					2
External (Dev Conts)		0	1,300			1,300
capital receipts			1,500	2,701		4,201
TOTAL	2	0	2,800	2,701	0	5,503
Variance	**0**	**-3,328**	**2,800**	**2,701**	**0**	**2,173**

1.2.4.3 **Tonbridge Girls Grammar (Development Opportunities) – slippage £ 2.725 million**

This project is to rebuild the School from receipts generated from the sale of land. The project has slipped by £2.725m which represents 31% of the total value of the scheme. The slippage on this scheme has been due to difficulties in obtaining Section 22 approval, regulations relating to the sale of school playing fields, which still remains outstanding & may cause further rephasing to be required. Until the new facility becomes available, education provision will continue in its current format & within the existing buildings. It should be noted that the sale of the school playing fields will realise a maximum of £7.050 million of the capital receipt required for this project which leaves a further £1.650 million to be found from additional LEA capital receipts which have yet to be identified.

Revised phasing of the scheme is now as follows:

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	0	4,350	4,350	0	0	8,700
Forecast	0	1,625	7,075	0		8,700
Variance	0	-2,725	2,725	0	0	0
FUNDING						
Budget:						
prudential		4,350	-4,350			0
Capital Receipts			8,700			8,700
TOTAL	0	4,350	4,350	0	0	8,700
Forecast:						
Capital Receipts			7,050			7,050
Capital Receipts - LEA Contribution		1,625	25			1,650
TOTAL	0	1,625	7,075	0	0	8,700
Variance	**0**	**-2,725**	**2,725**	**0**	**0**	**0**

1.2.4.4 **Castle Hill PS (Freshstart Scheme & ICT purchases) – Total variance £ 2.675 million made up of slippage of £2.289 million & real underspend of £0.386 million**

This scheme primarily funded by government grant is designed to provide a replacement facility. It has slipped by £2.289 million representing 54% of the total value of the scheme. The reason for delay is because it has taken longer than initially planned to develop the scheme to a position whereby Corporate Property can take the scheme forward. It is now with Corporate Property to progress. There will be an impact on the completion date but this will be minimised as the project moves forward. Education provision during the build/refurbishment, some of which was always planned to be in temporary mobile accommodation, will move forward as planned albeit in a different timescale. Latest estimates also indicate a real saving on the project of £0.386 million caused by a mixture of cost reductions (£0.142 million) & additional resources being made available to the project (£0.244 million).

Revised phasing of the scheme is now as follows:

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	456	3,544	244	0	0	4,244
Forecast	456	869	2,413	120	0	3,858
Variance	0	-2,675	2,169	120	0	-386
FUNDING						
Budget:						
grant	456	3,044	244			3,744
capital receipts		500				500
TOTAL	456	3,544	244	0	0	4,244
Forecast:						
grant	456	869	2,413	6		3,744
capital receipts				114		114
TOTAL	456	869	2,413	120	0	3,858
Variance	**0**	**-2,675**	**2,169**	**120**	**0**	**-386**

1.2.4.5 **Dartford Campus (Development Opportunities) - slippage £2.198 million**

This major scheme provides for replacement secondary, primary and nursery facilities plus Adult Education. It is a complicated scheme funded from a combination of funding sources. Difficulties were encountered obtaining the necessary Section 77 and Schedule 22 approvals (regulations relating to the sale of school playing fields) from the DfES (as then was). The result has been a delay in scheme delivery and an increase in cost. It has slipped by £2.198m representing approximately 11% of the total budget of the scheme. Although the Dartford Technology College element of the scheme is not scheduled to complete until November 2008, Westgate Primary School opened in June and the Adult Education and Nursery are scheduled to open in March 2008 and July 2008 respectively. Current education provision will continue in its current format until the new facilities become available. The financial implications of this delay and disruption are forecast to add £4.2m to the overall cost of the scheme which will be addressed by a combination of management action elsewhere in the programme, the identification of additional capital receipts & the proposal to use £0.987 million of Performance Reward Grant which will be allocated in the 2008 to 2011 Medium Term Financial Plan. As the capital receipt to fund this project is now not expected to come in until next year we will need to undertake some temporary borrowing. If this additional temporary prudential borrowing cannot be accommodated from slippage elsewhere in the capital programme then there will be additional borrowing costs that will need to be borne by the directorate's revenue budget.

Revised phasing of the scheme is now as follows.

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	9,060	9,348	1,500	92	0	20,000
Forecast	9,060	7,150	7,467	523	0	24,200
Variance	0	-2,198	5,967	431	0	4,200
FUNDING						
Budget:						
supported borrowing	5,846	1,526		92		7,464
grant	1,500	3,000	1,500			6,000
capital receipts	1,714	4,822				6,536
TOTAL	9,060	9,348	1,500	92	0	20,000
Forecast:						
supported borrowing	5,846	1,526		92		7,464
prudential/revenue		2,624	-2,624			
grant	1,500	3,000	2,487			6,987
capital receipts	1,714		7,604	431		9,749
TOTAL	9,060	7,150	7,467	523	0	24,200
Variance	**0**	**-2,198**	**5,967**	**431**	**0**	**4,200**

1.2.4.6 **Valence School Refurbishment – Slippage £2.002 million**

This project, which is running alongside the Special Schools Review project at the School, is designed to improve the residential provision at the School which was under the threat of closure following a review by Commission for Social Care Inspection (CSCI). The project has slipped by £2.002m representing approximately 53% of the total value of the scheme. The slippage on the scheme has been caused by Green belt objections which has resulted in the rephasing below. Until the project is complete pupils will remain in unsuitable residential accommodation. CSCI are comfortable with this position as they can see that the improvements within the project brief are being progressed.

Revised phasing of the scheme is now as follows:

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	0	2,800	1,000	0	0	3,800
Forecast	0	798	3,002	0	0	3,800
Variance	0	-2,002	2,002	0	0	0
FUNDING						
Budget:						
grant	0	2,800	1,000			3,800
TOTAL	0	2,800	1,000	0	0	3,800
Forecast:						
grant	0	798	3,002			3,800
TOTAL	0	798	3,002	0	0	3,800
Variance	**0**	**-2,002**	**2,002**	**0**	**0**	**0**

1.2.4.7 **Dartford Grammar School for Girls (Basic Need) – slippage £ 2.0million**

This scheme is designed to provide the school with a new sports hall & refurbished classrooms and is linked to the main Dartford Campus scheme. It has slipped by £2.0m representing 83% of the total value of the scheme. The project start date has slipped into the next financial year as it cannot begin until the Dartford Campus scheme has finished. Work is expected to start in late 2008 and complete by Christmas 2009. Until the new facility becomes available the School will continue with their current arrangements, inadequate sporting facilities (school hall and small gymnasium) and mobile classrooms, until the new facility becomes available. Until such time as tenders are received we will not know if there will be any financial implications arising from the delay.

Revised phasing of the scheme is now as follows:

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	0	2,000	400	0	0	2,400
Forecast	0	0	100	2,300	0	2,400
Variance	0	-2,000	-300	2,300	0	0
FUNDING						
Budget:						
supported borrowing		1,000	400			1,400
capital receipts		1,000				1,000
TOTAL	0	2,000	400	0	0	2,400
Forecast:						
supported borrowing				1,300		1,300
capital receipts			100	1,000		1,100
TOTAL	0	0	100	2,300	0	2,400
Variance	**0**	**-2,000**	**-300**	**2,300**	**0**	**0**

1.2.4.8 **The Orchard School (Special Schools Review) – Total variance £1.723 million made up of slippage £1.696 million & real underspend of £0.027 million.**

The review of special schools in Kent, of which the Orchard School project is just one, reflects the commitment of the County Council to continue to provide parents with the potential to choose special school education for their child as close as possible to the family home.

The Orchard School's former designation was for 108 boys and girls aged between 5-16 with moderate learning difficulties. The school was re-designated in September 2004 to become a 5-16 day provision for 96 boys and girls with a combination of Behaviour and Learning needs (which includes up to 12 primary aged pupils with Behavioural, Emotional and Social need). The work comprises of a mixture of new-build and refurbishment to the main part of the school and two satellite centres for primary aged pupils, one in south Ashford and the other location to be determined. The scheme has slipped by £1.696m representing 29% of the total budget of the scheme. The slippage from 2007/08 to 2008/09 is due to the satellite centres for Primary aged pupils being on hold. Delay to the programme of works will not significantly impact on the function of the school. Latest estimates also indicate a small real saving on the project in 2007/08 of £0.027 million.

Revised phasing of the scheme is now as follows.

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	940	4,108	862	40	0	5,950
Forecast	940	2,385	2,558	0	0	5,883
Variance	0	-1,723	1,696	-40	0	-67
FUNDING						
Budget:						
supported borrowing	905		862	40		1,807
prudential/revenue		139				139
capital receipts	35	3,969				4,004
TOTAL	940	4,108	862	40	0	5,950
Forecast:						
supported borrowing	905		862			1,767
prudential/revenue		139				139
capital receipts	35	2,246	1,696			3,977
TOTAL	940	2,385	2,558	0	0	5,883
Variance	**0**	**-1,723**	**+1,696**	**-40**	**0**	**-67**

1.2.4.9 **St James the Great Primary School (Development Opportunities) – slippage £1.620 million**

This scheme is a self funding replacement primary school scheme. It has slipped by £1.620m representing 62% of the total value of the scheme. The scheme was unexpectedly delayed by an objection from English Heritage. This has now been resolved and the scheme is progressing. Although the project will not be starting as early as expected we still expect the completion date of September 2008 to be achieved. Until such time as tenders are received we will not know if there will be any financial implications arising from the delay. As the capital receipt to fund this project is now not expected to come in until next year we will need to undertake some temporary borrowing If this additional temporary prudential borrowing cannot be accommodated from slippage elsewhere in the capital programme then there will be additional borrowing that will need to be borne by the directorate’s revenue budget.

Revised phasing of the scheme is now as follows.

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	116	1,900	600	0	0	2,616
Forecast	116	280	2,209	13	0	2,618
Variance	0	-1,620	1,609	13	0	2
FUNDING						
Budget:						
prudential	116	-150				-34
capital receipts		2,050	600			2,650
TOTAL	116	1,900	600	0	0	2,616
Forecast:						
prudential	116	-116				0
prudential/revenue		396	-396			0
capital receipts			2,605	13		2,618
TOTAL	116	280	2,209	13	0	2,618
Variance	**0**	**-1,620**	**1,609**	**13**	**0**	**2**

1.2.4.10 **Phoenix Primary School (Modernisation 2006/07/08) – Total variance £1.172 million made up of slippage £0.918 million & real underspend of £0.254 million**

This scheme is designed to provide a new 1.0FE school on the old Bybrook Junior site to replace the Bybrook Infants & Bybrook Junior Schools that amalgamated in April 2003. Within the same project additional accommodation has been included for both Community use & a Childrens Centre. The project has slipped by £0.918m which represents 32% of the total budget of the scheme. The scheme has been delayed by difficulties in both obtaining outline planning permission, which has now been granted & reducing the specification by undertaking a value engineering exercise with the aim of bringing tender costs to within the resources that we have available. Until the facility becomes available, education provision will continue on the old Bybrook Infant School site. The £0.254 million project saving is predominantly due to a contribution from the Childrens, Families & Educational Achievement portfolio which wasn't previously allowed for in the expenditure profile for this project.

Revised phasing of the scheme is now as follows:

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	105	2,799	0	0	0	2,904
Forecast	105	1,627	863	55	0	2,650
Variance	0	-1,172	863	55	0	-254
FUNDING						
Budget:						
supported borrowing	9	2,343				2,352
DCFS Grant	96					
capital receipts		456				456
TOTAL	105	2,799	0	0	0	2,904
Forecast:						
supported borrowing	9	1,627	716			2,352
DCFS Grant	96					
capital receipts			147	55		202
TOTAL	105	1,627	863	55	0	2,650
Variance	**0**	**-1,172**	**863**	**55**	**0**	**-254**

1.2.4.11 **Rowhill Special School –Total variance £1.048 million made up of slippage £0.979 million & real underspend of £0.069 million**

The review of special schools in Kent, of which the Rowhill School project is just one, reflects the commitment of the County Council to continue to provide parents with the potential to choose special school education for their child as close as possible to the family home.

The school was re-designated in September 2004, to become a 5-16 day provision for 96 boys and girls with a combination of Behaviour and Learning needs, including up to 12 primary aged pupils with Behavioural, Emotional and Social need with effect from 1st September 2004. The scheme which is at approval to plan stage has slipped by £0.979m representing 18% of the total budget of the scheme. The project has been delayed in getting to the final design caused by difficulty in reaching a decision on a change of location plus the new site is green belt so additional work has been required to present a water tight case. Delay to the programme of works will not significantly impact on the function of the school. Latest estimates also indicate a small real saving on the project in 2007/08 of £0.069 million.

Revised phasing of the scheme is now as follows.

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	711	2,334	2,041	200	31	5,317
Forecast	711	1,286	3,020	29	0	5,046
Variance	0	-1,048	979	-171	-31	-271
FUNDING						
Budget:						
supported borrowing		2,334	2,041	200	31	4,606
prudential/revenue	201					
prudential	172					172
capital receipts	338					338
TOTAL	711	2,334	2,041	200	31	5,317
Forecast:						
supported borrowing		1,286	3,020	29		4,335
prudential/revenue	201					
prudential	172					172
capital receipts	338					338
TOTAL	711	1,286	3,020	29	0	5,046
Variance	**0**	**-1,048**	**979**	**-171**	**-31**	**-271**

1.2.4.12 **Park Farm Primary School – slippage £ 1.011 million**

This scheme is designed to demolish an existing unsuitable 'stand alone' Key Stage 1 building & provide new Key Stage 1 accommodation attached to the existing main School building.
The project has slipped by £1.011m which represents 74% of the total budget of the scheme. The scheme has been rephased following the need to review the project specification following preliminary tender costs being much higher than the resources available. Until the new build becomes available, education provision will continue in the old KS1 building.

Revised phasing of the scheme is now as follows:

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	38	1,321	0	0	0	1,359
Forecast	38	310	1,052	0	0	1,400
Variance	0	-1,011	1,052	0	0	41
FUNDING						
Budget:						
supported borrowing	38					
grant		1,321				1,321
TOTAL	38	1,321	0	0	0	1,359
Forecast:						
supported borrowing	38					
grant		310	1,052			1,362
TOTAL	38	310	1,052	0	0	1,400
Variance	**0**	**-1,011**	**1,052**	**0**	**0**	**41**

1.2.4.13 **Istead Rise (Development Opportunities – slippage £1.0 million**

This is a self funding replacement 1.5 FE primary school scheme which is planned to bring together the junior and infant elements into the same building. The scheme has slipped by £1.0m representing 25% of the total scheme value. The slippage has been caused by the school being unhappy with the original feasibility which has now been revised and the school are currently considering the new proposals. Because of the delay the completion date is now expected to be August 2009 rather than as previously anticipated March 2009. The School will continue in its present split site format until the proposed provision becomes available. Until such time as tenders are received and appraised we will not know if there will be any financial implications arising from the delay. As the capital receipt to fund this project is now not expected to come in until 2009-10 we will need to undertake some temporary borrowing in 2008-09. If this additional temporary prudential borrowing cannot be accommodated from slippage elsewhere in the capital programme then there will be additional borrowing costs that will need to be borne by the directorate's revenue budget.

Revised phasing of the scheme is now as follows:

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	0	1,100	2,750	150	0	4,000
Forecast		100	2,900	1,000	0	4,000
Variance	0	-1,000	150	850	0	0
FUNDING						
Budget:						
prudential		1,100	-1,100			0
capital receipts			3,850	150		4,000
TOTAL	0	1,100	2,750	150	0	4,000
Forecast:						
prudential		100	-100			0
prudential/revenue			3,000	-3,000		0
capital receipts		0	0	4,000		4,000
TOTAL	0	100	2,900	1,000	0	4,000
Variance	**0**	**-1,000**	**150**	**850**	**0**	**0**

1.2.4.14 **Minster School (Academies) – slippage £1.0 million**

This is an Academy scheme scheduled for the Isle of Sheppey. It has slipped by £1.0m representing 100% of the total value of the scheme. The scheme has slipped as a result of the Secretary of States decision to have an independent review of the planned provision undertaken in light of objections. Agreement has recently been agreed between the Secretary of State and the Leader as to the way forward which is to site the Academy at both Minster College and Cheyne Middle School. Other than the delay there are no financial implications as the £1.0m is KCC's sponsorship to the Academy project.

Revised phasing of the scheme is now as follows:

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	0	1,000	0	0	0	1,000
Forecast	0	0	1,000	0	0	1,000
Variance	0	-1,000	1,000	0	0	0
FUNDING						
Budget:						
capital receipts		1,000				1,000
TOTAL	0	1,000	0	0	0	1,000
Forecast:						
capital receipts		0	1,000			1,000
TOTAL	0	0	1,000	0	0	1,000
Variance	**0**	**-1,000**	**1,000**	**0**	**0**	**0**

1.2.5 Projects with real variances

The overall variance over the lifetime of the Medium Term Plan indicates an underspend of £21.046m (OR&S portfolio £20.773M & CF&EA portfolio £0.273m). However:

- an overspend of £0.572m on the Modernisation project at Crockenhill Primary School will be met by an additional contribution from the land disposal of Red House and Garages which form part of the school site. The receipt is expected to be £0.7m with the extra income contributing to other programme pressures.
- The sale of Essex Road which was to be used to fund the Improving Public Access project at Lowfield Road in the CF&EA portfolio is not now taking place, reducing available capital receipts by £0.273m
- The increased spend on the Valence Special School Fountain Cottage project will be funded from an increase in the capital receipt from the cottages (+£0.5m).
- The Development Opportunity projects at Axton Chase School (£20m) and Folkestone School for Girls (£9.1m) are no longer being progressed. These two reductions to the capital programme will be matched by a reduction in capital receipts. There are now plans for Axton Chase to become an Academy, which will require KCC to find £1.0m sponsorship within the 2008-11 MTFP.

After allowing for these changes in the available resources**, the true underlying variance on both portfolios is an overspend of £7.127m**. This underlying overspend is being addressed within the current Medium Term Planning process.

The main contributing factors to the £7.127m overspend over the lifetime of the MTFP are as follows:

- Dartford Campus (£4.2m) - see template & reason at 1.2.4.5 above.
- Tovil (Archbishop Courtenay) PS £2.173m) - The additional cost is to reflect the difficulties in agreeing the compulsory purchase order with the site owners British Telecom. See 1.2.4.2 above.
- BN Future Years Programme (£1.629m) – The overspend relates to the 3 to 2 Schools scheme on the Isle of Sheppey. The additional funding for this scheme will be addressed as part of the 2008/09 MTP process.
- Chaucer School (£0.495m) - This project has been added to the 2006/07/08 Modernisation Programme & represents the LEA contribution to the 6th form centre at the School. The School is the major contributor to the project. (£800K). Although the project is part of the 'rolling' programme it has yet to obtain 'approval to spend'.
- An overspend on The North School, Ashford project (£0.328m) which is partly due to indexation costs and partly due to a lump sum life cycle contribution which wasn't previously forecast.
- Replacement of Catering Equipment (£0.250m) annual gas safety checks have revealed that equipment needs to be updated as it does not meet current Health and Safety guidelines

- There is also an overspend, estimated to be £0.250m on the Primary Pathfinder Programme where there is a need for development costs to be incurred in 2007/08 ahead of government funding which comes on stream in 2008/09.
- Downsview PS (£0.232m) – This overspend is in respect of tender costs being higher than originally anticipated & additional works that arisen during the build, the most expensive of which has been roofing works.
- Wilmington Enterprise College (Modernisation Programme) (£0.199m). Problems with enabling works, specifically the electricity supply, significantly delayed the project which has resulted in increased costs.
- Special Schools Review. Although in Table 4 there are several Special School Review projects (SSR) that are showing real savings in 2007/08 there are pressures on other SSR projects in future years. Over the lifetime of the programme there is an indicative overspend of £2.259m. This overspend is in respect of costs incurred on Special Schools in Thanet which will be met from funding from Building Schools for the Future programme.

These overspends are partially offset by the savings listed below:

Savings:

- Savings on Mobile Moves (£3.500m) & Tree Safety (0.350m). Following latest advice from the external auditors, these categories of spend will now be met from revenue resulting in savings to the capital programme.
- Lesser savings have been achieved on the following: Castle Hill Primary School (Freshstart) (£0.386m) where latest outturn estimates indicate that the £0.500 LEA contribution from capital receipts will not be fully required.
- Phoenix School (£0.254m) - This saving is due to a contribution from the Children & Family Services Directorate capital programme which wasn't previously expected or included in earlier months monitoring returns.
- Business Start Up units (£0.200m) – There are no current plans to spend the residual cash limit on this heading.
- Development Opportunity projects at Greenfields (£0.234m) and Newington (£0.133m) where costs are now estimated to be less than the approved cash limits plus ICT replacement costs (£0.150m) where the budget manager is confident that savings against cash limit can be made.

  There is also a residual balance of +£0.319m 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 not proceed. This is particularly relevant to The Bridge Development at Dartford which is to be fully funded by development contributions. In the event that the developer contribution is insufficient to cover the costs of the project the capital programme will either need to be reduced to compensate or additional resources will need to be found.

(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**

- Schools PFI

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

	Previous Years	2007-08	2008-09	2009-10	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Budget	89,709	2,701	0	0	92,410
Actual/Forecast	85,735	6,675	0	0	92,410
Variance	-3,974	3,974	0	0	0

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

It is envisaged that the third party contractor will have incurred some additional costs beyond the capital expenditure originally priced as a result of the delays. This is a risk that is borne entirely by the third party contractor and is not reported to the Authority.

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

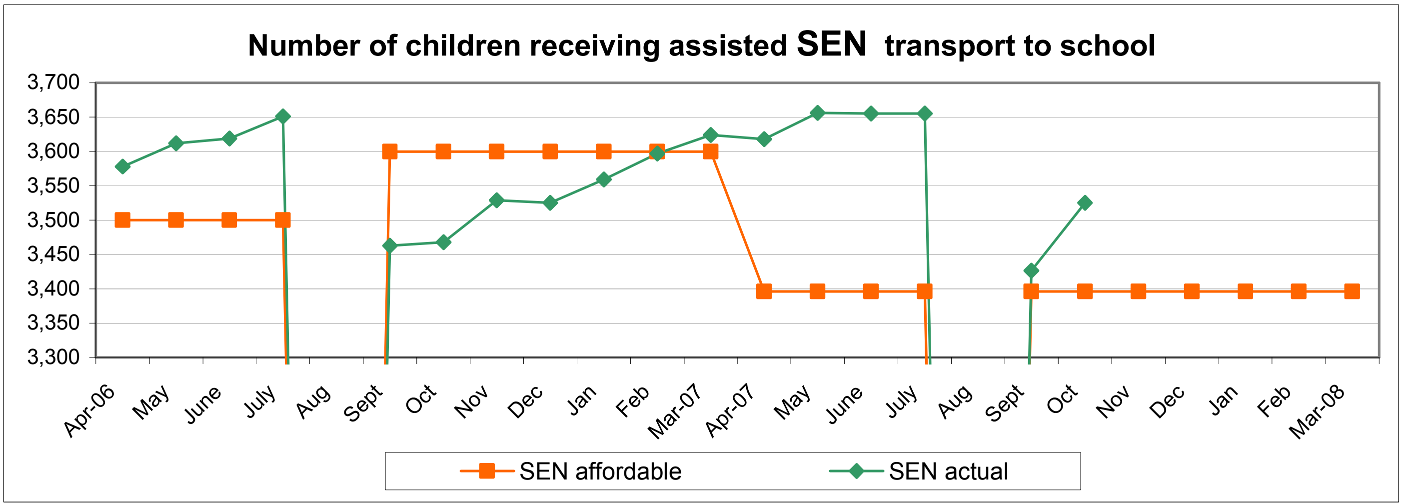
The delays to the construction programme do not impact on the level of the unitary charge that is payable by KCC to the contractor as any delays, unless caused by the Authority, are at the risk of the third party contractor. The unitary charge (as a percentage for each school) does not become payable until the relevant school has been completed and is ready for occupation. As a consequence, the revenue expenditure that is met from the equalisation reserve for 2006/07 and 2007/08 is less than expected.

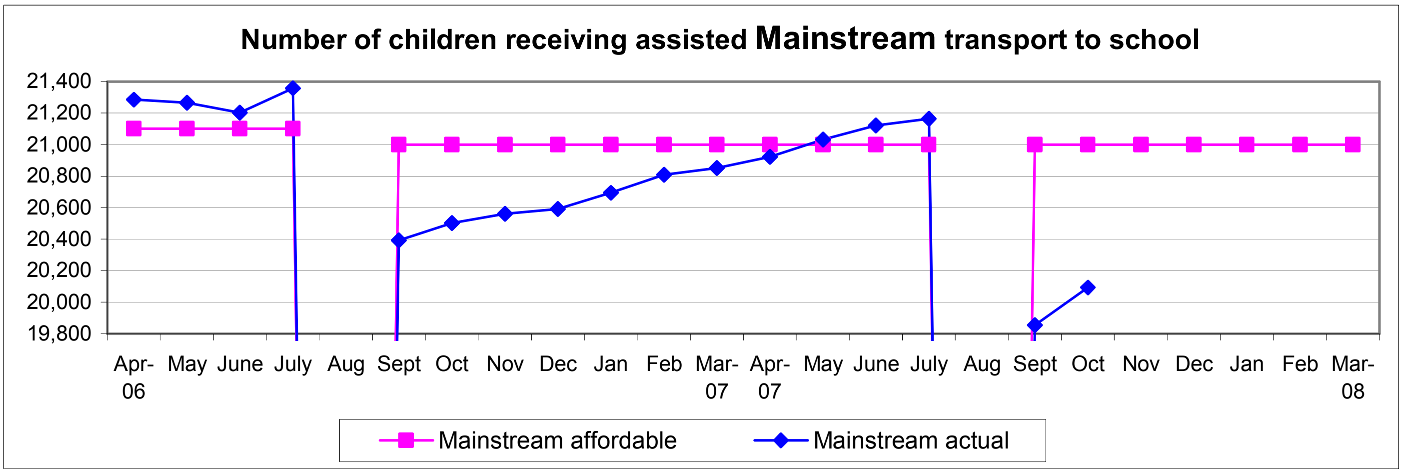
Overall, there will be no net effect on the forecast revenue position for the current year as payments will continue to be made into the equalisation reserve to meet future expenditure.

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			
	SEN		Mainstream		SEN		Mainstream	
	planned	actual	planned	actual	affordable	actual	Affordable	actual
April	3,500	3,578	21,100	21,285	3,396	3,618	21,000	20,923
May	3,500	3,612	21,100	21,264	3,396	3,656	21,000	21,032
June	3,500	3,619	21,100	21,202	3,396	3,655	21,000	21,121
July	3,500	3,651	21,100	21,358	3,396	3,655	21,000	21,164
August	0	0	0	0	0	0	0	0
September	3,600	3,463	21,000	20,392	3,396	3,426	21,000	19,855
October	3,600	3,468	21,000	20,501	3,396	3,525	21,000	20,093
November	3,600	3,529	21,000	20,561	3,396		21,000	
December	3,600	3,525	21,000	20,591	3,396		21,000	
January	3,600	3,559	21,000	20,694	3,396		21,000	
February	3,600	3,597	21,000	20,810	3,396		21,000	
March	3,600	3,624	21,000	20,852	3,396		21,000	



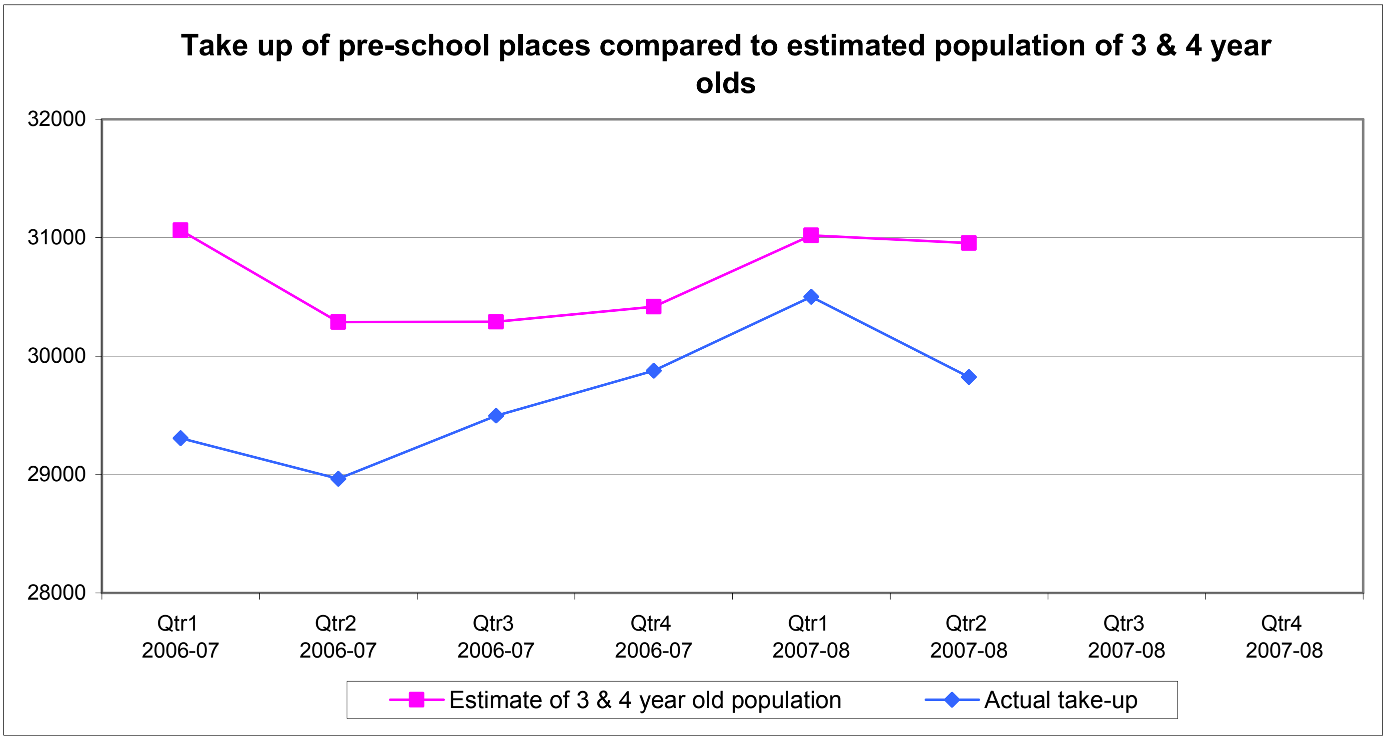


Comments:

- **SEN HTST** - The significant gap between the actual and affordable assisted SEN transport to school relates to the savings targets which have significantly reduced the affordable level from last year, and the fact that the service is currently unable to achieve these savings in full as reported in section 1.1.3.3 of this annex. The affordable level has been calculated by dividing the 2007/08 budget (after it has been reduced for the savings target) by the current average cost per child.
- **Mainstream HTST** - There is a slight decease in the actual number of children receiving assisted mainstream transport to schools and this is reflected by the £93k gross saving shown in table 1 above.

2.2.1 Take up of pre-school places against the estimate of 3 & 4 year old population, split between Private Voluntary and Independent Sector (PVI) places and School places:

	2006-07			2007-08				
	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
April - June	29,307	31,062	94%	*21,027*	*9,475*	30,502	31,019	98%
July - Sept	28,963	30,287	96%	*20,323*	*9,496*	29,823	30,956	97%
Oct - Dec	29,498	30,289	97%					
Jan - March	29,878	30,419	98%					

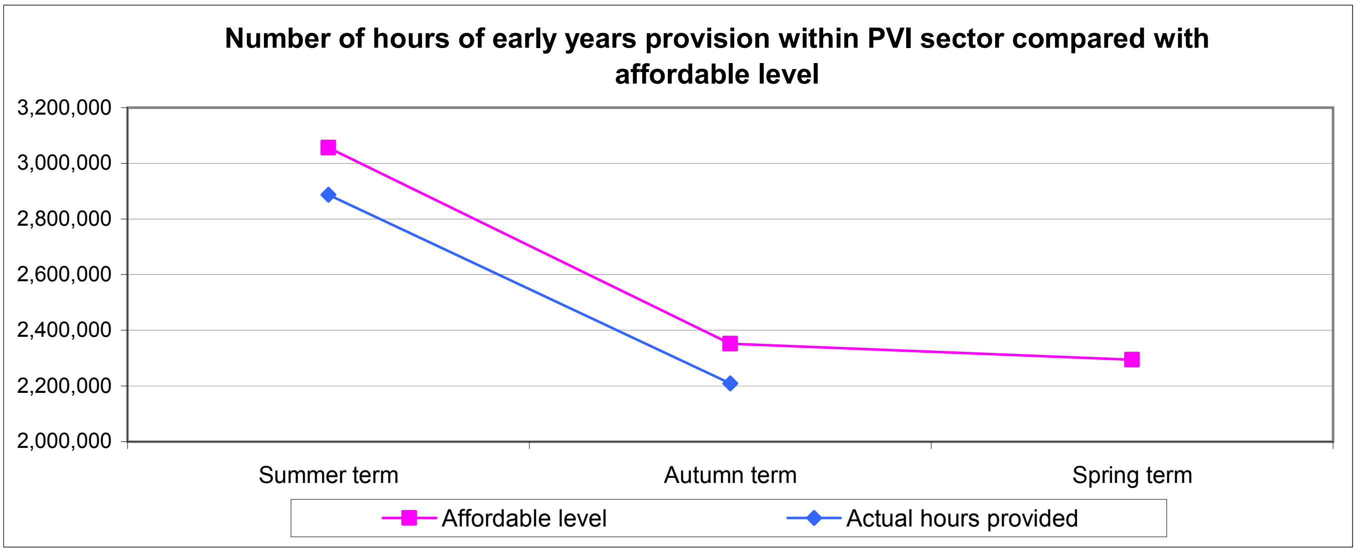


Comments:

- Please note the total places taken-up for July to September is an estimate and may change marginally once the reconciliation process is complete. This is due to the large number of adjustments that now take place as parents are allowed to alter the number of hours taken up and the provider used mid term rather than at the end of term.
- This graph shows that currently 97% 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 1.1.3.16 of this annex.

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	
	Affordable number of hours	Actual hours provided
Summer term	3,056,554	2,887,134
Autumn term	2,352,089	2,209,303
Spring term	2,294,845	
	7,703,488	**5,096,437**



Comments:

- Please note the total places take-up for July to September is an estimate and may change marginally once the reconciliation process is complete. This is due to the large number of adjustments that now take place as parents are allowed to alter the number of hours taken up and the provider used mid term rather than at the end of term.
- The affordable 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 1.1.3.16 of this annex.
- It should be noted that not all parents currently take up their full entitlement and this can change during the year.

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** Projection
Total number of schools	600	596	575
Total value of school revenue reserves	£70,657k	£74,376k	£59,376k
Number of deficit schools	9	15	16
Total value of deficits	£947k	£1,426k	£1,304k

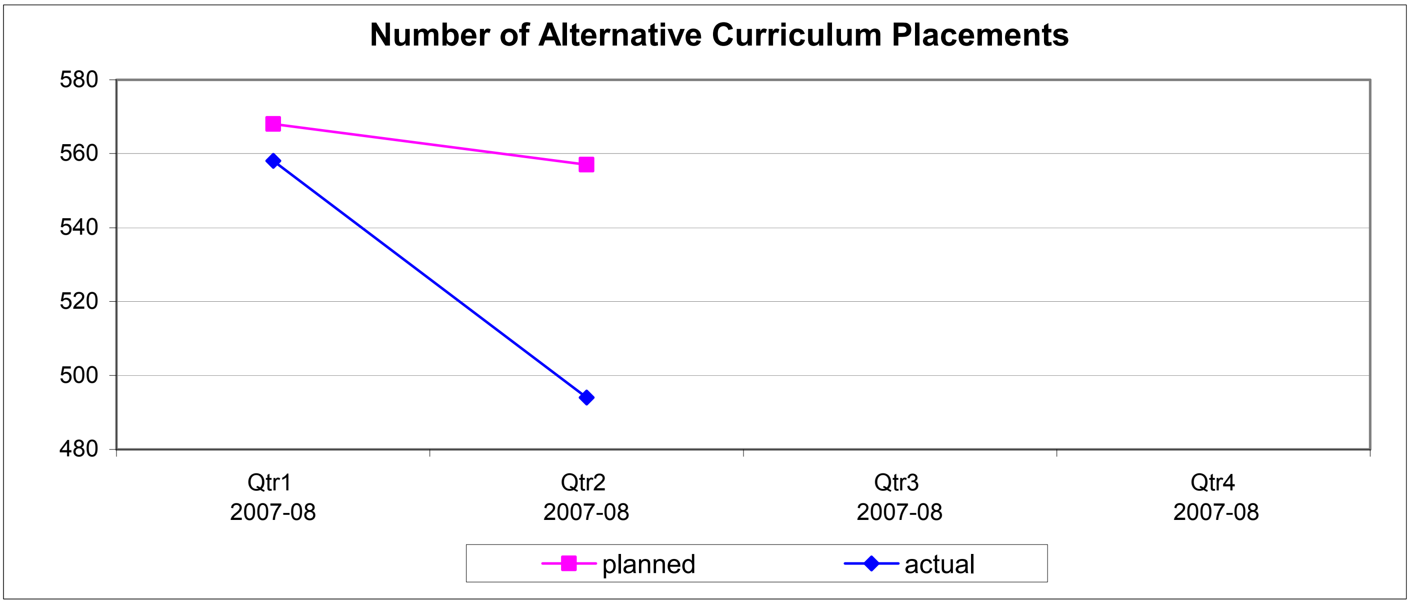
Comments:

- We are currently forecasting that schools will drawdown up to £15m of their reserves this year in response to the introduction of the balance control mechanism, which is a means of clawing back schools reserves over and above a specified level.

- KCC now has a “no deficit” policy for schools, which means that schools cannot plan for a deficit budget at the start of the year. Unplanned deficits will need to be addressed in the following year’s budget plan, and schools that incur unplanned deficits in successive years will be subject to intervention by the LA, which could ultimately mean suspending delegation.
- The CFE Deficit and Compliance team are working with all schools currently reporting a deficit with the aim of returning the schools to a balanced budget position as soon as possible. This involves agreeing a management action plan with each school.

2.4 **Number of Alternative Curriculum Placements**:

	2007-08	
	planned	actual
April - June	568	558
July - September	557	494
October - December		
January - March		



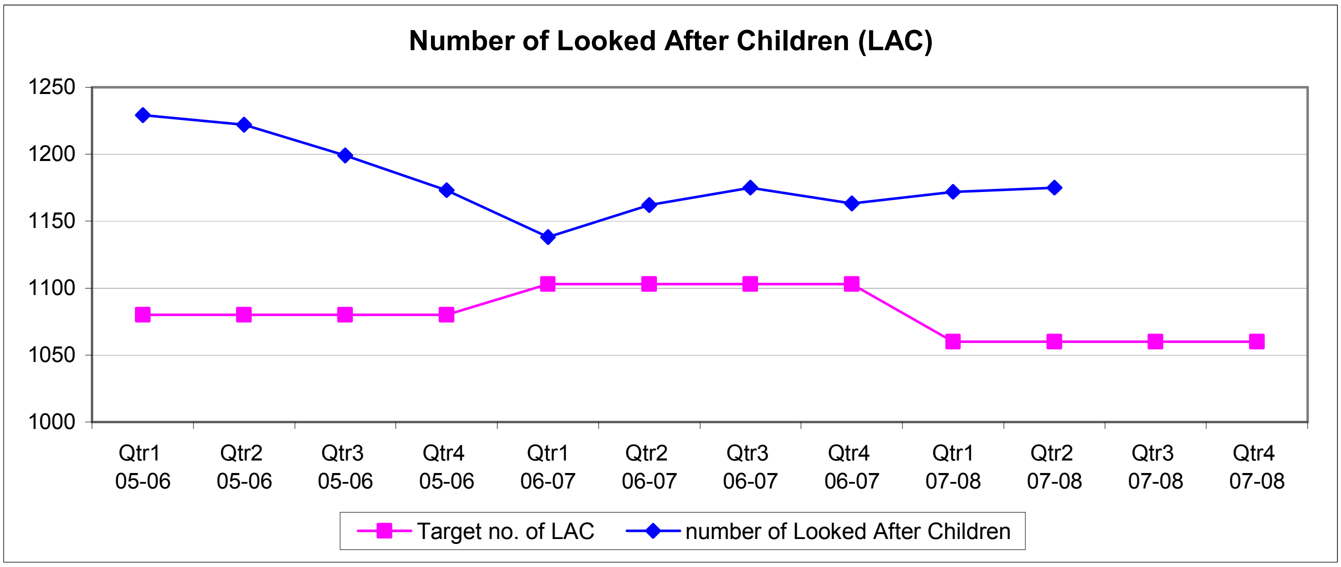
Comments:

- Full time alternative curriculum places need to be purchased 6 months in advance in order to secure them. From September 2007, Government guidelines required excluded pupils to be placed in full-time education within 6 days of being excluded. This target is now being met in the vast majority of cases.

- Please note that spare capacity is expected at this stage in the school year and is essential to cope with predicted demand throughout the school year.

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

	2005-06		2006-07		2007-08	
	Target	number of Looked After Children	Target	number of Looked After Children	Target	number of Looked After Children
Apr – Jun	1,080	1,229	1,103	1,138	1,060	1,172
Jul – Sep	1,080	1,222	1,103	1,162	1,060	1,175
Oct – Dec	1,080	1,199	1,103	1,175	1,060	
Jan – Mar	1,080	1,173	1,103	1,163	1,060	

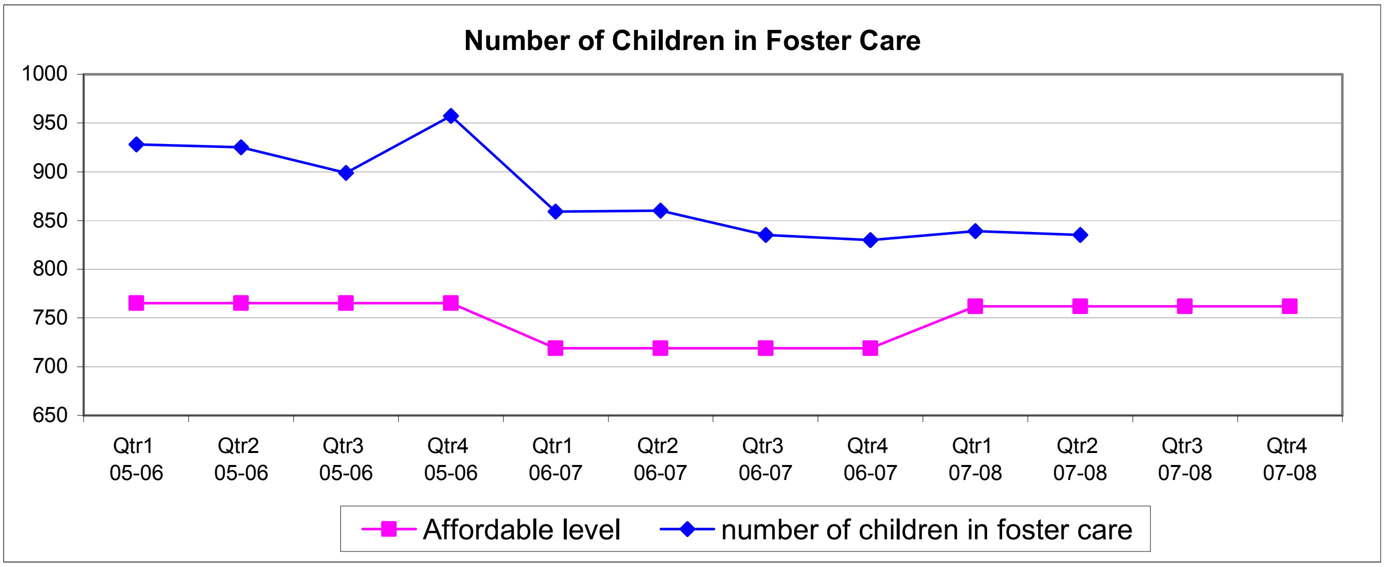


Comments:

- The current number of looked after children compared to the targeted level is of cause for concern. The financial implications have been reported within the Children's Social Services budget lines in section 1.1.3.
- The target number of children does not represent the affordable level, but the position which the county is aiming to achieve.

2.6 **Number of Children in Foster Care**:

	2005-06		2006-07		2007-08	
	Target	**number of children in foster care**	**Target**	**number of children in foster care**	**Target**	**number of children in foster care**
Apr - Jun	765	928	719	859	762	839
Jul - Sep	765	925	719	860	762	835
Oct - Dec	765	899	719	835	762	
Jan - Mar	765	957	719	830	762	



Comments:

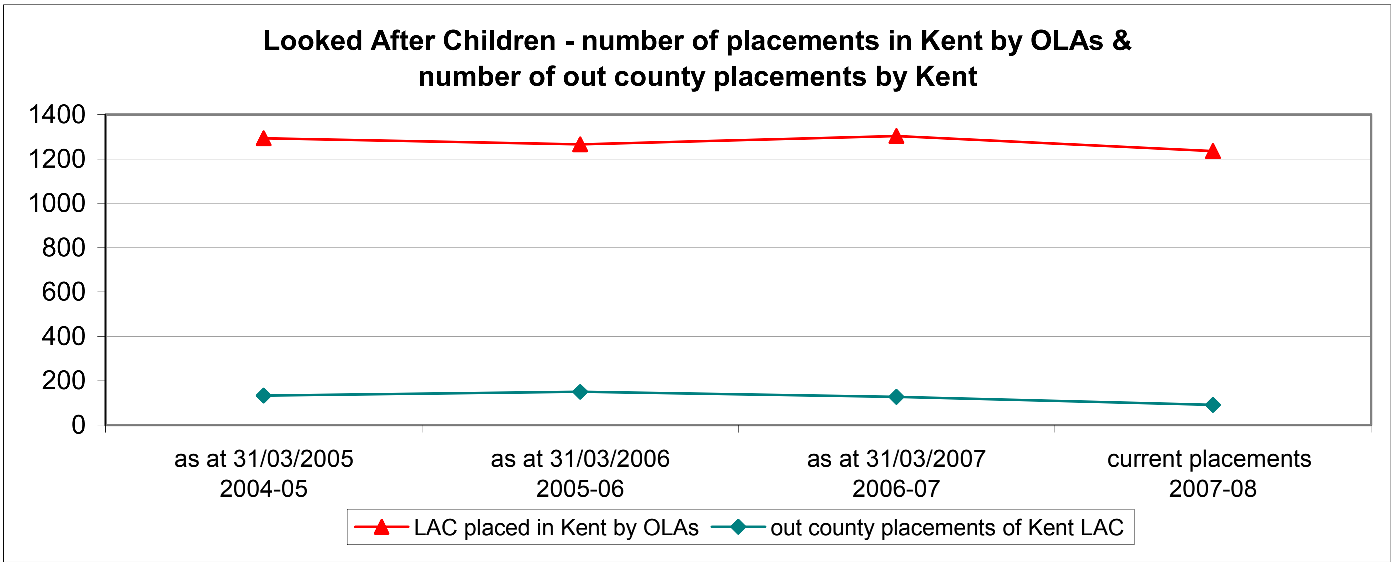
- The current number of children in foster care compared to the target is of cause for concern. The financial implications have been reported within the Children's Social Services budget lines in section 1.1.3.
- The target number of children does not represent the affordable level, but the position which the county is aiming to achieve.

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

2004-05 as at 31/03/2005	2005-06 as at 31/03/2006	2006-07 as at 31/03/2007	2007-08 Current placements
1,294	1,266	1,303	1,236

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

2004-05 as at 31/03/2005	2005-06 as at 31/03/2006	2006-07 As at 31/03/2007	2007-08 Current placements
132	149	127	91

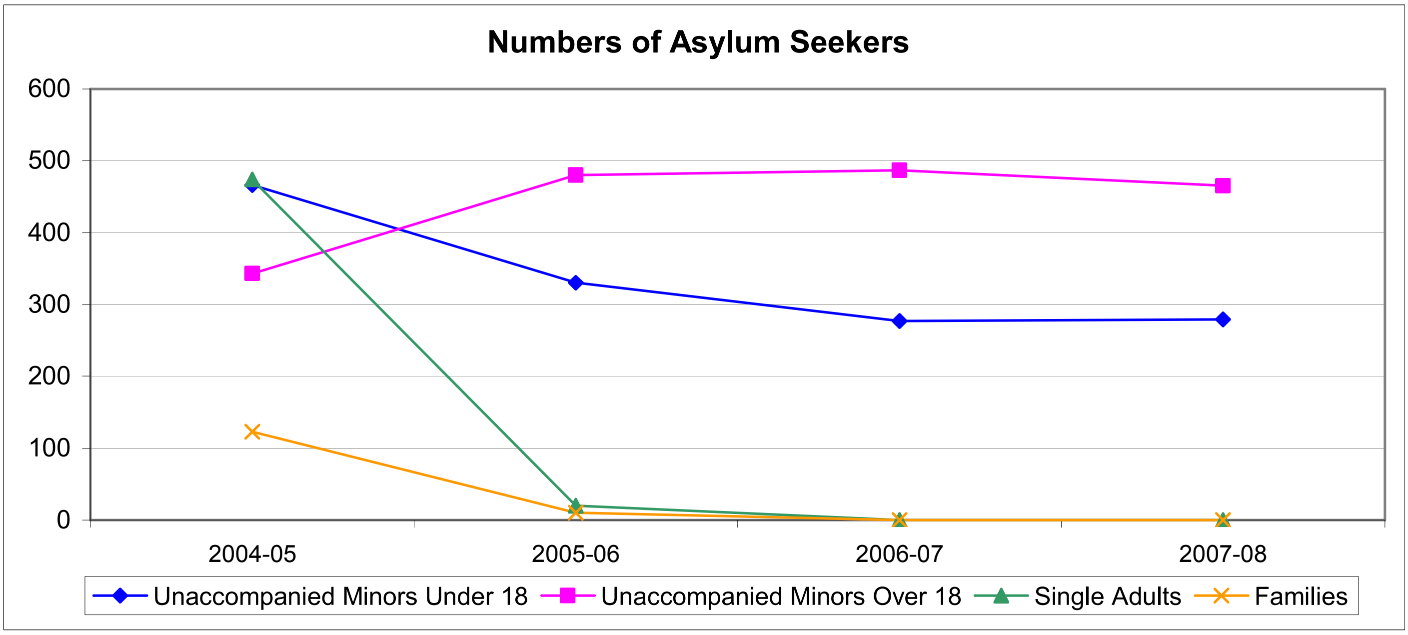


Comment:

- 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.
- There has been a significant reduction in the number of placements in Kent by other local authorities and the number of out of county placements by Kent due to a data cleansing exercise conducted with other local authorities. This exercise has no financial implications as authorities are not allowed to recoup the costs associated with caring for looked after children from other local authorities.

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

	2004-05	2005-06	2006-07	2007-08
	31-03-05	31-03-06	31-03-07	30-09-07
	Number	Number	Number	Number
Unaccompanied Minors Under 18	466	330	277	279
Unaccompanied Minors Over 18	343	480	487	465
Single Adults	474	20	0	0
Families	123	10	0	0

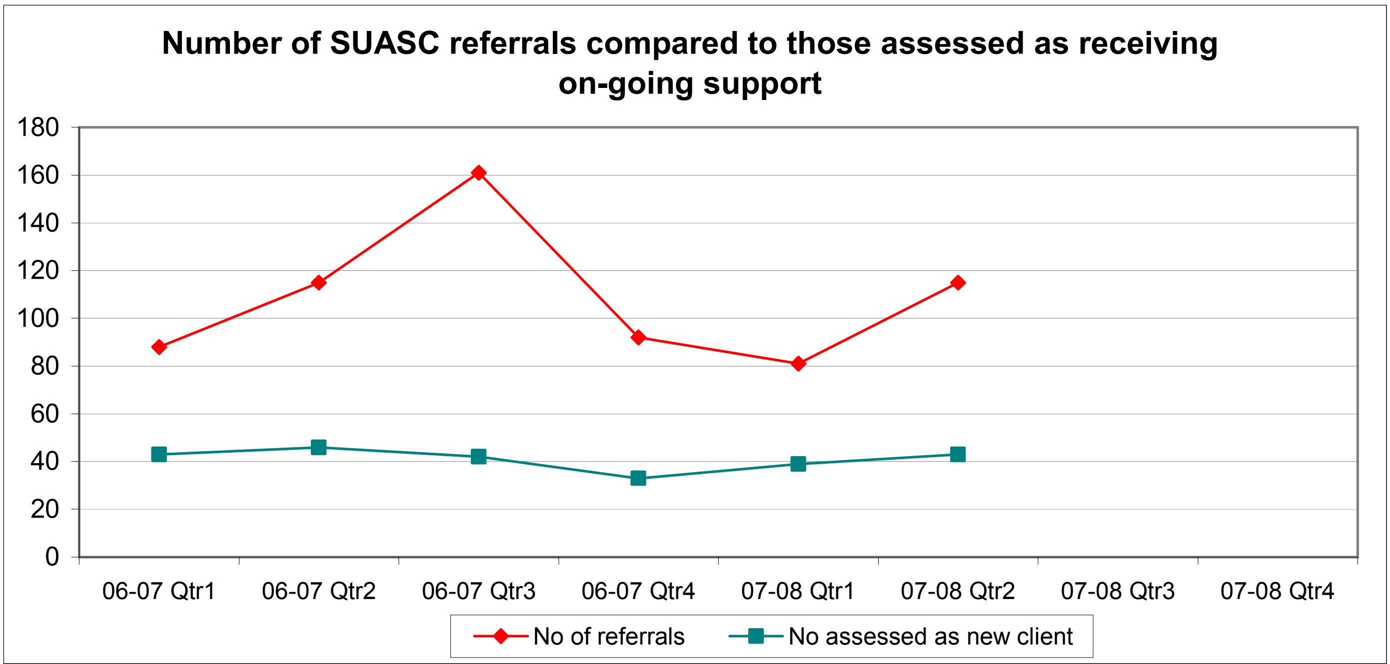


Comment:

- The numbers above refer to clients who have been assessed as qualifying for asylum. The numbers have reduced in line with expectation.

2.10 **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**		
	No. of referrals	No. assessed as new client	%	No. of referrals	No. assessed as new client	%
April - June	88	43	49%	81	39	48%
July - Sept	115	46	40%	115	43	37%
Oct - Dec	161	42	26%	70 (October only)		
Jan - March	92	33	36%			



Comments:

- The number of referrals in the second quarter is slightly higher than the forecast of 110 and the same as the second quarter last year. The percentage of referrals that become on-going referrals has fallen significantly below the forecast level of 50%.
- In October we had 70 referrals. This represents half of our forecast for the whole of the third quarter, and is the highest number in a single month for over 4 years.

KENT ADULT SOCIAL SERVICES DIRECTORATE SUMMARY OCTOBER 2007-08 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered "technical adjustments" ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the last full monitoring report to reflect a number of technical adjustments to budget.

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	167,460	-68,849	98,611	1,058	-44	1,014	Demographic and placement pressures
People with a Learning Difficulty	72,956	-20,505	52,451	4,377	127	4,504	Demographic and placement pressures
People with a Physical Disability	26,089	-5,558	20,531	999	98	1,097	Demographic and placement pressures
Adults Assessment & Related	29,743	-4,600	25,143	-761	55	-706	Management action around staffing
Older Persons Direct Service Unit	24,420	-3,712	20,708	268	-7	261	Staffing & utility costs
Adult Service Provider Unit	13,876	-777	13,099	-71	66	-5	
SESEU	1,913	-571	1,342	-20	19	-1	
Occupational Therapy Bureau	9,168	-2,933	6,235	587	-762	-175	Release of provision for replacement hoists
Mental Health Service	23,306	-7,272	16,034	-49	200	151	Residential placement pressures
Supporting People	33,006	-33,006	0	-20	0	-20	
Gypsy Unit	625	-280	345	-16	6	-10	
Asylum All Appeal Rights Exhausted	100	0	100	-40	0	-40	
Strategic & Area Management	649	-3	646	25	3	28	
Performance, Contracting & Planning	7,284	-1,784	5,500	-402	-126	-528	Management action around staffing
Training, Duty & Support	15,264	-4,110	11,154	-1,591	130	-1,461	Staff savings, training budget and facilities
Total Adult Services controllable	**425,859**	**-153,960**	**271,899**	**4,344**	**-235**	**4,109**	
Assumed Management Action				**-2,868**	**674**	**-2,194**	
Forecast after Mgmt Action				**1,476**	**439**	**1,915**	

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

KASS continues to face significant budget pressures in common with many other local authorities. These primarily relate to demographic and price pressures within services for People with Learning Disabilities.

1.1.3.2 Older People (+£1,014k)

The number of permanent residential placements continues to remain fairly static, and at a level well below target. As a result this line is forecasting a significant underspend of £249K. Nursing placements, however, continue to rise, and the forecast overspend of £334K reflects the on-going demand for beds for transfers from hospitals. The position is exacerbated by previous bed closures in acute and community hospitals together with delays in opening Broadmeadow. Districts are also seeing greater numbers of people with Mental Health problems being referred for services. However the Directorate has seen a higher level of attrition than expected within Preserved Rights, and as these placements are funded by a specific Grant this has resulted in an underspend on this line of £474k.

The reduced rate of residential placements also impacts on domiciliary care as this is often the alternative to seeking a permanent placement. Demographic pressures have also contributed to the forecast overspend of £1,376k, as has the transfer of budget from this line to fund direct payments at target levels. Unfortunately there has been little evidence to date of domiciliary activity reducing as a result of people switching to direct payments.

Budgets have been realigned recently to reflect increased income particularly relating to changes in the bands for Free Nursing Care. The forecasts also include the impact of the Ombudsman decision in relation to our practices on charging for domiciliary care, specifically that we backdate charges to the date that a service starts and not to the date of notification of the charge to the client. This has resulted in a reduction in income of £225k.

1.1.3.3 People with Learning Disabilities (+£4,504k)

Services for this client group are under extreme pressure as a result of both demographic and placement price pressures. There are forecast overspends against the main budget lines – residential, direct payments and supported accommodation/independent living, together with domiciliary and day-care. Demographic pressures reflect the numbers of young adults transferring from Children's Services, alongside increasing numbers of learning disabled clients over the age of 65, and many of these clients have very complex needs. There are also more cases of clients becoming "ordinarily resident" in Kent. This is the term used to describe people deemed to be living in the county and therefore the responsibility of KCC, rather than just receiving care in a residential or nursing placement. A client would become "ordinarily resident" following de-registration of a residential home and conversion to supported accommodation, something which is starting to happen more frequently.

1.1.3.4 People with Physical Disabilities (+£1,097k)

There are similar pressures here to those for services for People with Learning Disabilities – an increase in direct payments, without a corresponding reduction in domiciliary and other costs, together with demand and demographic pressures against residential care budgets, day-care and supported accommodation.

1.1.3.5 Assessment & Related (-£706k)

The underspend results from management action around staffing vacancies. There is planned slippage across all areas including the Policy team, Direct Payments Advisory service and Exchequer services (Specialist Finance Teams).

1.1.3.6 Older People Direct Services Unit (+£261k)

The overspend is a combination of higher than anticipated utility costs, together the continuing need to cover sickness and other absence with agency staff in order to meet care standards set by the regulator (Commission for Social Care Inspection).

1.1.3.7 Occupational Therapy Bureau (-£175k)

This underspend has arisen for two reasons. Firstly, although a provision of £100K was set up last year to fund the bulk replacement of hoists on health and safety grounds, the OTB has been able to absorb these costs within existing budgets'. This allows the full amount of the provision to be released as an underspend. Secondly there is also some slippage against planned recruitment. There will also need to be some re-alignment of gross and income budgets.

1.1.3.8 Mental Health (+£151k)

Although the forecast position within Mental Health has improved following implementation of Management Action, some demographic and placement price pressures remain within residential care budgets. There will also need to be some re-alignment of gross and income budgets.

1.1.3.9 Other (-£2,031k)

Principally relates to management action around staffing vacancies, but there are some specific savings including:

- -£525k – management action against training.
- -£468k – provision for risks in SRP costs not now required
- -£122k – delay in recruitment of the systems support team.
- -£ 248k – management action in facilities.
- -£ 286k – management of vacancies in area business units.
- -£157k – Performance, Planning & Contracting – management of vacancies
- -£ 59k – management of vacancies in Finance.
- -£40k – Asylum All Appeal Rights Exhausted – underspend
- -£297k – management action – Resources
- -£20k – Supporting People Admin underspend

Alongside these savings are several areas of budget pressure:

- +£13k – pressure on Personnel.
- +£55k – pressure on legal costs of Housing PFI
- +£40k – pressure on legal services SLA
- +£83k – pressure on enhanced pensions

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
KASS	Older People Domiciliary expenditure	+1,376	KASS	Assessment & Related - Management action around staffing	-706
KASS	Learning Disability Supported Accommodation	+1,032	KASS	Management Action on Training	-525
KASS	Learning Disability Residential	+1,019	KASS	Older People Preserved Rights	-474
KASS	Learning Disability Independent Living Schemes & Group Homes	+1,000	KASS	Provision for risk within SRP expenditure not now required	-468
KASS	Learning Disability Direct Payments	+865	KASS	Management action - Resources	-297
KASS	Physical Disability Direct Payments	+681	KASS	Area Contracts & planning Teams - management action around staffing	-286
KASS	Older People Nursing (excl Pres Rights)	+334	KASS	Older People Residential	-249
KASS	Learning Disability Domiciliary expenditure	+329	KASS	Management action in facilities	-248
KASS	Mental Health Residential Care exp.	+241	KASS	HQ Policy & Performance - management action around staffing	-157
KASS	Part year impact of 'fairer charging' decision by Ombudsman	+225	KASS	Part year saving on establishment of SRP Systems Support Team	-122
KASS	Learning Disability Day Care	+209	KASS	Occupational Therapy Bureau - Provision for Replacement Hoists	-100
KASS	PD Supported Accommodation	+200			
KASS	Older Persons Direct Services Unit (staffing costs)	+198			
KASS	PD Residential Care	+139			
KASS	Physical Disability Day Care Exp.	+100			
		+7,948			-3,632

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

Management Action plans were finalised in August which, at the time, were anticipated to bring us back to a breakeven position. However, although actions are being implemented, the demographic pressures are still growing, and we now feel that the management actions will only be able to bring the £4,109k pressure down to £1,915k.

1.1.5 **Implications for MTFP**:

At this stage the Medium Term Financial Plan for future years assumes that we will have an underlying pressure of £1.9m

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

No revenue projects have been re-phased.

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

We are proposing to reflect a rolled forward overspend of £1,915k from the current year in the MTFP submission.

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 appropriate approval via the Leader or relevant delegated authority.

Cash limits have been adjusted since the last full monitoring report to reflect:

	2007-08 £000s
▪ Virement to CF&EA portfolio in respect of Improving Information Management grant	-40

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

	Prev Yrs Exp £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	Future Yrs £000s	TOTAL £000s
Kent Adult Social Services portfolio						
Revised Budget per Sept Cabinet	18,398	11,063	5,786	1,794	4,687	41,728
Adjustments:						
- Virement to CF& EA portfolio		-40				-40
						0
						0
Revised Budget	18,398	11,023	5,786	1,794	4,687	41,688
Variance		-4,974	491	2,673	1,810	0
split:						
- real variance		0				0
- re-phasing		-4,974	+491	+2,673	+1,810	0

Real Variance		**0**	**0**	**0**	**0**	**0**
Re-phasing		**-4,974**	**+491**	**+2,673**	**+1,810**	**0**

1.2.3 **Main Reasons for Variance**

Table 4 below, details all forecast capital variances over £250k in 2007-08 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 initial planning 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 initial planning stage, is explained further in section 1.2.4 below.

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

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

portfolio	Project	real/ phasing	Project Status Rolling Programme	 Approval to Spend	 Approval to Plan	 Initial Planning Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
KASS	Improving Information Management (IIM)	Real		+427		
			+0	**+427**	**+0**	**+0**
Underspends/Projects behind schedule						
KASS	Dartford Town Centre project	Phasing			-2,880	
KASS	Princess Christian Farm	Phasing			-622	
KASS	Westerham Write Back-To Fund IIM/Broadmeadow	Real		-475		
KASS	Crispe House	Phasing		-432		
KASS	Osborne Court/Faversham DOS	Phasing			-415	
KASS	Beaney Centre	Phasing		-300		
KASS	Edenbridge LD Services	Phasing		-289		
			0	**-1,496**	**-3,917**	**0**
			+0	**-1,069**	**-3,917**	**+0**

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

1.2.4.1 **Social & Healthcare Centre in Dartford Town Centre – slippage £2.880 million**

The Dartford Town Centre project is a Health and Social Care Centre aiming to relocate and modernise a number of existing day care services into a new building incorporating voluntary services, independent living flats, social enterprise and potentially health care services.

It has been delayed due to the land predicated for the site not having yet been marketed by its owner. Planning surrounding this project has been generally delayed due to rejection of the major Lowfield Street regeneration application. The redevelopment of Dartford town centre is being reviewed by Dartford Borough Council (DBC) with consultation anticipated during the autumn. An alternative site is being investigated in conjunction with DBC. It is not clear, to KASS or DBC, when land will be available but the following estimates assume July 2008, a delay of 21 months.

Completion is also estimated to have slipped by 21 months to August 2010. Consequently, in total the project costs are estimated to have slipped by £1.8m into 2010-11, representing 33% of total costs of the scheme, which includes slippage from 2007/08 into 2009-10 of £2.88m, 52% of total budget. Services will be provided from existing or temporary locations until completion, within current revenue budgets.

The project is funded by a mix of allocated back-to-back receipts and developer contributions. It is anticipated back-to-back receipts will be obtained before significant expenditure commences. It is expected Dartford planning issues will also delay the anticipated developer contributions.

Revised phasing of the costs of the scheme and developer contributions are estimated as follows but will be subject to further change.

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget		2,930	2,570	40		5,540
Forecast		50	1,210	2,470	1,810	5,540
Variance	0	-2,880	-1,360	+2,430	+1,810	0
FUNDING						
Budget:						
external		470	1,230	580		2,280
capital receipts		2,460	1,340	-540		3,260
TOTAL	0	2,930	2,570	40	0	5,540
Forecast:						
external				470	1,810	2,280
capital receipts		50	1,210	2,000		3,260
TOTAL	0	50	1,210	2,470	1,810	5,540
Variance	**0**	**-2,880**	**-1,360**	**+2,430**	**+1,810**	**0**

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

As can be seen in Table 4, Adult Services have a real credit variance on the Westerham project of £475k, this is due to a revenue write-back of capital costs due to the aborted project. Also in Table 4 is shown a real pressure on the Improving Information Management project of £427k. This pressure is due to various commitments within SRP, including a change in the domiciliary charging policy, further work on client billing interfaces, and further training. This pressure is to be offset by the variance on Westerham. There are also smaller variances, including a pressure of £150k on Broadmeadow, caused by costs associated with the earthquake earlier this year, and unsatisfactory completion of works by the contractors. This is partially offset by the Westerham credit, and also by a £102k underspend on telehealth, a result of under-commitment of funds. After allowing for these issues the true underlying variance is £0k.

1.2.6 **General Overview of capital programme**:

(a) Risks

The majority of the directorate's capital programme comprises 'back to back' schemes predicated on generating capital receipts. There is a risk around the valuations.

(b) Details of action being taken to alleviate risks

Schemes reliant on capital receipts are being reviewed regularly with our Corporate Property colleagues.

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, to be funded from the PFI credits.

	Previous years	2007-08	2008-09	2009-10	TOTAL
	£000s	£000s	£000s	£000s	£000s
Budget	-	33,600	38,700	189	72,489
Forecast	-	8,892	51,818	11,779	72,489
Variance	-	-24,708	13,118	11,590	0

(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) ie 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.

(c) **Reason for Variance/Rephasing**

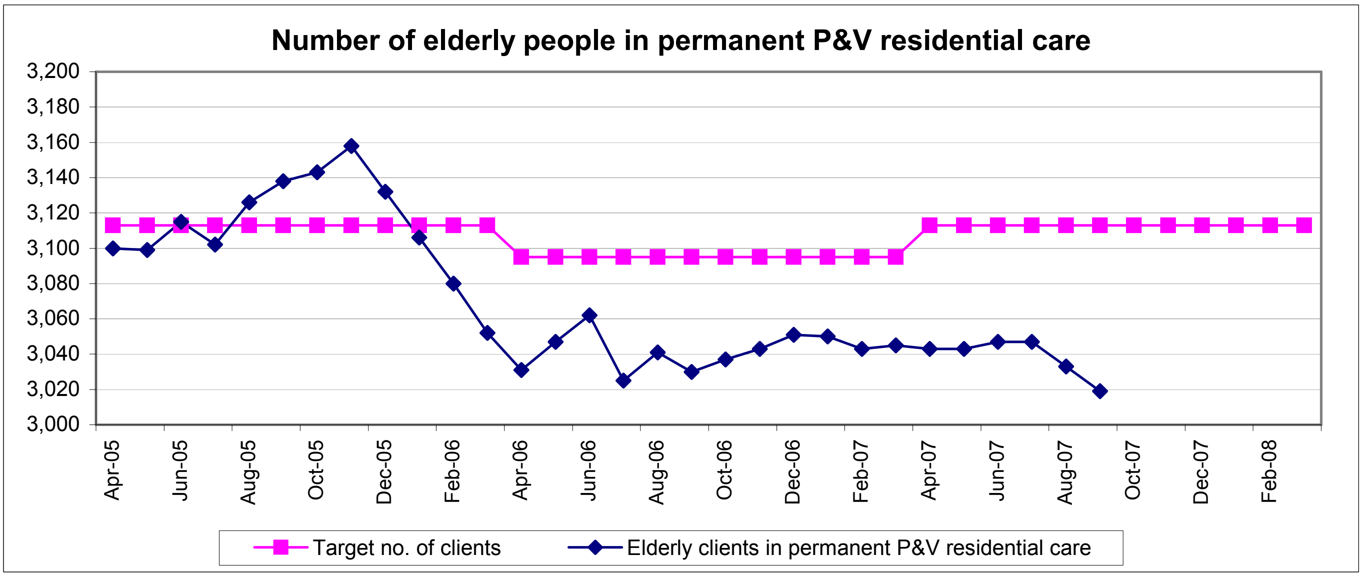
The revised forecast reflects the anticipated capital expenditure by the contractor in the PFI contract. The contract was signed on 5th October and any figures prior to this were estimated.

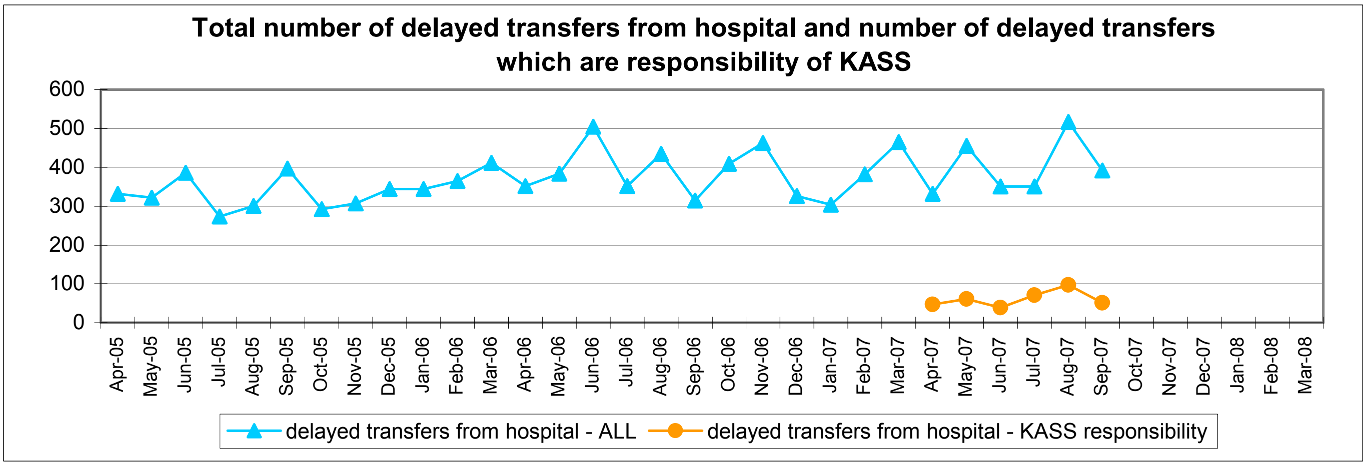
2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

Owing to delays in implementing SWIFT (client activity system), the activity data for the period August 2006 to March 2007 has been reliant on local records and manual counts.

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

	2005-06			2006-07			2007-08			
	Target	Elderly clients in permanent P&V residential care	Delayed transfers from hospital	Target	Elderly clients in permanent P&V residential care	Delayed transfers from hospital	Target	Elderly clients in permanent P&V residential care	Delayed transfers from hospital (DTCs) All	KASS
April	3,113	3,100	332	3,095	3,031	352	3,113	3,043	332	47
May	3,113	3,099	322	3,095	3,047	384	3,113	3,043	455	61
June	3,113	3,115	386	3,095	3,062	505	3,113	3,047	351	39
July	3,113	3,102	274	3,095	3,025	352	3,113	3,047	351	71
August	3,113	3,126	301	3,095	3,041	435	3,113	3,033	517	97
September	3,113	3,138	397	3,095	3,030	315	3,113	3,019	392	51
October	3,113	3,143	293	3,095	3,037	409	3,113			
November	3,113	3,158	307	3,095	3,043	463	3,113			
December	3,113	3,132	344	3,095	3,051	326	3,113			
January	3,113	3,106	344	3,095	3,050	304	3,113			
February	3,113	3,080	365	3,095	3,043	382	3,113			
March	3,113	3,052	412	3,095	3,045	465	3,113			



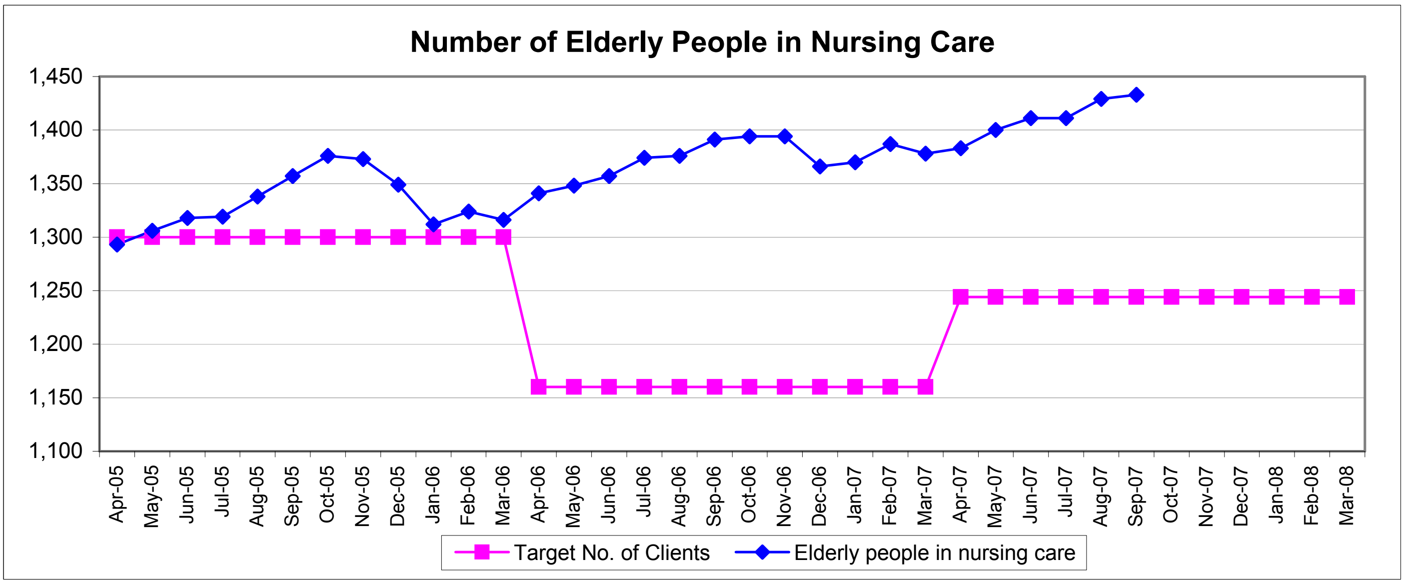


Comments:

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

2.2 **Numbers of elderly people in nursing care:**

	2005-06		2006-07		2007-08	
	Target	Elderly people in nursing care	Target	Elderly people in nursing care	Target	Elderly people in nursing care
April	1,300	1,293	1,160	1,341	1,244	1,383
May	1,300	1,306	1,160	1,348	1,244	1,400
June	1,300	1,318	1,160	1,357	1,244	1,411
July	1,300	1,319	1,160	1,374	1,244	1,411
August	1,300	1,338	1,160	1,376	1,244	1,429
September	1,300	1,357	1,160	1,391	1,244	1,433
October	1,300	1,376	1,160	1,394	1,244	
November	1,300	1,373	1,160	1,394	1,244	
December	1,300	1,349	1,160	1,366	1,244	
January	1,300	1,312	1,160	1,370	1,244	
February	1,300	1,324	1,160	1,387	1,244	
March	1,300	1,316	1,160	1,378	1,244	

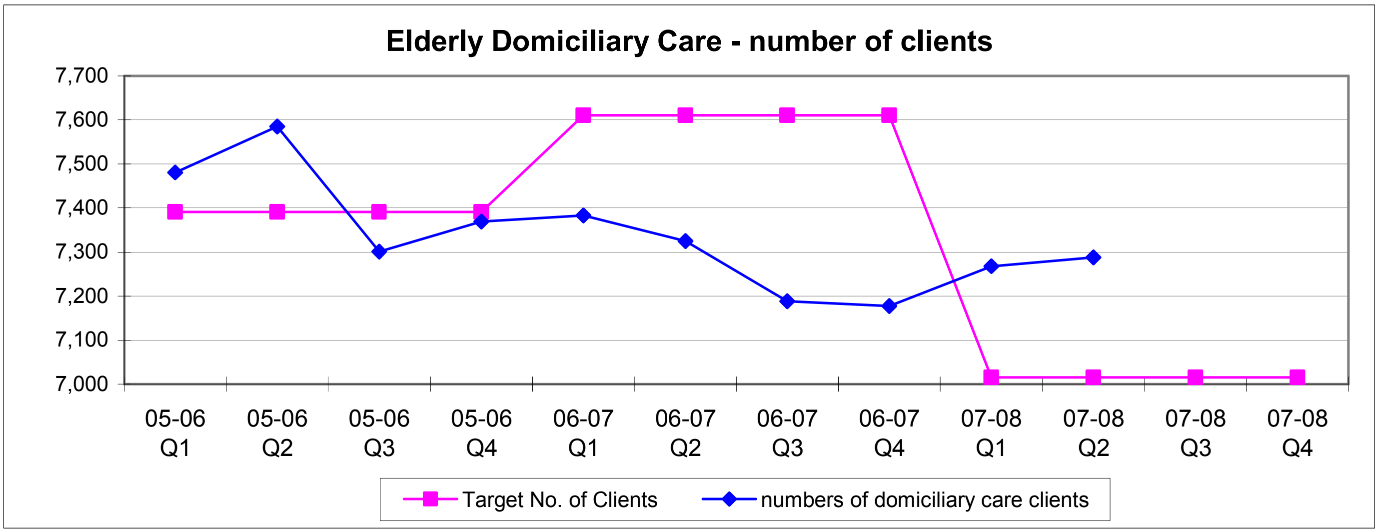


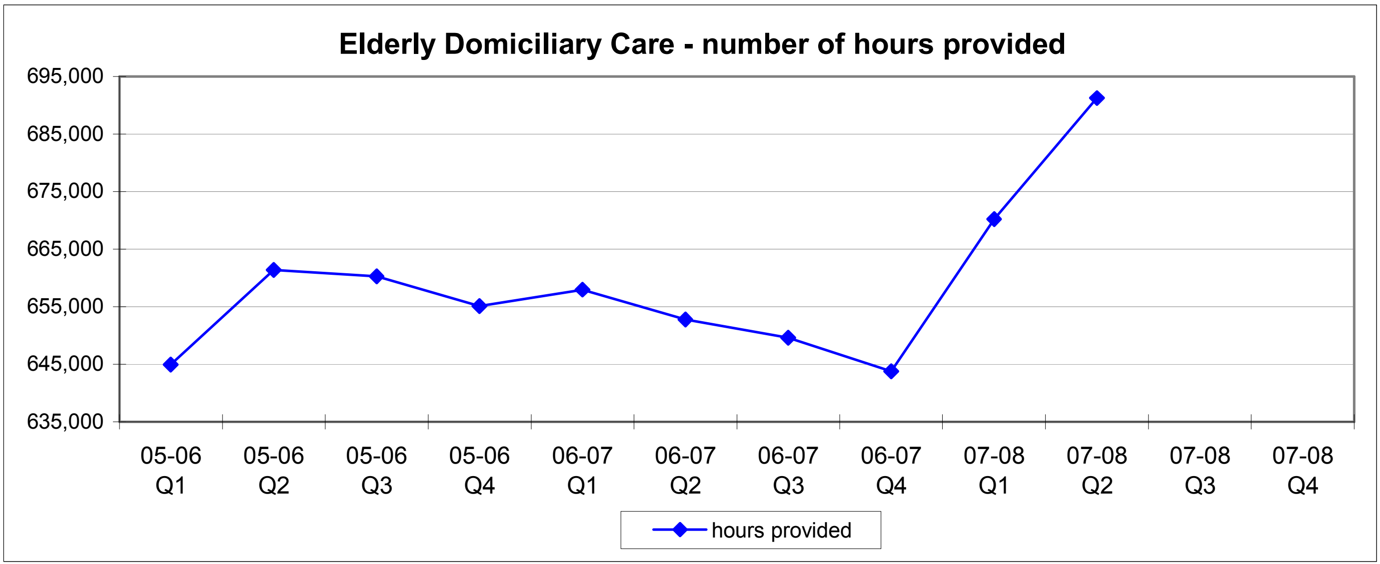
Comment:

- Increases in permanent nursing care may happen for many reasons. The main influences over the last year have been the closure of hospital beds in the East of the County. The knock on effect of minimising delayed transfers of care has resulted in an increase in the number of older people being admitted to nursing 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.

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

	2005-06			2006-07			2007-08		
	Target	numbers of domiciliary care clients	hours provided	Target	numbers of domiciliary care clients	hours provided	Target	numbers of domiciliary care clients	hours provided
Apr - Jun	7,391	7,481	644,944	7,610	7,383	657,948	7,015	7,268	670,203
Jul - Sep	7,391	7,585	661,415	7,610	7,325	652,789	7,015	7,288	691,231
Oct - Dec	7,391	7,301	660,282	7,610	7,188	649,624	7,015		
Jan - Mar	7,391	7,369	655,071	7,610	7,177	643,777	7,015		



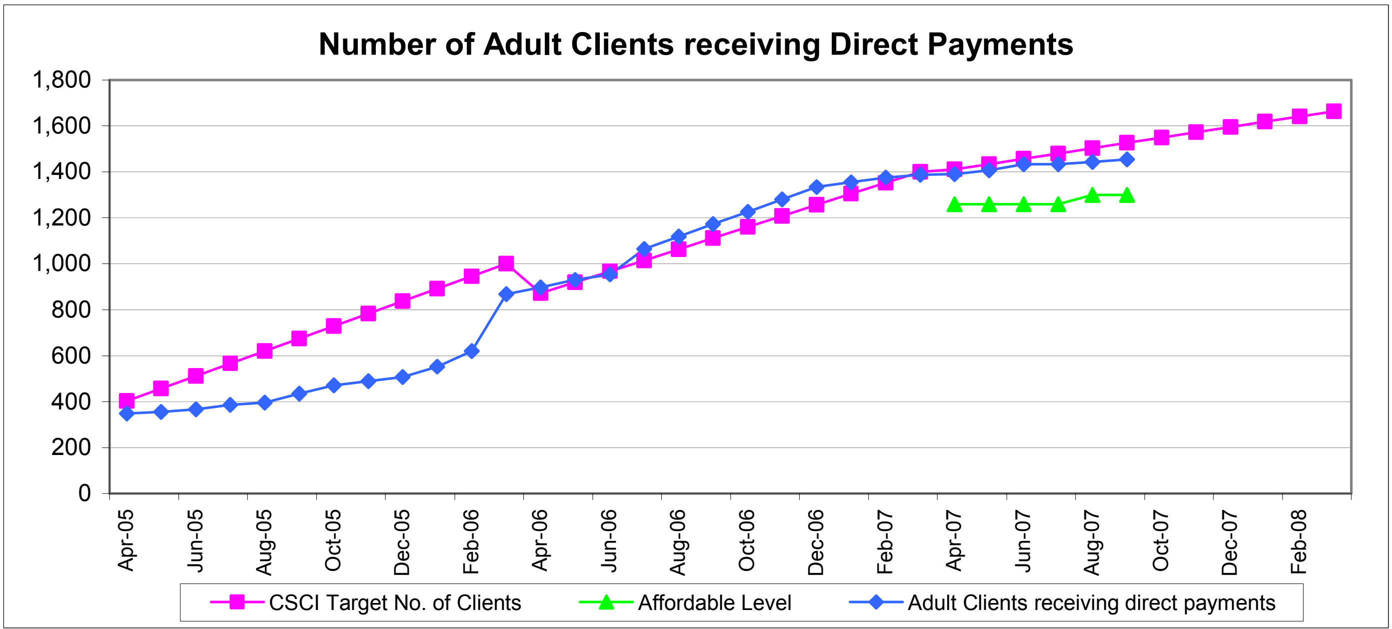


Comment:

- The number of people receiving domiciliary has increased throughout the year reflecting the continuing demographic pressures within this area. The reduction in residential placements has also had an impact on activity as this is often the alternative to seeking a permanent placement. Data quality issues in Swift make comparison with last year more difficult which might also explain the significant increase in clients, however average hours delivered per client per quarter is little different.

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

	2005-06		2006-07		2007-08		
	CSCI Target	**Adult Clients receiving Direct Payments**	**CSCI Target**	**Adult Clients receiving Direct Payments**	**CSCI Target**	**Affordable Level**	**Adult Clients receiving Direct Payments**
April	403	349	871	896	1,411	1,259	1,390
May	457	355	919	930	1,434	1,259	1,407
June	511	366	967	954	1,457	1,259	1,434
July	566	386	1,015	1,065	1,480	1,259	1,434
August	620	395	1,063	1,119	1,503	1,299	1,444
September	674	434	1,112	1,173	1,526	1,299	1,454
October	728	470	1,160	1,226	1,549		
November	783	489	1,208	1,280	1,572		
December	837	507	1,256	1,334	1,595		
January	891	553	1,304	1,355	1,618		
February	945	621	1,352	1,376	1,641		
March	1,000	868	1,400	1,388	1,662		



Comments:

- Direct payments are increasing, however a body of evidence is growing which suggests that 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.

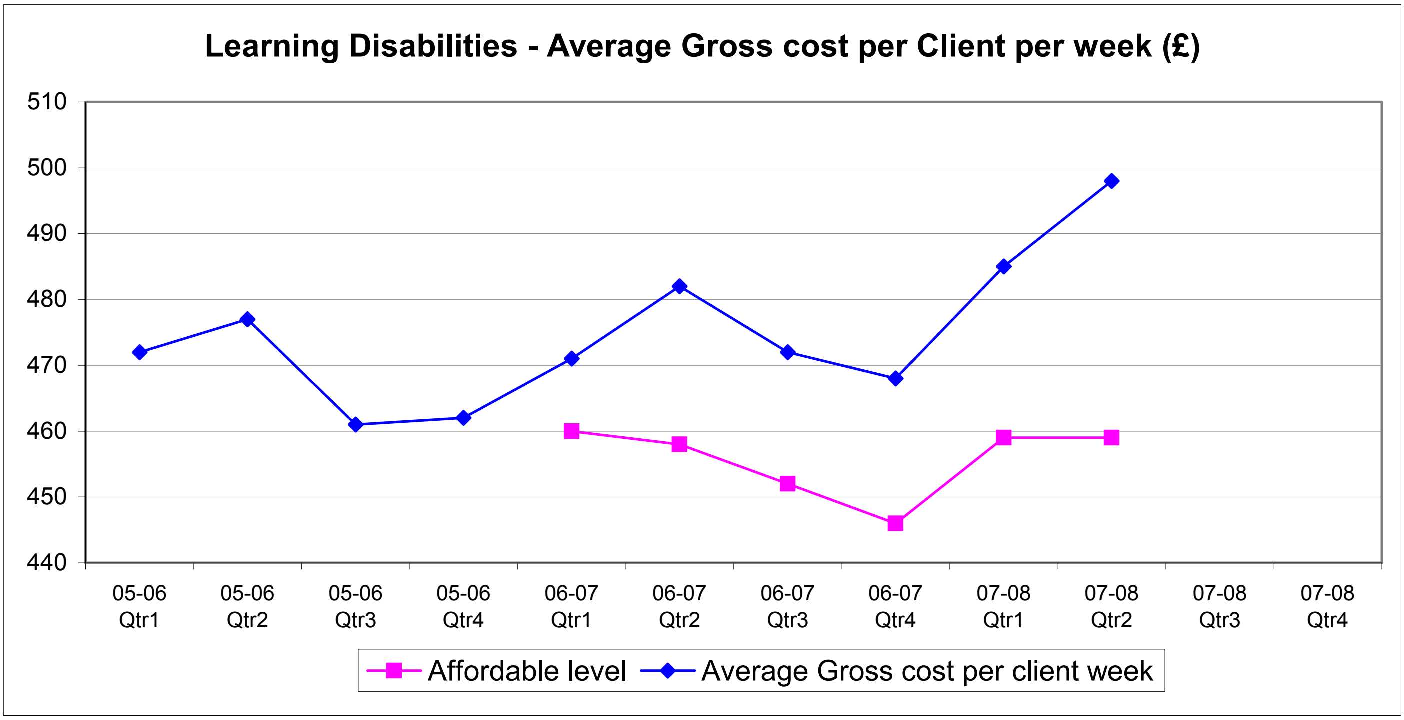
- It should be noted that the affordable level is 1,299, which relates to the budgets that are currently set for direct payments. This level has been increased since July to reflect budgets vired from other service lines, such as domiciliary and day-care, to recognise the move away from traditional services into self directed support.

- The financial forecast and variances being reported cover the ongoing costs of the 1,454 direct payment users we currently have.

- The 1,662 is the Commission for Social Care Inspection (CSCI) target for the end of year required position.

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

	2005-06	2006-07		2007-08	
	Average Gross cost per client £	Affordable level £	Average Gross cost per client £	Affordable level £	Average Gross cost per client £
April - June	472	460	471	459	485
July - September	477	458	482	459	498
October - December	461	452	472		
January - March	462	446	468		



Comments:

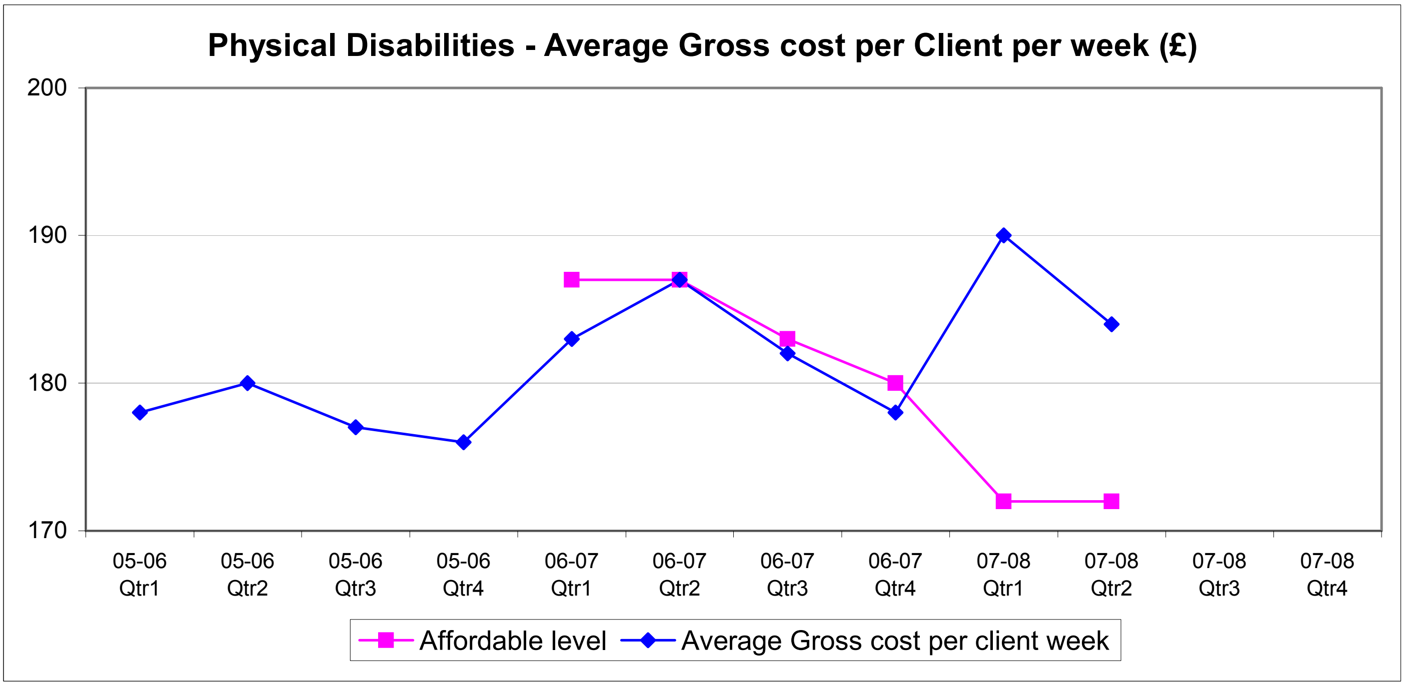
- Targets did not exist prior to 2006-07 as this average cost is not a real performance indicator. It is merely intended to demonstrate the general upward trend in the cost of supporting clients with Learning Disabilities.

- This graph reflects the average cost per client week across all Learning Disability services, including those with the lowest levels of need.

- The basis for calculation has changed from last year in order to include both the costs of services provided by the private and voluntary sector and in-house service provision. The previous years figures have been adjusted accordingly.

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

	2005-06	2006-07		2007-08	
	Average Gross cost per client £	Affordable level £	Average Gross cost per client £	Affordable level £	Average Gross cost per client £
April - June	178	187	183	172	190
July - September	180	187	187	172	184
October - December	177	183	182		
January - March	176	180	178		



Comments:

- Targets did not exist prior to 2006-07 as this average cost is not a real performance indicator. It merely attempts to demonstrate the general upward trend in the cost of supporting clients with Physical Disabilities.

- This graph reflects the average cost per client week across all Physical Disability services, including those with the lowest levels of need.

- The basis for calculation has changed from last year in order to include both the costs of services provided by the private and voluntary sector and in-house service provision. The previous years' figures have been adjusted accordingly.

ENVIRONMENT & REGENERATION DIRECTORATE SUMMARY
OCTOBER 2007-08 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered "technical adjustments" ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the last full monitoring report to reflect a number of technical adjustments to budget, and a virement of £400k from Finance portfolio to Regeneration & Supporting Independence portfolio for costs associated with the development of Manston & Eurokent.

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	56,646	-8,511	48,135	130	-130	0	Additional Depot running costs. Assumes Emergency Works met by Corporate Centre. Extra Recharge income.
Public Transport Contracts	7,677	-634	7,043	240	-160	80	Freedom Pass take-up above expectation. Extra income.
Rural Bus Grant	2,276	-2,276	0	350	-350	0	Non-grant income supporting further rural service.
Capital Programme Group	689	-444	245	30	-30	0	Minor variations.
Waste Management	60,627	-2,749	57,878	-2,300	-200	-2,500	Less tonnage via Allington. WEEE Grant and improved sales/Op. Cubit income.
Environmental Group	7,915	-3,931	3,984	460	-360	100	More project expenditure, supported by external funding, than included in the budget. Reduced income from Country Parks.
Transport Strategy	559	0	559	-80	0	-80	Vacant post (part year). Slippage on CTRL Impact Study.
Resources	4,424	-467	3,957	735	-35	700	Directorate Budget Gap. Extra recharge income.
Total E, H & W	**140,814**	**-19,012**	**121,802**	**-435**	**-1,265**	**-1,700**	
Regeneration & Supporting Independence portfolio							
Regeneration & Projects - Area Teams & Major Projects	5,230	-1,112	4,118	-20	-460	-480	Extra DCLG activity. De-dualling of Fort Hill Road will slip to 2008/09.
Economic Development	2,950	-988	1,962	0	0	0	
Planning & Development	1,183	-57	1,126	-205	15	-190	£230k of delay in Local Development Framework, to be bid for roll forward. Reduced grant from Government.
Planning Applications	1,583	-468	1,115	-235	0	-235	Vacant posts. Delay on Shaw Grange remedial work of £220k, to be bid for roll forward.

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Change & Development	285	0	285	210	-100	110	Unfunded post and seconded staff with income
Kent Regeneration Fund	954	-850	104	-100	100	0	Projects held-back due to shortfall in funding.
Total Regen & SI	**12,184**	**-3,475**	**8,709**	**-350**	**-445**	**-795**	
Total Directorate Controllable	**152,998**	**-22,487**	**130,511**	**-785**	**-1,710**	**-2,495**	

1.1.3 **Major Reasons for Variance**:

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

Environment, Highways & Waste portfolio:

1.1.3.1 Kent Highway Services (KHS) has under estimated the budget requirement for the running costs of the depot network, at a cost of £130k.

1.1.3.2 Recharge income for KHS is estimated to exceed the budget, particularly in the area of Section 38 Agreements (developer contributions towards the KHS design and supervision fee in respect of new housing developments), generating an extra £130k.

1.1.3.3 The Resources Division within the E,H&W Portfolio holds the Directorate-wide budget imbalance of £735k, which relies upon a Management Action Plan to ensure a balanced Portfolio budget by the year-end. The under spending of the Waste Management budget, detailed in 1.1.3.5 below, will provide the needed funding cover.

1.1.3.4 One of the Towards 2010 targets is the provision of a Freedom Pass for public transport usage by 11 to 16 year olds. Two pilots are in progress. The take-up of passes has exceeded expectations and a further £240k will be required to re-imburse the operators. This sum will be covered primarily by the additional income received from the Education Service and others exceeding the budget set.

1.1.3.5 The Allington Waste to Energy plant is still in the commissioning stage. At present, it is not working. As a result more waste is going to Landfill than budgeted for, but this is at a cheaper rate, for the moment, and hence a saving on the budget is being achieved (-£2,300k). An assessment has been made as to the period needed before full working is achievable. Also, the waste tonnage to date, compared to last year, is slightly reduced.

1.1.3.6 We have received WEEE grant income of £350k that was not built into the budget, and additional sales and Operation Cubit income of some £650k. However, some £800k of WPEG budgeted income has been paid as a capital grant and therefore is not available to support the revenue budget as planned. The overall impact on the waste income budget is a net under spend of £200k.

1.1.3.7 Additional non-grant income of £350k on Rural Bus Services is supporting further service provision.

1.1.3.8 In Environment, an ability to increase the level of external funding received, compared to the budget assumption, has enabled more projects to be achieved (+/-£460k). However a reduction in the income from Country Parks, ascribed to the poor summer weather, has meant a shortfall on the budget of £100k.

Regeneration & Supporting Independence portfolio:

1.1.3.9 There is an increased volume of DCLG activity within Regeneration & Projects, in relation to the Kent Thameside and Swale Delivery Boards, which will be matched by 100% grant (+/- £460k). The budget for this item has to be determined often before knowledge of all programmes of work is available. However, slippage of £450k on the Fort Hill, Margate de-dualling project will require a bid for roll-forward to next year.

1.1.3.10 Within Change and Development, one occupied post is unfunded, and there are three seconded staff matched by 100% external funding of £100k. The costs will exceed the budget by £210k.

1.1.3.11 Within Planning & Development, a delay in the Minerals and Waste Local Development Framework will require a bid for roll-forward of £230k.

1.1.3.12 There is also a delay in the remedial works required to Shaw Grange and of the under spend of £235k within Planning Applications, £220k will be requested for roll forward.

1.1.3.13 Due to an expected shortfall in the Kings Hill income available for the Kent Regeneration Fund, (though refined figures are still being worked on), projects have been held back wherever possible (+/- £100k).

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
EHW	The Waste WPEG grant was budgeted as 100% revenue grant but it is being paid as 50% capital grant and is therefore not available to support the revenue budget	+800	EHW	Reduced tonnage through Allington WtE plant.	-2,300
EHW	Directorate Budget Gap (covered from Waste under spend)	+735	EHW	Waste - improved sales / Operation Cubit income	-650
EHW	More project expenditure supported by external funding within Environment Group	+460	RSI	Increased Volume of DCLG grant - Kent Thameside & Swale Delivery Boards	-460
RSI	Increased Volume of DCLG activity - Kent Thameside & Swale Delivery Boards	+460	EHW	Increased level of external funding enabling more projects within Environment Group	-460
EHW	Rural Bus Services - non-grant income supporting further rural service.	+350	RSI	Re-phasing of Fort Hill, Margate de-dualling project	-450
EHW	Extra take-up of Freedom Bus Pass	+240	EHW	Increase on non-grant income on rural bus services	-350
RSI	1 Unfunded post and Seconded Staff funded externally in Change & Development Division	+210	EHW	WEEE Grant not budgeted as income	-350
EHW	Budget under-estimate on KHS depot running costs.	+130	RSI	Delay in Minerals and Waste Local Development Framework activity	-230
EHW	Reduction in Country Parks income due to poor summer weather	+100	RSI	Delay in Shaw Grange remedial works	-220
RSI	Kent Regeneration Fund expected funding shortfall	+100	EHW	Additional income from base revenue supported bus services	-160
			EHW	Additional Recharges income from KHS Division	-130
			RSI	Seconded Staff funded externally in Change & Development Division	-100
			RSI	Kent Regeneration Fund - projects delayed due to expected funding shortfall	-100
		+3,585			**-5,960**

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

Whilst the Regeneration and Supporting Independence Portfolio shows an under spending of £795k, it should be noted that £900k under spending will be the subject of bids for roll forward into 2008/09, in order to complete key activities. Hence the imbalance is in reality +£105k, which relates to a post for which the external funding has now ceased. The Directorate is confident that a solution will be found before the year-end.

The E, H & W Portfolio is showing a forecast net £1.7m under spend. This reflects that the Directorate budget net gap of £0.7m is a first call on the Waste Management under spend, forecast at £2.5m. Of the £1.7m net forecast underspend, a bid for roll forward will be made for £55k in order to complete the CTRL Impact Study, leaving a residual £1.645m underspend.

It should be noted that this forecast assumes that the County Council's Emergency Reserve will provide funding to meet the estimated cost of £425k, for corrective work following the earthquake and floods in June.

1.1.5 **Implications for MTFP**:

- The WtE plant at Allington is assumed to be at full operational capacity from 1st April 2008.
- The Directorate budget net gap of £700k is to be re-aligned within the 2008/09 budget year.

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

The forecast under spending of:

- £230k in respect of a delay in the Local Development Framework for Waste and Mineral Studies,
- £220k for Shaw Grange remedial works and
- £450k slippage on the Fort Hill de-dualling work will all be requested for roll forward to 2008/09 (R&SI Portfolio).

Similarly, a roll forward bid will be made for £55k in order to complete the CTRL Impact Study (E,H&W Portfolio).

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

Under spends elsewhere in the Directorate will be achieved to provide a solution to the unfunded post within Change & Development Division.

1.2 CAPITAL

1.2.4 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.

Cash limits have been adjusted since the last full monitoring report to reflect:

	2007-08 £000s
Environment, Highways & Waste portfolio:	
▪ Additional Integrated Transport Grant	2,290
▪ Waste Performance Grant	812
▪ Transfer of budget for de-dualling of Fort Hill, Margate to R&SI portfolio as this was incorrectly included in EH&W portfolio in the last full monitoring report	-550
Regeneration & Supporting Independence portfolio:	
▪ Transfer of budget for de-dualling of Fort Hill, Margate from EH&W portfolio	550

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

	Prev Yrs Exp £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	Future Yrs £000s	TOTAL £000s
Environment, Highways & Waste Portfolio						
Revised Budget per Sept Cabinet	88,025	109,699	67,028	53,795	88,428	406,975
Adjustments:						
- Integrated Transport Grant		2,290				2,290
- Waste Performance Grant		812				812
- de- dualling Fort Hill, Margate		-550				-550
Revised Budget	88,025	112,251	67,028	53,795	88,428	409,527
Variance		-22,988	-15	5,139	19,182	1,318
split:						
- real variance		-1,949	+3,267			+1,318
- re-phasing		-21,039	-3,282	+5,139	+19,182	0
Regeneration & Supporting Independence Portfolio						
Revised Budget per Sept Cabinet	3,904	10,057	1,500	2,000	1,000	18,461
Additions:						
- de-dualling Fort Hill, Margate		550				550
-						0
-						0
Revised Budget	3,904	10,607	1,500	2,000	1,000	19,011
Variance		-4,950	+4,950	0	0	0
split:						
- real variance						0
- re-phasing		-4,950	+4,950			0
Directorate Total						
Revised Budget	91,929	122,858	68,528	55,795	89,428	428,538
Variance	0	-27,938	+4,935	+5,139	+19,182	1,318

Real Variance		**-1,949**	**+3,267**	**0**	**0**	**+1,318**
Re-phasing *		**-25,989**	**+1,668**	**+5,139**	**+19,182**	**0**

1.2.3 **Main Reasons for Variance**

Table 4 below, details all forecast capital variances over £250k in 2007-08 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 initial planning 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 initial planning stage, is explained further in section 1.2.4 below.

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

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

portfolio	Project	real/ phasing	Project Status: Rolling Programme	Approval to Spend	Approval to Plan	Initial Planning Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
EHW	Ashford Ring Road	Real		+870		
			0	**+870**	**0**	**0**
Underspends/Projects behind schedule						
EHW	Rushenden Link Road	Phasing			-10,349	
EHW	Re-shaping Kent Highways Accommodation	Phasing		-8,522		
R&SI	East Kent Empty Property Initiative	Phasing		-3,700		
EHW	Thamesway	Real		-1,919		
		Phasing		-80		
EHW	East Kent Access Phase 1c	Real		-843		
R&SI	Arts & Business Centre at Folkestone	Phasing		-800		
EHW	Sittingbourne Northern Relief Road	Phasing			-583	
EHW	Energy & Water Investment Fund	Phasing		-500		
R&SI	Fort Hill De-dualling	Phasing			-450	
EHW	Newtown Road Bridge	Phasing			-334	
EHW	Non TSG Land, Part 1 Comp.Claims	Real	-250			
			-250	**-16,364**	**-11,716**	**0**
			-250	**-15,494**	**-11,716**	**0**

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

There are three schemes falling into this category, namely Re-shaping Kent Highways Accommodation Project, the Rushenden Link major road scheme, and the East Kent Empty Property Initiative.

1.2.4.1 **Re-shaping KHS Accommodation project – slippage £8.522 million**

This scheme is designed to deliver service improvements and efficiencies and replacements for some of the existing depots which do not meet modern day environmental standards. The project has slipped by £8.522 million representing 31% of the total value of the scheme. There has been delay in starting the Wrotham and Sandwich schemes because of objections to elements of the intended construction. There will be a delay in completion. The service implications of this delay are a continuation of the usage of existing office accommodation. It is anticipated that revenue costs will be contained within the budget allocation. The financial implications of this delay will be contained within the Project Contingency, to contain the overall capital programme within existing cash limits over the medium term. Revised phasing of the scheme is now as follows:

PROJECT: Re-shaping Kent Highways Accommodation

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	5,052	20,100	250			25,402
Forecast	5,052	11,578	8,772			25,402
Variance	0	-8,522	8,522	0	0	0
FUNDING						
Budget:						
prudential	2,000					2,000
prudential/revenue	2,843	18,330	-4,120	-3,800		13,253
external	9					9
capital receipts	200	1,770	4,370	3,800		10,140
TOTAL	5,052	20,100	250	0	0	25,402
Forecast:						
prudential	2,000		2,438			4,438
prudential/revenue	2,843	11,578	2,632	-3,800		13,253
external	9					9
capital receipts	200		6,140	3,800		10,140
TOTAL	5,052	11,578	11,210	0	0	27,840
Variance	**0**	**-8,522**	**10,960**	**0**	**0**	**2,438**

Cabinet agreed in September to the virement of £2.45m of the slippage on this project for use on a range of capital maintenance projects, in order to bring the 2007-08 budget for capital maintenance up to the figure in the Government's Local Transport Plan settlement for Kent, with the corresponding £2.45m reduction in the Re-shaping KHS Accommodation budget being reinstated in the 2008-11 MTFP process. This virement has been reflected in the table above. Once the £2.45m of prudential funding is re-instated in the 2008-11 MTFP process, the £2.438m overspend on the project, as shown in the above table, will disappear.

1.2.4.2 **Rushenden Link Road – slippage £10.349 million**

SEEDA has not been able to complete its land assembly and planning permissions status as quickly as assumed and so construction of this major road scheme is now not expected to commence until February 2008.

Although SEEDA are the lead body for the project, KCC is the employer to the contractor, hence why the project is reflected in our capital programme, so all payments will be made via KCC with the DCLG grant being received via SEEDA.

PROJECT: Rushenden Link Road

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	401	11,599	1,500			13,500
Forecast	401	1,250	11,849			13,500
Variance	0	-10,349	10,349	0	0	0
FUNDING						
Budget:						
grant	401	11,599	1,500			13,500
TOTAL	401	11,599	1,500	0	0	13,500
Forecast:						
grant	401	1,250	11,849			13,500
TOTAL	401	1,250	11,849	0	0	13,500
Variance	**0**	**-10,349**	**10,349**	**0**	**0**	**0**

1.2.4.3 East Kent Empty Property Initiative – slippage £3.700m

This project is designed to deliver service improvement, through bringing empty properties back into use and improving the physical environment in four coastal districts of Kent. The project has under-utilised the funding by £3.7million representing 37% of the total value of the scheme over the MTFP. The proposal for this project assumed that there would be a substantial and early need for a rolling loan facility, but this has not materialised to the extent reflected in the budget for the current year. The basis for this project is that the loans will be repaid to KCC over the MTFP.
This project is a PSA target. The targets set are being achieved, though only requiring limited use of the rolling loan facility, so far.

PROJECT: East Kent Empty Property Initiative

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	51	5,449	1,500	2,000	1,000	10,000
Forecast	51	1,749	5,200	2,000	1,000	10,000
Variance	0	-3,700	3,700	0	0	0
FUNDING						
Budget:						
prudential	51	4,949		-2,500	-2,500	0
capital receipts		500	1,500	4,500	3,500	10,000
TOTAL	51	5,449	1,500	2,000	1,000	10,000
Forecast:						
prudential	51	1,249	3,700	-2,500	-2,500	0
capital receipts		500	1,500	4,500	3,500	10,000
TOTAL	51	1,749	5,200	2,000	1,000	10,000
Variance	**0**	**-3,700**	**3,700**	**0**	**0**	**0**

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

Table 3 shows a real underspend of £1.949m in 2007-08 and a real overspend of £3.267m in 2008-09, which is in respect of:

2007-08:
- +£870k Ashford Ring Road; impact of a tender return. A bid for additional Government grant has been submitted.
- -£1,919k Thamesway; value engineering has reduced scheme costs. However, this scheme is 100% funded from Government grant.
- +£230k Everards Link Phase 2 which will be met by additional DCLG grant and external contributions.
- -£37k on Civic Amenity site improvements and pollution control projects but this will be offset by reduced revenue contributions.

All of the above variances are expected to be matched by changes in resources, however the underspends detailed below are real:
- -£843k East Kent Access 1c; reduced cost of land compared to estimate.
- -£250k due to a reduced volume of Land Compensation Act Part 1 claims.

2008-09:
All of these variances are expected to be matched by a change in resources:
- +£2,438k Re-shaping KHS Accommodation – this overspend is as a result of the virement agreed by Cabinet in September which will be re-provided for in the 2008-11 MTFP process, as detailed in section 1.2.4.1 above.
- +£470k Ashford Newtown Way – this is expected to be met by additional DCLG grant.
- +£360k Everards Link Phase 2 which will be met by additional DCLG grant and external contributions.

1.2.6 **General Overview of capital programme**:

(a) Risks:

It is still relatively early in the year to be confident of all project/scheme over/under spends. The quality of the project forecasts will improve as we move through the financial year.

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

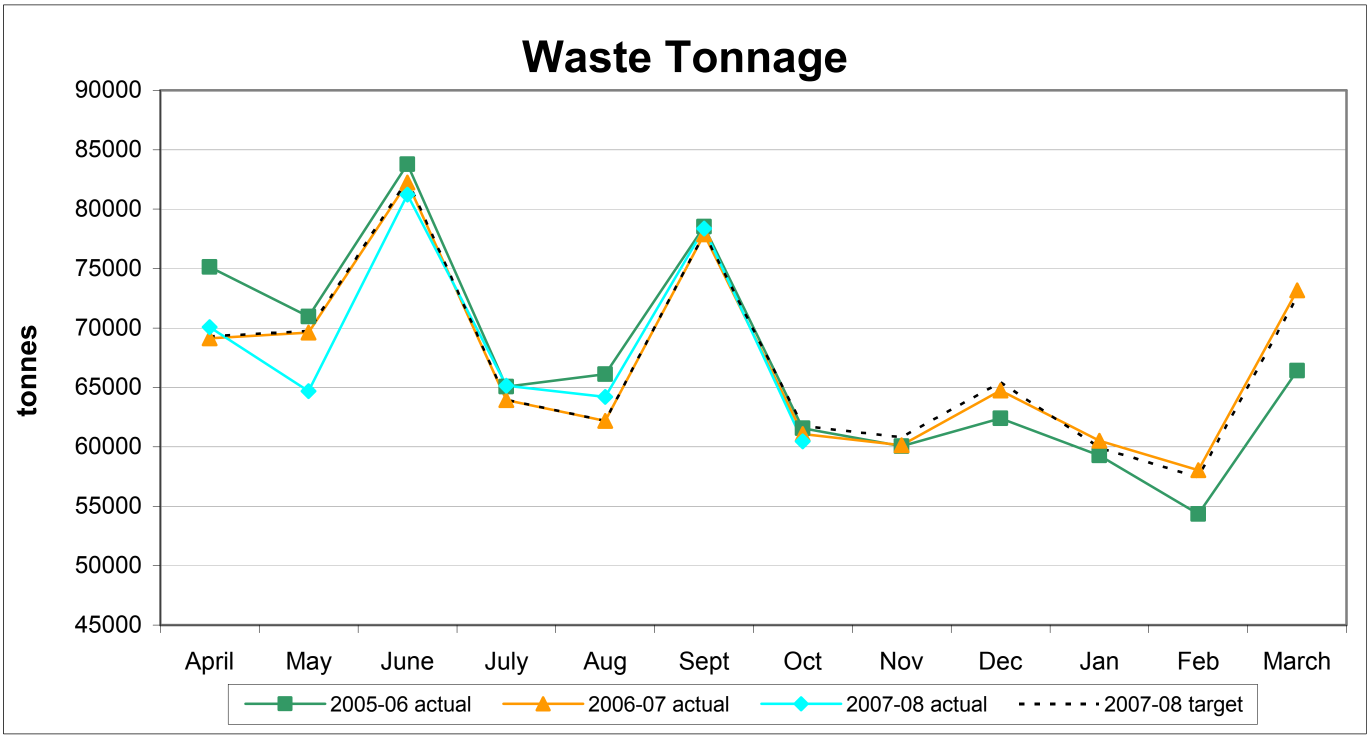
Monthly meetings with project managers take place to revise the forecast.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Waste Tonnage:

	2005-06	2006-07	2007-08	
	Waste Tonnage	Waste Tonnage	Waste Tonnage	Business Plan Target *
April	75,142	69,137	70,075	69,290
May	70,964	69,606	64,688	69,760
June	83,770	82,244	81,231	82,425
July	65,063	63,942	65,134	63,953
August	66,113	62,181	64,192	62,189
September	78,534	77,871	78,368	77,912
October	61,553	61,066	60,448	61,751
November	60,051	60,124		60,807
December	62,397	64,734		65,426
January	59,279	60,519		59,932
February	54,337	58,036		57,443
March	66,402	73,170		72,610
TOTAL	**803,605**	**802,630**	**484,136**	**803,498**

* there has been some minor re-alignment of the profile since the last report to reflect outstanding data received from a number of district councils



Comments:

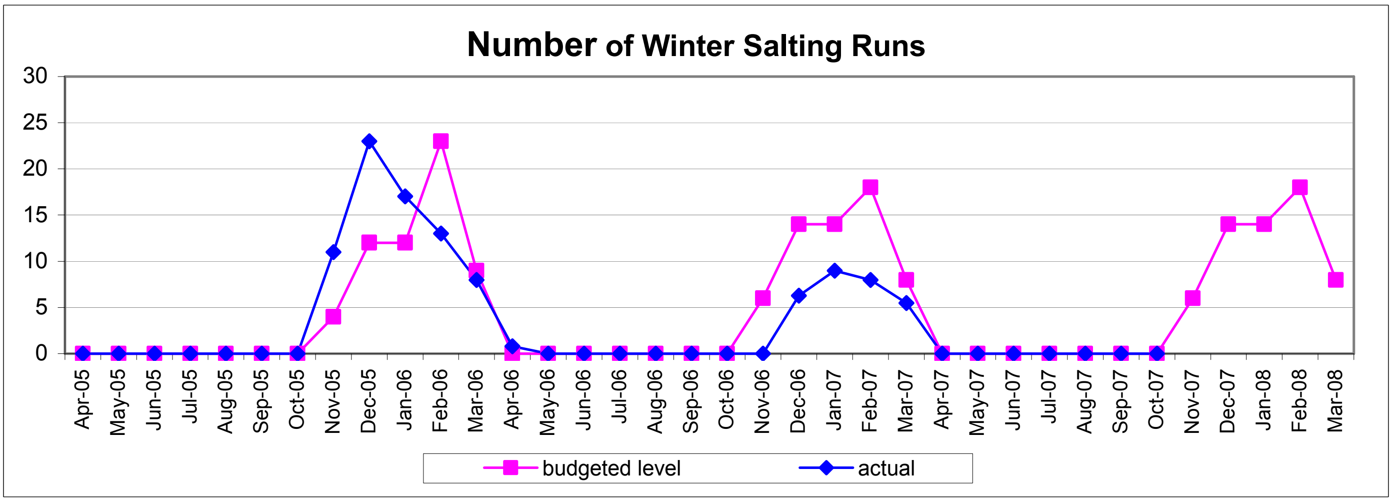
- Tonnage has declined slightly from last year. Also the expected volume to be put through the Allington WtE Plant, which is still in the commissioning stage, is significantly below expectation. As, in the early years, the cost of Allington processing is higher than standard Landfill, the budget benefits from reduced costs. So, even if the total tonnage to be managed was the same as last year, there would still be an under spending on the budget, all other things being equal.

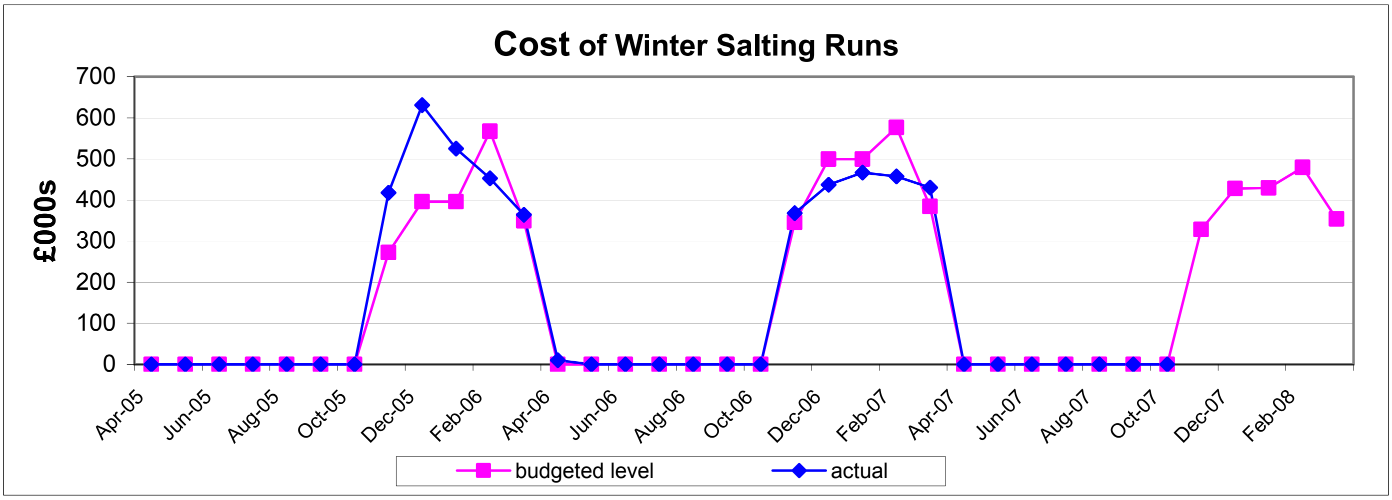
- The target tonnage profile has been amended slightly since the previous report.

2.2 Number and Cost of winter salting runs:

	2005-06				2006-07				2007-08			
	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	Budgeted level	Actual	Budgeted level	Actual £000s	Budgeted Level £000s	Actual £000s	Budgeted Level £000s	Actual	Budgeted level	Actual £000s	Budgeted Level [2] £000s
April	-	-	-	-	0.8 [1]	-	10	-	-	-	-	-
May	-	-	-	-	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-	-	-	-	-
October	-	-	-	-	-	-	-	-	-	-	-	-
November	11	4	418	272	-	6	368	345		6		328
December	23	12	631	396	6.3	14	437	499		14		428
January	17	12	525	396	9.0	14	467	499		14		429
February	13	23	453	567	8.0	18	457	576		18		479
March	8	9	364	349	5.5	8	430	384		8		354
TOTAL	**72**	**60**	**2,391**	**1,980**	**29.6**	**60**	**2,169**	**2,303**	**0**	**60**	**0**	**2,018**

Note [1]: only part of the Kent Highways Network required salting
Note [2]: the 2007-08 budget excludes overheads, as these are now charged centrally



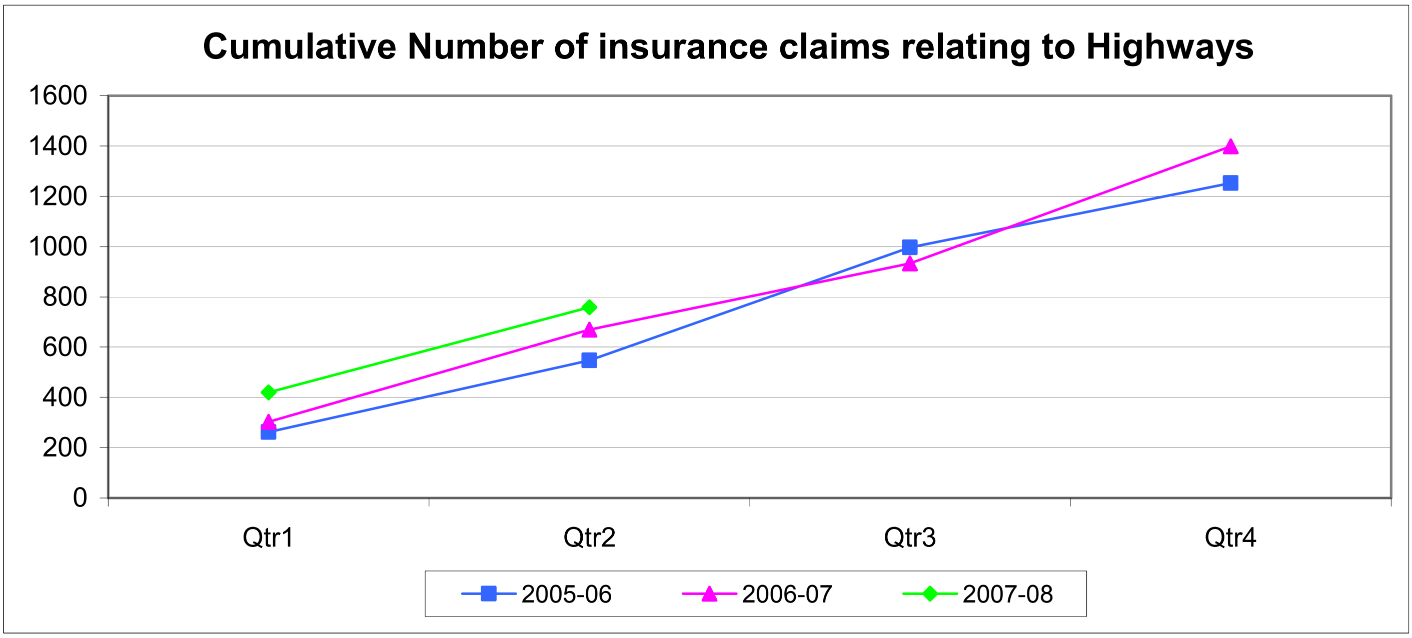


Comment:

- The charges for the Winter Maintenance Service reflect a large element of fixed cost; the smaller element being the variable cost of the salting runs. Contractual fixed costs have been apportioned equally over the 5 months of the salting period.

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

	2005-06	2006-07	2007-08
	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims
April – June	263	303	419
July – September	547	669	758
October – December	997	933	
January - March	1,252	1,398	



Comments:

- The increase in claims between 2005-06 and 2006-07 appears to reflect a national trend. Nearly all other county councils in South East England have reported a similar rise in 2006. Carriageway claims are starting to increase and this may be evidenced by the relatively high figure for the first two quarters of this financial year.

COMMUNITIES DIRECTORATE SUMMARY
OCTOBER 2007-08 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.
- Cash limits have been adjusted since the last full monitoring report to reflect a number of technical adjustments to budget.

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

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Communities portfolio							
Turner Contemporary	885	-82	803			0	
Kent Drug & Alcohol Action Team	15,220	-13,438	1,782			0	
Youth Offending Service	5,610	-1,889	3,721	1,019	-949	70	Cash limit incorrectly reflects balance of expenditure and income. Net overspend is mainly due to increased number of young people placed in secure accommodation or on remand
Adult Education	12,667	-13,213	-546	1,307	-477	830	Income from LSC has increased due to higher than anticipated formula grant, immigration contract, business development & a number of other smaller grants. This increase has been largely offset by clawback of grants for previous years, not implementing changes to concessions policy & failure to meet tuition fee income targets. Increased spending is in part due to increased ringfenced income & partly due to unanticipated costs for staff restructuring & additional premises costs

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Cultural Development	1,404	-225	1,179	22	143	165	Ongoing impact of the loss of EU grants which have supported unit budget since restructuring in 2003/04
Libraries, Information & Archives	25,713	-2,787	22,926	-120	120	0	Revised target for income from AV issues offset by a reduction in spending on consumables and non staffing
Dover Discovery Centre	383	-383	0			0	
Sports, Leisure & Olympics	1,127	-312	815			0	
Youth Services	9,169	-1,570	7,599			0	
Key Training	3,865	-3,865	0			0	
Kent Community Safety Partnership	4,703	-159	4,544			0	
Contact Centre	4,877	-1,947	2,930			0	
Coroners	2,077	-333	1,744	300		300	Continuation of pressures which arose during 2006/07 after the MTP had been set
Emergency Planning	752	-165	587			0	
Kent Scientific Services	1,575	-1,587	-12			0	
Registration	4,237	-2,475	1,762			0	
Trading Standards	4,432	-399	4,033			0	
Policy & Resources	1,443	-97	1,346			0	
Centrally Managed directorate budgets	67	-1,738	-1,671			0	
Total Communities controllable	**100,205**	**-46,664**	**53,541**	**2,528**	**-1,163**	**1,365**	
Assumed Management Action				**-535**		**-535**	
Forecast after Mgmt Action				**1,993**	**-1,163**	**830**	

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 Youth Offending Service – The latest forecast gross expenditure on YOS is £1.019m more than the cash limit and income is £949k more than cash limit giving a net pressure of £70k, which is mainly attributable to £163k of pressures on the budget for secure accommodation and transport for offenders on court ordered remand. The number sentenced by courts is increasing and offenders are being placed outside the county more frequently. The service has secured additional prevention grant from the Youth Justice Board that was not included in the budget which provides £566k income and £532k direct expenditure. The net difference of £34k income contributes towards the service's overheads which accounts for the remainder of the variance including an additional £124k on staffing. The remainder of increase in income is due to increased contributions from partners and support for specific projects that were not included when the original budget was set (each additional contribution is less than £100k and not shown in table 2).

1.1.3.2 Adult Education – The latest forecast gross expenditure on the AE is £1,307k more than cash limit, income is £477k more than the cash limit giving a net pressure of £830k which can be attributed to the difficulty the service has faced to deliver the challenging target to generate a £500k surplus in 2007/08 to fully repay the loan used to cover the deficit in 2006/07, the significant loss of tuition fee income due to lower than anticipated take-up of courses and the additional costs associated with restructuring and premises reorganisation. All the other variances reflect both income and expenditure and have no impact on the net costs. The major reasons for the variances are:

- *Immigration Service* – The budget included the removal of the previous contract for the prisons service which came to end in July 2006 and transferred to the voluntary sector. Following a review the service has retained the provision of education services to the Immigration Service effective from April 2007. The revised forecast includes planned income of £373k and expenditure of £336k under this contract.
- *Business Development* – since the budget was agreed the AE service has agreed a new strategy towards business development and has employed a business development manager with a remit to generate more than twice as much income (£260k) than the annual salary and running costs (£120k).
- *LSC Formula Grants* – The service has received £230k more in its final settlement from the LSC for Adult and Community Learning (ACL) and Further Education (FE) than expected when the budget was set. Some of this additional funding has to be spent on particular activities e.g. £161k additional guided learning hours for Family Language, Literacy and Numeracy (FLLN) and Family Learning (FL) programmes. The service is facing the loss of Information and Guidance grant and clawback on LSC grants for 2005/06 and 2006/07 which collectively reduce grant income by £117k.
- *Tuition Fees* – The budget included proposed changes to the fee and concession structures which would have increased total fee income by £133k but these have not been fully implemented as they were deemed not necessary in light of the other changes in income and expenditure. Since the last quarter's monitoring the service is forecasting an increased shortfall on tuition fees of £568k due to lower than anticipated take-up of courses.
- *Staff Restructure & Redundancies* – The restructuring of the service in response to reductions in LSC funding has resulted in significant redundancies in 2006/07 and 2007/08. It was agreed that up to £240k would be funded from a corporate reserve. In 2007/08 the service is estimating redundancy costs of £176k of which only £95k can be funded out of the remainder of the £240k available leaving a net pressure of £81k. There is also a pressure of £15k resulting from delays in implementing the new arrangements resulting in an overall net pressure in 2007/08 of £96k.
- *Projects* – these include a number of projects that were not finalised at the time the budget was set that attract external funding increasing income (£161k) and expenditure (£104k).
- *Neighbourhood Learning and SIP* – The original budget included contributions of £135k towards the cost of these programmes which we no longer expect to receive. There has been a one-off contribution from the roll forward of Finance Portfolio under spend from 2006/07 towards the deficit carried forward from the 2006/07 programme but the service has to cover the ongoing cost of the programme within its overall income from 2007/08 and beyond without receiving these additional contributions.

1.1.3.3 Coroners Service – The latest forecast spending is £300k more than budget. The single major reason for this overspend is the increased cost of mortuary fees (£142k). This pressure arises from a number of factors including more referrals by doctors following the Shipman report, above inflation fees being charged by NHS hospital trusts for post mortems, and the cost of the transfer of bodies from Maidstone to Medway following the closure of the mortuary at Maidstone hospital.

1.1.3.4 Cultural Development Unit – We had previously identified a shortfall of £100k on the Arts Unit budget due to the loss of income from EU grants. This is being addressed through a staff restructuring. It was agreed to exclude the small team that produces audio visual resources for schools on a trading basis from the restructuring even though it was identified that the team is not fully recovering its costs from sales of audio visual materials to schools. The increased overspend to £165k reflects this deficit on trading activities. We are seeking to outsource the venture and we have had some encouraging expressions of interest.

1.1.3.5 Libraries and Archives – The service has faced diminishing income from the rental of CDs and DVDs. The service undertook a thorough review and concluded that they could significantly increase issue if they focussed on the more specialist areas, offered loans for longer periods and reduced the cost of loans. This would deliver a revised income projection of £701k against a budget based on historical trends of £821k and actual income in 2006/07 of £661k. The £120k overspend against the budget will be covered by reductions in spending on consumables and other non staffing budgets. Indications from the second quarter are that there has been an increase in issues although we are anticipating a more marked increase in the third and fourth quarters.

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CMY	AE loss of Tuition Fees	+568	CMY	YOS Prevention Grant Income	-566
CMY	YOS Prevention Grant Expenditure covered by increased income	+532	CMY	AE Income for Immigration Contract	-373
CMY	AE Immigration Contract Expenditure covered by increased income	+336	CMY	AE Business Development Income	-260
CMY	YOS Secure Accommodation	+163	CMY	Additional LSC AE Formula Grants	-230
CMY	Increased guided learning hours for Family and Lifelong Learning in AE covered by increased income	+161	CMY	AE Project grants	-161
CMY	Coroners Mortuary Fees	+142	CMY	Libraries and Archives savings from reduced expenditure on consumables and other non pay headings.	-120
CMY	Neighbourhood Learning & SIP	+135			
CMY	AE fee and concessions policy revisions not implemented	+133			
CMY	YOS Staffing	+124			
CMY	AE Business Development Expenditure covered by increased income	+120			
CMY	Libraries & Archives underachievement of AV income covered by savings on non pay headings	+120			
CMY	AE Loss of Information and guidance grant amd clawback of LSC grants from 2005/06 and 2006/07	+117			
CMY	AE Project expenditure covered by increased income	+104			
CMY	Arts Unit reduction in grant income	+100			
		+2,855			-1,710

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

We have reviewed the YOS budget and tackled a number of issues relating to staffing and premises budgets and income from partners. The budget for secure accommodation for young offenders sentenced by courts remains the only area for concern.

The Adult Education service has undertaken a major restructuring in response to a 16% reduction in LSC funding allocations and made changes to its tuition fee structure. Some unforeseen one-off costs associated with the restructuring and loss of tuition fee income means the service cannot return to a balanced budget position this year and generate the necessary surplus to repay the £500k loan from the Finance portfolio to cover previous years overspends without resulting in irreparable damage to the service's reputation.

We have embarked on a restructuring of the Cultural Development unit. Consultation with staff and unions has taken place on the proposed structure. The savings accruing from the restructuring are needed to deliver the current MTFP and will not deliver any additional savings.

We are pursuing central government as to whether any additional grant support will be available to address the pressures faced by the Coroners service. The service is part of the judicial system and Coroners do not report to KCC and merely claim expenses and charge the costs of post mortems and specialist fees to KCC. We have embarked on discussions with the Coroners about different spending patterns in each of the 4 districts in Kent.

1.1.5 **Implications for MTFP**:

The pressures on Coroners and YOS for secure accommodation are imposed outside the direct control of the authority and will be reflected in the MTFP. The restructuring of the Cultural Development Unit will also be reflected in the MTFP. Some of the issues for AE service are one-off relating to 2007/08, others affect the base budget on an ongoing basis and will be reflected in MTFP submission including options to cover the £830k proposed rollover of the deficit on the AE service.

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

N/A

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

The directorate is reviewing the forecast over spends and looking at other budgets where savings might be possible to offset the over spends. The directorate is also reviewing the amounts held in reserve as a possible source of off-setting some of the additional one-off costs in 2007/08. It is planned to take-up the issue of over spending on the Coroners service with the government. We are also exploring the opportunity to use developer contributions to fund the purchase of new library books currently funded from revenue budget and to defer expenditure on sports grants. It is planned this action will achieve £535k of savings leaving an overspend of £830k relating to AE. We will be reflecting this rolled forward overspend in the MTFP submission.

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.

Cash limits have been adjusted since the last full monitoring report to reflect:

	2007-08 £000s
▪ Virement of Small Community Capital Grant budget from Policy & Performance portfolio in respect of Herne Bay Youth & Community Centre	5

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

	Prev Yrs Exp £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	Future Yrs £000s	TOTAL £000s
Communities						
Revised budget per Sept Cabinet	22,119	23,656	14,073	5,259	5,820	70,926
Additions:						
- virement of SCCG budget		5				5
Revised Budget	**22,119**	**23,661**	**14,073**	**5,259**	**5,820**	**70,931**
Variance		-17,610	+2,363	+10,952	+3,434	-861
split:						
- real variance		-1,281	+220	+200	0	-861
- re-phasing		-16,329	+2,143	+10,752	+3,434	-0

Real Variance		**-1,281**	**+220**	**+200**	**0**	**-861**
Re-phasing		**-16,329**	**+2,143**	**+10,752**	**+3,434**	**-0**

1.2.3 **Main Reasons for Variance**

Table 4 below, details all forecast capital variances over £250k in 2007-08 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 initial planning 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 initial planning stage, is explained further in section 1.2.4 below.

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

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

Portfolio	Project	real/ phasing	Project Status: Rolling Programme	Approval to Spend	Approval to Plan	Initial Planning Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
			+0	**+0**	**+0**	**+0**
Underspends/Projects behind schedule						
CMY	Turner Contemporary	Phasing			-8,310	
CMY	The Hub Southborough	Phasing				-3,025
		Real				-200
CMY	Community Facilities - Edenbridge	Phasing			-1,465	
CMY	Library Campus Gravesend	Phasing			-1,439	
CMY	Ashford Learning & Information Centre	Phasing			-888	
		Real			-104	
CMY	Herne Bay Youth Centre	Phasing		-465		
		Real		-90		
CMY	Big Lottery Fund - PE & Sport	Real		-443		
		Phasing		-59		
CMY	Village Halls & Com Ctrs - Grants	Real	-300			
		Phasing	-53			
CMY	Tun Wells Library, Museum & Gallery	Phasing			-250	
			-353	**-1,057**	**-12,456**	**-3,225**
			-353	**-1,057**	**-12,456**	**-3,225**

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

1.2.4.1 **Turner Contemporary – slippage £8.310 million**

This scheme is to build an art gallery in Margate which will play a key role in the economic regeneration of the area. There has been slippage of over £8.310 million (48% of the total value of the scheme) since the budget was published. The project is still scheduled to be completed by 2010 within the £17.4m budget allocated and thus the slippage simply represents movement between years and not a delay on completion or additional cost. The published budget was based on early discussions with architects before we had received their initial outline and concept design reports (RIBA stage A/B).

We have now completed detailed designs for the project (RIBA Stage D). The outline planning stage (RIBA Stage C) slipped by three months from the original project plan. We are currently planning that the tender process (RIBA Stage G/H) will commence in May 2008 with site works commencing in October 2008. This time frame enables the project to achieve its planned completion in 2010. It is not uncommon that the planning stages for an architectural building of the type envisaged can take more than 2 years.

Running in parallel with the project is the de-dualling of Fort Hill. This has to be completed before work on the construction of the gallery can commence.

We are planning that we will receive £11m in external funding towards the cost of the project from partners. This will reduce the level of prudential borrowing reflected in the published budget by £0.75m. However, it is unlikely that the external funding will be confirmed until 2008/09.

Revised phasing of the scheme is now as follows:

Turner Contemporary

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	340	9,517	6,803	740	-	17,400
Forecast	340	1,207	2,915	10,004	2,934	17,400
Variance	-	-8,310	-3,888	9,264	2,934	-
FUNDING						
Budget:						
prudential	340	6,037	373	400	-	7,150
external	-	3,480	6,430	340	-	10,250
TOTAL	340	9,517	6,803	740	-	17,400
Forecast:						
prudential	340	957	1,217	3,429	457	6,400
external		250	1,698	6,575	2,477	11,000
TOTAL	340	1,207	2,915	10,004	2,934	17,400
Variance	**-**	**-8,310**	**-3,888**	**9,264**	**2,934**	**-**

1.2.4.2 **Community Facilities, Edenbridge – slippage £1.465 million**

This project aims to provide a new community facility following the closure of Eden Valley School some years ago. The current buildings are managed by the Youth Service and provide some community use. The new building will be funded from a small housing development on site, the size of which is restricted because of it being located in the Green Belt.

Planning approval for the proposals is now being sought and the community centre will cost approximately £2m, with £180k coming from Kent Adult Social Services. There are a number of other partners, including the Baptist Church, necessary to secure the planning approval and as a consequence the size of the community building has had to increase and this is reflected in a rise in the cost from £1.6m to £1.820m.

The potential capital receipts are estimated to be £3-4m of which CFE are to receive £1m towards the cost they incurred in providing the necessary school places in Sevenoaks at the time of closure, therefore there should be sufficient capital receipt to cover the forecast increased costs of the project.

The risks associated with the project are that planning approval may not be given, the cost of the community facility will rise and the capital value of the housing development will be less than that predicted.

The table below identifies that based on current forecasts we will need to borrow £100k in 2007-08 to be repaid from the capital receipt in 2008-09. If this temporary borrowing cannot be covered by slippage elsewhere within the Communities capital programme, then there will be additional revenue costs associated with this temporary borrowing which the directorate will need to cover.

Community Facilities, Edenbridge

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	35	1,565				1,600
Forecast	35	100	1,685			1,820
Variance	-	-1,465	1,685	-	-	220
FUNDING						
Budget:						
prudential		-34				-34
developer conts	19					19
capital receipts	16	1,599				1,615
						-
TOTAL	35	1,565	-	-	-	1,600
Forecast:						
prudential		100	-100			-
developer conts	19					19
capital receipts	16		1,785			1,801
						-
TOTAL	35	100	1,685	-	-	1,820
Variance	**-**	**-1,465**	**1,685**	**-**	**-**	**220**

1.2.4.3 **Library Campus Gravesend – slippage £1.439 million**

This library is the highest priority for the library service for major maintenance, refurbishment and expansion as a significant hub in Kent Thameside. It is a Grade II listed building, the annexe of which is in danger of collapsing into the street. A Big Lottery bid made in March this year was unsuccessful. It would have provided additional funds (£2m) to add to the £2.5m capital budget to complete the scheme.

A number of options are now being assessed, including partnerships with a range of other service providers, including Gateway, Adult Education and Gravesham BC. At this stage the project has been rephased to reflect the delayed scheme and the profile will be subject to further amendment once details have been worked up.

At this stage we have not had to incur any additional premises costs such as the hire of temporary buildings or any other significant revenue costs associated with the slippage of the project. We are keeping the main library building open and have simply closed off the upper floors of the annexe building, which was used as staff accommodation and storage and was not used by the public.

Information & Library Campus, Gravesend

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	3	1,539	958			2,500
Forecast	3	100	1,400	997		2,500
Variance	-	-1,439	442	997	-	-
FUNDING						
Budget:						
prudential	3	1,539	958			2,500
						-
TOTAL	3	1,539	958	-	-	2,500
Forecast:						
prudential	3	100	1,400	997		2,500
						-
TOTAL	3	100	1,400	997	-	2,500
Variance	**-**	**-1,439**	**442**	**997**	**-**	**-**

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

- Village Halls and Community Centre Capital Grants – an under spend of £300k rolled forward from previous years, of which £200k will be vired to Herne Bay Youth Centre project and £100k vired to the Petra Barge project.
- Adult Education, Canterbury High School – additional £15k adding to the overall overspend being discussed with the school. This expenditure could be covered from developer contributions if it is not recovered from the school.
- Big Lottery Fund – PE and Sport – The overall programme is coming to an end next year. It has been possible to add a further project at Tenterden Junior School as a result of BLF agreement to switch unspent monies elsewhere as a result of unexpected developer contributions. There is a net reduction in spend against the approved budget overall of £443k with £502k in 2007-8 (and slippage of £59k into 2008-9) as a consequence of expenditure being met from existing school and DDA budgets. There are no net resources available through this process, as it is in effect a duplication of resources reflected in the budget.
- Green Spaces – This lottery funded programme is complete and the unspent grant (£16k) will be returned.
- Spaces for Sport and the Arts - This lottery funded programme is complete and the unspent grant (£43k) will be returned.
- Herne Bay Youth Centre – the overall project cost is now expected to be £915k, however, £200k relates to the Children's Centre which is included in the CFE b100udget and so £715k is forecast within Communities against a budget of £805k. The funding package has also changed from the original budget with less Youth Capital grant and lower development contributions being available. Consequently, this reduced funding by £330k, but an additional £200k will be vired from Village Halls grants and £40k Members Grants have been promised. The expenditure in 2007-8 will be reduced by £400k with £310k re-phasing into 2008-09.
- Mortuaries Refurbishment – The original plan included contributions to works at Ashford and Maidstone hospitals. Whilst those at Ashford have proceeded, it was not possible to secure refurbished facilities at Maidstone and consequently new plans have been agreed with Medway Maritime Hospital but with a saving of £86k. It is proposed that this saving be used to help fund the cost of refurbishment at the Earlscliffe centre for the Registration Service (see below) and a virement will be requested. This project is funded by prudential borrowing.
- Community Facility Edenbridge – Planning approval is now being sought for the whole site, with the community centre expected to cost approximately £2m, £180k of which is planned from Kent Adult Social Services. There are a number of other partners including the Baptist

Church necessary to secure the planning approval and as a consequence the size of the community building has had to increase and this is reflected in a rise in the cost from £1.6m. This additional cost of £220k will be met from the capital receipt.

- The Hub Southborough – This project remains in the initial planning stage. It is intended to dispose of the library and Ridgewaye Centre in order to realise a net £700k capital receipt. However, in order to support the Tunbridge Wells library project (see below) it is proposed that £200k of the capital receipt available is vired from this project. This would be accomplished through a lower specification/less space etc and a reduction in the revised project budget of £0.2m to £3.05m.
- Ashford Library Learning & Information Centre – Options for this project are being finalised and will be brought forward as soon as possible. In the meantime the cost plan and funding package reflecting in the capital budget includes gross capital receipts and these have been reduced by £104k to take account of disposal costs.
- Tunbridge Wells Library – In order to support and strengthen a new HLF lottery bid jointly with TWBC in March 2008 it is intended to increase the KCC share of the project from £600k to £800k out of a total cost of £3.6m. This would be funded from viring £200k capital receipts from the Southborough Hub project (see above).
- Dover Discovery Centre Car Park – These plans have become extremely complex and have been overtaken by the emerging regeneration programme for the Western Docks and town centre and may come forward later as part of a comprehensive programme of works. The £200k scheme and the directorate funded prudential borrowing has been abandoned.
- Earlscliffe Centre – plans to refurbish this building for the Registration Service are advancing, in order to provide continuity of service pending their move into the new Ashford Library in 2010. It will be vacated by Adult Education by Christmas and the works are likely to cost at least £86k, which could be accommodated by the saving on the mortuaries refurbishment – a virement will be requested.

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

1.2.6 **General Overview of capital programme**:

(a) Risks

- Adult Education at Canterbury High School – we may need to make provision for a part of any potential overspend on this project (a) if the school will not contribute the additional £160k spent last year on the project, and/or (b) if there is an over spend attributable to the adult education facility.
- Edenbridge – if the planning approval is not forthcoming this project cannot proceed. If the costs of the facility are higher than expected they will have to be met from the capital receipt. However, it is possible the capital receipt may be insufficient, particularly as £1m has been agreed to meet CFE costs in which case we will have to make provision for any overspend.

(b) Details of action being taken to alleviate risks

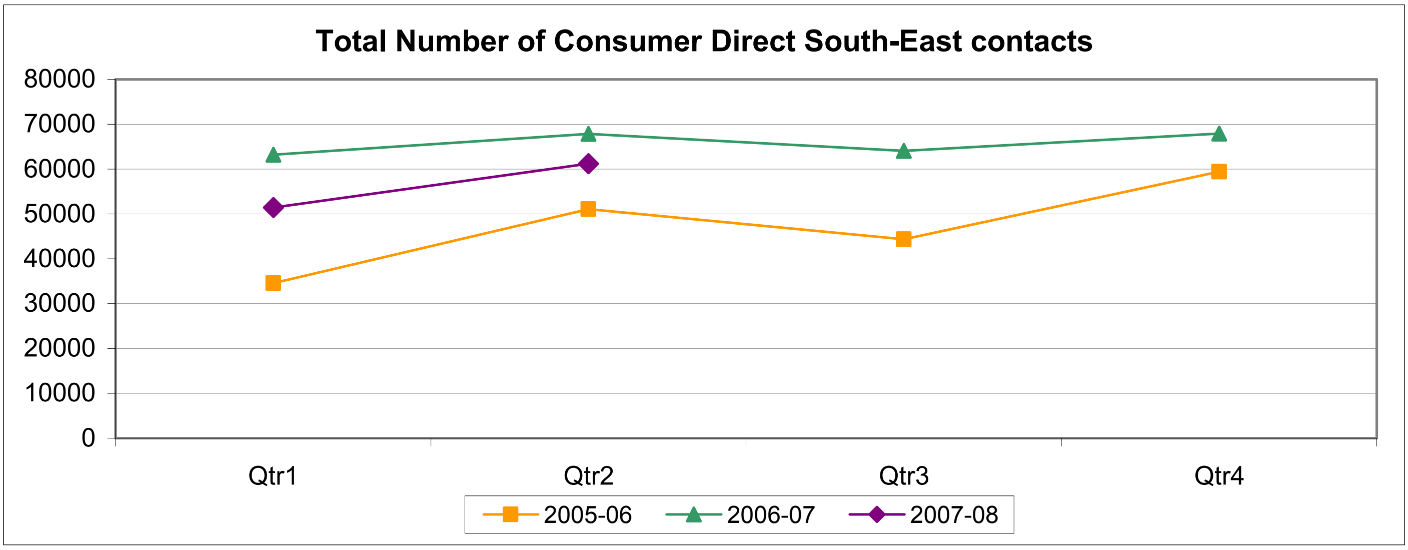
- Adult Education at Canterbury High School – the school are taking legal action against their professional advisors to reduce the overspend and further detailed work is in hand to identify how the additional costs should, if appropriate, be shared between the school and AE.
- Edenbridge – the proposals are being developed in close co-operation with Sevenoaks planners, planning advisors and property valuers.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

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

	2005-06	*2006-07*	2007-08				
			Qtr1	Qtr2	Qtr3	Qtr4	*TOTAL*
	Total for the year	*Total for the year*	01/04/07 to 30/06/07	01/07/07 to 30/09/07	01/10/07 to 31/12/07	01/01/08 to 31/03/08	*Total for the year*
Bracknell Forest	*715*	*330*	209	271			
Brighton & Hove	*7,116*	*5,834*	987	899			
Buckinghamshire	*9,006*	*4,012*	614	708			
East Sussex	*9,717*	*9,893*	1,843	2,047			
Hampshire	*19,105*	*12,520*	2,237	2,167			
Isle of Wight	*2,129*	*2,106*	346	446			
Kent	*29,074*	*21,500*	3,571	4,028			
Medway	*1,671*	*1,249*	267	358			
Milton Keynes	*1,037*	*671*	85	91			
Oxfordshire			**No immediate plans to switch**				
Portsmouth	*5,524*	*4,332*	571	547			
Reading	*2,582*	*2,952*	534	564			
Royal Borough of Windsor & Maidenhead *2	*809*		**Callers to RBWM are asked to redial CDSE direct**				
Slough	*1,826*	*1,717*	346	380			
Southampton	*4,680*	*3,780*	24	374			
Surrey	*21,660*	*19,278*	2,846	3,480			
West Berkshire	*1,503*	*1,831*	278	261			
West Sussex *3		*2,334*	1,441	1,257			
Wokingham	*758*	*648*	176	170			
Main English Landline *1	*60,248*	*127,064*	26,852	33,479			
Main English Mobile *1	*7,712*	*25,073*	5,398	6,677			
Calls handled for other regions	*2,532*	*6,373*	407	63			
Call-backs handled for other regions		*1,017*	0	407			
E-Mails		*8,546*	2,405	2,496			
2007-08 TOTAL			**51,437**	**61,170**			
2006-07 TOTAL by Qtr		***263,060***	***63,185***	***67,865***	***64,080***	***67,930***	
2005-06 TOTAL by Qtr	***189,404***		***34,616***	***51,015***	***44,334***	***59,439***	

*1 – These are calls received directly on the 0845 number which, although known to be from one of the local authorities in the CDSE area, cannot be identified by individual local authority.
*2 – since 01/01/06 callers to RBWM Trading Standards are asked to redial CDSE direct
*3 – since January 2007, West Sussex calls and e-mails have been diverted to CDSE.



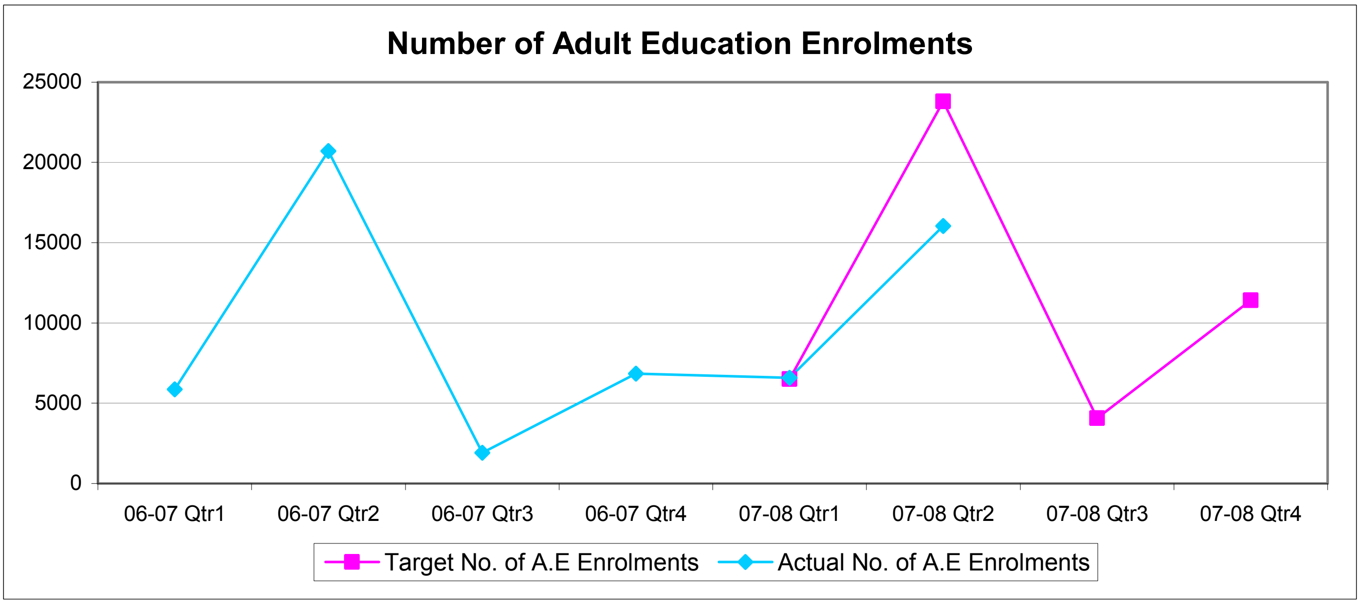
Comments

- Consumer Direct South East is funded according to the number of calls it receives. When it was established a reserve of £172k was established to cover trading deficits. Should call volumes not increase for the remainder of the year it is estimated the service will need to draw down £55k from the reserve as a result of lower than anticipated call volumes.

2.2 **Number of Adult Education Enrolments**:

	Financial Year		
	2006-07	**2007-08**	
	A.E Enrolments	Target	A.E Enrolments
April – June	5,849	6,501	6,567
July – Sept	20,713	23,803	16,052
Oct – Dec	1,925	4,071	
Jan - March	6,829	11,416	
TOTAL	**35,316**	**45,791**	**22,619**

In previous years we have shown he number of Adult Education learners. This year we have revised the data to show the number of enrolments as this gives a better picture, as some learners enrol on more than one course. Enrolments is better indicator of income levels than student numbers as both LSC Further Education (FE) formula grants and tuition fees are based on enrolments.



Comments:

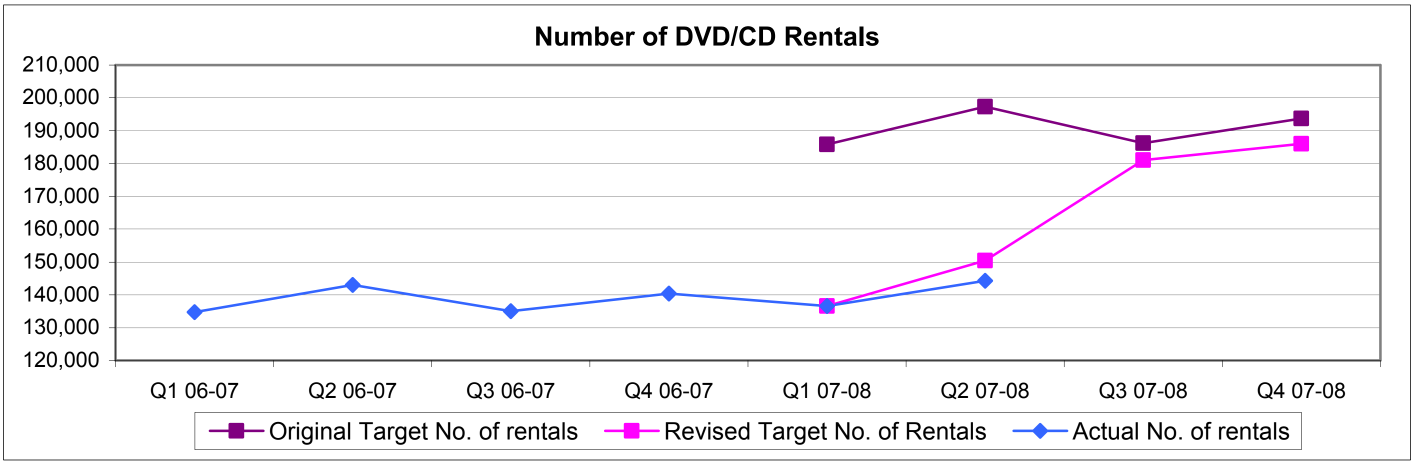
- The LSC formula grants depend partly on enrolments to courses. Students taking courses leading to a qualification are funded via Further Education (FE) grant based upon the course type and qualification. However, students taking non-vocational courses not leading to a formal qualification are funded via a block allocation not related to enrolments, referred to as Adult and Community Learning Grant (ACL) grant. Student enrolments are gathered via a census at three points during the academic year.

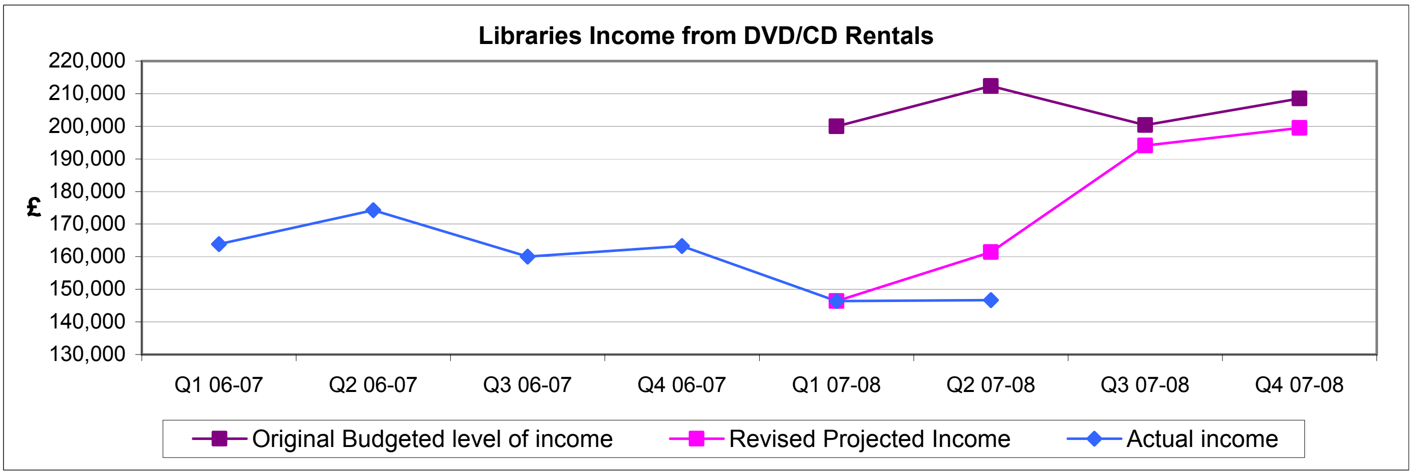
  Students pay a fee to contribute towards costs of tuition and examinations. There is a concession on ACL tuition fees for those aged under 19, those in receipt of benefits and those over 60. FE courses are free for those aged under 19 or in receipt of benefits undertaking Basic Skills or Skills for Life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

  The AE service has reduced expenditure on course provision as a result of lower than anticipated enrolments, however there remains a residual pressure on the AE budget which is largely as a result of a reduction in tuition fee income due to the reduced enrolments.

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

	2006-07		2007-08					
	No of rentals	Income (£)	No of rentals			Income (£)		
	actual	actual	Budgeted target	revised target	actual	budget	revised projected income	actual
April – June	134,736	163,872	185,800	136,556	136,566	200,000	146,437	146,437
July – Sept	143,023	174,247	197,300	150,500	144,331	212,300	161,390	146,690
Oct – Dec	135,010	160,027	186,200	181,000		200,400	194,096	
Jan – March	140,419	163,269	193,700	186,000		208,500	199,458	
TOTAL	**553,188**	**661,415**	**763,000**	**654,056**	**303,516**	**821,200**	**701,381**	**293,127**





Comments:

- Target figures for 2006/07 have not been shown as this data was not presented in monitoring reports last year
- Rentals of videos and CDs continue to decline as videos become more obsolete and alternative sources for music become more widely available. Demand for spoken word materials and DVDs has remained.
- Research undertaken by the service indicates issues can be increased if loans are offered for longer periods at a reduced fee. The service has also identified that it has a niche market for certain genres where demand can be sustained and there is little competition e.g. old TV shows.
- The service has reviewed its marketing strategy and set more realistic levels of rentals both in terms of volume and value. The service has reduced expenditure on consumables and other non-pay headings to offset the estimated loss of £120k income.
- There has been an increase in the rentals in quarter 2 but the income has not increased due to the reduced cost of rentals, as detailed in section 1.1.3.5 of this annex. It is expected that rentals will increase further in quarters 3 & 4 as a result of the reduced rental cost and increased loan periods.

CHIEF EXECUTIVES DIRECTORATE SUMMARY
OCTOBER 2007-08 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered “technical adjustments” ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the last full monitoring report to reflect a number of technical adjustments to budget.

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	
OR&S (CFE)	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Kent Works	**825**	**-825**	**0**	**101**	**149**	**250**	Higher costs & lower income than expected
Regeneration & Supporting Independence							
Supporting Independence	**604**	**0**	**604**	**0**	**0**	**0**	
Public Health portfolio							
Kent Department of Public Health	**312**	**0**	**312**	**-50**	**0**	**-50**	R/fwd to support promotion activities in 2008-09
Corporate Support portfolio							
Personnel & Development	10,065	-3,945	6,120	425	-500	-75	Delayed start to Health Checks
Business Solutions & Policy (inc Information Systems)	21,657	-5,782	15,875	1,858	-1,858	0	
Democratic Services	4,101	-93	4,008	38	-38	0	
Legal	4,546	-4,853	-307	950	-950	0	
Corporate Management & Strategic Development	2,851	-250	2,601	-112	42	-70	Delays on Gateways construction\opening.
Dedicated Schools Grant	0	-2,789	-2,789	0	0	0	
Total CS&H	**43,220**	**-17,712**	**25,508**	**3,159**	**-3,304**	**-145**	
Policy & Performance portfolio							
Policy & Performance	1,236	-209	1,027	187	-187	0	
Kent Partnerships	368	0	368	177	-177	0	
International Affairs Group	375	-77	298	72	-72	0	
Corporate Communications	1,506	-92	1,414	5	-5	0	
Total P&P	**3,485**	**-378**	**3,107**	**441**	**-441**	**0**	
Finance Portfolio							
Srategic Management	1,619	-110	1,509	80	-80	0	
Finance Group	8,390	-3,320	5,070	265	-265	0	
Property Group	16,612	-10,108	6,504	228	-228	0	
Total Finance	**26,621**	**-13,538**	**13,083**	**573**	**-573**	**0**	
Total Directorate Controllable	**75,067**	**-32,453**	**42,614**	**4,224**	**-4,169**	**55**	

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:

O,R&S (CFE) - Despite efforts to reduce costs and increase income to achieve a sustainable position the Kent Works operation is having to report a potential overspend of £250k this year. Any reduction to costs must consider the Operation's obligations under the contract with the Learning and Skills Council and actual income for services provided to schools is still forecast to be significantly short of that originally planned.

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
OR&S (CFE)	Kent Works - higher costs & reduced income	+250			
		+250			-0

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

N/A

1.1.5 **Implications for MTFP**:

OR&S (CFE) - A review of the Kent Works operation is currently in progress, the outcomes of which will determine any implications for the MTFP.

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

Public Health Portfolio: -£50k will need to be re-phased into 2008/09 to help fund the continued support and promotional activity within the Kent Department of Public Health to successfully promote healthy living for Kent's residents.

Corporate Support Portfolio:

Personnel: -£75k will need to be re-phased into 2008/09 as there was a delayed start to the Health Checks programme resulting in part-year costs in 2007/08 and 2008/09.

Strategic Development: -£70k will need to be re-phased into 2008/09 as the construction of the Maidstone Gateway project has been delayed, therefore delaying it's opening until 2008/2009.

Excluded from the forecast position is the Home Computing Initiative which, due to the accounting treatment, will require a scheduled overspend of £255k to roll forward into 2008/09 to be met from staff salary deductions.

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

With the underspends reported in 1.1.6 being proposed as roll-forwards there is a residual variance, relating to Kent Works, of +£250k. The review of the Kent Works operation, agreed by the 14-24 Innovation Board, includes addressing this year's overspend, evaluation of quality and provision and recommending short and medium term actions to deliver the LSC contract and services to schools. The review will be completed by the end of December but at the moment no additional management action has been identified.

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.

Cash limits have been adjusted since the last full monitoring report to reflect:

	2007-08 £000s
<u>Policy & Performance portfolio:</u>	
▪ Virement of Small Community Capital Grant budget to the Communities portfolio in respect of Herne Bay Youth & Community Centre	-5

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

	Prev Yrs Exp £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	Future Yrs £000s	TOTAL £000s
Corporate Support Portfolio						
Revised Budget per Sept Cabinet	2,680	3,995	4,757	1,239	497	13,168
Additions:						
-						0
Revised Budget	2,680	3,995	4,757	1,239	497	13,168
Variance		-669	-344	900	13	-100
split:						
- real variance		-100	0	0	0	-100
- re-phasing		-569	-344	+900	+13	0
Policy & Performance Portfolio						
Revised Budget per Sept Cabinet		506	500			1,006
Adjustments:						
- virement of SCCG budget		-5				-5
-						0
Revised Budget	0	501	500	0	0	1,001
Variance		0	0	0	0	0
split:						
- real variance		0	0	0	0	0
- re-phasing		0	0	0	0	0
Finance Portfolio						
Revised Budget per Sept Cabinet	1,103	6,527	4,344	4,079	9,185	25,238
Additions:						
-						0
Revised Budget	1,103	6,527	4,344	4,079	9,185	25,238
Variance		-1,413	+40	0	0	-1,373
split:						
- real variance		-1,373	0	0	0	-1,373
- re-phasing		-40	+40	0	0	0
Directorate Total						
Revised Budget	3,783	11,023	9,601	5,318	9,682	39,407
Variance	0	-2,082	-304	900	13	-1,473

Real Variance		**-1,473**	**0**	**0**	**0**	**-1,473**
Re-phasing		**-609**	**-304**	**+900**	**+13**	**0**

1.2.3 **Main Reasons for Variance**

Table 4 below, details all forecast capital variances over £250k in 2007-08 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 initial planning 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 initial planning 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	Initial Planning Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
			+0	**+0**	**+0**	**+0**
Underspends/Projects behind schedule						
FIN	Commercial Services Vehicles, Plant & Equipment	Real	-1,373			
CS	Gateways	Phasing			-336	
			-1,373	**0**	**-336**	**0**
			-1,373	**0**	**-336**	**0**

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

N/A

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

Corporate Support Portfolio

There is an underspend of £100k on Kent TV Pilot station, which will result in £100k less prudential borrowing.

Finance Portfolio

An underspend of -£1,373k on Commercial Services Vehicle, Plant & Equipment replacement is largely due to continuing the trend adopted last year of leasing vehicles rather than purchasing outright. This will be matched by a reduced contribution to their Renewals Fund.

1.2.6 **General Overview of capital programme**:

(a) Risks

N/A

(b) Details of action being taken to alleviate risks

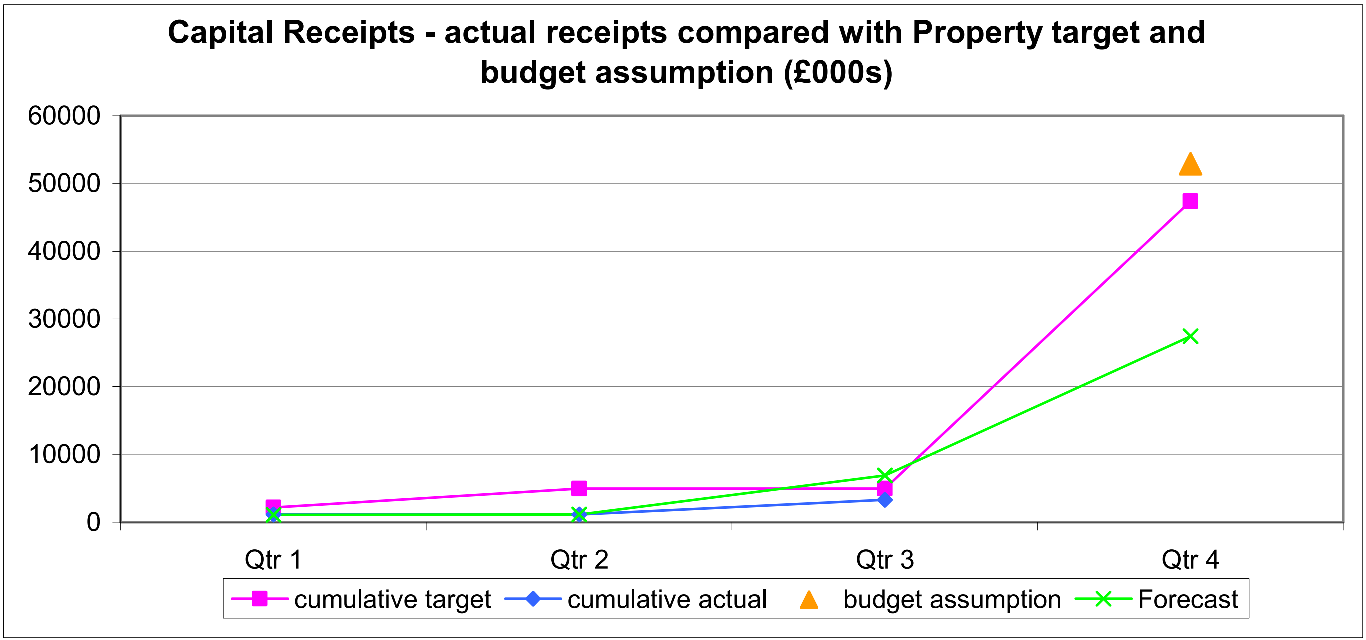
N/A

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Capital Receipts – actual receipts compared to budget profile:

	2007-08			
	Budget funding assumption £000s	Cumulative Target profile £000s	Cumulative Actual receipts £000s	Forecast receipts £000s
April - June		2,150	1,148	1,072
July - September		4,929	1,148	1,148
October - December		4,929	**3,288	6,866
January - March		47,359		27,450
TOTAL	***52,958**	**47,359**	**3,288**	**27,450**

** figure updated from 2007-08 budget assumption to reflect roll forward from 2006-07*
***actuals to 31 October 2007*



Comments:

- The gap shown in the graph between the budget assumption and the Property target is due to a timing issue. The capital receipts need to be looked at over the three year span of the Medium Term Plan (MTP), in conjunction with the funding assumption, as shown in the table below. The current forecast for capital receipts over the 2007-10 MTFP now shows a potential deficit of £1.107m. This is being reviewed as part of the 2008-11 MTFP process to ensure that we set a balanced capital programme.
- The table below shows a deficit of £21.518m of capital receipts against a cash limit of £52.958m of projects funded by capital receipts in the current year. However, table 5 of section 4.3.3 of the executive summary identifies that £30.732m of the -£91.159m current variance against the overall capital budget for 2007/08 relates to capital receipt funded projects. Therefore, despite a delay in the timing of realising these receipts, the capital spend has also re-phased and we are currently expecting to have sufficient capital receipts to fund current forecast spend.
- If a reasonable level of capital receipts is not achieved this financial year there is also a risk that the 5% top slice on those actually achieved will be insufficient to meet the capitalised revenue costs of Property Group's disposal activity, creating a pressure upon Property Group's revenue budget.
- With the high percentage of the current year's receipts forecast to be delivered in the final quarter, there is an obvious risk that the actual receipts banked by 31 March 2008 are lower than projected.

	2007-08 £'000	**2008-09** £'000	**2009-10** £'000	**Total** £'000

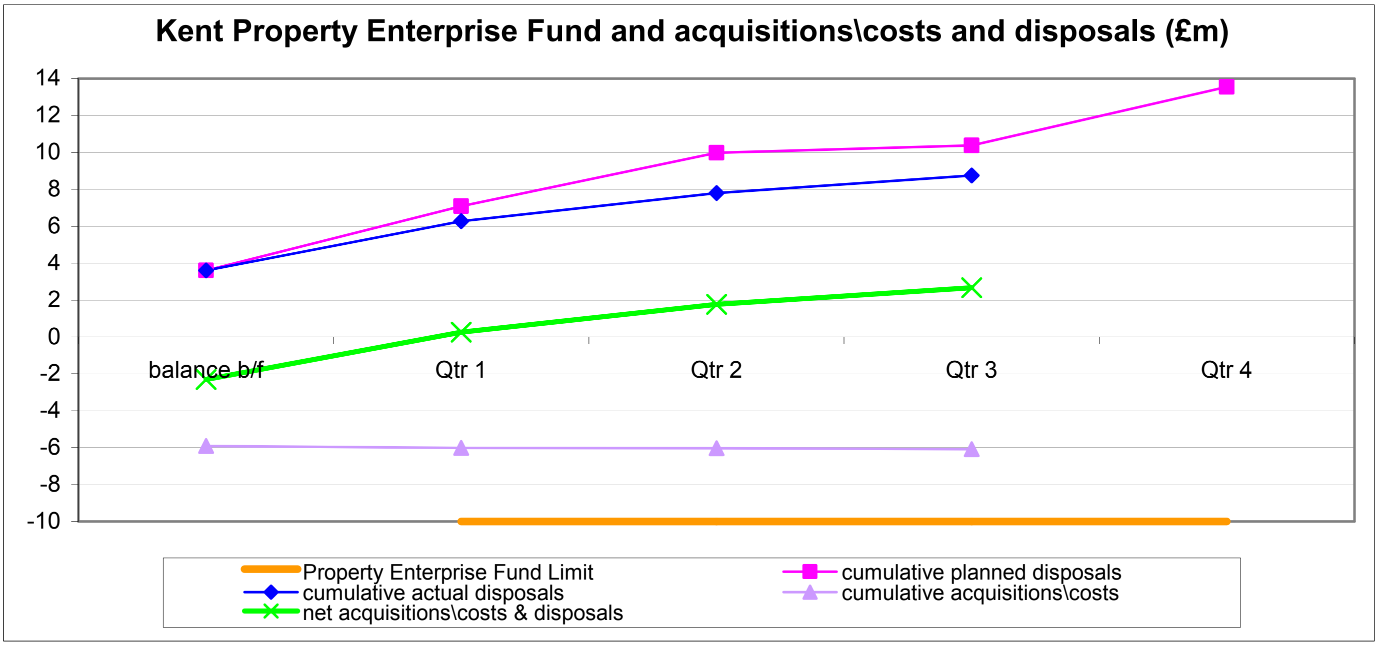
Capital receipt funding per 2007-10 MTP Capital receipt roll forward changes	47,973 4,985	71,943 -9,110	50,424 113	170,340 -4,012
	52,958	**62,833**	**50,537**	**166,328**
Property Group's forecast receipts	27,450	60,675	22,800	110,925
Receipts banked in previous years for use	2,208	256		2,464
Receipt funding from other sources	1,782	1,500	4,500	7,782
Potential Surplus\Deficit (-) Receipts	**-21,518**	**-402**	**-23,237**	**-45,157**
Sites identified by Directorates for Property to work up for disposal*				**44,050**
Overall Potential Deficit				**-1,107**

* Timescale for delivery uncertain until worked up by Property Group

2.2 Capital Receipts – Kent Property Enterprise Fund:

	Kent Property Enterprise Fund Limit £m	Cumulative Planned Disposals (+) £m	Cumulative Actual Disposals (+) £m	Cumulative Actual Acquisitions\Costs (-) £m	Cumulative Net Acquisitions\Costs (-) & Disposals (+) £m
Balance b/f		3.606	3.606	-5.918	-2.312
April - June	*-10*	7.088	6.280	-6.013	0.267
July – September	*-10*	9.973	7.798	-6.040	1.758
October – December *	*-10*	10.371	8.749	-6.084	2.665
January – March	*-10*	13.555			

** reflects position to the end of October*



Comments:

- County Council approved the establishment of the Property Group Enterprise Fund, with a maximum permitted deficit of £10m, but self-financing over a period of 10 years. The cost of any temporary borrowing will be charged to the Fund to reflect the opportunity cost of the investment. The aim of this Fund is to maximise the value of the Council's land and property portfolio through:
  - the investment of capital receipts from the disposal of non operational property into assets with higher growth potential, and
  - the strategic acquisition of land and property to add value to the Council's portfolio, aid the achievement of economic and regeneration objectives and the generation of income to supplement the Council's resources.

  Any temporary deficit will be offset as disposal income from assets is realised. It is anticipated that the Fund will be in surplus at the end of the 10 year period.

Balance brought forward

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.

The balances brought forward have been amended to account for receipts that have subsequently been confirmed as non-earmarked (disposals increased by £0.433m and costs increased by £0.030m).

Planned Disposals

At the start of 2007-08 Property Group identified £9.949m worth of potential non-earmarked receipts to be realised this financial year.

Disposals to date this year have been encouraging but there are signs that the market is hardening affecting the ability to achieve the original target. A recent review of the receipts currently being worked up for disposal has determined a revised working target of c.**£7.75m**.

Actual Disposals

As at the end of October 2007 the Fund had realised £5.143m of capital receipts this financial year through the sale of 40 non-operational properties.

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 **£0.608m**.

Other Fund Commitments

The 2007-08 revenue budget includes income of £3.3m of receipts to be generated by the Fund in the current year.

The Fund has been earmarked to provide funding of £5.4m for the Eurokent Access Road scheme in Ramsgate, Thanet, with £2.4m currently forecast for 2007-08, subject to formal decision.

Forecast Outturn

Taking all the above into consideration the Fund is expected to be in a deficit position of £0.870m by the end of this financial year.

Opening Balance	-£2.312m
Planned Receipts	£7.750m
Costs	-£0.608m
Acquisitions	-
Other Fund Commitments: - revenue budget support - Eurokent Access Road	 -£3.300m -£2.400m
Closing Balance	**-£0.870m**

Revenue Implications

Approximately £0.075m of low value revenue receipts are currently forecast for this financial year but, with the need to fund both costs of borrowing (£0.163m) against the overdraft facility and the cost of managing properties held for disposal (£0.213m), the PEF is forecasting a £0.301m deficit on revenue which will be rolled forward to be met from future income streams.

FINANCING ITEMS SUMMARY
OCTOBER 2007-08 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered "technical adjustments" ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the last full monitoring report to reflect a number of technical adjustments to budget.

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 portfolio							
Contribution to IT Asset Maintenance Reserve	2,433		2,433			0	
PFI Grant		-683	-683			0	
Total Corporate Support	**2,433**	**-683**	**1,750**	**0**	**0**	**0**	
Finance Portfolio							
Insurance Fund	3,479		3,479			0	
County Council Elections	255		255			0	
Workforce Reduction	1,359		1,359			0	
Environment Agency Levy	331		331			0	
Joint Sea Fisheries	252		252			0	
Audit Fees & Subscriptions	800		800			0	
Interest on Cash Balances / Debt Charges	103,544	-6,297	97,247	-1,353	-456	-1,809	debt restructuring & increased base rates
Contribution from Commercial Services		-5,010	-5,010		250	250	delay in letting outdoor advertising contract
Public Consultation	100		100			0	
Provision for Kent Scheme Revision	18		18			0	
Local Priorities	682		682			0	
Local Scheme spending recommended by Local Boards	722		722			0	
Local Boards - Member Community Grants	38		38			0	
Transferred Services Pensions	22		22			0	
PRG & Capital Reserves		-2,159	-2,159			0	
Income from Kings Hill		-1,000	-1,000			0	
LABGI income		-3,200	-3,200			0	
Margate's Big Event	10		10			0	
Kent Celebration of Youth Event	5		5			0	
Total Finance	**111,617**	**-17,666**	**93,951**	**-1,353**	**-206**	**-1,559**	
Total Controllable	**114,050**	**-18,349**	**95,701**	**-1,353**	**-206**	**-1,559**	

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 Financing Costs:

Interest on Cash Balances

- There have been 2 base rate rises since the budget was set and market pessimism has made investment returns higher than originally forecast.
- Longer term callable deposits have been restructured to give an improved interest return.
- Balances have increased with the receipt of grants earlier than we had profiled at the time of setting the budget.

Debt Charges

- No new borrowing has yet been taken in 2007-08 thereby saving against interest costs.
- Restructuring of £184.9m of existing debt has made further savings against the budget.

1.1.3.2 Commercial Services:

Due to delays in letting the contract for outdoor advertising and sponsorship, we will not achieve all of the expected £500k in the current year.

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
FIN	Commercial Services - delay in letting outdoor advertising contract	+250	FIN	savings resulting from debt restructuring & higher investment income due to cash balances and increased interest rates	-1,809
		+250			-1,809

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

N/A

1.1.5 **Implications for MTFP**:

N/A

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

N/A

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

N/A

1.2 CAPITAL

N/A

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

N/A