

To: CABINET – 15 October 2012

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REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT 2012-13

1. Introduction

1.1 The first full monitoring report for 2012-13 was presented to Cabinet in September. This exception report, based on the monitoring returns for July, highlights the main movements since that report.

2. REVENUE

2.1 The current underlying net revenue position by portfolio, before and after the implementation of assumed management action, compared with the net position reported last month, is shown in **table 1** below.

Table 1: Net Revenue Position before and after Proposed Management Action

Portfolio	Gross Position £m	Proposed Management Action £m	Net Position after mgmt action £m		Movement £m
			This month	Last month	
Education, Learning & Skills	-0.162	-	-0.162	-	-0.162
Specialist Children's Services	+5.453	-	+5.453	+5.295	+0.158
Adult Social Care & Public Health	-2.805	-	-2.805	-3.474	+0.669
Environment, Highways & Waste	-2.603	-	-2.603	-2.228	-0.375
Customer & Communities	-0.556	-	-0.556	-0.462	-0.094
Regeneration & Economic Development	-	-	-	-	-
Finance & Business Support	-4.137	-	-4.137	-3.699	-0.438
Business Strategy, Performance & Health Reform	+1.050	-0.954	+0.096	+0.074	+0.022
Democracy & Partnerships	-0.146	-	-0.146	-0.074	-0.072
Total (excl Schools)	-3.906	-0.954	-4.860	-4.568	-0.292
<i>Schools (ELS portfolio)</i>	+1.902	-	+1.902	+1.902	-
TOTAL	-2.004	-0.954	-2.958	-2.666	-0.292

2.2 **Table 2** shows the forecast underlying gross position **before** the implementation of proposed management action, compared with the gross position reported last month.

Table 2: Gross Revenue Position before Management Action

Portfolio	Variance		Movement £m
	This Month £m	Last Month £m	
Education, Learning & Skills	-0.162	+0.325	-0.487
Specialist Children's Services	+5.453	+5.295	+0.158
Adult Social Care & Public Health	-2.805	-3.474	+0.669
Environment, Highways & Waste	-2.603	-2.228	-0.375
Customer & Communities	-0.556	-0.462	-0.094
Regeneration & Economic Development	-	-	-
Finance & Business Support	-4.137	-3.699	-0.438
Business Strategy, Performance & Health Reform	+1.050	+1.020	+0.030
Democracy & Partnerships	-0.146	-0.074	-0.072
Total (excl Schools)	-3.906	-3.297	-0.609
<i>Schools (ELS portfolio)</i>	+1.902	+1.902	-
TOTAL	-2.004	-1.395	-0.609

- 2.3 The gross underlying revenue position (excluding schools) is currently an underspend of £3.906m as shown in table 2 above, but this underspend is expected to increase to £4.860m by year end, after assuming the delivery of management action within the Business Strategy, Performance & Health Reform portfolio, as shown in table 1.
- 2.4 In the context of a savings requirement of £100m and on the back of delivering a £95m savings target last year, this is a very promising position at this stage of the year. The forecasts show that the vast majority of the £100m savings are on track to be delivered. The intention remains that where delivery proves to be unlikely, that equivalent savings elsewhere within the relevant portfolio will be made as appropriate. The position will be monitored very closely throughout the remainder of the financial year and every effort will be made to ensure that we remain within a balanced position.
- 2.5 Table 2 shows that there has been an increase in the underspend of -£0.609m before management action this month. The main movements, by portfolio, are detailed below:

2.6 Education, Learning & Skills portfolio:

The position for this portfolio has moved by -£0.487m since the last report from a pressure of +£0.325m to an underspend of -£0.162m, excluding schools. This is mainly due to:

- 2.6.1 -£0.200m ELS Strategic Management & Directorate Support – a reduction in the position from a pressure of +£0.037m to an underspend of -£0.163m. This is mainly due to a forecast underspend of -£0.222m on the Participation by Rights budget within the Advocacy and Entitlement Unit. This budget will not be spent in 2012-13 and will, in part, offset the pressure on the Attendance and Behaviour service due to an unachievable contract saving reported last month. There are other minor variances all below £0.100m in value.
- 2.6.2 -£0.209m Individual Learner Support – the forecast underspend on this budget line is due to early years training previously supported by the Early Years Inclusion and Equalities budget being provided elsewhere in the directorate, within existing resources.

2.7 Specialist Children's Services portfolio:

The pressure on this portfolio has increased by £0.158m this month from +£5.295m to +£5.453m. This is due to:

- 2.7.1 +£0.080m Fostering – an increase in the pressure from +£3.235m to +£3.315m, which is due to an increase in Independent Fostering (IFA) placements, resulting in further pressure of £0.150m, along with a small decrease in In-house fostering placements of -£0.070m.
- 2.7.2 +£0.378m Preventative Children's Services – a reduction in the underspend from -£0.950m to -£0.572m due to:
- +£0.510m forecast pressure on direct payments. This forecast is based on year to date spend. Further work is being undertaken to validate this position and an update will be provided in the quarter 2 report.
 - +£0.188m forecast pressure due to a shortfall of income from Health regarding the MASH (Multi Agency Specialist Hubs) buildings lease. This shortfall is being pursued with Health.
 - -£0.320m forecast underspend on short breaks for disabled children. Once again this forecast has been based on spend to date and further work is being undertaken to validate this position in time for the quarter 2 report.
- 2.7.3 -£0.300m Early Years & Childcare – an underspend of -£0.300m is forecast for the Early Years, Children's Centre Development Team from the release of uncommitted budget to offset pressures elsewhere within Specialist Children's Services.

2.8 Adult Social Care & Public Health portfolio:

The forecast underspend on this portfolio has reduced by £0.669m this month from -£3.474m to -£2.805m. The movements over £0.1m this month are:

- 2.8.1 +£0.176m Learning Disability Direct Payments – a reduction in the underspend from -£1.373m to -£1.197m, reflecting a reduction in the gross underspend of +£0.185k due to a net increase of 44 clients and minor increases in one-off direct payments, partially offset by a minor increase in income expected of -£0.009m.
- 2.8.2 +£0.113m Older People Direct Payments – a reduction in the underspend from -£1.014m to -£0.901m resulting from a small increase in activity and a minor shortfall in income.
- 2.8.3 +£0.119m Physical Disability Domiciliary Care – an increase in the position from an underspend of -£0.101m to a small pressure of +£0.018m as a result of an increase in externally purchased domiciliary care creating an additional pressure of +£0.160m. This is slightly offset by minor movements on other domiciliary services and an increase in income, totalling -£0.041m.
- 2.8.4 +£0.762m Learning Disability Residential Care – a reduction in the underspend from -£0.928m to -£0.166m representing an increase in gross costs of +£1.128m partially offset by -£0.366m increase in income contributions. A net increase of 10 clients, in addition to changes to services for existing clients, have increased gross costs by +£0.344m, along with the reclassification of costs from Supported Accommodation to Residential Care associated with a block contract, totalling +£0.709m (a similar reduction is shown within Supported Accommodation in section 2.8.6 below). The remainder of the increase in gross cost of +£0.075m relates to minor increases in both residential care preserved rights budgets and in-house services.
- 2.8.5 +£0.103m Older People Residential Care – an increase in the pressure from +£0.825m to +£0.928m resulting from an increase in gross costs associated with the in-house residential care services, totalling +£0.622m, mainly due to a review of forecast staffing commitments, partially offset by -£0.444m expected PCT contributions to help fund additional costs and -£0.008m other contributions. The balance of -£0.067m relates to an increase in expected contributions for those clients in receipt of externally purchased residential care.

Indications suggest that the forecast activity for both externally purchased residential care and nursing care is increasing, however this goes against the trend that we would expect and therefore an increased pressure is not being reported at this point in time, whilst we await the outcome of an exercise being undertaken to provide further clarity on this current activity profile. The results of this will be presented in the next monitoring report to Cabinet in December.

- 2.8.6 -£0.420m Learning Disability Supported Accommodation – a reduction in the pressure from +£2.289m to +£1.869m as a result of the reclassification of costs from Supported Accommodation to Residential Care associated with a block contract, as reported in section 2.8.4 above, totalling -£0.709m. This is partially offset by a net increase of ten clients, along with the effect of changes to services for existing clients, contributing a +£0.348m pressure. Minor changes to the position for both group homes and additional client contributions account for the balance of -£0.059m.
- 2.8.7 -£0.177m Other Adult Services – an increase in the underspend from -£0.081m to -£0.258m, which is mainly due to a forecast underspend of -£0.110m for Telehealth and Telecare services and minor changes to other services including increased client contributions for the meals service, totalling -£0.067m.

2.9 Environment, Highways & Waste portfolio:

The underspend for this portfolio has increased by £0.375m this month from -£2.228m to -£2.603m. The main movements are:

- 2.9.1 Planning Applications:
Although there is no net movement on this budget, there is a movement on gross of -£0.128m which primarily results from staffing vacancies which are being held to offset an under-recovery in income of +£0.128m, which largely relates to reduced income from planning applications.

2.9.2 Waste Management:

Although the overall forecast net underspend has increased by -£0.341m from -£1.888m to -£2.229m, the overall forecast tonnage remains at 715,000. There have however been a number of changes to the forecast which are detailed below:

- (a) +£0.374m Recycling Contracts and Composting - an increase in the net position from a -£0.211m underspend to a pressure of +£0.163m. This is made up of various movements in both volume (+£0.183m) and prices (+£0.216m) across the recycling and composting contracts, together with additional income from the sale of recyclables (-£0.025m).
- (b) -£1.912m Disposal Contracts - an increase in the underspend from -£0.440m to -£2.352m as a result of reduced contractual payments due to extended planned maintenance at the Allington Waste to Energy Plant, which has resulted in less tonnage being processed at the plant than previously forecast. However, for the same reason part of this underspend has been offset by an increase in spend on Landfill Disposal Contracts due to more waste being diverted to landfill; this has also resulted in a corresponding increase in landfill tax referred to in section (d) below.
- (c) -£0.178m Haulage and Transfer Stations - an increase in the underspend from -£0.067m to -£0.245m which is due to a reduction in forecast activity.
- (d) +£1.442m Landfill Tax - an increase in the position from a -£0.241m underspend to a pressure of £1.201m. This movement relates to additional volumes of waste sent to landfill due to extended planned maintenance at the Allington Waste to Energy Plant. This pressure is offset by savings on Disposal Contracts referred to in section (b) above.
- (e) In addition, there has been a small increase of -£0.067m in the underspend on the Household Waste Recycling Centres budget, which has moved from a net underspend of -£0.579m to -£0.646m.

2.10 **Customer & Communities portfolio:**

The underspend for this portfolio has increased by £0.094m this month from -£0.462m to -£0.556m. This is due to:

- 2.10.1 -£0.171m Supporting Independence & Supported Employment – There is a forecast underspend of -£0.232m against staffing within Kent Supported Employment (KSE). Also within KSE there is a forecast income shortfall of +£0.061m relating to the Department for Work & Pensions funded Work Programme. Referrals are below the anticipated demand and in consequence a reduction in income follows.
- 2.10.2 There have also been a number of smaller movements, all below £0.1m, across other units which total +£0.077m.

2.11 **Finance & Business Support portfolio:**

The forecast underspend for this portfolio has increased by £0.438m this month from -£3.699m to £4.137m. This is mainly due to:

- -£0.488m as a result of further underspending on the net debt charges budget largely due to no new borrowing being taken so far this year and another month of relatively high cash balances.

2.12 **Democracy & Partnerships portfolio:**

The underspend for this portfolio has increased by -£0.072m this month to -£0.146m. There are no movements over £0.1m included within this.

3. CAPITAL

OVERALL MONITORING POSITION

3.1 The Capital Programme 2012-13 has an approved budget¹ of £621.312 m (see table 1 below). The forecast outturn against this budget is £612.572m, giving a variance of -£8.74m. This is made up of an unfunded variance of +£2.303m, re-phasing to later years of -£16.858m, funded variances of +£6.812m and project underspends of -£0.997m and (see table 3).

3.2 Table 1 – Revised approved budget

	Total	Adults Social Care & Public Health	Business Strategy, Performance & Health Reform	Customer & Communities	Education, Learning & Skills	Environment, Highways & Waste	Regeneration & Economic Development	Specialist Childrens Services
	£m	£m	£m	£m	£m	£m	£m	£m
Approved budget last reported to Cabinet	621.156	21.468	34.085	13.245	274.096	174.000	103.518	0.744
Approvals made from last Cabinet Meeting	0.156	0.000	-0.874	0.256	0.000	-0.125	0.874	0.025
Revised approved budget	621.312	21.468	33.211	13.501	274.096	173.875	104.392	0.769

3.3 Table 2 – Funded Variances

	Total	Adults Social Care & Public Health	Business Strategy, Performance & Health Reform	Customer & Communities	Education, Learning & Skills	Environment, Highways & Waste	Regeneration & Economic Development	Specialist Childrens Services	Reason for cash limit change
Scheme	£m	£m	£m	£m	£m	£m	£m	£m	
Cabinet to agree cash limit changes:									
Public Rights of Way				0.050					Additional developer contributions
No cash limit changes to be made:									
Minor over and underspends on various schemes *1		0.125							
Non TSG Land, Compensation Claims & Blight						0.195			
Energy & Water Investment Fund						0.286			

¹ Approved budget is last reported budget to Cabinet plus any delegated approvals of changes i.e. virements, since last reported to Cabinet.

Member Highway Fund						-0.018			
A2 Cyclopark						0.018			
Victoria Way						0.033			
TOTAL	0.689	0.125	-	0.050	-	0.514	-	-	

*1 – There are a number of minor over and underspends on various projects resulting in an overall funded overspend of £0.125m. Cabinet are asked to note that it is proposed to use the underspends to offset the projects with overspends, however, cash limits will not be changed unless a virement is actioned.

3.4 Table 3 – Summary of variance

	Total	Adults Social Care & Public Health	Business Strategy, Performance & Health Reform	Customer & Communities	Education, Learning & Skills	Environment, Highways & Waste	Regeneration & Economic Development	Specialist Childrens Services
	£m	£m	£m	£m	£m	£m	£m	£m
Unfunded variance	2.303					1.203		1.100
Funded variance (from table 2)	0.689	0.125		0.050		0.514		
Variance to be funded from revenue	6.123			0.063		6.000		0.060
Project Underspend	-0.997		-0.700			-0.013	-0.284	
Rephasing (to 2014-15)	-16.858	-1.418				-4.130	-11.310	
Total variance	-8.740	-1.293	-0.700	0.113	0.000	3.574	-11.594	1.160

3.5 Movements in Variance

3.5.1 Movements in unfunded variance

The unfunded variance totals £2.303m which is a movement of -£0.773m against previously reported unfunded variance. The movement is on the MASH project within the **Specialist Childrens Services Portfolio**. The previous monitoring report included in error a £0.718m overspend that related to spend in 2011-12. The latest forecast identifies a true reflection of the current year's spend, with a minor movement of £0.055m from last month.

There have been no other changes in unfunded variances in any other portfolio since the previous report to Cabinet on 17th September.

3.5.2 Movements in re-phasing

Re-phasing beyond the 2012-15 period has increased by £1.61m since the last report and now totals -£16.858m. The reasons for this are as follows:

Regeneration & Economic Development Portfolio – -£1.6m re-phasing on **Margate Housing** project. The financial model for the project has been updated to reflect the acquisition and re-development/refurbishment strategy that has been recently developed. As a result the projected profile of spend within the capital programme has been re-phased in line with the financial model.

Environment, Highways & Waste Portfolio:

- **Sandwich Sea Defences** – re-phasing beyond 2012-15 of -£1.016m. The schedule of planned contributions from KCC now reflects the anticipated progression of the scheme, giving more realistic phasing.
- **Sittingbourne Northern Relief Road** – further re-phasing of -£0.462m. Although the scheme itself is complete, the revised phasing gives a more accurate estimate of the final costs which include landscaping, signage, traffic calming and compensation claims.
- **East Kent Access Phase 2** – re-phasing back into 2012-15 of +£0.368m. This reflects a more realistic view of settling compensation claims within the 6 year statutory period.
- **Growth Without Gridlock** – re-phasing beyond 2012-15 of -£2.500m to better reflect the plans for this money.
- **A28 Chart Road** – re-phasing into 2012-15 of +£3.600m. The plan is to deliver this scheme in phases as funding becomes available. The initial phase has funding approval in principle from the Growing Places fund, and is unlikely to require planning consent. The revised forecast spend reflects this.

There have been no other movements in re-phasing in any other portfolio since the previous report to Cabinet on 17th September.

3.5.3 Other movements

Regeneration & Economic Development Portfolio - There is a forecast underspend on Euro Kent of -£0.284m. This is due to a reduction in the forecast of compensation claims which are payable under the Land Compensation Act Part 1.

3.6 Key Issues & Risks

Regeneration & Economic Development Portfolio:

- **Rural Broadband** is re-phasing within the three year period (2012-15), mainly due to further rounds of the grant schemes having been temporarily placed on hold, pending the outcome of the Kent and Medway BDUK procurement and until the DEFRA bidding rounds have concluded (to reduce the risk of displacing the draw-down of national funding). BDUK are also advising local authorities that they should consider holding a contingency for the BDUK - particularly to address any differences between budgeted tender provision and final procured costings. A view will be taken as to whether the rural community funding should be used as a contingency once the outcome of the BDUK procurement, surveys and delivery plan are known or to fund delivery to areas not currently included in the procurement.
- **East Kent Empty Property Initiative** – one of the recipients of the loans in this programme has gone into liquidation with a possible write off to be incurred of £0.050m.
- **Specialist Childrens Services Portfolio** - Of the unfunded overspend, £0.800m is potentially to be funded from the NHS. However, until this funding is confirmed there is a risk around this.

4. RECOMMENDATIONS

Cabinet is asked to:

- 4.1 **Note** the forecast revenue and capital budget monitoring position for 2012-13.
- 4.2 **Note** the changes to the capital programme.