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To: CABINET – 23 January 2013

**Subject: REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT
 2012-13**

1. Introduction

1.1 The second full monitoring report for 2012-13 was presented to Cabinet in December. This exception report, based on the monitoring returns for November, 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 last reported to Cabinet, 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 report | Last report | |
| Education, Learning & Skills | -4.157 | - | -4.157 | -3.623 | -0.534 |
| Specialist Children's Services | +5.633 | - | +5.633 | +4.983 | +0.650 |
| Specialist Children's Services - Asylum | +3.000 | - | +3.000 | +3.000 | - |
| Adult Social Care & Public Health | -1.522 | - | -1.522 | -2.697 | +1.175 |
| Environment, Highways & Waste | -0.938 | - | -0.938 | -0.774 | -0.164 |
| Customer & Communities | -0.810 | - | -0.810 | -1.147 | +0.337 |
| Regeneration & Economic Development | - | - | - | - | - |
| Finance & Business Support | -8.010 | - | -8.010 | -5.448 | -2.562 |
| Business Strategy, Performance & Health Reform | +0.414 | -0.414 | - | - | - |
| Democracy & Partnerships | -0.349 | - | -0.349 | -0.294 | -0.055 |
| Total (excl Schools) | -6.739 | -0.414 | -7.153 | -6.000 | -1.153 |
| <i>Schools (ELS portfolio)</i> | +2.286 | - | +2.286 | +2.286 | - |
| TOTAL | -4.453 | -0.414 | -4.867 | -3.714 | -1.153 |

2.2 **Table 2** shows the forecast underlying gross position **before** the implementation of proposed management action, compared with the gross position reported to Cabinet in December.

Table 2: Gross Revenue Position before Management Action

| Portfolio | Variance | | Movement £m |
|--|-------------------|-------------------|----------------|
| | This Report £m | Last Report £m | |
| Education, Learning & Skills | -4.157 | -3.623 | -0.534 |
| Specialist Children's Services | +5.633 | -4.983 | +0.650 |
| Specialist Children's Services - Asylum | +3.000 | +3.000 | - |
| Adult Social Care & Public Health | -1.522 | -2.697 | +1.175 |
| Environment, Highways & Waste | -0.938 | -0.774 | -0.164 |
| Customer & Communities | -0.810 | -1.147 | +0.337 |
| Regeneration & Economic Development | - | - | - |
| Finance & Business Support | -8.010 | -5.448 | -2.562 |
| Business Strategy, Performance & Health Reform | +0.414 | +0.848 | -0.434 |

| Portfolio | Variance | | Movement £m |
|--------------------------------|-------------------|-------------------|----------------|
| | This Report £m | Last Report £m | |
| Democracy & Partnerships | -0.349 | -0.294 | -0.055 |
| Total (excl Schools) | -6.739 | -5.152 | -1.587 |
| <i>Schools (ELS portfolio)</i> | +2.286 | +2.286 | - |
| TOTAL | -4.453 | -2.866 | -1.587 |

- 2.3 The gross underlying revenue position (excluding schools) is currently an underspend of £6.739m as shown in table 2 above, but this underspend is expected to increase to £7.153m by year end, after assuming the delivery of management action within the Business Strategy, Performance & Health Reform portfolio, as shown in table 1. However, within this position, as reported in the Quarter 2 report, is a current requirement to roll forward £1.930m of Big Society funding for the Kent Youth Employment Programme within the ELS portfolio as payments are only made to employers following completion of 6 months and 12 months in placements, so a significant amount of the budget will not be spent until 2013-14 and beyond. **The underlying 2012-13 underspending position is therefore -£5.223m after management action.** The draft 2013-14 budget proposals, released on 16 January, assume that £5m of this underspend is transferred to reserves to support next year's budget.
- 2.4 In the context of a net savings requirement of around £80m 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 these 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 retain an underspend of at least £5m, in order to support our 2013-14 draft budget proposals.
- 2.5 Table 2 shows that there has been an increase in the underspend of -£1.587m before management action since the last report. The main movements, by portfolio, are detailed below:

2.6 Education, Learning & Skills portfolio:

The underspend for this portfolio, excluding schools, has increased by -£0.534m since the last report from -£3.623m to -£4.157m. This is due to:

- 2.6.1 -£0.391m Home to College Transport – there is a gross pressure on this budget line of +£1.095m due to the implementation of the new Kent 16+ card which is covered by income from the sale of the tickets of -£1.133m. The forecast pressure is based on limited usage data from when the scheme began in September 2012 and a more accurate forecast is expected in the next full monitoring report. The historic home to college transport budget is now transporting fewer students than budgeted for, leading to a gross underspend of -£0.600m and a reduction in income for the sale of tickets of +£0.247m.
- 2.6.2 -£0.604m Mainstream Home to School Transport – as identified in the quarter 2 report, the numbers requiring transport are considerably lower than budgeted levels. The financial impact of this has now been assessed and a gross underspend of -£0.968k is now forecast. This has been reflected as a saving in the draft 2013-15 MTFP. In addition there is a corresponding reduction in post statutory charge income of +£0.364k as new 16+ students are tending to opt for the 16+ card for school transport.
- 2.6.3 +£0.461m SEN Home to School Transport – there is a forecast gross pressure on this budget as the number of children travelling is consistently higher than the budgeted number. This has been reflected as a pressure in the draft 2013-15 MTFP.

2.7.1 Specialist Children's Services portfolio:

The pressure on this portfolio (excluding Asylum) has increased by +£0.650m since the last report from +£4.983m to +£5.633m. This is due to:

- 2.7.1.1 +£0.650m Legal Charges – an increase in the pressure from +£0.285m to +£0.935m. Despite significant efforts of Specialist Children's Services (SCS) in dealing with their historic workload, this has resulted in continuing work by Legal Services and the forecast, although still lower than the costs in 2011-12, is now higher than anticipated earlier in the year. Work continues both within SCS

and Legal Services to reduce this expenditure, but it is felt at this stage that it is prudent to forecast this higher position.

2.7.2 Specialist Children's Services portfolio - Asylum:

The pressure on the Asylum budget has remained at +£3.000m, which is attributable to a forecast shortfall in the grant anticipated, compared to forecast costs.

2.8 Adult Social Care & Public Health portfolio:

The forecast underspend on this portfolio has reduced by +£1.175m from -£2.697m to -£1.522m. The movements over £0.1m since the last report are:

- 2.8.1 +£0.236m Learning Disability Direct Payments – a reduction in the underspend from -£0.701m to -£0.465m. The increase, in the main, relates to approximately 40 new direct payment users, of which some have transferred to direct payments from other services. There has also been an increase in some one-off direct payments
- 2.8.2 -£0.282m Older People Domiciliary Care – a reduction in the position from a pressure of +£0.076m to an underspend of -£0.206m. This reduction mainly relates to the transfer of clients to the Supporting Independence Service and Provider Managed Services (both included under Other Adult Services A-Z budget line – see paragraph 2.8.10 below), coupled with an overall reduction in activity.
- 2.8.3 +£0.195m Learning Disability Domiciliary Care – an increase in the pressure from +£0.413m to +£0.608m. This increase mainly relates to a reduction in assumed income, from that previously forecast, which is mainly reflecting the full impact of the changes in the non-residential charging policy, now that the full policy changes have been implemented.
- 2.8.4 +£0.735m Learning Disability Residential Care – an increase in the pressure from +£0.232m to +£0.967m which mainly relates to an additional 6 service users, of which 5 transferred from supported accommodation, and some increase to costs for existing users relating to more complex needs.
- 2.8.5 +£0.288m Older People Residential Care – a reduction in the underspend from -£0.996m to -£0.708m. £0.100m of this increase relates to the in-house residential units. The remainder of the increase mainly relates to a reduction in forecast income, which is in part due to the fact that the Quarter 2 forecast assumed that an increase in income trends over the summer months would continue throughout the year. It has however now been realised that this increase was mainly due to the clearing of some backlogs in income assessments that had built up whilst the Income Team were having to put resources into the implementation of the non-residential charging policy changes.
- 2.8.6 +£0.218m Older People Nursing Care – an increase in the pressure from +£0.834m to +£1.052m. Similar to residential care most of this increase relates to the income forecast, however there has been a slight net increase in nursing placements since September.
- 2.8.7 -£0.140m Physical Disability Residential Care – an increase in the underspend from -£0.440m to -£0.580m which relates in the main to a net reduction of 7 service users since September.
- 2.8.8 -£0.459m Learning Disability Supported Accommodation – a reduction in the position from a pressure of +£0.304m to an underspend of -£0.155m which in the main relates to those service users who transferred to residential care or have opted for direct payments (see paragraphs 2.8.4 and 2.8.1 above).
- 2.8.9 +£0.166m Learning Disability Day Care – a movement in the position from an underspend of -£0.156m to a pressure of +£0.010m. £0.110m of this increase relates to independent sector day care and reflects a more accurate forecast following reconciliation of actual expenditure against the contracts. The remainder of the increase is in relation to staffing and other associated costs of the in-house day services.
- 2.8.10 +£0.133m Other Adult Services – a reduction in the underspend from -£0.194m to -£0.061m which is mainly due to the transfer of older people clients from OP Domiciliary Care to the Supporting Independence Service and Provider Managed Services. This increase is offset by a reduction in the position on Older People Domiciliary Care (see paragraph 2.8.2 above).

2.8.11 £0.240m Assessment Services - Adult's Social Care Staffing – a reduction in the underspend from -£0.452m to -£0.212m as a number of vacant posts have been recruited to earlier than previously forecast.

2.8.12 -£0.257m FSC Strategic Management and Directorate Support Budgets – a reduction in the pressure from +£0.346m to +£0.089m which is mainly due to the management action undertaken to hold vacancies within the Operational Support unit to manage the pressure previously reported in the Quarter 2 Monitoring Report to Cabinet in December.

2.9 Environment, Highways & Waste portfolio:

The underspend for this portfolio has increased by -£0.164m since the last report from -£0.774m to -£0.938m which is mainly due to an increase of £0.131m in the underspend on the Strategic Management and Directorate Support budgets from -£0.280m to -£0.411m which is made up of many small movements each under £0.1m.

2.10 Customer & Communities portfolio:

The underspend for this portfolio has reduced by £0.337m since the last report from -£1.147m to -£0.810m. This is mainly due to:

2.10.1 -£0.071m C&C Strategic Management & Directorate Support – an increase in the underspend from -£0.039m to -£0.110m. The primary movement in this budget is within the Business Transformation unit where there has been a delay recruiting to project management roles in relation to the Troubled Families programme. This has led to a staffing underspend of -£0.046m. Other staffing underspends reconcile to the -£0.071m movement.

2.10.2 +£0.129m Youth Service – a pressure is now forecast for this budget. The inclement weather over the summer has led to a significant reduction in expected income of +£0.196m in relation to the Outdoor Education Centres. The service has partly mitigated this pressure by reducing costs where possible, albeit a large majority of costs being fixed in nature, and the net pressure amounts to +£0.129m.

(The Integrated Youth Service, which comprises the Youth Service and Youth Offending Service (a different A-Z budget line), is delivering a combined underspend of -£0.055m as the Youth Offending Service has previously reported an underspend of -£0.184m in anticipation of this income pressure).

2.10.3 +£0.095m Community Wardens – a reduction in the underspend from -£0.134m to -£0.039m which is largely due to a one-off contribution of £0.110m towards a multi-agency project aimed at establishing an Independent Domestic Violence Advocate (IDVA) fund. This has been partly offset by staffing underspends.

2.10.4 +£0.118m Registration – a reduction in the underspend from -£0.172m to -£0.054m. The quarter 2 full monitoring report referred to an unquantified emerging pressure. It can now be confirmed that these one-off costs relating to licences and software amount to +£0.200m but have been offset by additional income on licences (-£0.048m) and ceremonies (-£0.038m), as well as other minor compensating movements.

2.10.5 There have also been a number of smaller movements, all below £0.1m, across other A-Z budget lines which total +£0.066m.

2.11 Finance & Business Support portfolio:

The forecast underspend for this portfolio has increased by -£2.562m since the last report from -£5.448m to -£8.010m. This is mainly due to:

- -£1.828m representing the balance of the unallocated A-Z budget line. This budget was set aside for anticipated pressures during the year but these pressures are now fully reported within the portfolio positions included within this and previous reports e.g the £1.220m shortfall in the Commercial Services contribution reported in the quarter 2 report to Cabinet in December.
- -£0.429m as a result of further underspending on the net debt charges budget largely due to reinstatement of previously suspended counterparties and some lengthening of deposit duration

leading to an improvement in interest returns, together with an earlier than expected full repayment of an outstanding loan balance from the Probation Service and further forecast underspending against the leases budget.

- -£0.305m on various other Financing Items budgets including an anticipated underspend on the Carbon Reduction Commitment energy efficiency scheme and further underspending on local authority subscriptions.

2.12 Business Strategy, Performance & Health Reform portfolio:

The pressure on this portfolio has reduced by £0.434m since the last report from +£0.848m to +£0.414m. This is mainly due to:

- 2.12.1 -£0.093m BSS Strategic Management and Directorate Support – a reduction in the position from a pressure of +£0.006m to an underspend of -£0.087m mainly due to lower than anticipated costs of previous early retirements.
- 2.12.2 -£0.102m Property & Infrastructure – a reduction in the pressure from +£0.599m to +£0.497m reflecting the impact of management action in suppressing spend and the use of reserves following a review of commitments against residual balances, which has resulted in the release of some funds back to revenue.
- 2.12.3 -£0.117m Human Resources – a reduction in the pressure from +£0.151m to +£0.034m as a restructure within the Learning and Development team has created saving on staffing costs.
- 2.12.4 -£0.084m Information & Communication Technology – a reduction in the pressure from +£0.314m to +£0.230m following the earlier than anticipated release of some agency staff in line with management action.

2.13 Democracy & Partnerships portfolio:

The underspend for this portfolio has increased by -£0.055m since the last report from -£0.294m to -£0.349m. There are no movements over £0.1m included within this.

3. CAPITAL

OVERALL MONITORING POSITION

- 3.1 The Capital Programme 2012-15 has an approved budget¹ of £629.382m excluding schools and PFI (see table 1 below). The forecast outturn against this budget is £610.899m, giving a variance of -£18.483m. After adjustments for funded variances and reductions in funding, the revised variance comes to -£29.749m. This is made up of an unfunded variance of +£1.227m, project underspends of -£1.460m and rephasing to later years of -£29.516m (see table 3).

3.2 Table 1 – Revised approved budget

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

| | Total | Adults Social Care & Public Health | Business Strategy, Performance & Health Reform | Customers & 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 | 621.362 | 21.468 | 33.211 | 13.551 | 274.096 | 173.875 | 104.392 | 0.769 |
| Approvals made since last Cabinet meeting | 8.020 | 0.030 | 0.265 | | 1.564 | 6.326 | -0.165 | 0.000 |
| Revised approved budget | 629.382 | 21.498 | 33.476 | 13.551 | 275.660 | 180.201 | 104.227 | 0.769 |

3.3 Table 2 – Funded and Revenue Funded Variances

| | Total | Adults Social Care & Public Health | Business Strategy, Performance & Health Reform | Customers & 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: | | | | | | | | | |
| Lowfield Road, Dartford (formerly Trinity Centre Project) | 0.073 | 0.073 | | | | | | | Additional developer conts |
| Basic Need | 5.352 | | | | 5.352 | | | | Additional grant funding |
| Total cash limit changes | 5.425 | 0.073 | 0.000 | 0.000 | 5.352 | 0.000 | 0.000 | 0.000 | |
| No cash limit changes to be made: | | | | | | | | | |
| Highway Major Maintenance | 0.950 | | | | | 0.950 | | | Revenue Funded |
| Highway Major Maintenance | 0.117 | | | | | 0.117 | | | Additional external and developer contributions |
| Member Highway Fund | 0.377 | | | | | 0.377 | | | Revenue Funded |
| Member Highway Fund | -0.018 | | | | | -0.018 | | | To fund A2 Cyclo Park |
| Integrated Transport | 0.750 | | | | | 0.750 | | | Additional external and developer contributions |
| Non TSG Land Compensation | 0.187 | | | | | 0.187 | | | Additional developer contributions |
| Energy and Water Efficiency | 0.098 | | | | | 0.098 | | | Revenue Funded |
| Drovers Roundabout | 1.985 | | | | | 1.985 | | | Additional grant |
| Victoria Way | 0.033 | | | | | 0.033 | | | Additional grant |

| | Total | Adults Social Care & Public Health | Business Strategy, Performance & Health Reform | Customers & Communities | Education, Learning & Skills | Environment, Highways & Waste | Regeneration & Economic Development | Specialist Childrens' Services | Reason for cash limit change |
|---|--------|------------------------------------|--|-------------------------|------------------------------|-------------------------------|-------------------------------------|--------------------------------|---|
| A2 Cyclo Park | 0.018 | | | | | 0.018 | | | Grant from member Highway Fund |
| A2 Cyclo Park | 0.012 | | | | | 0.012 | | | Revenue Funded |
| Ashford, Thanet & Swale MASH | 0.006 | | | | | | | 0.006 | Revenue Funded |
| Self Funded Projects - Quarryfields | 0.060 | | | | | | | 0.060 | Revenue Funded |
| Public Rights of Way | 0.010 | | | 0.010 | | | | | Additional external funding |
| Public Rights of Way | 0.063 | | | 0.063 | | | | | Revenue Funded |
| Modernisation of Assets - Vehicles | 0.146 | | | 0.146 | | | | | Revenue Funded |
| Modernisation of Assets - Vehicles | 0.041 | | | 0.041 | | | | | Additional developer conts |
| Tonbridge Youth Facility | 0.025 | | | 0.025 | | | | | Revenue Funded |
| Archbishop Courtenay - Primary Improvement Prog | 0.040 | | | | 0.040 | | | | Highways revenue contribution |
| Modernisation Programme | 0.045 | | | | 0.045 | | | | Additional developer contributions |
| Modernisation Programme - Future Years | 0.445 | | | | 0.445 | | | | Additional developer contributions and savings on The Judd |
| St Johns/Kingsmead | 0.646 | | | | 0.646 | | | | Additional external funding expected |
| Goat Lees | 0.013 | | | | 0.013 | | | | Additional developer conts |
| Basic Need - 2012-13 | -0.871 | | | | -0.871 | | | | Savings to be used against future years Basic need programme |
| Basic Need - Future Years | 1.083 | | | | 1.083 | | | | From BN 2012-13 and additional developer contributions |
| The Judd | -0.420 | | | | -0.420 | | | | Savings to be used against modernisation programme future years |
| Total Funded Variances | 11.266 | 0.073 | 0.000 | 0.285 | 6.333 | 4.509 | 0.000 | 0.066 | |

3.4 Table 3 – Summary of variance

| | Total | Adults Social Care & Public Health | Business Strategy, Performance & Health Reform | Customers & Communities | Education, Learning & Skills | Environment, Highways & Waste | Regeneration & Economic Development | Specialist Childrens' Services |
|------------------------------------|---------|------------------------------------|--|-------------------------|------------------------------|-------------------------------|-------------------------------------|--------------------------------|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Unfunded variance | 1.227 | 0.000 | 0.000 | 0.000 | 0.000 | 0.120 | 0.000 | 1.107 |
| Funded variance (from table 2) | 9.489 | 0.073 | 0.000 | 0.051 | 6.293 | 3.072 | 0.000 | 0.000 |
| Variance to be funded from revenue | 1.777 | 0.000 | 0.000 | 0.234 | 0.040 | 1.437 | 0.000 | 0.066 |
| Project underspend | -1.460 | 0.000 | -0.700 | 0.000 | 0.000 | -0.456 | -0.282 | -0.022 |
| Rephasing (to/from 2012-15) | -29.516 | -1.418 | 0.000 | 0.000 | 0.000 | -6.015 | -22.083 | 0.000 |
| Total Variance | -18.483 | -1.345 | -0.700 | 0.285 | 6.333 | -1.842 | -22.365 | 1.151 |

3.5 Movements in Variance

3.5.1 Movements in unfunded variance

Unfunded variance totals £1.227m, previously reported to Cabinet totalled £1.238m. The difference of -£0.011m is due to a small change in the MASH forecast within Specialist Childrens Services.

3.5.2 Movements in re-phasing

Rephasing beyond 2012-15 totals -£29.516m, previously reported to Cabinet was -£21.428m. The difference of -£8.088m is due to:

Regional Growth Fund (REG) -£5.724m: The forecast has now been realigned to show actual payments to be made rather than committed funds.

Kent Thameside Strategic Transport Programme (EHW) -£2.252m: Although there have been no changes to the overall cost of the programme, the phasing of the programme has now been changed to reflect a revised Forward Delivery Programme to be agreed between the key stakeholders for the programme.

The other -£0.112m movement on rephasing is a result of small movements (less than £0.100m) on two other schemes.

3.5.3 Other movements

Eurokent (REG) -£0.284m: There is a forecast underspend on Eurokent 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

Rural Broadband (REG): 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.

There are no other new key issues and risks to report since those previously reported to Cabinet.

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.