

To: CABINET – 15 April 2013

By: John Simmonds, Cabinet Member for Finance & Business Support
Andy Wood, Corporate Director of Finance & Procurement

REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT 2012-13

1. Introduction

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

2. REVENUE

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

Table 1: Net Revenue Position

Portfolio	Variance		Movement £m
	This Month £m	Last Month £m	
Education, Learning & Skills	-4.196	-4.068	-0.128
Specialist Children's Services	+5.950	+5.981	-0.031
Specialist Children's Services – Asylum	+3.082	+3.082	-
Adult Social Care & Public Health	-1.596	-1.619	+0.023
Environment, Highways & Waste	-0.803	-0.592	-0.211
Customer & Communities	-2.679	-2.343	-0.336
Regeneration & Enterprise	-	-	-
Finance & Business Support	-8.363	-8.244	-0.119
Business Strategy, Performance & Health Reform	-0.283	-0.354	+0.071
Democracy & Partnerships	-0.366	-0.353	-0.013
Total (excl Schools)	-9.254	-8.510	-0.744
<i>Schools (ELS portfolio)</i>	+5.655	+5.655	-
TOTAL	-3.599	-2.855	-0.744

2.2 The recently approved 2013-14 budget assumes rolled forward underspending from 2012-13 of £5m. In addition, the position reported in table 1 above includes some underspending related to projects which are re-phasing into 2013-14 and are committed and therefore will require roll forward. The adjusted position is therefore:

Total forecast underspend (excl Schools) per table 1	£m
Required to roll forward to 2013-14 per approved 2013-15 MTFP	-9.254
Other committed roll forwards/re-phased projects	5.000
	<u>2.159</u>
	-2.095

Details of the committed roll forwards/re-phased projects were provided in section 1.1.6 of the annex reports of the third quarter monitoring report presented to Cabinet on 18 March and in section 2.12 below.

2.3 In the context of a savings requirement of around £80m and on the back of delivering a £95m saving target last year, and the continued high demand for Specialist Children's Services throughout the year, an overall forecast underspending position is a considerable achievement. The position will be closely monitored throughout the remainder of the financial year and every effort will be made to ensure that we retain an underspend of at least £5m, which is required to roll forward to support the 2013-14 approved budget.

2.4 Table 1 shows that there has been an increase in the underspend of -£0.744m since the last report. The main movements, by portfolio, are detailed below:

2.5 Education, Learning & Skills portfolio:

The underspend for this portfolio, excluding schools, has increased by -£0.128m since the last report from -£4.068m to -£4.196m. The movements over £100k are:

2.5.1 -£0.211m Early Years and Childcare – an increase in the underspend from -£0.153m to -£0.364m. This is due to a forecast underspend on the Graduate Leader Fund budget as a result of fewer than affordable number of students in nursery settings undertaking funded training, together with a small increase in income.

2.5.2 -£0.204m Mainstream Home to School Transport – an increase in the net underspend from -£0.661m to -£0.865m. The forecast gross underspend has increased by -£0.144m from -£1.025m to -£1.169m and is due to the numbers requiring transport being considerably lower than budgeted levels, in part due to the success of the Freedom Pass and the 16+ Travel Card. This has been reflected as a saving in the 2013-16 MTFP. In addition, the corresponding reduction in post statutory charge income, as new 16+ students are tending to opt for the 16+ card for school transport, has reduced from +£0.364m to +£0.304m.

2.5.3 +£0.426m SEN Home to School Transport – an increase in the pressure from £1.190m to £1.616m as the number of children travelling is consistently higher than the budgeted number and has been increasing on a month by month basis. There are a number of other factors which contribute to the overall cost of the provision of transport such as distance travelled and type of travel as well as pupil numbers. As the numbers continue to increase, existing vehicles are running at full occupancy and additional or larger vehicles have had to be provided. The increased number of statements has also resulted in some pupils being transported further to be placed in suitable provision for their needs.

2.5.4 The forecast in the quarter 3 report for Home to College Transport was based on limited usage data from when the Kent 16+ card scheme began in September 2012 and an update was promised for this report. Usage figures for the quarter October – December have now been received and suggest no significant change in the forecast with only a +£0.005m movement reported (from an underspend of -£0.233m to an underspend of -£0.228m).

2.6 Specialist Children's Services portfolio:

The pressure on this portfolio (excluding Asylum) has reduced by -£0.031m since the last report from +£5.981m to +£5.950m. This is due to:

2.6.1 +£0.231m Residential Children's Services – an increase in the pressure from +£2.353m to +£2.584m, which is due to an increase in the forecast number of weeks of care in non disabled independent sector residential provision.

2.6.2 -£0.200m Children's Social Care Staffing – a reduction in the pressure from +£1.282m to +£1.082m due to continuation of a more in depth monitoring process, as explained in quarter 3, involving greater engagement of finance staff, service managers and Area Assistant Directors.

2.6.3 -£0.062m Children's Centres – an increase in the underspend from -£0.788m to -£0.850m due to various small forecast movements across the 97 centres.

2.7 Adult Social Care & Public Health portfolio:

The forecast underspend on this portfolio has marginally reduced by +£0.023m from -£1.619m to -£1.596m. However, within this there are a number of compensating movements over £0.1m:

2.7.1 +£0.102m Physical Disability Direct Payments – a reduction in the underspend from -£0.282m to -£0.180m, which is due to a change in the services for existing clients along with a reduction in client contributions.

- 2.7.2 +£0.034m Older People Domiciliary Care – a minor reduction in the underspend from -£0.158m to -£0.124m however this is due to a number of compensating forecast movements within this service line of which those greater than £0.1m include: a +£0.325m reduction in forecast client income, an increased pressure of +£0.154m on domiciliary care based on year to date expenditure, and a further forecast drawdown of -£0.457m from the NHS Support for Social Care reserve.
- 2.7.3 -£0.126m Older People Residential Care – an increase in the underspend from -£0.740m to -£0.866m which is mainly due to an increased drawdown from the NHS Support for Social Care reserve of -£0.262m. This is partially offset by an increase in the forecast for the commissioning of non-permanent residential care services of £0.137m. This increase results from the updating of the client database for the delays in processing short term beds which was identified in the December monitoring report to Cabinet in March. Further work is being completed to clear this backlog of cases and the full impact of this on the financial monitoring position will be reported in the February Exception Report to Cabinet in May.
- 2.7.4 +£0.126m Physical Disability Residential Care – a reduction in the underspend from -£0.472m to -£0.346m which mainly relates to a net addition of 9 service users, some of which have been in placement since the first six months of the financial year however have only recently been identified due to delays in updating the client database related to the specification of non-standard contracts for certain clients.
- 2.7.5 -£0.202m Assessment Services - Adult's Social Care Staffing – an increase in the underspend from -£0.206m to -£0.408m due to a variety of minor movements across all staffing lines, including delays in vacancy recruitment and changes to forecasts for agency staff.
- 2.7.6 +£0.107m FSC Strategic Management and Directorate Support Budgets – an increase in the position from an underspend of -£0.074m to +£0.033m which is mainly due to a revised forecast for legal services costs following a review of demand throughout the year. Work is ongoing with legal services to finalise the charges for this financial year.

2.8 Environment, Highways & Waste portfolio:

The underspend for this portfolio has increased by -£0.211m since the last report from -£0.592m to -£0.803m which is mainly due to an increase of £0.134m in the underspend on the Strategic Management and Directorate Support budgets from -£0.477m to -£0.611m which is made up of many small movements each under £0.1m.

2.9 Customer & Communities portfolio:

The underspend for this portfolio has increased by £0.336m since the last report from -£2.343m to -£2.679m. This is mainly due to:

- 2.9.1 -£0.329m Registration Service – an increase in the underspend from -£0.315m to -£0.644m. The primary movement on this budget is an increase in the forecast income of £0.260m. As explained in the quarter 3 report, as the year end approaches, income is initially assumed to relate to deposits for future year ceremonies but further income has now been identified that relates to the current year, which is in contrast to previous year and national trends. There are also small movements on gross expenditure totalling -£0.069m.
- 2.9.2 Community Learning & Skills – although there remains a net nil forecast for this service, there is a movement of -£0.179m on gross expenditure and +£0.179m on income this month. This is due to a further reduction in tuition fee income which is being offset by savings on tutors and exam fees, together with the impact of further management action to offset the income shortfall.
- 2.9.3 Libraries Service – although the overall position for this service has only moved by +£0.026m this month from +£0.008m to +£0.034m, within this movement is a revenue contribution to capital in respect of the Beaney Centre of +£0.121m, which is offset by further managed underspending on both staffing and non staffing costs of -£0.095m.
- 2.9.4 There have also been a number of smaller movements, all below £0.1m, across other A-Z budget lines which total -£0.033m.

2.10 Finance & Business Support portfolio:

The forecast underspend for this portfolio has increased by -£0.119m since the last report from -£8.244m to -£8.363m. This movement relates entirely to the Finance & Procurement Unit where a drawdown from the FSC Client Billing reserve has now been agreed to fund the costs of a member of staff who worked on this project, together with other small movements.

2.11 Business Strategy, Performance & Health Reform portfolio:

The underspend on this portfolio has reduced by £0.071m since the last report from -£0.354m to +£0.283m. Within this, there are no movements over £0.100m to report.

2.12 Democracy & Partnerships portfolio:

The underspend for this portfolio has increased marginally by -£0.013m from -£0.353m to -£0.366m this month. There are no movements over £0.1m within this, however within the overall net underspend on Internal Audit of -£0.117m, there is -£0.027m underspending against the contract with external consultants as a result of the re-phasing of work into 2013-14 and this will be required to roll-forward in order to fund the remainder of the contract with them for delivering the work in 2012-13 audit plan. There is also a further underspend of -£0.018m regarding TRP (laptop changes) and a necessary upgrade to the Teammate audit software; this expenditure will now happen in the new financial year rather than in March as expected. These costs are not normally budgeted for and roll-forward will be requested in order to fund this spend in 2013-14.

3. CAPITAL

OVERALL MONITORING POSITION

3.1 The Capital Programme 2012-15 has an approved budget¹ of £668.567m (see table 1 below). The forecast outturn against this budget is £669.892m, giving a variance of +£1.325m. After adjustments for funded variances and reductions in funding, the revised variance comes to -£0.531m. This is made up of an unfunded variance of +£1.107m underspends of -£2.222m and re-phasing from later years of +£0.584m (see table 3).

3.2 Table 1 – Revised approved budget

	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	634.807	21.571	33.340	13.687	281.078	180.201	104.227	0.703
Approvals made since last Cabinet meeting	7.404	0.007		0.041	0.633	6.723		
Changes per Budget Book agreed by CC on 14th Feb 2013	26.356	4.933	26.336	1.951	19.763	-4.389	-23.318	1.080
Revised approved budget	668.567	26.511	59.676	15.679	301.474	182.535	80.909	1.783

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

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	Variance explanation
Scheme	£m	£m	£m	£m	£m	£m	£m	£m	
Cabinet to agree cash limit changes:									
Disposal Costs	-0.160		-0.160						To be reported through revenue
Non TSG Land Compensation Part 1 claims	-0.150					-0.150			To fund Drivers Roundabout
Ashford Drivers Roundabout M20J9	0.150					0.150			Funded from underspend on Non TSG Land Compensations Part 1 Claims
Total Cash Limit Changes	-0.160	0.000	-0.160	0.000	0.000	0.000	0.000	0.000	
No cash limit changes to be made:									
Energy Efficiency & Renewable Energy	0.007		0.007						Overspend to be funded from MOA
Modernisation of Assets	-0.007		-0.007						To fund Energy Efficiency & Renewable Energy
Rendezvous site - Margate	0.002						0.002		Revenue funded
Public Rights of Way	0.025			0.025					Revenue & external funding
Country Parks	0.015			0.015					Revenue funded
Modernisation of Assets Youth Vehicles	0.005			0.005					Revenue funded
Trading Standards Vehicles	0.017			0.017					Revenue funded
The Beaney	0.133			0.133					£0.121m revenue, £0.012m developer contributions
Highway Major Enhancement	0.438					0.438			£0.215m funded from developer contributions and £0.223m funded from revenue for high risk street light columns replacement.
Sittingbourne Northern Relief Rd	0.021					0.021			Developer contribution towards the scheme cost.
Non TSG Land Compensation Part 1 claims	0.003					0.003			Developer contribution towards the scheme cost.
Cyclopark	0.220					0.220			Revenue contribution
Ashford Drivers Roundabout M20J9	0.888					0.888			Extra funding needed to settle the contractor's final account. £0.980m revenue and -£0.092m other funding

	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	Variance explanation
Scheme	£m	£m	£m	£m	£m	£m	£m	£m	
Academies Programme	0.159				0.159				Additional grant expected
Archbishop Courtenay	0.040				0.040				Highways revenue contribution
St Johns/Kingsmead	0.046				0.046				Additional external funding expected
Practical Cooking Spaces	0.004				0.004				Additional external funding expected
Basic Need - Modular Classrooms	0.142				0.142				To be covered by underspend on BN Other
Goat Lees	0.026				0.026				To be covered by underspend on BN Other
Basic Need Other	-0.168				-0.168				To go towards basic needs projects above
Total Funded Variances	1.856	0.000	-0.160	0.195	0.249	1.570	0.002	0.000	

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	1.107	0.000	0.000	0.000	0.000	0.000	0.000	1.107
Funded variance (from table 2)	0.270	0.000	-0.160	0.034	0.249	0.147	0.000	0.000
Variance to be funded from revenue (table 2)	1.586	0.000	0.000	0.161	0.000	1.423	0.002	0.000
Project underspend	-2.222	-0.453	-0.700	-0.005	0.000	-1.047	0.000	-0.017
Rephasing (to/from 2012-15)	0.584	0.000	0.000	0.000	0.000	0.283	0.301	0.000
Total Variance	1.325	-0.453	-0.860	0.190	0.249	0.806	0.303	1.090

3.5 Movements in Variance

3.5.1 Movements in unfunded variance

The unfunded variance totals £1.107, previously reported was £1.167m. This is a variance of £0.060m, which is less than the £0.100m reporting de-minimus.

3.5.2 Movements in re-phasing

Re-phasing beyond 2012-15 totals £0.584m, previously reported was -£31.281m. The difference of +£31.865m is entirely due to the cash limits having now been realigned to reflect the budget book agreed by County Council on 14th February. This is broken down between the Directorates as follows:

Families & Social Care: +£1.418m

Business Strategy & Support: +£22.034m.

Enterprise & Environment: +£8.413m

3.5.3 Other movements

Modernisation of Assets (BSP&HR) – re-phasing of -£1.200m from 12-13 to 13-14. Some works due to commence this financial year will run into 2013-14 for completion.

Disposal Costs (BSP&HR) – Cabinet are asked to approve the cash limit reduction in capital of -£0.160m as this will now be reported as part of the revenue budget.

Capital Regeneration Fund (R&ED) – re-phasing of -£0.670m from 12-13 to 13-14. This re-phasing reflects the latest estimates of bids received.

East Kent Empty Property Initiative (R&ED) – re-phasing of -£0.620m from 12-13 to 13-14 due to a lower than anticipated level of loans being distributed in the current year.

Tunbridge Wells Library (C&C) – Re-phasing of -£0.258m into 2013-14 as contracts have now been signed and work is expected to be completed by June 2013.

Web Platform (C&C) – Re-phasing of -£0.240m into 2013-14 in relation to expenditure associated with an improved customer focus to the design and digital content of KCC's web platform. Further funding of £0.455m was secured as part of the 2013-14 Medium Term Financial Plan process and was approved by County Council in February 2013 (as previously reported).

Village Halls & Community Centres (C&C) – Re-phasing of -£0.120m into 2013-14 in relation to three projects, two of which are expected to be spent in the first quarter of 13-14.

Academies (ELS) – across the academies programme, there is further re-phasing within the 2012-15 budget (2012-13 +£4.409m, 2013-14 -£1.863m & 2014-15 -£2.546m). The majority of this relates to Sheppey Academy where the project was initially behind schedule but has now been brought back into programme and also Duke of York Academy where work on site has begun earlier than anticipated.

St John's Primary School/Kingsmead (ELS) - -£0.578m has been re-phased into 13-14 due to planning consent not yet being granted, this is currently being appealed against.

Specialist Schools Programme (ELS) - -£0.322m has been re-phased into 13-14 relating to the sports pitch at Ursuline College. The project has been delayed due to difficulties with the lease arrangements.

Annual Planned Enhancement Programme (ELS) - an additional -£0.309m has been re-phased into 13-14 due to less than anticipated spend on reactive programmes.

Public Access Strategy (ASC&PH) - -£0.453m of Prudential is no longer required across 13-14 and 14-15. The Public Access Development plan has reduced as a result of changes in the corporate landlord.

3.6 Key Issues & Risks

E&E – Cyclopark - There is a further anticipated overspend relating to the primary engineering contract and the contract for the professional management. Negotiations are underway to determine final contract costs in both respects now that works are largely completed. Details will be clearer in March once the negotiations should have been completed and will be reported once the final costs are known.

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.