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To: Children Families and Education Policy Overview Committee – 25 March 2008

Subject: Children, Families and Education Budget Monitoring 2007/08

Classification: Unrestricted

Summary: This report updates Members of the Children Families and Education Policy Overview Committee on the projected outturn figures for the Directorate as at the third quarter.

Introduction

1. (1) This report is the third report to this Committee on the forecast outturn against budget for the CFE Directorate.

Quarterly monitoring report

2. (1) Attached is the monitoring report for the third quarter for 2007/08. The main points to highlight are:-

a) Revenue:

- The Directorate is now projecting a balanced budget of which Pages 7 and 8 of Annex 1 details the main under and overspends; and
- £4.3m projected overspend in relation to support for unaccompanied asylum seeking children.

b) Capital:

- Detail on all the major projects are set out in the attached report. The causes of the forecast underspend are due to a number of project phasing issues and some under/overspends

Recommendations

3. Members of the Children Families and Education Policy Overview Committee are asked to note the projected outturn figures for the directorate as at the third quarter.

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Background documents:

None

Other useful information:

None

CHILDREN, FAMILIES & EDUCATION DIRECTORATE SUMMARY JANUARY 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	
OPERATIONS, RESOURCES & SKILLS (CFE) portfolio							
Delegated Budget:							
- Delegated Schools Budget	836,939	-80,517	756,422	15,000	0	15,000	Expected drawdown of reserves of up to £15m due to the balance control mechanism
- Standards Fund (incl SSG)	101,794	0	101,794	0	0	0	
TOTAL DELEGATED	938,733	-80,517	858,216	15,000	0	15,000	
Non Delegated Budget:							
- Finance	3,384	-931	2,453	-19	0	-19	
- Awards	5,067	-1,000	4,067	-10	87	77	
- Grant income & contingency	4,771	-924,445	-919,674	-1,130	0	-1,130	Management action - one off pensions money, superannuation uplift, TRP funding
- Personnel & Development	15,799	-3,493	12,306	329	87	416	Pensions overspend £474k; redundancy overspend due to closed schools £225k; Savings on recruitment budget £195k and training £77k, employment tribunals £30k
- School Support Service	53	0	53	0	0	0	
- Capital Strategy	4,880	-3,284	1,596	1,284	-43	1,241	Costs previously charged to capital £970k; Revenue maintenance due to school closure and vandalism £250k
- Building Schools for the Future	693	-243	450	0	0	0	
- Client Services	6,810	-4,281	2,529	294	-223	71	Increase cost and take up of contracts balanced by increased income
- Business Management	2,760	-143	2,617	15	-10	5	
- ICT	13,512	-3,770	9,742	-5	0	-5	
- Health & Safety	434	-8	426	4	-12	-8	
- Strategic Management	2,395	-103	2,292	1	-1	0	
- Kent Music School	838	0	838	0	0	0	
- Extended Schools	5,931	-2,378	3,553	0	-16	-16	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
-14-24 unit	1,690	-435	1,255	0	0	0	
- School Organisation	2,803	-141	2,662	-9	-7	-16	
- Mainstream HTST	15,432	-484	14,948	-175	104	-71	Less than expected numbers of children travelling. Reduction in tickets purchased
- SEN HTST	14,806	0	14,806	895	-2	893	Travel requirements of SEN children have increased and the service is unable to meet all of the savings targets of £989k
- Clusters	18,299	-2,654	15,645	-34	0	-34	
- Kent Children's Trusts	536	0	536	0	0	0	
- AEN & Resources	13,719	-3,917	9,802	202	0	202	Additional staffing costs
- Independent Sector Provision	9,719	-260	9,459	0	0	0	
TOTAL NON DELEGATED	144,331	-951,970	-807,639	1,642	-36	1,606	
OR&S Assumed Mgmt Action				-1,606		-1,606	
OR&S Non delegated forecast after Mgmt Action				36	-36	0	
Total OR&S incl delegated	1,083,064	-1,032,487	50,577	15,036	-36	15,000	
CHILDREN, FAMILIES & EDUCATIONAL ACHIEVEMENT portfolio:							
- Attendance & Behaviour Service	16,656	-5,359	11,297	21	-22	-1	
- Specialist Teaching Service	3,064	-337	2,727	0	0	0	
- Educational Psychology Service	3,721	-129	3,592	-123	34	-89	Staff vacancies
- Minority Community Achievement Service	1,850	-96	1,754	0	0	0	
- Children's Safeguard Service	763	-13	750	0	0	0	
- Joint Commissioning	1,716	-226	1,490	0	0	0	
- Commissioning General	646	0	646	0	0	0	
- In House Residential care	2,630	-25	2,605	-214	-6	-220	Savings from closure of Alderden £150k, income from internal trading additional £70k
- Ind sector residential care	3,424	-403	3,021	2,847	-757	2,090	Higher number of placements than budgeted for, plus 3 children in secure accommodation costing £750k in 07-08. Additional income for placements
- Residential care - not looked after children	649	-7	642	-160	-13	-173	Number of placements reduced
- KCC Family support	9,804	-960	8,844	-178	-113	-291	Staff vacancies; Various income for projects
- Family group conferencing	1,106	-241	865	-10	-21	-31	
- Fostering service	21,389	-97	21,292	1,606	-203	1,403	Increase in independent fostering allowances £1.2m and County fostering team £400k
- Adoption service	6,026	-22	6,004	213	-74	139	Adoption payments £150k, County adoption team £62k
- Independent Sector day care	885	0	885	-87	0	-87	
- Section 17	1,030	-5	1,025	-196	0	-196	Planned underspend
- Link placements	232	0	232	-32	0	-32	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Grants to voluntary organisations	7,166	-398	6,768	0	0	0	
- Direct payments	826	0	826	-166	0	-166	planned underspend
- Teenage pregnancy	616	0	616	0	0	0	
- Leaving care/16+	3,399	0	3,399	-359	-6	-365	Budget historically underspent - planned underspend
- Other services support	5,262	-824	4,438	652	-148	504	Legal costs, Out of Hours service increased costs & income
- Assessment and related	19,029	-16	19,013	497	-342	155	high social worker recruitment costs, various income
- Policy & Service Development	9,436	-2,363	7,073	-184	0	-184	Legal savings £100k, staff savings £84k
- Management Information	28,356	-35	28,321	-34	-12	-46	
- International Development	194	-100	94	115	-8	107	Additional staffing costs; health and safety expenditure
- Early Years & Childcare Operations unit	17,379	-234	17,145	31	-25	6	
- Advisory Service Kent (ASK) Secondary Team	3,577	-160	3,417	-11	1	-10	
- ASK Primary Team	4,455	-650	3,805	63	-17	46	
- ASK Early Years Team	6,564	-12	6,552	15	-10	5	
- ASK Improvement & Leadership	2,665	-150	2,515	72	-69	3	
- ASK Improvement Partnerships	3,975	0	3,975	129	-130	-1	Additional project costs balanced by increased income from schools
- ASK Professional Development	4,975	-2,262	2,713	658	-437	221	TRP costs; Additional training for schools expenditure and income
- Grant income & contingency	1,715	-75,390	-73,675	-2,144	0	-2,144	Management action - superannuation uplift, LAA roll forward
Total CF&EA	195,180	-90,514	104,666	3,021	-2,378	643	
CF&EA Assumed Mgmt Action				-643		-643	
CF&EA Forecast after Mgmt Action	195,180	-90,514	104,666	2,378	-2,378	0	
- Asylum Seekers	13,200	-13,200	0	-1,122	5,477	4,355	grant shortfall offset by draw down from reserve
Total CF&EA incl. Asylum	208,380	-103,714	104,666	1,256	3,099	4,355	
SUMMARY:							
Total Delegated	938,733	-80,517	858,216	15,000	0	15,000	
Total Non Delegated (excl. Asylum)	339,511	-1,042,484	-702,973	4,663	-2,414	2,249	
Total Directorate Controllable (excl. Asylum)	1,278,244	-1,123,001	155,243	19,663	-2,414	17,249	
Directorate Assumed mgmt action				-2,249	0	-2,249	
Total Directorate Controllable (excl. Asylum) after mgmt action	1,278,244	-1,123,001	155,243	17,414	-2,414	15,000	
Directorate Net Total (incl. Asylum) before mgmt action	1,291,444	-1,136,201	155,243	18,541	3,063	21,604	
Directorate Net Total (incl. Asylum) after mgmt action	1,291,444	-1,136,201	155,243	16,292	3,063	19,355	

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 Grant Income and Contingency (Gross)

The following management action has been put into place to reduce the predicted pressure within the Operation, Resources and Skills Portfolio: holding back of superannuation and Technology Refresh Programme (TRP) budgets from managers (£463k and 132k respectively) and use of a one-off payment from the DCSF for prior year mandatory student awards (£535k). These are discussed further in section 1.1.4.

1.1.3.2 Personnel and Development (Gross)

The Personnel and Development unit is projecting a £416k net pressure. The pensions budget is due to overspend by £474k, the majority of which is due to early retirements resulting from school 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. The overspends have been partly offset by savings on the recruitment budget due to staff vacancies and reduced spending on advertising of £195k. The balance of the net pressure is made up of a number of small savings including employee tribunal and training budgets and additional Medway income.

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

1.1.3.3 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. The remainder of the overspend is largely attributed to the revenue maintenance costs associated mainly with the boarding up of closing schools and repairs caused by vandalism (£250k).

1.1.3.4 Client Services (Gross and income)

The increased spend on cleaning and refuse collection contracts in schools and additional schools taking up the contract have led to a corresponding increase in income of £214k.

1.1.3.5 Mainstream Home to School Transport (Gross and income)

The number of children travelling has been below affordable levels for much of the year, as reflected in the activity data in section 2.1, and this has resulted in a gross saving of £175k. There is a reduction in the anticipated income by £104k due to the number of vacant seat places purchased by parents being lower than anticipated

1.1.3.6 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). It is anticipated that the purchase card saving will not be fully realised this financial year and as a consequence a pressure of £470k has been created. The remaining pressure of £423k is due to the increasing number of children requiring transport to schools (as reflected in the activity data in section 2.1), renegotiating of contracts and increased fuel costs.

1.1.3.7 AEN & Resources

A forecast overspend of £202k is due the costs of temporary staff providing sickness cover and the budget being unable to absorb the additional cost of increments.

CF&EA Portfolio:

1.1.3.8 Educational Psychology Service (Gross)

A forecast underspend of £123k is due to staff vacancies.

1.1.3.9 In House Residential Care (Gross)

A part year saving of £150k is forecast as a result of the closure of the Alderden Centre and a saving of £70k from internal trading with the County Provider Unit.

1.1.3.10 Independent Sector Residential Care (Gross and Income)

A pressure of £2,847k is forecast which is an increase of £141k due the particular needs of a small number of children and the difficulty in securing foster placements for them. Of the total, £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 33% increase in the number of paid placement weeks compared to last year and an increase in the unit cost of these placements by 15%.

Additional funding of £757k from education and health is due for placements following agreement from the Joint Residential Assessment Panel for this financial year.

1.1.3.11 Residential Care – Non Looked after Children (Gross)

A saving of £160k is forecast from a reduction of 2 placements; these children have been moved to looked after children residential care budget lines.

1.1.3.12 KCC Family Support (Gross and Income)

A forecast underspend of £178k is due to the management of staff vacancies. A number of posts are being held vacant to help with pressures on other budget lines. The £113k income variance is due to funding received for Social Work Ready for Practice and Adolescent Resource Centres (ARC) projects.

1.1.3.13 Fostering Service (Gross and Income)

The independent fostering allowances budget is forecasting an overspend of £1,232k. 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 22 placements since April 2007. This is now only partly being offset by £37k savings on other fostering lines due to management action.

The County Fostering Team is due to overspend by £411k due to staffing. This is partly offset by an increase of £203k in training income from this team and income received from other local authorities for work with non Kent children.

1.1.3.14 Adoption service (Gross)

An overspend of £213k is forecast due mainly to an increase in the number of allowances. There have been 44 new allowances approved since April 2007 at a cost of £150k. The County Adoption Team is due to overspend by £62k due to staffing.

1.1.3.15 Section 17 (Gross)

An underspend of £196k is forecast due to the management of section 17 payments to help with the pressure on the Fostering service budget lines.

1.1.3.16 Direct Payments (Gross)

An underspend of £166k 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.

1.1.3.17 Leaving care/16+ (Gross)

Expenditure against this service is being managed through revised contracts, in order to assist with pressures on other Children's Social Services budget lines, and is currently forecasting an underspend of £359k.

1.1.3.18 Other Services Support (Gross and Income)

There is a pressure of £549k 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. There is also a £148k overspend on the Out of Hours Service offset by equivalent increase in income.

1.1.3.19 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). This has been further increased through a number of key front line posts that cannot be left vacant (£200k). 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), Support Service for Kids and Young People (SSKY) project and income from Swindon contract (£192k).

1.1.3.20 Policy and Service Development (Gross)

The budget for legal services (non children's social services) is forecast to underspend by £100k and there are forecast staff savings of £84k.

1.1.3.21 Advisory Service (ASK) Improvement Partnerships

The forecast overspend of £129k for additional projects has been offset by £130k of income received from schools attending the projects.

1.1.3.22 Advisory Service (ASK) Professional Development

Professional Development is forecasting a net overspend of £221k. The training budget for training of school staff is forecast to overspend by £408k due to additional training courses. This is offset by income received from schools for attending courses of £437k.

There is a forecast overspend of £250k for additional computer related costs incurred during the Technology Refresh Programme (TRP) process.

1.1.3.23 Grant Income and Contingency (Gross)

The following management action has been put into place to reduce the predicted pressures within the Children, Families and Educational Achievement Portfolio: holding back of superannuation budget (£644k) and use of the remaining 2006-07 LAA Grant underspend totalling £1,500k. These are discussed further in section 1.1.4.

1.1.3.24 Asylum

The Asylum Service is now forecast to have a funding shortfall of £4,720k for the 2007-08 financial years, £4,220k of direct spending and £500k of indirect spending. This 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 forecast pressure on this budget has worsened by £202k since the last report. This is partly due to higher duty referrals which have an increased pressure of £102k; (section 2.10 of this report highlights the additional number of referrals). In January there were 80 referrals, which is the highest number of referrals for a single month in over 4 years and our forecast for the whole of the fourth quarter is 100. The remaining £100k is due to a change in the number of clients: lower client numbers (under 18) have resulted in £70k decreased spend and £145k decreased income, and higher client numbers (over 18) have resulted in £40k increased spend and increased income of £15k.

The outstanding special circumstances bids for 2006-07 currently stand at £2.4m from the Home Office and £2.1m from the DCSF. These have increased by £0.9m and £0.5m respectively since we closed the accounts for 2006-07, following the results of the ongoing data matching work with both departments. A number of clients which were rejected from the main claims due to data matching problems have been added to the special circumstances bids. If we continue to assume that we will be successful in receiving only part of this income then a further £757k will need to be found to fund the shortfall, therefore increasing the pressure on the Asylum budget this year. In addition, there is £0.7m outstanding from the DCSF relating to the Special Circumstances bid for 2005-06. There is no formal procedure for the DCSF SC bids and we are reliant on lobbying central government to meet these additional costs.

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 £4,355k. However, if we receive less income than we have assumed from these SC bids, then this pressure will increase.

In conjunction with other local authorities, the 2006/07 and 2007/08 figures mentioned above have been subject to an independent audit by PWC which have confirmed these figures are sound. It was hoped there would be a meeting with the Home Office on 18th February to discuss this further. However, as the Leader reported at county Council on 19th February this meeting was cancelled. We are now working with other local authorities to identify the next course of action and a major part of this must be to establish a system for the future where all costs are re-imbursed.

Other Issues

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

The latest forecast suggests an underspend of around £1.2m 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.

1.1.3.26 Delegated Schools Budgets

The December forecast from schools indicates a draw down of reserves this year of approximately £15m. 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 £10m-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	use of remaining 2006-07 LAA grant - badge against qualifying expenditure within Children's Social Services budgets	-1,500
CFEA	Asylum - Shortfall in grant (income)	+4,720	CFEA	Asylum - draw down of residual balance in Corporate Asylum reserve	-1,122
CFEA	Independent Sector Residential Care - increased number and cost of placements (gross)	+2,097	CFEA	Independent sector residential care - funding from health and education (income)	-757
CFEA	Fostering Service - independent fostering allowances (gross)	+1,232	CFEA	Holding back of budget for superannuation increase from budget managers	-644
ORS	Capital Strategy - costs previously charged to capital (gross)	+970	ORS	one-off payment from DCSF for prior year mandatory student awards	-535
CFEA	Asylum - anticipated shortfall relating to increase in 2006-07 SC bids due to data matching exercise	+757	ORS	Holding back of budget for superannuation increase from budget managers	-463
CFEA	Independent Sector Residential Care - children in secure accommodation (gross)	+750	CFEA	Advisory Service Professional Development - Training courses income from schools	-437
CFEA	Other Services Support - Recharges from Legal services (gross)	+549	CFEA	Leaving care/16+ - managed underspend (gross)	-359

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
ORS	Personnel and Development - Pensions budget (gross)	+474	ORS	Client Services - cleaning and refuse contract charges and increased take-up from schools (income)	-214
ORS	SEN Home to School Transport - savings targets linked to purchase cards	+470	CFEA	Fostering service - training income from county fostering team (income)	-203
ORS	SEN Home to School Transport - increased take-up and fuel costs (gross)	+423	CFEA	Section 17 - managed underspend (gross)	-196
CFEA	Fostering Service -County Fostering team staffing costs (gross)	+411	ORS	Personnel and Development - Recruitment team vacancies and advertising savings (gross)	-195
CFEA	Advisory Service Professional Development - Training courses for schools	+408	CFEA	Assessment & Related - additional income for SSKY project and Swindon Contract (income)	-192
CFEA	Assessment & Related - delay in achieving staffing savings target (gross)	+264	CFEA	KCC Family Support - management of staff vacancies (gross)	-178
ORS	Capital Strategy - closing schools revenue maintenance (gross)	+250	ORS	Mainstream Home to School Transport - less take-up (gross)	-175
CFEA	Advisory Service Professional Development - TRP costs	+250	CFEA	Direct payments - managed underspend	-166
ORS	Personnel and Development - closing schools redundancy costs (gross)	+225	CFEA	Residential care - Non Looked after children - reduction in placements (gross)	-160
ORS	Client Services - cleaning and refuse contract charges and increased take-up from schools (gross). Offset by income	+214	CFEA	In-house residential care - closure of Alderden House (gross)	-150
ORS	AEN & resources - staff related costs (gross)	+202	CFEA	Assessment & Related - additional income for Education for best project (income)	-150
CFEA	Assessment & Related - recruitment to frontline posts (gross)	+200	CFEA	Other Services Support - Out of hours service covered by additional income (income)	-148
CFEA	Adoption - allowance costs (gross)	+150	ORS	Holding back of TRP budgets from managers	-132
CFEA	Other Services Support - Out of hours service costs covered by additional income	+148	CFEA	Advisory Service Improvement Partnership - project income	-130
CFEA	Advisory Service Improvement Partnership - project costs (gross)	+129	ORS	Educational Psychology - staffing vacancies (gross)	-123
ORS	Mainstream Home to School Transport - reduction in income	+104	CFEA	KCC Family Support - income from projects	-113
ORS	Personnel and Development - reduction in income from incorrectly placing staff on pension schemes	+100	CFEA	Policy - Legal costs (Gross)	-100
			ORS	Personnel and Development - reduction in expenditure from incorrectly placing staff on pension	-100
		+30,497			-8,642

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 and reflected within the grant income & contingency forecasts shown in table 1:

- Use of £535k one-off payment from the DCSF for prior year mandatory student awards, which had not been accrued for in the accounts in the interests of prudence, as the debt dated back to 2002-03. This has resulted in an opportunity cost of the funding not being able to be used elsewhere.

- Use of this year's superannuation uplift of £1,107k (ORS £463k, CFEA £644k) and the budget for the costs of the technology refresh programme (£132k). This may impact on service delivery and running costs of services as managers have been required to cover any cost increases associated with superannuation and TRP from within existing budgets so that these funds could be used to offset other pressures identified this year.
- Use of the directorate underspent 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. The remaining £1,500k has been 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.

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.

1.1.5 **Implications for MTFP:**

Some of these ongoing pressures have been addressed in the 2008-11 MTP, 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 develop further actions to address these pressures and this will be on top of what has already been an extremely difficult 2008-11 MTP.

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

None

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

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

- The majority of the pensions and redundancy overspends relate 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.

This will leave a pressure of £1,550k and the directorate is currently exploring a variety of options to cover this shortfall including further managing the pressures downwards and identifying possible eligible expenditure that could be re-badged against any underspends on specific grant where current commitments have had to be re-phased. The directorate is confident they will achieve a balanced position at the end of the year.

Although these measures will cover this year's overspend, there will still be an underlying significant pressure in the base budget, as most of the actions detailed above and in paragraph 1.1.4 are using one-off monies. This will amount to over £4m. Some of this has been addressed within the 2008-11 MTP but this will still leave the directorate with substantial additional pressures to manage in the new financial year.

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 following adjustments:

	2007-08	2008-09	2009-10	Future Years
	£000s	£000s	£000s	£000s
<u>Operations, Resources & Skills (CFE) portfolio:</u>				
▪ Marsh Academy Sponsorship	750			
▪ DCSF grant for Academies	850			
▪ DCSF grant for Implementation of Primary Strategy	1,015			
▪ Re-phasing per the 2008-11 MTP	-41,532	9,118	51,118	105,762
- <u>Devolved Capital to Schools:</u>				
▪ Re-phasing per the 2008-11 MTP		-1,534	-1,584	22,921
<u>Children, Families & Educational Achievement portfolio:</u>				
▪ East Kent Resource Centre – external contribution from East Kent Coastal PCT	10			
▪ Re-phasing per the 2008-11 MTP	-1,159	188	896	250
▪ Reversal of previous 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	2007-08	2008-09	2009-10	Future Yrs	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
Operations, Resources & Skills (CFE) portfolio						
Revised Budget per Dec Cabinet	94,490	148,675	96,077	53,180	53,863	446,285
Adjustments :						
- Marsh Academy Sponsorship		750				750
- DCSF Grant for Academies		850				850
- Implementation of Primary Strategy		1,015				1,015
- re-phasing per 2008-11 MTP		-41,532	9,118	51,118	105,762	124,466
Revised Budget	94,490	109,758	105,195	104,298	159,625	573,366
Variance		-4,698	+4,399	+1,024	0	+725
split:						
- real variance		+658	+99	-32	0	+725
- re-phasing		-5,356	+4,300	+1,056	0	0
Children & Family & Educational Achievement portfolio						
Revised Budget per Dec Cabinet	5,627	6,627	300	350	500	13,404
Adjustments :						
- East Kent Resources Centre		10				10
- re-phasing per 2008-11 MTP		-1,159	188	896	250	175
- Virement to KASS portfolio		-40				-40
Revised Budget	5,627	5,438	488	1,246	750	13,549
Variance		-557	+553	0	0	-4
split:						
- real variance		-4	0	0	0	-4
- re-phasing		-553	+553	0	0	0
Directorate Total						
Revised Budget	100,117	115,196	105,683	105,544	160,375	586,915
Variance	0	-5,255	4,952	1,024	0	721
Operations, Resources & Skills (CFE) portfolio						
Devolved Capital to Schools						
Revised Budget per Dec Cabinet		39,701	27,673	27,673	55,346	150,393
Adjustments :						
- re-phasing per 2008-11 MTP			-1,534	-1,584	22,921	19,803
Revised Budget	0	39,701	26,139	26,089	78,267	170,196
Variance		-46	0	0	0	-46
split:						
- real variance		-46	0	0	0	-46
- re-phasing		0	0	0	0	0
Real Variance						
		+608	+99	-32	0	+675
Re-phasing						
		-5,909	+4,853	+1,056	0	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 preliminary 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 preliminary 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	Preliminary Planning Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
	None					
			+0	+0	+0	+0
Underspends/Projects behind schedule						
OR&S	Childrens Centres - Swanscombe PS	Phasing		-628		
OR&S	Dev Opps - Darford Campus	Phasing		-494		
OR&S	Kennington Juniors	Phasing	-402			
OR&S	Childrens Centres - Knockhall PS	Phasing		-295		
OR&S	Childrens Centres - Broadwater Down PS	Phasing		-280		
OR&S	Childrens Centres - East Stour PS or its replacement	Phasing		-267		
CF&EA	Management & Modernisation of Assets	Phasing	-265			
OR&S	Specialist Schools 2007/08	Phasing	-250			
			-917	-1,964	0	0
			-917	-1,964	0	0

1.2.4 Projects re-phasing by over £1m:

None

1.2.4 Projects with real variances

The overall variance over the lifetime of the recently updated Medium Term Plan indicates an overspend of £0.675m (OR&S portfolio +£0.725m, CF&EA portfolio -£0.004m & Schools - £0.046m).

The main contributing factors to the £0.675m overspend over the lifetime of the MTFP are as follows:

- Crockham Hill Primary School (+£0.233m). This project is part of the 2006/07/08 Modernisation Programme. This overspend has arisen because tender costs were higher than the resources that had been earmarked for the project.
- Develop Opportunities Consultancy (+£0.120m) - additional costs incurred in supporting the New Line Learning project.

- St James the Great Primary School (+£0.108m). A development opportunities project where the overspend has occurred because additional works have been required, at the request of English Heritage, to secure planning permission.
- Catering Equipment (+£0.054m) - additional costs required to renew equipment to meet current Health and Safety guidelines
- Site Acquisitions (+£0.050m) - additional stamp duty & consultancy fees on the Clarendon House land swap project.
- There is also a residual balance of +£0.110m on a number of more minor projects.

The additional expenditure of £0.675m will be funded by a mixture of: Developer Contributions (£0.636m), Revenue Contributions (£0.043m) and External Funding (£0.008m) offset by a small saving on prudential borrowing (-£0.012m).

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 which is charged to the revenue budget through an equalisation reserve and supported by grant.

	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 ?

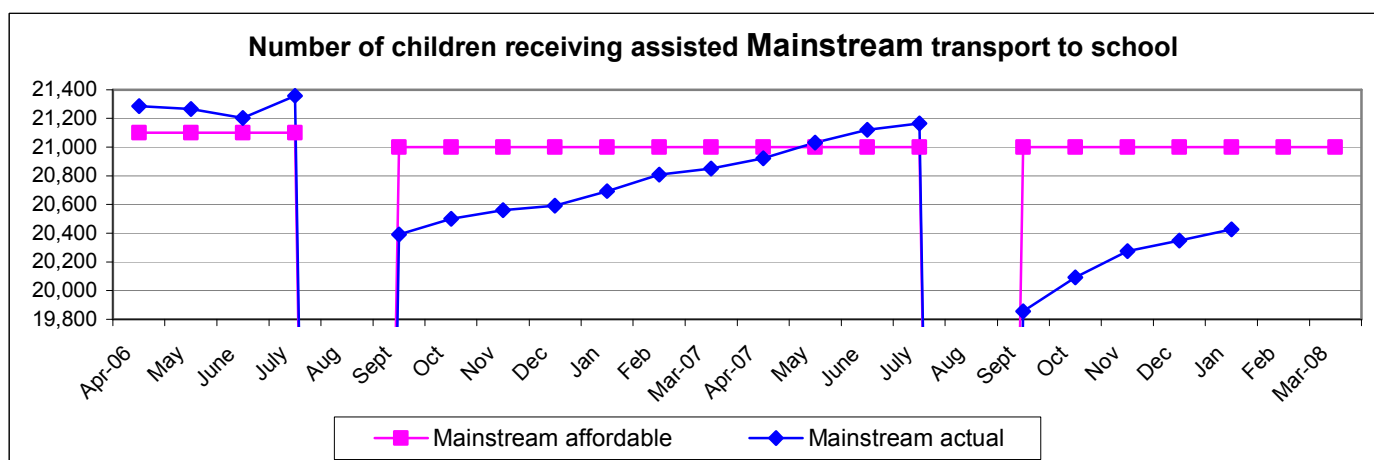
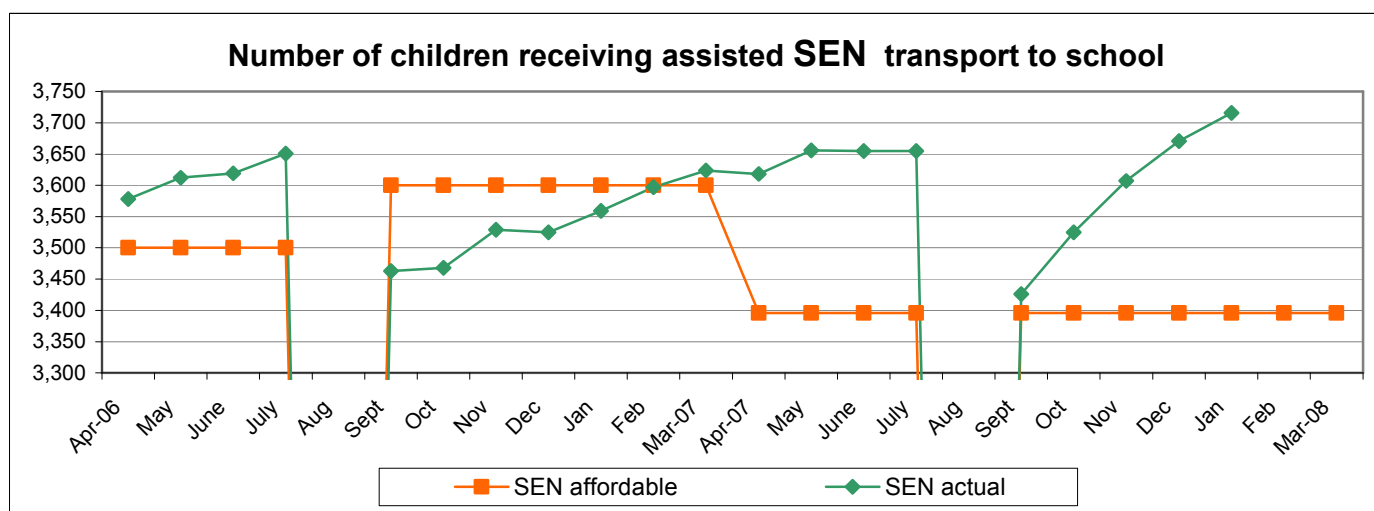
The delays to the construction programme do not impact on the level of the unitary charge that is payable by KCC to the contractor as any delays, unless caused by the Authority, are at the risk of the third party contractor. The unitary charge (as a percentage for each school) does not become payable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

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	3,607	21,000	20,276
December	3,600	3,525	21,000	20,591	3,396	3,671	21,000	20,349
January	3,600	3,559	21,000	20,694	3,396	3,716	21,000	20,426
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:

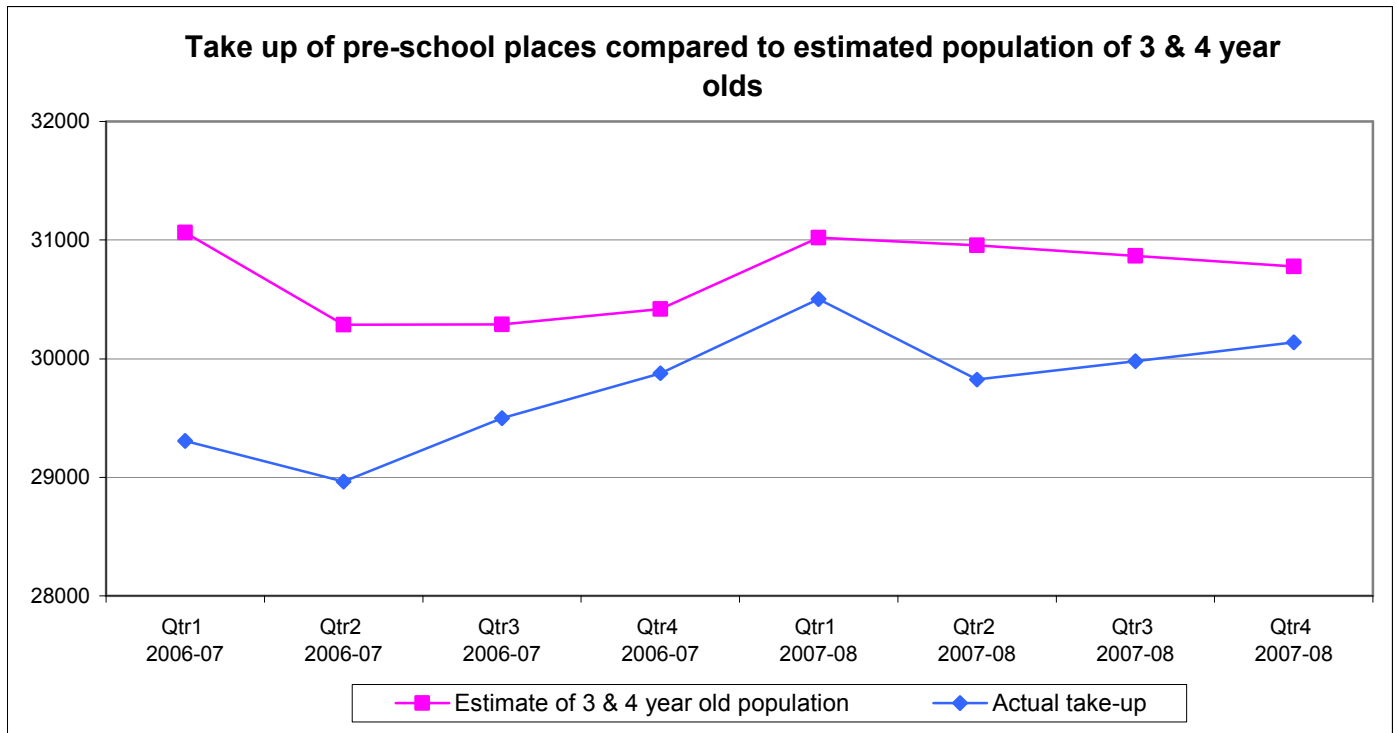
- **SEN HTST** - The significant gap between the actual and affordable assisted SEN transport to school relates to the savings targets which have significantly reduced the affordable level from last year, and the fact that the service is currently unable to achieve these savings in full as reported in section

1.1.3.6 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 decrease in the actual number of children receiving assisted mainstream transport to schools and this is reflected by the £175k 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%	14,691	15,290	29,981	30,867	97%
Jan - March	29,878	30,419	98%	17,772	12,366	30,138	30,778	98%



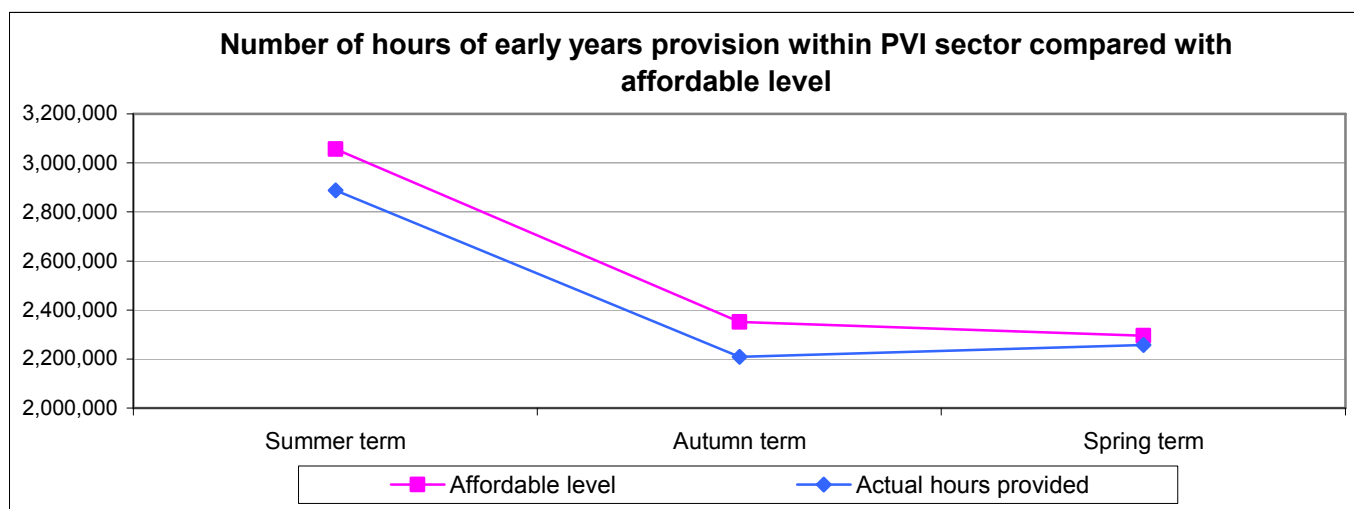
Comments:

- Please note the total places taken-up for January to March is an estimate and may change marginally once the reconciliation process is complete. This estimate is based on the take-up at the beginning of the term but is subject to a large number of adjustments as parents are allowed to alter their take-up and the provider used mid term rather than at the end of term.
- This graph shows that currently 98% of the estimated population of 3 and 4 year olds are receiving some level of early years provision, whether this be one session per week for 33 weeks or the maximum of five sessions per week for the full 38 weeks. This activity indicator is based on headcount and provides a snapshot position at a point in time, whereas the activity data in 2.2.2 below provides details of the number of hours provided in the Private, Voluntary & Independent sector, and will correlate with the variance on the Early Years budget within the Management Information Unit. However as this budget is funded entirely from DSG, any surplus or deficit at the end of the year must be carried forward to the next financial year in accordance with the regulations, and cannot be used to offset over or underspends elsewhere in the directorate budget. Therefore, as any unspent Early Years funding has to be returned to schools, at year end any underspend will be transferred to the schools unallocated reserve for DSG and hence is not included in the overall directorate forecast shown in table 1, but is reported in the narrative in section 1.1.3.25 of this annex.

- The split between PVI and school places is weighted more heavily to school places in the 3rd quarter as 4 year olds move into reception classes in mainstream schools at the start of the autumn term. This gradually balances back out again as more 3 year olds take-up PVI places throughout the remainder of the year. The number of school places taken up reduces in the 4th quarter as some of the children turn 5 and are no longer included in the count.

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	2,257,051
	7,703,488	7,353,488



Comments:

- Please note the total number of hours of early provision within the PVI sector for January to March 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 1.1.3.25 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:

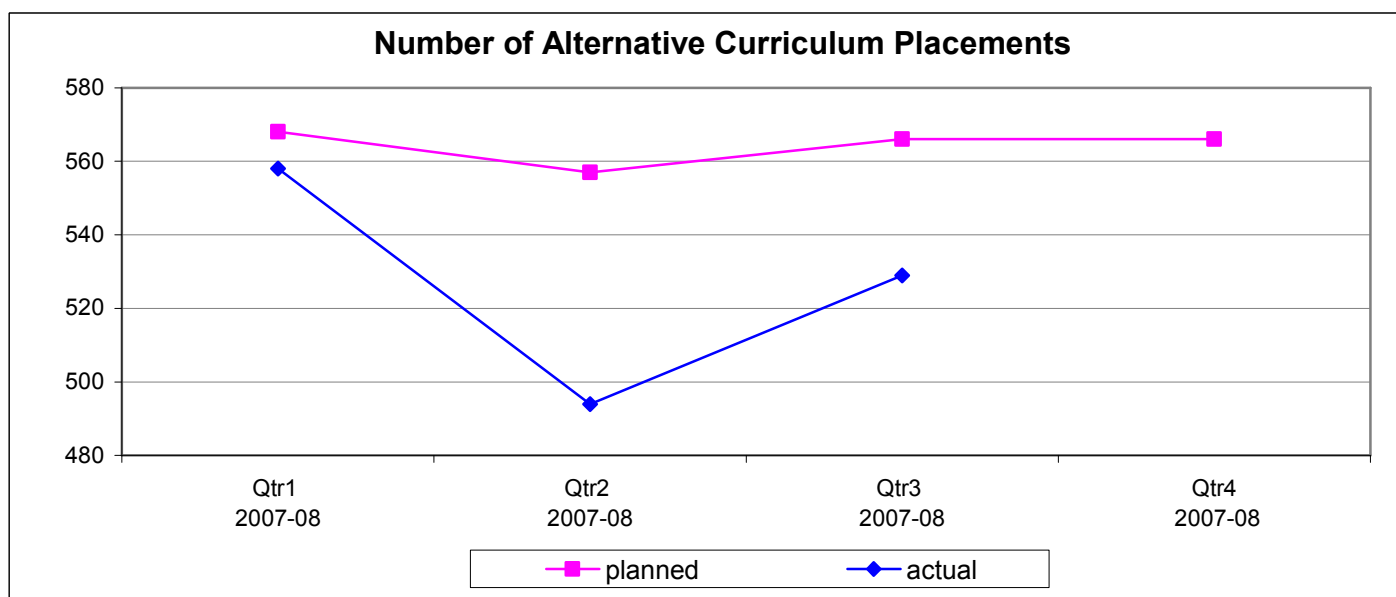
	2005-06	2006-07	2007-08
	as at 31-3-06	as at 31-3-07	Projection
Total number of schools	600	596	575
Total value of school revenue reserves	£70,657k	£74,376k	£59,376k
Number of deficit schools	9	15	16
Total value of deficits	£947k	£1,426k	£1,150k

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	566	529
January - March	566	

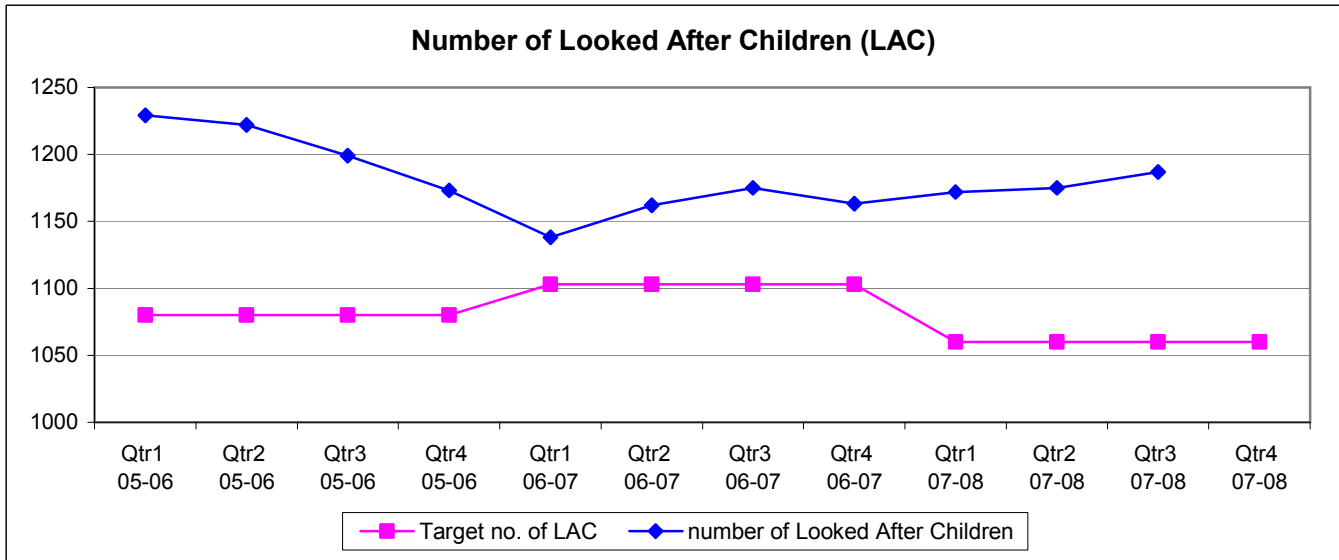


Comments:

- 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	1,187
Jan – Mar	1,080	1,173	1,103	1,163	1,060	

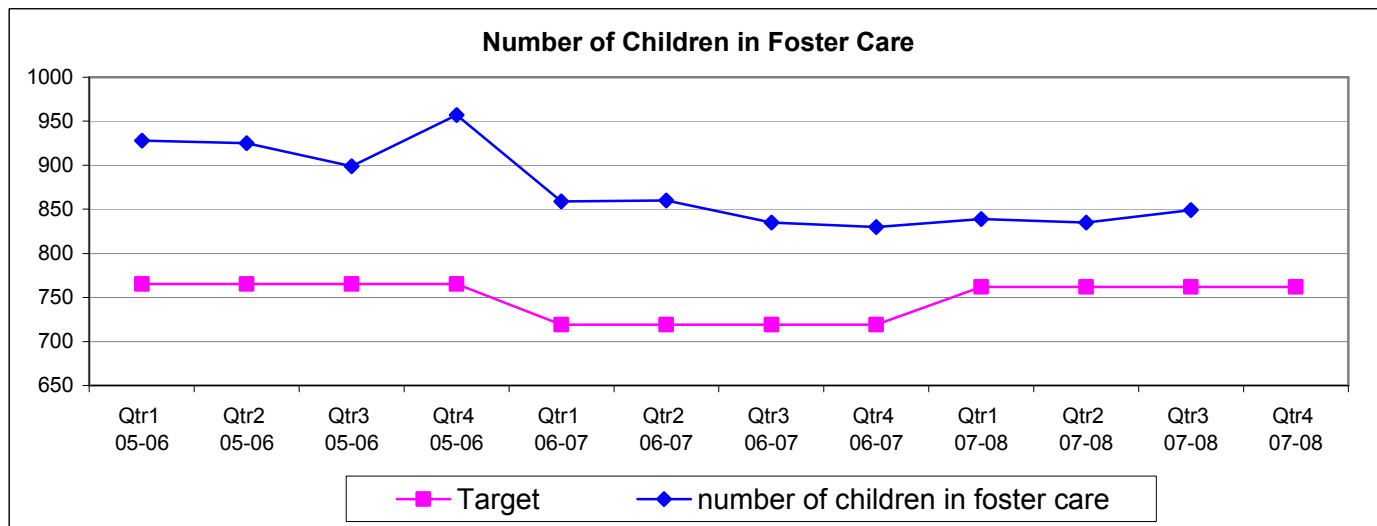


Comments:

- The current number of looked after children compared to the targeted level is of cause for concern.
- The target number of children does not represent the affordable level, but the position which the county is aiming to achieve.
- The financial implications of the current level of looked after children has been reported in section 1.1.3 and steps have been taken in the MTP to help address some of these pressures however further actions may need to be developed.

2.6 Number of Children in KCC Foster Care placements:

	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	849
Jan - Mar	765	957	719	830	762	



Comments:

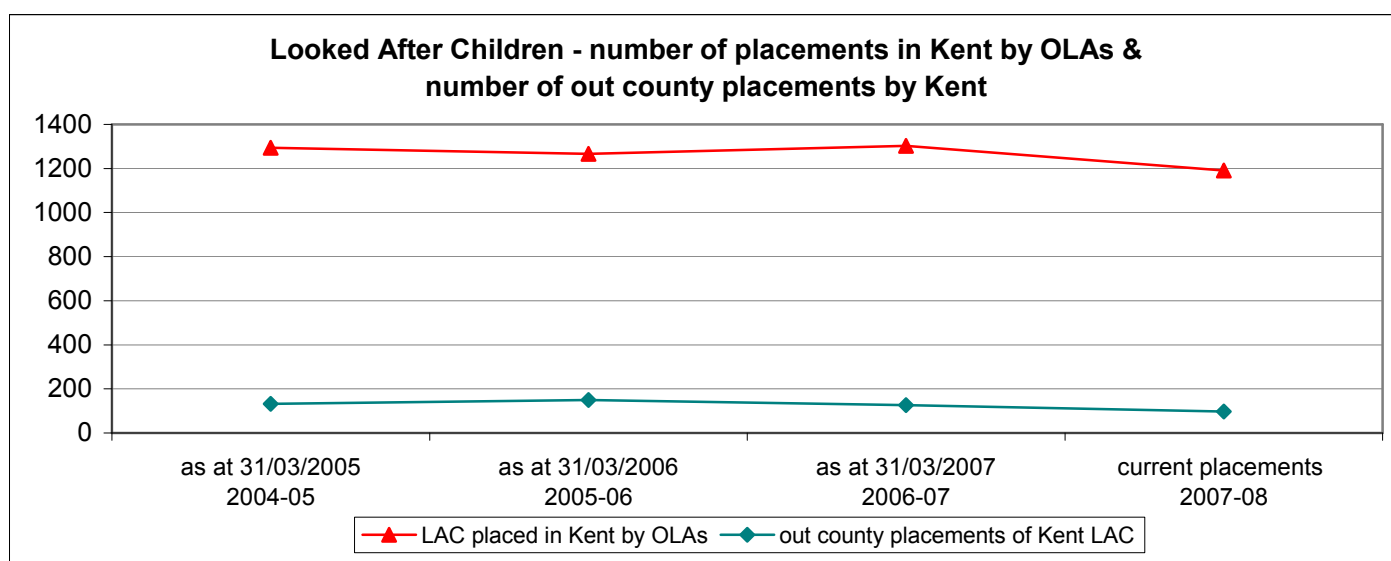
- The number of children in foster care represents the number of children placed in KCC placements. It excludes foster placements in the independent sector.
- The current number of children in foster care compared to the target is of cause for concern.
- The target number of children does not represent the affordable level, but the position which the county is aiming to achieve. There are expected to be no financial implications, as although we are above the target number of children in foster care provided by KCC, we are within affordable levels. (The budget pressure reported in section 1.1.3.13 relates to independent sector foster care placements. We will look to include this activity indicator in the monitoring for 2008-09).

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	1,191

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	97

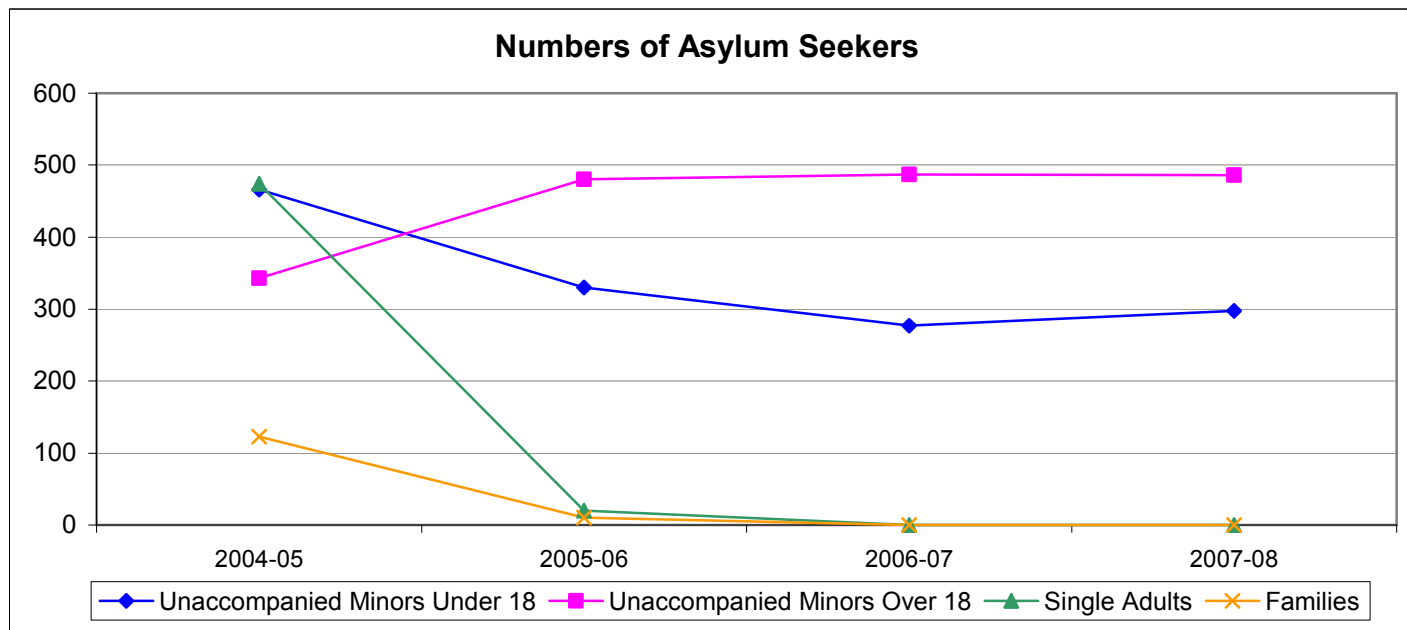


Comment:

- 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.

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	31-01-08
	Number	Number	Number	Number
Unaccompanied Minors Under 18	466	330	277	298
Unaccompanied Minors Over 18	343	480	487	486
Single Adults	474	20	0	0
Families	123	10	0	0



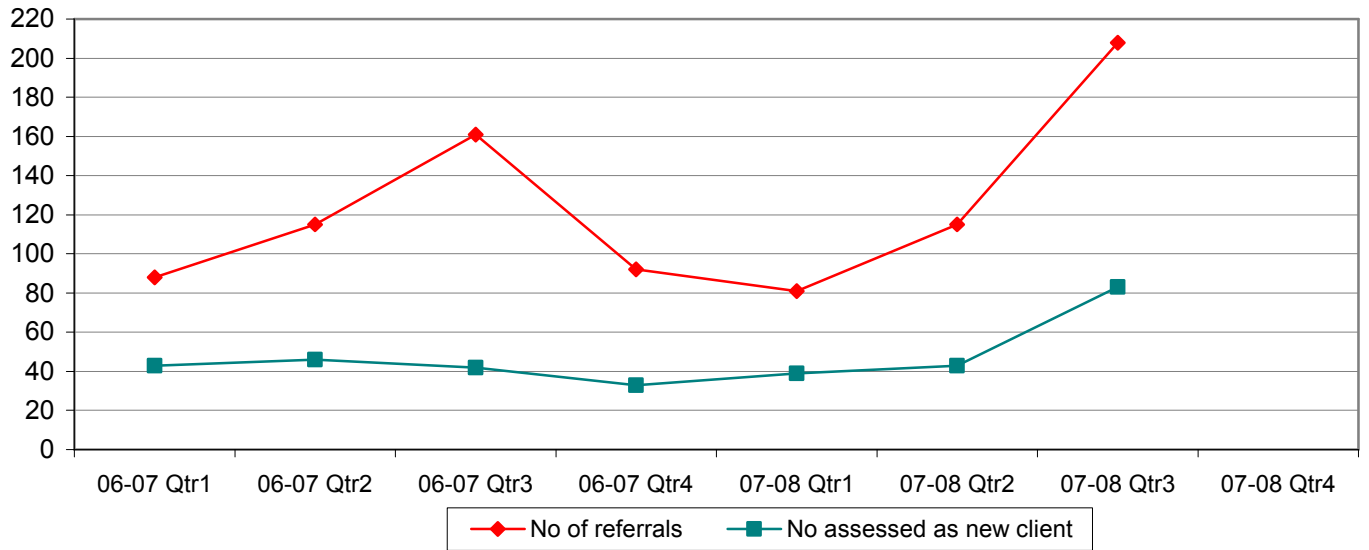
Comment:

- The numbers above refer to clients who have been assessed as qualifying for asylum. The numbers are slightly lower than originally forecast. This is a result of the numbers leaving the Service being higher than we originally anticipated.

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%	208	83	40%
Jan - March	92	33	36%	80 (January only)		

Number of SUASC referrals compared to those assessed as receiving on-going support



Comments:

- The number of referrals in the third quarter is significantly higher than the forecast of 140 and is greater than the total for the two previous quarters.
- The percentage of referrals that become on-going referrals remains below the forecast level of 50%. As a result the number of on-going new referrals is in line with the original forecast of 165 by the end of December. The forecast to the end of the financial year is 215, but based on the number of referrals this quarter to date, we anticipate that we may exceed this forecast.
- In January we had 80 referrals, our forecast for the whole of the fourth quarter is 100. This is the highest number of referrals in a single month for over 4 years.