To: CABINET – 2 February 2009

By: Nick Chard, Cabinet Member – Finance

Lynda McMullan, Director of Finance

REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT

1. Introduction

1.1 This exception report highlights the main movements since the report to Cabinet on 12 January 2009. There has been an encouraging reduction in the pressures on the revenue budget this month; however these are largely offset by an increased pressure on Asylum.

2. Revenue

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

Table 1: Net Revenue Position after Proposed Management Action

Portfolio	**Gross Position £m**	**Proposed Management Action £m**	**Net Position** after mgmt action **£m** **This month**	**Last month**	**Movement £m**
OR&S (CFE) *	+1.916	-1.277	+0.639	+0.639	-
CF&EA	-0.413	-	-0.413	+0.043	-0.456
KASS	+0.505	-0.505	-	-	-
EH&W	-2.010	-	-2.010	-1.863	-0.147
R&SI	-0.375	-	-0.375	-0.375	-
Communities	+0.470	-0.470	-	-	-
Public Health	-0.116	-	-0.116	-0.116	-
Corporate Support	-0.247	-0.464	-0.711	-0.675	-0.036
Policy & Performance	+0.018	-0.018	-	-	-
Finance	-2.882	-	-2.882	-2.382	-0.500
Total (excl Schools & Asylum)	**-3.134**	**-2.734**	**-5.868**	**-4.729**	**-1.139**
Asylum	+5.222	-	+5.222	+4.186	+1.036
TOTAL (excl Schools)	**+2.088**	**-2.734**	**-0.646**	**-0.543**	**-0.103**
Schools	+8.000	-	+8.000	+8.000	-

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

Table 2: Gross Revenue Position before Management Action

Portfolio	**Variance** **This Month £m**	**Last Month £m**	**Movement £m**
Operations, Resources & Skills (OR&S) (CFE)	+1.916	+1.916	-
Children, Families & Educational Achievement (CF&EA)	-0.413	+0.043	-0.456
Kent Adult Social Services (KASS)	+0.505	+0.851	-0.346
Environment, Highways & Waste (EH&W)	-2.010	-1.863	-0.147
Regeneration & Supporting Independence (R&SI)	-0.375	-0.375	-
Communities	+0.470	+0.594	-0.124
Public Health	-0.116	-0.116	-
Corporate Support & External Affairs	-0.247	-0.211	-0.036

	Variance		
Portfolio	**This Month £m**	**Last Month £m**	**Movement £m**
Policy & Performance	+0.018	+0.022	-0.004
Finance	-2.882	-2.382	-0.500
Total (excl Asylum)	**-3.134**	**-1.521**	**-1.613**
Asylum	+5.222	+4.186	+1.036
Total (incl Asylum)	**+2.088**	**+2.665**	**-0.577**

2.3 The gross underlying revenue pressure (excluding schools) is currently £2.088m as shown in table 2 above, but this is expected to reduce to an underspend of £5.868m (excluding the pressure on Asylum) by year end, after assuming the implementation of management action, as shown in table 1. However, with the inclusion of the Asylum pressure of £5.222m, this reduces to an overall underspend of £0.646m. An update on the Asylum position is included in paragraph 2.5 below.

2.4 Table 1 identifies that even after management action, a residual pressure is still forecast within the Operations, Resources & Skills portfolio, however this is partially offset by an underspend on the Children, Families & Educational Achievement portfolio, leaving a residual pressure of £0.226m (excluding Asylum) for the CFE directorate to manage. The Directorate expects that its forecast outturn will reduce in the next full monitoring and that no further management action will be required to achieve a balanced budget position by year end.

2.5 **Asylum:**

2.5.1 <u>2008-09</u>
The net forecast outturn pressure on this service has increased by £1.036m to £5.222m this month. This movement can be broken down between an increase in expenditure of £0.400m and a reduction in the predicted level of grant income of £0.636m.

2.5.2 The £0.400m increase in the gross expenditure is mainly due to higher number of clients than previously forecast. The reduction in the level of income is as a result of the reducing number of clients who are eligible for inclusion on the 2008-09 grant claim following the completion of the 2007-08 Home Office audit.

2.5.3 The latest data shows a reduction in the number of monthly referrals in both November and December when compared to October. Whilst this data is encouraging, the cumulative number of referrals for 2008-09 to the end of December is still higher than at the same point in any of the previous 3 financial years.

2.5.4 With regard to the 2008-09 special circumstances bid, the Home Office has now published it's guidance on what costs can be included. Whilst this gives us greater confidence of the likely level of income Kent can hope to receive from such a bid, initial calculations imply that it will leave the authority with a sizeable pressure, possibly in the region of £3.1m of the £5.2m current forecast pressure, that will not be covered by grant income. This is mainly because there is no provision in the grant rules for any costs relating to the 18+ care leavers to be included in the special circumstances bid. Discussions are ongoing with the Home Office minister to ensure the best resolution for the taxpayers of Kent.

2.5.5 <u>2007-08</u>
We reported last month that we had received verbal confirmation from the DCSF that, as expected, they would pay £1.48m of our original £2.6m special circumstances claim from the 2007-08 financial year. However we have now received written confirmation that they will pay the full £2.6m subject to a satisfactory audit.

3. 2008-09 REVENUE MONITORING POSITION BY DIRECTORATE & PORTFOLIO

The main changes in the gross position before management action this month, as shown in table 2, are:

3.1 Children, Families & Education:

3.1.1 Children, Families & Educational Achievement:
The overall movement in the gross position on this portfolio is a reduction of £0.456m from +£0.043m to -£0.413m. The main movements are:

- -£0.110m Residential Care provided by KCC from +£0.029m to -£0.081m. There is a reduction in expenditure of £0.040m due to a decrease in the number of forecast client weeks linked to confirmation of the start and end dates of individual client placements. In addition additional Joint Residential Assessment Panel (JRAP) income of £0.070m has only recently been approved.
- -£0.116m Independent Sector Residential Care from – a reduction in the pressure from +£0.821m to +£0.705m. Additional JRAP income of £0.202m has only recently been approved, but this is partially offset by increased spend of £0.086m due to the high cost of non disability placements.
- -£0.350m KCC Family Support – an increase in the underspend from £1.373m to £1.723m. This reduction is part of the CSS Management team's action plan to cover the pressures on the Assessment and Related, Fostering and Independent Sector residential care budgets. This action includes maximisation of new external income sources like the children's fund and in some cases delayed appointments to vacant posts.
- +£0.120m Assessment and Related – an increase in the pressure from +£0.707m to +£0.827m. This is largely due to an increase in staffing costs including agency staff covering long term sickness with other minor increases over all headings.

3.1.2 Management Action:
Overall the CFE directorate is forecasting a gross pressure of £1.503m (+£1.916m OR&S portfolio and -£0.456m CF&EA portfolio). Work is currently being undertaken to identify expenditure within the OR&S portfolio that we may be able to charge to the LA element of the DSG where we have some capacity. As previously reported, we still expect this to be £1m. In addition we are drawing down the 2007-08 LAA reserve of £0.277m to help offset part of this pressure. This will leave the directorate with a residual pressure of £0.226m (excluding Asylum) still to manage before the end of the financial year. The directorate expects that its forecast outturn position will reduce in the next full monitoring. This is because budget managers tend to forecast on the side of caution and as we move towards the end of the financial year it becomes clearer that not all of their spending plans will be achieved by 31 March; it is therefore expected that no further management action will be required to achieve a balanced position.

3.2 Kent Adult Social Services:

3.2.1 The overall movement in the gross position on this portfolio is a reduction in the pressure of £0.346m from £0.851m to £0.505m. The main movements are:

- +£0.105m Older People Other Services – a reduction in the underspend to £0.509m due to additional expenditure on Occupational Therapy equipment in order for the directorate to meet waiting time targets.
- -£0.297m Learning Disability Supported Accommodation – an increase in the underspend from -£1.199m to -£1.496m. As stated last month, the forecast allowed for an increasing trend in the number of clients accessing this service but actual activity to date would suggest that this assumption was high. There continues to be discussion at a national level on what constitutes supported accommodation as there are many similarities with domiciliary care. The underspend of £1.496m against this budget line should therefore be viewed against a pressure of £0.603m on domiciliary care and a pressure on Direct Payments of £0.781m as clients opt for a Direct Payment instead.

There are a number of smaller movements across all other services, which are all below £0.1m.

3.2.2 It has previously been reported that the Directorate is unlikely to achieve all of the savings within the MTP, and this remains the case particularly with regard to the saving against Learning Disability residential. This is because, as stated above, moving the required number of clients into supported accommodation is taker longer than anticipated. Despite this the Directorate remains confident that other savings will be found, i.e. through the application of Good Financial Practice, to ensure that a balanced budget is achieved by the end of the year. The 'Guidelines for Good Financial Practice' were previously referred to as 'Management Action Plans' in 2007-08 and details were provided to Cabinet in September. Through these, and the range of innovations implemented, including telehealth and telecare through the 'Whole System Demonstrator Programme', the Directorate remains wholly committed to delivering a balanced outturn position, and it is expected that we will balance the remaining £0.505m forecast pressure by year end.

3.3 Environment, Highways & Waste portfolio:

The underspend for the portfolio has increased by £0.147m this month to £2.010m. This is due to:

- -£0.570m increase in the underspend on the waste budget from £3.630m to £4.200m. The reasons for this movement are:
  - -£0.400m as a result of the Allington plant not being operational for most of December while the results of testing were being examined. The saving, as discussed in previous reports, results from the differential between the current disposal costs at waste to energy plant and those for landfill. This differential is currently a saving of approximately £16 for every tonne that is diverted to landfill, but this option is not sustainable in the long run due to increasing landfill taxes and restrictions in the allowances.
  - -£0.170m increase in recycling income for textiles and metals. Income for these two commodities is staying more buoyant than other areas of recycling but any overall additional income against recycling targets is unlikely to be sustainable in 2009-10, because of the economic downturn.
- +£0.423m pressure on concessionary fares. This is to reimburse Districts for bringing forward free bus travel for the over 60's and disabled people from 9.30am to 9.00am. This partially offsets the previously reported £0.9m underspend on the public transport budget which is the result of the transport group working in partnership with the bus companies to keep the costs of supporting socially necessary but uneconomic bus services and the Freedom Pass below the original estimates.

3.4 Communities portfolio:

The gross position on this portfolio has improved by £0.124m to a pressure of £0.470m. This reduction mainly relates to the Library Service which has benefited from a number of rate rebates totalling £0.085m. The remaining underspending comes from vacancy savings where posts are being held vacant for the remainder of the financial year to offset the directorate pressures. It is expected that further vacancy savings will be reported next month once all units respond to the directorate request to hold posts vacant wherever possible, in order to offset the residual pressure. Once these vacancy savings are confirmed, any residual variance will be addressed.

3.5 Corporate Support & External Affairs portfolio:

The position on this portfolio has improved by £0.036m on the Democratic Services budget. This is due to further underspending on the Local Boards budget due to delays in spending the budget provided in the 2008-11 MTP for supporting the development of Localism in Kent, as reported last month.

3.6 Finance portfolio:

The position on this portfolio has improved by £0.5m on treasury management. This is mainly the result of better than expected cash flows and delays in borrowing.

4. 2008-09 CAPITAL MONITORING POSITION BY DIRECTORATE

4.1 There have been a few cash limit adjustments this month as detailed below:

		2008-09 £000s
1.	As reported to Cabinet on 12 January 2009	320,688
2.	Income from Strategic Health Authority for Learning Disability Development Fund (LDDF) Partnership projects (KASS portfolio)	97
3.	Increase in Schools devolved funding for school travel plans (grant funded)	400
		321,185
4.	PFI	73,420
		394,605

4.2 The current forecast capital position by portfolio, compared with the position reported last month is shown in **table 3** below and **table 4** shows the impact of this variance on each of the funding sources.

Table 3: Capital Position

	Variance		
Portfolio	**This Month £m**	**Last Month £m**	**Movement £m**
Operations, Resources & Skills (CFE)	+1.128	+4.080	-2.952
Children, Families & Educational Achievement	+0.056	-0.005	+0.061
Kent Adult Social Services	+0.077	+0.257	-0.180
Environment, Highways & Waste	-5.218	-5.318	+0.100
Regeneration & Supporting Independence	-2.384	-2.384	-
Communities	-0.971	-0.971	-
Corporate Support & External Affairs	+3.398	+3.398	-
Policy & Performance	-	-	-
Finance	+0.237	-0.064	+0.301
Total (excl Schools)	**-3.677**	**-1.007**	**-2.670**
Schools	-	-	-
Total	**-3.677**	**-1.007**	**-2.670**

4.3 **Table 4: 2008-09 Capital Variance analysed by funding source**

	Capital Variance £m
Supported Borrowing	+0.261
Prudential	+5.443
Prudential/Revenue (directorate funded)	-1.057
PEF2	+0.381
Grant	-10.946
External Funding – Other	-2.277
External Funding – Developer Contributions	+1.870
Revenue & Renewals	+3.668
Capital Receipts	-0.866
General Capital Receipts (generated by Property Enterprise Fund)	-0.154
TOTAL	**-3.677**

4.4 The overspend against borrowing (both prudential and supported) shown in table 4 above is mainly within the Operations, Resources & Skills portfolio. A shortfall in funding within this portfolio was highlighted in the full monitoring report to Cabinet in December and this will be addressed in the draft 2009-12 MTP.

4.5 Overall there is a further -£2.670m of re-phasing of projects this month, as identified in table 3, the main movements are detailed below:

4.6 Operations, Resources & Skills (CFE) portfolio:
The forecast variance for the portfolio has moved by -£2.952m from +£4.080m to +£1.128m this month. The main changes are:

- -£3.000m Kingsmead project - following a review of the MTP, this project is being re-defined and revised estimates are included in the draft 2009-12 MTP. There will be no costs in the current year.
- +£0.121m Quarryfields project – all additional costs on this project are to be funded from Early Years revenue contributions.

4.7 Children, Families & Educational Achievement portfolio:
The forecast variance for this portfolio has moved by +£0.061m this month from -£0.005m to +£0.056m. This is mainly due to the inclusion of three additional Modernisation of Assets projects, with the overspend to be funded by revenue contributions.

4.8 Kent Adult Social Services portfolio:
The forecast for the portfolio has moved by -£0.180m from +£0.257m to +£0.077m this month. The main movements are:

- -£0.100m Crispe House – this project is still ahead of schedule compared to the position anticipated in October when the revised capital programme was approved, however this represents a reduction in the amount now expected to be pulled forward from 2009-10.
- -£0.080m re-phasing of the Bower Mount project into next year.

4.9 Environment, Highways & Waste portfolio:
The forecast for the portfolio has moved by +£0.100m from -£5.318m to -£5.218m. This is due to additional preliminary design fees of £0.060m, which are expected to be funded by additional grant and revenue contributions and a £0.040m reduction in the re-phasing into 09-10 on the Kent Thameside Strategic Transport programme.

4.10 Finance portfolio:
The forecast for the portfolio has moved by +£0.301m from -£0.064m to +£0.237m this month. This is mainly due to the re-phasing on Modernisation of Assets reported last month being brought back into 2008-09. The programme had been put on hold in the summer pending further planning to ensure funding was spent in the right areas. Projects have now been accelerated and the re-phasing to 2009-10 is no longer expected.

5. RECOMMENDATIONS

5.1 Cabinet Members are asked to note the latest forecast revenue and capital budget monitoring position for 2008-09.