

# CHIEF EXECUTIVES DIRECTORATE SUMMARY JANUARY 2008-09 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.
- The inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the last full monitoring report. These are detailed in Appendix 2 to the executive summary.
- Cash limits have also been adjusted since the last full monitoring report to reflect a number of technical adjustments to budgets, including the consolidation of the Kent Public Services Network budget from directorates to Corporate IS in the Corporate Support & External Affairs portfolio and a virement of £0.751m from the treasury management underspend within the Finance portfolio (reported in annex 6) to Corporate Property group to cover the costs of the change in accounting treatment of some staffing costs which were previously charged to capital but upon latest guidance these costs must be charged to revenue.

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	
<b>Public Health portfolio</b>							
Kent Department of Public Health	<b>949</b>	<b>0</b>	<b>949</b>	<b>-86</b>	<b>-52</b>	<b>-138</b>	£78k delayed start to HealthWatch prog & £30k Target 50
<b>Corporate Support &amp; External Affairs portfolio</b>							
Personnel & Development	10,084	-4,442	5,642	810	-827	-17	Increased costs & income re: SPS & H&S. HCI Scheme ends Jul09
Information Systems	23,406	-6,975	16,431	4,203	-3,935	268	Increased costs & income re: projects plus unmet targeted savings
Corporate Communications	1,394	-294	1,100	-13	35	22	
International Affairs Group	461	-113	348	86	-86	0	
Strategic Development & Corporate Management	2,904	-14	2,890	-93	-89	-182	Kent TV contract runs to Aug09.
Contact Centre	4,734	-1,986	2,748	252	-245	7	Increased costs & income from Healthwatch & Duty screenings.
Legal Services	5,346	-5,726	-380	1,358	-1,939	-581	Costs & income of additional work
Democratic Services	4,587	-18	4,569	32	-41	-9	
Dedicated Schools Grant		-2,789	-2,789	0	0	0	
<b>Total CS&amp;EA</b>	<b>52,916</b>	<b>-22,357</b>	<b>30,559</b>	<b>6,635</b>	<b>-7,127</b>	<b>-492</b>	
<b>Policy &amp; Performance portfolio</b>							
Policy & Performance	1,266	-340	926	91	-91	0	
Kent Partnerships	622	-166	456	50	-50	0	
Kent Works	940	-740	200	-81	88	7	
<b>Total P&amp;P</b>	<b>2,828</b>	<b>-1,246</b>	<b>1,582</b>	<b>60</b>	<b>-53</b>	<b>7</b>	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Finance Portfolio</b>							
Strategic Management	1,530	-184	1,346	16	2	18	
Finance Group	20,497	-15,566	4,931	99	-119	-20	
Oakwood Trading	2,050	-2,050	0	19	-19	0	Creation of Oakwood Park Trading a/c
Property Group	15,342	-5,267	10,075	1,334	-1,334	0	Higher value claims recoverable from insurance
<b>Total Finance</b>	<b>39,419</b>	<b>-23,067</b>	<b>16,352</b>	<b>1,468</b>	<b>-1,470</b>	<b>-2</b>	
<b>Total Directorate Controllable</b>	<b>96,112</b>	<b>-46,670</b>	<b>49,442</b>	<b>8,077</b>	<b>-8,702</b>	<b>-625</b>	
<b>Assumed Management Action:</b>							
- CS&EA portfolio						0	
- P&P portfolio						0	
- Finance portfolio						0	
<b>Forecast after Mgmt Action</b>				<b>8,077</b>	<b>-8,702</b>	<b>-625</b>	
<b>Memorandum Item</b>							
Property Enterprise Fund	0	-12	-12	571	-138	433	See section 2.2 Annex 5

### 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:

#### **Corporate Support & External Affairs portfolio:**

- 1.1.3.1 Personnel & Development: Variances on gross spend (**£419k**), largely due to additional staffing to deliver the service demands on the Schools Personnel Services is offset by income from recharges to Schools (**£419k**). Further variances on gross (**£250k**) and income (**£250k**) arise from the cost of and subsequent income from Health & Safety training for Schools (£210k) and Leadership training.
- 1.1.3.2 Information Systems: Variances on gross spend (**£3,887k**) and income (**£4,033k**) reflect the increased demand for additional IT services and projects, a demand which is difficult to predict during budget setting. A pressure of **£314k** relates to unmet targeted savings for reduced Directorate activity and **£300k** relates to the implementation of new Corporate Printer contract, the savings from which will be realised within directorates and not within ISG where the savings target sits. In order to offset these unmet savings targets, the service has reduced its spend on non critical in 2008-09 supplies and services by **£200k**.
- 1.1.3.3 Strategic Development: (**£182k**) relating to the Kent TV contract which will need to be re-phased into 2009-10 as the profile of spend finishes in Aug09.
- 1.1.3.4 Contact Centre: Variances on gross spend (**£183k**) and income (**£183k**) are due to unbudgeted work coming in to the Contact Centre for the Healthwatch programme (£115k) and Duty screenings (£68k). The spend was for additional staffing to cover this work and income is from the recharges to Public Health & CFE.

1.1.3.5 Legal Services:

- Variances on gross spend (**£572k**) and income (**£1,204k**) reflect the additional work that the function has taken on over and above that budgeted for, responding to both internal and external demand.
- Variances on gross spend (**£620k**) and income (**£620k**) are a result of additional disbursements incurred. Costs of disbursements are recovered from clients but they are difficult to predict during budget setting.
- In addition **£100k** has been transferred to reserves to support the 2009-10 budget, as approved at County Council on 19 February.

**Finance portfolio:**1.1.3.6 Property Group:

Variance on gross (**£1,404k**) and income (**£1,404k**) relates to higher value claims which are recoverable from the Insurance Fund.

Variance on gross (**£120k**) and income (**£120k**) due to Property freezing fee generating vacancies due to a downturn in project work from Directorates.

**Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER**  
(shading denotes that a pressure/saving has an offsetting entry which is directly related)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CS	Information Systems costs of additional services/projects	+3,887	CS	Information Systems income from additional services/projects	-4,033
FIN	Higher value claims recoverable from insurance	+1,404	FIN	Insurance Recovery for cost of higher value claims	-1,404
CS	Legal services cost of additional disbursements	+620	CS	Legal income resulting from additional work (partially offset by increased costs)	-1,204
CS	Legal services cost of additional work (offset by increased income)	+572	CS	Legal services costs of disbursements recovered from clients	-620
CS	P&D Increased staff costs to cover increased demand for Schools Personnel Service.	+419	CS	P&D Income from Schools above anticipated levels for Schools Personnel Service	-419
CS	ISG Unmet savings target for reduced Directorate activity	+314	CS	P&D - Income from Schools for Health & Safety training plus Leadership training (non Schools)	-250
CS	ISG Unmet savings target re: provision of new printer contract	+300	CS	ISG reduction in non essential supplies and services expenditure	-200
CS	P&D - Consultancy costs for Health & Safety training for Schools plus Leadership training	+250	CS	Income from Kent Healthwatch & CFE Duty screening to fund addt staff.	-183
CS	Contact Centre extra staff costs to do Kent Healthwatch & CFE Duty screening - funded by addt income.	+183	CS	SDU - Confirmed profile of Kent TV revenue spend to Aug09 (roll forward proposal)	-182
FIN	Property Grp - Reduced fee income following downturn in project work	+120	FIN	Unfilled Property vacancies following downturn in project work	-120
CS	Legal - transfer to reserves to support 2009-10 budget	+100			
		+8,169			-8,615

1.1.4 **Actions required to achieve this position:**

N/A

### 1.1.5 Implications for MTP:

#### Finance portfolio:

The consequences of the change in the accounting treatment of the indirect staffing costs of the Corporate Property Unit which have been funded by a one-off virement in 2008-09, have been funded in the MTP for 2009-10 onwards.

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

The following projects are re-phasing into 2009-10:

Public Health: **-£78k** for HealthWatch programme will be required to roll forward to 2009-10 due to a delayed start to the programme. **-£30k** for Towards 2010 'Target 50' will need to be rolled forward for a public health poster campaign targeted at young people scheduled for 2009-10.

Strategic Development: **-£182k** for Kent TV, to meet the contractual commitment through to Aug09.

#### Personnel & Development:

- **+£26k** Home Computing Initiative. Due to the accounting treatment of this scheme, a scheduled overspend of £26k will be required to roll forward into 2009-10 to be met from staff salary deductions to July 2009, when the scheme is due to complete.
- **-£44k** on Wellbeing Health checks is requested to be rolled forward to 2009-10

Finance Group: Exchequer Services will be requesting **-£20k** to be rolled forward to help fund the new programme of scanning invoices.

### 1.1.7 Details of proposals for residual variance: *[eg roll forward proposals; mgmt action outstanding]*

#### Corporate Support and External Affairs portfolio:

ISG have made significant in roads to their previously reported overspend. The residual £268k pressure will be covered by underspending on other CS & EA portfolio units.

CED has an underspend of £625k of which £328k will be requested to roll forward to 2009/10 as detailed in section 1.1.6 above, leaving a £297k residual underspend. The majority of this will be required to support essential investment to achieve stretching income targets next 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.

The capital cash limits have been adjusted to reflect the position reflected in the 2009-12 MTP as agreed by County Council on 19 February 2009. However, these differ from the cash limits shown in 2009-10 Budget Book, as the cash limits reflected in this report only include those projects starting in the current or previous years, whereas the cash limits in the 2009-10 Budget Book also include projects due to start in future years of the 2009-12 MTP.

1.2.2 **Table 3** below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	Future Yrs £000s	TOTAL £000s
<b>Corporate Support &amp; External Affairs Portfolio</b>						
Budget approved at Cty Council	2,571	9,598	8,322	8,871	13,474	42,836
Adjustments:						
-						0
Revised Budget	2,571	9,598	8,322	8,871	13,474	42,836
Variance		-107	37		70	0
<b>split:</b>						
- real variance						0
- re-phasing		-107	+37		+70	0
<b>Policy &amp; Performance Portfolio</b>						
Budget approved at Cty Council		526	500	500	1,500	3,026
Adjustments:						
-						0
Revised Budget	0	526	500	500	1,500	3,026
Variance		0	0	0	0	0
<b>split:</b>						
- real variance		0	0	0	0	0
- re-phasing		0	0	0	0	0
<b>Finance Portfolio</b>						
Budget approved at Cty Council		4,843	5,072	5,078	14,634	29,627
Adjustments:						
-						0
Revised Budget	0	4,843	5,072	5,078	14,634	29,627
Variance		-572	613	0	0	+41
<b>split:</b>						
- real variance		+41	0	0	0	+41
- re-phasing		-613	+613	0	0	0
<b>Directorate Total</b>						
Revised Budget	2,571	14,967	13,894	14,449	29,608	75,489
Variance	0	-679	650	0	70	41
<b>Real Variance</b>						
		<b>+41</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>+41</b>
<b>Re-phasing</b>						
		<b>-720</b>	<b>+650</b>	<b>0</b>	<b>+70</b>	<b>0</b>

### 1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2008-09 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 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 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 Stage
			£'000s	£'000s	£'000s	£'000s
<b>Overspends/Projects ahead of schedule</b>						
	None					
			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Underspends/Projects behind schedule</b>						
FIN	Modernisation of assets	Phasing	-335			
			<b>-335</b>	<b>0</b>	<b>0</b>	<b>0</b>
			<b>-335</b>	<b>0</b>	<b>0</b>	<b>0</b>

**1.2.4 Projects re-phasing by over £1m:**

None

**1.2.5 Projects with real variances, including resourcing implications:**

Table 3 shows a £41k real variance, which is due to:

Finance portfolio:

- Commercial Services overspend of £43k. This increase in expenditure on vehicles, plant & equipment will be funded by an increased contribution to and drawdown from the CSD Renewals Fund.
- Office Strategy – Whitstable underspend of -£2k as final costs have come in marginally less than anticipated resulting in lower prudential borrowing.

**1.2.6 General Overview of capital programme:**

(a) Risks

N/A

(b) Details of action being taken to alleviate risks

N/A

## 2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

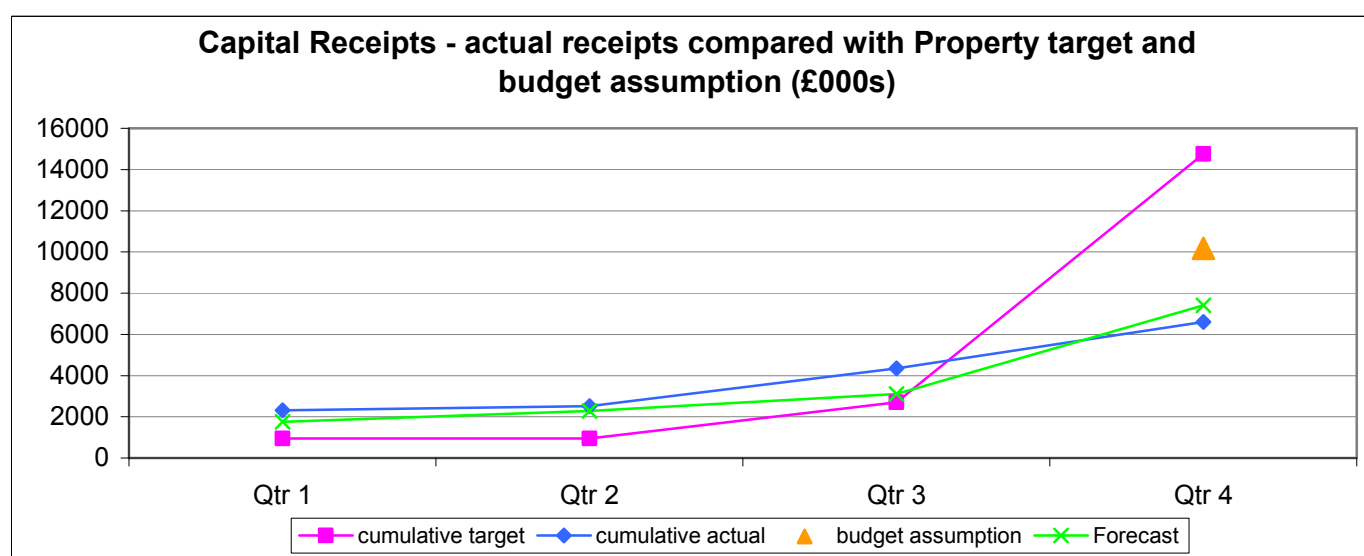
### 2.1 Capital Receipts – actual receipts compared to budget profile:

	2008-09			
	Budget funding assumption £000s	Cumulative Target profile £000s	Cumulative Actual receipts £000s	Forecast receipts £000s
April - June		945	2,314	1,762
July - September		945	2,521	2,284
October - December		2,702	4,355	3,111
January - March		14,761	**6,595	7,411
<b>TOTAL</b>	<b>*10,176</b>	<b>***14,761</b>	<b>6,595</b>	<b>7,411</b>

\* figure updated to reflect proposed 09-12 capital budget

\*\* actuals to 31 January 2009

\*\*\* The cumulative target profile shows the anticipated receipts for 2008-09 totalled £14,761k. The variance between this and the budget funding assumption is due to timing differences between when the receipts are anticipated to come in and when the spend in the capital programme to be funded by these receipts is due to occur. Forecast receipts for this financial year are now anticipated to be £7,411k. This reduced forecast compared to the target is attributable to the current market conditions and is a mixture of timing and the fact that some of these receipts are now anticipated to go through the PEF2 route instead.



#### Comments:

- A review of the capital programme was undertaken to take into account the downturn in the property market due to the global credit crunch. This has resulted in the budget for 2008-09 now only relying on £10,176k of capital receipts as reflected in the 2009-12 MTP, which is more realistic given the current forecasts.
- The table below shows we are currently forecasting a potential surplus of £398k for the current year. This in year “surplus” is due to timing differences between when receipts are due to come in and when the projects the receipts are due to fund are forecasting to spend. The current economic position makes it even more difficult to forecast when and how much receipts are expected to achieve, therefore this in year “surplus” should be viewed with caution.

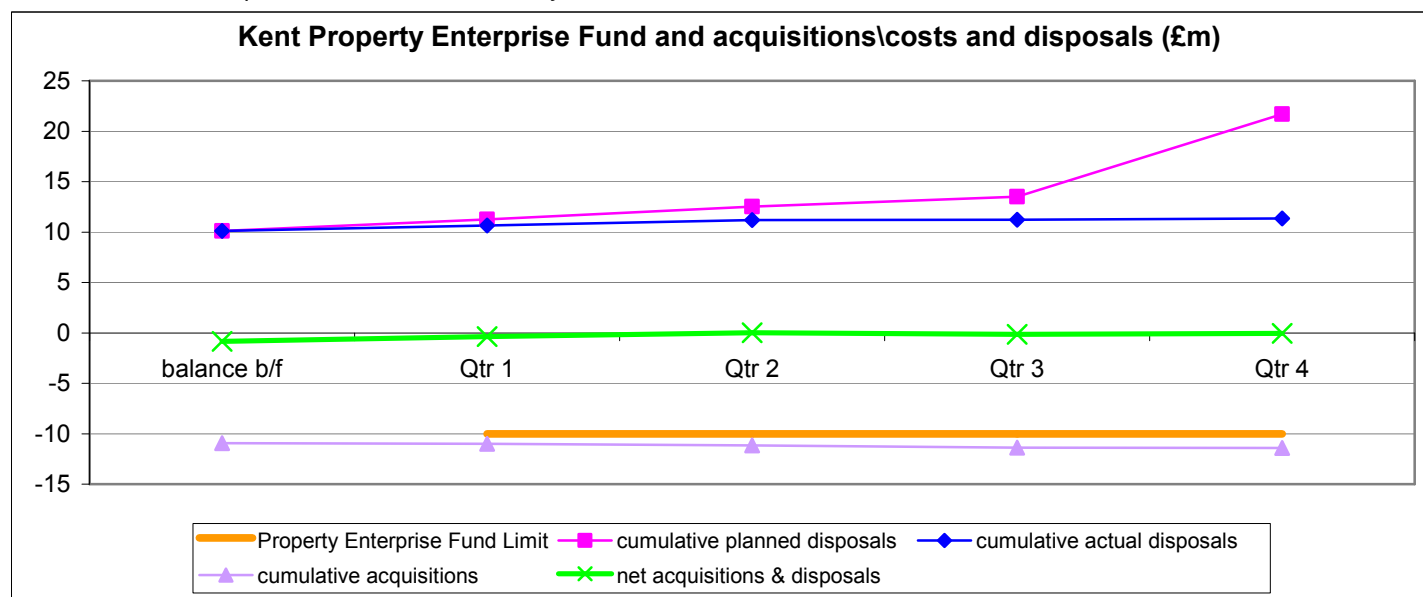
	2008-09 £'000
Capital receipt funding per revised 2009-12 MTP	10,176
Property Group's forecast receipts	7,411
Receipts banked in previous years for use	2,163
Capital receipts from other sources	1,000
<b>Potential Surplus Receipts</b>	<b>398</b>

## 2.2 Capital Receipts – Kent Property Enterprise Fund 1:

	<i>Kent Property Enterprise Fund Limit</i> £m	Cumulative Planned Disposals (+) £m	Cumulative Actual Disposals (+) £m	Cumulative Actual Acquisitions (-) £m	Cumulative Net Acquisitions (-) & Disposals (+) £m
Balance b/f		10.096	10.096	-10.924	-0.828
April - June	-10	11.259	10.642	-10.995	-0.353
July – September	-10	12.526	11.199	-11.173	0.026
October – December	-10	13.507	11.234	-11.377	-0.143
January – March**	-10	21.695*	11.365	-11.407	-0.042

\* as a result of the current economic situation, forecast disposals are £11.598m compared to the £21.695m planned disposals at the beginning of the year.

\*\* reflects the position to the end of January



## Comments:

- County Council approved the establishment of the Property Group Enterprise Fund No.1, with a maximum permitted deficit of £10m, but self-financing over a period of 10 years. The cost of any temporary borrowing will be charged to the Fund to reflect the opportunity cost of the investment. The aim of this Fund is to maximise the value of the Council's land and property portfolio through:
  - the investment of capital receipts from the disposal of non operational property into assets with higher growth potential, and
  - the strategic acquisition of land and property to add value to the Council's portfolio, aid the achievement of economic and regeneration objectives and the generation of income to supplement the Council's resources.

Any temporary deficit will be offset as disposal income from assets is realised. It is anticipated that the Fund will be in surplus at the end of the 10 year period.

Balance brought forward

In 2005-06, £0.541m of capital receipts were realised from the disposal of non-operational property. The associated disposal costs of £0.054m were funded from these receipts, leaving a balance of £0.487m available for future investment in the Kent Property Enterprise Fund.

In 2006-07, £3.065m of capital receipts were realised from the disposal of non-operation property giving a balance of £3.606m for investment. The Fund was used to acquire land at Manston Business Park. Together with the costs of acquisition and disposal, costs in the year totalled £5.864m, leaving a deficit of £2.312m to be temporarily funded from the £10m borrowing facility.

In 2007-08, £6.490m of receipts were realised of which £3.3m was used for revenue budget support, £1.110m was used to fund expenditure on the Eurokent Access Road and there was £0.596m of acquisition and disposal costs, leaving a balance of £1.484m to offset against the £2.312m deficit brought forward. Therefore the deficit carried forward to 2008-09 was £0.828m.

Actual Disposals

At the start of 2008-09 Property Group identified **£11.599m** worth of potential non-earmarked receipts to be realised this financial year.

Disposals to date this year have been **£1.269m** from the disposal of 12 non-operational properties, but as a result of the credit crunch, the market has hardened affecting the ability to achieve the original target. Property Group is now forecasting receipts of **£1.502m** this year.

Acquisitions\Costs

At present there are no committed acquisitions to report, however forecast outturn for costs of disposals (staff and fees) is currently estimated at **£0.592m**.

Other Fund Commitments

The 2008-09 revenue budget includes £0.7m of receipts to be generated by the Fund in the current year.

The Fund has also been earmarked to provide a further £4.194m of funding for the Eurokent Access Road, £1m for Ashford Library (currently forecast for 2009-10), £2m for Gateways over the MTP (currently forecast at £0.587m in 2008-09, £1.380m in 2009-10, £0.013m in 2010-11 and £0.020m 2011-12) and £0.3m for Upper Stone Street Lay-by, within the Integrated Transport Programme (currently forecast for 2009-10).

Forecast Outturn

Taking all the above into consideration, the Fund is expected to be in a deficit position of £3.367m at the end of 2008-09.

<b>Opening Balance – 01-04-08</b>	-£0.828m
Planned Receipts (Risk adjusted)	£1.502m
Costs	-£0.592m
Acquisitions	-
Other Funding:	
- revenue budget support	-£0.700m
- Eurokent Access Road	-£4.194m
- Gateways	-£0.587m
<b>Closing Balance – 31-03-09</b>	<b>-£5.399m</b>

Revenue Implications

The Fund also generated £0.096m of low value revenue receipts during 2007-08 but, with the need to fund both costs of borrowing (£0.107m) against the overdraft facility and a small deficit on the cost of managing non-earmarked properties held for disposal (£0.001m), the PEF carried forward a £0.012m deficit on revenue which has been rolled forward to be met from future income streams.

In 2008-09 the fund is currently forecasting £0.019m of low value revenue receipts but, with the need to fund both costs of borrowing (£0.202m) against the overdraft facility and the cost of managing properties held for disposal (net £0.238m), the PEF1 is forecasting a £0.433m deficit on revenue which will be rolled forward to be met from future income streams.

## FINANCING ITEMS SUMMARY

### JANUARY 2008-09 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.
- The inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the last full monitoring report. These are detailed in Appendix 2 to the executive summary.
- Cash limits have also been adjusted since the last full monitoring report to reflect a number of technical adjustments to budgets and a virement of £0.751m from the treasury management savings to Corporate Property to cover the costs of the change in accounting treatment of some staffing costs which were previously charged to capital but upon latest guidance these costs must be charged to revenue.

1.1.2 **Table 1** below details the revenue position by Service Unit:

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	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Corporate Support &amp; External Affairs portfolio</b>							
Contribution to IT Asset Maintenance Reserve	2,424		2,424			0	
PFI Grant		-656	-656			0	
<b>Total Corporate Support</b>	<b>2,424</b>	<b>-656</b>	<b>1,768</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Finance Portfolio</b>							
Insurance Fund	3,479		3,479			0	
County Council Elections	255		255			0	
Workforce Reduction	1,089		1,089			0	
Environment Agency Levy	359		359			0	
Joint Sea Fisheries	264		264	-3		-3	
Audit Fees & Subscriptions	800		800	-187		-187	
Interest on Cash Balances / Debt Charges	124,338	-29,896	94,442	-10,186	3,894	-6,292	savings on debt charges due to lower levels of borrowing in 07-08 & 08-09 & better rates for new borrowing
Contribution from Commercial Services		-6,210	-6,210		350	350	roundabout sponsorship shortfall
Public Consultation	100		100			0	
Member Community Grants	848		848			0	
Local Priorities	595		595	-1		-1	
Local Scheme spending recommended by Local Boards	656		656			0	
Transferred Services Pensions	22		22			0	
PRG	2,225	-3,951	-1,726			0	
Contribution from Reserves	-2,400	0	-2,400			0	
Income from Kings Hill	-1,000	0	-1,000			0	
ABG Safer Stronger Communities	1,384		1,384			0	
LABGI income	-1,851	-1,349	-3,200		596	596	reduced level of LABGI income

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Transfers to reserves	0	0	0	4,822	0	4,822	to support 09-10 budget & Regen Fund
<b>Total Finance</b>	<b>131,163</b>	<b>-41,406</b>	<b>89,757</b>	<b>-5,555</b>	<b>4,840</b>	<b>-715</b>	
<b>Total Controllable</b>	<b>133,587</b>	<b>-42,062</b>	<b>91,525</b>	<b>-5,555</b>	<b>4,840</b>	<b>-715</b>	

### 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:

#### 1.1.3.1 Interest on Cash Balances and Debt Charges

Due to the re-phasing on the capital programme in 2007-08 a lower level of new borrowing was required resulting in a reduction in the debt charges compared to the level assumed when the budget was set. In addition, as a result of the continuing reductions in the base rate, new market borrowing has been arranged at rates considerably less than assumed in the budget. However, the lower base rate also has the effect of reducing our interest receipts from cash balances but as this is a much smaller budget, the impact is far less, so overall we gain from this.

Some borrowers have exercised call options on deposits resulting in principal and accrued interest being repaid. The downside of this is that the return we can get on reinvesting this money is much lower than previously assumed. However, the increase in shorter term liquidity as a result of these repayments means that we do not need to take out as much new borrowing to fund our capital programme in the current year.

Any interest at risk during this year from our investments in Icelandic banks has been fully accounted for in line with the Government's recent regulations and managed within existing budgets. An update on the Icelandic bank position is provided below.

#### 1.1.3.2 Investments in Icelandic Banks update

As previously reported, the Council has currently some £50m trapped in Icelandic banks. Of this some £16m relates to cash held on behalf of the Pension Fund, where a decision had been taken to reduce its holding in equities, thereby saving some £40-50m this financial year. Legislation has been passed that confirms that there will be no impact on the 2008-09 accounts from our principal sum invested in Icelandic Banks. Unless we have any formal agreement with the banks at the point of closing the accounts, our intention is to include this in the accounts as a contingent liability. We are having ongoing discussions with the CLG, our external auditors and the Icelandic banks via the creditors group, to ensure the best possible outcome for the residents of Kent. The CLG intend to review this position in the autumn of 2009 in readiness for the 2009-10 accounts.

Of the total amount trapped, some £18m is held within the UK domiciled Heritable bank. Recovery is being managed within UK process (with officer involvement) and proceeding well. The Council anticipates a substantial recovery with the first repayments made in July this year. The balance is held in two Icelandic based banks and officers have also been attending these creditor meetings. The country will shortly be holding its general election and it is envisaged that this will cause a short delay to process. In the most recent Landsbanki meetings the UK Treasury have been represented as they are also preferred creditors and their support to Local Government was welcomed. Given the election, timing is somewhat less clear, but advice from both British and Icelandic lawyers continues to be positive, with expectations of substantial recovery.

#### 1.1.3.3 Local Authority Business Growth Incentive (LABGI)

The Government has reconsidered all aspects of the approach used to distribute the resources available for year 3 of this scheme and as previously reported we were expecting to get £1.349m less income than previously anticipated. However, the Government had retained some funding to cover the potential outcomes of existing Judicial Reviews against the LABGI scheme. We have recently received notification that not all of this will be required and the Government has published further allocations. Our share of this is a further £0.753m, therefore reducing our anticipated shortfall to £0.596m.

#### 1.1.3.4 Commercial Services Contribution:

We are currently reporting a £350k shortfall in the budgeted contribution from Commercial Services. This is due to problems with obtaining planning consent from the Districts for the erection of signs for sponsorship of roundabouts; we will therefore not achieve all of the expected income from this initiative this year.

Commercial Services are still projecting to deliver their income target, other than the roadside advertising reported above, but they are not immune to the general state of the economy and this position could change in the closing stages of this financial year.

#### 1.1.3.5 Annual Audit Fee and Subscriptions:

We have had confirmation of the annual audit fee, which is less than budgeted. There is also a small saving on our annual subscriptions compared to the budgeted estimate.

#### 1.1.3.6 Transfers to Reserves:

£4.069m has been transferred to reserves to support the 2009-10 budget, as agreed at County Council on 19 February. This is made up of £3.569m to fund the bridging loans to other portfolios and £0.5m to fund a £0.25m grant to Citizens Advice Bureau and £0.25m to set up a credit union.

In addition, **Cabinet is asked to agree** the transfer of the additional £0.753m LABGI money recently notified, into the Regeneration Fund to support delivery of the Regeneration Framework. Although there remains a shortfall in LABGI funding, as explained in paragraph 1.1.3.2 above we had previously assumed a larger shortfall and were offsetting this against other savings within the portfolio. This therefore means that the additional £0.753m has improved the position overall and we are able to release this funding to support regeneration activity. This report has been prepared on the basis that this transfer is approved.

#### 1.1.3.7 Insurance

Current indications are that we may have an overspend against the Insurance Fund this year as a result of increasing claims. We have not included anything in the forecast for this until the position becomes clearer regarding the final level of claims and the amount which is recoverable from outside insurers. Any overspend could be funded from the Insurance reserve.

**Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER**  
(shading denotes that a pressure/saving has an offsetting entry which is directly related)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
FIN	transfer to reserves to support 2009-10 budget	+4,069	FIN	Treasury Management	-6,292
FIN	transfer to Regeneration Fund to support the delivery of the Regeneration Framework	+753	FIN	savings on annual Audit Fee and subscriptions	-187
FIN	Reduction in LABGI income	+596			
FIN	Commercial Services - Shortfall in income from sponsorship of roundabouts	+350			
		+5,768			-6,479

#### 1.1.4 **Actions required to achieve this position:**

N/A

### 1.1.5 Implications for MTP:

The continuing reduction in the base rates will have a significant impact on the treasury management budget in 2009-10 due to lower interest receipts and the reduced cost of borrowing. The impact of this has been reflected in the 2009-12 MTP.

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

N/A

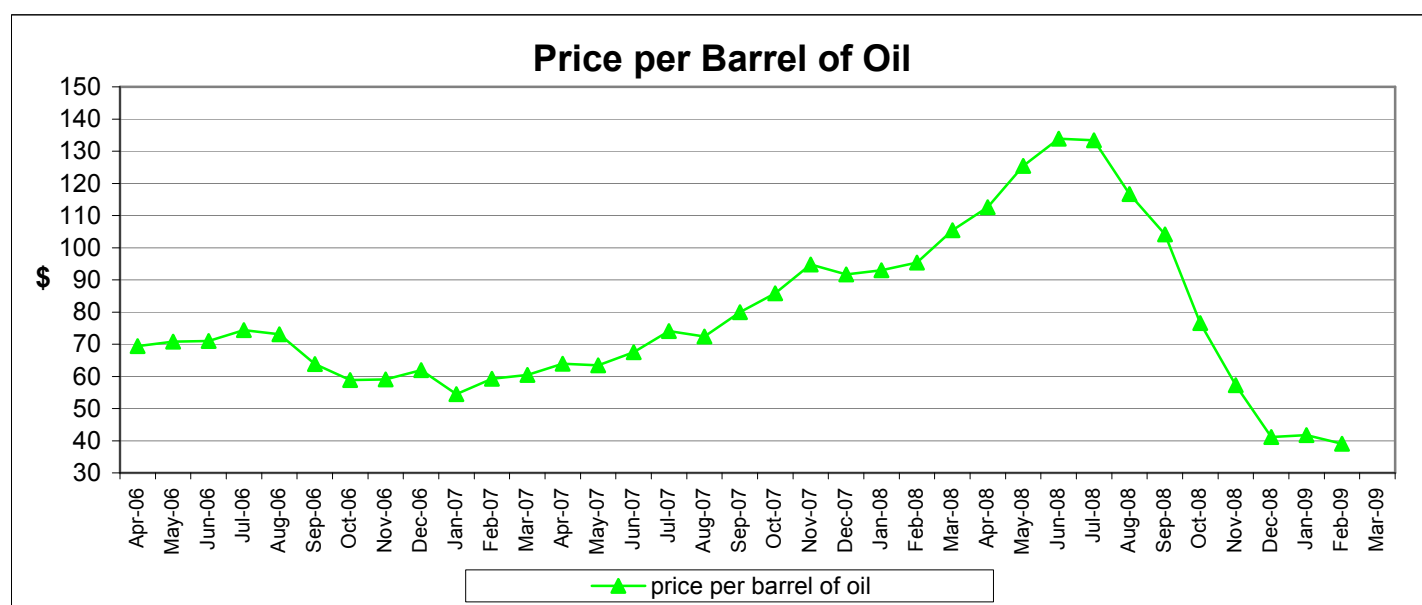
### 1.1.7 Details of proposals for residual variance: [eg roll forward proposals; mgmt action outstanding]

N/A

## 2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

### 2.1 Price per Barrel of Oil - average monthly price in dollars since April 2006:

	Price per Barrel of Oil		
	2006-07	2007-08	2008-09
	\$	\$	\$
April	69.44	63.98	112.58
May	70.84	63.45	125.40
June	70.95	67.49	133.88
July	74.41	74.12	133.37
August	73.04	72.36	116.67
September	63.80	79.91	104.11
October	58.89	85.80	76.61
November	59.08	94.77	57.31
December	61.96	91.69	41.12
January	54.51	92.97	41.71
February	59.28	95.39	39.09
March	60.44	105.45	



Comments:

- The figures quoted are the monthly average of the West Texas Intermediate Spot Price in dollars per barrel.