REPORT TO:	**CABINET – 30 MARCH 2009**
SUBJECT:	**REVENUE AND CAPITAL BUDGETS, KEY ACTIVITY AND RISK MONITORING**
BY:	**NICK CHARD – CABINET MEMBER FOR FINANCE LYNDA McMULLAN – DIRECTOR OF FINANCE MANAGING DIRECTORS**

SUMMARY:

Members are asked to:

- **note the latest monitoring position on the revenue and capital budget,**
- **note the additional revenue grant income as identified in appendix 2 to this report,**
- **note the changes to the capital programme**
- **approve the transfer of the £0.753m additional allocation of LABGI funding to the Regeneration Fund to support the delivery of the Regeneration Framework.**

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1. INTRODUCTION

1.1 This is the third full monitoring report to Cabinet for 2008-09.

1.2 The format of this report is:

- This summary report highlights only the most significant issues
- There are 6 reports, each one an annex to this summary, one for each directorate and one for Financing Items. Each of these reports is in a standard format for consistency, and each one is a stand-alone report for the relevant directorate.

2. OVERALL MONITORING POSITION

2.1 Revenue

2.1.1 The net projected variance against the combined portfolio revenue budgets is an underspend of £4.930m after management action (excl. Asylum). Section 3 of this report provides the detail, which is summarised in Table 1a in section 2.1.4 below.

2.1.2 Asylum Update:
The Asylum Service is forecasting to have a funding shortfall of £5,222k for the 2008-09 financial year, £4,722k of direct costs and £500k of indirect costs. The number of referrals in Kent is continuing to run at over 50 cases per month. It is now clear from recent discussions with the Home Office that, with a static position nationally, Kent is receiving a greater proportion of the national Unaccompanied Asylum Seeking Children (UASC) intake than previously.

As reported in the last exception report the Home Office has published its guidance on what can be included in the special circumstances 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 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.

We have received final settlement from the Home Office in respect of 2006-07 and 2007-08. Also, the DCSF have paid the full £2.6m of our special circumstances claim from the 2007-08 financial year, with a small retention subject to a satisfactory audit. By the end of 2007-08 we had £10m of costs we had incurred but not had reimbursed by the HO and DCSF. Of this, we have been successful in receiving £6.4m after also offsetting shortfalls in Asylum general grant following reductions as a result of the data matching exercise. This income, which we had previously covered from the Asylum reserve and bad debt provision, will need to be repaid into the Asylum reserve in order to cover anticipated shortfalls for the current and future years. In addition, £0.4m relating to the general grant shortfall for 2005-06 had already been funded from a provision for repayment of grant set up in 2006-07, therefore in total there is £6.8m available to repay into the reserve.

2.1.3 Investments in Icelandic Banks update:

As 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. As demonstrated elsewhere in this report any interest at risk during this year has been fully accounted for in line with the Government's recent regulations and managed within existing budgets. 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.

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.

2.1.4 **Table 1a** – Portfolio position – net revenue position **after** proposed management action

Portfolio	Budget	Gross Variance	Proposed Management Action	Net Position after management action		Movement
				This Month	Last Month	
	£k	£k	£k	£k	£k	£k
O,R&S (CFE)	-811,898	+2,731	-1,406	+1,325	+639	+686
CF&EA	+130,780	-1,325	0	-1,325	-413	-912
Kent Adult Social Services	+324,953	+33	-33	0	0	0
E,H&W	+144,229	-2,929	0	-2,929	-2,010	-919
Regen & SI	+9,641	-661	0	-661	-375	-286
Communities	+51,951	+338	-338	0	0	0
Public Health	+949	-138	0	-138	-116	-22
Corporate Support	+32,327	-492	0	-492	-711	+219
Policy & Performance	+1,582	+7	0	+7	0	+7
Finance	+106,109	-717	0	-717	-2,882	+2,165
TOTAL (excl Schools)	-9,377	-3,153	-1,777	-4,930	-5,868	+938
Asylum	0	+5,222	0	+5,222	+5,222	0
TOTAL (excl Schools)	-9,377	+2,069	-1,777	+292	-646	+938
Schools	+874,819	+8,000	0	+8,000	+8,000	0
TOTAL	+865,442	+10,069	-1,777	+8,292	+7,354	+938

The movement of +£0.938m this month, shown in table 1a, is after we have made our transfers to reserves to support the 2009-10 budget, as agreed at County Council on 19 February, and the proposed transfer of the additional allocation of LABGI funding to the Regeneration Fund to support the delivery of the Regeneration Framework.

2.2 Capital

2.2.1 In line with previous practice, the capital cash limits have been adjusted in this report to reflect the re-phasing of capital projects which has been built into the 2009-12 MTP. County Council approved the 2009-12 MTP on 19 February 2009 which included the revised capital programme for 2008-09. This report reflects the current monitoring position against this revised programme, where a pressure of £3.341m and re-phasing of £9.712m of expenditure into future years is forecast, giving a total variance in 2008-09 of -£6.371m. Further details are provided in section 4 of this report.

3. REVENUE

3.1 Virements/changes to budgets

Directorate cash limits have been adjusted to include:

- A virement of £0.751m from the underspending on treasury management to Corporate Property group, both within the Finance portfolio, to offset the reduction in income resulting in the change in accounting treatment of some salary costs which were previously recharged to capital but upon latest guidance, must be charged to revenue.
- The inclusion of a number of 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set or adjustments to the level of grant allocation assumed in the budget following confirmation from the awarding bodies. These are detailed in Appendix 2.

All other changes to cash limits reported this quarter 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.

3.2.1 **Table 1b** – Portfolio/Directorate position – gross revenue position **before** management action

			Directorate					
Portfolio	**Budget**	**Variance**	CFE	KASS	E&R	CMY	CED	FI
	£k	**£k**	£k	£k	£k	£k	£k	£k
O,R&S (CFE)	**-811,898**	**+2,731**	+2,731					
CF&EA	**+130,780**	**-1,325**	-1,325					
Kent Adult Social Services	**+324,953**	**+33**		+33				
E,H&W	**+144,229**	**-2,929**			-2,929			
Regen & SI	**+9,641**	**-661**			-661			
Communities	**+51,951**	**+338**				+338		
Public Health	**+949**	**-138**					-138	
Corporate Support	**+32,327**	**-492**					-492	0
Policy & Performance	**+1,582**	**+7**					+7	
Finance	**+106,109**	**-717**					-2	-715
SUB TOTAL (excl Schools)	**-9,377**	**-3,153**	+1,406	+33	-3,590	+338	-625	-715
Asylum	**0**	**+5,222**	+5,222					
TOTAL (excl Schools)	**-9,377**	**+2,069**	+6,628	+33	-3,590	+338	-625	-715
Schools	**+874,819**	**+8,000**	+8,000					
TOTAL	**+865,442**	**+10,069**	+14,628	+33	-3,590	+338	-625	-715

3.2.3 **Table 1c** – Gross, Income, Net (GIN) position – revenue (**before** management action)

	CASH LIMIT			**VARIANCE**		
Portfolio	**Gross**	**Income**	**Net**	**Gross**	**Income**	**Net**
	£k	£k	£k	£k	£k	£k
O,R&S (CFE)	+144,177	-956,075	**-811,898**	+1,519	+1,212	**+2,731**
CF&EA	+222,429	-91,649	**+130,780**	+1,885	-3,210	**-1,325**
Kent Adult Social Services	+447,541	-122,588	**+324,953**	+3,851	-3,818	**+33**
E,H&W	+158,933	-14,704	**+144,229**	-2,160	-769	**-2,929**
Regen & SI	+11,953	-2,312	**+9,641**	-683	+22	**-661**
Communities	+103,468	-51,517	**+51,951**	+1,815	-1,477	**+338**
Public Health	+949	0	**+949**	-86	-52	**-138**
Corporate Support	+55,340	-23,013	**+32,327**	+6,635	-7,127	**-492**
Policy & Performance	+2,828	-1,246	**+1,582**	+60	-53	**+7**
Finance	+170,582	-64,473	**+106,109**	-4,087	+3,370	**-717**
SUB TOTAL (excl Schools)	+1,318,200	-1,327,577	**-9,377**	+8,749	-11,902	**-3,153**
Asylum	+14,129	-14,129	**0**	0	+5,222	**+5,222**
TOTAL (excl Schools)	+1,332,329	-1,341,706	**-9,377**	+8,749	-6,680	**+2,069**
Schools	+955,336	-80,517	**+874,819**	+8,000	0	**+8,000**
TOTAL	+2,287,665	-1,422,223	**+865,442**	+16,749	-6,680	**+10,069**

A reconciliation of the above gross and income cash limits to the approved budget book is detailed in **Appendix 2.**

3.3 Table 2 below details all projected revenue variances over £100k, in size order (shading denotes that a pressure/saving has an offsetting entry which is directly related). Supporting detail to each of these projected variances is provided in individual Directorate reports as follows:

Annex 1 **Children, Families & Education**
incl. Operations, Resources & Skills (CFE) and Children, Families & Educational Achievement portfolios

Annex 2 **Kent Adult Social Services**

Annex 3 **Environment & Regeneration**
incl. Environment, Highways & Waste & Regeneration & Supporting Independence portfolios

Annex 4 **Communities**

Annex 5 **Chief Executives**
incl. Public Health, Corporate Support & External Affairs, Policy & Performance and Finance portfolios

Annex 6 **Financing Items**
incl. elements of the Corporate Support & External Affairs and Finance portfolios

Table 2 - All Revenue Budget Variances over £100k in size order

Pressures (+)			**Underspends (-)**		
portfolio			portfolio		
ORS	Schools delegated budgets - expected draw down in reserve	+8,000	FIN	Treasury Management	-6,292
CFEA	Asylum - Shortfall in income	+5,222	CS	Information Systems income from additional services/projects	-4,033
FIN	transfer to reserves to support 2009-10 budget	+4,069	EHW	Diversion to landfill while Allington waste to energy plant off-line	-2,200
CS	Information Systems costs of additional services/projects	+3,887	EHW	Reduced waste tonnage	-2,000
KASS	LD Residential gross - activity in excess of affordable level in independent sector placements (excl new S256 clients)	+2,643	CFEA	Family Support - Planned management action (gross)	-1,612
CFEA	Independent Sector Residential Care - increase in demand and high cost placements (gross)	+1,781	EHW	Public transport including Freedom pass	-1,500
CFEA	Fostering Service - Independent fostering allowances (gross)	+1,745	KASS	LD Supported Accommodation gross - activity below affordable level	-1,456
KASS	PD Residential gross - activity in excess of affordable level in independent sector placements	+1,453	FIN	Insurance Recovery for cost of higher value claims	-1,404
FIN	Higher value claims recoverable from insurance	+1,404	CS	Legal income resulting from additional work (partially offset by increased costs)	-1,204
EHW	Invest to Save projects	+1,400	KASS	Older People Domiciliary gross - reduction in hours in independent care	-1,183
KASS	Older People Nursing gross - activity in excess of affordable level in independent sector placements	+1,334	CFEA	Independent Sector Residential Care - placement funding from Joint Residential Assessment Panel (income)	-1,174
ORS	ICT - Broadband connectivity project reduced income from schools	+1,118	ORS	ICT - Broadband connectivity project reduced spend due to reduced buy back from schools (gross)	-1,126
CFEA	Assessment and Related - Frontline staffing overspend (gross)	+1,090	KASS	LD Residential income - additional income resulting from additional activity (excl new S256 clients)	-925
ORS	SEN Transport - price increases and increase in single occupancy taxis (gross)	+1,048	CFEA	Fostering Service - Non Independent Fostering Allowance lines (gross)	-837
CFEA	Other Services Support - Legal costs (gross)	+949	ORS	Mainstream Home to School Transport - reduction in numbers travelling (gross)	-831

Pressures (+)			Underspends (-)		
portfolio			portfolio		
ORS	SEN Transport - increase in numbers travelling (gross)	+918	KASS	Older People Nursing income resulting from additional activity	-794
EHW	Vegetation control	+900	CFEA	ASK Early Years - rebadge of Sure start expenditure (gross)	-760
KASS	LD Direct Payments gross - activity in excess of affordable level	+842	KASS	Older People Domiciliary gross - reduction in in-house hours	-736
ORS	Capital Strategy - closed schools revenue maintenance (gross)	+783	KASS	Older People Residential gross - release of Deferred Payments Loan from DoH	-628
KASS	Older People Domiciliary income - under-recovery of income due to lower activity	+758	KASS	Older People Nursing gross - release of Deferred Payments Loan from DoH	-628
FIN	transfer to Regeneration Fund to support delivery of the Regeneration Framework	+753	CS	Legal services costs of disbursements recovered from clients	-620
ORS	Capital Strategy - abortive costs for school projects recharged from capital (gross)	+633	KASS	MH Assessment & Related gross - vacancy management	-597
CS	Legal services cost of additional disbursements	+620	CFEA	Other Services Support - Family Law (gross)	-560
EHW	Winter maintenance	+600	KASS	PPQA gross - vacancy management	-548
FIN	Reduction in LABGI income	+596	KASS	PD Residential - additional income through additional activity	-527
CS	Legal services cost of additional work (offset by increased income)	+572	KASS	LD Residential income - new S256 clients	-510
EHW	One-off costs of implementing the permit scheme from the Traffic Management Act	+550	CMY	Youth external contributions for Connexions	-475
KASS	LD Domiciliary gross - pressure against Independent Living Scheme	+537	KASS	PD Domiciliary gross - activity below affordable level	-454
KASS	LD Residential gross - new S256 clients	+510	KASS	LD Supported Accommodation income - new S256 clients	-446
KASS	OP Other Services gross - additional OT/ICES costs	+505	EHW	MIDAS financial and management information system replacement project phasing	-430
KASS	PD Other Services gross - additional OT/ICES costs	+490	EHW	Recycling income	-427
CMY	Youth expenditure on connexions covered by increased income	+475	CS	P&D Income from Schools above anticipated levels for Schools Personnel Service	-419
KASS	LD Residential gross - Preserved rights increased activity due to lower attrition (excl new S256 clients)	+467	KASS	Older People Other Services gross - release of the balance of the Managing Director's contingency	-415
KASS	LD Supported Accommodation gross - new S256 clients	+446	CFEA	Assessment and Related - additional income from Best project, training and Health	-410
KASS	PD Direct Payments gross- activity in excess of affordable level	+428	CFEA	Family Support - increase in income	-402
EHW	Concessionary fares	+423	KASS	OP Other Services income - additional OT/ICES funding from health	-400
CS	P&D Increased staff costs to cover increased demand for Schools Personnel Service.	+419	KASS	PD Other Services income - additional OT/ICES funding from health	-396
KASS	Older People Residential gross - pressure relating to change in unit cost in independent sector placements	+417	CMY	Transfer of expenditure for Education Business System within AE to capital programme	-373
KASS	MH Residential gross - tfr of clients to supported accommodation not yet happened	+384	CMY	Youth - contribution from CFE for Positive Activities for Young People	-352
CMY	AE rolled forward deficit from 2007-08 due to lower than expected enrolments and restructure costs	+373	CMY	Additional funding for youth centres from Youth Opportunities Fund	-350

Pressures (+)			Underspends (-)		
portfolio			portfolio		
CMY	Youth expenditure on Positive Activities for Youth People covered by contribution from CFE	+352	EHW	Kent Waste Partnership	-330
EHW	Increased Network Operation Management Unit (NOMU) activity	+350	CFEA	ASK Primary - Additional school support (income)	-324
FIN	Commercial Services - Shortfall in income from sponsorship of roundabouts	+350	KASS	LD Supported Accommodation gross - difference in unit cost	-324
CMY	Youth centre projects funded from Youth Opportunities Fund	+350	KASS	Resources income - additional contributions	-323
ORS	Personnel and Development - pensions (gross)	+339	KASS	PD Supported Accommodation gross - activity below affordable level	-304
CFEA	ASK Primary - Additional school support (gross)	+324	KASS	Resources gross - release of Supporting People reserve to fund PFI legal costs	-300
KASS	PD Residential gross - pressure relating to change in unit cost of independent sector placements	+315	CMY	KDAAT income from PCT for young peoples prevention and other services	-291
CS	ISG Unmet savings target for reduced Directorate activity	+314	CFEA	Independent Day Care - lower take up of places (gross)	-285
KASS	Older People Residential gross - in house provision staffing costs	+302	EHW	Increase in income from KHS rechargeable works	-285
CS	ISG Unmet savings target re: provision of new printer contract	+300	KASS	Older People Nursing gross - RNCC activity below affordable level	-271
ORS	Capital Strategy - moving and hiring of mobile classrooms (gross)	+294	CFEA	Early Years and Childcare - vacancies (gross)	-269
CMY	KDAAT prevention and other young peoples services (funded by PCTs)	+291	KASS	LD Other Services gross - release of the balance of the Managing Director's contingency	-264
CMY	Central Budgets - Unrealistic income assumptions to meet the full cost of the Policy & Resources unit.	+290	KASS	Resources gross - release of client billing provision	-262
EHW	Increased costs relating to KHS rechargeable works	+285	EHW	Reduction on anticipated IT transformation spend	-260
CFEA	Section 17 - increased support to clients (gross)	+280	CS	P&D - Income from Schools for Health & Safety training plus Leadership training (non Schools)	-250
KASS	LD Domiciliary gross - activity in excess of affordable level	+273	KASS	All Adults Assessment & Related one-off income from Health	-242
KASS	Older People Nursing income - under recovery of income due to lower RNCC activity	+271	RSI	Shaw Grange remedial works phasing	-240
CFEA	Other Services Support - Out of Hours Service staffing (gross)	+264	CMY	Trading Standards staff underspends	-235
KASS	All Adults Assessment & Related Gross - staffing pressures	+263	CFEA	Other Services Support - Out of Hours Service increased income	-232
CS	P&D - Consultancy costs for Health & Safety training for Schools plus Leadership training	+250	KASS	Older People Residential income - difference in unit cost	-217
KASS	Resources income - write back of PFI debtor	+225	CMY	KDAAT income from PCT s for alcohol services	-206
KASS	LD Residential gross - pressure relating to change in unit cost of independent sector placements	+214	RSI	Major planning enquiries	-205
CMY	KDAAT Tier 2 alcohol services for adults (funded by PCTs)	+206	KASS	LD Residential income - Preserved rights increased activity due to lower attrition (excl new S256 clients)	-202
KASS	PD Domiciliary income - under-recovery of income due to lower activity	+202	CS	ISG reduction in non essential supplies and services expenditure	-200

Pressures (+)			Underspends (-)		
portfolio			portfolio		
CMY	Loss of tuition fee income due to lower than anticipated Adult Education enrolments on fee paying courses	+198	CMY	Reduced expenditure within AE on sessional staff and other budget headings in response to lower than anticipated enrolments	-198
CMY	Central Budgets: Unrealistic budgets set for directorate wide activities & projects	+189	KASS	Older People Direct Payments gross - lower unit cost & activity	-193
CS	Contact Centre extra staff costs to do Kent Healthwatch & CFE Duty screening - funded by addt income.	+183	FIN	savings on annual Audit Fee and subscriptions	-187
KASS	LD Residential gross - Preserved Rights new S256 clients	+182	CFEA	Other Services Support - Additional BPMU income	-186
KASS	Older People Residential gross - Intergated Care Centres increased unitary charges and running costs	+175	CS	Income from Kent Healthwatch & CFE Duty screening to fund addt staff.	-183
CFEA	ASK Primary - School Improvement Partners project staffing (gross)	+165	CS	SDU - Confirmed profile of Kent TV revenue spend to Aug09 (roll forward proposal)	-182
KASS	LD Residential gross - in house provision staffing	+165	KASS	LD Residential income - Preserved Rights new S256 clients	-182
EHW	Country parks	+160	CFEA	Education Psychology - staffing vacancies and associated costs (gross)	-173
CMY	KDAAT reduction in income for other agencies for young peoples services	+142	CFEA	Leaving Care/16 plus - Care Matters grant funding (via Area Based Grant) (gross)	-170
CMY	Registration shortfall in income	+137	ORS	Personnel and Development - reduction in school staff redundancy costs (gross)	-170
KASS	MH Domiciliary gross - activity in excess of affordable level	+131	KASS	LD Domiciliary income resulting from additional activity	-165
CFEA	Adoption - interagency fees and adoption allowances (gross)	+129	EHW	Additional income from "Operation Cubit" (partnership project to tackle abandoned vehicles)	-160
CMY	Coroners long inquests payments	+129	CFEA	Strategic Planning and Review - Survey saving (gross)	-150
CMY	Libraries shortfall in trading income from AV material, merchandising products and other income	+129	CMY	Library rate rebates	-149
FIN	Property Grp - Reduced fee income following downturn in project work	+120	CFEA	Policy and Performance - staffing vacancies (gross)	-142
CFEA	ASK Professional Development - reduction in grant income	+118	CMY	KDAAT reduced spend on young peoples services in line with reduced contributions	-142
CMY	YOS additional spending to back-fill posts funded by Probation & Prison	+117	CFEA	Fostering Service - additional income for training, placements etc	-139
CMY	Libraries merchandising purchases	+117	CFEA	Other Services Support - additional training income	-137
KASS	LD Supported Accommodation income - under-recovery of income due to lower activity	+111	ORS	Home to College Transport - reduction in numbers travelling (gross)	-135
CFEA	Residential Care non LAC - New and extended placements (gross)	+103	KASS	PD Residential gross - Preserved Rights increased attrition	-132
CFEA	ASK Primary - Staffing overspends (gross)	+100	CMY	Registration sessional staffing	-128
CS	Legal - transfer to reserves to support 2009-10 budget	+100	CMY	Libraries capitalisation of Envision project management	-125
			FIN	Unfilled Property vacancies following downturn in project work	-120
			CFEA	ASK Professional Development - reduction in spend on grant funded activities (gross)	-118

Pressures (+)			Underspends (-)		
portfolio			portfolio		
			CMY	YOS additional income from Probation & Prison Service	-117
			KASS	Learning Domiciliary gross - change in unit cost in independent sector	-108
			CFEA	ASK Professional Development - underspend on training costs (gross)	-100
			ORS	Extended Services - Healthy schools (gross)	-100
		+61,546			**-50,946**

3.4 **Key issues and risks**

3.4.1 In the Children, Families & Education directorate, the key issues by portfolio are:

3.4.1.1 **Operations, Resources & Skills portfolio:** Forecast excl Schools **+£2.731m**

This pressure is mainly due to increased demand and costs of SEN Home to School transport; increased pension costs resulting from early retirements due to school closures and amalgamations in previous years, the costs of boarding up closed schools and repairs required as a result of vandalism and the recharge from capital of development costs for aborted school projects. This is partially offset by a saving on Mainstream Home to School transport.

3.4.1.2 **Children, Families & Educational Achievement portfolio:** Forecast excl Asylum **-£1.325m**

This pressure is mainly a continuation of the pressures experienced in 2007-08 on independent sector residential care, independent fostering allowances and legal fees within Children's Social Services, and an overspend on frontline staffing within Children's Social Services. These pressures are largely offset by savings elsewhere within the Children's Social Services budgets and the re-badging of eligible Sure Start expenditure to fully utilise the grant provided for Children's Centres. The increase during 2008-09 in the number of independent sector foster care client weeks is a concern. The number of new placements in this sector is reducing as we continue with our policy to use KCC foster care, wherever possible, which provides better value for money. We therefore expect the pressure to reduce in 2009-10.

3.4.1.3 **Children, Families & Educational Achievement portfolio - Asylum:** Forecast **+£5.222m**

The forecast pressure of £5.222m is split £4,722k of direct costs and £500k of indirect costs and is now based on the new grant rules for 2008-09. These suggest that:

- For the under 18's: 100% of direct costs will be reimbursed, subject to these being in line with neighbouring authorities. The grant rules define these costs as costs which "can be attributed to the care of an individual and can be validated and audited as such. Direct costs will vary directly with volume, e.g. weekly foster care." For "Indirect and Other Costs", defined as "all other costs and will generally be of a fixed or semi-variable nature, e.g. premises and social work teams", the Home Office have agreed to pay costs linked to the 2005-06 levels, increased for inflation with a volume change adjustment moderated over two years. The impact of this has been assessed at a shortfall of £2.087m. However, the Home Officer has also published it's guidance on what costs can be included in the special circumstances bid, and we expect to be able to claim for all of this.
- For the over 18's: there are no assurances regarding these costs other than the £100 per week per client, which remains the same as the previous financial year. The impact of this has been assessed at a shortfall of £3.135m. 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, therefore this is likely to be a pressure for the authority to fund. Discussions are ongoing with the Home Office minister to ensure the best resolution for the taxpayers of Kent.

In respect of previous years' grant, of the £10m outstanding at the beginning of the year from the special circumstances bids, we have been successful in receiving £6.4m after also offsetting shortfalls in Asylum general grant following reductions as a result of the data matching exercise. However £0.4m relating to the general grant shortfall for 2005-06 had already been funded from a provision for repayment of grant set up in 2006-07, therefore there is £6.8m available which will need to be repaid into the Asylum reserve in order to cover the anticipated current and future year shortfalls.

3.4.1.4 **Schools Delegated:** Forecast **+£8m**

We are predicting a drawdown of school reserves of around £8m. The monitoring returns from schools indicate a much higher figure but from past experience this is likely to be overstated.

All of these pressures are detailed in Annex 1.

3.4.2 **Kent Adult Social Services portfolio:** Forecast **+£0.033m**
This is effectively a balanced budget position for KASS, although within this are a number of issues that will continue into the medium term, primarily demographic pressures within services for people with learning and physical disabilities. The impact of young adults transferring from Children's Services, many of whom have very complex needs and require a much higher level of support, continues to be felt. Alongside these so-called "transitional" placements are the increasing number of older learning disabled clients who are cared for at home by ageing parents who will begin to require more support. These pressures are largely offset by underspends on services for older people and central services. Within services for older people client numbers are reducing due to higher attrition and more clients opting for direct payments, however unit costs are increasing reflecting the increasing number of clients with dementia and higher needs requiring more intensive packages of care.
Further details are provided in Annex 2.

3.4.3 In the Environment & Regeneration directorate, the key issues are:

3.4.3.1 **Environment, Highways & Waste portfolio:** Forecast **-£2.929m**
There is an underspend on waste due to lower waste tonnage than assumed in the budget, increased recycling income and savings resulting from diverting more waste to landfill whilst the Waste to Energy plant in Allington was not working, which is currently a cheaper means of disposal in the short term. There is also an underspend on the public transport budget resulting from the Unit 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. These savings are partially offset by increased spend within Kent Highway Services on vegetation control; winter maintenance, including the costs of responding to the snowfall at the beginning of February; implementation costs of the permit scheme within the Traffic Management Act and invest to save schemes to produce future savings to assist with meeting the 2009-12 MTP pressures.

3.4.3.2 **Regeneration & Supporting Independence portfolio:** Forecast **-£0.661m**
This underspend mainly relates to the re-phasing of projects including the Shaw Grange remedial works; the minerals and waste framework; and the costs of major planning enquiries and planning applications, both of which are subject to peaks and troughs. Roll forward will be requested for all of these.
Further details are provided in Annex 3.

3.4.4 **Communities portfolio:** Forecast **+£0.338m**
There is pressure on the Coroners service due to increased costs as a result of an increasing number of long inquests and increased pathology and mortuary costs. There is also pressure on the Central Budgets, specifically directorate wide activities and projects and income. The directorate has made savings by holding posts vacant throughout the directorate wherever possible in order to offset these pressures. In order to balance the residual pressure the directorate will also reduce spending on non essential non staffing budgets for the remainder of the financial year.
Further details are provided in Annex 4.

3.4.5 In the Chief Executives directorate, the key issues by portfolio are:

3.4.5.1 **Corporate Support & External Affairs portfolio:** Forecast **-£0.492m**
A pressure on the IS budget relating to unmet savings targets, is more than offset by an underspend within Legal Services as a result of additional internal and external work. There is also a re-phasing of Kent TV expenditure through to August 2009.

3.4.5.2 **Public Health portfolio:** Forecast **-£0.138m**
This underspend is largely due to re-phasing into 2009-10 of the HealthWatch programme and a public health poster campaign targeted at young people for the Towards 2010 'Target 50'.
Further details are provided in Annex 5.

3.4.6 On the Financing Items budgets, the key issues are:
Finance portfolio: Forecast **-£0.715m**
Treasury management savings arising from the lower cost of borrowing and a reduced borrowing requirement as a result of re-phasing of the capital programme and high cash balances, are largely offset by a transfer to reserves to support the 2009-10 budget, as agreed at County Council on 19 February, together with a reduction in LABGI income and a shortfall in income from

the sponsorship of roundabouts. In addition there is a transfer to the Regeneration Fund to support the delivery of the Regeneration Framework which Cabinet is asked to approve.
Further details are provided in Annex 6

3.4.7 Directorates have implemented management action plans which are still expected to reduce the position further from a pressure of +£2.069m to +£0.292m (including the pressure on Asylum of +£5.222m), with a residual pressure currently anticipated within the Operations, Resources & Skills portfolio which is to be offset by an underspend in the Children, Families & Educational Achievement portfolio. Most of the management action proposed earlier in the year has now been implemented and the effects are reported in the current forecast position.

3.5 Implications for future years/MTP

3.5.1 The key issues and risks identified above have been addressed in directorate medium term plans (MTP) for 2009-12. Although these are forecast to be largely offset by management action this year, a lot of the management action is one-off or not sustainable for the longer term. Consequently the MTP has put all services into a fully funded base budget position for the start of 2009-10 and reflects predicted changes in activity levels and service delivery.
These and other pressures and savings are detailed in the Annex reports.

4. CAPITAL

4.1 Changes to budgets

4.1.1 The capital monitoring focuses on projects which are re-phasing by £1m or more and it distinguishes between real variances/re-phasing on projects which are:

- part of our year on year rolling programme or projects which already have approval to spend and are underway , and
- projects which are still only at the preliminary stage or are only at the approval to plan stage and their timing remains uncertain.

We separately identify projects which have yet to get underway, but despite the uncertainty surrounding their timing they were included in the budget because there is a firm commitment to the project. By identifying these projects separately, we can focus on the real re-phasing in the programme on projects which are up and running.

4.1.2 The 2008-09 capital programme was revised as part of the 2009-12 MTP process, to reflect the revised anticipated phasing of projects. This was approved by County Council on 19 February 2009 and forms the basis for this monitoring report. Since the approval of this programme, the following adjustments have been made to the 2008-09 capital budget:

		£000's
1.	As amended in the 2009-12 MTP, approved by County Council on 19 February 2009 (excl. PFI)	312,144
2.	Additional Interreg grant for Forthill de-dualling project (R&SI portfolio)	119
3.	Capitalisation of ISG staff in respect of the renewal of Libraries ICT project, to be funded by additional prudential borrowing (Communities portfolio). *(The Leader had already agreed in principal that these costs could be included in the cost of the capital project, subject to confirmation that these costs could be capitalised. When the 2009-12 draft Budget Book went to print we were still awaiting final details and therefore the costs were not included at that stage. We have now confirmed that these costs can be capitalised and therefore the budget needs to be increased)*	100
		312,363
4.	PFI	73,420
		385,783

4.2 **Table 3** – Portfolio/Directorate position – capital

			Directorate				
Portfolio	**Budget**	**Variance**	CFE	KASS	E&R	CMY	CED
	£k	**£k**	£k	£k	£k	£k	£k
O,R&S (CFE)	**+148,119**	**-526**	-526				
CF&EA	**+2,040**	**-3**	-3				
KASS	**+6,421**	**-732**		-732			
E,H&W	**+73,117**	**-1,552**			-1,552		
Regen & SI	**+11,806**	**-404**			-404		
Communities	**+11,275**	**-2,475**				-2,475	
Corporate Support	**+9,598**	**-107**					-107
Policy & Performance	**+526**	**0**					0
Finance	**+4,843**	**-572**					-572
TOTAL (excl Schools)	**+267,745**	**-6,371**	-529	-732	-1,956	-2,475	-679
Schools	**+44,618**	**0**	0				
TOTAL	**+312,363**	**-6,371**	-529	-732	-1,956	-2,475	-679
Real Variance		**+3,341**	+2,060		+1,111	+129	+41
Re-phasing (detailed below)		**-9,712**	-2,589	-732	-3,067	-2,604	-720
		2008-09	**2009-10**	**2010-11**	**Future yrs**		**Total**
Re-phasing		-9,712	+6,828	+2,858	+26		0

4.2.1 Table 3 shows that there is an overspend of £3.341m on the capital programme for 2008-09 and £9.712m of re-phasing of expenditure into later years. Of the current -£9.712m forecast re-phasing, -£6.266m relates to projects with variances of £1m or more which are identified in table 6 and section 4.6 below and reported in detail in the annex reports; -£1.347m relates to projects with variances between £0.25m and £1m which are also identified in table 6 and the balance of -£2.099m is made up of projects with variances of under £0.25m which do not get reported in detail in this report.

4.3 Table 4 below, splits the forecast variance on the capital budget for 2008-09 as shown in table 3, 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 the timing remains uncertain, and
- projects at the preliminary stage.

Table 4 – Analysis of forecast capital variance by project status (excl. Devolved Capital to Schools & PFI)

		Variance			
	budget	**real variance**	**re-phasing**	**total**	
Project Status	£'000s	£'000s	£'000s	£'000s	
Rolling Programme	96,089	2,577	-876	1,701	
Approval to Spend	136,827	730	-7,636	-6,906	
Approval to Plan	34,829	27	-1,200	-1,173	
Preliminary Stage	-	7	-	7	
Total	267,745	3,341	-9,712	-6,371	
	2008-09	**2009-10**	**2010-11**	**future years**	**total**
	£'000s	£'000s	£'000s	£'000s	£'000s
Re-phasing:					
Rolling Programme	-876	1,085	-209	-	-
Approval to Spend	-7,636	4,617	2,993	26	-
Approval to Plan	-1,200	1,126	74	-	-
Preliminary Stage	-	-	-	-	-
Total	-9,712	6,828	2,858	26	-

4.3.1 Table 4 shows that of the -£6.371m forecast capital variance (excluding devolved capital to schools) -£1.166m is due to projects which are still only at the approval to plan or preliminary stages and their timing remains uncertain. This leaves a variance of -£5.205m which relates to projects that are either underway or are part of our year on year rolling programme.

4.3.2 Table 5 below shows the effect of the capital variance on the different funding sources. The variance against borrowing (supported, prudential and PEF2 borrowing) is -£10.048m and this is a contributory factor in the treasury management underspend reported within the Finance portfolio.

Table 5: 2008-09 Capital Variance analysed by funding source (incl Devolved Capital to Schools)

	Capital Variance £m
Supported Borrowing	-0.329
Prudential	-7.597
Prudential/Revenue (directorate funded)	-1.975
PEF2	-0.147
Grant	+3.210
External Funding - Other	+0.032
External Funding - Developer contributions	+1.162
Revenue & Renewals	+1.200
Capital Receipts	-1.927
General Capital Receipts (generated by Property Enterprise Fund)	0.000
TOTAL	**-6.371**

4.4 Table 6 below details all projected capital variances over £250k, in size order. These 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 of the individual Directorate annex reports, and all real variances are explained in section 1.2.5 of the individual Directorate annex reports, together with the resourcing implications.

Table 6 - All Capital Budget Variances over £250k in size order

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
EHW	Highway Maintenance	Real	+4,517			
ORS	Building Maintenance	Real	+2,096			
ORS	BSF Development Costs	Phasing	+774			
CMY	Ramsgate Library - insurance betterment	Real		+235		
CMY	Ramsgate Library - insurance betterment	Phasing		+200		
KASS	Broadmeadow	Real		+417		
ORS	Development Opportunities - Dartford Campus	Real		+338		
CMY	Modernisation of assets	Phasing	+216			
CMY	Modernisation of assets	Real	+80			
			+7,683	**+1,190**	**+0**	**+0**
		Real	*+6,693*	*+990*	*0*	*0*
		Phasing	*+990*	*+200*	*0*	*0*
Underspends/Projects behind schedule						
EHW	Integrated Transport	Real	-3,617			
EHW	Reshaping Kent Highways Accommodation	Phasing		-2,017		
ORS	Primary Pathfinder - The Manor School	Phasing		-1,630		
CMY	Turner Contemporary	Phasing		-1,619		
CMY	Contribution to The Marlowe Theatre	Phasing			-1,000	
CFEA	Primary Pathfinder - Oakfield Primary School	Phasing		-507		
ORS	Non delegated Devolved Capital - PRU's	Phasing	-461			
KASS	Modenisation of Assets	Real	-417			
KASS	Flexible & Mobile Engagement	Phasing		-389		
ORS	Corporate Property Project Management	Real	-376			
RSI	East Kent Empty Property Initiative	Phasing		-336		
FIN	Modernisation of assets	Phasing	-335			
EHW	Traffic Signal Head Replacement	Phasing		-255		
EHW	Country Park Access & Development	Phasing	-254			
			-5,460	**-6,753**	**-1,000**	**0**
		Real	*-4,410*	*0*	*0*	*0*
		Phasing	*-1,050*	*-6,753*	*-1,000*	*0*
			2,223	**-5,563**	**-1,000**	**0**
		Real	*2,283*	*990*	*0*	*0*
		Phasing	*-60*	*-6,553*	*-1,000*	*0*

4.5 **Reasons for Real Variance and how it is being dealt with**

4.5.1 The real variance identifies the actual over and underspends on capital schemes and not re-phasing of projects. Table 3 shows that there is currently a £3.3m real variance forecast. The main areas of under and overspending in 2008-09 are listed below together with their resourcing implications:-

- -£3.617m on Integrated Transport (IT) – this underspend is as a result of difficulties with planning permissions etc. As it is permissible for IT funding to be spent on highway maintenance and vice versa, to utilise the LTP funding available in 2008-09, this will be used to offset:

- +£4.517m planned overspend on Highway maintenance. This is made up of +£3.617m to contribute towards service pressures in this area funded from the Integrated Transport underspend and +£0.9m as result of investment in street lighting and the need to replace old mercury lantern heads with new energy saving lanterns, which will be funded by a contribution from revenue (from the £1.4m approved for invest to save schemes from the waste underspend).
- +£2.096m Schools Building Maintenance – this is mainly in three areas: Emergency Programme (+£1.116m) as a result of reactive works necessary to prevent school closures and address Health & Safety issues; Replacement of Catering Equipment (+£0.470m) required to prevent the closure of school kitchens and Planned Maintenance Agreements (+£0.430m) due to changes in statutory requirements.
- +£0.417m Broadmeadow refurbishment of registered care centre project - this reflects the full outcome of the mediation process with the architects and the contractors.
- -£0.417m on Modernisation of assets within the KASS portfolio - this is a planned underspend in order to offset the overspend on Broadmeadow.

Further details of smaller real variances are provided in the annex reports.

The highways element of the overspending will be funded by a revenue contribution from the waste underspend and some additional external funding. The CFE element will be funded from unapplied capital resources and revenue contributions. This is reflected in the funding shown in table 5.

4.6 **Main projects re-phasing and why**.

4.6.1 The projects that are re-phasing by £1m or more are identified below: -

- -£2.017m Reshaping Kent Highways Accommodation – this has been delayed in its progress because of difficulties in finding a suitable alternative site to the original option of Wrotham, which failed to get appropriate planning permission.
- -£1.630m The Manor School Primary Pathfinder project – this has been delayed in starting by about five months because of some very onerous conditions attached to the planning permission, which involved high levels of archaeology and environmental surveying. This delay has enabled a lot of work to be carried out on valuation engineering to ensure that the cost can be contained within the budget.
- -£1.619m Turner Contemporary - the previous forecast was based on the estimated schedule of payments for the main building contract produced by the architect's quantity surveyors. This assumed that work would commence on site at the end of October/early November. In the end the contract was not concluded until the end of November and work commenced on site in December. Despite this re-phasing the project is still on schedule to be completed in 2010 with an official opening in spring 2011
- -£1.000m Contribution to the Marlowe Theatre – This is purely a timing issue regarding when our contribution is required to support the Canterbury City Council project to redevelop the theatre.

4.7 **Key issues and risks**

4.7.1 The impact on the quality of service delivery to clients as a consequence of re-phasing a capital project is always carefully considered, with adverse impact avoided wherever possible. The impact on service delivery of projects which are re-phasing by £1m or more, as identified in table 6 above, is highlighted in section 1.2.4 of the annex reports.

4.7.2 Kent County Council has made a commitment to Kent businesses, including maintaining our capital programme. None of the reported variances in this report affects that commitment.

4.8 **Implications for future years/MTP**

4.8.1 Directorates are continuously addressing issues around their capital programmes, in particular, careful consideration is given to the funding of these projects to ensure that as far as possible capital receipts and external funding, or agreement to utilising PEF2 is in place before the project is contractually committed.

4.9 **Impact on Treasury Management**

4.9.1 The re-phasing of the capital programme from 2007-08, resulting in a lower level of borrowing required in the 2007-08 financial year; the impact in the current year of the re-phasing of the capital programme built into the 2009-12 MTP as approved by County Council on 19 February and the re-phasing projected in this report are factors in the £6.292m treasury management underspend reported within the Financing Items revenue budget. Further details are provided in Annex 6. This re-phasing will impact upon the phasing of the debt charges within the revenue budget and this has been reflected in the 2009-12 MTP.

4.10 **Resourcing issues**

4.10.1 There will always be an element of risk relating to funding streams which support the capital programme until all of that funding is "in the bank". The current economic situation will only intensify this risk, with property prices falling, the number of new housing developments reducing and developers pulling out of new developments, all of which have a significant impact on our Section 106 contributions. This has largely been addressed in the capital programme approved at County Council on 19 February 2009 and the creation of PEF2, but there remains an element of risk for the reduced level of funding still assumed from these sources. It is not always possible to have receipts 'in the bank' before starting any replacement project, due to the obvious need to have the re-provision in place before the existing provision is closed. Management of the delivery of capital receipts and external funding is therefore rigorous and intensive. At this stage, there are no other significant risks to report.

4.11 **Prudential Indicators**

4.11.1 The latest monitoring of Prudential Indicators is detailed in **appendix 3**.

5. RISK MANAGEMENT

5.1 Directorates have refreshed their risk registers as part of the annual business planning process. All refreshed registers have subsequently been approved by the respective management teams and presented to Policy Overview Committees in January.

5.2 In light of the serious deterioration in the global economy and the credit crunch the Director of Finance asked directorates to urgently review their risk registers to ensure that all key financial and economic risks were identified and recorded. The Director of Finance presented a detailed report setting out the risks facing the Council to the Governance & Audit Committee on 2 December 2008. The Corporate Finance unit and directorate risk registers were appended to the report. Following discussion, further risks were identified which have since been communicated to directorates.

6. BALANCE SHEET AND CONSOLIDATED REVENUE ACCOUNT

6.1 **Impact on reserves**

6.1.1 A copy of our balance sheet as at 31 March 2008 is provided at **appendix 1**. Highlighted are those items in the balance sheet that we provide a year-end forecast for as part of these quarterly budget monitoring reports, based upon the current forecast spend and activity for the year. The forecast for the three items highlighted are as follows:

Account	Projected balance at 31/3/09 £m	Balance at 31/3/08 £m
Earmarked Reserves	83.2	86.0
General Fund balance	25.8	25.8
Schools Reserves *	71.4	79.4

* Both the table above and section 2.3 of annex 1 include delegated schools reserves and unallocated schools budget.

6.1.2 The reduction of £2.8m in earmarked reserves is mainly due to the anticipated movements in the rolling budget, DSG and Asylum reserves as reflected in the annex reports and the planned movements in reserves such as PRG, IT Asset Maintenance, Kingshill Smoothing, and insurance reserve.

6.1.3 The detailed nine month monitoring returns from schools have been received. The returns indicate a large drawdown of reserves, however past experience indicates that this figure is normally overstated. The reduction of £8m in schools reserves is therefore our assessment of the impact of the ‘balance control mechanism’, which is a means of clawing back schools reserves over and above a specified level. However, it is very difficult to predict this with accuracy, particularly this year when factoring in the review and subsequent tightening of the ‘balance control mechanism’ which schools are being encouraged to work towards before they formally apply at the end of 2009/10 financial year, therefore this position could change significantly. The forecast £8m drawdown includes the recovery of £1.5m from 15 schools earlier this year after challenging those schools with the highest reserves. This recovered money has been used to contribute to all schools’ increased fuel costs and support more training in strategic financial planning.

7. RECOMMENDATIONS

Cabinet is asked to:

7.1 Note the latest monitoring position on the revenue and capital budget.

7.2 Note the additional revenue grant income as identified in appendix 2 to this report.

7.3 Note the changes to the capital programme.

7.4 Approve the transfer of the £0.753m additional allocation of LABGI funding to the Regeneration Fund to support the delivery of the Regeneration Framework (further details are provided in paragraph 1.1.3.6 in annex 6).

Balance Sheet

The County Fund Balance Sheet shows the financial position of Kent County Council as a whole at the end of the year. Balances on all accounts are brought together and items that reflect internal transactions are eliminated.

		31 March 2008		31 March 2007 Restated	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets			3,629		4,732
Tangible fixed assets					
Operational assets					
Land and buildings		1,443,378		1,414,844	
Vehicles, plant and equipment		21,576		15,863	
Roads and other highways infrastructure		568,640		514,320	
Community assets		8,047		7,775	
Non-operational assets					
Investment property		6,588		6,584	
Assets under construction		256,871		237,813	
Surplus and non-operational property		81,737		95,423	
Total tangible assets			2,386,837		2,292,622
Total fixed assets			2,390,466		2,297,354
Long-term investments			134,547		115,000
Long-term debtors			56,533		59,736
Deferred premiums			0		20,990
PFI debtor			3,933		441
Total long-term assets			2,585,479		2,493,521
Current assets					
Stocks and work in progress		5,390		5,905	
Debtors		177,518		175,613	
Investments		264,121		153,059	
Total current assets			447,029		334,577
Current liabilities					
Temporary borrowing		-35		-38	
Creditors		-266,688		-260,119	
Cash balances overdrawn		-108,383		-27,957	
			-375,106		-288,114
Total assets less current liabilities (Net assets employed)			2,657,402		2,539,984
Long-term liabilities					
Long-term borrowing		-1,017,200		-952,365	
Deferred liabilities		-535		-957	
Deferred credit - Medway Council		-53,385		-55,609	
Provisions		-14,636		-13,786	
Government grant deferred account		-196,381		-174,435	
Liability related to defined benefit	- KCC	-564,100		-637,700	
pensions schemes	- DSO	-2,447		-2,487	
			-1,848,684		-1,837,339
Total assets less liabilities			808,718		702,645

Balance Sheet

Revaluation reserve		-72,530		0	
Capital adjustment account		-1,071,609		-1,126,217	
Financial instruments adjustment account		20,803		0	
Earmarked capital reserve		-52,436		-26,698	
Usable capital receipt reserve		-7,825		-7,942	
Pensions reserve	- KCC	564,100		637,700	
	- DSO	2,447		2,487	
Earmarked reserves		-86,015		-80,929	
General fund balance		-25,835		-25,835	
Schools reserves		-79,360		-74,376	
Surplus on trading accounts		-458		-835	
Total net worth			-808,718		-702,645

Appendix 2

Reconciliation of Gross and Income Cash Limits in Table 1c to the Approved Budget Book

	Gross	Income	Net	
	£k	£k	£k	
Reconciliation:				
Cash Limits Per Dec report	+2,279,172	-1,413,906	**+865,266**	
Subsequent changes:				
CMY	+176	+0	+176	additional ABG for Young People Sustance Misuse
				Changes to grant/income allocations:
OR&S	+61	-61	0	Standards Fund Primary Strategy
OR&S	+152	-152	0	Standards Fund Aim Higher
OR&S	+2,162	-2,162	0	Standards Fund National Challenge
OR&S	+378	-378	0	Standards Fund 1 to 1 tuition
OR&S	+611	-611	0	14-24 Unit grants
OR&S	+27	-27	0	Diploma Grant
OR&S	-24	+24	0	School Development Grant final adj
OR&S	-16	+16	0	Correction to Extended Schools pilot
OR&S	+35	-35	0	Sensory Impairment Grant from DCSF
CF&EA	+1,403	-1,403	0	Sure Start Grant Aiming High
CF&EA	+250	-250	0	Sure Start Grant Nursery education
CF&EA	+63	-63	0	Standards Fund 1 to 1 tuition
CF&EA	+5	-5	0	Standards Fund Travel Plans
EH&W	+709	-709	0	Section 38 & 278 payments (increase in commuted sums to support highways maintenance)
EH&W	+1,400	-1,400	0	Education and cross boundary recharges for supported buses
R&SI	-168	+168	0	Reduced Interreg grant
R&SI	-143	+143	0	Reduced SEEDA grant
CMY	-176	+176	0	Reduction in DCSF grant for Young People Substance misuse as now paid through ABG
CMY	+125	-125	0	ToGoGo Website funding from DCSF
CMY	-112	+112	0	reduction in Contactpoint grant from DCSF due to slippage in project
CMY	+122	-122	0	DCSF Unaccompanied minors funding
CMY	+56	-56	0	funding for Boys into Books and Book Ahead Projects from DCMS
CMY	+171	-171	0	Regional Sports Board funding - PE School Sport & Club Links/Coaching Task Force
CMY	+55	-55	0	Museums and Libraries Authority grant for museums project
P&P	+166	-166	0	additional LSC income for Kent Partnerships for payment to 3rd parties
				Technical Adjustments:
OR&S	+76	-76	0	AEN&R realignment of gross & income budgets (Partnership with Parents funding
OR&S	+486	-486	0	Client Services realignment of gross & income budgets (cleaning and refuse contracts)
OR&S	-282	+282	0	Personnel realignment of gross & income budgets (Supply insurance payment for schools)

	Gross	Income	Net	
	£k	£k	£k	
OR&S	+13	-13	0	Local Childrens Service Partnerships realignment of gross & income budgets (Whiteoak Nursery to reflect historic income levels omitted from budget)
CF&EA	+738	-738	0	Attendance & Behaviour realignment of gross & income budgets (Funded Alternative Curriculum Places)
CF&EA	-284	+284	0	Family Support realignment of gross & income budget (Correction to budget)
CF&EA	+72	-72	0	Commissioning General realignment of gross & income budgets (Primary Intervention Project & Youth Inclusion Project)
CMY	+791	-791	0	Adjustment to Centrally managed budgets to correct income previously shown as negative expenditure
CMY	+21	-21	0	Correction to Kent Superior Pictures transfer to Astor college reported in qtr 1
CMY	+125	-125	0	Re-alignment of KPSN recharge to Adult Education
FIN	-751	+751	0	virement from debt charges to Corporate Property to offset the shortfall in recharge income as a result of the change in accounting treatment for some staffing costs previously charged to capital
Revised Budget per table 1c	+2,287,665	-1,422,223	+865,442	

Appendix 3

2008-09 JANUARY Monitoring of Prudential Indicators

1. Estimate of capital expenditure (excluding PFI)

Actual 2007-08 £247.999m

Original estimate 2008-09 £349.665m

Revised estimate 2008-09 £305.992m (this includes the rolled forward re-phasing from 2007-08 and the re-phasing from 2008-09 into later years reflected in the 2009-12 MTP)

2. Estimate of capital financing requirement (underlying need to borrow for a capital purpose)

	2007-08 Actual £m	2008-09 Original Estimate £m	2008-09 Revised Estimate in 2009-12 MTP £m	2008-09 Forecast as at 31-01-09 £m
Capital Financing Requirement	1,071.090	1,144.895	1,179.196	1,173.876
Annual increase in underlying need to borrow	60.963	49.195	108.106	102.786

In the light of current commitments and planned expenditure, forecast net borrowing by the Council will not exceed the Capital Financing Requirement.

3. Estimate of ratio of financing costs to net revenue stream

Actual 2007-08	11.13%
Original estimate 2008-09	10.27%
Revised estimate 2008-09	10.77%

4. Operational Boundary for External Debt

The operational boundary for debt is determined having regard to actual levels of debt, borrowing anticipated in the capital plan, the requirements of treasury strategy and prudent requirements in relation to day to day cash flow management.

The operational boundary for debt will not be exceeded in 2008-09.

(a) Operational boundary for debt relating to KCC assets and activities

	Prudential Indicator 2008-09 £m	Position as at 31.01.09 £m
Borrowing	1,060.0	990.9
Other Long Term Liabilities	0.0	0.3
	1,060.0	991.2

(b) Operational boundary for total debt managed by KCC including that relating to Medway Council etc (pre Local Government Reorganisation)

	Prudential Indicator 2008-09 £m	Position as at 31.01.09 £m
Borrowing	1,113.0	1,042.4
Other Long Term Liabilities	0.0	0.3
	1,113.0	1,042.7

5. Authorised Limit for external debt

The authorised limit includes additional allowance, over and above the operational boundary to provide for unusual cash movements. It is a statutory limit set and revised by the County Council. The revised limits for 2008-09 are:

(a) Authorised limit for debt relating to KCC assets and activities

	£m
Borrowing	1,098
Other long term liabilities	0
	1,098

(b) Authorised limit for total debt managed by KCC including that relating to Medway Council etc

	£m
Borrowing	1,153
Other long term liabilities	0
	1,153

The additional allowance over and above the operational boundary has not needed to be utilised and external debt, has and will be maintained well within the authorised limit.

6. Compliance with CIPFA Code of Practice for Treasury Management in the Public Services

The Council has adopted the Code of Practice on Treasury Management and has adopted a Treasury Management Policy Statement. Compliance has been tested and validated by our independent professional treasury advisers.

7. Upper limits of fixed interest rate and variable rate exposures

The Council has determined the following upper limits for 2008-09

(a) Borrowing

Fixed interest rate exposure	100%
Variable rate exposure	30%

(b) Investments

Fixed interest rate exposure	100%
Variable rate exposure	20%

These limits have been complied with in 2008-09. Total external debt is currently held at fixed interest rates.

8. Upper limits for maturity structure of borrowings

	Upper limit	Lower limit	As at 31.01.09
	%	**%**	**%**
Under 12 months	25	0	5.8
12 months and within 24 months	40	0	4.3
24 months and within 5 years	60	0	12.5
5 years and within 10 years	80	0	12.6
10 years and above	100	40	64.8

9. Upper limit for principal sums invested for periods longer than 364 days

	Indicator	Actual
1 year to 2 years	£45m	£25m
2 years to 3 years	£45m	£25m
3 years to 4 years	£40m	£21m
4 years to 5 years	£40m	£35m
5 years to 6 years	<u>£20m</u>	<u>£0m</u>
	£190m	**£106m**

CHILDREN, FAMILIES & EDUCATION 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.

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 AND SKILLS potfolio							
Delegated Budget:							
- Delegated Schools Budget	851,074	-80,517	770,557	8,000	0	8,000	
- Devolved Standards Fund	104,262	0	104,262	0	0	0	
- Targeted Standards Fund	0	0	0	0	0	0	
- Direct Financing for schools	0	0	0	0	0	0	
TOTAL DELEGATED	955,336	-80,517	874,819	8,000	0	8,000	
Non Delegated Budget:							
- Finance	3,869	-1,071	2,798	-26	26	0	
- Awards	5,120	-889	4,231	-138	122	-16	Underspend on Home to College transport £135k. Gross underspend and income reduction on post 16 access £42k. Reduction in HTCT income £67k.
- Grant income & contingency	2,295	-936,160	-933,865	0	0	0	
- Personnel & Development	16,068	-3,323	12,745	199	13	212	Redundancy costs for school staff underspend £170k, pensions overspend £339k.
- Capital Strategy Unit	2,808	-242	2,566	1,690	-39	1,651	Revenue maintenance due to school closures and vandalism £783k, 3 new projects for mobile moves £294k, overspend on school feasibility studies £633k
- BSF/ PFI and academies unit	450	0	450	82	0	82	
- Client Services	6,492	-3,957	2,535	0	6	6	
- Business Management	2,295	-143	2,152	17	-49	-32	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- ICT	7,643	-1,893	5,750	-1,190	1,118	-72	Gross and income variance on broadband connectivity for schools (£1,126k gross and £1,118k income.) Underspend on digital curriculum £64k
- Health & Safety	437	-8	429	-8	0	-8	
- Strategic Management	1,822	0	1,822	-86	0	-86	
- Extended Services	6,597	-394	6,203	-100	66	-34	Underspend on Healthy Schools
- Kent Music	858	0	858	0	0	0	
-14-24 unit	2,945	-813	2,132	10	0	10	
- School Organisation	3,051	-66	2,985	-51	-65	-116	
- Mainstream HTST	16,555	-484	16,071	-831	14	-817	Large reduction in the numbers travelling
- Local Childrens Services Partnerships	22,478	-392	22,086	-64	0	-64	
- AEN & Resources	16,083	-5,698	10,385	49	0	49	
- SEN Transport to Schools	15,483	0	15,483	1,966	0	1,966	Higher than affordable numbers travelling, some very expensive travel arrangements
- Independent Sector Provision	10,828	-542	10,286	0	0	0	
TOTAL NON DELEGATED	**144,177**	**-956,075**	**-811,898**	**1,519**	**1,212**	**2,731**	
Total ORS	**1,099,513**	**-1,036,592**	**62,921**	**9,519**	**1,212**	**10,731**	
OR&S Assumed Mgmt Action				**-1,406**		**-1,406**	
OR&S non delegated Forecast after Mgmt Action	**144,177**	**-956,075**	**-811,898**	**113**	**1,212**	**1,325**	
Total OR&S incl schools delegated	**1,099,513**	**-1,036,592**	**62,921**	**8,113**	**1,212**	**9,325**	
CHILDREN, FAMILIES AND EDUCATIONAL ACHIEVEMENT portfolio							
- Strategic Planning & Review	1,313	0	1,313	-169	0	-169	Underspend on survey £150k
- P & P (Vulnerable Children)	4,371	-395	3,976	-188	143	-45	Vacancies £142k, KSCB gross underspend £97k, KSCB income reduction £97k
- MDO & Democratic Services	2,048	0	2,048	-41	-62	-103	
- Project Management (SPR)	117	0	117	0	0	0	
- Advisory Service Kent (ASK) Secondary Team	3,386	-160	3,226	-20	6	-14	
- ASK Primary Team	6,039	-360	5,679	592	-345	247	SIP £165k, staffing overspend £100k, additional school support £324k (see income). Increased income for additional schools support £324k

Annex 1

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- ASK Early Years Team	7,211	-12	7,199	-760	0	-760	Rebadging of eligibile Sure Start expenditure to fullly utilise the grant
- ASK Improvement Partnerships	2,393	0	2,393	90	-90	0	
- ASK Professional Development	5,080	-2,262	2,818	-217	104	-113	Reduction in spend on grant funded projects £118k, underspend on training costs £100k. Reduction in grant income £118k
- Early Years & Childcare	22,907	-339	22,568	-269	3	-266	Vacancies
- Management Information	30,943	-35	30,908	14	-5	9	
- International Development	195	-100	95	39	0	39	
- Educational Psychology Service	3,678	0	3,678	-173	-23	-196	vacancies £147k
- Attendance & Behaviour Service	19,232	-6,839	12,393	0	0	0	
- Minority Community Achievement	1,720	-96	1,624	0	0	0	
- Specialist Teaching Service	3,152	-590	2,562	0	0	0	
- Joint Commissioning	1,415	0	1,415	0	0	0	
- Commissioning General	12,767	-687	12,080	0	0	0	
- Residential Care provided by KCC	2,279	-25	2,254	65	-91	-26	
- Independent Sector res. care	5,135	-403	4,732	1,883	-1,174	709	Overspend due to increased demand and high cost placements made up of non disability £289k, disability £1,231k, secure accommodation £261k and internal trading costs £95k Increased income from joint funding arrangements as agreed by JRAP
- Residential care - not looked after children	664	-7	657	103	-39	64	New placements and extension to existing placements
- KCC Family support	10,903	-675	10,228	-1,612	-402	-2,014	Planned underspend to cover the pressures on Assessment and Related, fostering and independent sector residential care. Additional income for Kent Childrens Fund projects and ARC projects.
- Family group conferencing	1,143	-241	902	9	-9	0	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Fostering service	23,671	-97	23,574	908	-139	769	Increase in independent fostering allowances £1,745k, underspend on other fostering lines £835k. Additional income from placements, training and OLAs.
- Adoption service	5,988	-22	5,966	129	-33	96	Increase in interagency fees
- Independent Sector day care	954	0	954	-285	0	-285	Lower than anticipated number of clients
- Section 17	908	-5	903	280	3	283	Higher than anticipated number of clients, more expensive support
- Link placements	236	0	236	-26	0	-26	
- Grants to voluntary organisations	5,972	-266	5,706	-19	-80	-99	
- Direct payments	1,312	0	1,312	-74	-13	-87	
- Teenage pregnancy	706	0	706	6	-6	0	
- Leaving care/16+	3,583	0	3,583	-218	0	-218	Lower than anticipated take up of places, increase in funding from Care Matters grant
- Other services support	6,574	-824	5,750	748	-548	200	Legal overspend £949k, Family Law underspend £560k, Out of Hours gross overspend £264k, training overspend £78k. Out of hours income underspend £232k, additional income from facilities and BPMU £185k, training income £137k
- Assessment and related	20,021	-16	20,005	1,090	-410	680	Staffing overspend covered by planned underspend on Family Support
- Grant income & contingency	4,413	-77,193	-72,780	0	0	0	
Total C,F&EA	**222,429**	**-91,649**	**130,780**	**1,885**	**-3,210**	**-1,325**	
CF&EA Assumed Mgmt Action						**0**	
CF&EA Forecast after Mgmt Action	**222,429**	**-91,649**	**130,780**	**1,885**	**-3,210**	**-1,325**	
- Asylum Seekers	14,129	-14,129	0	0	5,222	5,222	
Total C,F&EA incl. Asylum	236,558	-105,778	130,780	1,885	2,012	3,897	
Total Delegated	955,336	-80,517	874,819	8,000	0	8,000	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
Total Non Delegated (excl. Asylum)	**366,606**	**-1,047,724**	**-681,118**	**3,404**	**-1,998**	**1,406**	
Total Directorate Controllable (excl. Asylum)	**1,321,942**	**-1,128,241**	**193,701**	**11,404**	**-1,998**	**9,406**	
Directorate Assumed mgmt action				**-1,406**		**-1,406**	
Total Directorate Controllable (excl. Asylum) after mgmt action	**1,321,942**	**-1,128,241**	**193,701**	**9,998**	**-1,998**	**8,000**	
Directorate Net Total (incl. Asylum) before mgmt action	**1,336,071**	**-1,142,370**	**193,701**	**11,404**	**3,224**	**14,628**	
Directorate Net Total (incl. Asylum) after mgmt action	**1,336,071**	**-1,142,370**	**193,701**	**9,998**	**3,224**	**13,222**	

1.1.3 **Major Reasons for Variance**:

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

OR&S portfolio:

There is a net pressure of £2,731k on this portfolio before the implementation of management action. The main variances are:

1.1.3.1 Awards (Gross and Income)

The Awards Unit is forecasting a gross underspend of £138k mainly on the Home to College transport budget of £135k due to the reduction in numbers travelling compared to budgeted levels. A reduction in spend on the Post 16+ Access Fund of £42k is matched by a reduction in income. The balance of the £122k income variance is due mainly to a reduction in income from Home to College transport of £67k.

1.1.3.2 Personnel and Development (Gross)

The Personnel and Development Unit is forecasting a gross overspend of £199k. The pensions budget has a pressure of £339k, the majority of this is due to previous years early retirements resulting from school closures and amalgamations. This is partly offset by an underspend of £170k on the budget for redundancies of school staff which is due to a reduction in the number of school closures and amalgamations during the 2008-09 financial year.

1.1.3.3 Capital Strategy Unit (Gross)

The Capital Strategy Unit is projecting a £1,690k gross pressure. The budget for revenue maintenance of non operational sites is forecast to overspend by £783k due to the boarding up of closed schools and repairs caused by vandalism. The feasibility budget is forecast to overspend by £633k due to the recharge from capital of development costs of abortive school projects. The balance of the pressure is attributed to the costs of moving and hiring mobile classrooms in excess of the amount funded through the MTP 2008-11 (including 3 large projects) of £294k. This is consistent with spend in previous years.

1.1.3.4 ICT (Gross and Income)

A gross underspend of £1,126k and the income variance of +£1,118k on this budget line is due to the broadband connectivity for schools project. The budgets were set at previous years levels of expenditure and income but as the project nears completion and schools only have to pay for upgraded service connection the levels of spend and income are reduced. There is also an under-spend on Digital Curriculum of £64k.

1.1.3.5 Extended Services (Gross)

The Extended Services unit is forecasting a gross underspend of £100k on the Healthy Schools budget due to staff vacancies and associated savings on resources.

1.1.3.6 Mainstream Home to School Transport (Gross)

This budget is forecasting an underspend of £831k due to a large a reduction in the numbers travelling compared to budgeted levels. Details of the number of children receiving assisted mainstream transport to school are included in section 2.1.

1.1.3.7 SEN Transport to Schools (Gross)

There is a forecast overspend of £1,966k due to higher than affordable numbers travelling and the very expensive nature of the arrangements in place for some pupils. Details of the number of children receiving assisted SEN transport to school are included in section 2.1. This activity data shows that the monthly number of children in receipt of travel is increasing and there are on average almost 200 more children per month in receipt of SEN transport to schools compared to the same time last year and the estimated cost of the increase in numbers is £918k. We are seeing an increase in SEN pupils; however the pressure on this budget is exacerbated by the increase in single occupancy taxi journeys. We are undertaking a piece of work jointly with Kent Commercial Services to review each single occupancy journey to see whether a more cost effective option is available. This includes in some case the re-tendering of contracts. There is also an existing base problem noted in the last full monitoring report which includes the increased cost of fuel.

CF&EA portfolio:

There is a net underspend of £1,325k forecast on this portfolio (excluding Asylum), before the implementation of management action. The main variances are:

1.1.3.8 Strategic Planning and Review (Gross)

The forecast is a gross underspend of £169k. This is largely due to savings of £150k on a planned Children and Young people survey that has been postponed to 2009-10 due to delays in the procurement process.

1.1.3.9 Policy and Performance (Vulnerable Children) (Gross and Income)

This unit is forecasting a gross underspend of £188k and income overspend of £143k. The gross underspend is due to staff vacancies of £142k and an underspend on Kent Safeguarding Childrens Board of £97k which is matched by a corresponding reduction in contributions of £97k.

1.1.3.10 Advisory Service Kent – Primary (Gross and Income)

There is a gross pressure on this service of £592k. There is forecast overspend on the School Improvement Partners (SIP) project of £165k which relates to additional staffing costs to support school improvement. There is a staff overspend of £100k and additional school support of £324k. The additional school support costs are covered by income of £324k from schools.

1.1.3.11 Advisory Service Kent – Early Years (Gross)

There is a forecast underspend on this service of £760k. There is an underlying pressure of £240k within ASK Early Years due to additional targets set by the DCSF for 2008-09 but, as part of the declared management action, £1m of eligible Sure Start expenditure within ASK will be rebadged against the underspend caused by delays in opening Childrens Centres, resulting in an underspend of £760k.

1.1.3.12 Advisory Service Kent – Professional Development (Gross and Income)

The forecast gross underspend on this budget of £217k is due partly to a reduction in the costs of providing training for schools of £100k. There is also a reduction in expenditure on grant funded projects of £118k matched by a corresponding reduction in income. The variance on grant funded projects is caused by a timing issue as the grants run for an academic year where the income may be spent up until August 2009.

1.1.3.13 Early Years and Childcare (Gross)

There is a gross underspend on this budget of £269k due to the slippage in appointing to vacant posts.

1.1.3.14 Educational Psychology (Gross)

A forecast gross underspend of £173k is due to staff vacancies and the associated savings on resources and travel.

1.1.3.15 Independent Sector Residential Care (Gross and Income)

A gross pressure of £1,883k is forecast on this budget. This is mainly due to an increase in demand and high cost placements. The key pressure can be analysed between disability placements £1,231k, non disability placements £289k, and secure accommodation £261k. This is partly offset by additional income of £1,174k for placements following agreement from the Joint Residential Assessment Panel (JRAP) for this financial year.

1.1.3.16 Residential Care – not Looked After Children (Gross)

New placements and extensions to existing placements account for this gross variance of +£103k

1.1.3.17 KCC Family Support (Gross and Income)

The Family Support Unit is forecasting a gross underspend of £1,612k and income underspend of £402k. The underspend is due to planned management action to balance the forecast overspend declared on Assessment and Related (see section 1.1.3.24) and general pressures on the Fostering and Independent Residential Care budgets. The management action has been achieved due to a delay in the recruitment to vacant posts until the CSS restructure plans have been completed. In the 2009/10 budget this service line has been merged with Assessment and Related. The underspend on income of £402k is due to additional income being received to cover projects now funded from the Kent Childrens Fund grant and income from Adolescent Resource Centre projects. This is for ongoing projects charged to Family Support since the start of the year and the income received has reduced the overall net variance of this service.

1.1.3.18 Fostering Service (Gross and Income)

There is a gross pressure on this budget of £908k. The independent fostering allowance budget is forecasting overspends of £1,745k. Based on the average weekly cost of £1,010 the 2008-09 budget of £1,502k can afford 1,487 weeks of independent foster care. The activity details in section 2.5.2 show actual client weeks as 2,457.73 to the end of quarter 3, with a forecast of 3,214.9 weeks for the full financial year, which equates to a forecast spend of £3,247k.

This overspend is partly offset by under-spends of £837k on other fostering lines such as KCC fostering and the County Fostering Team. This underspend has increased slightly since the last full monitoring report as a number of placements have finished early whilst other planned places were not required.

There is an income variance of -£139k due to income received for training, placements and from OLAs for non Kent children being placed with KCC foster carers.

1.1.3.19 Adoption Services (Gross)

There is a pressure on this service of £129k due to interagency fees and adoption allowances.

1.1.3.20 Independent Sector Day Care (Gross)

This is a preventative service managed in conjunction with Section 17 payments and the variances are inter-related. The forecast underspend of £285k is due to lower than anticipated number of clients receiving support under this line.

1.1.3.21 Section 17 (Gross)

This is a preventative service managed in conjunction with Independent Sector Day Care and the variances are inter-related. The forecast overspend of £280k is due to higher than anticipated number of clients receiving more expensive support under this line.

1.1.3.22 Leaving Care/16+ (Gross)

There is a forecast underspend on this service of £218k. This is a client based service and current usage is below the anticipated level leading to an under-spend of £48k. Funding of £170k from the Care Matters Grant, paid through the Area Based Grant, has also contributed to the under-spend. It should be noted that there are pressures on the other 16+ services which are overspent and are reported within the Independent residential lines and Fostering Service Lines.

1.1.3.23 Other Services Support (Gross and Income)

The pressure on this budget continues and the gross overspend of £748k is mainly attributed to Legal Services which is forecast to overspend by £949k. The Family Law strand of the Area Based grant is forecast to underspend by £560k as the introduction of the new system has led to a time delay in the process of cases. This underspend will continue into 2009-10 although at a reduced level. The pressure on the legal budget has continued from 2007-08 and the Directorate has reviewed this budget and has funded this pressure through the 2009-12 MTP.

There is a gross pressure on the Out of Hours budget of £264k which is partly covered by an increase in income of £232k. The net pressure on the Out of Hours service is due to additional staff being required while the transition of the service to the Call Centre takes place. There is also a forecast gross overspend on training of £78k which is funded by an increase in income of £137k.

There is also an increase in income received by the Facilities and the Business Planning Management Unit (BPMU) of £186k mainly in respect of a disputed invoice from a previous financial year. The total income variance is £548k.

1.1.3.24 Assessment and Related (Gross and Income)

Assessment and Related is forecasting a gross overspend of £1,090k and an increase in income of £410k. The overspend is due to the filling of frontline posts and this is being offset by a planned underspend on the Family Support line (see 1.1.3.17).

The variance on income is due to income for the Best project £165k and Ready for Practice income and training money £147k with the balance being attributed to ad hoc money secured from Health and other sources.

1.1.3.25 **Asylum**

The Asylum Service is forecasting to have a funding shortfall of £5,222k for the 2008-09 financial year, £4,722k of direct costs and £500k of indirect costs. The number of referrals in Kent is continuing to run at over 50 cases per month. It is now clear from recent discussions with the Home Office that, with a static position nationally, Kent is receiving a greater proportion of the national Unaccompanied Asylum Seeking Children (UASC) intake than previously.

As reported in the last exception report the Home Office has published its guidance on what can be included in the special circumstances 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 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.

We have received final settlement from the Home Office in respect of 2006-07 and 2007-08. Also, the DCSF have paid the full £2.6m of our special circumstances claim from the 2007-08 financial year, with a small retention subject to a satisfactory audit. By the end of 2007-08 we had £10m of costs we had incurred but not had reimbursed by the HO and DCSF. Of this, we have been successful in receiving £6.4m after also offsetting shortfalls in Asylum general grant following reductions as a result of the data matching exercise. This income, which we had previously covered from the Asylum reserve and bad debt provision, will need to be repaid into the Asylum reserve in order to cover anticipated shortfalls for the current and future years. In addition, £0.4m relating to the general grant shortfall for 2005-06 had already been funded from a provision for repayment of grant set up in 2006-07, therefore in total there is £6.8m available to repay into the reserve.

Other Issues

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

The latest forecast suggests an underspend of around £1,200k 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.

Delegated Schools Budgets

1.1.3.27 Nine Month Monitoring

The detailed nine month monitoring returns from schools have been received by the LA. The returns indicate a large drawdown of reserves however past experience indicates that this figure is normally overstated. We are therefore predicting a drawdown of reserves in the region of £8m. However it is very difficult to predict this with accuracy, particularly this year when factoring in the recovery of £1.5m from 15 schools earlier this year and the review and subsequent tightening of the 'balance control mechanism' which schools are being encouraged to work towards before they formally apply at the end of 2009/10 financial year.

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
ORS	Schools delegated budgets - expected draw down in reserve	+8,000	CFEA	Family Support - Planned management action (gross)	-1,612
CFEA	Asylum - Shortfall in income (income)	+5,222	ORS	ICT - Broadband connectivity project reduced spend due to reduced buy back from schools (gross)	-1,126
CFEA	Independent Sector Residential Care - increase in demand and high cost placements (gross)	+1,781	CFEA	Independent Sector Residential Care - placement funding from Joint Residential Assessment Panel (income)	-1,174
CFEA	Fostering Service - Independent fostering allowances (gross)	+1,745	CFEA	Fostering Service - Non Independent Fostering Allowance lines (gross)	-837
ORS	ICT - Broadband connectivity project reduced income from schools (income)	+1,118	ORS	Mainstream Home to School Transport - reduction in numbers travelling (gross)	-831
CFEA	Assessment and Related - Frontline staffing overspend (gross)	+1,090	CFEA	ASK Early Years - rebadge of Sure start expenditure (gross)	-760
ORS	SEN Transport - price increases and increase in single occupancy taxis (gross)	+1,048	CFEA	Other Services Support - Family Law (gross)	-560
CFEA	Other Services Support - Legal costs (gross)	+949	CFEA	Assessment and Related - additional income from Best project, training and Health (income)	-410
ORS	SEN Transport - increase in numbers travelling (gross)	+918	CFEA	Family Support - increase in income (income)	-402
ORS	Capital Strategy - closed schools revenue maintenance (gross)	+783	CFEA	ASK Primary - Additional school support (income)	-324
ORS	Capital Strategy - abortive costs for school projects recharged from capital (gross)	+633	CFEA	Independent Day Care - lower take up of places (gross)	-285
ORS	Personnel and Development - pensions (gross)	+339	CFEA	Early Years and Childcare - vacancies (gross)	-269
CFEA	ASK Primary - Additional school support (gross)	+324	CFEA	Other Services Support - Out of Hours Service increased income	-232
ORS	Capital Strategy - moving and hiring of mobile classrooms (gross)	+294	CFEA	Other Services Support - Additional BPMU income (income)	-186
CFEA	Section 17 - increased support to clients (gross)	+280	CFEA	Education Psychology - staffing vacancies and associated costs (gross)	-173
CFEA	Other Services Support - Out of Hours Service staffing (gross)	+264	CFEA	Leaving Care/16 plus - Care Matters grant funding (via Area Based Grant) (gross)	-170

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CFEA	ASK Primary - School Improvement Partners project staffing (gross)	+165	ORS	Personnel and Development - reduction in school staff redundancy costs (gross)	-170
CFEA	Adoption - interagency fees and adoption allowances (gross)	+129	CFEA	Strategic Planning and Review - postponed Children & Young People Survey (gross)	-150
CFEA	ASK Professional Development - reduction in grant income (income)	+118	CFEA	Policy and Performance - staffing vacancies (gross)	-142
CFEA	Residential Care non LAC - New and extended placements (gross)	+103	CFEA	Fostering Service - additional income for training, placements etc (income)	-139
CFEA	ASK Primary - Staffing overspends (gross)	+100	CFEA	Other Services Support - additional training income (income)	-137
			ORS	Home to College Transport - reduction in numbers travelling	-135
			CFEA	ASK Professional Development - reduction in spend on grant funded activities (gross)	-118
			CFEA	ASK Professional Development - underspend on training costs (gross)	-100
			ORS	Extended Services - Healthy schools vacancy saving (gross)	-100
		+25,403			-10,542

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

The residual £1.4m pressure before management action shown in Table 1 is the position after the directorate has rebadged £1m of Sure Start grant caused by delays in opening Childrens Centres.

1.1.5 **Implications for MTP**:

The anticipated continuing base pressures shown above for independent sector residential care, SEN transport and legal services have been funded through the 2009-12 MTP.

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

The Childrens and Young people survey planned to take place in 2008-09 has been deferred to 2009-10 (para 1.1.3.8) due to delays in the procurement process. This is a survey of all school children addressing the five Every Child Matters outcomes and will be used to inform a wide range of planning activities. The survey costs can be covered from the 2009-10 base budget and therefore roll forward of the £150k underspend will not be required, enabling it to be used to offset other pressures within the directorate.

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

The Directorate intends to offset the current pressures using the proposals listed below:

In the OR&S portfolio:

- The directorate underspent its LAA grant in 2007-08 by £0.277m. LAA funding which is one off in nature will be used to offset part of the pressure. We will rebadge this against the most appropriate service line once the final outturn position is known.
- We will continue to look in detail at expenditure items in the Directorate that we may be able to charge to the LA element of the DSG or to the Sure Start Grant where we have some capacity. We have set a target of £1.129m.

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
Operations, Resources & Skills Portfolio						
Budget approved at Cty Council	137,313	148,119	200,717	170,247	130,133	786,529
Adjustments:						
-						0
Revised Budget	137,313	148,119	200,717	170,247	130,133	786,529
Variance		-526	+3,026	+29	0	+2,529
split:						
- real variance		+1,999	+530	0	0	+2,529
- re-phasing		-2,525	+2,496	+29	0	0
Children, Families & Educational Achievement Portfolio						
Budget approved at Cty Council	8,520	2,040	2,567	250	750	14,127
Adjustments:						
-						0
Revised Budget	8,520	2,040	2,567	250	750	14,127
Variance		-3	+64	0	0	+61
split:						
- real variance		+61	0	0	0	+61
- re-phasing		-64	+64	0	0	0
Directorate Total						
Revised Budget	145,833	150,159	203,284	170,497	130,883	800,656
Variance	0	-529	3,090	29	0	2,590
Operations, Resources & Skills Portfolio						
Devolved Capital to Schools						
Budget approved at Cty Council		44,618	27,252	26,690	78,267	176,827
Variance		0	0	0	0	0
split:						
- real variance		0	0	0	0	0
- re-phasing		0	0	0	0	0

Real Variance		**+2,060**	**+530**	**0**	**0**	**+2,590**
Re-phasing		**-2,589**	**+2,560**	**+29**	**0**	**0**

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

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
ORS	Building Maintenance	real	+2,096			
ORS	BSF Development Costs	phasing	+774			
ORS	Development Opportunities - Dartford Campus	real		+338		
			+2,870	**+338**	**0**	**0**
Underspends/Projects behind schedule						
ORS	Primary Pathfinder - The Manor School	phasing		-1,630		
CFEA	Primary Pathfinder - Oakfield Primary School	phasing		-507		
ORS	Non delegated Devolved Capital - PRU's	phasing	-461			
ORS	Corporate Property Project Management	real	-376			
			-837	**-2,137**	**0**	**0**
			+2,033	**-1,799**	**0**	**0**

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

1.2.4.1 **The Manor Primary School, Swanscombe – slippage £1.630 million**

This scheme is designed to deliver a rebuilt primary school for 420 pupils, together with some refurbishments to an existing block. This will create a single building for a school which is currently accommodated in separate infant and junior buildings.

The project has slipped by £1.630m which represents 25% of the total value of the scheme. It has been delayed in starting by about five months because of some very onerous conditions attached to the planning permission, which involved high levels of archaeology & environmental surveying. The planning conditions are expected to be discharged during March 2009 with the project starting on site in April and a completion date in May 2010.

There are some service implications in that part of the school will remain in temporary accommodation for this additional time. As they will not be able to move into their new premises, the difficulties of working out of separate buildings will continue until the work is completed. However the school will continue to function normally.

There are no financial implications; in fact the delay has enabled a lot of work to be carried out on valuation engineering to ensure that the cost can be contained within the budget.

	Prior Years	2008-09	2009-10	2010-11	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	73	2,569	3,765	95	0	6,502
Forecast	73	939	5,460	30	0	6,502
Variance	0	-1,630	1,695	-65	0	0
FUNDING						
Budget:						
grant	73	2,569	3,765	95	0	6,502
TOTAL	73	2,569	3,765	95	0	6,502
Forecast:						
grant	73	939	5,460	30		6,502
TOTAL	73	939	5,460	30	0	6,502
Variance	**0**	**-1,630**	**1,695**	**-65**	**0**	**0**

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

The real variance over the lifetime of the revised Medium Term Plan indicates an overspend of £2.590m, £2.529m within the OR&S portfolio & £0.061m in the CF&EA portfolio. The £2.590m across the years of the MTP is split +£2.060m in 2008/09 and +£0.530m in 2009/10.

The +£2.590 million overspend relates to:

- **Building Maintenance +£2.096m (all in 2008/09)** – The overspend is in 3 main areas of the Building Maintenance budget.
  (a) Emergency Programme (+£1.116m) - reactive works such as roof replacement & repairs, electrical upgrades, fire escape repairs & replacement boilers, all of which were not planned & have been necessary to prevent school closures or to address Health & Safety issues.
  (b) Replacement of Catering Equipment (+£0.470m) – additional works required to address serious Health & Safety risk issues which otherwise would have resulted in the closure of school kitchens.
  (c) Planned Maintenance Agreements (PMA) (+£0.430m) – this overspend is as a direct result of changes in statutory requirements, an example being the need for improved ventilation in boiler houses where the PMA budget is now being charged with the additional testing requirements & any additional works resulting from this testing. The 2009/10 budget for building maintenance has been reviewed and restructured with the intention of both bringing

spend in line with the resources available and also to identify pressure points at an earlier stage in the monitoring process.

- **Dartford Campus School +£0.835m (+£0.338m in 2008/09 & +£0.497m in 2009/10)** – the main areas of increased spend are Dartford Technology College (+£0.611m), Enabling Works +£0.111m) & the Access Road & Car Park (+£0.097m). The increases on Dartford Technology College are due to previously unforeseen mechanical engineering works & additional works required to complete this element of the project. The increase on the enabling works element of the project is due to the need to extend the hire of temporary accommodation due to the delay in the handover to the Rainbow Day Nursery and the Adult Education Centre. The increased costs on the Access Road & Car Park relate to additional road safety works that have been required to meet KCC highway requirements in Heath Lane and Princess Road e.g. speed humps, additional signs and illumination of signs.
- **Modernisation Programme 2006/7/8 starts +£0.274m (+£0.185m in 2008/09 & +£0.089m in 2009/10** - the most significant increase relates to additional costs at Wilmington Enterprise College (+£0.105m) where the new build needed to be repositioned due to services being incorrectly shown on the plans. The repositioned new build was both more expensive to build & the delay caused by this disruption resulted in contractor extension of time payments.
- **Self Funded Projects +£0.121m (all in 2008/09)** - all of this overspend relates to the Quarryfields project and will be funded by planned revenue contributions.
- **Corporate Property Recharge -£0.376m (all in 2008/09)** - this saving has resulted from our inability to capitalise the indirect staffing costs of Corporate Property Unit resulting in the costs being recharged to revenue. Although the annual cash limit for future years is the same as 2008/09 there are known additional costs that we believe will eliminate this saving from re-occurring.
- **Modernisation Programme 2004/5/6 starts -£0.356m (-£0.287m in 2008/09 & -£0.069m in 2009/10** - virtually all of this saving relates to abortive developments costs on projects that have either been deleted, or significantly re-phased in the revised MTP. As these costs cannot be capitalised they have been recharged to revenue. (eg. Kennington -£0.224m)
- **Modernisation Programme 2007/8 starts -£0.127m (all in 2008/09)** - virtually all of this saving relates to abortive developments costs on the Park Farm Primary School, Folkestone project (-£0.135m) which have been recharged to revenue. The revised plan is to make a lump sum contribution, pending formal approval by the DCSF, to Folkestone Academy to incorporate the primary school within its complex.

Overall this leaves a residual balance of +£0.123m on a number of more minor projects (+£0.110m in 2008/09 & +£0.013m in 2009/10).

All of this £2.590m overspend is covered by additional funding from a mixture of developer contributions, grant & revenue funding.

1.2.6 **General Overview of capital programme**:

(a) Risks

The creation of the PEF2 fund has reduced what was previously seen as the major risk i.e. the realisation of capital receipts. It does however reduce the value of receipts and hence the size of associated schemes.

(b) Details of action being taken to alleviate risks

We continue to stress to colleagues elsewhere within the authority the fixed nature of our budget and anything extra that they insist upon means another scheme loses. The programme is also monitored internally on a regular basis and any potential challenges noted.

1.2.7 **PFI projects**

- Building Schools for the Future (wave 3)

£69.6m of investment in the BSF Wave 3 programme represents investment by a third party. No payment is made by KCC for the new/refurbished assets until the asset are ready for use and this is by way of an annual unitary charge to the revenue budget.

	Previous years	2008-09	2009-10	2010-11	TOTAL
	£000s	£000s	£000s	£000s	£000s
Budget	-	21,602	43,204	4,801	69,607
Actual / Forecast	-	21,602	43,204	4,801	69,607
Variance	-	0	0	0	0

(a) **Progress and details of whether costings are still as planned (for the 3rd party)**

The contracts for the Building Schools for the Future programme and the establishment of Local Education Partnership 1 (LEP1) were signed on 24th October 2008. These include the PFI Agreement for the construction of the three PFI schools. Preliminary works on the three PFI sites began slightly before financial close (at the Contractor's risk) in order to maintain the construction programme. The construction of the new assets is therefore currently running to schedule and in accordance with the costings above.

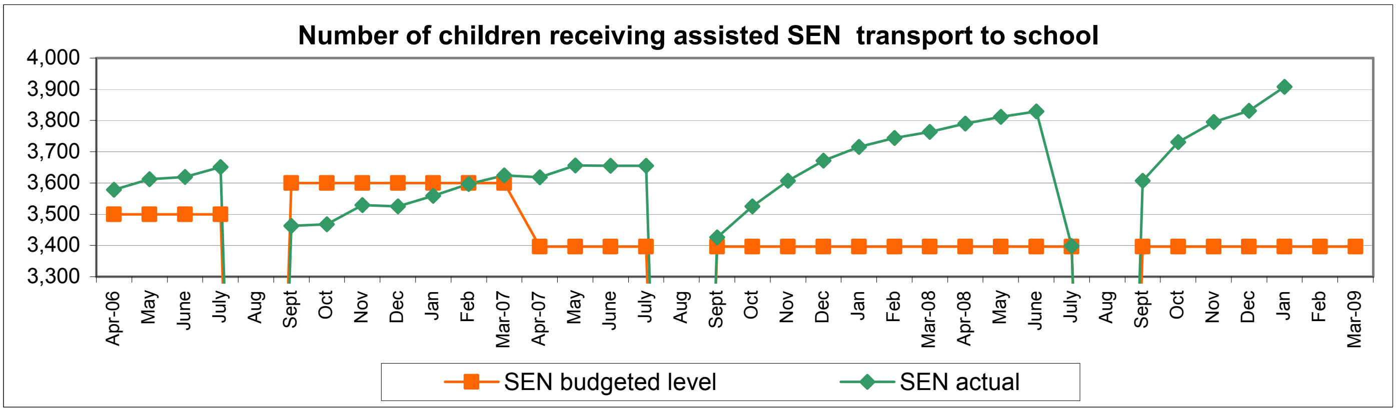
(b) **Implications for KCC of details reported in (a) ie could an increase in the cost result in a change to the unitary charge ?**

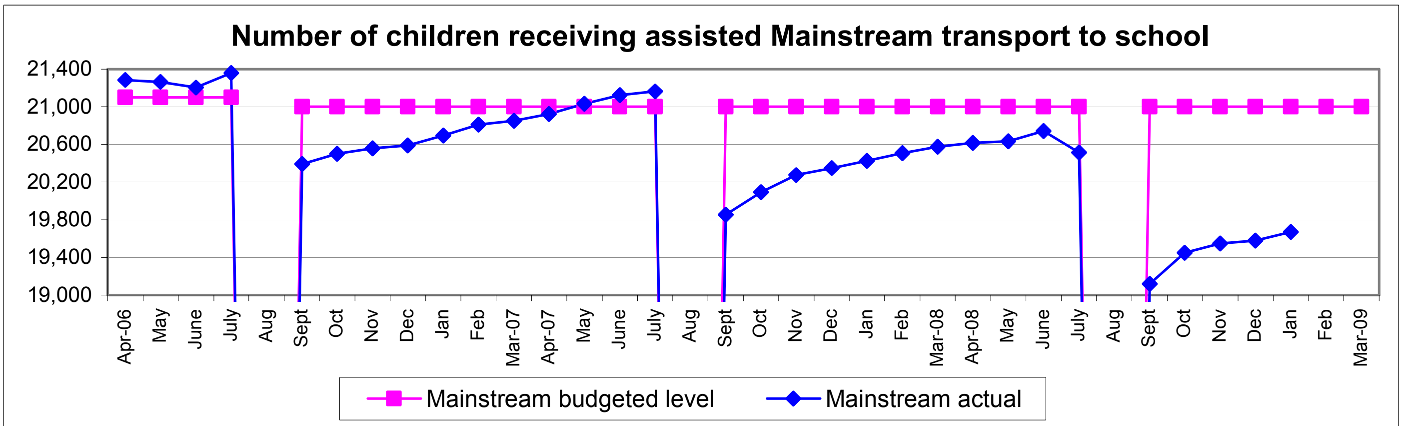
The PFI Contractor bears the risk of any delays to the construction programme (with the exception of any agreed compensation events). Consequently, any delays that may arise in the construction programme will not impact on the unitary charge.

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				2008-09			
	SEN		Mainstream		SEN		Mainstream		SEN		Mainstream	
	Budgeted level	actual	Budgeted level	actual	Budgeted level	actual	Budgeted level	actual	Budgeted level	actual	Budgeted level	actual
April	3,500	3,578	21,100	21,285	3,396	3,618	21,000	20,923	3,396	3,790	21,000	20,618
May	3,500	3,612	21,100	21,264	3,396	3,656	21,000	21,032	3,396	3,812	21,000	20,635
June	3,500	3,619	21,100	21,202	3,396	3,655	21,000	21,121	3,396	3,829	21,000	20,741
July	3,500	3,651	21,100	21,358	3,396	3,655	21,000	21,164	3,396	3,398	21,000	20,516
Aug	0	0	0	0	0	0	0	0	0	0	0	0
Sept	3,600	3,463	21,000	20,392	3,396	3,426	21,000	19,855	3,396	3,607	21,000	19,118
Oct	3,600	3,468	21,000	20,501	3,396	3,525	21,000	20,093	3,396	3,731	21,000	19,450
Nov	3,600	3,529	21,000	20,561	3,396	3,607	21,000	20,276	3,396	3,795	21,000	19,548
Dec	3,600	3,525	21,000	20,591	3,396	3,671	21,000	20,349	3,396	3,831	21,000	19,579
Jan	3,600	3,559	21,000	20,694	3,396	3,716	21,000	20,426	3,396	3,908	21,000	19,670
Feb	3,600	3,597	21,000	20,810	3,396	3,744	21,000	20,509	3,396		21,000	
March	3,600	3,624	21,000	20,852	3,396	3,764	21,000	20,575	3,396		21,000	





Comments:

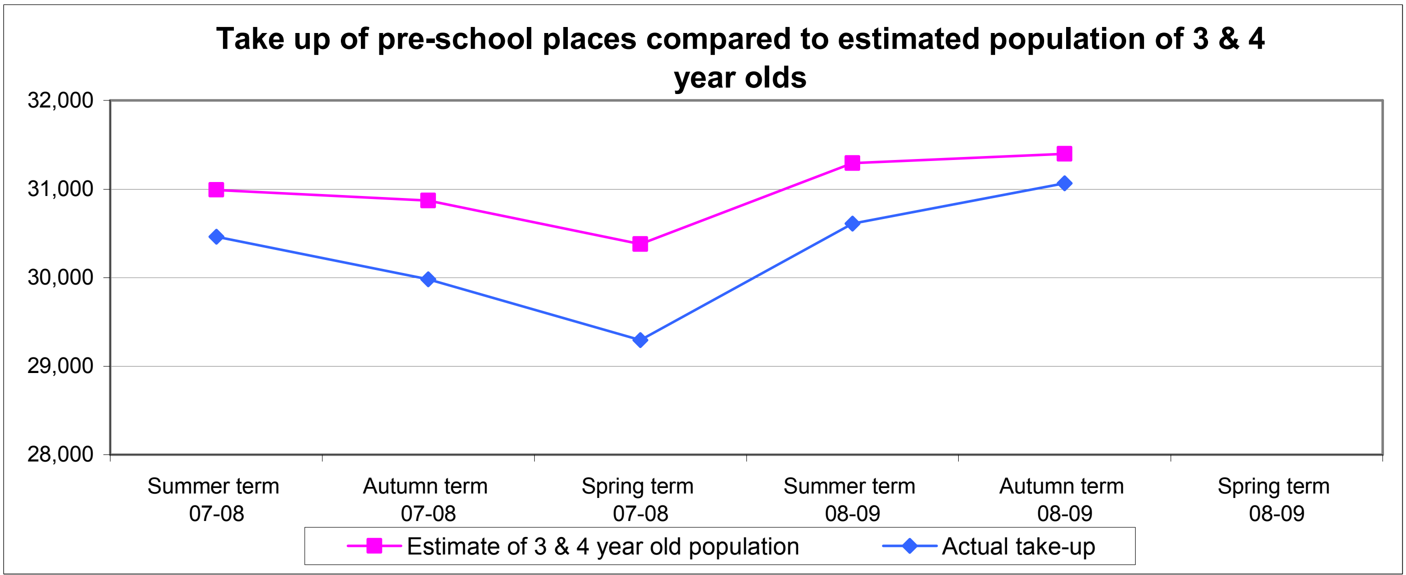
- **SEN HTST** – In 2007-08 there was a significant gap between the actual and budgeted level of assisted SEN transport to schools which related to the savings targets which significantly reduced the budgeted level and the fact that the service was unable to achieve these. The actual numbers travelling continues to exceed budgeted levels and following some detailed work undertaken by Passenger Transport Unit a forecast overspend has now been reported in section 1.1.3.7.

  The actual number of pupils travelling appears low in July as the 'day of count' was after some special schools had closed for the summer. (The count is only taken on one day in the month). The data in September gives a better view of the levels of pupils receiving assisted transport.

- **Mainstream HTST** - The budgeted level has been calculated by dividing the 2008/09 budget by the current average cost per child. Actual numbers travelling continue to be less than budgeted levels and an underspend has now been reported in section 1.1.3.6.

2.2.1 **Take up of pre-school places against the number of places available, split between Private Voluntary and Independent Sector (PVI) places and School places**:

	2007-08					2008-09				
	PVI places taken up	*School places taken up*	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
Summer term	*20,675*	*9,485*	30,460	30,992	98%	*20,766*	*9,842*	30,608	31,294	98%
Autumn term	*14,691*	*15,290*	29,981	30,867	97%	*14,461*	*16,604*	31,065	31,399	99%
Spring term	*17,274*	*12,020*	29,294	30,378	97%					

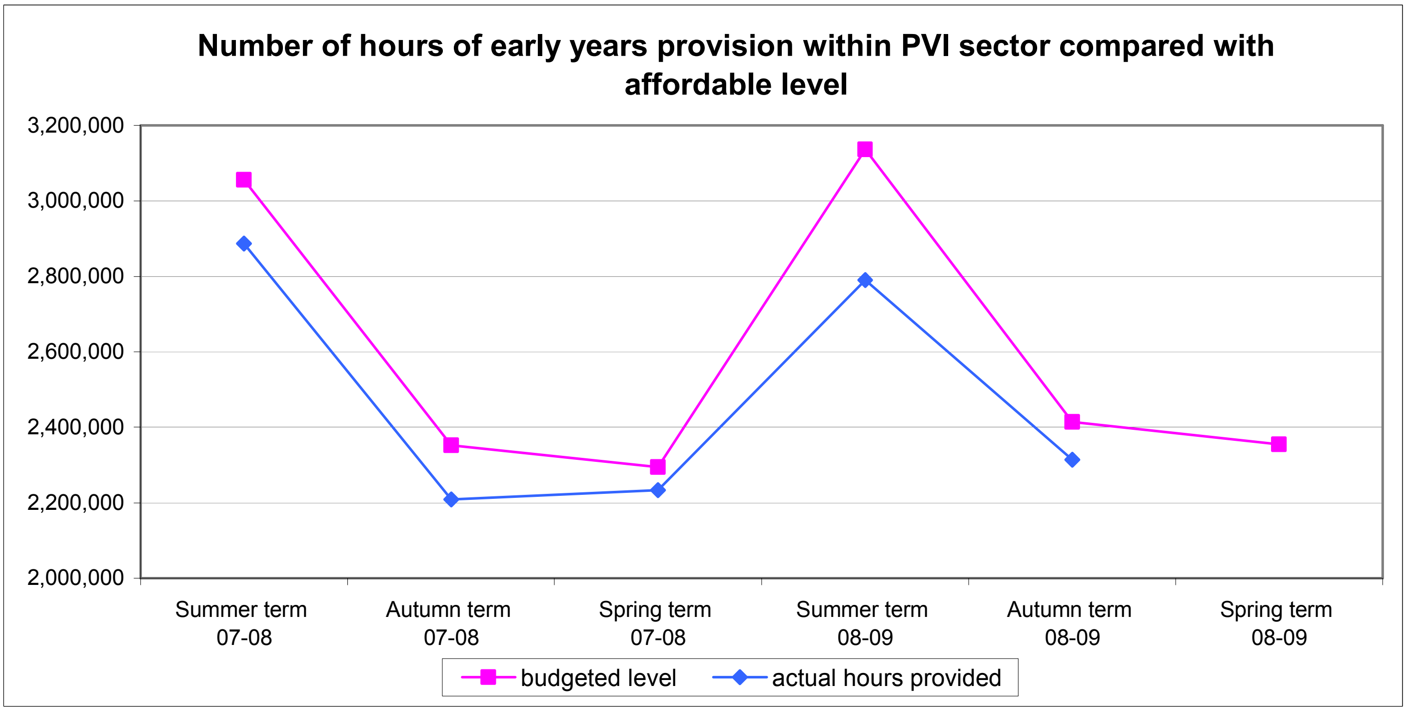


Comments:

- This graph shows that currently 99% 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 1.1.3.26 of this annex.

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		2008-09	
	Budgeted number of hours	Actual hours provided	Budgeted number of hours	Actual hours provided
Summer term	3,056,554	2,887,134	3,136,344	2,790,446
Autumn term	2,352,089	2,209,303	2,413,489	2,313,819
Spring term	2,294,845	2,233,934	2,354,750	
	7,703,488	**7,330,371**	**7,904,583**	**5,104,265**



Comments:

- The budgeted 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 1.1.3.26 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**:

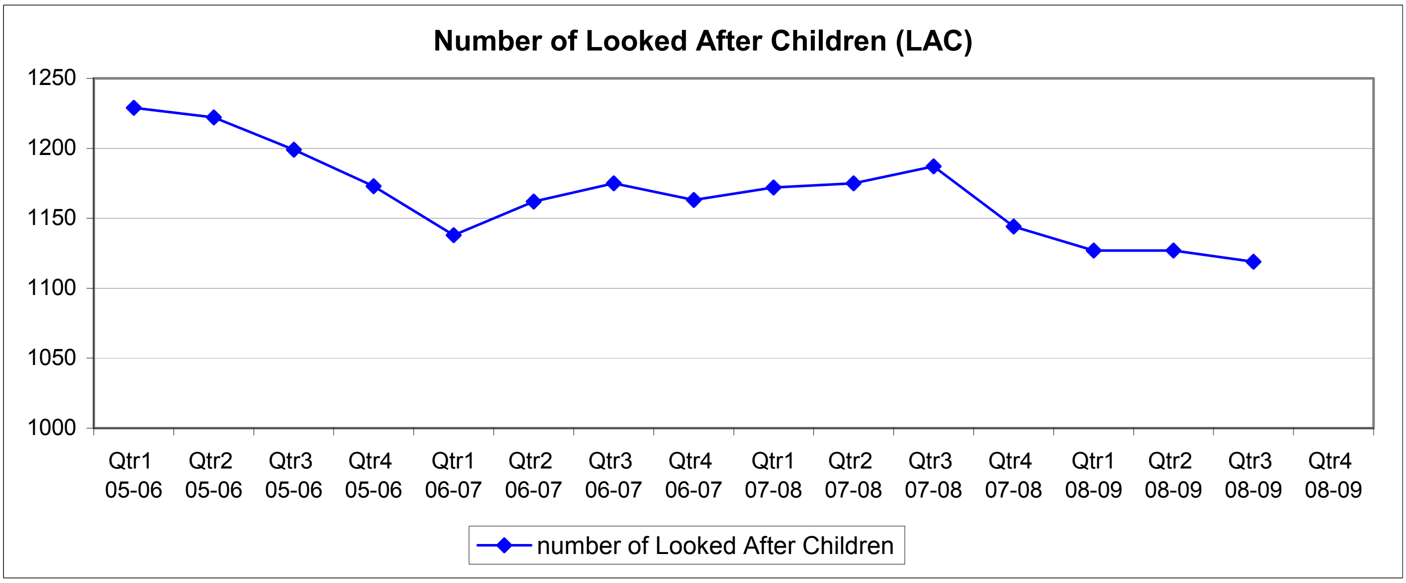
	2005-06 as at 31-3-06	**2006-07** as at 31-3-07	**2007-08** as at 31-3-08	**2008-09** Projection
Total number of schools	600	596	575	570
Total value of school reserves	£70,657k	£74,376k	£79,360k	£71,360k
Number of deficit schools	9	15	15	21
Total value of deficits	£947k	£1,426k	£1,068k	£1,265k

Comments:

- The information on deficit schools for 2008/09 has been obtained from the schools budget submissions. The LA receives updates from schools through budget monitoring returns from all schools after 6 months, and 9 months as well as an outturn report at year end. The projected draw down of reserves of £8m includes £1.5m recovered from schools following work undertaken on school balances earlier in the financial year.
- KCC 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.
- The CFE Statutory 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.

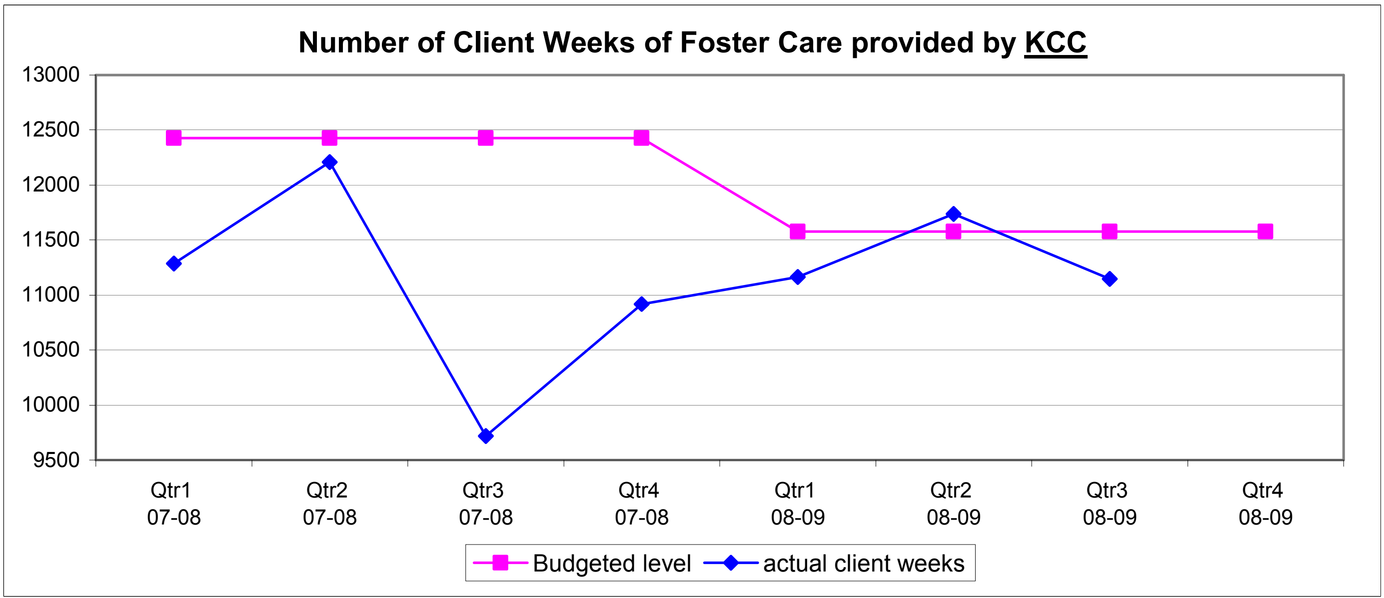
2.4 **Numbers of Looked After Children (LAC)**:

	2005-06	**2006-07**	**2007-08**	**2008-09**
Apr – Jun	1,229	1,138	1,172	1,127
Jul – Sep	1,222	1,162	1,175	1,127
Oct – Dec	1,199	1,175	1,187	1,119
Jan – Mar	1,173	1,163	1,144	



2.5.1 **Number of Client Weeks of Foster Care provided by KCC**:

	2007-08		2008-09	
	Budgeted level	**Actual Client Weeks**	**Budgeted level**	**Actual Client Weeks**
Apr - Jun	12,427.25	12,711.26	11,575.8	11,165.70
Jul - Sep	12,427.25	10,781.00	11,575.8	11,735.39
Oct - Dec	12,427.25	9,716.04	11,575.8	11,147.16
Jan - Mar	12,427.25	10,917.96	11,575.8	
	49,709.00	**44,128.74**	**46,303.2**	**34,048.25**



Comments:

- The actual number of client weeks is based on the numbers of known clients at a particular point in time. This may be subject to change due to the late receipt of paperwork.

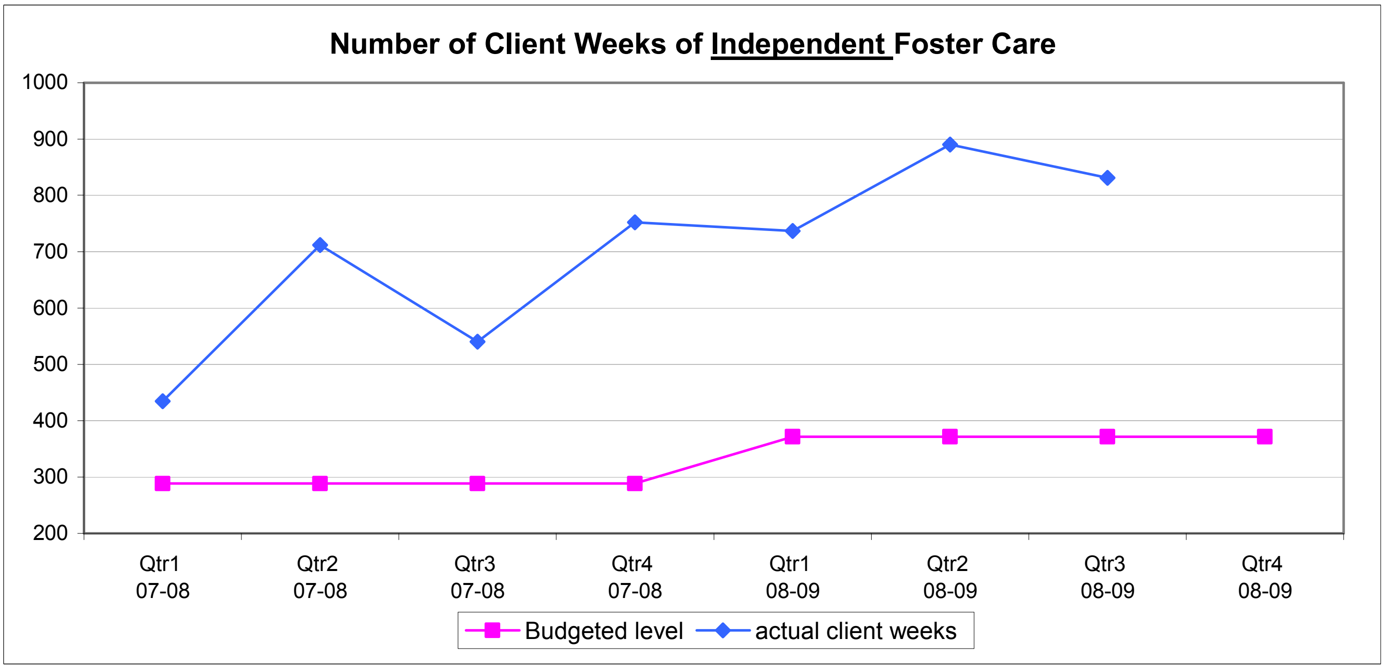
- The budgeted level has been calculated by dividing the budget by the average weekly cost. The average weekly cost is also an estimate based on financial information and estimates of the number of client weeks and may be subject to change.

- The current year to date activity suggests an underspend on this budget which has been mentioned in 1.1.3.18 of this annex. The underspend is forecast to be slightly greater than reported in the last monitoring report as some placements have ended earlier than expected.

- It should be noted that the data relating to 2007-08 was manually produced due to problems with the IT system and should be treated with some caution. The figures have been re-visited and as a result some client weeks have been moved between quarter 2 and quarter 1. This has not affected the overall total of weeks for 2007-08.

2.5.2 **Number of Client Weeks of Independent Foster Care**:

	2007-08		2008-09	
	Budgeted level	**Actual Client Weeks**	**Budgeted level**	**Actual Client Weeks**
Apr - Jun	288.50	434.57	371.78	736.59
Jul - Sep	288.50	712.00	371.78	890.10
Oct - Dec	288.50	540.42	371.78	831.04
Jan - Mar	288.50	752.15	371.78	
	1,154.00	**2,439.14**	**1,487.12**	**2,457.73**



Comments:

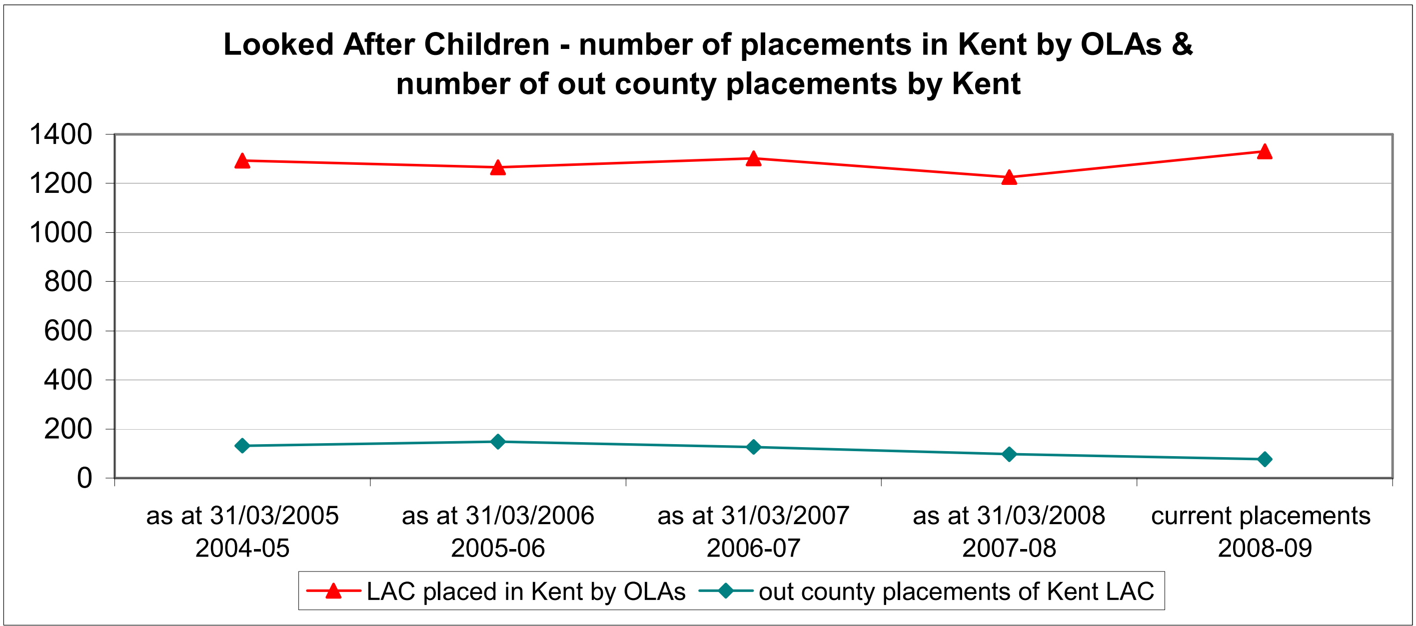
- The actual number of client weeks is based on the numbers of known clients at a particular point in time. This may be subject to change due to the late receipt of paperwork.
- The budgeted level has been calculated by dividing the budget by the average weekly cost. The average weekly cost is also an estimate based on financial information and estimates of the number of client weeks and may be subject to change.
- The current activity suggests an overspend on this budget which has been mentioned in 1.1.3.18 of this annex.

2.6 **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 as at 31/03/2008	2008-09 Current placements
1,294	1,266	1,303	1,226	1,331

2.7 **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 as at 31/03/2008	2008-09 Current placements
132	149	127	97	77

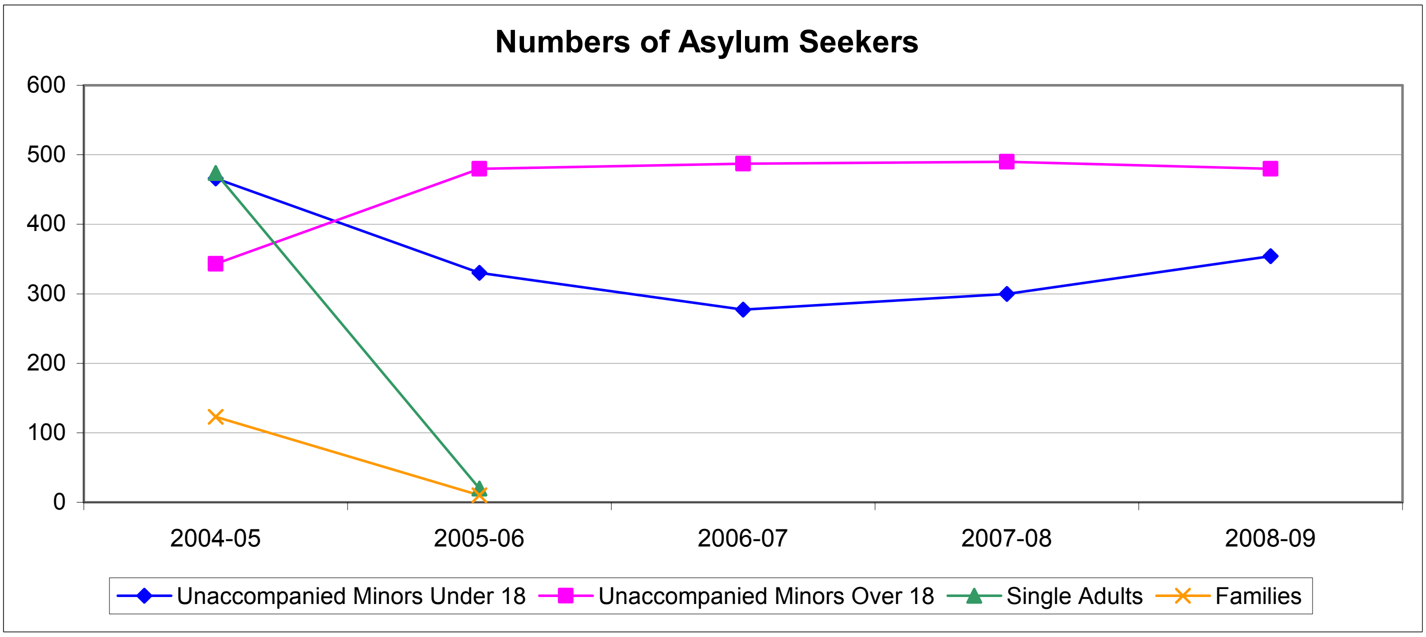


Comment:

- 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.

2.8 **Numbers of Asylum Seekers (by category)**:

	2004-05	2005-06	2006-07	2007-08	2008-09
	31-03-05	**31-03-06**	**31-03-07**	**31-03-08**	**31-1-09**
	Number	Number	Number	Number	Number
Unaccompanied Minors Under 18	466	330	277	300	354
Unaccompanied Minors Over 18	343	480	487	490	480
Single Adults	474	20	0	0	0
Families	123	10	0	0	0



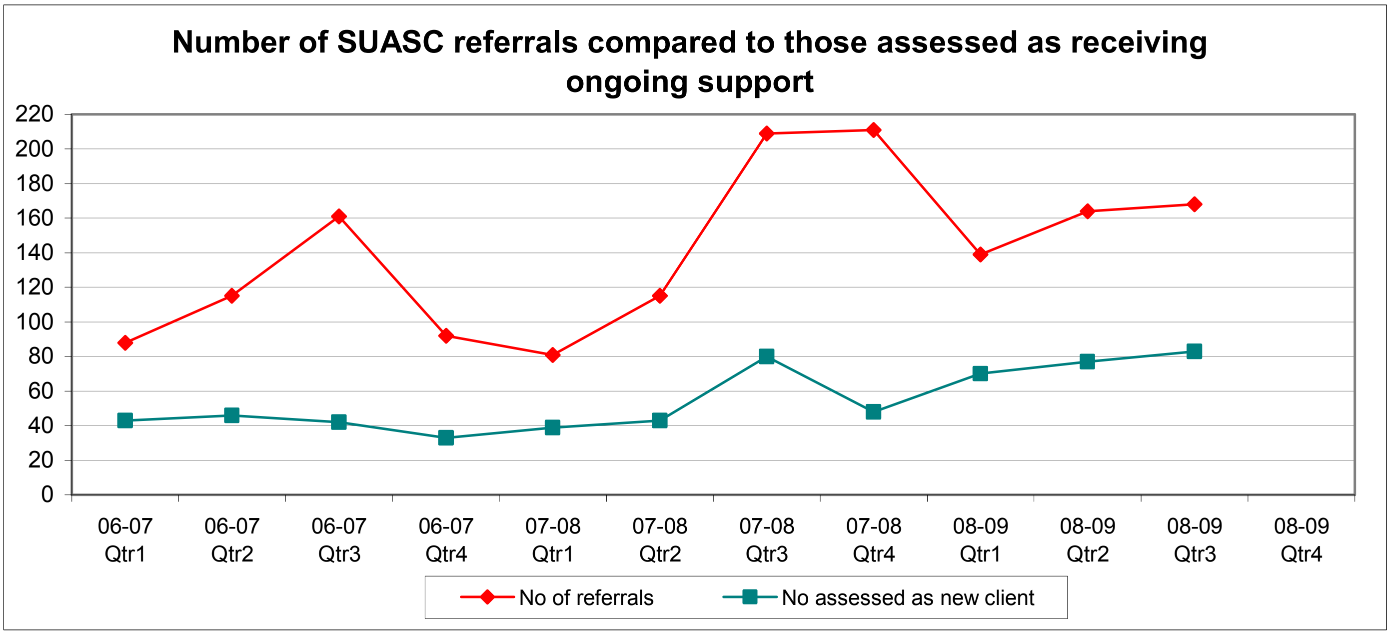
Comment:

- Client numbers have risen as a result of higher referrals and are higher than projected numbers.

2.9 **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			2008-09		
	No. of referrals	No. assessed as new client	%	No. of referrals	No. assessed as new client	%	No. of referrals	No. assessed as new client	%
April - June	88	43	49%	81	39	48%	139	70	50%
July - Sept	115	46	40%	115	43	37%	164	77	46%
Oct - Dec	161	42	26%	209	80	38%	168	83	49%
Jan - March	92	33	36%	211	48	23%	*45	*15	*33%
	456	**164**	**36%**	**616**	**210**	**34%**	**516**	**245**	**47%**

* to 31 January 2009



Comments:

- Referral rates have reduced compared to the last half of 2007-08. However the numbers for the first two quarters were considerably higher than for the same period in the previous two years and they have remained at this level through quarter 3. The number being assessed as under 18 remains higher than the same period in the previous two years.

KENT ADULT SOCIAL SERVICES 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.

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	
Adult Services portfolio							
Older People:							
- Residential Care	87,902	-29,891	58,011	323	-331	-8	Demographic and placement pressures offset by one-off release of loan and additional income
- Nursing Care	42,753	-18,982	23,771	428	-523	-95	Demographic and placement pressures offset by one-off release of loan and additional income
- Domiciliary Care	46,080	-10,461	35,619	-1,840	758	-1,082	Reducing clients but more intensive packages
- Direct Payments	4,042	-327	3,715	-193	-46	-239	Low unit cost/activity
- Other Services	21,272	-5,627	15,645	-20	-371	-391	Balance of Managing Director's Contingency to offset overall pressure, additional spend on OTs/ICES part funded by PCTs
Total Older People	202,049	-65,288	136,761	-1,302	-513	-1,815	
People with a Learning Difficulty:							
- Residential Care	62,104	-9,946	52,158	4,139	-1,819	2,320	Demographic and placement pressures offset by additional income
- Domiciliary Care	5,972	-696	5,276	696	-165	531	Demographic pressures
- Direct Payments	3,997	-49	3,948	842	-23	819	Demographic pressures
- Supported Accommodation	7,247	-593	6,654	-1,321	-335	-1,656	Less than expected activity
- Other Services	19,147	-1,970	17,177	-123	96	-27	Balance of Managing Director's Contingency to offset overall pressure
Total People with a LD	98,467	-13,254	85,213	4,233	-2,246	1,987	

Table 1 continued

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
People with a Physical Disability							
- Residential Care	10,897	-1,649	9,248	1,740	-602	1,138	Demographic and placement pressures offset by additional income
- Domiciliary Care	8,039	-689	7,350	-454	202	-252	Less than expected activity
- Direct Payments	5,712	-247	5,465	428	-34	394	Demographic pressures
- Supported Accommodation	604	-59	545	-304	59	-245	Less than expected activity
- Other Services	5,515	-972	4,543	430	-380	50	Balance of Managing Director's Contingency to offset overall pressure, additional spend on OTs/ICES part funded by PCTs
Total People with a PD	30,767	-3,616	27,151	1,840	-755	1,085	
All Adults Assessment & Related	35,778	-1,596	34,182	263	-242	21	Pressure of increments, low turnover and increasing numbers of referrals/assessments off-set by one-off contributions from Health
Mental Health Service							
- Residential Care	6,441	-948	5,493	384	38	422	Forecast activity in excess of affordable level
- Domiciliary Care	874	0	874	131	0	131	Forecast activity in excess of affordable level
- Direct Payments	234	0	234	44	0	44	
- Supported Accommodation	303	-62	241	-3	0	-3	
- Assessment & Related	10,084	-854	9,230	-597	-7	-604	Vacancy management
- Other Services	6,322	-881	5,441	-153	-3	-156	Balance of Managing Director's Contingency to offset overall pressure
Total Mental Health Service	24,258	-2,745	21,513	-194	28	-166	
Supporting People	32,957	0	32,957	-29	0	-29	
Gypsy & Traveller Unit	628	-279	349	44	-8	36	
People with no recourse to Public Funds	100	0	100	-20	0	-20	
Strategic Management	1,407	0	1,407	10	0	10	
Policy, Performance & Quality Assurance	6,512	-307	6,205	-548	16	-532	Vacancy management
Resources	14,618	-392	14,226	-446	-98	-544	Release from reserve, write back of debtor
Specific Grants	0	-35,111	-35,111	0	0	0	
Total Adult Services controllable	**447,541**	**-122,588**	**324,953**	**3,851**	**-3,818**	**33**	
Assumed Management Action				**-33**		**-33**	
Forecast after Mgmt Action				**3,818**	**-3,818**	**0**	

1.1.3 **Major Reasons for Variance**:

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 General Comment

With an overall residual pressure of only £33k now forecast, this is effectively a balanced budget position for KASS, although within this are a number of issues that will continue into the medium term, primarily demographic pressures within services for people with learning and physical disabilities but these are largely offset by underspends elsewhere.

Contributions to KASS from the Eastern & Coastal Kent PCT

As previously reported the Directorate secured funding from the Eastern & Coastal Kent PCT in late 2007/08 in respect of intermediate care proposals and services for patients leaving hospital and requiring social care. This funding has continued into 2008/09 and recognises the growing pressures that have been seen within our financial forecast on services for older people, and has allowed us to work jointly on a strategy for intermediate care across the East Kent area for 2008/09. The income and associated costs are included within the forecast.

1.1.3.2 **Older People:**

The overall net position is an underspend of £1,815k, and includes the release of the one–off Deferred Payments Loan of £1,256k from the Department of Health. Although there are underlying pressures remaining within residential and nursing care, particularly the increasing proportion of clients who are suffering from dementia, the Directorate is reporting a very significant underspend against domiciliary care resulting from a continuing reduction in the number of clients requiring this form of care.

a. Residential Care

There is a pressure of £323k against gross expenditure which includes the release of the proportion of the Deferred Payments Loan that relates to residential care (£628k). The number of clients in permanent placements in the independent sector was 2,831 in December. In terms of client weeks the forecast assumes 229 weeks more than is affordable at a cost of £86k. This primarily results from additional non-permanent/respite placements to assist clients to remain within their own homes. In addition the forecast unit cost is £374.22 per week against an affordable figure of £371.60 which has resulted in a pressure of £417k. This pressure reflects the increasing number of clients with dementia that the Directorate is contending with as placements are more expensive, and this trend can clearly be seen in table 2.1.2. There is an over-recovery in income of £32k resulting from activity levels which are higher than afforded in the budget. There is also an over-recovery in income of £217k as the budget assumed an average client contribution of £136.18 per week yet the latest forecast assumes £137.54 per week.

It should also be noted that the residential budget was previously adjusted with funding transferred to the domiciliary and direct payments lines to support current levels of clients and/or expected growth in these services.

The forecast against Preserved Rights has reduced to an underspend of £79k because of increased attrition which is over and above that assumed in the budget.

In house residential provision is showing a pressure of £302k on staffing because of the continuing need to cover sickness and absence with agency staff in order to meet care standards set by the regulator (Commission for Social Care Inspection - CSCI). There is also a pressure of £225k on the Integrated Care Centres, £50k of which relates to a provision for potential additional TUPE costs which are being negotiated with the service provider and £175k relating to increases in unitary charges and general running costs, including linen and laundry.

b. Nursing Care

There is an overspend of £428k on gross expenditure which includes the release of the proportion of the Deferred Payments Loan that relates to nursing care (£628k). Client numbers have decreased from 1,391 in September to 1,364 in December because of higher than expected attrition. However since there is no certainty that this high level of attrition will continue it seems prudent for the current forecast variance to not assume that this level will continue. This position will therefore be reviewed again next month. The forecast is assuming 2,937 weeks more than budget. The cost of these extra weeks is £1,334k. As with residential care there have been additional non-permanent/respite placements to assist clients to remain within their own homes. The unit cost is also forecast to be higher than budget, £454.13 instead of £453.77, which increases the pressure by £27k. The additional activity has resulted in increased income of £794k.

It is worth noting that there is some evidence to suggest that client numbers may have increased more than they have done but for the implementation of the National Framework for NHS Continuing Healthcare in October 2007. This greatly clarified when someone should receive NHS care with the result that many clients that may otherwise have received a service via KASS are now paid for directly by Health.

There is currently an underspend of £271k against Registered Nursing Care Contributions with an identical under-recovery of income and is based on the latest estimates of client activity. Although realignment of gross and income has been considered it has not been requested because the forecast remains subject to changes throughout the year.

c. Domiciliary Care

This service remains the most volatile and difficult to forecast and currently this line is forecasting a very significant underspend against gross of £1,840k. The number of clients receiving packages of care from an independent sector provider continues to show a downward trend for the year with the figure standing at 6,506 at the end of December. This is a drop from 6,739 in March, 6,696 in June but an increase on September's figure of 6,335. As a result of this downward trend the forecast assumes 80,064 hours less than the budget, a saving of £1,183k. The forecast unit cost is slightly more expensive than affordable, at an additional cost of £79k. This reflects the increasing number of clients with higher needs, including those with dementia, requiring more intensive packages to enable them to remain within their own homes. The higher unit cost reflects these intensive packages and the increasing number of clients requiring 'double-handers' (two carers). There has also been a significant reduction in the number of clients accessing the in-house domiciliary service and this is currently forecasting an underspend of £736k.

The reduced level of activity has meant a corresponding under-recovery in income of £758k.

It was estimated that the number of clients in residential would fall, with clients instead remaining in their own homes and receiving a domiciliary package, and as a consequence budget has transferred from residential care to domiciliary. However it may be the case that a growing proportion of clients with higher levels of need, particularly those with dementia, have no option but to go into residential care.

d. Direct Payments

Since March there has been a significant increase in the number of clients accessing a service via a direct payment – 714 in December compared to 694 in September, 626 in June and 518 in March – but a good number of these only require small payments to access transport to day-care facilities. These payments are well below the average cost per week afforded in the budget which helps to explain why this line is forecasting an underspend of £193k.

e. Other Services

The position is an underspend of £20k against the gross budget with an over-recovery against income of £371k. Within the gross position is a pressure of £505k against OT/Integrated Community Equipment Store (ICES) although £400k of this is covered by additional contributions from Health. Although realignment of gross and income has been considered it has not been requested because the forecast remains subject to changes throughout the year. The KASS overspend relates to additional OT equipment to meet waiting time targets. However the overall gross pressure is suppressed by the £415k release of the remaining balance of the Contingency held by the Managing Director to offset the overall pressure within the Directorate. There are also small variances, both over and under, against the remaining services, including meals, payments to voluntary organisations, and in-house day-care.

1.1.3.3 **People with a Learning Difficulty**:

Overall the position for this client group is a net pressure of £1,987k. Services for this client group remain under extreme pressure as a result of both demographic and placement price pressures. As a result there continue to be significant forecast overspends against both residential and domiciliary care, as well as direct payments. The Directorate had hoped to achieve some significant savings by transferring clients from residential care to supported accommodation.

The impact of young adults transferring from Children's Services, many of whom have very complex needs and require a much higher level of support, continues to be felt. Alongside these so-called "transitional" placements are the increasing number of older learning disabled clients who are cared for at home by ageing parents who will begin to require more support. There are also more cases of clients becoming "ordinarily resident" in Kent. A client would become "ordinarily resident" when placed by another local authority in Kent and following de-registration of the home, the individual moves into supported accommodation.

a. Residential Care

The overall forecast for residential care, including preserved rights clients, is an overspend on gross of £4,139k partially offset by over recovery of income of £1,819k, giving a net pressure of £2,320k. Details of the individual pressures and savings contributing to this position are provided below.

Although the number of clients reduced from 633 in March to 623 in June, this figure has since increased to 635 in September and now 646 in December. Within this are a number of clients who have recently transferred across from Health under Section 256 (S256) arrangements. S256 of the NHS Act 2006 replaces Section 28a of the NHS Act 1977 which provides the legislative basis for PCTs to transfer funding to Local Authorities. In excess of 10 years ago a S28a agreement was arranged to fund services for a range of individuals with Learning Difficulties. In practice, Social Services commission and pay for services and recharge the cost to Health after taking into account any client contributions. These clients are not showing significant variances as over time the cash limits for both gross and income have been adjusted to account for them. Although realignment of gross and income has been considered for the recent S256 clients it has not been requested because the forecast remains subject to changes as more clients are transferred from Health throughout the year. The recent clients are part of the much larger, and nationally driven, transfer of the responsibility and funding for the commissioning of social care for adults with Leaning Difficulties from the NHS to Local Authorities. Currently the S256 agreement is being modified to ensure that KASS recovers all of its costs up to the end of 2010/11. From 2011/12 funding will be removed from the NHS and will be paid directly to Local Authorities.

The new S256 clients have added £510k of costs, offset by £499k of income from Health and £11k of client contributions. The increase in clients, including S256, means that the forecast assumes 2,953 more weeks than is affordable. It should be noted that the Directorate had previously transferred a significant proportion of the cash limit from this line to support the increasing demand for services against domiciliary care, direct payments and supported accommodation. The additional weeks result in a pressure of £3,153k (£510k new S256 clients and £2,643k other clients). The forecast unit cost is also above the affordable level which adds £214k to the position. The additional activity has resulted in an over-recovery of income of £1,435k, of which £510k relates to S256 clients fully funded by Health and client contributions, with the remaining £925k resulting from increased activity

The combined position for Preserved Rights clients (both pre and post 2002) is also a pressure on gross of £607k although £182k of this relates to S256 clients transferred from Health. These new clients combined with lower than expected attrition means that there are 787 more client weeks than budgeted for at a cost of £649k (£182k new S256 clients and £467k other clients). The unit cost is slightly less than affordable which reduces the pressure by £42k. Also there is additional income from this extra activity of £384k, including £182k for S256 clients.

As with Older People, in house residential provision is showing a pressure of £165k on staffing because of the need to cover sickness and absence with agency staff to meet CSCI care standards.

b. Domiciliary Care
Demand against this budget continues to be significant as the Directorate tries to support clients to remain at home rather than in a residential placement. The current forecast pressure of £696k is partially offset by additional income of £165k resulting from the increased activity. The forecast for services provided through the independent sector assumes 22,735 hours more than is affordable, which with a cost per hour of £12.02 means a pressure of £273k. However the cost per hour is actually 33p less than affordable so when applied to affordable hours of 326,543 there is actually a saving of £108k. There has also been a significant increase in the number of clients accessing independent living services, especially a number with wide ranging and profound disabilities, with the result that this line is currently forecasting an overspend of £537k.

c. Direct Payments
Client numbers have increased from 338 in March, 365 in June and 424 in September to 456 in December which is significantly above the affordable level of 360 clients. This budget is therefore showing a pressure of £842k on gross expenditure with a small over-recovery on income of £23k.

d. Supported Accommodation
Although, as with residential, there has been some transfer of clients from Health into Supported Accommodation under S256 arrangements the overall position is an underspend on gross expenditure of £1,321k. It should be noted that budget was previously increased greatly to support expected growth in these services which has not happened as yet. As with the residential position reported above, within this forecast is £446k of costs relating to clients which have recently transferred from Health under S256 arrangements. The forecast assumes 2,057 weeks less than affordable, even including the new S256 clients, resulting in a saving of £1,010k (+£446k new S256 clients and -£1,456k other clients). The forecast unit cost is also below the affordable level which reduces the position by a further £324k. The majority of the costs of S256 are recharged to Health although there are some additional client contributions, and in this case £428k has come from Health with a further £18k of client income. However the low level of activity elsewhere has resulted in an under-recovery in income of £111k, which therefore means that overall this budget is over-recovering on income by £335k.

Although realignment of gross and income has been considered for the S256 clients it has not been requested because the forecast remains subject to changes throughout the year.

e. Other Services
There is an underspend on gross of £123k but within this is the £264k release of the remaining balance of the Contingency held by the Managing Director to offset the overall pressure within the Directorate. There are variances against the remaining services including supported employment, Learning Disability Development Fund and payments to voluntary organisations, although the previously reported pressure against in-house day services has been addressed through the application of management action/good financial practice.

1.1.3.4 **People with a Physical Disability:**

There are similar pressures here to those for services for People with Learning Disabilities, especially demand and demographic pressures against residential care budgets. The overall position is a net pressure of £1,085k.

a. Residential Care
This line is forecasting a pressure against gross expenditure of £1,740k. Client numbers have increased from a figure of 207 in March to 214 in September 223 in December and overall the forecast assumes 1,703 weeks of care above the affordable level. The additional cost of these weeks is £1,453k. The additional activity has resulted in an over-recovery income of £527k. The unit cost is also forecast to be £853.07 per week as opposed to the £823.38 assumed within the budget, and this adds £315k.

It should be noted that the residential budget was adjusted in the first full monitoring return with funding transferred to domiciliary, direct payments and supported accommodation to support current levels of clients and/or expected growth in these services.

The attrition within Preserved Rights is actually higher than budgeted for and this has resulted in an underspend of £132k against gross expenditure. There is also currently an overspend of £77k against Registered Nursing Care Contributions with an identical over-recovery of income which is based on the latest estimates of client activity.

b. Domiciliary Care
The forecast is for an underspend of £454k on gross and an under-recovery in income of £202k. The adjusted budget gives an affordable level of activity which is currently in excess of actual demand.

c. Direct Payments
This budget is currently forecasting a pressure of £428k, with a small over-recovery of income. The number of clients has increased from 547 in March, 586 in June and 620 in September to 666 in December, which is 90 clients more than is currently affordable.

d. Supported Accommodation
There is an underspend on gross expenditure of £304k with an under-recovery in income of £59k as client numbers remain slightly below what is affordable. As with domiciliary, the supported accommodation budget was previously increased at the expense of residential care to support expected growth in these services which has not happened as yet.

e. Other Services
The current forecast is a pressure of £430k on gross, of which £490k relates to OT/ICES, although £396k of this is covered by additional contributions from Health. The KASS overspend relates to additional OT equipment to meet waiting time targets. Also within the gross pressure is an underspend of £90k following release of the balance of the Contingency held by the Managing Director to offset the overall pressure within the Directorate. The remaining budgets, which include day-care, sensory disabilities unit, payments to voluntary organisations and assisted telephones are showing small variances.

1.1.3.5 **All Adults Assessment & Related:**

There is a pressure against gross expenditure of £263k, with an over-recovery in income of £242k. The pressure has been managed down through the year as a result of holding recruitment to all non-essential posts. The over-recovery in income relates to additional one-off contributions from Health.

For several years now the Directorate has taken the decision not to fund the cost of increments on the assumption that staff turnover will cover this cost. However there is some evidence, including from the staff survey that the level of turnover is reduced on previous years, and this has impacted on the forecast.

1.1.3.6 **Mental Health Service:**

The overall position for Mental Health is an underspend of £166k.

a. Residential Care
Although this budget continues to report a significant pressure of £384k against gross expenditure there has been a significant improvement in the position over the course of the year. The number of clients has dropped from 270 in September to 261 in December. The application of good financial practice and delaying planned placements has reduced this pressure which stood at £648k in Quarter 2. Where appropriate, specialist resettlement teams will continue to work to get clients out of residential care and into the community. The remaining £384k pressure is mainly due to the fact that cash limit has been transferred to Supported Accommodation to reflect the changed priorities in the Directorate and the desire for clients to remain within a community based setting.

b. Domiciliary Care
This line is forecasting a pressure of £131k against gross expenditure. Demand against this budget is significant as the Directorate tries to support clients to remain at home rather than in a residential placement.

c. Assessment & Related
A significant underspend of £597k on gross expenditure is being forecast which in part results from vacancy management but also from difficulties in recruiting qualified social work staff. Savings also accrue from difficulties experienced in recruiting to senior positions for joint health/social care posts.

d. Other Services
The current forecast is an underspend of £153k on gross, however within this is £69k released as the balance of the Contingency held by the Managing Director to offset the overall pressure within the Directorate. The forecasts against the remaining budgets, including day-care, payments to voluntary organisations, facilities, and community services, make up the remaining underspend.

1.1.3.7 **Policy, Performance & Quality Assurance:**

The gross budget is estimated to underspend by £548k which is spread across a number of teams both at Headquarters and in the two Areas and reflects savings through vacancy management. There are also cases where costs have been funded through a grant. For example several posts are either partly or totally covered through the Whole Systems Demonstrator (Telecare/Telehealth) funding awarded by the Department of Health. Backfilling of posts has either been done at a lower cost or the post has not been covered, both of which have added to the underspend.

1.1.3.8 **Resources:**

There is a £446k underspend on gross expenditure. Within this is a credit of £300k released from the Supporting People reserve to fund some of the legal costs incurred in 2007/08 on the Better Homes Active Lives PFI as agreed by the Supporting People Commissioning Body. The release from reserve is shown as a credit entry in revenue and offsets the £225K debit against income as outlined below. The remaining £75K released from reserve reduces the Directorate's position as the costs were incurred last year.

This line is also benefitting from the release of the provision set up in respect of the costs of client billing. The provision was set up at the end of 2007/08 because of uncertainty around the replacement grant for Social Care IT Infrastructure Capital grant from the Department of Health. However the Directorate has since been notified that it will receive £362k in 2008/09 thereby allowing release £262k of the provision to offset the overall revenue pressure within the Directorate.

The current income position is an over-recovery of £98k. The position is skewed by the writing back (to revenue as a debit) of a debtor for £225K set up in 2007/08 in respect of contributions from District Councils towards the legal costs of the Better Homes Active Lives PFI scheme. The contribution will instead come from the Supporting People reserve as described above. We are also expecting to over-recover on income by £323k across a number of budget lines. This includes additional income from Medway Council in respect of Enhanced Pensions as well as contributions from District Councils involved in the new Excellent Homes For All PFI scheme.

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
KASS	LD Residential gross - activity in excess of affordable level in independent sector placements (excl new S256 clients)	+2,643	KASS	LD Supported Accommodation gross - activity below affordable level	-1,456
KASS	PD Residential gross - activity in excess of affordable level in independent sector placements	+1,453	KASS	Older People Domiciliary gross - reduction in hours in independent care	-1,183
KASS	Older People Nursing gross - activity in excess of affordable level in independent sector placements	+1,334	KASS	LD Residential income - additional income resulting from additional activity (excl new S256 clients)	-925
KASS	LD Direct Payments gross - activity in excess of affordable level	+842	KASS	Older People Nursing income resulting from additional activity	-794
KASS	Older People Domiciliary income - under-recovery of income due to lower activity	+758	KASS	Older People Domiciliary gross - reduction in in-house hours	-736
KASS	LD Domiciliary gross - pressure against Independent Living Scheme	+537	KASS	Older People Residential gross - release of Deferred Payments Loan from DoH	-628
KASS	LD Residential gross - new S256 clients	+510	KASS	Older People Nursing gross - release of Deferred Payments Loan from DoH	-628
KASS	OP Other Services gross - additional OT/ICES costs	+505	KASS	MH Assessment & Related gross - vacancy management	-597
KASS	PD Other Services gross - additional OT/ICES costs	+490	KASS	PPQA gross - vacancy management	-548
KASS	LD Residential gross - Preserved rights increased activity due to lower attrition (excl new S256 clients)	+467	KASS	PD Residential - additional income through additional activity	-527
KASS	LD Supported Accommodation gross - new S256 clients	+446	KASS	LD Residential income - new S256 clients	-510
KASS	PD Direct Payments gross- activity in excess of affordable level	+428	KASS	PD Domiciliary gross - activity below affordable level	-454
KASS	Older People Residential gross - pressure relating to change in unit cost in independent sector placements	+417	KASS	LD Supported Accommodation income - new S256 clients	-446
KASS	MH Residential gross - tfr of clients to supported accommodation not yet happened	+384	KASS	Older People Other Services gross - release of the balance of the Managing Director's contingency	-415
KASS	PD Residential gross - pressure relating to change in unit cost of independent sector placements	+315	KASS	OP Other Services income - additional OT/ICES funding from health	-400
KASS	Older People Residential gross - in house provision staffing costs	+302	KASS	PD Other Services income - additional OT/ICES funding from health	-396
KASS	LD Domiciliary gross - activity in excess of affordable level	+273	KASS	LD Supported Accommodation gross - difference in unit cost	-324
KASS	Older People Nursing income - under recovery of income due to lower RNCC activity	+271	KASS	Resources income - additional contributions	-323
KASS	All Adults Assessment & Related Gross - staffing pressures	+263	KASS	PD Supported Accommodation gross - activity below affordable level	-304
KASS	Resources income - write back of PFI debtor	+225	KASS	Resources gross - release of Supporting People reserve to fund PFI legal costs	-300

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
KASS	LD Residential gross - pressure relating to change in unit cost of independent sector placements	+214	KASS	Older People Nursing gross - RNCC activity below affordable level	-271
KASS	PD Domiciliary income - under-recovery of income due to lower activity	+202	KASS	LD Other Services gross - release of the balance of the Managing Director's contingency	-264
KASS	LD Residential gross - Preserved Rights new S256 clients	+182	KASS	Resources gross - release of client billing provision	-262
KASS	Older People Residential gross - Intergated Care Centres increased unitary charges and running costs	+175	KASS	All Adults Assessment & Related one-off income from Health	-242
KASS	LD Residential gross - in house provision staffing	+165	KASS	Older People Residential income - difference in unit cost	-217
KASS	MH Domiciliary gross - activity in excess of affordable level	+131	KASS	LD Residential income - Preserved rights increased activity due to lower attrition (excl new S256 clients)	-202
KASS	LD Supported Accommodation income - under-recovery of income due to lower activity	+111	KASS	Older People Direct Payments gross - lower unit cost & activity	-193
			KASS	LD Residential income - Preserved Rights new S256 clients	-182
			KASS	LD Domiciliary income resulting from additional activity	-165
			KASS	PD Residential gross - Preserved Rights increased attrition	-132
			KASS	Learning Domiciliary gross - change in unit cost in independent sector	-108
		+14,043			-14,132

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

The forecast pressure stands at £33k and this has been significantly reduced over the course of the year through the application of Good Financial Practice. The management actions, or ‘Guidelines for Good Financial Practice’ as they are now referred to, required to address the residual pressure is referred to in section 1.1.7 below.

1.1.5 **Implications for MTP**:

Although the MTP assumes a breakeven position for 2008/09 it does also assume an underlying pressure of £1,256k as this year’s position has been reduced by the same amount in respect of the one-off Deferred Payments Loan.

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

No revenue projects have been identified for re-phasing.

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

The KASS Management Team have previously refined the ‘Guidelines for Good Financial Practice’, which were referred to as ‘Management Action Plans’ in 2007-08. Details of these guidelines were provided to Cabinet in September. Robust monitoring arrangements are in place on a monthly basis to ensure that all areas and HQ budgets are aggressively challenged and monitored.

The KASS Directorate is wholly committed to delivering a balanced outturn position by the end of the year. The range of innovations that the Directorate has implemented will help us to achieve this, for example telehealth and telecare through the successful investment of the 'Whole Systems Demonstrator Programme', and extra care sheltered housing as the new units come on stream in the next few months.

The guidelines are currently expected to balance the remaining £33k forecast pressure by year end.

1.2 CAPITAL

1.2.2 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
Kent Adult Social Services portfolio						
Budget approved at Cty Council	11,602	6,421	8,785	4,621	5,341	36,770
Adjustments:						
-						0
-						0
						0
Revised Budget	11,602	6,421	8,785	4,621	5,341	36,770
Variance		-732	118	614		0
split:						
- real variance						0
- re-phasing		-732	+118	+614		0
Real Variance		**0**	**0**	**0**	**0**	**0**
Re-phasing		**-732**	**+118**	**+614**	**0**	**0**

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

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
KASS	Broadmeadow	real		+417		
			0	**+417**	**0**	**0**
Underspends/Projects behind schedule						
KASS	Modenisation of Assets	real	-417			
KASS	Flexible & Mobile Engagement	phasing		-389		
			-417	**-389**	**0**	**0**
			-417	**+28**	**0**	**0**

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

KASS Directorate has no projects which are rephasing in excess of £1m.

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

Broadmeadow
Following the outcome of mediation with the contractors, it is expected that KASS will be left with a pressure of £0.417m on the Broadmeadow project. It is proposed to fund this pressure by a corresponding under-commitment on the Modernisation of Assets programme.

Guru Nanak
Due to the discovery of asbestos at the reprovision site, KASS are currently forecasting a pressure of £0.140m on the Guru Nanak reprovision project. It is proposed that this will be funded by an under commitment on the Public Access development project.

Mental Health Single Capital Pot.
KASS are forecasting a pressure of £0.019m on this project, which is related to the development of a one-stop shop in North West Kent. KASS are currently funding this pressure by an under commitment against the Public Access development project.

1.2.6 **General Overview of capital programme**:

(a) Risks

Most of the directorate's capital programme was to be funded by back-to-back receipts. In the current climate of falling property prices and uncertainty over sales, this funding stream is risky.

(b) Details of action being taken to alleviate risks

In order to minimise the risk to the KASS capital programme, all of the properties for disposal which were not at advanced stages of negotiation have been put into PEF2. For KASS, this means that the value of funding may be below that which was originally sought. KASS are currently undertaking work to ensure that the PEF2 funding is adequate for the projects.

1.2.7 **PFI projects**

- PFI Housing

The £72.489m investment in the PFI Housing project represents investment by a third party. No payment is made by KCC for the new/refurbished assets until the asset are ready for use and this is by way of an annual unitary charge to the revenue budget.

	Previous years	**2008-09**	**2009-10**	**2010-11**	**TOTAL**
	£000s	£000s	£000s	£000s	£000s
Budget	8,892	51,818	11,779	-	72,489
Forecast	8,892	51,818	11,779	-	72,489
Variance	-	-	-	-	-

(a) **Progress and details of whether costings are still as planned** (for the 3rd party)

Overall costings are still as planned.

(b) **Implications for KCC of details reported in (a). i.e. could an increase in the cost result in a change to the unitary charge?**

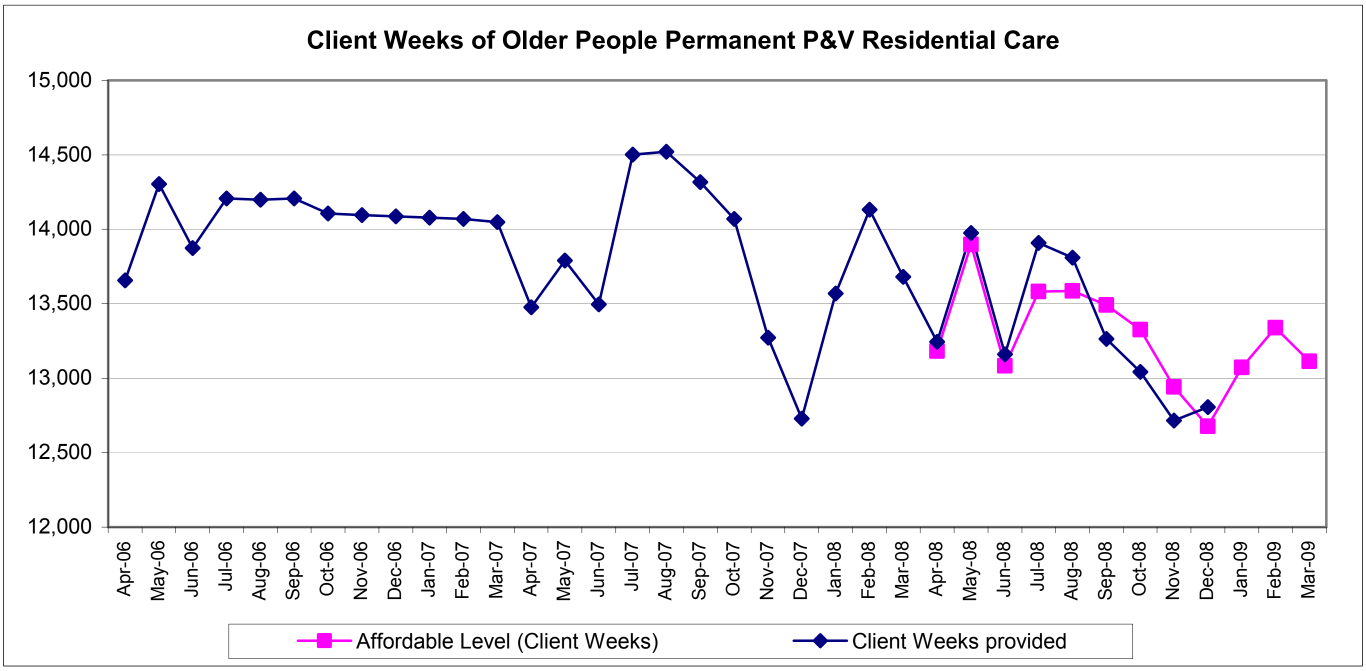
The unitary charge is not subject to indexation as the contractor has agreed to a fixed price for the duration of the contract. Deductions will be made during the contract period if performance falls below the standards agreed or if the facilities are unavailable for use.

During the contract period if one of the partners proposes a change that either results in increased costs or a change in the balance of risk, this must be taken to the Project Board for agreement. Each partner has a vote and any decision resulting in a change to the costs or risks would need unanimous approval.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1.1 **Number of client weeks of older people permanent P&V residential care provided compared with affordable level**:

	2006-07		2007-08		2008-09	
	Affordable Level (Client Weeks)	Client Weeks of older people permanent P&V residential care provided	Affordable Level (Client Weeks)	Client Weeks of older people permanent P&V residential care provided	Affordable Level (Client Weeks)	Client Weeks of older people permanent P&V residential care provided
April		13,656		13,476	13,181	13,244
May		14,303		13,789	13,897	13,974
June		13,875		13,495	13,084	13,160
July		14,207		14,502	13,581	13,909
August		14,199		14,520	13,585	13,809
September		14,206		14,316	13,491	13,264
October		14,105		14,069	13,326	13,043
November		14,095		13,273	12,941	12,716
December		14,086		12,728	12,676	12,805
January		14,077		13,568	13,073	
February		14,069		14,131	13,338	
March		14,049		13,680	13,114	
TOTAL	**167,393**	**168,928**	**169,925**	**165,546**	**159,287**	**119,924**

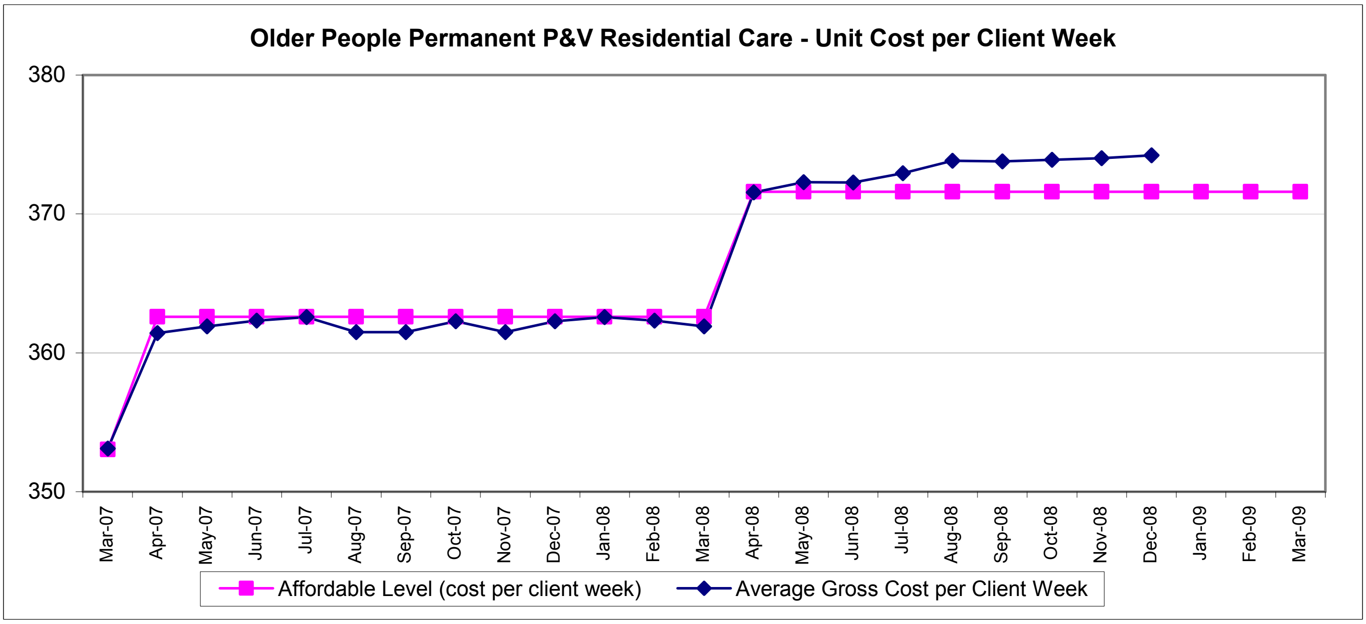


Comments:

- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in older people permanent P&V residential care at the end of 2006-07 was 3,045, at the end of 2007-08 it was 2,917 and at the end of December 2008 it was 2,831. It is evident that there are ongoing pressures relating to clients with dementia. During this year, the number of clients with dementia have increased from 1,113 in April to 1,162 in December, whilst the other residential clients have decreased.
- The current forecast is 159,516 weeks of care against an affordable level of 159,287, a difference of 229 weeks. Using the forecast unit cost of £374.22 this additional activity adds £86k to the forecast, as highlighted in section 1.1.3.2.a.
- To the end of December 119,924 weeks of care have been delivered against an affordable level of 119,762, a difference of 162 weeks.

2.1.2 **Average gross cost per client week of older people permanent P&V residential care compared with affordable level**:

	2006-07		2007-08		2008-09	
	Affordable Level (Cost per Week)	Average Gross Cost per Client Week	Affordable Level (Cost per Week)	Average Gross Cost per Client Week	Affordable Level (Cost per Week)	Average Gross Cost per Client Week
April			362.60	361.41	371.60	371.54
May			362.60	361.90	371.60	372.28
June			362.60	362.31	371.60	372.27
July			362.60	362.56	371.60	372.94
August			362.60	361.50	371.60	373.84
September			362.60	361.50	371.60	373.78
October			362.60	362.27	371.60	373.91
November			362.60	361.50	371.60	374.01
December			362.60	362.27	371.60	374.22
January			362.60	362.56	371.60	
February			362.60	362.31	371.60	
March	353.04	353.10	362.60	361.90	371.60	

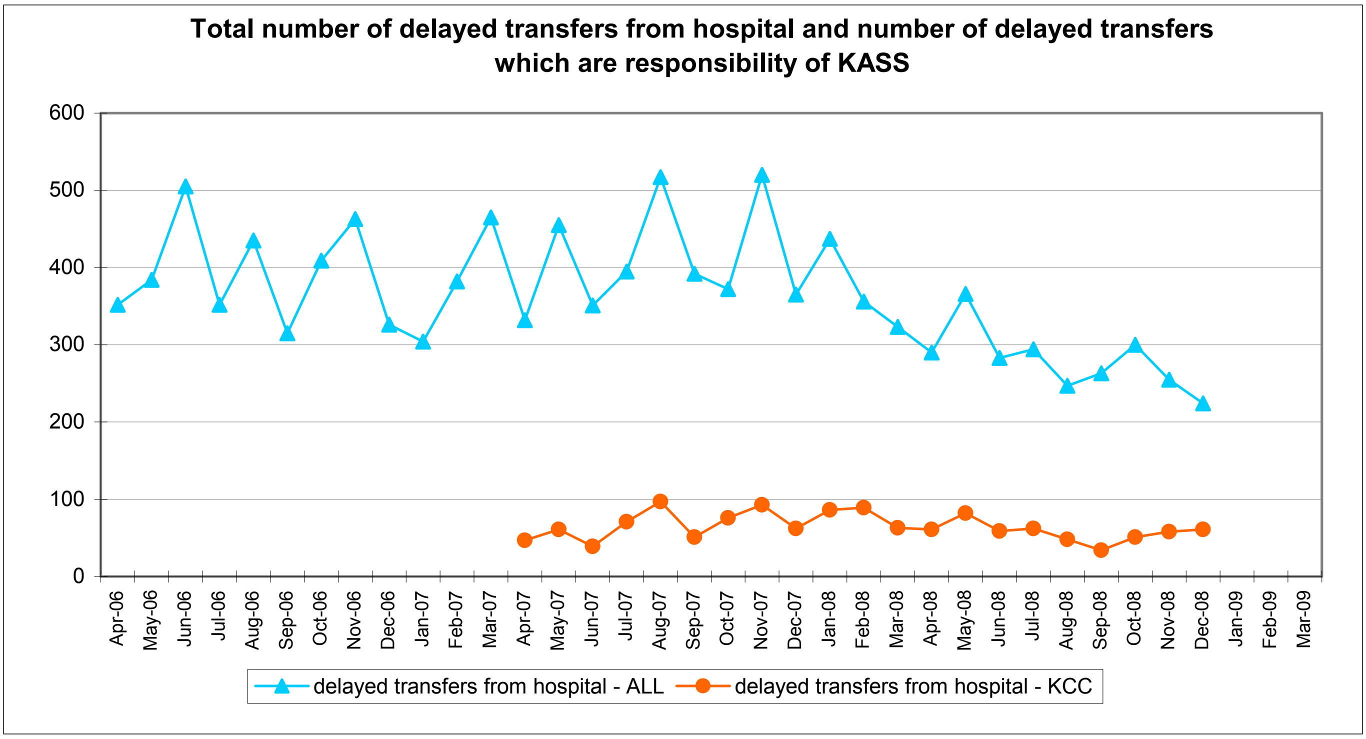


Comments:

- Average unit cost per week has increased more than inflation and is likely to reflect the increasing numbers of clients with dementia.
- The forecast unit cost of £374.22 is higher than the affordable cost of £371.60 and this difference of £2.62 adds £417k to the position when multiplied by the affordable weeks, as highlighted in section 1.1.3.2.a.

2.1.3 **Total of All Delayed Transfers from hospital compared with those which are KASS responsibility**:

	2006-07		2007-08		2008-09	
	ALL	**KASS responsibility**	**ALL**	**KASS responsibility**	**ALL**	**KASS responsibility**
April	352		332	47	290	61
May	384		455	61	366	82
June	505		351	39	283	59
July	352		395	71	294	62
August	435		517	97	247	48
September	315		392	51	263	34
October	409		372	76	300	51
November	463		520	93	255	58
December	326		365	62	224	61
January	304		437	86		
February	382		356	89		
March	465		323	63		

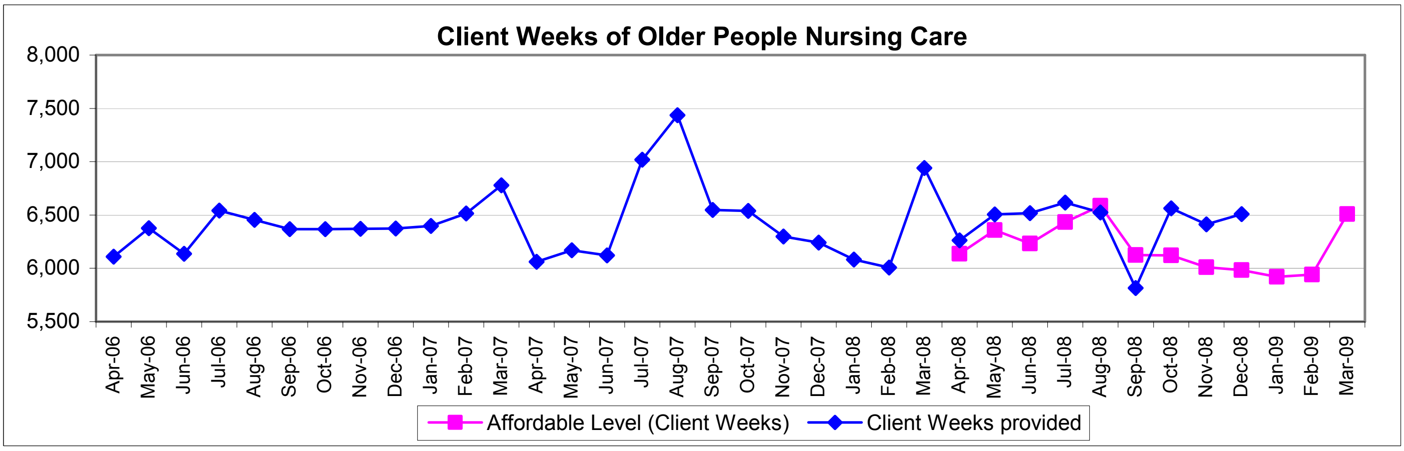


Comments:

- The Delayed Transfers of Care (DTCs) show the numbers of people whose movement from an acute hospital has been delayed. Typically this may be because they are waiting for an assessment to be completed, they are choosing a residential or nursing home placement, or waiting for a vacancy to become available. This figure shows all delays, but those attributable to Adult Social Services, and therefore subject to the reimbursement regime, are a minority. There are many reasons for fluctuations in the number of DTCs which result from the interaction of various different factors within a highly complex system across both Health and Social Care. The average number of delayed transfers per week is on a steadily reducing trend from a peak in the second quarter of 2007/08. Approximately 13%-27% of these will be the responsibility of Social Services and trends over the last three months show an increasing trend. The number of DTCs at Medway Hospital dropped during the summer months because of seasonal trends and staffing issues. This then contributed to the rise in numbers after September.

2.2.1 Number of client weeks of older people nursing care provided compared with affordable level:

	2006-07		2007-08		2008-09	
	Affordable Level (Client Weeks)	Client Weeks of older people nursing care provided	Affordable Level (Client Weeks)	Client Weeks of older people nursing care provided	Affordable Level (Client Weeks)	Client Weeks of older people nursing care provided
April		6,109		6,062	6,137	6,263
May		6,375		6,170	6,357	6,505
June		6,136		6,120	6,233	6,518
July		6,542		7,020	6,432	6,616
August		6,454		7,436	6,586	6,525
September		6,366		6,546	6,124	5,816
October		6,368		6,538	6,121	6,561
November		6,371		6,298	6,009	6,412
December		6,374		6,243	5,984	6,509
January		6,399		6,083	5,921	
February		6,513		6,008	5,940	
March		6,780		6,941	6,507	
TOTAL	**74,256**	**76,786**	**74,707**	**77,463**	**74,351**	**57,725**

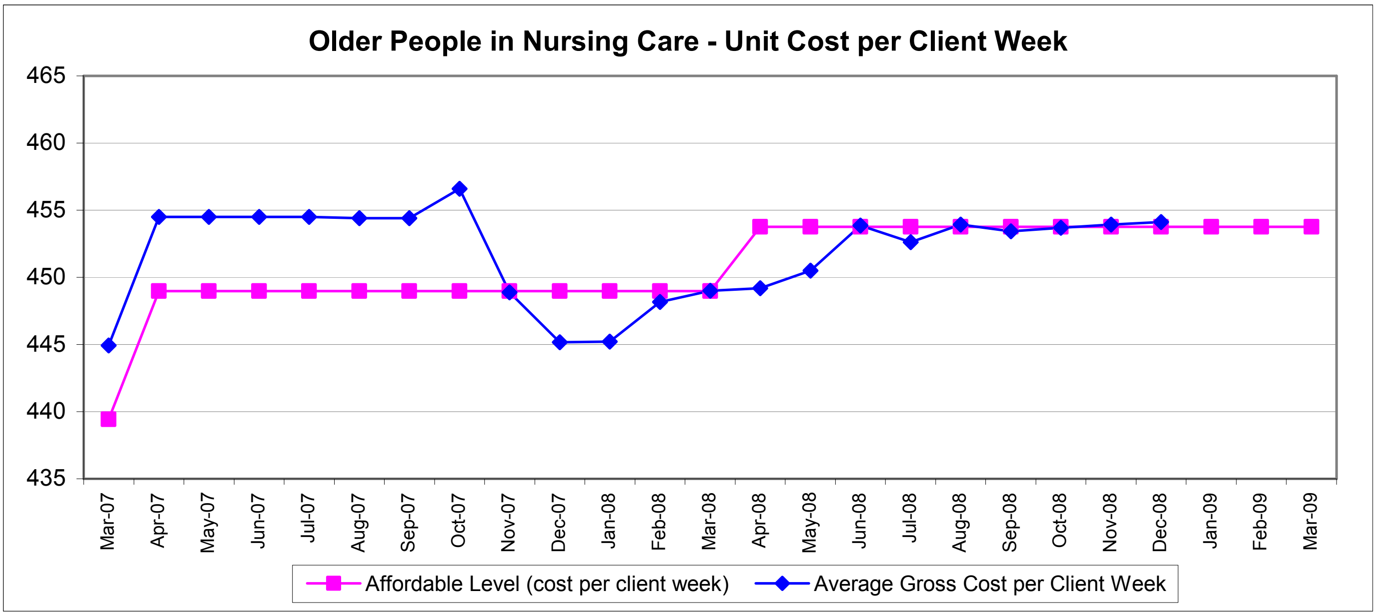


Comment:

- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in older people nursing care at the end of 2006-07 was 1,387, at the end of 2007-08 it was 1,386, at the end of June it was 1,420, at the end of September it was 1,391. Despite there being an increase in nursing placements in October and November, high attrition levels have decreased the numbers to 1,364 by the end of December. In nursing care, there is not the same distinction between clients with dementia, as with residential care. The difference in intensity of care for nursing care and nursing care with dementia is not as significant as it is for residential care.
- The current forecast is 77,288 weeks of care against an affordable level of 74,351, a difference of 2,937 weeks. Using the forecast unit cost of £454.13 this additional activity adds £1,334k to the forecast, as highlighted in section 1.1.3.2.b.
- To the end of December 57,725 weeks of care have been delivered against an affordable level of 55,983, a difference of 1,742 weeks.
- There are always pressures in permanent nursing care which may occur for many reasons. Although numbers are decreasing at the present, significant issues still remain. There will always be pressures which the directorate face, for example the knock on effect of minimising delayed transfers of care. Demographic changes – increasing numbers of older people with long term illnesses – also means that there is an underlying trend of growing numbers of people needing more intense nursing care. This is further supported by the increasing age of older people entering residential and nursing care. In 2000, 4.5% of placements were made for people aged 94+. This year, this is 7.5% and is likely to mean that these people will require more intense support. If they are not placed in nursing care, then an alternative needs to be found.

2.2.2 **Average gross cost per client week of older people nursing care compared with affordable level**:

	2006-07		2007-08		2008-09	
	Affordable Level (Cost per Week)	Average Gross Cost per Client Week	Affordable Level (Cost per Week)	Average Gross Cost per Client Week	Affordable Level (Cost per Week)	Average Gross Cost per Client Week
April			448.98	454.50	453.77	449.18
May			448.98	454.50	453.77	450.49
June			448.98	454.50	453.77	453.86
July			448.98	454.50	453.77	452.61
August			448.98	454.40	453.77	453.93
September			448.98	454.40	453.77	453.42
October			448.98	456.60	453.77	453.68
November			448.98	448.88	453.77	453.92
December			448.98	445.16	453.77	454.13
January			448.98	445.22	453.77	
February			448.98	448.17	453.77	
March	439.42	444.94	448.98	449.00	453.77	

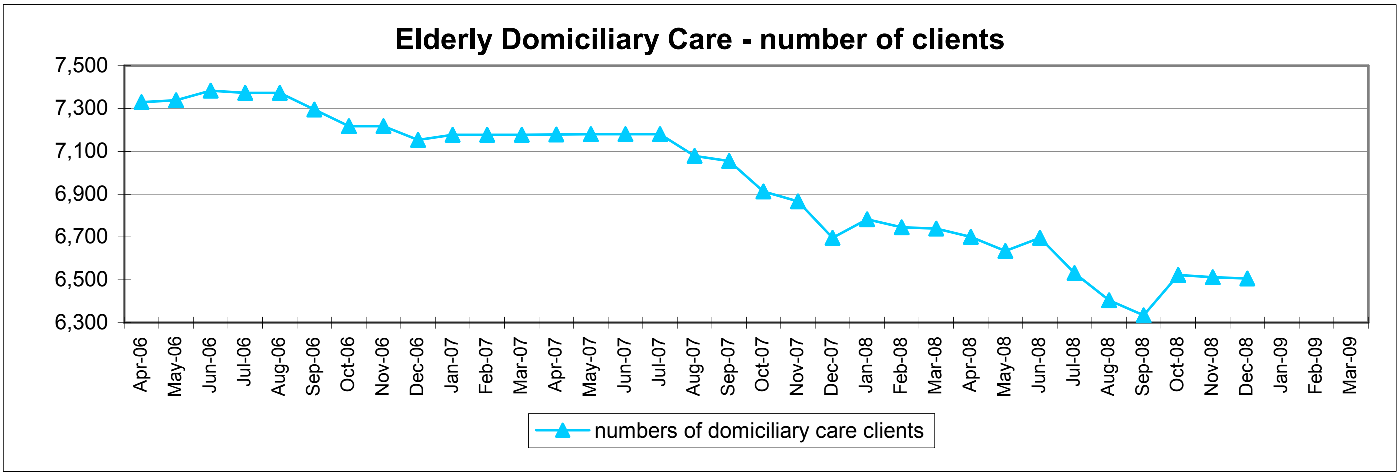


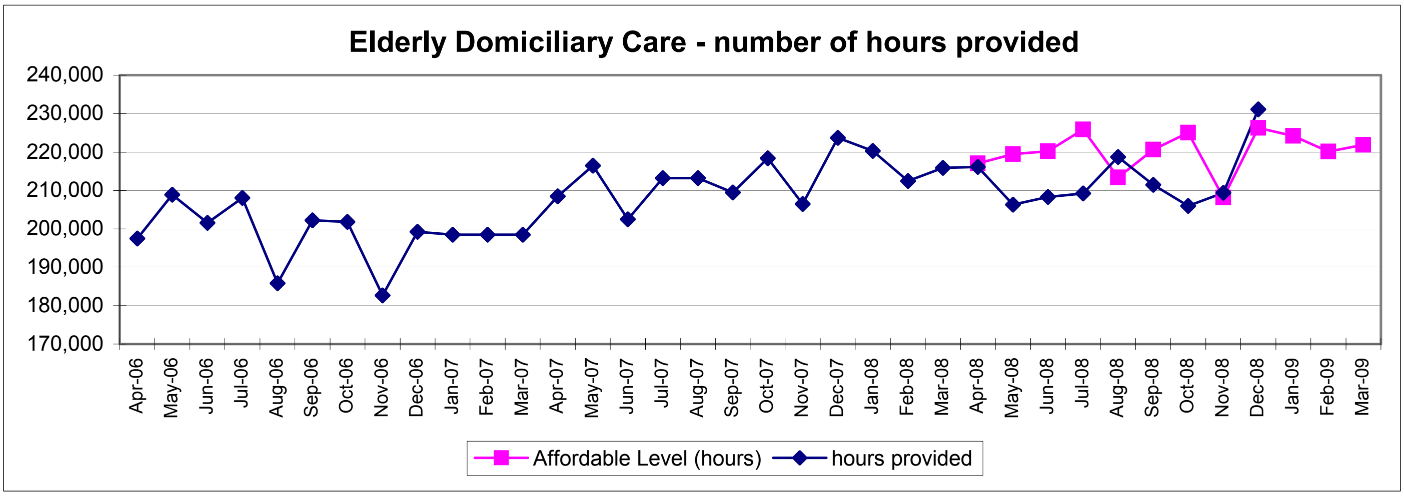
Comments:

- The forecast unit cost of £454.13 is slightly above the affordable cost of £453.77 but does fluctuate with the differing placements within it (Non OPMH, OPMH and non permanent). The difference in unit cost of 36p causes a pressure of £27k when multiplied by the affordable weeks, as highlighted in section 1.1.3.2.b.

2.3.1 **Elderly domiciliary care – numbers of clients and hours provided in the independent sector**:

	2006-07			2007-08			2008-09		
	Affordable level (hours)	hours provided	number of clients	Affordable level (hours)	hours provided	number of clients	Affordable level (hours)	hours provided	number of clients
April		197,531	7,329		208,524	7,179	217,090	215,448	6,700
May		208,870	7,339		216,477	7,180	219,480	218,200	6,635
June		201,559	7,383		202,542	7,180	220,237	218,557	6,696
July		208,101	7,373		213,246	7,180	225,841	209,230	6,531
August		185,768	7,373		213,246	7,079	213,436	218,739	6,404
September		202,227	7,295		209,504	7,054	220,644	211,487	6,335
October		201,815	7,218		218,397	6,912	225,012	206,008	6,522
November		182,608	7,218		206,465	6,866	208,175	209,395	6,512
December		199,235	7,153		223,696	6,696	226,319	231,111	6,506
January		198,524	7,177		220,313	6,782	224,175		
February		198,524	7,177		212,499	6,746	220,135		
March		198,524	7,177		215,865	6,739	221,875		
TOTAL	**2,462,712**	**2,383,286**		**2,610,972**	**2,560,774**		**2,642,419**	**1,938,175**	





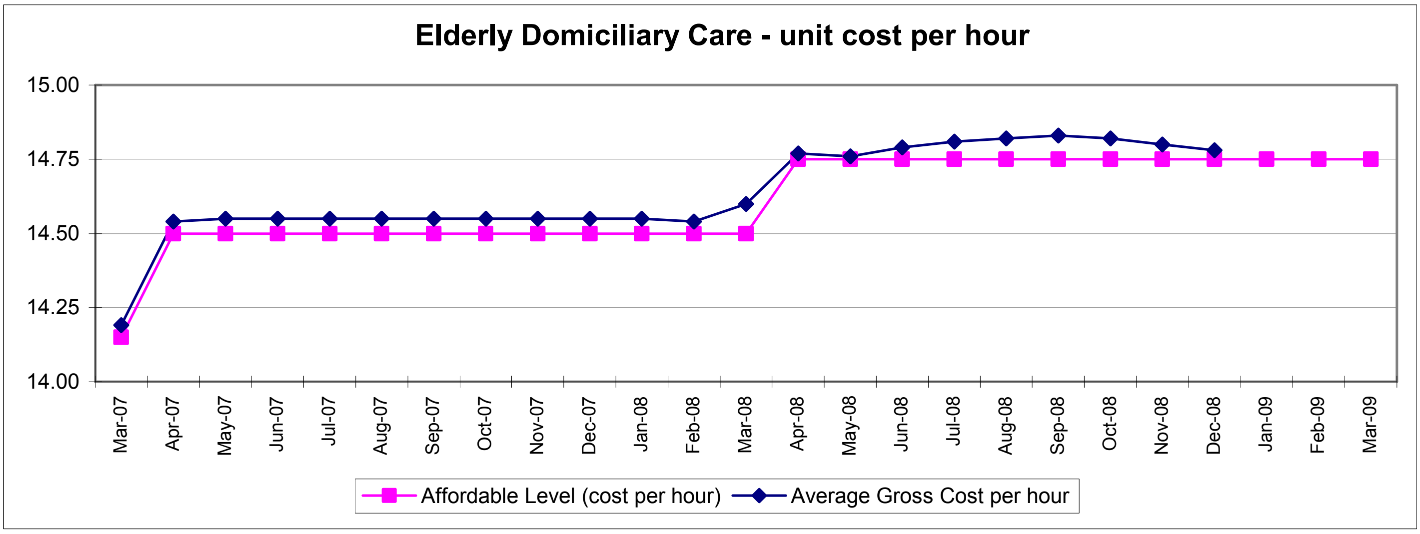
Comments:

- Figures exclude services commissioned from the Kent HomeCare Service.
- The current forecast is 2,562,355 hours of care against an affordable level of 2,642,419, a difference of 80,064 hours. Using the forecast unit cost of £14.78 this reduction in activity reduces the forecast by £1,183k, as highlighted in section 1.1.3.2.c.
- To the end of December 1,938,175 hours of care have been delivered against an affordable level of 1,976,234 a difference of 38,059 hours.

- The decrease in numbers of people receiving domiciliary care is partly as a result of the increase in direct payments. This is not linked to nursing care placements, as the two cohorts of service users are completely different. There are a number of other factors reducing the need for formal domiciliary care. Ongoing service developments with the voluntary sector and other organisations mean that we continue to prevent people from needing 'mainstream' domiciliary care, and they can access services, very often involving social inclusion (e.g. luncheon clubs and other social activities), without having to undergo a full care management assessment. Public health campaigns and social marketing aimed at improving people's health is already starting to result in healthier older people. Increase in the use of Telecare and Telehealth similarly reduces the need for domiciliary care, and it is possible that this trend will continue despite the growth in numbers of older people. In addition, intermediate and recuperative care provides intensive support to increasing numbers of people, which allows them to return home with little or no support at all, or prevents them from entering hospital, or needing intense services. Our LAA/Kent Agreement target on intermediate care focuses on this very issue.

2.3.2 **Average gross cost per hour of older people domiciliary care compared with affordable level**:

	2006-07		2007-08		2008-09	
	Affordable Level (Cost per Hour)	**Average Gross Cost per Hour**	**Affordable Level (Cost per Hour)**	**Average Gross Cost per Hour**	**Affordable Level (Cost per Hour)**	**Average Gross Cost per Hour**
April			14.50	14.54	14.75	14.77
May			14.50	14.55	14.75	14.76
June			14.50	14.55	14.75	14.79
July			14.50	14.55	14.75	14.81
August			14.50	14.55	14.75	14.82
September			14.50	14.55	14.75	14.83
October			14.50	14.55	14.75	14.82
November			14.50	14.55	14.75	14.80
December			14.50	14.55	14.75	14.78
January			14.50	14.55	14.75	
February			14.50	14.54	14.75	
March	14.15	14.19	14.50	14.60	14.75	

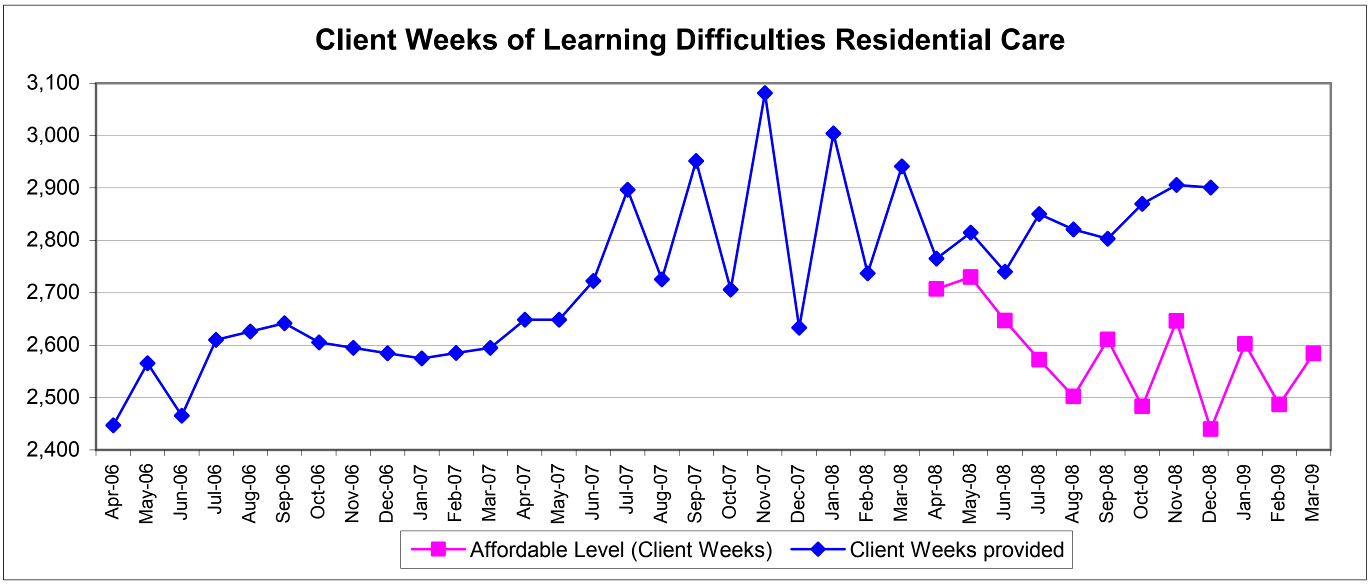


Comments:

- Average unit cost per week has increased more than inflation and is likely to reflect the same issues outlined above concerning more intense packages and higher levels of need.
- The forecast unit cost of £14.78 is slightly higher than the affordable cost of £14.75 and this difference of 3p increases the pressure by £79k when multiplied by the affordable hours, as highlighted in section 1.1.3.2.c.

2.4.1 **Number of client weeks of learning difficulties residential care provided compared with affordable level (non preserved rights clients):**

	2006-07		2007-08		2008-09	
	Affordable Level (Client Weeks)	**Client Weeks of LD residential care provided**	**Affordable Level (Client Weeks)**	**Client Weeks of LD residential care provided**	**Affordable Level (Client Weeks)**	**Client Weeks of LD residential care provided**
April		2,447		2,648	2,707	2,765
May		2,565		2,648	2,730	2,815
June		2,465		2,722	2,647	2,740
July		2,610		2,897	2,572	2,850
August		2,626		2,725	2,502	2,821
September		2,642		2,952	2,611	2,803
October		2,606		2,706	2,483	2,870
November		2,595		3,081	2,646	2,906
December		2,584		2,633	2,440	2,901
January		2,575		3,004	2,602	
February		2,585		2,737	2,487	
March		2,595		2,941	2,584	
TOTAL	**30,984**	**30,895**	**30,984**	**33,695**	**31,011**	**25,471**



Comments:

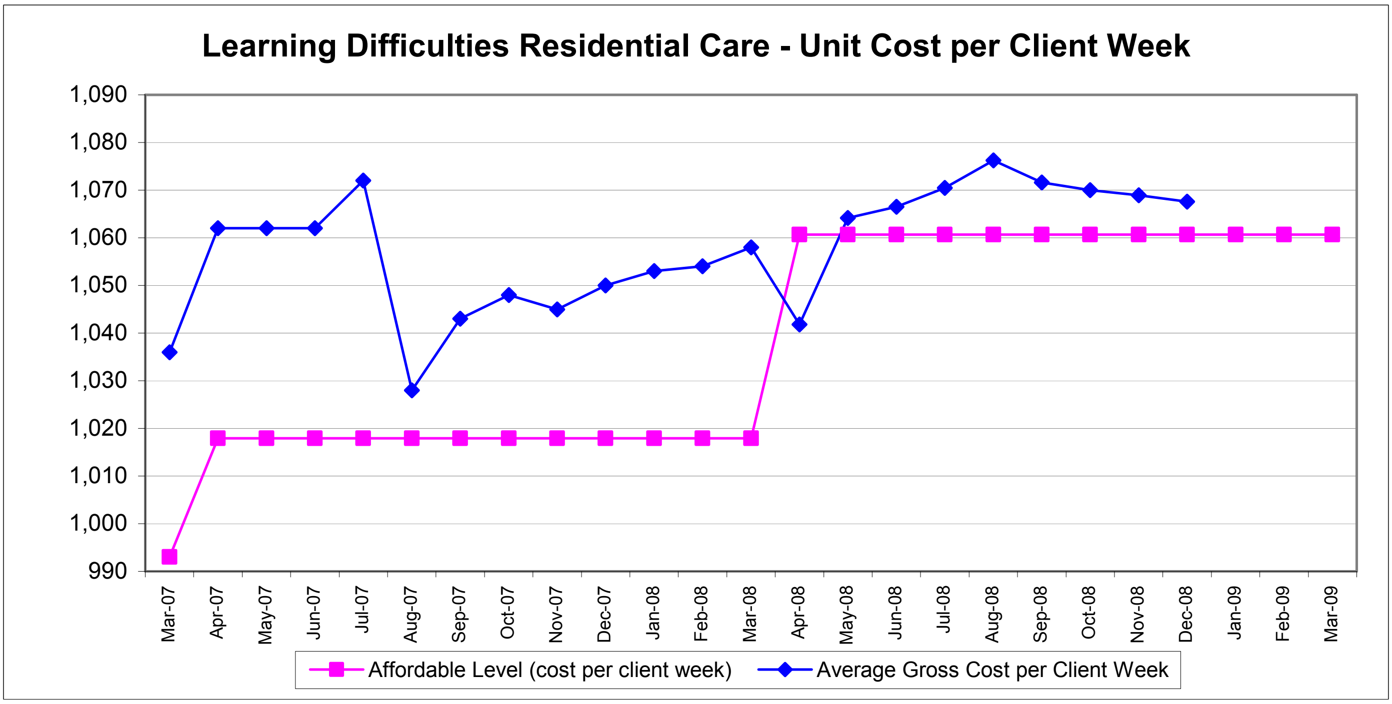
- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in LD residential care at the end of 2006-07 was 615, at the end of 2007-08 it was 633 and at the end of June 2008 it was 623 and at the end of September it was 635. In December, this was 646.

- The current forecast is 33,964 weeks of care against an affordable level of 31,011, a difference of 2,953 weeks. Using the forecast unit cost of £1,067.59 this additional activity adds £3,153k to the forecast, as highlighted in section 1.1.3.3.a.

- To the end of December 25,471 weeks of care have been delivered against an affordable level of 23,338, a difference of 2,133 weeks. The actual weeks for April to September have been adjusted by 180 weeks from the figures previously reported because they related to clients with a Physical Disability and were included here in error.

2.4.2 **Average gross cost per client week of Learning Difficulties residential care compared with affordable level (non preserved rights clients)**:

	2006-07		2007-08		2008-09	
	Affordable Level (Cost per Week)	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**
April			1,018.00	1,062.00	1,060.70	1,041.82
May			1,018.00	1,062.00	1,060.70	1,064.19
June			1,018.00	1,062.00	1,060.70	1,066.49
July			1,018.00	1,072.00	1,060.70	1,070.50
August			1,018.00	1,028.00	1,060.70	1,076.27
September			1,018.00	1,043.00	1,060.70	1,071.59
October			1,018.00	1,048.00	1,060.70	1,070.02
November			1,018.00	1,045.00	1,060.70	1,068.95
December			1,018.00	1,050.00	1,060.70	1,067.59
January			1,018.00	1,053.00	1,060.70	
February			1,018.00	1,054.00	1,060.70	
March	993.00	1,036.00	1,018.00	1,058.00	1,060.70	



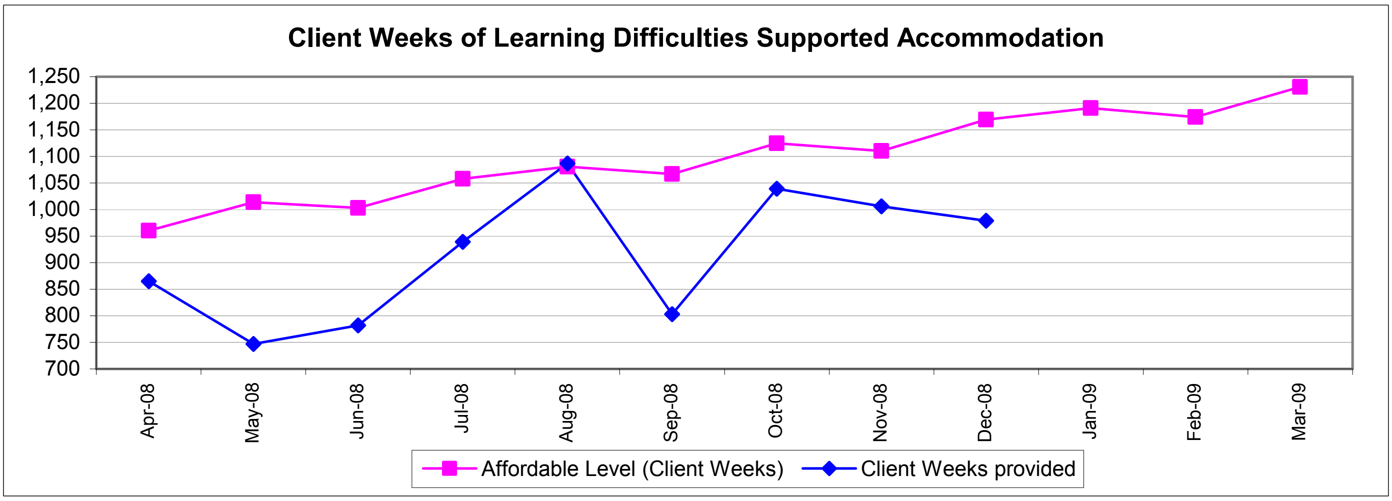
Comments:

- Clients being placed in residential care are those with very complex needs which makes it difficult for them to remain in the community, in supported accommodation/supporting living arrangements, or receiving a domiciliary care package. These are therefore placements which attract a very high cost, with the average now being over £1,000 per week. It is expected that clients with less complex needs, and therefore less cost, can transfer from residential into supported living arrangements. This would mean that the average cost per week would increase over time as the remaining clients in residential care would be the very high cost ones – some of whom can cost up to £2,000 per week.

- The forecast unit cost of £1,067.59 is higher than the affordable cost of £1,060.70 and this difference of £6.89 adds £214k to the position when multiplied by the affordable weeks, as highlighted in section 1.1.3.3.a.

2.5.1 Number of client weeks of learning difficulties supported accommodation provided compared with affordable level:

	2007-08		2008-09	
	Affordable Level (Client Weeks)	Client Weeks of LD supported accommodation provided	Affordable Level (Client Weeks)	Client Weeks of LD supported accommodation provided
April			960	865
May			1,014	747
June			1,003	782
July			1,058	939
August			1,081	1,087
September			1,067	803
October			1,125	1,039
November			1,110	1,006
December			1,169	979
January			1,191	
February			1,174	
March			1,231	
TOTAL	**7,618**	**11,156**	**13,183**	**8,247**

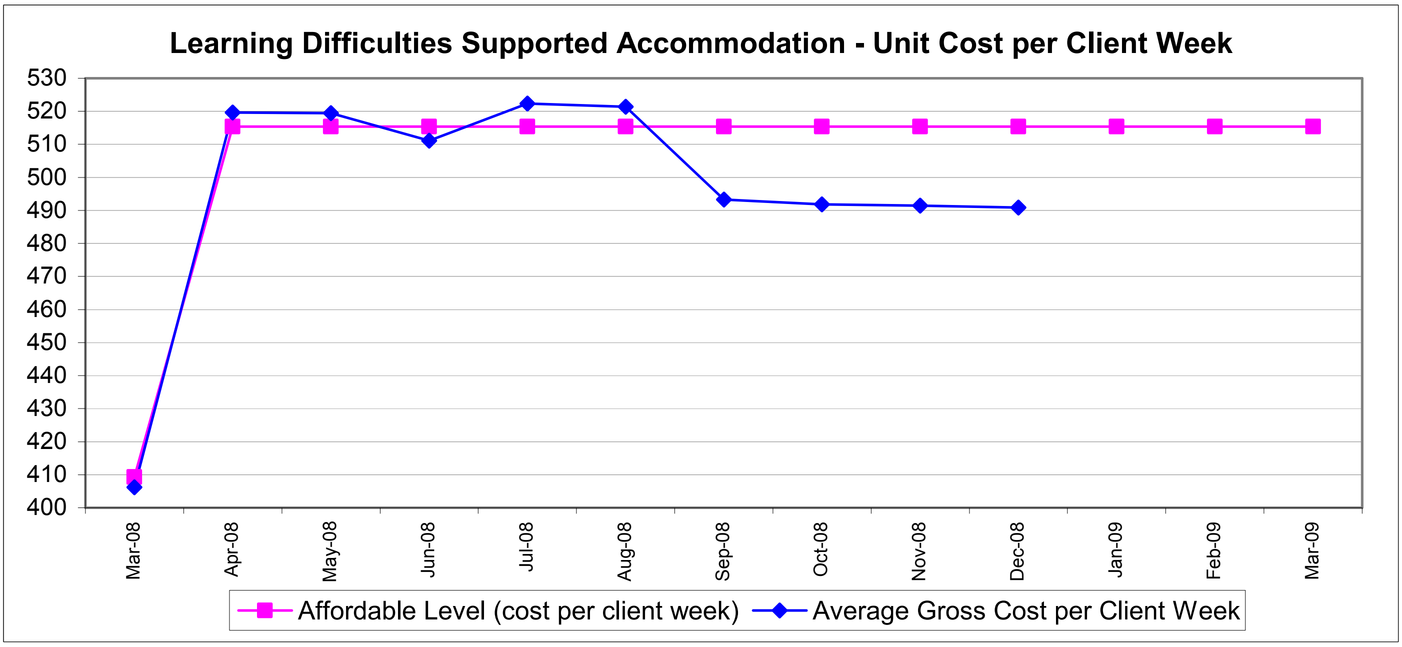


Comments:

- Supported Accommodation is a growing area of expenditure and as such there is little activity/unit cost data available from prior years. In addition, supported accommodation is regarded as a community service and is often provided as an hourly service. Following recent national consultation, we are still awaiting confirmation on how supported accommodation should be recorded. Some adjustments to the activity have been made since the first full monitoring report to reflect our developing understanding of this service, and more may be required in the future once an agreed definition nationally has been reached.
- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in LD supported accommodation at the end of 2007-08 was 193 and at the end of June 2008 it was 193. The September position was 205 and in December it was 214.
- The current forecast is 11,126 weeks of care against an affordable level of 13,183, a difference of 2,057 weeks. Using the forecast unit cost of £490.83 this reduction in activity provides a saving of £1,010k as highlighted in section 1.1.3.3.d.
- To the end of December 8,247 weeks of care have been delivered against an affordable level of 9,587, a difference of 1,340 weeks.
- It is hoped that this number will increase in line with the expectation of transferring clients with less complex needs from residential care and using this service as an alternative to a residential placement for new clients. As such there has previously been a corresponding increase in the cash limit to support these additional clients.

2.5.2 Average gross cost per client week of Learning Difficulties supported accommodation compared with affordable level (non preserved rights clients):

	2007-08		2008-09	
	Affordable Level (Cost per Week)	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**
April			515.41	519.60
May			515.41	519.40
June			515.41	511.10
July			515.41	522.30
August			515.41	521.40
September			515.41	493.33
October			515.41	491.85
November			515.41	491.47
December			515.41	490.83
January			515.41	
February			515.41	
March	409.31	406.18	515.41	



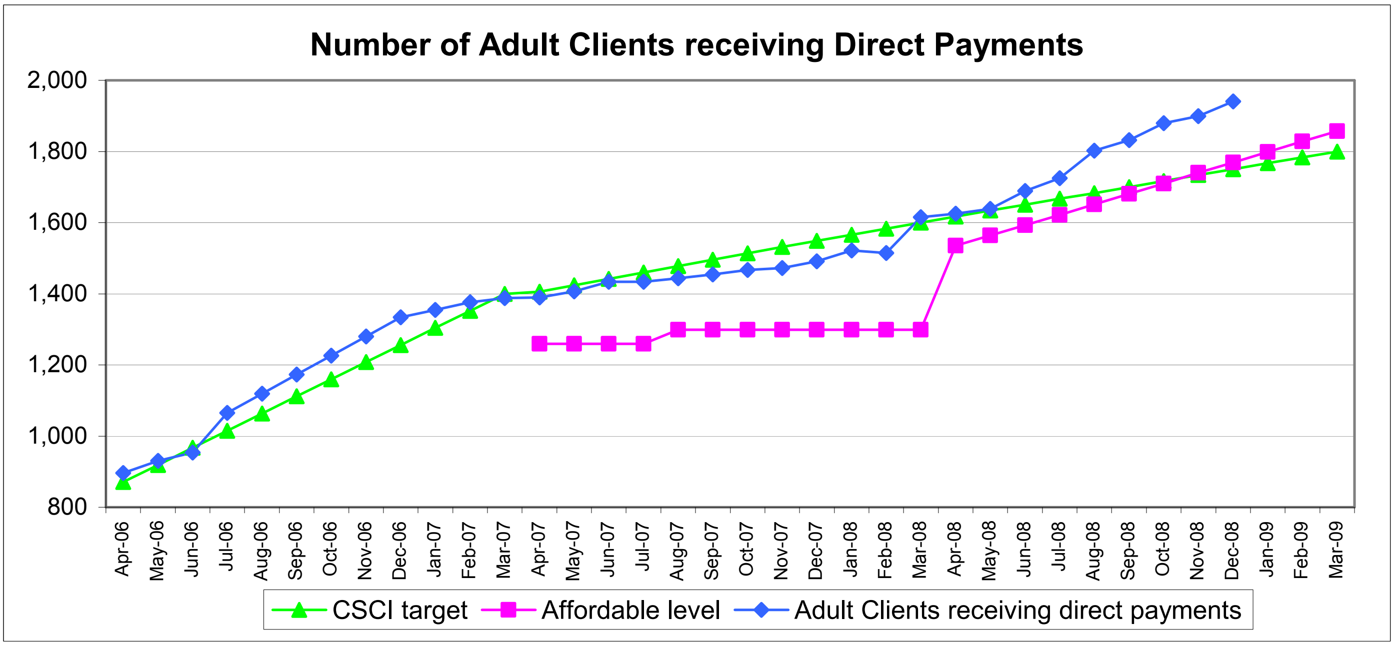
Comments:

- Supported Accommodation is a rapidly growing area of expenditure and as such there is little activity/unit cost data available from prior years. The service is difficult to measure in weeks as it is regarded as a community service. The weekly unit cost for the service will fluctuate as the service assists people with a learning disability with a wide range of needs, and even a few hours or more intensive support will change the weekly cost. As already mentioned above there have been changes to the figures since the first full monitoring report to reflect our developing understanding of the service. A Department of Health consultation has just finished and we are now awaiting the confirmation of the definition for Supported Accommodation. There will be some adjustments to the activity and unit costs once this has happened.

- The forecast unit cost of £490.83 is lower than the affordable cost of £515.41 and this difference of £24.58 provides a saving of £324k when multiplied by the affordable weeks as highlighted in section 1.1.3.3.d.

2.6 **Direct Payments – Number of Adult Social Services Clients receiving Direct Payments:**

	2006-07			2007-08			2008-09		
	CSCI Target	**Affordable Level**	**Adult Clients receiving Direct Payments**	**CSCI Target**	**Affordable Level**	**Adult Clients receiving Direct Payments**	**CSCI Target**	**Affordable Level**	**Adult Clients receiving Direct Payments**
April	871		896	1,406	1,259	1,390	1,617	1,535	1,625
May	919		930	1,424	1,259	1,407	1,634	1,564	1,639
June	967		954	1,442	1,259	1,434	1,650	1,593	1,689
July	1,015		1,065	1,460	1,259	1,434	1,667	1,622	1,725
August	1,063		1,119	1,478	1,299	1,444	1,683	1,651	1,802
September	1,112		1,173	1,496	1,299	1,454	1,700	1,681	1,832
October	1,160		1,226	1,514	1,299	1,467	1,717	1,710	1,880
November	1,208		1,280	1,532	1,299	1,472	1,734	1,740	1,899
December	1,256		1,334	1,549	1,299	1,491	1,750	1,769	1,941
January	1,304		1,355	1,566	1,299	1,522	1,767	1,799	
February	1,352		1,376	1,583	1,299	1,515	1,783	1,828	
March	1,400		1,388	1,600	1,299	1,615	1,800	1,857	



Comments:

- Figures provided for last year represented the number of people who had a direct payment to provide permanent support. As of March 2008 and onwards, the monitoring of these figures has changed slightly, in line with guidance from the Department of Health. We are now monitoring all people who have had a direct payment, irrespective of whether permanent ongoing support is being purchased, or whether the direct payment is being used to purchase respite care.
- The introduction of direct payments is identifying some previously unmet demand/need. Work is ongoing to track all new direct payment clients to prove /disprove this belief.

ENVIRONMENT & REGENERATION 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” i.e. 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 (i.e. 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.

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	
Environment, Highways & Waste portfolio							
Kent Highways Services	60,249	-7,015	53,234	4,085	-285	3,800	Pressures on traffic management act (£550k), increased NOMU activity (£350k), vegetation control (£900k), winter maintenance (£600k). Invest to save (£1400k)
Public Transport Contracts	15,924	-2,069	13,855	-1,077	0	-1,077	Savings on bus contracts and Freedom Pass (-£1.5m) offset by concessionary fares (+£423k)
Waste Management	66,760	-1,158	65,602	-4,530	-560	-5,090	Gross: Allington, reduced tonnage, KWP. Income: recycling and "operation cubit"
Environmental Group	8,140	-4,000	4,140	160	0	160	Country parks
Transport Strategy	617	0	617	-13	-19	-32	
Strategic Management, Finance, Performance & Information & Analysis Group	7,243	-462	6,781	-785	95	-690	Gross: IT (£260k) and MIDAS replacement (£430k) Income: AIT
Total E, H & W	**158,933**	**-14,704**	**144,229**	**-2,160**	**-769**	**-2,929**	
Regeneration & Supporting Independence portfolio							
Regeneration & Projects	6,372	-950	5,422	-80	0	-80	Bio fuel project - roll to match fund Interreg projects
Economic Development	3,004	-848	2,156	-1	0	-1	
Planning & Development	1,100	-46	1,054	-213	-52	-265	Gross: Waste and minerals LDF (£60k), planning enquiries. Income: Government contribution
Planning Applications	1,477	-468	1,009	-389	74	-315	Gross: Shaw Grange (£240k), planning apps (£75k), vacancies (£74k). Income: reduced planning activity because of economic downturn.
Total Regen & SI	**11,953**	**-2,312**	**9,641**	**-683**	**22**	**-661**	
Total Directorate Controllable	**170,886**	**-17,016**	**153,870**	**-2,843**	**-747**	**-3,590**	

1.1.3 **Major Reasons for Variance**:

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

Environment, Highways & Waste portfolio:

1.1.3.1 Waste Management:

- There is a one-off saving of £2.2m from the waste to energy plant at Allington not being operational during significant parts of the financial year. This results from there being a saving of approximately £16 for every tonne being diverted to landfill (which is currently a cheaper option but not sustainable in the long run due to increasing landfill taxes and restrictions in the allowances). The plant is now fully operational and no further savings are expected against this budget.
- Waste tonnage continues to be down on last year's actuals and this year's targets. This has resulted in predicted savings of about £2m.
- As discussed in previous monitoring reports, income from the sale of recyclable materials is expected to exceed original forecast. This is as a result of the higher prices for raw materials experienced in the general economy during the early part of the year. These prices have generally tailed off as the economy continues to slow and demand falls. However, we still expect to exceed target by just over £427k.
- We are also achieving additional income from "Operation Cubit" which is a partnership with District Councils, Police and Fire to tackle untaxed and unwanted vehicles but this has reduced from previous reports to about £160k.
- The Kent Waste Partnership will also underspend by £330k at the year end. This money is committed for the Partnership and needs to be rolled into the new year.

1.1.3.2 Country Parks have an inherent budget problem of about £200k. This has been brought about by under investment in an adequate maintenance programme (leading to health and safety issues) and taking on Lullingstone Park and the loss-making Canterbury environment centre. The Country Parks service has reviewed all of its activity and has started to make efficiencies where possible and has reduced the expected pressure for this year to £160k. They are also trying to increase income generation and to help support this there is £800k per annum in the MTFP for some capital investment. This will be invested in facilities that will encourage people to attend the parks and to spend money while they are there.

1.1.3.3 Kent Highway Services

- The main new pressure to declare on the Kent Highways Service is for winter maintenance. Due to the severe weather during the end of January and beginning of February this budget is forecast to overspend by £600k. This forecast assumes that the number of salting runs will remain at target for the rest of the financial year and therefore the pressure may be understated if the poor weather returns.

- The other pressures on this service are largely as previously reported. The additional work of the Network Operation Management Unit (NOMU), which are the general road crews that fix minor highway repairs such as potholes is now £350k. The increased vegetation control costs have reached £900k and the one-off costs of implementing the permit scheme from the Traffic Management Act have reduced to £550k. The NOMU increases have been part of the drive to respond to customer service requests and the vegetation increases as a result of focusing NOMU crews more on potholes. In addition there will be £1.4m of spend on Invest to Save projects, as agreed by Cabinet in September. Further details are provided in paragraph 1.1.3.6.

- There have also been some gross and income variances with increased fees and charges predicted of £285k and a corresponding increase in costs relating to chargeable works such as dropped kerbs.

1.1.3.4 There is a significant underspend on the public transport group, which partly offsets the pressures on highways maintenance. This has resulted from the Unit 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. The forecast saving on this part of the budget is £1.5m. This saving is reduced by £423k for the pressure on concessionary fares, to reimburse Districts for bringing forward free bus travel for the over 60's and disabled people from 9.30am to 9.00am, giving a net underspend against this service of £1.077m.

1.1.3.5 There are two underspends on the Resources division one resulting from an underspend against one-off IT money (£260k) and the other from specific roll-forward from 2007-08 for the MIDAS financial and management information system replacement project (£430k). Due to the phasing of the MIDAS replacement project, £430k of the £450k rolled forward from 2007-08 will be required to roll forward to 2009-10 to meet the commitments on the project.

1.1.3.6 After offsetting all of the portfolio pressures against the £5.090m waste savings, and allowing for the £0.760m re-phasing to be rolled forward, there is a residual underspend of £4.330m. Cabinet has agreed that £1.4m of this one-off money can be used to fund invest to save schemes within KHS, which will be needed to help address the MTP issues within the portfolio. In the last full monitoring report we declared that we would be using this to invest in street lighting in order to reduce electricity costs in line with the MTP. The street light replacement lanterns will be a capital item, so there will need to a revenue contribution to capital. So far, only £0.9m is guaranteed to be spent in this financial year, but we are exploring getting the remaining lantern heads delivered before the end of March. If the street lighting investment does not take up all of the £1.4m we will revisit paying off some of the coastal protection loans to save on interest payments in future years.

1.1.3.7 The remainder of the underspend (£2.169m) will be held to assist, if necessary, with any Countywide pressures that arise during 2008-09 or will be rolled forward to assist with pressures within the EH&W portfolio in 2009-10.

Regeneration & Supporting Independence portfolio:

1.1.3.8 There is an underspend of £80k on the bio fuels project. This is being held back in order that it can be used to match fund two Interreg projects in 2009-10. Therefore this underspend will need to roll forward.

1.1.3.9 The costs of major planning enquiries do not fall neatly in one financial year and the Integrated Planning and Strategy unit will need to rephase some of its budget (£205k) into the new year to align with its current expected spending profile. There is also a commitment on the minerals and waste framework, which will not be completed by the end of the financial year and will therefore need to be rolled into the new year (£60k).

1.1.3.10 The Planning Applications section also has the same peaks and troughs of expenditure depending on which applications are submitted. They will also need to rephase some of their budget (£75k) into the new year to meet this variable demand. Also, the Shaw Grange remedial work will not happen again this year and will cause an underspend of £240k. This “saving” will need to be rolled forward into 2009-10 to meet our commitment on this.

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
EHW	Invest to Save projects	+1,400	EHW	Diversion to landfill while Allington waste to energy plant off-line	-2,200
EHW	Vegetation control	+900	EHW	Reduced waste tonnage	-2,000
EHW	Winter maintenance	+600	EHW	Public transport including Freedom pass	-1,500
EHW	One-off costs of implementing the permit scheme from the Traffic Management Act	+550	EHW	MIDAS financial and management information system replacement project phasing	-430
EHW	Concessionary fares	+423	EHW	Recycling income	-427
EHW	Increased Network Operation Management Unit (NOMU) activity	+350	EHW	Kent Waste Partnership	-330
EHW	Increased costs relating to KHS rechargeable works	+285	EHW	Increase in income from KHS rechargeable works	-285
EHW	Country parks	+160	EHW	Reduction on anticipated IT transformation spend	-260
			RSI	Shaw Grange remedial works phasing	-240
			RSI	Major planning enquiries	-205
			EHW	Additional income from "Operation Cubit" (partnership project to tackle abandoned vehicles)	-160
		+4,668			-8,037

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

N/A

1.1.5 **Implications for MTP**:

There are some significant pressures in the MTP, which are supported by a variety of savings. The £1.4m of our underspend that we are using as investment to reduce future ongoing costs will assist with meeting these savings targets.

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

The following projects are re-phasing into 2009-10:
- MIDAS finance system replacement - £430k (EHW)
- Kent Waste Partnership - £330k (EHW)
- Bio fuels project - £80k (RSI)
- Planning enquiries - £205k (RSI)
- Waste and minerals framework - £60k (RSI)
- Planning applications - £75k (RSI)
- Shaw Grange remedial work - £240k (RSI)

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

The underspend for the Directorate is currently £3.590m, as shown in table 1. After taking into account the £1.420m of re-phasing of projects detailed in section 1.1.6 above, we are left with an underspend of £2.170m (£2.169m EH&W and £0.001m R&SI) which will be held to assist, if necessary, with countywide pressures during 2008-09 or will be rolled forward to support pressures in the 2009-10 budget.

1.2 CAPITAL

1.2.3 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.

In addition, there has been a further change since the budget was agreed:

	£000s
▪ Forthill de-dualling public realm works funded by additional Interreg money	119

1.2.4 **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
Environment, Highways & Waste Portfolio						
Budget approved at Cty Council	88,338	73,117	123,847	140,605	326,688	752,595
Adjustments:						
-						0
Revised Budget	88,338	73,117	123,847	140,605	326,688	752,595
Variance		-1,552	2,656	5	0	1,109
split:						
- real variance		+1,084	+20	+5		+1,109
- re-phasing		-2,636	+2,636			0
Regeneration & Supporting Independence Portfolio						
Budget approved at Cty Council	5,969	11,687	4,211	2,720	1,762	26,349
Adjustments:						
- Forthill De-dualling		119				119
Revised Budget	5,969	11,806	4,211	2,720	1,762	26,468
Variance		-404	336	95		27
split:						
- real variance		+27				+27
- re-phasing		-431	+336	+95	0	0
Directorate Total						
Revised Budget	94,307	84,923	128,058	143,325	328,450	779,063
Variance	0	-1,956	2,992	100	0	1,136

Real Variance		**+1,111**	**+20**	**+5**	**0**	**+1,136**
Re-phasing		**-3,067**	**+2,972**	**+95**	**0**	**0**

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

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
EHW	Highway Maintenance	Real	+4,517			
			+4,517	**0**	**0**	**0**
Underspends/Projects behind schedule						
EHW	Integrated Transport	Real	-3,617			
EHW	Reshaping Kent Highways Accommodation	Phasing		-2,017		
RSI	East Kent Empty Property Initiative	Phasing		-336		
EHW	Traffic Signal Head Replacement	Phasing		-255		
EHW	Country Park Access & Development	Phasing	-254			
			-3,871	**-2,608**	**0**	**0**
			+646	**-2,608**	**0**	**0**

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

1.2.4.1 **Kent Highways accommodation – slippage £2.017 million**

This scheme is designed to deliver the reshaping of the Highways accommodation. This phase of the scheme is to deliver the West Kent equivalent of the new Ashford depot. It has slipped by £2.017 million, which represents 8.1% of the total value of the scheme. It has been delayed in its progress because of difficulties in finding a suitable alternative site to the original option of Wrotham, which failed to get appropriate planning permission. It is difficult to give a new completion date until a site and the required planning permission has been secured but it is estimated that work will be finished by 2010. The service implications of this delay are delays in securing the efficiencies that the Ashford depot is already delivering. This delay will not affect the overall budget, which will remain the same. Revised phasing of the scheme is now as follows

	Prior Years	2008-09	2009-10	2010-11	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	13,332	5,400	4,150	2,000		24,882
Forecast	13,332	3,383	6,167	2,000		24,882
Variance	0	-2,017	2,017	0	0	0
FUNDING						
Budget:						
prudential	2,000	2,450				4,450
prudential/revenue	10,483	1,975	488	2,000		14,946
PEF2			3,398			3,398
other external	9					9
capital receipts	840	975	264			2,079
TOTAL	13,332	5,400	4,150	2,000	0	24,882
Forecast:						
prudential	2,000	2,450				4,450
prudential/revenue	10,483		2,463	2,000		14,946
PEF2			3,398			3,398
other external	9					9
capital receipts	840	933	306			2,079
TOTAL	13,332	3,383	6,167	2,000	0	24,882
Variance	**0**	**-2,017**	**2,017**	**0**	**0**	**0**

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

Table 3 shows a £1.136m real variance over the period of the MTP, which is due to:

1.2.5.1 <u>EH&W portfolio:</u>

Underspends on the Integrated Transport (IT) programme as result of difficulties with planning permission etc, currently estimated to be £3.617m by end of the financial year, will be used to offset an equivalent planned overspend on Highway maintenance of £3,617m. The overspend on the maintenance is to bring forward work to address some of the service pressures in this area, and will utilise the LTP funding available in 2008-09 as it is permissible for IT funding to be spent on highway maintenance and vice versa.

There will be a further overspend on highways maintenance of £0.9m as result of investment in street lighting and the need to replace old mercury lantern heads with new energy saving lanterns. This overspend will be covered by a contribution from revenue (from the £1.4m approved for invest to save schemes from the waste underspend).

Major scheme design will overspend by £0.2m because of:

- £0.140m on the East Kent access phase 2 scheme, funded from additional external funding,
- £0.045m on the Northfleet footbridge to be funded by a planned underspend on the Thames Delivery Board and
- £0.015m on Smartlink to be funded from a contribution from the Regeneration revenue fund.

Part 1 compensation claims are forecast to overspend by £20k. This will be covered by a contribution from Gravesham Borough Council.

Leybourne – West Malling bypass will underspend by £30k.

Everard phase 2 will underspend by £36k now that the final account has been agreed. This will be matched by a reduced drawdown from developer contributions.

Sittingbourne Northern Relief Road scheme will overspend by £55k. This will be funded from a revenue contribution of £30k and additional CLG grant.

1.2.5.2 R&SI portfolio:

Forthill de-dualling is overspending by £72k and external funding is in place to cover this.

The Kent Thames Delivery Board is underspending by £0.045m in order to offset the overspend on the design fees for Northfleet footbridge, as highlighted above.

The under and overspends above, coupled with the additional funding secured means that there are no overall resource implications for the Directorate currently.

1.2.6 **General Overview of capital programme**:

(a) Risks

The major risk facing E&R at the moment is the reliance for some schemes on developer contributions. In the current economic climate these developer payments are much more high risk and there is no backing from the Government currently to underwrite this risk.

(b) **Details of action being taken to alleviate risks**

We have approached Government with a view to get them to consider underwriting the risk on the Sittingbourne Northern Relief Road which has £4.1m of developer contributions. However we are not confident that the Government will assist with this as they have made it clear that this risk lies with Local Authorities. Developer contributions will become an increasing issue therefore in the next few years.

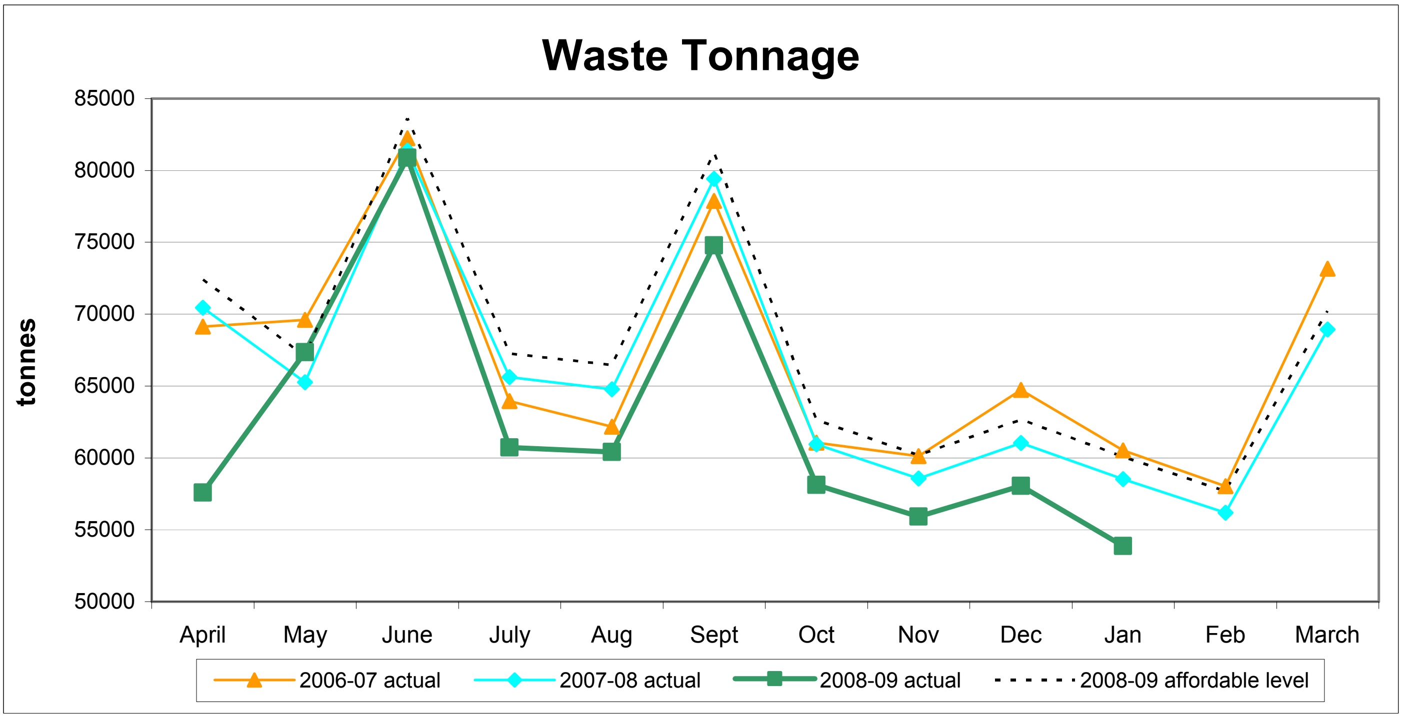
On the specific of Sittingbourne Northern Relief Road we are making every effort to confirm with the developer their willingness and ability to pay the agreed contribution and have received a “letter of comfort” from them to this effect.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Waste Tonnage:

	2006-07	2007-08	2008-09	
	Waste Tonnage	Waste Tonnage	Waste Tonnage*	Affordable Level
April	69,137	70,458	57,597	72,411
May	69,606	65,256	67,361	67,056
June	82,244	81,377	80,886	83,622
July	63,942	65,618	60,724	67,275
August	62,181	64,779	60,415	66,459
September	77,871	79,418	74,780	81,212
October	61,066	60,949	58,122	62,630
November	60,124	58,574	55,917	60,180
December	64,734	61,041	58,046	62,669
January	60,519	58,515	53,865	60,073
February	58,036	56,194		57,679
March	73,171	68,936		70,234
TOTAL	**802,631**	**791,115**	**627,713**	**811,500**

** Note: waste tonnages are subject to slight variations between quarterly reports as figures are refined and confirmed with Districts*



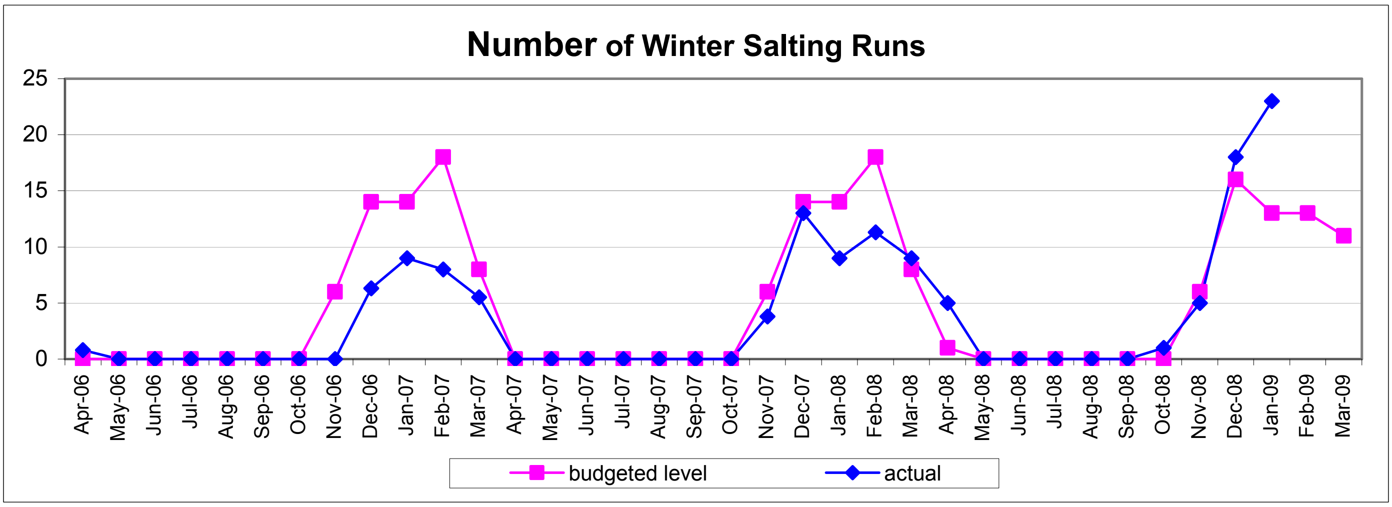
Comments:

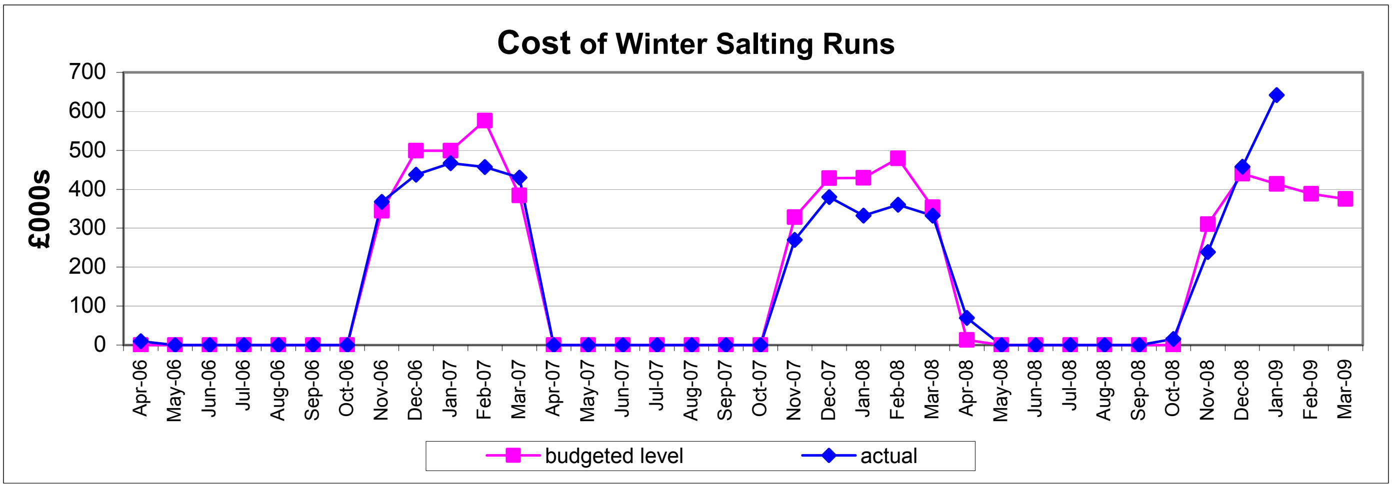
- Tonnage is significantly down on previous years. This may be reflective of the slowing economy but the same pattern did not occur in the recession in the early 90's, so this cause and effect cannot be guaranteed. The "reducing waste" campaigns may be contributing to this reduction, along with the reduction in packaging that some manufacturers have started to pursue. Waste tonnage continues to be very difficult to predict accurately but we have built into our MTP proposals an assumption of a 2% reduction year on year, which seems a reasonable risk at this stage.

2.2 Number and Cost of winter salting runs:

	2006-07				2007-08				2008-09			
	Number of salting runs		Cost of salting runs		Number of salting runs		Cost of salting runs		Number of salting runs		Cost of salting runs	
	Actual [2] £000s	Budgeted Level £000s	Actual £000s	Budgeted Level £000s	Actual £000s	Budgeted Level £000s	Actual £000s	Budgeted Level [2] £000s	Actual	Budgeted level	Actual £000s	Budgeted Level [2] £000s
April	0.8 [1]	-	10	-	-	-	-	-	5	1	70	13
May	-	-	-	-	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-	-	-	-	-
October	-	-	-	-	-	-	-	-	1	-	16	-
November	-	6	368	345	3.8	6	270	328	5	6	239	310
December	6.3	14	437	499	13.0	14	380	428	18	16	458	440
January	9.0	14	467	499	9.0	14	332	429	23	13	642	414
February	8.0	18	457	576	11.3	18	360	479		13		388
March	5.5	8	430	384	9.0	8	332	354		11		375
TOTAL	**29.6**	**60**	**2,169**	**2,303**	**46.1**	**60**	**1,674**	**2,018**	**6**	**60**	**1,425**	**1,940**

Note [1]: only part of the Kent Highways Network required salting
Note [2]: the 2007-08 & 2008-09 budgets exclude overheads, as these are now charged centrally.





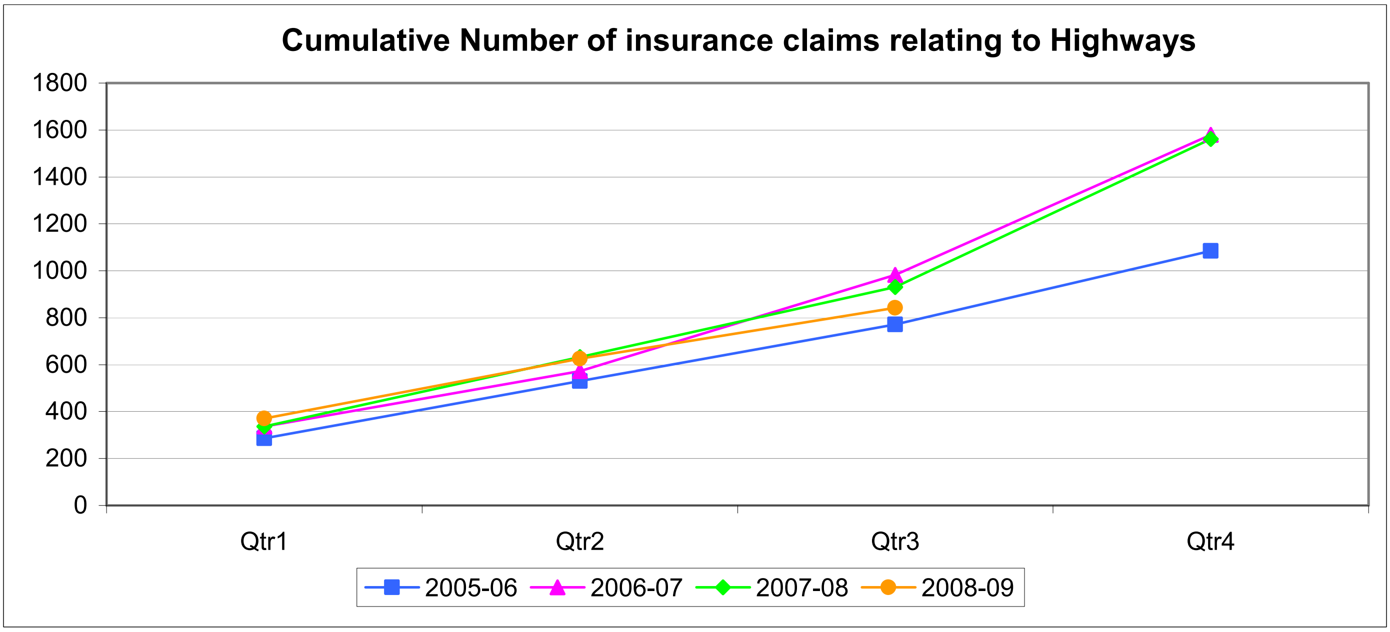
Comments:

- The charges for the Winter Maintenance Service reflect two elements of cost: the smaller element being the variable cost of the salting runs undertaken; the major element of costs, relating to overheads and mobilisation within the contract, have been apportioned equally over the 5 months of the salting period.

- In setting the 2008-09 budget, a reassessment of the overheads and mobilisation element of the costs of the service has enabled a slightly lower budget to be set.
- The recent period of bad weather during January and February has caused the number and cost of salting runs to go over budget, as reported in paragraph 1.1.3.3. The table above shows costs of £1,425k compared to a budgeted position of £1,177k as at the end of January i.e. an overspend of £248k. The £600k overspend forecast in paragraph 1.1.3.3 was based on the number of additional salting runs as at mid February (the date of consolidating this report). At this point there were a further 15 runs over budget (not reported in the table above) adding an overspend of about £350k to the £248k reported in the table. Any further periods of bad weather causing additional salting runs over and above the budgeted level between now and the end of the financial year, will cause this overspend to increase.

2.3 **Number of insurance claims arising related to Highways with accident dates during these periods**:

	2005-06	**2006-07**	**2007-08**	**2008-09**
Accident Date	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims
April – June	286	337	336	371
July – September	530	572	632	626
October – December	771	982	931	842
January - March	1,085	1,579	1,561	



Comments:

- Numbers of claims will continually change as new claims are received relating to accidents occurring in previous quarters. Claimants have 3 years to pursue an injury claim and 6 years for damage claims. The data previously reported has been updated to reflect claims logged with Insurance as at 19 January 2009.
- Quarter 1 figures for 2008-09 have now exceeded previous years and quarter 2 is currently only marginally down on last year, but this may increase in due course, reflecting the delay in some claimants submitting their claim.
- The Insurance section continues to work closely with Highways to try to reduce the number of successful claims and currently the Authority manages to achieve a rejection rate of claims where it is considered that we do not have any liability, of about 80%.

COMMUNITIES 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.

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	
Communities portfolio							
Turner Contemporary	1,003	-200	803	54	-54	0	
Kent Drug & Alcohol Action Team	15,399	-13,238	2,161	252	-252	0	Additional investment from PCTs for alcohol services for adults, and prevention services for young people. Young peoples grant now reflected in cash limit. Reduced spend and income for other young peoples services
Youth Offending Service	6,376	-2,639	3,737	285	-285	0	Additional costs and income for seconded officer to prison service, secondment from probabtion and East Kent Safer Schools initiative
Youth Services	12,724	-5,380	7,344	1154	-1229	-75	Unbudgeted expenditure & income for connexions, PAYP and allocations from Youth Opportunities Fund
Adult Education	13,472	-13,845	-373	-198	198	0	Fewer than anticipated enrolments; reduced sessional staff & other costs
Key Training	4,125	-3,987	138	8	0	8	
Arts Development	1,303	-15	1,288	94	-80	14	Additional spend and income for Light-up Dover campaign. Folkestone Triennial
Libraries, Information & Archives	25,097	-3,320	21,777	-185	34	-151	Underspends on staff and premises offset by overspends on on other expenditure budgets

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Communities portfolio							
Sports, Leisure & Olympics	3,263	-2,183	1,080	33	-121	-88	
Kent Community Safety Partnership	4,362	-271	4,091	-20	-12	-32	
Coroners	2,394	-384	2,010	218	-4	214	Long inquests, pathology fees and mortuary attendants
Emergency Planning	707	-142	565	59	6	65	Training, AWARE project & business continuity
Kent Scientific Services	1,628	-1,655	-27	44	-3	41	
Registration	4,268	-2,855	1,413	-137	132	-5	Shortfall in income from ceremonies offset by staff underspends
Trading Standards	4,313	-375	3,938	-301	58	-243	Staff vacancies
Policy & Resources	1,359	-77	1,282	-14	-42	-56	
Business Development Team	207	0	207	10	-1	9	
Business Support	223	0	223	61	-92	-31	Income from Regional Training Fund and Trading Standards South East Ltd
Strategic Management	985	0	985	56	0	56	
Centrally Managed directorate budgets	260	-951	-691	342	270	612	Directorate costs with inadequate budget provision
Total Communities controllable	**103,468**	**-51,517**	**51,951**	**1,815**	**-1,477**	**338**	
Assumed Management Action				**-338**		**-338**	
Forecast after Mgmt Action				**1,477**	**-1,477**	**0**	

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 Adult Education

The adult education service has made significant progress to address the deficits it has incurred in previous years arising from a combination of reductions in funding from the Learning and Skills Council in 2005/06 and 2006/07, and lower than anticipated enrolments in 2007/08. The service has now agreed a budget plan to ensure expenditure does not exceed income in 2008/09 and to repay the £373k in year deficit made during 2007/08. To achieve this, the AE service will capitalise expenditure on the Education Business System which will be funded from a capital receipt from the sale of a redundant AE centre. This position is after the £750k virement from Finance portfolio to reflect the agreed recovery plan.

Enrolments for fee earning courses have improved since the last report but are still 6% less than the previous year. The impact on tuition fees is a reduction of 2% on the anticipated level (£198k). As a result the service has had to make compensatory savings on sessional staff and other expenditure headings to ensure targets on group sizes and a balanced budget can be achieved. Overall enrolments including non fee earning courses for family learning and literacy & numeracy are 5% up on the previous year and 2% ahead of target (see section 2.1).

The decline in fee earning enrolments is predominantly Adult Community Learning (ACL) courses where enrolments are down by 9%. Enrolments for fee paying FE courses have remained at the same level as last year. The biggest reductions are in ACL courses for leisure, travel and tourism and arts, media and publishing. ACL enrolments for languages, literature and culture have remained at the previous levels although FE enrolments in this curriculum area have reduced.

There has been an increase in enrolments for FE courses covering preparation for life and work and information and communications technology.

1.1.3.2 Youth Service

The budget assumed that that the contract with Connexions to provide information, support and advisory services to young people would come to an end at the end of 2007/08. We have negotiated an extension with Connexions until the end of March 2009 with additional income and expenditure amounting to £475k. This contract may be extended further. The Youth Service has also received a contribution of £352k from CFE to support Positive Activities for Young People (PAYP). As with Connexions, PAYP has matching additional income and expenditure. Youth centres have succeeded in securing £350k from the Youth Opportunity Fund managed by young people through the Youth County Council, this is being spent on projects managed through local centre bank accounts.

1.1.3.3 Coroners

Despite providing an additional £200k into the budget in 2008/09 the Coroner's service continues to be overspent. The demands placed on Coroners to investigate deaths are increasingly more complex resulting in more long inquests and thus additional expenses for the Coroners and other costs associated with conducting inquests, currently forecast at an overspend of £129k. Coroners are also incurring additional expense for pathology fees (both as a consequence of investigating more cases and due to higher charges from hospital trusts) and for mortuary attendants totalling £89k. KCC has very little influence over the work of the Coroners and therefore little control over expenditure which is governed by the claims from Coroners themselves.

A Coroners Bill was announced in the Queen's speech and we are awaiting further details of the scope this will provide to make structural changes to make Coroners expenditure less unpredictable.

1.1.3.4 Libraries, Information and Archives

Income from the rental of audio visual materials in libraries has declined in recent years in line with changes in the market and despite the fact that action taken has slowed the decline the service has been unable to meet its income budgets. The service has explored other merchandising opportunities and this year is forecasting that it can make some additional income e.g. the sale of jute bags and Kent on Canvas, but overall will still fall short of income targets in the budget by £129k. (The graph in section 2.2 shows the shortfall on AV income as part of overall shortfall of £129k on all trading activities). However, there are additional costs of £117k associated with merchandising new products. In order to compensate for this, the service has had to make savings on staff and premises costs (mainly rate rebates).

The capital programme now includes the project management costs for the Envision programme to replace library IT systems and this is reflected in reduced revenue spending of £125k. The service has also received funding from Children Families and Education towards the National Year of Reading programme.

Overall the service is forecasting an underspend of £151k.

The Library Service has agreed to waive the fee for business information enquiries due to the current economic climate, this will have a very small impact on the income the service receives.

1.1.3.5 Trading Standards

Trading Standards have delayed recruiting to a number of posts during the year in order to retain/hold positions for trainees as they qualify, which has resulted in a saving of £235k. The service continues to experience severe difficulties in attracting qualified staff to Kent mainly due to a national skills shortage, for example recent advertising produced no suitable applicants and hence the continued reliance on appointing trainees and using their well established career grade scheme.

1.1.3.6 Registration Service

The Registration Service has not been able to achieve all the increased income target set in the budget. Although there was a significant increase in fee levels as we move towards covering the full cost of ceremonial services in KCC run establishments it was not possible to charge the increase to all customers as a significant number had already booked ceremonies prior to the fee increase being agreed. There is also evidence that as a result of the higher fees more couples are choosing the statutory service (where the fee is set by Government) or are choosing ceremonies in smaller rooms. The service has been able to offset the impact through using more full time staff to conduct ceremonies and from savings on pay and pension contributions for sessional staff.

1.1.3.7 Kent Drug and Alcohol Action Team

KDAAT has secured an additional £206k from East Kent Primary Care Trust to increase adult alcohol service provision in East Kent and an additional £291k from both Kent PCTs to provide targeted prevention services for young people and commission healthy schools programmes. Both of these have a net nil effect as spend is increased in line with the additional income. KDAAT has decided to not proceed with a number of planned programmes this financial year in light of anticipated commitments in the new financial year to support the Dual Diagnosis Service for Young People, this has resulted in a reduction in spend and income contributions of £142k.

1.1.3.8 Youth Offending Service

YOS has agreed to the secondment of a YOS officer to HMYOI Cookham Wood with the Prison Service. The Prison Service has agreed to provide £47k to back-fill the post.

Due to staff vacancies in posts in the Probation Service which would support the joint working arrangements between YOS and Probation Services, Probation has agreed to fund YOS £70k to cover the cost of agency staff to back fill these posts.

1.1.3.9 Central Budgets

There are a number of budgets which are managed centrally on behalf of the directorate rather than devolved to individual services. This includes expenditure on emergency building maintenance, directorate wide activities and projects, service level agreements and a range of specific projects that do not relate to individual services. Income from overhead recharges to Adult Education is also held centrally. The budget set for directorate wide activities and projects is unrealistic as it was based on activities before the new directorate was fully established. The income budget included unrealistic assumptions about the amount that could be raised by services within Communities to meet the full cost of the Policy and Resources Unit.

The central budget has also had to meet a number of unexpected costs which have arisen during the year including unforeseen redundancy costs for posts which were externally funded and therefore not eligible for funding from the Corporate Workforce Reduction Fund and the external funding has now ceased; backdated revaluations of rent and rates on Communities premises; Margate Big Event, and staff costs for key projects.

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
CMY	Youth expenditure on connexions covered by increased income	+475	CMY	Youth external contributions for Connexions	-475
CMY	AE rolled forward deficit from 2007-08 due to lower than expected enrolments and restructure costs	+373	CMY	Transfer of expenditure for Education Business System within AE to capital programme	-373
CMY	Youth expenditure on Positive Activities for Youth People covered by contribution from CFE	+352	CMY	Youth - contribution from CFE for Positive Activities for Young People	-352
CMY	Youth centre projects funded from Youth Opportunities Fund	+350	CMY	Additional funding for youth centres from Youth Opportunities Fund	-350
CMY	KDAAT prevention and other young peoples services (funded by PCTs)	+291	CMY	KDAAT income from PCT for young peoples prevention and other services	-291
CMY	Central Budgets - Unrealistic income assumptions to meet the full cost of the Policy & Resources unit.	+290	CMY	Trading Standards staff underspends	-235
CMY	KDAAT Tier 2 alcohol services for adults (funded by PCTs)	+206	CMY	KDAAT income from PCT s for alcohol services	-206
CMY	Loss of tuition fee income due to lower than anticipated Adult Education enrolments on fee paying courses	+198	CMY	Reduced expenditure within AE on sessional staff and other budget headings in response to lower than anticipated enrolments	-198
CMY	Central Budgets: Unrealistic budgets set for directorate wide activities & projects	+189	CMY	Library rate rebates	-149
CMY	KDAAT reduction in income for other agencies for young peoples services	+142	CMY	KDAAT reduced spend on young peoples services in line with reduced contributions	-142
CMY	Registration shortfall in income	+137	CMY	Registration sessional staffing	-128
CMY	Coroners long inquests payments	+129	CMY	Libraries capitalisation of Envision project management	-125
CMY	Libraries shortfall in trading income from AV material, merchandising products and other income	+129	CMY	YOS additional income from Probation & Prison Service	-117
CMY	YOS additional spending to back-fill posts funded by Probation & Prison Service	+117			
CMY	Libraries merchandising purchases	+117			
		+3,495			-3,141

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

1.1.4.1 The Adult Education Service has developed a financial recovery plan to address previous years' deficits and to ensure that in future it can respond more quickly to changes in income. Particular actions include:

- a review of terms and conditions for sessional lecturers so that their hours can be reduced without the individual having the right to redundancy benefits
- a reduction in fixed overheads through staff savings on management and administration
- significant progress in setting local managers increased targets for student numbers on individual courses to make courses financially viable
- review of course fees, freezing fees at 2007/08 levels for existing courses, and introducing a wider range of premium courses where the fees paid by students cover the full cost of courses
- transfer expenditure on Education Business System to the capital programme, to be funded by a combination of revenue contribution and proceeds from sale of redundant AE centre

These actions will resolve the deficit accrued in 2007/08 due to lower than expected enrolments and restructure costs.

The Adult Education service has also launched the TALENT programme which includes a review of terms and conditions for staff including a rationalisation of contracts, a review and clarification of staff structures and the implementation of a talent management process to ensure professional development of staff and succession planning.

1.1.4.2 The Youth Offending Service has taken further management action through vacancies and better use of joint funding arrangements to stay within its net budget. The County Youth Justice Board did not accept a recommendation that we should approach partners for additional funds to address budget pressures and that the service would have to agree a strategy to balance the budget. This has now been achieved and the consequences reported to the board.

1.1.4.3 The Arts Development Unit has completed a major staff restructuring to deliver the efficiency saving and staffing reductions assumed in the budget.

1.1.4.4 The Registration Service has increased charges for non statutory services by an average of approximately 45% in order to deliver the increased income agreed through medium term financial plan. The latest evidence is that this has started to have an impact on customer choice and we are carrying out an investigation.

1.1.4.5 Community Safety has ceased grants to Crime and Disorder Reduction Partnerships for community safety projects. This was taken as a saving in the 2008-11 MTP. This has not been well received by some partnerships although KCC remains committed that our priority for supporting crime and disorder reductions is through the warden service.

1.1.5 **Implications for MTP**:

The ongoing pressures faced by the Coroners Service and the full year impact of the recent fuel and electricity price rises remain the main additional medium term financial pressures for the portfolio. These have been reflected in the 2009/10 budget and 2009/12 medium term financial plan agreed by County Council on 19th February.

The shortfalls in the central budgets for directorate wide activities and projects and income have been addressed in setting the 2009/10 budget by reviewing the recharges to individual services.

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

N/A

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

Compensatory savings elsewhere within the Coroners and central budgets are unlikely unless demands on services reduce. We are working with the individual Coroners to identify the underlying reasons for different patterns of investigations but this is unlikely to result in significant savings. We are working with other local authorities to lobby the Local Government Association for additional government funding to resolve the situation but in the meantime we will be looking to identify savings in other services to offset the Coroners overspend.

To balance the overall portfolio budget we have made further savings on staffing budgets through holding posts vacant for the remainder of the year wherever possible. There is still a reasonable level of staff turnover and we will look to manage vacancies through covering work with existing staff rather than recruiting new staff. Nonetheless, we have not been able to resist filling all posts and do not want to introduce a mandatory vacancy freeze. We have agreed with heads of service that they reduce spending on non essential non staffing budgets along the same lines as those achieved in 2007/08 to balance the portfolio budget this year. We are confident that a balanced outturn position will be achieved.

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.

In addition, there has been a further change since the budget was agreed:

	2008-09 £000s	2009-10 £000s
▪ Capitalisation of ISG staff costs directly attributable to the Renewal of Libraries ICT project to be funded from prudential borrowing	100	25

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
Communities Portfolio						
Budget approved at Cty Council	17,627	11,175	23,575	5,912	8,202	66,491
Adjustments:						
- Renewal of Libraries ICT system		100	25			125
-						0
Revised Budget	17,627	11,275	23,600	5,912	8,202	66,616
Variance		-2,475	+528	+2,120	-44	+129
split:						
- real variance		+129	0	0	0	+129
- re-phasing		-2,604	+528	+2,120	-44	0
Real Variance		**+129**	**0**	**0**	**0**	**+129**
Re-phasing		**-2,604**	**+528**	**+2,120**	**-44**	**0**

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
Overspends/Projects ahead of schedule						
CMY	Ramsgate Library - insurance betterment	Real		+235		
		Phasing		+200		
CMY	Modernisation of assets	Phasing	+216			
		Real	+80			
			+296	**+435**	**-0**	**0**
Underspends/Projects behind schedule						
CMY	Turner Contemporary	Phasing		-1,619		
CMY	Contribution to The Marlowe Theatre	Phasing			-1,000	
			0	**-1,619**	**-1,000**	**0**
			+296	**-1,184**	**-1,000**	**0**

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

1.2.4.1 **Turner Contemporary – slippage £1.619 million**

The previous forecast was based on the estimated schedule of payments for the main building contract produced by the architect's quantity surveyors. This assumed that work would commence on site at the end of October/early November. In the end the contract was not concluded until the end of November and work commenced on site in December. £1.619m slippage represents 9.3% of the total value of the scheme however, despite this slippage the project is still on schedule to be completed in 2010 with an official opening in spring 2011. Revised phasing of the scheme is now as follows:

Project: Turner Contemporary

	Prior Years	2008-09	2009-10	2010-11	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	1,329	3,289	10,512	2,048	222	17,400
Forecast	1,329	1,670	9,951	4,272	178	17,400
Variance	0	-1,619	-561	+2,224	-44	0
FUNDING						
Budget:						
prudential	1,079	3,289	7,962	-3,812	-2,118	6,400
other external	250		2,550	5,860	2,340	11,000
TOTAL	1,329	3,289	10,512	2,048	222	17,400
Forecast:						
prudential	1,079	1,670	7,401	-1,588	-2,162	6,400
other external	250		2,550	5,860	2,340	11,000
TOTAL	1,329	1,670	9,951	4,272	178	17,400
Variance	**0**	**-1,619**	**-561**	**+2,224**	**-44**	**0**

1.2.4.2 **Contribution to the Marlowe Theatre – slippage £1.0 million**

This contribution will support the redevelopment of the Marlowe Theatre by Canterbury City Council. This is purely a timing issue regarding when our contribution to the project is required. The main contractors are due to be appointed shortly and construction is to commence in April 2009. There are no financial implications for KCC because it is a City Council project.

Project: Contribution to the Marlowe Theatre

	Prior Years	2008-09	2009-10	2010-11	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget		1,000	1,000			2,000
Forecast		0	2,000			2,000
Variance	0	-1,000	+1,000	0	0	0
FUNDING						
Budget:						
capital receipts		1,000	1,000			2,000
TOTAL	0	1,000	1,000	0	0	2,000
Forecast:						
capital receipts			2,000			2,000
TOTAL	0	0	2,000	0	0	2,000
Variance	**0**	**-1,000**	**+1,000**	**0**	**0**	**0**

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

(a) Modernisation of Assets – 'overspend' of £80k for the Dover Big Screen project. This will be funded £75k from revenue and £5k external funding.

(b) Adult Education Purpose built accommodation at Canterbury High School – final account cost apportionment now being agreed with the school will result in an estimated £210k underspend this year. However, £160k of this needs to be written off against previous external funding from the school as otherwise it will be double counted in KCC's consolidated accounts. The net effect on resources therefore will be some £50k saving this year, some of which is being used to offset a pressure on Ramsgate Library (see (e) below), leaving a £32k saving which will reduce our prudential borrowing requirement.

(c) Archives Development costs – overspend in 2008-09 of £78k as a result of site investigation and legal costs incurred to develop the detailed 2009-10 Kent History Centre project proposals. This overspend will be rolled forward and netted off against the Kent History centre budget (as it is a 2009-10 start it is not included in the current programme).

(d) Herne Bay Youth & Children's Centre – under spend of £54k. The project is complete and the final cost will be £860k some £54k under budget which will offset a reduction in developer contribution receipts.

(e) Ramsgate Library betterment – overspend in 2008-09 of an estimated £235k as a result of delays during construction, some design changes and additional fees as a result of higher overall cost. The full costs will be incurred in 2008-09 and none are now expected to fall in 2009-10. KASS acquired the former Newington library site from Communities at a valuation of £340k provided by an independent valuer. This is providing £217k additional funding to offset against this overspend, with the balance to be found from the savings arising from the Canterbury High School project.

After allowing for these funding issues the true underlying variance is -£32k.

1.2.6 **General Overview of capital programme**:

(a) Risks

- Ashford Gateway Plus
  - Outstanding planning/design issues may delay project and/or increase costs.

- Gravesend Library
  - There are outstanding issues to resolve with design/listed building consent as this is a Grade II listed building. Planning issues and listed building consent delays may increase project costs, which will have to be accommodated within the overall project budget.

- Turner Contemporary
  - External funding from ACE and SEEDA will not be provided pro rata to spend as had been expected. This requires upfront funding by KCC in advance of receipt of these funds which is now reflected in the revised budget. The impact of the latest slippage is to reduce from £5.93m the upfront funding to the current estimate of £3.75m over 2 years.

(b) Details of action being taken to alleviate risks

- Ashford Gateway Plus
  - Urgent detailed discussions continue with all parties, including the design team. Agreement has been reached with ABC but further work is being undertaken with CABE (Commission for Architecture in the Built Environment), prior to the planning application being submitted.
  - A continuing dialogue with the Chief Executive of Ashford's Future and English Partnerships is in place to ensure that, as far as possible any necessary support is secured.

- Gravesend Library
  - A planning consultant has been appointed to support the project and to resolve outstanding concerns with Gravesham BC and an employers agent will now see the project through from the planning stage to completion on the basis of design and build.

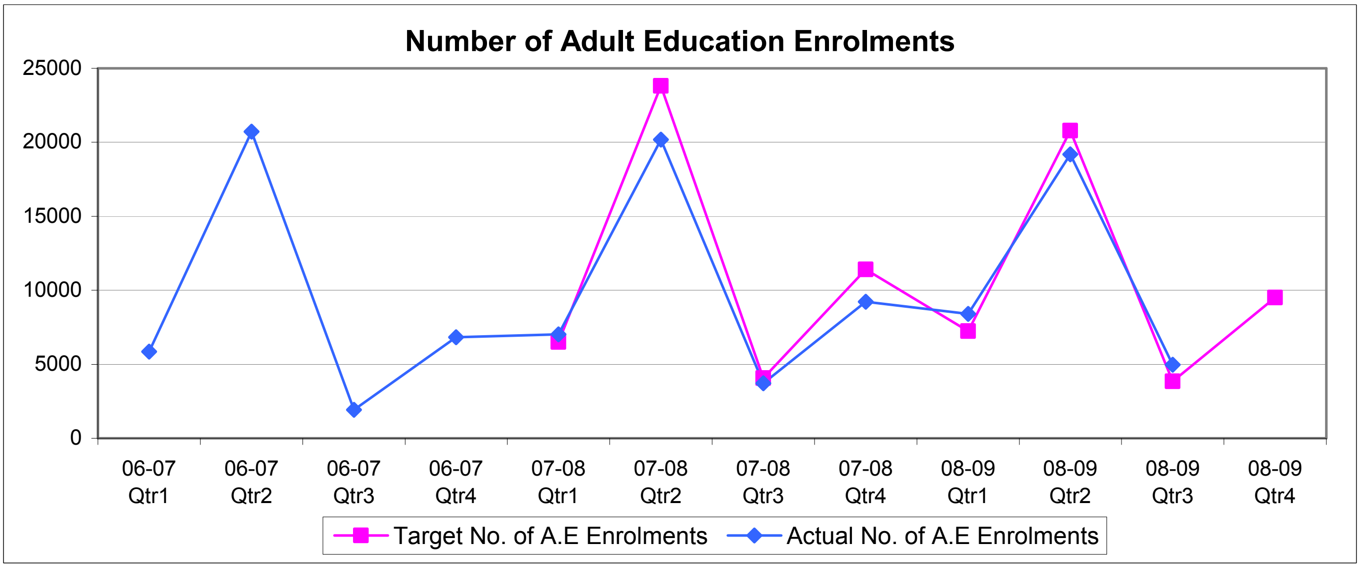
- Turner Contemporary
  - ACE and SEEDA funding agreements due to be signed imminently. Both ACE and SEEDA will provide £525k six months after construction starts (planned May 2009) and a further £750k half way through construction (planned October 2009). They will pay a further £1,480k on completion of construction (planned May 2010) and the balance (£1,095k ACE and £1,245k SEEDA) 6 months after opening (planned April 2011).

    We are expecting to claim the remaining £2.9m of external funding required for the project from the Turner Contemporary Arts Trust during 2010-11.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 **Number of Adult Education Enrolments**:

	Financial Year				
	2006-07	**2007-08**		**2008-09**	
	A.E Enrolments	Target	A.E Enrolments	Target	A.E Enrolments
Q1 07-08	5,849	6,501	7,030	7,241	8,416
Q2 07-08	20,713	23,803	20,183	20,788	19,179
Q3 07-08	1,925	4,071	3,727	3,839	4,961
Q4 07-08	6,829	11,416	9,230	9,507	
TOTAL	**35,316**	**45,791**	**40,173**	**41,375**	**32,556**

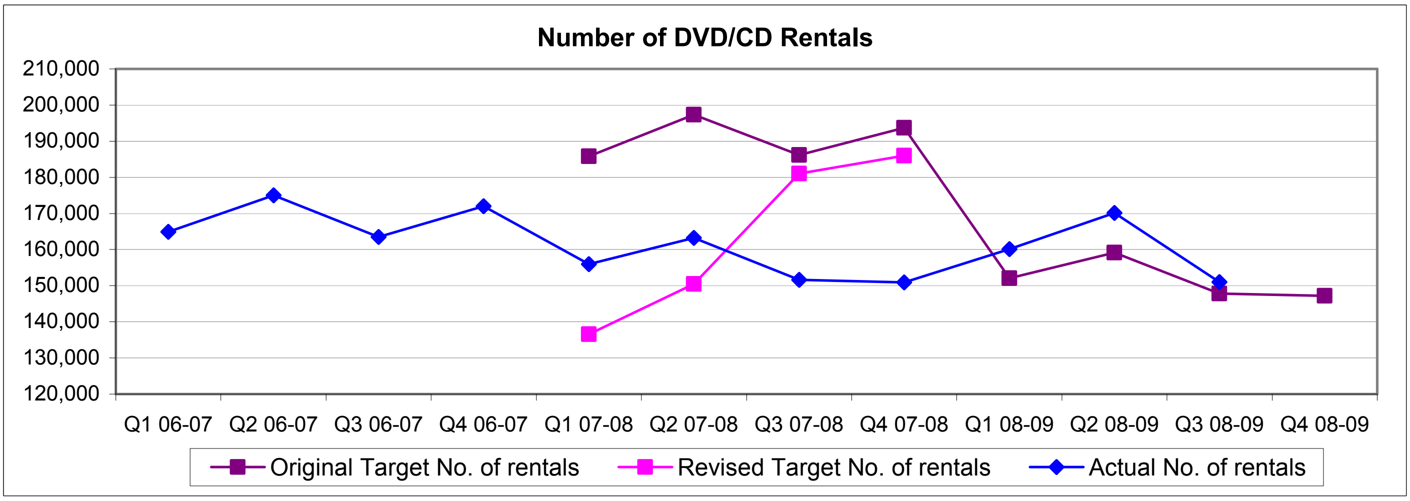


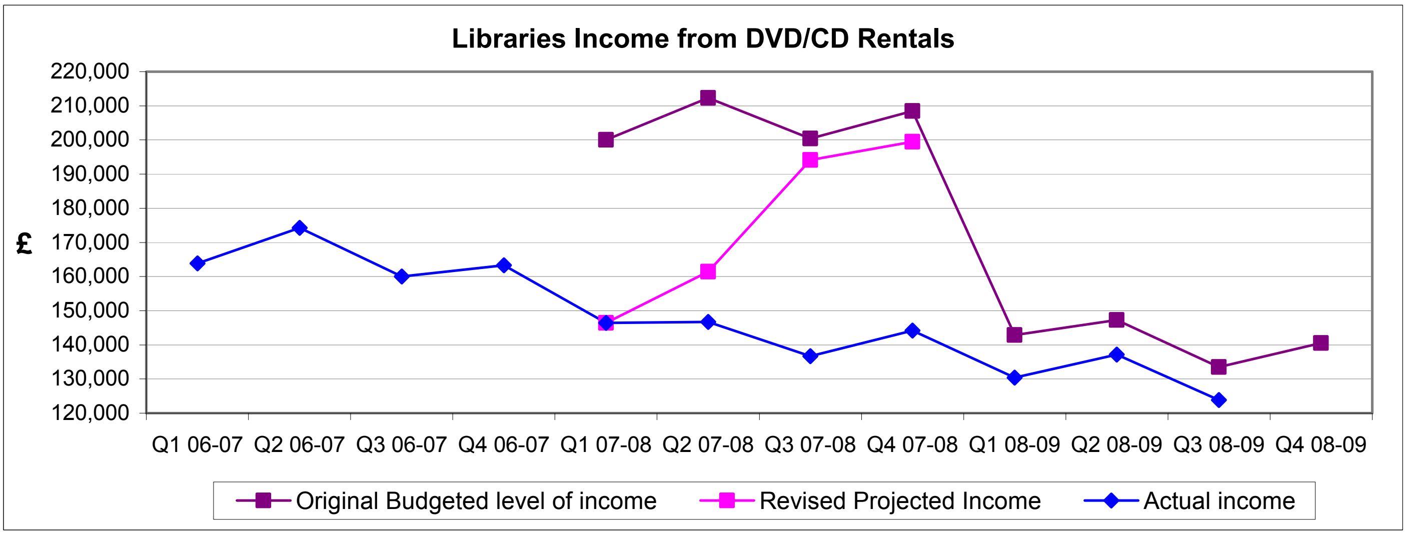
Comments:

- The LSC grants depend partly on enrolments to courses and are subject to a contract agreement with LSC. Students taking courses leading to a qualification are funded via Further Education (FE) grant based upon the course type and qualification. However, students taking non-vocational courses not leading to a formal qualification are funded via a block allocation not related to enrolments, referred to as Adult and Community Learning Grant (ACL) grant.
- Students pay a fee to contribute towards costs of tuition and examinations. There is a concession on ACL tuition fees for those aged under 19, those in receipt of benefits and those over 60. FE courses are free for those aged under 19 or in receipt of benefits undertaking Basic Skills or Skills for Life Courses.
- The AE service reduced expenditure on course provision in 2007-08 as a result of lower than anticipated enrolments, however a residual pressure remained on the AE budget which was largely as a result of a reduction in tuition fee income due to the reduced enrolments, hence a rolled forward overspend of £0.373m into 2008-09.
- The target numbers of enrolments for 2008-09 reported in the outturn report to Cabinet on 16 June were indicative as they still needed to be negotiated and agreed with the LSC. The indicative figures were based on estimates used for curriculum plans to set the 2008-09 budget. The target numbers now reflect the figures agreed with the LSC, the overall total remains the same as previously reported but the profile across the four quarters has changed.
- The target enrolments relate to courses starting in the stated periods i.e. April to June, July to September, October to December, January to March. The actual enrolments similarly relate to courses starting in those periods. In some instances students enrol for courses after the course has started. This means that the actual enrolments may be different from those previously reported. This is especially the case in the autumn when significant numbers may enrol in October or November for courses that started in September.

2.2 Number of Library DVD/CD rentals together with income raised:

	2006-07		2007-08						2008-09			
	No of rentals	Income (£)	No of rentals			Income (£)			No of rentals		Income (£)	
	actual	actual	Budgeted target	revised target	actual	budget	revised projected income	actual	Budgeted target	actual	Budget	actual
April–Jun	164,943	163,872	185,800	136,556	155,958	200,000	146,437	146,437	152,059	160,162	142,865	130,379
July–Sep	174,975	174,247	197,300	150,500	163,230	212,300	161,390	146,690	159,149	170,180	147,232	137,132
Oct–Dec	163,470	160,027	186,200	181,000	151,650	200,400	194,096	136,698	147,859	150,968	133,505	123,812
Jan–Mar	171,979	163,269	193,700	186,000	150,929	208,500	199,458	144,136	147,156		140,533	
TOTAL	**675,367**	**661,415**	**763,000**	**654,056**	**621,767**	**821,200**	**701,381**	**573,961**	**606,223**	**481,310**	**564,135**	**391,323**





Comments:

- Target figures for 2006/07 have not been shown as this data was not presented in previous monitoring reports
- Rentals of audio visual materials (especially videos and CDs) continue to decline as videos become more obsolete and alternative sources for music become more widely available. Demand for DVDs has remained reasonably stable. Demand for spoken word materials has increased but these do not attract a loan charge as they replace the core service (the printed word) for people with a visual impairment, hence why rentals are above target but income is below.
- Targets and income budgets set for 2008-09 are based on a continued decline. The service has increased income from other merchandising to offset the loss of income from AV issues which is not included in these figures.
- The actual number of rentals includes those from visits to lending libraries, postal loans and reference materials.

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	
Public Health portfolio							
Kent Department of Public Health	**949**	**0**	**949**	**-86**	**-52**	**-138**	£78k delayed start to HealthWatch prog & £30k Target 50
Corporate Support & External Affairs portfolio							
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	
Total CS&EA	**52,916**	**-22,357**	**30,559**	**6,635**	**-7,127**	**-492**	
Policy & Performance portfolio							
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	
Total P&P	**2,828**	**-1,246**	**1,582**	**60**	**-53**	**7**	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Finance Portfolio							
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
Total Finance	**39,419**	**-23,067**	**16,352**	**1,468**	**-1,470**	**-2**	
Total Directorate Controllable	**96,112**	**-46,670**	**49,442**	**8,077**	**-8,702**	**-625**	
Assumed Management Action:							
- CS&EA portfolio						**0**	
- P&P portfolio						**0**	
- Finance portfolio						**0**	
Forecast after Mgmt Action				**8,077**	**-8,702**	**-625**	
Memorandem Item							
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 it's 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
Corporate Support & External Affairs Portfolio						
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
split:						
- real variance						0
- re-phasing		-107	+37		+70	0
Policy & Performance Portfolio						
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
split:						
- real variance		0	0	0	0	0
- re-phasing		0	0	0	0	0
Finance Portfolio						
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
split:						
- real variance		+41	0	0	0	+41
- re-phasing		-613	+613	0	0	0
Directorate Total						
Revised Budget	2,571	14,967	13,894	14,449	29,608	75,489
Variance	0	-679	650	0	70	41

Real Variance		**+41**	**0**	**0**	**0**	**+41**
Re-phasing		**-720**	**+650**	**0**	**+70**	**0**

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

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
	None					
			0	**0**	**0**	**0**
Underspends/Projects behind schedule						
FIN	Modernisation of assets	Phasing	-335			
			-335	**0**	**0**	**0**
			-335	**0**	**0**	**0**

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

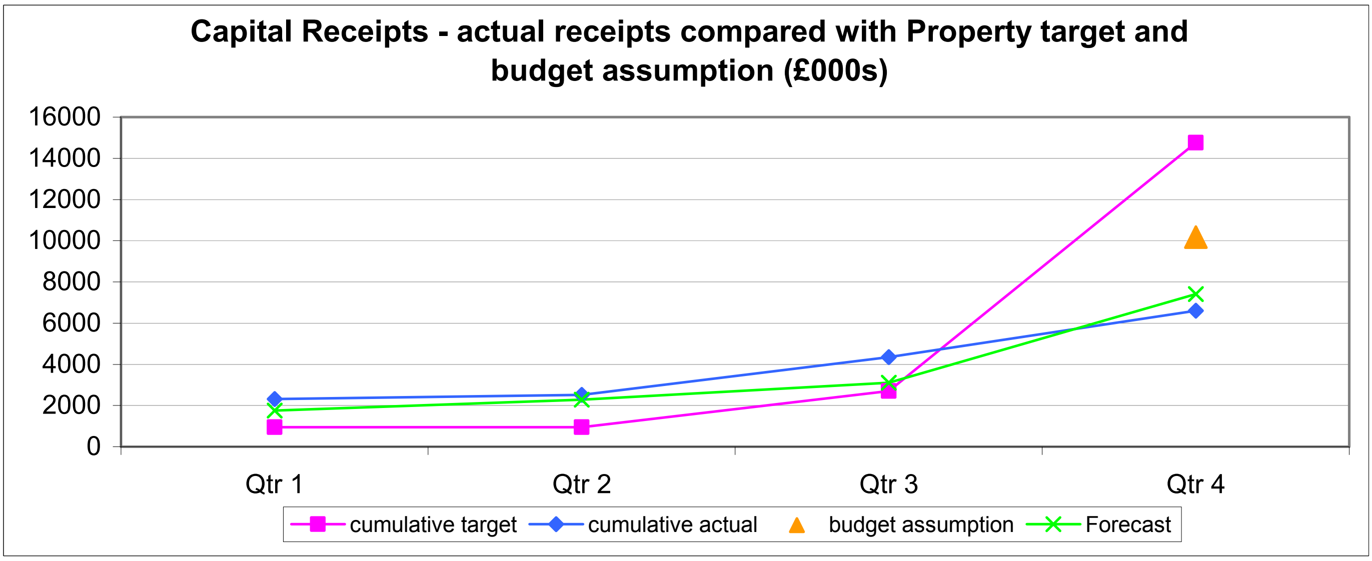
2.1 **Capital Receipts – actual receipts compared to budget profile**:

	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
TOTAL	***10,176***	*****14,761**	**6,595**	**7,411**

* *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:

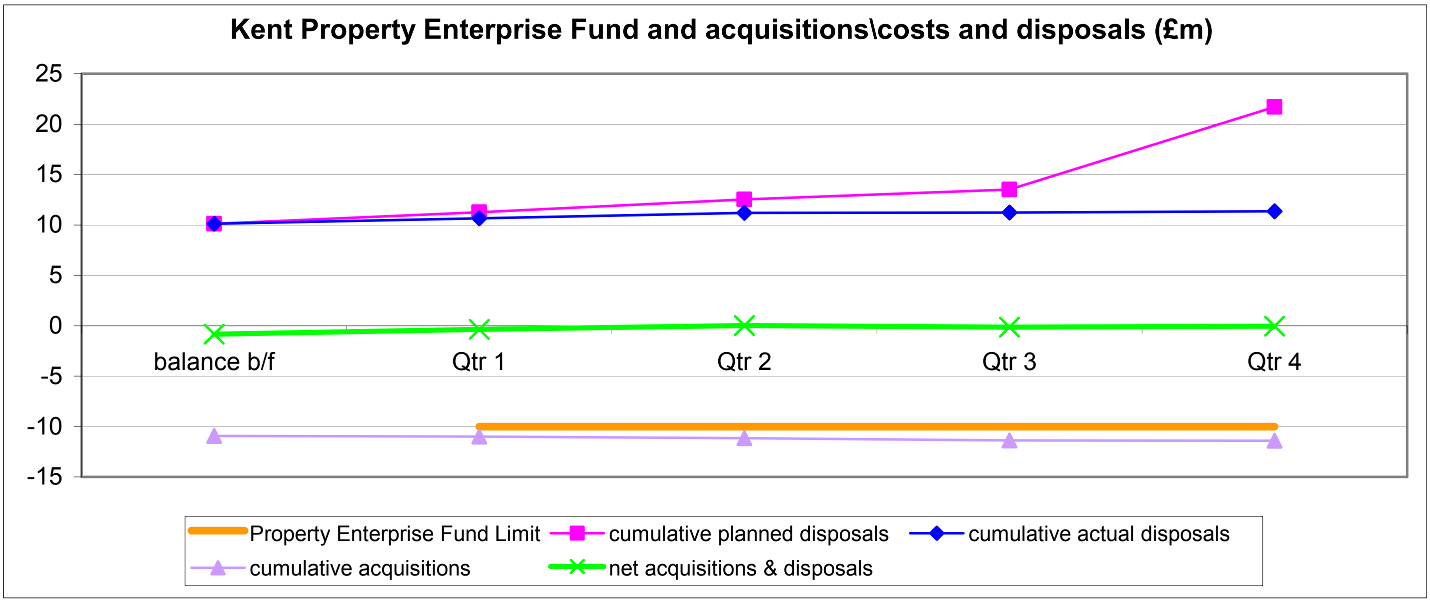
- A review of the capital programme was undertaken to take into account the downturn in the property market due to the global credit crunch. This has resulted in the budget for 2008-09 now only relying on £10,176k of capital receipts as reflected in the 2009-12 MTP, which is more realistic given the 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
Potential Surplus Receipts	**398**

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

	Kent Property Enterprise Fund Limit £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.

  <u>Balance brought forward</u>

  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.

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

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:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Corporate Support & External Affairs portfolio							
Contribution to IT Asset Maintenance Reserve	2,424		2,424			0	
PFI Grant		-656	-656			0	
Total Corporate Support	**2,424**	**-656**	**1,768**	**0**	**0**	**0**	
Finance Portfolio							
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
Total Finance	**131,163**	**-41,406**	**89,757**	**-5,555**	**4,840**	**-715**	
Total Controllable	**133,587**	**-42,062**	**91,525**	**-5,555**	**4,840**	**-715**	

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

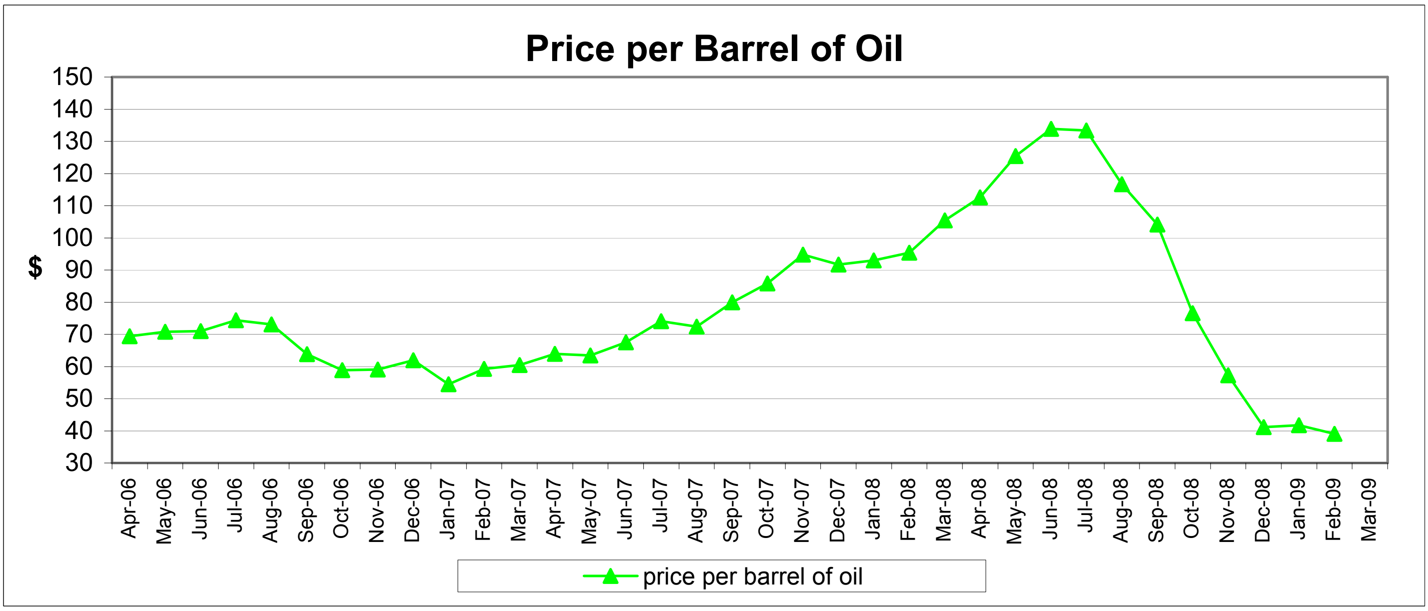
1.1.7 **Details of proposals for residual variance**: *[eg roll forward proposals; mgmt action outstanding]*

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.