

To: CABINET – 18 May 2009

By: Nick Chard, Cabinet Member – Finance

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## REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT

### 1. Introduction

1.1 This exception report highlights the main movements since the report to Cabinet on 20 April 2009 and is based on the March monitoring returns. This is the last monitoring report before final outturn for 2008-09 is reported to Cabinet in July.

### 2. Revenue

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

**Table 1: Net Revenue Position after Proposed Management Action**

Portfolio	Gross Variance	Proposed Management Action	Net Position after management action		Movement
			This Month	Last Month	
	£k	£k	£k	£k	£k
O,R&S (CFE)	+2,760	-722	<b>+2,038</b>	+1,534	+504
CF&EA	-2,038	0	<b>-2,038</b>	-1,534	-504
Kent Adult Social Services	-595	0	<b>-595</b>	-584	-11
E,H&W	-3,272	0	<b>-3,272</b>	-2,929	-343
Regen & SI	-779	0	<b>-779</b>	-969	+190
Communities	+51	-51	<b>0</b>	0	0
Public Health	-142	0	<b>-142</b>	-138	-4
Corporate Support	-682	0	<b>-682</b>	-547	-135
Policy & Performance	-10	0	<b>-10</b>	-7	-3
Finance	-6,732	0	<b>-6,732</b>	-1,326	-5,406
<b>TOTAL (excl Schools)</b>	<b>-11,439</b>	<b>-773</b>	<b>-12,212</b>	<b>-6,500</b>	<b>-5,712</b>
Asylum	+5,950	0	+5,950	+5,222	+728
<b>TOTAL (excl Schools)</b>	<b>-5,489</b>	<b>-773</b>	<b>-6,262</b>	<b>-1,278</b>	<b>-4,984</b>
<b>Schools</b>	<b>+8,000</b>	<b>0</b>	<b>+8,000</b>	<b>+8,000</b>	<b>0</b>

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

**Table 2: Gross Revenue Position before Residual Management Action**

Portfolio	Variance		Movement
	This Month	Last Month	
	£k	£k	£k
Operations, Resources & Skills (OR&S) (CFE)	+2,760	+2,731	+29
Children, Families & Educational Achievement (CF&EA)	-2,038	-1,534	-504
Kent Adult Social Services (KASS)	-595	-584	-11
Environment, Highways & Waste (EH&W)	-3,272	-2,929	-343
Regeneration & Supporting Independence (R&SI)	-779	-969	+190
Communities	+51	+72	-21
Public Health	-142	-138	-4
Corporate Support & External Affairs	-682	-547	-135

Portfolio	Variance		Movement £k
	This Month £k	Last Month £k	
Policy & Performance	-10	-7	-3
Finance	-6,732	-1,326	-5,406
<b>Total (excl Asylum)</b>	<b>-11,439</b>	<b>-5,231</b>	<b>-6,208</b>
Asylum	+5,950	+5,222	+728
<b>Total (incl Asylum)</b>	<b>-5,489</b>	<b>-9</b>	<b>-5,480</b>

<b>Schools</b>	<b>+8,000</b>	<b>+8,000</b>	<b>-</b>
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2.3 The gross revenue position (excluding schools) is currently an underspend of £5.489m as shown in table 2 above, but this underspend is expected to increase to an underspend of £12.212m (excluding the pressure on Asylum) by year end, after assuming the implementation of residual management action, as shown in table 1. However, with the inclusion of the Asylum pressure of £5.950m, this reduces to an overall underspend of £6.262m.

2.4 Table 1 identifies that even after management action, a residual pressure is still forecast within the Operations, Resources & Skills portfolio, however this is offset by an underspend on the Children, Families & Educational Achievement portfolio.

### 2.5 Treasury Management:

While KCC is currently operating in line with previous and new reporting requirements, the Leader has proposed the establishment of a new sub-group of Cabinet called the "Treasury Advisory Group". This was endorsed at Cabinet Scrutiny on 29th April, with the understanding that:

- the minutes of the Group be sent to the Governance and Audit Committee and the Budget IMG for discussion;
- Where appropriate group leaders be allowed flexibility on membership of the group to take advantage of Members with expertise.

This Group will not replicate, change or replace the important role of Governance and Audit Committee. Instead, this Group will be a consultative group and focus upon the Terms of Reference attached as Appendix A to this report, which also sets out the proposed membership, reporting lines and frequency of meetings.

As noted in paragraph 3.6, additional savings have been achieved through Treasury Management, most significantly a restructure of existing debt will deliver net savings of £13m to the Council over the next 4 years. Due to accounting requirements, it has become apparent that £4m of this must be recognised in the 2008-09 accounts.

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

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

### 3.1 Children, Families & Education:

#### 3.1.1 Children, Families & Educational Achievement:

The overall movement in the gross position on this portfolio is an increase in the underspend of £0.504m from -£1.534m to -£2.038m. The main movements are:

- -£0.500m Advisory Service Kent - Early Years Team – an increase in the underspend from -£1.000m to -£1.500m as a result of additional re-badging of eligible Sure Start expenditure following further underspending caused by delays in opening Children's Centres.
- -£0.330m KCC Family Support – an increase in the underspend from £2.014m to £2.344m. This reduction is part of Children's Social Services (CSS) Divisions planned management action to balance the forecast overspend declared on Assessment and Related (see below). The management action has been achieved due to a delay in the recruitment to vacant posts until the CSS restructure plans have been completed.

- -£0.159m Advisory Service Kent – Primary Team – a reduction in the pressure from £0.247m to £0.088m due to additional income from schools for training and development and to provide additional support in schools. The associated expenditure had already been reflected in previous monitoring forecasts.
- -£0.088m Advisory Service Kent – Professional Development – an increase in the net underspend from -£0.113m to -£0.201m, which is as a result of additional income from schools for attending training and development activities. Within this net movement, the income forecast has increased by £0.251m which has been achieved by the running of additional courses, however this has resulted in some additional expenditure and as a result the forecast underspend on gross expenditure has reduced by £0.163m.
- -£0.024m Advisory Service Kent – Improvement Partnerships – within this net movement, the gross forecast outturn has increased by £0.136m to +£0.226m but this has been offset by an additional £0.160m income from schools (which in total is now forecast at £0.250m for the year). The variances are linked to three projects; National College of School Leadership (NCSL), Improving Together Network and Gifted and Talented project.
- +£0.261m Advisory Service Kent – Secondary Team – an increase in the forecast from -£0.014m to +£0.247m. There is an increase in expenditure of £0.344m which is largely the result of additional resources and support provided to secondary schools that OfSTED have highlighted as being cause for concern. This is partially offset by £0.083m of additional income.
- +£0.176m Assessment and Related – an increase in the pressure from +£0.696m to +£0.872m. Within this net position the gross pressure has increased by £0.330m to £1.708m due to the filling of frontline posts and this is being offset by a planned underspend on the Family Support line (see above). The forecast income has also increased by £0.154m to an over achievement of income of £0.836m. The increase this month largely relates to additional income from Health for Occupational Therapy.

In addition there are a number of smaller movements totalling £0.160m on other CF&EA budgets, all of which are below £0.1m.

### 3.1.2 Management Action:

The management action remains as reported to Cabinet in March, (i.e. where possible rebadging eligible expenditure against Sure Start grant, the LA element of DSG and 2007-08 unspent LAA grant), although the value has reduced in light of the movements above.

### 3.1.3 **Asylum:**

The Asylum Service is forecasting a funding shortfall of £5.950m this month, which is an increase of £0.728m compared to the last monitoring report. This funding shortfall is made up of £5.450m of direct costs and £0.5m of indirect costs.

The movements from last month are:

- Our income forecast for 18+ care leavers has reduced by approximately £0.2m following the 2007-08 audit as a result of clients being removed from the grant claim following the data matching exercise. We are therefore unable to claim the costs for these clients in 2008-09.
- Approximately £0.260m of the increase relates to higher than expected numbers of unaccompanied asylum seeking children (UASC) at the end of the financial year. At the end of March there were 380 under 18's UASC compared to 354 at the end of January, as reported in the last full monitoring report, although our previous forecast assumed that client numbers would reduce in February and March.
- Nearly £0.270m of the increase relates to higher than previously forecast Reception costs due to the continuing high numbers of referrals and the costs associated with setting-up and operating a new Reception facility in Ashford.

It is estimated that under the Home Office Grant rules for 2008-09, £2.645m of the under funding will be eligible for a Special Circumstances payment, bringing the net under funding down to £3.305m that will not be covered by grant income, which represents an increase of £0.205m from last month.

## **3.2 Kent Adult Social Services:**

3.2.1 The overall movement in the position on this portfolio is a small reduction of £0.011m from -£0.584m to -£0.595m. Although this is only a small overall movement in the portfolio position, there are some significant movements between service lines because £0.749m of Social Care Reform grant and £0.175m of Learning Disability Campus Re-provision grant will not be spent this year which, as we have some discretion over when we spend this grant, will be treated as a receipt in advance. The effect of this is that there is a shortfall in income forecast against the Specific Grant income budget and compensating reductions in spend forecast against service lines, mainly Older People Residential Care, Older People Other Services, Learning Disability Direct Payments and All Adults Assessment & Related.

## **3.3 Environment, Highways & Waste portfolio:**

The underspend for the portfolio has increased by £0.343m this month to £3.272m. This is due to:

- -£0.443m Waste Management – an increase in the underspend from £5.090m to £5.533m. This is due to:
  - -£0.140m further re-phasing of expenditure on the Kent Waste Partnership,
  - -£0.188m due to reduced tonnage, and
  - -£0.115m increased recycling income.
- +£0.100m Kent Highways Service – an increase in the overspend from £3.8m to £3.9m due to additional Network Operation Management Unit (NOMU) expenditure incurred to deal with frost damage and other minor repair issues.

## **3.4 Regeneration & Supporting Independence portfolio:**

The underspend for the portfolio has reduced by £0.190m this month to -£0.779m. This movement is due to:

- -£0.090m on the Supporting Independence budget due to further work being re-phased into 2009-10 as a result of the economic slowdown as reported last month (£0.050m) and a delay in the delivery of laptops to support vulnerable learners and the community programme (£0.040m). This funding is committed in the new year.
- +£0.280m because the presentation of the underspending previously reported for Planning & Development (£0.205m) and Planning Applications (£0.075m) has changed this month, following the Cabinet decision in March to create a small reserve to smooth the fluctuations in the costs arising from planning enquiries. Instead of declaring the underspends directly against these two Service Units, these amounts will be transferred to a new planning enquiry reserve to be drawn down as the costs of planning enquiries are incurred.

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

The underspend for the portfolio has increased by £0.135m this month to £0.682m. This is mainly due to:

- -£0.052m re-phasing of the Gateways programme due to delayed works at Ashford Plus.
- -£0.068m Corporate Communications – this is due to delayed spend on the promotion of the Healthwatch programme on behalf of Public Health.

## **3.6 Finance portfolio:**

The position on this portfolio has improved by £5.406m to an underspend of £6.732m.

- £0.116m of this movement relates to the Property Group budget and is due to a delay on the Better Workplaces Programme as asbestos has been found in a property and needs to be cleared before work can continue.
- The £5.290m balance of the movement this month is on the Financing Items budgets. This is the net movement on the Financing Items budgets where further underspending on treasury management is offsetting forecast overspends on:
  - the Insurance Fund;
  - litigation costs incurred for the original Turner Gallery project;
  - additional audit fees relating to specific projects; and
  - a shortfall in the contribution from Commercial Services as a result of reduced roadside advertising and an adjustment in respect of the treatment of Kent Top Temps dividends for prior years.

If we are successful with our Turner litigation case, then the first call on this money will be to repay the Finance portfolio for the litigation and mediation costs.

The increase in the treasury management underspend this month is largely as a result of:

- debt restructuring to lower coupon loans which earned discount savings, and in line with accounting regulations we are required to account for £4.024m within 2008-09,
- further savings from deferring new borrowing,
- recharging borrowing costs to PEF2,
- better than expected cash flows, and
- reduced interest apportionments.

#### **4. 2008-09 CAPITAL MONITORING POSITION BY DIRECTORATE**

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

	2008-09 £000s	2009-10 £000s
1. As reported to Cabinet on 20 April 2009	312,453	404,988
2. Additional DCSF grant for Archbishop Courtney (Tovil) Primary School (ORS portfolio)	519	1,481
3. Harnessing Technology – additional Standards Fund grant	2,183	
4. Harnessing Technology revenue contribution – capitalisation of the costs previously charged to revenue in order to be consistent in the accounting treatment of all of the costs of this project (ORS portfolio)	1,224	
5. Re-location of Manor Road Adolescent Resource Centre social care services, to be funded by PEF2 (CFEA portfolio) – this is an additional scheme added to the programme as recommended by PAG and approved by the Leader		95
6. Queen Elizabeth Foundation additional PEF2 allocation as approved by PAG and the Leader (KASS portfolio)	57	
7. Additional external funding for Integrated Transport projects (EH&W portfolio)	50	
8. Additional external funding for Capital Highways Maintenance projects (EH&W portfolio)	206	
9. A2 Linear Project – external funding (EH&W portfolio)	311	
10. Ashford Newtown Road Bridge scheme – Network Rail to undertake some of the work themselves rather than contribute funding (EH&W portfolio)	-567	
11. Forthill De-dualling project – additional external funding from Interreg and Thanet DC (R&SI portfolio)	418	
12. Gravesend Old Town Hall Phase 1 – removal of funding for costs which should be charged to revenue (R&SI portfolio)	-70	
13. Removal of properties now identified as PEF2 from Works to Properties for Disposal budget (Finance portfolio) – capital receipts funded ( <i>this will also impact in 2010-11 and future years</i> )	-175	-205
	<b>316,609</b>	<b>406,359</b>
14. PFI	73,420	54,983
	<b>390,029</b>	<b>461,342</b>

4.2 In addition, there has been some virements as follows:

- £116k from the ORS portfolio to the Communities portfolio towards the Edenbridge Community Centre.
- £14.5k from Policy & Performance portfolio to the EH&W portfolio for two Small Community Capital projects (£8.5k Kent High Weal project & £6k towards resurfacing Mayfield Road).

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

**Table 3: Capital Position**

Portfolio	Variance		Movement £m
	This Month £m	Last Month £m	
Operations, Resources & Skills (CFE)	-1.045	-3.038	+1.993
Children, Families & Educational Achievement	-0.442	-0.349	-0.093
Kent Adult Social Services	-1.812	-1.666	-0.146
Environment, Highways & Waste	-3.264	-2.618	-0.646
Regeneration & Supporting Independence	-1.648	-0.754	-0.894
Communities	-3.386	-2.407	-0.979
Corporate Support & External Affairs	-1.814	-0.104	-1.710
Policy & Performance	-0.083	-	-0.083
Finance	-0.807	-0.848	+0.041
<b>Total (excl Schools)</b>	<b>-14.301</b>	<b>-11.784</b>	<b>-2.517</b>
Schools	-	-	-
<b>Total</b>	<b>-14.301</b>	<b>-11.784</b>	<b>-2.517</b>

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

	Capital Variance £m
Supported Borrowing	-0.842
Prudential	-0.376
Prudential/Revenue (directorate funded)	-4.130
PEF2	-3.625
Grant	+5.175
External Funding - Other	-0.367
External Funding - Developer contributions	+0.425
Revenue & Renewals	-4.680
Capital Receipts	-2.183
General Capital Receipts (generated by Property Enterprise Fund)	-3.698
<b>TOTAL</b>	<b>-14.301</b>

- 4.5 Included in the funding table above is a forecast in year deficit on the original Property Enterprise Fund (PEF1) of £4.398m, £3.698m to support the capital budget and £0.7m to support the revenue budget, for which temporary borrowing will be required. This temporary borrowing is also reflected in table 4. This in year deficit together with the deficit of £0.828m brought forward from 2007-08, gives an overall forecast deficit on PEF1 as at 31 March 2009 of £5.226m against the £10m temporary borrowing facility.
- 4.6 The underspend against borrowing (both prudential and supported) shown in table 4 above is a contributory factor in the treasury management underspend reported within the revenue position of the Finance portfolio.
- 4.7 Overall there is a further -£2.517m of re-phasing of projects this month, as identified in table 3, the main movements are detailed below:

#### 4.8 Operations, Resources & Skills (CFE) portfolio:

The forecast variance for the portfolio has moved by +£1.993m from -£3.038m to -£1.045m this month. The main changes are:

- +£6.201m Building Schools for the Future Wave 3 – the programme is running ahead of the cash limit profile of spend. This movement in the forecast is due to revised milestone schedules being received from our private sector partner, which were not available in time for inclusion in earlier monitoring reports. The funding of this earlier than anticipated spend is not an issue as sufficient DCSF grant is in place to cover it.
- +£1.353m Special Schools Review. There have been a number of changes on this programme, the more significant being:
  - +£0.918m Ifield School - this mainly relates to the second payment to North West College for providing 6th Form accommodation. This became due on exchange of contracts which happened in the last few days of March, earlier than previously expected.
  - +£0.308m Valence School – this is partly due to the additional cost of a new roadway.
  - +£0.198m Bower Grove – additional costs required to complete the project which includes an element of contractor claims liabilities.
  - +£0.191m Meadowfield School – these additional costs in 2008-09 result from the year end accruals process differing from consultants estimates.
  - -£0.240m re-phasing of the Orchard Phase 2 project.
- +£0.558m BSF Development Costs – incl Secondary Transformation Team – Wave 3 development costs were higher than anticipated as a result of the delay to financial close. Additional work on the Wave 4 schemes was undertaken during the year to prepare schemes ready for issue to our private sector partner through BSF. Some preparatory work has also been carried out on Wave 5 schemes.
- +£0.244m Greenfields Primary School (Development Opportunity) – additional costs resulting from the discharging of previous contractor and potential contractor claims.
- +£0.110m Longfield Academy as a result of earlier than anticipated development costs.
- -£2.672m Maidstone Area Academies – this re-phasing is as a result of the delay in reaching financial close on the Cornwallis School, which has meant that start on site for Cornwallis has been delayed until 2009-10.
- -£1.745m Harnessing Technology – following the cash limit adjustment resulting from the additional Standards Fund grant and the capitalisation of the costs previously charged to revenue in order to be consistent in the accounting treatment of all of the costs of this project, £1.745m of the grant funding will re-phase to 2009-10.
- -£0.688m Surestart, Early Years and Childcare – there are delays across this programme including -£0.473m New Places & Sustainability – the external organisations to whom commitments have been made have been unable to complete their works in 2008-09. There is also re-phasing of works on the phase 2 ICT implementation of £0.195m.
- -£0.418m Children's Centres Phase 1 & 2 as a result of further delays to the programme. The main movements relate to projects at Briary, St Nicholas, Minster and Lawn.
- -£0.334m Spires Academy – the previous forecast has since been found to be incorrect and corrected as part of the outturn process, resulting in the need to re-phase into 2009-10.
- -£0.328m Building Maintenance Programme – this mainly results from less emergency maintenance in the final stages of the financial year than anticipated (£0.231m).
- -£0.154m St James the Great Primary School (Development Opportunity) – the project has been delayed as a result of inclement weather, additional works required by building control and a lack of information provided from the consultant. Also there was an under estimation of the time required to construct the undulating roof.
- -£0.120m Dartford Grammar School for Girls Sports Hall – the start of this project has been delayed pending the completion of the Dartford Campus project.

Over the period of the MTP, a further pressure of £0.967m has been identified this month on the ORS portfolio, bringing the overall pressure on this portfolio to £6.612m over the MTP period. This month's movement largely relates to a further £0.856m pressure on Special Schools Review, mainly as a result of additional costs at Bower Grove, Milestone and Valence School.

As explained in the March Cabinet report, £2.529m of the £6.612m pressure will be funded from unapplied capital resources and revenue contributions. The majority of the remainder of this pressure is on the Special Schools Review (SSR) where the costs have increased by £3.805m. This will be addressed in the 2010-13 MTP process.

4.9 Children, Families & Educational Achievement portfolio:

The forecast variance for this portfolio has moved by -£0.093m this month from -£0.349m to -£0.442m. This is mainly on the Windchimes project due to re-phasing of fees due on retentions yet to be made plus an element of uncommitted funding.

4.10 Kent Adult Social Services portfolio:

The forecast for the portfolio has moved by -£0.146m from -£1.666m to -£1.814m this month. This movement is mainly on the Flexible and Mobile Engagement (FAME) project as a result of ongoing delays caused by the KASS Directorate's current restructuring programme.

4.11 Environment, Highways & Waste portfolio:

The forecast for the portfolio has moved by -£0.646m from -£2.618m to -£3.264m this month. The main movements are:

- -£0.215m Kent Highways Services Accommodation – difficulty in securing an appropriate site for the West Kent Highways depot has resulted in further re-phasing.
- -£0.181m Rushenden Link Road – work has been deliberately slowed down as a result of an emerging funding issue, which has resulted in some re-phasing while the funding issue is resolved.
- -£0.140m Thamesway (Wider Fastrack) Scheme – settlement of the final account for this scheme, which completed in 2007-08, was less than previously anticipated.
- -£0.138m Old Scheme Residual works – most of this relates to a creditor provision which is now no longer needed. The funding released from this will be used to support pressure elsewhere within the programme.
- -£0.137m Waste Site improvement schemes – this reflects some re-phasing on the Swanley and Hawkinge sites of £0.085m and £0.052m respectively.
- -£0.099m PROW Structural Maintenance – this re-phasing is because bad weather in February delayed Medway River path work and there has been pressure on Ringways to concentrate on Highways maintenance.
- -£0.074m Safety Camera Partnership – this represents further underspending on the project (£0.240m underspending is already being used to support additional Highways Maintenance spend).
- +£0.386m Integrated Transport Schemes – more works were carried out in March due to the good weather during the month
- +£0.125m Sittingbourne Northern Relief Road – work on this scheme has progressed a little faster than expected. This additional expenditure will be funded by grant and developer contributions.

There are a number of smaller movements across the programme, all below £0.1m.

4.12 Regeneration & Supporting Independence portfolio:

The forecast for the portfolio has moved by -£0.894m from -£0.754m to -£1.648m this month. The main movements are:

- -£0.408m Gravesend Old Town Hall (Phase 1 & 2) – this re-phasing is due to some safety issues in dealing with temporary scaffolding to carry out the main portico work.
- -£0.174m Empty Properties – some loan applications have re-phased into 2009-10 due to Shepway DC deferring the decision to join the loan scheme until 2009-10.
- -£0.171m Euro Kent – due to the need to assess the traffic impact on the existing road, the Traffic Calming work has been delayed.
- -£0.113m Dover Priory station approach road– progress has been slower than anticipated due to delayed confirmation of partnership funding.

#### 4.13 Communities portfolio:

The forecast for the portfolio has moved by -£0.979m from -£2.407m to -£3.386m this month. The main movements are:

- -£0.219m The Beaney, Canterbury. This is because our contribution to this Canterbury City Council managed project is not yet required following delays to the Stage F design programme.
- -£0.213m re-phasing of the renewal of Libraries ICT System. This is a timing issue which will not impact on delivery.
- -£0.138m Modernisation of Assets as a result of delays in DDA works at Dartford/Marling Cross libraries and delays in the planned maintenance programmes at Dover Discovery Centre, Quarterdeck, Linwood and Aylesham Youth Centres.
- -£0.118m Edenbridge Community Facility - this mainly arises from the virement from the ORS portfolio, as this contribution is not required until 2009-10 as plans for the project have yet to be agreed.
- -£0.100m Grant to Cobtree Trust - this re-phasing is due to a delay in receiving the grant application.

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

The forecast for the portfolio has moved by -£1.710m from -£0.104m to -£1.814m this month. The main movements are:

- -£1.514m on KPSN WAN replacement project – it has been extremely difficult to obtain forecast figures for this project as we have had protracted negotiations with Unisys as to how much they should be billing us for. They wanted to bill on their estimated cost model instead of on actual delivery of circuits. Unisys also insisted that they would put adequate resources into meeting 31 March implementation deadline but this did not happen, hence delayed implementation with some re-phasing of costs into 2009-10.
- -£0.123m on Gateways as a result of a delayed start to the Dover Gateway.

#### 4.15 Policy & Performance portfolio:

A variance of -£0.083m is now forecast as a result of some Small Community Capital Grants re-phasing into 2009-10 where the decisions on allocations were taken late in the financial year and offer letters not dispatched until late March. Acceptance of offers could not therefore be received until the new financial year.

#### 4.16 Finance portfolio:

The forecast for the portfolio has moved by +£0.041m from -£0.848m to -£0.807m this month. The main movements are:

- +£0.129m on Works to Properties for Disposal reflecting a reduction in the underspend following realignment of the budget to remove properties which have now been identified as PEF2 properties.
- -£0.101m increased re-phasing of Modernisation of Assets as a result of the SHQ lift maintenance work not being completed until May 2009 and a change in programme work flow on the window replacement.

## **5. RECOMMENDATIONS**

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

5.2 Cabinet is asked to agree to the establishment of a Treasury Advisory Group as detailed in paragraph 2.5 of this report.

## Treasury Advisory Group – Terms of Reference

1. It is proposed that the Treasury Advisory Group will have the following Terms of Reference and governance arrangements:
  - a. The Treasury Advisory Group will be responsible for advising the Cabinet and the Director of Finance on treasury management policy within KCC's overarching Treasury Management Policy
  - b. The Group will meet on a quarterly basis and at such other times of the year as deemed necessary by the Director of Finance or the Cabinet
  - c. The membership of the Treasury Advisory Group will comprise:
    - i. The Cabinet Member for Finance (Chairman)
    - ii. The three Members (one from each political group represented on the Council)
    - iii. The Deputy Leader of the Council
    - iv. The Chairman of the Corporate Policy Overview Committee
    - v. The Chairman of the Superannuation Fund Committee
  - d. The Director of Finance and/or the Head of Financial Services will attend all meetings of the Advisory Group
  - e. Meetings of the Advisory Group will be held in private because of the commercially sensitive nature of the information being discussed
  - f. Following each meeting of the Treasury Advisory Group, a summary of policy recommendations made will be prepared for the Cabinet's consideration. Following the Cabinet discussion, the outcomes will be reported in the usual way in accordance with the Constitution
2. It is proposed that the first meeting of the Treasury Advisory Group should take place in the next 3 to 4 weeks, where the frequency and timing of further meetings will be discussed. The Treasury Advisory Group will be supported by Democratic Services and Local Leadership.