

TO: Corporate Policy Overview Committee – 25th September 2009

BY: Paul Carter, Leader
Alex King, Deputy Leader
John Simmonds, Cabinet Member for Finance
Roger Gough, Cabinet Member for Corporate Support Services & Performance Management
Alan Marsh, Cabinet member for Public Health
Peter Gilroy, Chief Executive

SUBJECT: Financial Monitoring 2009/10

Classification: Unrestricted

Summary:

Members of the POC are asked to note the first quarter's budget monitoring report for 2009/10 which was reported to Cabinet on 14th September 2009.

FOR INFORMATION

1. Introduction

- 1.1 This is a regular report to this Committee on the forecast outturn for Chief Executives Department and Financing Items budgets within the Corporate Services portfolios.

2. Forecast Outturn

- 2.1 A detailed quarterly budget monitoring report is presented to Cabinet, usually in September, December and March, and a draft final outturn report in June. These reports outline the full financial position for each portfolio and are reported to POCs after they have been considered by Cabinet. In the intervening months an exception report is made to Cabinet outlining any significant variations from the quarterly report. The first quarter's monitoring report for 2009/10 was presented to Cabinet on 14th September and the annexes for the Chief Executives Department and Financing Items are attached to this report.

2.2 Revenue

Chief Executives Department

- 2.2.1 Since the last report to this POC in July (which identified an overspend in democratic services and additional income generated by legal services) we have identified the following variations from the approved budget:

- a) Further additional income generation within legal services resulting in a net under spend of £196k
- b) A pressure of £175k where savings from in year management action have been held in a central budget pro tem but eventually will be delivered within other budget headings and the budget vired once the savings/income generation have been agreed
- c) A pressure of £167k on staffing in central policy and performance, improvement & engagement

- 2.2.2 The overall impact is a net forecast overspend of £354k which will be considered by the CED management team in September and an action plan agreed to bring the budget back into balance.
- 2.2.3 The support element of Chief Executive's Department budgets has been delegated to service directorates. This means any over or under spends on the support elements will feature in directorate budget monitoring. At this stage none of the variations outlined above have any impact on delegated support service budgets.

Financing Items

2.2.4 A small net under spend of £160k has been reported on the Financing Items budget.

2.3 Capital

2.3.1 The under spends from 2008/09 have now been reflected in revised cash limits for the Corporate Support Services & Performance Management and Localism & Partnerships portfolios. We are reporting a £150k under spend in 2009/10 on the capital maintenance budget for the county office estate as part of a managed programme to deliver a saving on revenue contributions to capital. We have also identified rephasing of expenditure on the Kent Public Services Network (KPSN) of £1.491m from 2009/10 into 2010/11 and £106k to be brought forward on asset disposal costs from future years into 2011/11.

3 Recommendations

3.1 Members of the POC are asked to note the projected outturn for the Chief Executive's Department and Financing Items for 2009/10 based on the first quarter's monitoring report to Cabinet.

Background Documents:

- 1) Corporate Policy Overview Committee 8th July 2009 – Financial Monitoring 2009/10
- 2) Cabinet 14th September 2009 – Revenue and Capital budgets, Key Activity and risk Monitoring

Officer Contact:

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CHIEF EXECUTIVES DIRECTORATE SUMMARY

JULY 2009-10 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered “technical adjustments” ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the budget was set to reflect a number of technical adjustments to budget and the addition of £0.922m of roll forward from 2008-09, as approved by Cabinet on 13 July 2009.
- The inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 2 of the executive summary.

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	
Localism & Partnerships portfolio							
Democratic Services:						0	
- core service	4,354	-3	4,351	323	-135	188	Committee manager post & Members allowance
- support to directorates	160	-160	0			0	
TOTAL Democratic Services	4,514	-163	4,351	323	-135	188	
International Affairs Group	587	-35	552	-2	2	0	
Kent Partnerships	763	-321	442	-87	87	0	Reduced LSC income & third party payments
County Council Elections	255		255	0	0	0	
Public Consultation	100		100	0	0	0	
Provision for Member Community Grants	852		852	0	0	0	
Local Scheme Spending recommended by Local Boards	427		427	0	0	0	
District Grants for Local Priorities	625		625	0	0	0	
Budget Managed by this portfolio	8,123	-519	7,604	234	-46	188	
Less Support Costs delegated to Service Directorates	-160	160	0	0	0	0	
Total L&P portfolio	7,963	-359	7,604	234	-46	188	
Corporate Support & Performance Management portfolio							
Personnel & Development:						0	
- core service	6,149	-5,004	1,145	3	-25	-22	Additional Income to cover staff costs (see below)
- support to directorates	4,356	-4,356	0	26	-4	22	Additional staff costs for Support to CMY, EH&W & CED
TOTAL P&D	10,505	-9,360	1,145	29	-29	0	
Business Solutions & Policy:							
- core service	10,636	-8,889	1,747	249	-190	59	EIS trading activity with Schools
- support to directorates	14,410	-14,410	0	26	-85	-59	Pay as you go project activity & KPSN adj
TOTAL Business Solutions	25,046	-23,299	1,747	275	-275	0	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Property Group:							
- core service	5,442	-4,080	1,362	0	0	0	
- support to directorates	4,687	-4,687	0	0	0	0	
TOTAL Property Group	10,129	-8,767	1,362	0	0	0	
Internal Audit & Procurement Support to Directorates						0	
- core service	286	-30	256	6	-6	0	
- support to directorates	754	-754	0	5	-5	0	Pay as you go activity
TOTAL Internal Audit & Procure	1,040	-784	256	11	-11	0	
Legal Services	6,189	-7,037	-848	220	-416	-196	Increased trading activity and related costs and -£20k premises saving
Corporate Communications	1,624	-94	1,530	-1	1	0	
Strategic Development Unit	3,853	-1,287	2,566	51	-51	0	Kent Graduate Prog recruitment funded by income from Directorates
Strategic Management	651		651	0	0	0	
Centrally Managed Budgets	1,843	-416	1,427	175	0	175	In year management action savings target
Contact Kent	5,048	-2,091	2,957	0	0	0	
Central Policy	709	-81	628	124	0	124	Strengthening of team
Performance, Improvement & Engagement	412		412	129	-86	43	Consultancy to develop plans for change
Kent Works	895	-895	0	0	0	0	
PFI Grant		-630	-630	0	0	0	
Dedicated Schools Grant		-4,289	-4,289	0	0	0	
Support Services purchased from CED	4,199		4,199	20	0	20	Saving generated in Legal re: Castle St offices
Budget Managed by this portfolio	72,143	-59,030	13,113	1,044	-878	166	
Less Support Costs delegated to Service Directorates	-24,207	24,207	0	28	-28	0	Adj for KPSN revised charges
Total CS&PM	47,936	-34,823	13,113	1,072	-906	166	
Finance Portfolio							
Finance Group:							
- core service	6,178	-4,199	1,979	-41	41	0	Insurance vacancies resulting in reduced drawdown from Insurance Fund
- support to directorates	1,749	-1,749	0			0	
TOTAL Finance Group	7,927	-5,948	1,979	-41	41	0	
Less Support Costs delegated to Service Directorates	-1,749	1,749	0	0	0	0	
Total Finance portfolio	6,178	-4,199	1,979	-41	41	0	
TOTAL CORPORATE POC	62,077	-39,381	22,696	1,265	-911	354	
Public Health & Innovation portfolio							
Kent Department of Public Health	1,410	-620	790	10	-10	0	
Total Directorate Controllable	63,487	-40,001	23,486	1,275	-921	354	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Assumed Management Action:							
- L&P portfolio					-188	-188	
- CS&PM portfolio				-166		-166	
- Finance portfolio						0	
- PH&I portfolio						0	
Forecast after Mgmt Action				1,109	-1,109	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:

Localism & Partnerships portfolio

1.1.3.1 Democratic Services: Primary variance on gross **(+£117k)** due to continuance of the Committee Manager post through to March 2010 plus other salary pressures which include three lots of maternity cover. A further **(+£52k)** variance is due to the part year effect of the restructuring of Members Allowances.

Corporate Support & Performance Management portfolio:

1.1.3.2 Information Systems (Business Solutions & Policy): Variances on gross spend **(+£303k)** and income **(-£303k)** reflect the increased demand for additional IT services, mainly trading activity with Schools and Pay-as-you-go projects, a demand which is difficult to predict during budget setting. This has been partially offset by reduced costs and income of **-/+£28k** relating to Kent Public Services Network (KPSN).

1.1.3.3 Legal Services: Variances on gross spend **(+£240k)** and income **(-£416k)** reflect the additional work that the function has taken on over and above that budgeted for, responding to both internal and external demand. In addition, there is a small saving on premises costs as a result of vacating Castle Street offices as part of the Better Workplaces Programme.

1.1.3.4 Centrally Managed Budgets (CMB): **(+£175k)** - In the 2009-10 approved budget there is an MTP saving for 'In year Management action'. The saving is to be met from savings and income generation opportunities which present themselves through the year. Although the savings target is held within CMB, the offsetting savings/income generation is being/will be achieved across the other budget lines.

1.1.3.5 Central Policy & Performance, Improvement & Engagement: Additional staff and consultants have been appointed within the Central Policy and Improvement & Engagement teams in order to strengthen these areas in preparation of developing plans to improve performance management and corporate assurance across KCC. These pressures will be highlighted in the MTP.

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
CSPM	Information Systems costs of additional services/projects	+303	CSPM	Legal income resulting from additional work (partially offset by increased costs)	-416
CSPM	Legal services cost of additional work (offset by increased income)	+240	CSPM	Information Systems income from additional services/projects	-303
CSPM	MTP saving 'In year management action'	+175			
CSPM	Staffing & consultancy costs to strengthen performance management & corporate assurance across KCC	+167			
L&P	Committee Manager post to March 2010 plus maternity covers.	+117			
		+1,002			-719

1.1.4 Actions required to achieve this position:

N/A

1.1.5 Implications for MTP:

Localism & Partnerships portfolio

The restructuring of Members Allowances has resulted in a +£110k pressure which will be reflected in the 2010/11 MTP.

Corporate Support & Performance Management portfolio:

The strengthening of the Policy team and Improvement & Engagement area will be included as a pressure in the 2010/11 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]

The pressures highlighted will be discussed at CEDMT in September with the full expectation that the budget will be balanced by the year-end. Details of a Management Action Plan will be provided in a future report. Current assumptions are that this will include increased income generation and an in-depth review of contributions to and from CED specific reserves.

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 since last reported to Cabinet on 13th July 2009, as detailed in section 4.1.

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

	Prev Yrs Exp £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	Future Yrs £000s	TOTAL £000s
Corporate Support Services & Performance Management						
Budget	16,902	21,256	17,824	16,599	14,613	87,194
Additions:						
- roll forward	-2,752	2,680	72	0	0	0
- Outturn and pre-outturn changes	-3,231					-3,231
-						0
Revised Budget	10,919	23,936	17,896	16,599	14,613	83,963
Variance		-1,641	1,597	0	-106	-150
split:						
- real variance		-150	0	0	0	-150
- re-phasing		-1,491	+1,597	0	-106	0
Localism & Partnerships Portfolio						
Budget	512	500	500	500	1,000	3,012
Additions:						
- roll forward	-84	84				0
- Outturn and pre-outturn changes	-428					-428
-						0
Revised Budget	0	584	500	500	1,000	2,584
Variance		0	0	0	0	0
split:						
- real variance		0	0	0	0	0
- re-phasing		0	0	0	0	0
Real Variance	0	-150	0	0	0	-150
Re-phasing	0	-1,491	+1,597	0	-106	0

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2009-10 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						
			+0	+0	+0	+0
Underspends/Projects behind schedule						
CSS&FM	Kent Public Services Network	phasing		-1,491		
			0	-1,491	0	0
			0	-1,491	0	0

1.2.4 Projects re-phasing by over £1m:

1.2.4.1 Kent Public Services Network; -£1.5 million

KPSN is a communications infrastructure that spans the whole county of Kent, connecting the majority of KCC's sites into central services. It connects these KCC administrative sites, including Libraries, to services such as email, internet access and central business applications. The network is also being used by Kent's local and independently managed Schools, all Kent Connects Partner's including Police and Fire & Rescue for internet access and GCSx services as well as providing network connectivity for a number of local authority administrative sites. KPSN's aim was to replace the old KCC network and provide a minimum of 5 times more bandwidth into KCC's sites for the same money and to offer services to the wider public sector in the county. Both of these aims have been achieved.

Kent Schools are scheduled to transfer on to the new network as of 1st September 2009. Until the then, it is very difficult to forecast total costs. Increased capacity has been held back until Schools transferred, thus saving costs by not paying for capacity until it was needed. It is likely that capacity and other increases will be necessary when all services are on the same network. As these costs will only have a part year effect in 09/10, there is re-phasing in to 10/11. Until steady state is reached, future year forecasts are difficult.

There are no overall financial implications as the total contract will be delivered within existing cash limits.

	Prior Years	2009-10	2010-11	2011-12	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	6,551	7,882	7,314	7,314	4,816	33,877
Forecast	6,551	6,391	8,805	7,314	4,816	33,877
Variance	0	-1,491	+1,491	0	0	0
FUNDING						
Budget:						
supported borrowing	311	200				511
prudential						0
prudential/revenue	2,765	1,491	0	0	0	4,256
grant		3,100	4,200	4,200	2,800	14,300
revenue	3,475	3,091	3,114	3,114	2,016	14,810
TOTAL	6,551	7,882	7,314	7,314	4,816	33,877
Forecast:						
supported borrowing	311	200				511
prudential		150				150
prudential/revenue	2,765	0	1,491			4,256
grant		3,100	4,200	4,200	2,800	14,300
revenue	3,475	2,941	3,114	3,114	2,016	14,660
TOTAL	6,551	6,391	8,805	7,314	4,816	33,877
Variance	0	-1,491	+1,491	0	0	0

1.2.5 Projects with real variances, including resourcing implications:

Corporate Support and Performance Management Portfolio

Modernisation of Assets; (£-150k) A decision was taken at Resource Directors Group in March 09 to generate an underspend against SHQ maintenance in order to address the gap in the revenue 0910 CSS&PM Portfolio budget.

After allowing for these issues the underlying variance is nil.

1.2.6 General Overview of capital programme:

- (a) Risks
N/A
- (b) Details of action being taken to alleviate risks
N/A

1.2.7 Project Re-Phasing

It is proposed that a cash limit change be recommended for the following projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m can be requested but the full extent of the rephasing will have to be shown. The possible re-phasing is detailed in the table below.

	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	
Disposal costs (CSS&PM)					
Amended total cash limits	+246	+144	+843	+1,687	+2,920
re-phasing		+106		-106	0
Revised project phasing	+246	+250	+843	+1,581	+2,920
Sustaining Kent - KPSN (CSS&PM)					
Amended total cash limits	+7,882	+7,314	+7,314	+4,816	+27,326
re-phasing	-1,491	+1,491			0
Revised project phasing	+6,391	+8,805	+7,314	+4,816	+27,326
Other re-phased Projects below £100k					
re-phasing	0	0			0
Revised phasing	0	0	0	0	0
TOTAL RE-PHASING	-1,491	+1,597	0	-106	0

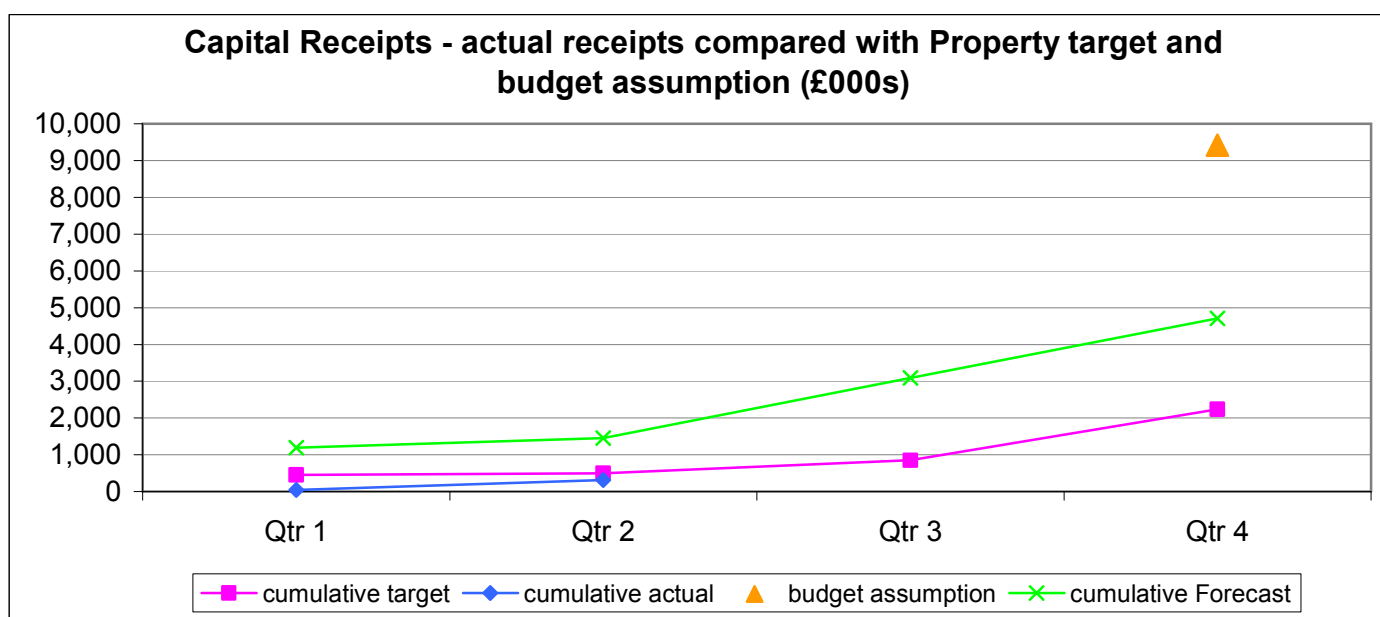
2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Capital Receipts – actual receipts compared to budget profile:

	2009-10			
	Budget funding assumption £000s	Cumulative Target profile £000s	Cumulative Actual receipts £000s	Cumulative Forecast receipts £000s
April - June		447	47	1,200
July – September		492	*316	1,455
October - December		850		3,090
January - March		2,235		4,710
TOTAL	9,421	**2,235	316	4,710

* actuals to 31st July 09.

**The cumulative target profile shows the anticipated receipts at the start of the year totalled £2,235k. The difference between this and the budget funding assumption is mainly attributable to timing differences. For example one large receipt was actually received in 2008-09, but is not required to be used for funding until 2009-10.



Comments:

The table below compares the capital receipt funding required per the capital programme this year, with the expected receipts that will be available to fund this. Property group are actually forecasting a total of £4.71m to come in from capital receipts during this financial year. The table below only includes which of these are earmarked to fund spend in the current financial year. The rest is needed to be earmarked for spend in future years of the programme.

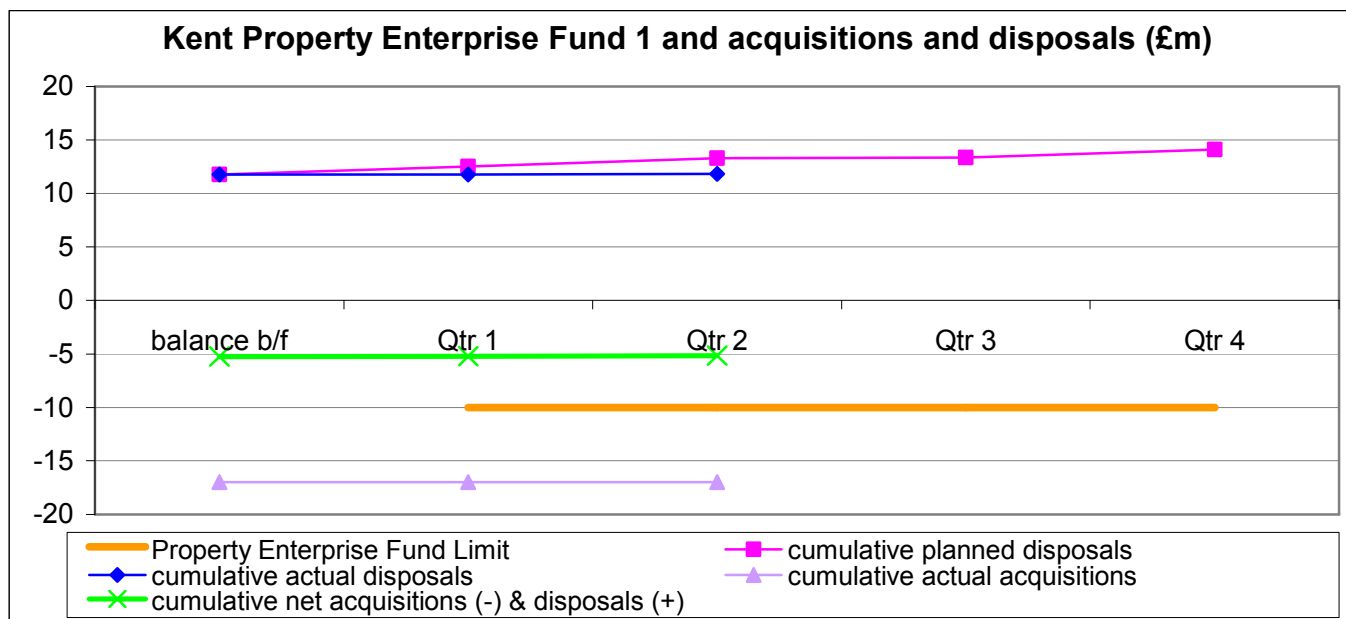
It is continuously challenging to provide realistic forecasts of receipts given the current economic climate. The potential deficit figure of almost £2m this year is due to some receipts which were originally earmarked, which have now been taken into PEF2. This is a real deficit position based on latest forecast receipts and is not due to timing issues. This position needs to be closely monitored throughout the year.

	2009-10 £'000
Capital receipt funding per revised 2009-12 MTP	11,724
Property Group's forecast receipts	2,501
Receipts banked in previous years for use	5,227
Capital receipts from other sources	2,000
Potential Deficit Receipts	(1,996)

2.2 Capital Receipts – Kent Property Enterprise Fund 1:

	<i>Kent Property Enterprise Fund Limit</i> £m	Cumulative Planned Disposals (+) £m	Cumulative Actual Disposals (+) £m	Cumulative Actual Acquisitions (-) £m	Cumulative Net Acquisitions (-) & Disposals (+) £m
Balance b/f		11.764	11.764	-16.999	-5.235
April - June	-10	12.529	11.771	-16.999	-5.228
July – September	-10	13.295	*11.830	*-16.999	*-5.169
October – December	-10	13.341			
January – March	-10	14.084			

* Actual to 31st July 09.



Background:

- County Council approved the establishment of the Property Enterprise Fund 1 (PEF1), 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.

Comments:

The balance brought forward from 2008-09 on PEF1 was **-£5.235m**.

A value of **£1.351m** has been identified for disposal in 2009-10. This is the risk adjusted figure to take on board the potential difficulties in disposing some of the properties.

As at the 31 July 2009 disposals to date this year have been **£0.066m** from the disposal of 1 non-operational property.

The fund has been earmarked to provide **£1.380m** for Gateways in this financial year.

At present there are no committed acquisitions to report, however forecast outturn for costs of disposals (staff and fees) is currently estimated at **£0.444m**.

Forecast Outturn

Taking all the above into consideration, the Fund is expected to be in a deficit position of £5.708m at the end of 2009-10.

Opening Balance – 01-04-09	-£5.235m
Planned Receipts (Risk adjusted)	£1.351m
Costs	-£0.444m
Acquisitions	-
Other Funding: - Gateways	-£1.380m
Closing Balance – 31-03-10	-£5.708m

Revenue Implications

In 2009-10 the fund is currently forecasting £0.040m of low value revenue receipts but, with the need to fund both costs of borrowing (£0.367m) against the overdraft facility and the cost of managing properties held for disposal (net £0.190m), the PEF1 is forecasting a £0.960m deficit on revenue which will be rolled forward to be met from future income streams.

2.3 Capital Receipts – Kent Property Enterprise Fund 2 (PEF2):

County Council approved the establishment of PEF2 in September 2008 with a maximum permitted overdraft limit of £85m, but with the anticipation of the fund broadly breaking even over a rolling five year cycle. The purpose of PEF2 is to enable Directorates to continue with their capital programmes as far as possible, despite the downturn in the property market. The fund will provide a prudent amount of funding up front (prudential borrowing), in return for properties which will be held corporately until the property market recovers.

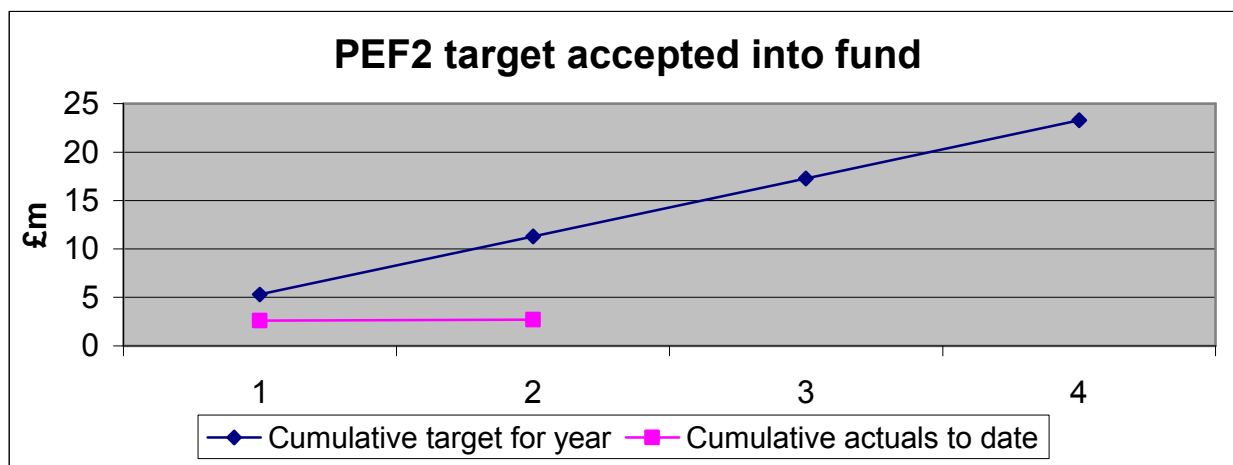
Overall forecast position on the fund

	2009/10 Forecast
	£m
Capital:	
Opening balance	-47.579
Potential receipts to be agreed into PEF2	-20.719
Sale of PEF2 properties	16.925
Disposal costs	-0.846
Closing balance	-52.219
Revenue:	
Opening balance	0.000
Interest on borrowing	-1.810
Holding costs	-1.426
Closing balance	-3.236
Overall closing balance	-55.455

The forecast closing balance for PEF2 is -£55.455m, this is within the overdraft limit of £85m.

The target receipts to be accepted into PEF2 during 2009-10 equate to the PEF2 funding requirement in the 2009-12 budget book, and achievement against this is shown below:

	Cumulative target for year	Cumulative actuals to date
	£m	£m
Balance b/fwd		2.6
Qtr 1	5.3	2.6
Qtr 2	11.3	2.7
Qtr 3	17.3	
Qtr 4	23.3	



PEF2 Disposals

To date one PEF2 property has been sold. The loss on this disposal amounted to -£0.017m. Large profits or losses are not anticipated over the lifetime of the fund.

Interest costs

At the start of the year interest costs on the borrowing of the fund for 2009-10 were expected to total £1.77m.

Latest forecasts show interest costs of £1.81m, an increase of £0.04m. This is because there has been a decrease in the forecast of properties being disposed during the year.

Interest costs on the fund are calculated at a rate of 4%.

FINANCING ITEMS SUMMARY JULY 2009-10 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered “technical adjustments” ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the budget was set to reflect the revised portfolio structure, a number of technical adjustments to budget and the addition of £4.799m of roll forward from 2008-09, which represents the transfer to the Economic Downturn reserve, as agreed by Cabinet on 13 July 2009.
- The inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 2 of the executive summary.

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 & Performance Management portfolio							
Contribution to IT Asset Maintenance Reserve	2,352		2,352			0	
Audit Fees & Subscriptions	764		764			0	
Contribution from Commercial Services		-6,460	-6,460			0	
Total Corporate Support & PM	3,116	-6,460	-3,344	0	0	0	
Finance Portfolio							
Insurance Fund	2,979		2,979			0	
Workforce Reduction	1,500		1,500			0	
Environment Agency Levy	359		359			0	
Joint Sea Fisheries	264		264			0	
Interest on Cash Balances / Debt Charges	117,921	-12,769	105,152	-3,209	-422	-3,631	Write down of discount saving from 2008-09 debt restructuring, no new borrowing & increased interest on balances
Transferred Services Pensions	22		22			0	
PRG	83	-2,100	-2,017			0	
Contribution to/from Reserves	-2,392		-2,392	3,471		3,471	transfer of 09-10 write down of discount saving from 08-09 debt restructuring to reserves; provision for recession
Drawdown from Kings Hill reserve	-1,000		-1,000			0	
ABG Safer Stronger Communities	1,277		1,277			0	
Total Finance	121,013	-14,869	106,144	262	-422	-160	
Total Controllable	124,129	-21,329	102,800	262	-422	-160	

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:

- There is a saving of £1.971m which relates to the write-down in 2009-10 of the £4.024m discount saving on debt restructuring undertaken at the end of 2008-09. (£0.39m was written down into 2008-09, therefore leaving a further £1.663m to be written down over the period 2010-11 to 2012-13).
- There is a £1.660m saving as a result of lower debt charges and higher interest on cash balances. This is because we have not undertaken any new borrowing so far this year and we have some long term deposits unexpectedly still running which have bolstered our rate of return. Call options coming in the next few months have been allowed for in this forecast. In addition, our cash balances are higher than we assumed in our budgeted cash flow assumptions as a result of higher grant receipts than assumed and re-phasing on the capital programme.

1.1.3.2 Contributions to/from reserves:

As planned, the £1.971m write down of the discount saving earned from debt restructuring in 2008-09, will be transferred to the Economic Downturn reserve. There is also a forecast contribution to the reserve of £1.5m to provide a contingency against the impact of the recession on the Finance Portfolio budgets.

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	Contribution to economic downturn reserve of 2009-10 write down of discount saving from 2008-09 debt restructuring; provision for recession	+3,471	FIN	2009-10 write down of discount saving from 2008-09 debt restructuring	-1,971
			FIN	Treasury savings - Increased interest on cash balances and lower debt charges	-1,660
		+3,471			-3,631

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

N/A

1.1.5 **Implications for MTP:**

N/A

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

N/A

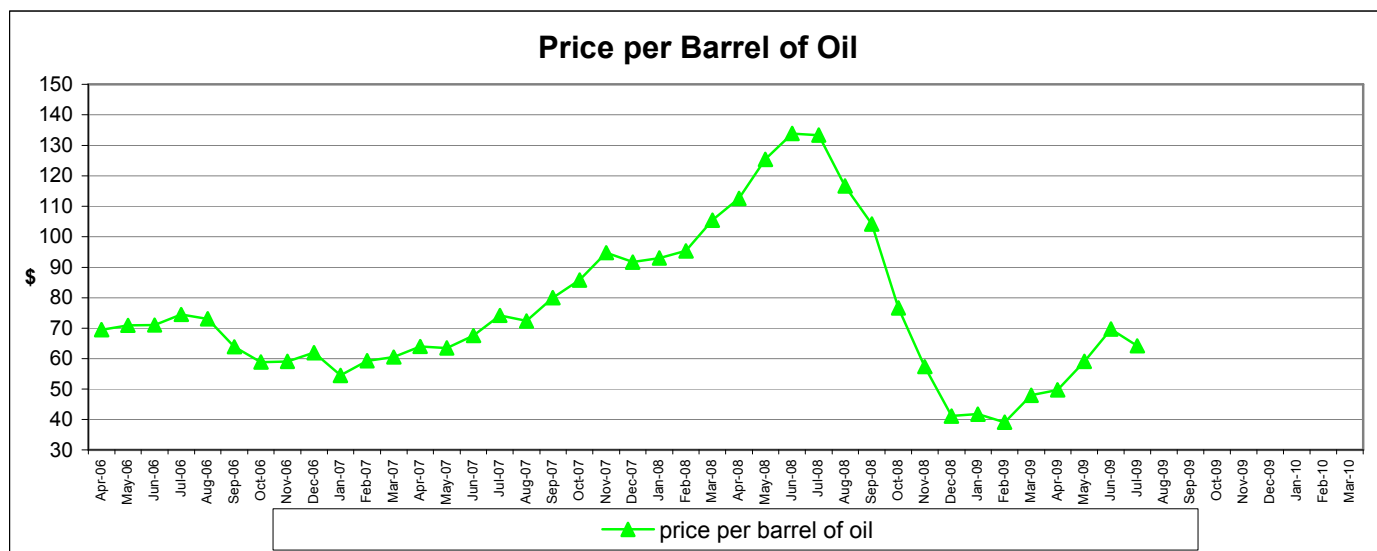
1.1.7 **Details of proposals for residual variance:** [eg roll forward proposals; mgmt action outstanding]

A virement is requested to transfer £0.1m of the underspending on the debt charges and interest budget within the Finance portfolio to Communities portfolio to cover the costs of our contribution to the construction programme at Maidstone Museum. **Cabinet is asked to approve this virement.**

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	2009-10
	\$	\$	\$	\$
April	69.44	63.98	112.58	49.65
May	70.84	63.45	125.40	59.03
June	70.95	67.49	133.88	69.64
July	74.41	74.12	133.37	64.15
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	47.94	



Comments:

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