REPORT TO: CABINET – 30 NOVEMBER 2009

SUBJECT: REVENUE AND CAPITAL BUDGETS, KEY ACTIVITY AND RISK MONITORING

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MANAGING DIRECTORS

SUMMARY:

Members are asked to:

- **note the latest monitoring position on the revenue and capital budgets,**
- **note and agree the changes to the capital programme,**
- **agree that £4.763m of re-phasing on the capital programme is moved to 2009-10 capital cash limits from future years**
- **note the latest financial health indicators and prudential indicators**

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1. INTRODUCTION

1.1 This is the second full monitoring report to Cabinet for 2009-10.

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.

1.3 <u>**Headlines**</u>:

1.3.1 **Revenue:**

- The latest forecast revenue position (excl Schools and Asylum) before the implementation of management action is an underspend of £0.736m, which is an improvement of £3.072m since the last report to Cabinet in October. Management action is currently expected to increase the underspend to £1.725m.
- The current position on Asylum is a pressure of £3.808m, which is a small improvement of £0.161m since the last report. The September and October referrals were the lowest for over two years, which coincided with the French Government's actions to clear asylum seeker camps around Calais. The 2008-09 special circumstances payment has recently been confirmed by the UKBA (subject to audit) and, along with the intake grant, is in line with expectations. There are ongoing discussions regarding the 18+ care leavers grant for 2008-09 and an update will be given in future monitoring reports.
- We are forecasting that schools will draw down a further £6m of their reserves this year in response to the tighter balance control mechanism, where reserves above a certain level will be recovered. This is significantly lower than the schools' monitoring forecasts suggest but traditionally schools have tended to be over cautious with their forecasting.
- Within KASS, there are potentially a further 23 cases of Ordinary Residence that are being investigated and these could have a very significant impact on the financial position, although few, if any, are likely to be settled this financial year, as the legal process is lengthy. (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).
- The position forecast within the KASS portfolio assumes reductions in residential and nursing placements based on prior year trends. However, attrition rates have recently been lower than expected. If attrition remains below the expected level then this will increase the forecast spend in the current year.

- The recent national and international recruitment campaign for the new Children's Social Workers posts, funded from additional money made available in the 2009-12 MTP, has had limited success. The high level of vacancies in front-line staff is putting pressure on other children's social services, particularly respite care and preventative services, as the safety of children continues to be the highest priority. Recruitment to these posts is crucial to alleviate that pressure, and make social worker caseloads more manageable enabling the delivery of LAC commitments in a more pro-active and cost effective way. These pressures together with pressures on fostering, adoption and residential care are currently being offset by the high level of vacancy savings but it is still hoped that some of these posts will be filled by February; hence the underlying pressures will need to be addressed in the 2010-13 MTP process.
- The activity levels for in-house Fostering are cause for concern as they are very high compared to the affordable level and last year's outturn. This is largely due to the increase in the number of 16+ children choosing to remain with their foster family up to age 18, or 25 if undergoing further education, rather than move to supported lodgings at age 16. The budget for the 16+ service has historically only covered the cost of supported lodgings which is lower than remaining in foster care. If this trend continues then it will need to be addressed in the 2010-13 MTP.
- The CFE position includes rebadging of £1.179m of Sure Start grant, arising from delays in the round 3 Children's Centres, against eligible spend. This is likely to be the last year that this option is available to us as the final round of centres is expected to be fully functional by the end of this financial year, hence the underlying pressure will need to be addressed in the MTP.
- The current forecast in EH&W includes a £2.6m saving as a result of reduced waste tonnage. If the reduction in waste tonnage continues at the same rate as we are currently experiencing, then there will be further underspend to come. £2.1m of this saving is being redirected into highways maintenance.
- A £6m settlement has been reached, without any admissions as to liability, regarding the original Turner project which was abandoned in 2006. The net proceeds from this will be repaid into reserves, so has no impact on the outturn in 2009-10.

1.3.2 **Capital:**

- The latest forecast capital position is a variance of +£11.877m mainly on schemes which we have brought forward and schemes where overspends have been previously reported.

2. OVERALL MONITORING POSITION

2.1 Revenue

The net projected variance against the combined portfolio revenue budgets is an underspend of £1.725m after management action. Section 3 of this report provides the detail, which is summarised in Table 1a below.

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

Portfolio	Budget	Gross Variance	Proposed Management Action	Net Variance
	£k	£k	£k	£k
Children, Families & Education	-684,916	-968	0	-968
Kent Adult Social Services	+340,612	+754	-754	0
Environment, Highways & Waste	+151,887	-424	0	-424
Communities	+57,430	+33	-33	0
Localism & Partnerships	+7,597	+127	0	+127
Corporate Support & Performance Mgmt	+9,807	+75	-202	-127
Finance	+108,021	-160	0	-160
Public Health & Innovation	+790	0	0	0
Regen & Economic Development	+8,092	-173	0	-173
TOTAL (excl Schools)	-680	-736	-989	-1,725
Asylum	0	+3,808	0	+3,808
TOTAL (excl Schools)	-680	+3,072	-989	+2,083
Schools	+894,734	+6,000	0	+6,000
TOTAL	+894,054	+9,072	-989	+8,083

2.2 **Capital (excluding PFI & budgets delegated to schools)**

This report reflects the current monitoring position against the revised programme, where a pressure of +£7.455m and re-phasing of +£4.422m of expenditure from future years is forecast, giving a total variance in 2009-10 of +£11.877m. Further details are provided in section 4 of this report.

3. REVENUE

3.1 Virements/changes to budgets

Directorate cash limits have been adjusted since the last full monitoring report to include:

- the transfer of Supporting People from KASS portfolio to Communities portfolio;
- the virement of £0.1m from Finance portfolio to Communities portfolio to fund our contribution towards the construction programme at Maidstone Museum as agreed at September Cabinet;
- the inclusion of a number of 100% grants (i.e. 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" i.e. where there is no change in policy, including allocation of grants and previously unallocated budgets and savings targets 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	EH&W	CMY	CED	FI
	£k	**£k**	£k	£k	£k	£k	£k	£k
Children, Families & Educ	**-684,916**	**-968**	-968					
Kent Adult Social Services	**+340,612**	**+754**		+754				
Environ, Highways & Waste	**+151,887**	**-424**			-424			
Communities	**+57,430**	**+33**				+33		
Localism & Partnerships	**+7,597**	**+127**					+127	
Corporate Support & Performance Mgmt	**+9,807**	**+75**					+75	0
Finance	**+108,021**	**-160**					0	-160
Public Health & Innovation	**+790**	**0**					0	
Regen & Economic Dev	**+8,092**	**-173**					-173	
SUB TOTAL (excl Schools)	**-680**	**-736**	-968	+754	-424	+33	+29	-160
Asylum	**0**	**+3,808**	+3,808					
TOTAL (excl Schools)	**-680**	**+3,072**	+2,840	+754	-424	+33	+29	-160
Schools	**+894,734**	**+6,000**	+6,000					
TOTAL	**+894,054**	**+9,072**	+8,840	+754	-424	+33	+29	-160

3.2.2 **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
Children, Families & Educ	+393,610	-1,078,526	**-684,916**	+370	-1,338	**-968**
Kent Adult Social Services	+441,612	-101,000	**+340,612**	+4,820	-4,066	**+754**
Environ, Highways & Waste	+168,565	-16,678	**+151,887**	-246	-178	**-424**
Communities	+143,912	-86,482	**+57,430**	+409	-376	**+33**
Localism & Partnerships	+8,206	-609	**+7,597**	+195	-68	**+127**
Corporate Support & Performance Mgmt	+50,323	-40,516	**+9,807**	+3,601	-3,526	**+75**
Finance	+127,089	-19,068	**+108,021**	+4,925	-5,085	**-160**
Public Health & Innovation	+1,410	-620	**+790**	-54	+54	**0**
Regen & Economic Dev	+10,365	-2,273	**+8,092**	-133	-40	**-173**
SUB TOTAL (excl Schools)	+1,345,092	-1,345,772	**-680**	+13,887	-14,623	**-736**
Asylum	+14,129	-14,129	**0**	0	+3,808	**+3,808**
TOTAL (excl Schools)	+1,359,221	-1,359,901	**-680**	+13,887	-10,815	**+3,072**
Schools	+975,701	-80,967	**+894,734**	+6,000	0	**+6,000**
TOTAL	+2,334,922	-1,440,868	**+894,054**	+19,887	-10,815	**+9,072**

A reconciliation of the above gross and income cash limits to the position reported to Cabinet in September 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**
Annex 2 **Kent Adult Social Services**
Annex 3 **Environment, Highways & Waste**
Annex 4 **Communities**
Annex 5 **Chief Executives**
incl. Public Health & Innovation, Regeneration & Economic Development, Localism & Partnerships, Corporate Support & Performance Management and Finance portfolios
Annex 6 **Financing Items**
Incl. elements of the Corporate Support & Performance Management and Finance portfolios

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CFE	Schools delegated budgets - expected draw down from reserves	+6,000	FIN	Original Turner Contemporary settlement	-6,000
FIN	Transfer to reserves of net proceeds from Turner settlement	+6,000	CMY	Drawdown from Supporting People reserve	-2,690
CFE	Asylum - shortfall in Home Office income (income)	+3,808	EHW	Reduced waste tonnage	-2,600
CMY	Supporting People	+2,690	CFE	Assessment & Related - staffing vacancies (gross)	-2,585
EHW	KHS - revenue contribution to capital in order to reduce backlog of capital maintenance	+2,100	FIN	2009-10 write down of discount saving from 2008-09 debt restructuring	-1,971
FIN	Contribution to economic downturn reserve of 2009-10 write down of discount saving from 2008-09 debt restructuring	+1,971	FIN	Treasury savings - lower debt charges and savings on interest on cash balances budget	-1,660
CFE	Fostering Service - increase in no of independent fostering allowances (districts & disability, gross)	+1,853	FIN	Drawdown from Insurance Reserve to cover pressure on Insurance Fund	-1,400
FIN	Contribution to economic downturn reserve to provide contingency for the impact of the recession	+1,500	CSPM	Information Systems income from additional pay as you go activity	-1,389
FIN	Pressure on Insurance Fund	+1,400	KASS	Older People Domiciliary gross - reduction in hours in independent care	-1,332
CSPM	Information Systems costs of additional pay as you go activity	+1,389	CFE	ASK - Early Years - badging of unspent sure start grant to free up base budget (gross)	-1,179
KASS	LD Residential gross - activity in excess of affordable level in independent sector placements	+1,356	KASS	Older People Residential income resulting from higher unit cost	-1,029
KASS	Older People Domiciliary gross - pressure relating to change in unit cost in independent sector hours	+1,086	CSPM	Legal income resulting from additional work (partially offset by increased costs)	-964
KASS	Older People Nursing gross - activity in excess of affordable level in independent sector placements	+919	EHW	Diversion to landfill while Allington Waste to Energy plant off-line for agreed maintenance	-806
KASS	PD Residential gross - activity in excess of affordable level in independent sector placements	+916	CFE	Mainstream Home to School Transport - contract renegotiations & fewer pupils travelling (gross)	-714
CFE	Leaving Care/16+ service - increase in no of in-house fostering payments	+766	KASS	Older People Domiciliary gross - in house activity below affordable level	-696

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CFE	Leaving Care/16+ service - increase in no of independent fostering allowances (gross)	+715	CFE	Independent Sector Residential Care - additional income received from health and KASS (income)	-685
CFE	Capital Strategy Unit - maintenance of non-operational buildings (gross)	+700	KASS	Older People Nursing income resulting from higher unit cost	-628
KASS	MH Residential gross - transfer of clients to community based care/direct payments not yet happened	+693	KASS	LD Other Services gross - release of the balance of the Managing Director's contingency	-600
CFE	Other Preventative Services - pressure on section 17 payments (gross)	+675	KASS	Older People Nursing income - additional income due to higher RNCC activity	-413
CSPM	Legal services cost of additional work (offset by increased income)	+664	CSPM	Information Systems income from EIS additional services/projects	-400
KASS	LD Direct Payments Gross - activity higher than affordable level	+653	KASS	Older People Residential gross - Preserved Rights increased attrition	-391
KASS	LD Supported Accommodation gross - pressure relating to change in unit cost	+653	KASS	LD Supported Accommodation income - additional income resulting from unit costs and additional Health funding	-390
EHW	KHS - White lining refresh	+600	CFE	Leaving Care/16+ service - section 24/leaving care payments (gross)	-382
KASS	LD Residential gross - pressure relating to change in unit cost in independent sector care	+576	KASS	MH Direct Payments gross - increase in expected activity in community based care/direct payments not yet happened	-338
CFE	Personnel & Development - pensions pressure resulting from previous years early retirements (gross)	+565	CFE	Fostering Service - county fostering team vacancies (gross)	-308
CFE	Independent Sector Residential Care - additional placements (gross)	+565	CFE	Other Preventative Services - disability day care services rebadge of sure start eligible expenditure (gross)	-308
KASS	All Adults Assessment & Related Gross - staffing pressures	+465	KASS	Older People Nursing income resulting from additional activity	-308
CFE	Adoption Service - increase in special guardianship orders (gross)	+436	CMY	Central Budgets: contribution from CFE & recharges to services within Communities of dilapidations cost	-300
KASS	Older People Nursing gross - additional spend due to higher RNCC activity	+413	CFE	Fostering Service - reduction in no of Related Fostering related payments (gross)	-271
CSPM	Information Systems costs of EIS additional services/projects	+400	CSPM	Property - Additional income from PAYG activity	-262
KASS	Older People Residential gross - in house provision staffing	+357	KASS	Assessment & Related - Over-recovery of income from additional health contributions	-260
CFE	Awards - home to college transport prices and demand (gross)	+339	CMY	Adult Education: Support staff savings.	-252
KASS	Older People Nursing gross - attrition in preserved rights lower than expected	+326	CFE	Independent Sector Residential Care - reduction in no of secure accommodation placements (gross)	-236
CMY	Central budgets: Unexpected dilapidation claim.	+300	CFE	Other Preventative Services - delays in implementing community based programmes	-230
KASS	Older People Residential gross - pressure relating to change in unit cost in independent sector placements	+299	KASS	PD Other Services - underspend on independent sector day-care	-221
CSPM	Property Group - Additional costs of increased PAYG activity	+260	CFE	Other Preventative Services - additional contributions received from health (income)	-218
EHW	KHS - dilapidation charge on Beer Cart Lane premises	+250	CFE	Residential Care Not Looked After Children - reduction in placements (gross)	-217

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
EHW	KHS - Sign cleaning programme	+250	KASS	LD Residential income - additional income resulting from additional activity	-211
KASS	MH Residential income - reduced income due to increasing proportion of clients who are S117	+230	KASS	MH Assessment & Related gross - vacancy management and difficulty recruiting qualified staff	-206
CFE	Client Service - under-recovery of contract income due to delays in renegotiation of contracts (income)	+209	CFE	Fostering Service - delays in expansion of therapeutic fostering scheme (gross)	-200
EHW	KHS - vegetation control	+200	KASS	PD Other Services gross - release of the balance of the Managing Director's contingency	-200
CFE	SEN Transport - expensive travel arrangements (gross)	+200	KASS	OP Other Services gross - release of the balance of the Managing Director's contingency	-200
KASS	LD Residential gross - in house provision staffing	+195	KASS	OP Other Services gross - lower than anticipated demand for Fast-track Occupational Therapy equipment and Enablement	-200
KASS	LD Supported Accommodation gross - backdated cost relating to Ordinary Residence	+189	CFE	Leaving Care/16+ service - fewer independent sector residential care placements (gross)	-186
CSPM	MTP saving 'In year management action'	+175	EHW	Env Grp - Additional external income and re-phasing of Land Use survey	-185
CMY	Libraries: contribution towards directorate wide savings targets & other centrally held costs	+175	KASS	MH Residential gross - Preserved rights decreased activity due to higher attrition	-183
KASS	LD Residential gross - contribution to provision	+170	KASS	LD Residential gross - Preserved rights decreased activity due to higher attrition	-182
KASS	PD Domiciliary gross - activity in excess of affordable level	+158	CFE	Local Children's Services Partnerships - various minor underspends (gross)	-170
CSPM	Personnel - increased costs including new telephony system for Employee Services	+153	CMY	Libraries: staff savings to mitigate reduced income from AV issues & merchandising.	-161
CSPM	Personnel - increased trainer costs in Learning & Development	+152	CSPM	Personnel - Increased external income in Employee Services, partly from shared HR with DCs at East Kent	-153
CMY	Coroners: Mortuary, Histology, Pathology, long inquest and Toxicology fees that are not governed by CMY	+152	CSPM	Personnel - increased income from Learning & Development courses	-152
KASS	MH Residential gross - unit cost in excess of affordable level	+146	CFE	Additional Educational Needs & Resources - staff vacancies and delays in recruitment to new posts (gross)	-151
CMY	Libraries: Reduced Libraries' Audio Visual income due to declining demand & alternative sources of supply & shortfall in merchandising income	+144	KASS	Strat Bus Supp income - additional training income from Universities	-140
CSPM	Policy & PIE- Staffing costs to strengthen performance management & corporate assurance across KCC	+141	KASS	LD Supported Accommodation gross - activity below affordable level	-137
CFE	CSS Business Support - admin costs of Social Work Pilot project	+135	CFE	CSS Business Support - Social Work Pilot project (income)	-135
CFE	ASK - Professional Development - children's trust development team staffing costs (gross)	+130	KASS	PD Residential income - addit activity/higher contribution	-131
KASS	LD Domiciliary gross - pressure against Independent Living Scheme	+126	R&ED	staff vacancies within Regeneration	-130
L&P	Committee Manager post to March 2010 plus maternity covers.	+117	EHW	Resources - staff vacancies	-120

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CFE	Adoption Service - delay in achieving MTP savings within the county adoption team (gross)	+112	EHW	Waste recycling income	-113
CFE	ASK Primary - staffing budget for hands on support and infrastructure team	+105	KASS	PD Residential gross - Preserved Rights increased attrition	-106
			CFE	CSS Business Support - CSS training due to delays in recruitment	-105
			CMY	Libraries: one off rates rebates	-100
			CFE	Specialist Teaching Service - low take-up of personal educational allowances for looked after children (gross)	-100
		+48,422			**-38,690**

3.4 **Key issues and risks**

3.4.1.1 **Children, Families & Education portfolio:** Forecast (excl. schools & Asylum) **-£0.968m**

Pressures continue within this portfolio mainly on the children's social services budgets for fostering and adoption, fostering related payments within the 16+ service and other preventative services. Other pressures include increased pension costs from early retirements in previous years; the costs of maintenance and boarding up of unused school buildings which are likely to continue until the property market recovers and pressure on the Home to College and SEN transport budgets largely due to the expensive nature of existing travel arrangements. However, these pressures are more than offset by savings mainly as a result of difficulties in recruiting to social worker posts, the rebadging of eligible expenditure against underspending on the sure start grant arising from delays in the round 3 Children's Centres and savings on mainstream home to school transport from contract renegotiation and a reduction in pupils travelling. All of these pressures and savings are detailed in Annex 1.

3.4.1.2 **Children, Families & Education portfolio - Asylum:** Forecast **+£3.808m**

This forecast fully reflects the new 2009-10 grant rules. These make no reference to a separate special circumstances payment, as this has effectively been incorporated into the revised weekly rate. The majority (£3.523m) of this pressure relates to 18+ care leavers, as the Home Office grant does not fund clients once they have exhausted all right of appeal for residency but the Authority has a duty of care under the Leaving Care Act to support these clients until they are deported or reach age 21. However, we continue to lobby central government to seek further funding for these clients. The balance of the shortfall (£0.285m) results from underfunded inflation in relation to the under 18's budget.

A meeting was held in September with the UK Borders Agency (UKBA) to discuss long term funding issues including the possibility of moving away from the current grant claim process to a contractual arrangement with UKBA from 1 April 2010 and a working group with UKBA, KCC and the London Boroughs of Hillingdon and Croydon is being set up to discuss this further.

Referrals in September and October were the lowest for over two years. This coincided with the French Government's actions to clear asylum seeker camps around Calais. It is unclear whether this situation is a short term measure or likely to continue.

3.4.1.3 **Schools Delegated:** Forecast **+£6m**

We are forecasting a drawdown of school reserves of around £6m due to the likely impact of the tighter balance control mechanism. The monitoring returns from schools indicate a higher figure but from past experience this is likely to be overstated.

3.4.2 **Kent Adult Social Services portfolio:** Forecast **+£0.754m**

The pressure is mainly as a result of demographic and placement pressures, primarily within services for people with learning disabilities and to a lesser degree within services for people with physical disabilities and mental health services, offset by underspending within services for older people due to a continuing decline in domiciliary care and residential care, although there is an increase in demand for services for people with dementia. The forecast has increased this month, largely due to two recent cases of learning disabled clients becoming 'ordinarily resident' in Kent which has added costs of approximately £0.3m, although one of these cases is subject to legal review. Further details are provided in Annex 2.

3.4.3 **Environment, Highways & Waste portfolio:** Forecast **-£0.424m**
There is underspending on waste management due to lower waste tonnage than budgeted and savings resulting from agreed downtime for maintenance at the Allington waste to energy plant, but part of this underspending is being used to help reduce the backlog of capital maintenance on highways, as approved by Cabinet on 14th September. There is also pressure on the signs and lines, vegetation control and dilapidations budgets within Kent Highways Services. Further details are provided in Annex 3.

3.4.4 **Communities portfolio:** Forecast **+£0.033m**
The main issue faced by this portfolio is the continuing pressure on the Coroners budget as a result of more deaths being investigated and increased costs arising from the re-tender of the body removal contract. This is currently being largely offset by underspending within the Arts Unit and a saving from vacancy management of support staff within Adult Education. It was hoped that this saving could be used to contribute to a repairs and renewals reserve to meet the future replacement costs of plant and equipment, but until the directorate has achieved a balanced budget position for 2009-10 this contribution to reserves will not be made. 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 **Localism & Partnerships portfolio**: Forecast **+£0.127m**
This pressure largely relates to the continuation of the Committee Manager post through to March 2010, the costs of providing maternity cover and a part year effect of the restructuring of Member Allowances.

3.4.5.2 **Corporate Support & Performance Management portfolio**: Forecast **+£0.075m**
This pressure is largely due to permanent and temporary appointments within the Central Policy and Improvement and Engagement teams in order to strengthen these areas in preparation for developing plans to improve performance management and corporate assurance across KCC. There is also a pressure resulting from the budgeted saving for in year management action which is to be met from savings and income generation opportunities which present themselves throughout the year. These pressures are offset by increased income within Legal Services due to both increased internal and external demand.

3.4.5.3 **Regeneration & Economic Development portfolio**: Forecast **-£0.173m**
This saving mainly arises because a number of staff vacancies were frozen pending the arrival of the new director. A series of reviews are underway to enable the director to align the unit to the 'Regeneration Framework' aspirations, and to meet MTP savings and the projected loss of LABGI funding in 2011-12.
Further details are provided in Annex 5.

3.4.6 The key issues within the Financing Items budgets are:

3.4.6.1 **Finance portfolio:** Forecast **-£0.160m**.
Treasury savings as a result of lower debt charges and a saving on the interest on cash balances budget, are partially offset by a contribution to reserves for the impact of the recession. In addition the current year write down of the discount saving from the debt restructuring undertaken in 2008-09 is being transferred to the Economic Downturn reserve, as planned. A pressure on the Insurance Fund is to be covered by a transfer from the Insurance Reserve and the net proceeds from the Turner settlement are to be repaid to reserves.
Further details are provided in Annex 6

3.4.7 Almost £1m of management action across three of the directorates is still expected to be achieved by year end. There is a risk that not all of this will be achieved. The position will be closely monitored throughout the remainder of the financial year so that, if necessary, a decision on further action can be taken as soon as possible.

3.5 Implications for future years/MTP

3.5.1 The key issues and risks identified above will need to be addressed in directorate medium term financial plans (MTP) for 2010-13. Although these are forecast to be offset by management action this year, a lot of the management action is one-off or not sustainable for the longer term. The Directorates are currently trying to assess the medium term impact of these issues. There are other pressures which, although not hugely significant in this year, will also need addressing in the MTP. These 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 Since the last exception report presented to Cabinet on 12th October, the following adjustments have been made to the 2009-10 capital budget.

		£000s	*£000s*
		2009-10	*2010-11*
1	Cash Limits as reported to Cabinet on 12th October	417,984	*447,155*
2	Re-phasing as agreed at Cabinet on 12th October		
	Children, Families & Education (CFE)	460	*-3,945*
	Kent Adult Social Services	-499	*499*
	Environment, Highways & Waste	-895	*-3,237*
	Communities	-2,408	*1,786*
	Corporate Support Services & Performance Management	-4,081	*1,245*
3	Highway maintenance - reduction in grant funding - EH&W portfolio	-210	
4	Major Scheme - Preliminary Design fees - additional grant funding - EH&W portfolio	250	
5	East Kent Access phase 2 - additional grant funding - EH&W portfolio	850	
6	Victoria Way phase 1 - reduction in grant funding - EH&W portfolio		*-277*
7	SusCon - grant funded project now not lead by KCC - CFE portfolio	-1,500	*-1,500*
8	Integrated Childrens System - additional grant received - CFE portfolio	218	
9	Primary Capital Programme - grant funded transferred to Crockenhill (modernisation of assets) - CFE portfolio		*-540*
10	Crockenhill (modernisation of assets) - grant funded transferred from Primary Capital Programme - CFE portfolio		*540*
11	Trinity Foyer - banked capital receipt claimed - KASS portfolio	60	
12	Gateway Multi-Channel Service Delivery - additional other external funding received - CSS&PM portfolio	300	
		410,529	***441,726***
13	PFI	54,983	*27,101*
		465,512	*468,827*

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

Portfolio	Budget	Variance	Directorate				
			CFE	KASS	E,H&W	CMY	CED
	£k	**£k**	£k	£k	£k	£k	£k
CFE	**+217,558**	**+8,527**	+8,527				
KASS	**+6,092**	**-631**		-631			
E,H&W	**+102,122**	**+5,019**			+5,019		
Communities	**+21,800**	**-759**				-759	
Regen & ED	**+6,988**	**-24**					-24
Corporate Support & PM	**+18,664**	**-255**					-255
Localism & Partnerships	**+584**	**0**					0
TOTAL (excl Schools)	**+373,808**	**+11,877**	+8,527	-631	+5,019	-759	-279
Schools	**+36,721**	**0**	0				
TOTAL	**+410,529**	**+11,877**	+8,527	-631	+5,019	-759	-279

Real Variance		**+7,455**	+6,098	-25	+1,448	+21	-87
Re-phasing (detailed below)		**+4,422**	+2,429	-606	+3,571	-780	-192
		2009-10	**2010-11**	**2011-12**	**Future yrs**		**Total**
Re-phasing		+4,422	+4,184	-7,458	-1,148		0

4.2.1 Table 3 shows that there is an overspend of £7.455m on the capital programme for 2009-10 and +£4.422m of re-phasing of expenditure from later years.

4.3 Table 4 below, splits the forecast variance on the capital budget for 2009-10 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

		Variance			
	budget	**real variance**	**re-phasing**	**total**	
Project Status	£'000s	£'000s	£'000s	£'000s	
Rolling Programme	104,180	2,408	7,210	9,618	
Approval to Spend	165,799	5,948	-2,452	3,496	
Approval to Plan	103,829	-901	-336	-1,237	
Preliminary Stage	0	0	0	0	
Total	373,808	7,455	4,422	11,877	
	2009-10	**2010-11**	**2011-12**	**future years**	**total**
	£'000s	£'000s	£'000s	£'000s	£'000s
Re-phasing:					
Rolling Programme	7,210	-5,228	-982	-1,000	0
Approval to Spend	-2,452	9,135	-1,249	-5,434	0
Approval to Plan	-336	277	-5,227	5,286	0
Preliminary Stage	0	0	0	0	0
Total	4,422	4,184	-7,458	-1,148	0

4.3.1 Table 4 shows that of the +£11.877m forecast capital variance (excluding devolved capital to schools), -£1.237m 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 +£13.114m 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, prudential/revenue and PEF2 borrowing) is +£2.986m.

Table 5: 2009-10 Capital Variance analysed by funding source (incl Devolved Capital to Schools)

	Capital Variance £m
Supported Borrowing	-0.387
Prudential	+3.480
Prudential/Revenue (directorate funded)	-0.105
PEF2	-0.002
Grant	-0.504
External Funding - Other	-0.070
External Funding - Developer contributions	-0.516
Revenue & Renewals	+1.399
Capital Receipts	-0.184
General Capital Receipts	0.000
(generated by Property Enterprise Fund)	
Transfer of Land in payment	-1.230
Special Schools Review funding to find	+5.978
Other funding to find	+4.018
TOTAL	**+11.877**

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	Highways Major Maintenance	phasing	+5,000			
EHW	Highways Major Maintenance	real	+3,582			
CFE	BSF Unit Costs	phasing	+3,500			
EHW	East Kent Access phase 2	phasing		+2,403		
CFE	Milestone School	real		+1,114		
CFE	Meadowfield School	real		+851		
CFE	Bower Grove School	real		+717		
CFE	The Bridge Development	real	+501			
CFE	Orchard/Dunkirk	real		+500		
CFE	Grange Park	real		+401		
CFE	Ifield School (NWK College)	real		+365		
CFE	Ridgeview School	real			+350	
CFE	The Wyvern School (Clockhouse)	real		+350		
CMY	Ramsgate Library	real		+333		
EHW	Victoria Way	phasing			+308	
CFE	Rowhill School	real		+288		
			+12,583	**+7,322**	**+658**	**+0**
		Real	+4,083	+4,919	+350	+0
		Phasing	+8,500	+2,403	+308	+0
Underspends/Projects behind schedule						
EHW	Sittingbourne Road	phasing		-2,444		
EHW	Integrated Transport Scheme	real	-1,482			
EHW	Kent Natural Burial Ground	real			-700	
EHW	Energy and Water	phasing		-572		
CFE	Primary Pathfinder - The Manor	phasing		-547		
CFE	Service Redesign	real	-500			
CFE	Dartford Grammar Girls	phasing	-361			
CMY	Gravesend Library	phasing			-342	
CFE	Corporate Property Team	real	-338			
EHW	Ashford Ring Road	phasing		-330		
EHW	County Park Access and Development	phasing	-325			
CMY	Tunbridge Wells Library	real			-298	
KASS	Modernisation of Assets	phasing	-270			
			-3,276	**-3,893**	**-1,340**	**0**
		Real	-2,320	+0	-998	+0
		Phasing	-956	-3,893	-342	+0
			+9,307	**+3,429**	**-682**	**+0**
		Real	+1,763	+4,919	-648	+0
		Phasing	+7,544	-1,490	-34	+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 £7.455m real variance forecast. The main areas of under and overspending in 2009-10 are listed below together with their resourcing implications:-

- Special Schools Review +£7.040m (+£5.304m in 2009/10, +£1.421 in 2010/11 and +£0.315m in 2011/12).The overall management of the SSR Programme continues to create challenges both in terms of actual delivery and financial management. The pressures on the overall budget have already required Members to agree that a number of schemes would have to be delivered through the Building Schools for the Future Programme, whilst others have been deferred until other funding sources have been identified. As the Programme progresses there has been less opportunity to offset pressures and we are now in effect seeing the final approved schemes being completed. The funding shortfall for this programme of works, all of which has been previously identified and reported, will be considered as part of the MTP workings for 2010/11.

- Highway Major Maintenance +£3,582m (in 2009/10). It was agreed by the Cabinet to use the Integrated Transport underspend to fund the maintenance programme (+£1.482m). In addition to this, an extra £2.1m of waste under spend was agreed to be spent on the carriageway resurfacing programme to reduce the backlog.

- The Bridge +£0.527m (+£0.501m in 2009/10 and +£0.026m in 2010/11). The increase in costs were due to a major value engineering exercise which resulted in significant enhancements to the design. There has also been a contractual delay and an extension of time claim has been submitted. It's important to note that this development is cross directorate and not purely a CFE scheme.

- Ramsgate Library Betterment +0.333m (in 2009/10). Overspend as a result of delays during construction, some design changes and additional fees as a result of the higher overall cost. There has also been an extension of time claim by the contractor, which has now been settled, however, the contractor is now in administration and the final costs cannot be confirmed. This extra cost will be funded from savings on the Tunbridge Wells project.

- Integrated Transport -£1,482m (in 2009/10). It was agreed by the cabinet to use the IT underspend to fund the maintenance programme.

- Kent Natural Burial Ground -£1.287m (-£0.7m in 2009/10 and -£0.587m in 2010/11). This project has not yet started and will be fully re-considered as part of the 2010-13 MTP process.

- Service Redesign - £0.500m (all in 2009/10). The original programme has re-phased whilst possible alternative co-location opportunities are explored to facilitate integrated working. This revised approach is forecast to deliver a saving of £0.500m.

- Corporate Property Project Management Fees -£1.334m (-£0.338m in 2009/10, -£0.249m in 2010/11, -£0.249m in 2011/12 and -£0.498m in Later Years). This saving in our Capital budget has arisen because we are unable to capitalise the Corporate Property Unit recharge for indirect staffing to the Capital Programme. Accounting rules demand that these costs have to be met from the CFE Revenue budget. The revised levels of expenditure have been reflected in the 2010/11 MTP submission.

- Tunbridge Wells Library -£0.298m (in 2009/10), Savings expected with the necessary works trimmed back to meet DDA requirements for the library and AEC. Tunbridge Wells BC is also making a contribution of £0.109m, with the overall saving (£0.407m) to be used to fund the over spend at Ramsgate Library.

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

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

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

- Highway Major Maintenance re-phasing +£5.0m. Kent Highway Service is now in a position to carry out additional work in this financial year. It has been agreed to bring forward some of the next year's programme of works.
- Building Schools for the Future Unit Costs – rephasing of +£3.5m. The original budget for the Unit was sufficient to create the Local Education Partnership (LEP) and deliver the early BSF wave. However, KCC is now involved in the delivery of Waves 3 and 4 together with the planning for Wave 5, the preparation for a second LEP to cover the rest of the county and the delivery of some eleven academies, in total some £1 billion worth of investment. In advance of the MTFP, funding has been brought forward to deliver what is currently required to maintain progress.
- East Kent Access Road phase 2 rephasing of +£2.40m. This scheme is designed to deliver improved economic performance for East Kent. The revised scheme cost is estimated to be £87m. The DfT has agreed to provide funding of £82.1m (that includes £0.850m contribution to preparatory costs) and the balance will be funded from the Council. The Full Approval for the scheme was given by DfT and the contract was formally awarded in August. The contractor's revised works programme and spend profile shows the expenditure is expected to be advanced by £2.4m in 2009-10 over the pre awarded prediction. There will be no change in the completion date of the scheme.
- Sittingbourne Northern Relief Road re-phasing -£2.4m. This scheme is designed to help deliver regeneration of Sittingbourne by supporting existing and future commercial and housing development. This scheme was expected to start in September but there was a delay in receiving DfT and HCA funding approvals. The contract was awarded in September with the formal start of work in November. Due to this delay, there is likely to be an under spend of £2.4m in 2009-10.

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 and those projects that have been brought forward from the original timetable, positively support our 'backing Kent business' campaign.

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 **Resourcing issues**

4.9.1 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 continues to intensify this risk, with the continuing downturn in the property market, 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.

4.10 **Capital Project Re-phasing**

The table below summarises the proposed re-phasing this month, details of individual projects are listed within the directorate sections.

Table 7 – re-phasing of projects >£0.100m

Portfolio	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	£k
CFE					
Amended total cash limits	217,558	182,030	56,334	130,247	586,169
Re-phasing	2,460	-435	-982	-1,043	0
Revised cash limits	**220,018**	**181,595**	**55,352**	**129,204**	**586,169**
KASS					
Amended total cash limits	6,092	20,331	16,080	12,651	55,154
Re-phasing	-396	396	0	0	0
Revised cash limits	**5,696**	**20,727**	**16,080**	**12,651**	**55,154**
E,H&W					
Amended total cash limits	102,122	162,419	124,985	355,790	745,316
Re-phasing	3,588	2,965	-6,482	-71	0
Revised cash limits	**105,710**	**165,384**	**118,503**	**355,719**	**745,316**
Communities					
Amended total cash limits	21,800	21,750	4,320	5,670	53,540
Re-phasing	-784	791	-7	0	0
Revised cash limits	**21,016**	**22,541**	**4,313**	**5,670**	**53,540**
Regen & ED					
Amended total cash limits	6,988	7,268	4,730	6,222	25,208
Re-phasing					
Revised cash limits	**6,988**	**7,268**	**4,730**	**6,222**	**25,208**
Corporate Support & PM					
Amended total cash limits	18,664	20,738	18,999	14,943	73,344
Re-phasing	-105	105	0	0	0
Revised cash limits	**18,559**	**20,843**	**18,999**	**14,943**	**73,344**
Localism & Partnerships					
Amended total cash limits	584	500	500	1,000	2,584
Re-phasing	0	0	0	0	0
Revised cash limits	**584**	**500**	**500**	**1,000**	**2,584**
TOTAL RE-PHASING >£100k	**4,763**	**3,822**	**-7,471**	**-1,114**	**0**
Other re-phased Projects below £100k					
re-phasing	-341	+362	+13	-34	0
TOTAL RE-PHASING	**+4,422**	**+4,184**	**-7,458**	**-1,148**	**0**

Table 8 – details individual projects which have further re-phased

	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	
CFE					
Primary Pathfinder Project - The Manor					
Original budget	+5,687	+95			+5,782
Amended cash limits	-1,077	+1,050	+27		0
additional re-phasing	-547	+548	-1		0
Revised project phasing	**+4,063**	**+1,693**	**+26**	**0**	**+5,782**
Basic Needs - Dartford Grammer School					
Original budget	+2,198				+2,198
Amended cash limits	-437	+437			0
additional re-phasing	-361	+361			0
Revised project phasing	**+1,400**	**+798**	**0**	**0**	**+2,198**
Service Redesign					
Original budget	+751				+751
Amended cash limits	-101	+101			0
additional re-phasing	+101	-101			0
Revised project phasing	**+751**	**0**	**0**	**0**	**+751**
E,H&W					
Sittingbourne Northern Relief Road					
Original budget	+10,058	+15,235	+6,860		+32,153
Amended cash limits	+1,593	-1,535	-2,819	+2,761	0
additional re-phasing	-2,444	+720	+1,724		0
Revised project phasing	**+9,207**	**+14,420**	**+5,765**	**+2,761**	**+32,153**
East Kent Access phase 2					
Original budget	+22,243	+27,745	+21,574	+11,936	+83,498
Amended cash limits	-10,696	+10,150	+4,122	-3,576	0
additional re-phasing	+2,403	+6,095	-3,064	-5,434	0
Revised project phasing	**+13,950**	**+43,990**	**+22,632**	**+2,926**	**+83,498**
Kent Thameside Strategic Transport					
Original budget	+3,166	+7,011	+15,741	+125,194	+151,112
Amended cash limits	-2,449	-5,276	-867	+8,592	0
additional re-phasing	-17	-42	-5,131	+5,190	0
Revised project phasing	**+700**	**+1,693**	**+9,743**	**+138,976**	**+151,112**
Ashford - Drovers Roundabout					
Original budget	+4,946	+9,934			+14,880
Amended cash limits	-3,227	+3,227			0
additional re-phasing	-129	+129			0
Revised project phasing	**+1,590**	**+13,290**	**0**	**0**	**+14,880**
Ashford - Victoria Way					
Original budget	+7,205	+8,876	+132		+16,213
Amended cash limits	-3,476	+3,476			0
additional re-phasing	+308	-176	-132		0
Revised project phasing	**+4,037**	**+12,176**	**0**	**0**	**+16,213**

	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	
Communities					
Ashford Gateway Plus					
Original budget	+4,661	+355			+5,016
Amended cash limits	-4,022	+4,022			0
additional re-phasing	-242	+242			0
Revised project phasing	**+397**	**+4,619**	**0**	**0**	**+5,016**
Gravesend Library					
Original budget	+1,700	+763			+2,463
Amended cash limits	-1,000	+362	+638		0
additional re-phasing	-342	+349	-7		0
Revised project phasing	**+358**	**+1,474**	**+631**	**0**	**+2,463**
KASS					
Modernisation of Assets					
Original budget	+1,171	+406	+533	+1,119	+3,229
Amended cash limits	-143	+143	0	0	0
additional re-phasing	-270	+270			0
Revised project phasing	**+758**	**+819**	**+533**	**+1,119**	**+3,229**
CED					
Web Platform					
Original budget	+1,125				+1,125
Amended cash limits	-250	+250	0	0	0
additional re-phasing	-105	+105			0
Revised project phasing	**+770**	**+355**	**0**	**0**	**+1,125**

5. FINANCIAL HEALTH

5.1 The latest Financial Health indicators, including cash balances, our long term debt maturity, outstanding debt owed to KCC and the percentage of payments made within 20 and 30 days are detailed in **Appendix 3**.

5.2 The latest monitoring of Prudential Indicators is detailed in **Appendix 4**.

6. RISK MANAGEMENT

6.1 The strategic risk register forms part of the quarterly core monitoring process in line with its Category 1 classification. The format in which this information will be presented in future reports has yet to be discussed by Resource Directors who maintain the register on behalf of COG and Members.

6.2 Insurance is one of the main methods used to transfer risk. A report on insurance activity within KCC was submitted to the Governance & Audit Committee in September. This report contained an overview of claims made against the Authority, insurance arrangements and introduced new performance indicators. It was agreed that a report on insurance activity will now be presented to the Committee annually.

7. BALANCE SHEET AND CONSOLIDATED REVENUE ACCOUNT

7.1 Impact on reserves

7.1.1 A copy of our balance sheet as at 31 March 2009 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 31/3/10 £m	Balance at 31/3/09 £m
Earmarked Reserves	89.0	102.0
General Fund balance	25.8	25.8
Schools Reserves *	57.2	63.2

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

7.1.2 The reduction of £13.0m in earmarked reserves is mainly due to the planned movements in reserves such as IT Asset Maintenance, Kingshill Smoothing, PRG, earmarked reserve to support 09-10 budget, insurance reserve, economic downturn reserve and PFI equalisation reserves together with the anticipated movements in the rolling budget, Asylum, DSG, and Supporting People reserves as reflected in the annex reports.

7.1.3 The first monitoring returns from schools detailing their six monthly monitoring were received during October. Early indications suggest a significant reduction in schools reserves during 2009-10. Schools have traditionally been cautious in their financial forecasting, and the full impact of the tighter balance control mechanism will not be known until the end of the year, however our expectation is that reserves may fall by a further £6m by the end of the financial year although this is substantially less than the schools' forecasts suggest. At the end of this financial year all schools will be subject to the balance control mechanism where reserves in excess of their original budget allocation of 5% for secondary or 8% for primary schools will be recovered, except funding relating to reorganisation, an approved capital project or late allocation of government grants passed on by the local authority.

8. RECOMMENDATIONS

Cabinet is asked to:

8.1 **Note** the latest monitoring position on both the revenue and capital budgets.

8.2 **Note** and **agree** the changes to the capital programme, as detailed in sections 4.1 and 4.4.

8.3 **Agree** that £4.763m of re-phasing on the capital programme is moved to 2009-10 capital cash limits from future years. Further details are included in section 4.10 above.

8.4 **Note** the latest Financial Health Indicators and Prudential Indicators.

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 2009		31 March 2008	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets			3,551		3,629
Tangible fixed assets					
Operational assets					
Land and buildings		1,470,089		1,443,378	
Vehicles, plant and equipment		28,811		21,576	
Roads and other highways infrastructure		606,431		568,640	
Community assets		8,505		8,047	
Non-operational assets					
Investment property		6,624		6,588	
Assets under construction		327,734		256,871	
Surplus and non-operational property		99,869		81,737	
Total tangible assets			2,548,063		2,386,837
Total fixed assets			2,551,614		2,390,466
Long-term investments			96,267		134,547
Long-term debtors			54,712		56,533
PFI debtor			8,167		3,933
Total long-term assets			2,710,760		2,585,479
Current assets					
Stocks and work in progress		5,937		5,390	
Debtors		205,106		177,518	
Investments		262,949		264,121	
Total current assets			473,992		447,029
Current liabilities					
Temporary borrowing		-60,641		-35	
Creditors		-298,747		-266,688	
Cash balances overdrawn		-103,339		-108,383	
			-462,727		-375,106
Total assets less current liabilities			2,722,025		2,657,402
(Net assets employed)					
Long-term liabilities					
Long-term borrowing		-998,427		-1,017,200	
Deferred liabilities		-255		-535	
Deferred credit - Medway Council		-51,249		-53,385	
Provisions		-14,489		-14,636	
Government grant deferred account		-196,454		-196,381	
Liability related to defined benefit	- KCC	-739,900		-569,300	
pensions schemes	- DSO	-2,199		-2,447	
			-2,002,973		-1,853,884
Total assets less liabilities			719,052		803,518

Balance Sheet

Revaluation reserve		-131,912		-72,530	
Capital adjustment account		-1,081,188		-1,071,609	
Financial instruments adjustment account		27,715		20,803	
Earmarked capital reserve		-70,144		-52,436	
Usable capital receipt reserve		-14,379		-7,825	
Pensions reserve	- KCC	739,900		569,300	
	- DSO	2,199		2,447	
Earmarked reserves		-102,002		-86,015	
General fund balance		-25,835		-25,835	
Schools reserves		-63,183		-79,360	
Surplus on trading accounts		-223		-458	
Total net worth			-719,052		-803,518

APPENDIX 2

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

Portfolio	CASH LIMIT Gross	Income	Net	
	£k	£k	£k	
TOTAL per Sept report	+2,308,012	-1,413,958	**+894,054**	
Subsequent changes:				
				Changes to grant/income allocations:
CFE	1,835	-1,835	0	Increase in standards fund targeted support for primary strategy
CFE	297	-297	0	Increase in sure start grant buddying programme
CFE	787	-787	0	Standards fund extended schools subsidy
CFE	11	-11	0	DIUS grant for development of 14-19 prospectus & common application process
CFE	6,537	-6,537	0	2008-09 Standards fund rollovers
CFE	1,292	-1,292	0	Adjustments to LSC grant
CFE	11,853	-11,853	0	Notification of final DSG allocation
CFE	316	-316	0	Increase in standards fund school development grant
CFE	265	-265	0	Standards fund targeted improvement grant
CFE	19	-19	0	Increase in standards fund targeted support for secondary strategy
CFE	37	-37	0	Increase in standards fund early years free entitlement extension to 15 hours a week
CFE	-3	3	0	Reduction in standards fund music grant
CFE	450	-450	0	Standards fund KS4 engagement prog.
CFE	106	-106	0	Succession planning project from NCSL
CFE	134	-134	0	Income from the LSC for teenage parents
CFE	106	-106	0	Income from the children's fund
CFE	101	-101	0	LCSPs and children's social services children's fund income
CFE	51	-51	0	2008-09 Targeted mental health in schools roll forward
EHW	65	-65	0	Env Group - Heritage lottery funding for Countryside Access
EHW	189	-189	0	Env Group - NHS funding for Countryside Access
EHW	75	-75	0	Env Group - Countryside Management funding for Countryside Access
EHW	50	-50	0	Env Group - Oxford CC funding for Greener Kent
EHW	35	-35	0	Env Group - Environment Agency funding for Greener Kent
CMY	100	-100	0	KDAAT: Additional income from Public health to fund Alcohol Detached Project
CMY	61	-61	0	KDAAT: Additional income from Kenwood Trust to support Social Pyscho Intervention
CMY	145	-145	0	KDAAT: Additional ring-fenced funds to support Drug intervention initiatives
CMY	111	-111	0	Youth - Unbudgeted one-off income for Contactpoint from DCSF
CMY	152	-152	0	Youth - Unbudgeted one-off income for ToGoGo project from CFE
CMY	107	-107	0	Youth - Unbudgeted one-off income for Outdoor Education from DCSF and client contributions

Portfolio	CASH LIMIT Gross	Income	Net	
	£k	£k	£k	
CMY	252	-252	0	Youth - Unbudgeted one-off income for Youth Opportunities Fund from DCSF
CMY	211	-211	0	Sports Unit - Additional income from partner agencies to fund new projects, with associated spend on contracts with private/public sectors (Active Sports Programme)
CMY	431	-431	0	YOS: Youth Justice Board grant to support Integrated re-settlement service & the Summer Arts project
CMY	190	-190	0	Community Safety : additional income from internal clients to support the Future jobs fund, with associated spend on staff and running costs.
CMY	108	-108	0	Key Training - new income for Rescue to Redundancy & ESF contracts.
L&P	250	-250	0	Kent Partnerships - funding for Total Place pilot from Wigan Council
CS&PM	35	-35	0	PIE - Contribution from CFE to support Bulk buying project
CS&PM	51	-51	0	PIE - Income from CLG to support Pic n mix project
				Technical Adjustments:
CFE	-1,728	1,728	0	Correction of expected income for personnel & development (inc. cessation of the schools' supply insurance scheme)
CFE	-38	38	0	Correction of expected income for additional educational needs
CFE	851	-851	0	Correction of expected funding for Kent safe schools (internal & external sources)
CFE	415	-415	0	Correction of expected income for attendance & behaviour (inc. recoupment income, contributions from health)
CFE	-20	20	0	Correction of expected income for business management
CFE	-59	59	0	Correction of expected income for finance
CFE	2,129	-2,129	0	Income budgets for pupil referral and alternative curriculum units (to support commissioning arrangements with LCSPs)
CFE	15	-15	0	Outdoor education additional income from schools
CFE	2	-2	0	Minor correction to Income budget for meadows nursery
CFE	-180	180	0	Incorrect income budget for ASK Primary
CFE	-364	364	0	Correction to client services income budgets (inc milk subsidy, cleaning & refuse contract)
CFE	-100	100	0	Correction to the income budget for the wrong scheme pensions payments
CFE	93	-93	0	Recharge of management information staffing salaries to other units
CMY	-107	107	0	KDAAT: Partnership Support Grant incorrectly budgeted as a specific grant but already included within ABG
CMY	22	-22	0	Central Budgets - correction of treatment in budget of publicity savings recharge to AE & KEY.

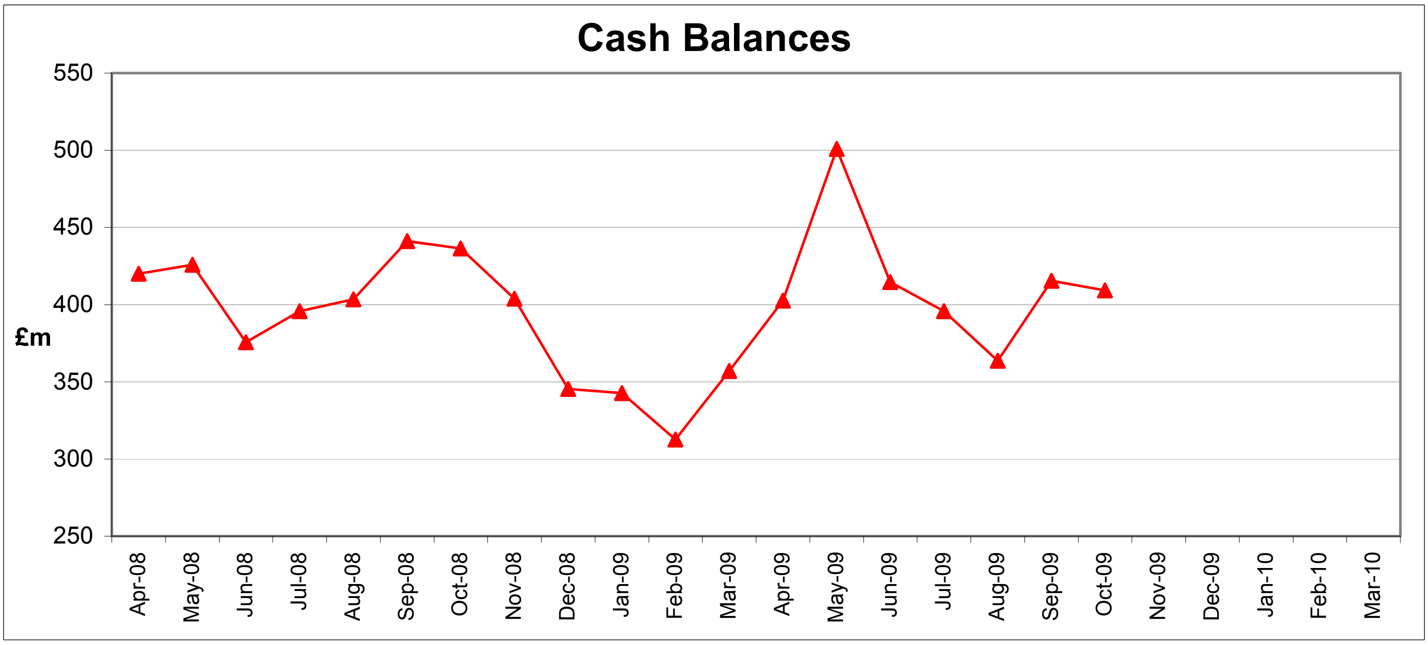
	CASH LIMIT			
Portfolio	**Gross**	**Income**	**Net**	
	£k	£k	£k	
CMY	20	-20	0	Central Budgets - correction of treatment in budget of essential user savings recharge to AE & KEY.
CS&PM	28	-28	0	P&D - roll fwd overspend for Home computing Initiative, previously shown as reduction to gross but should have been increased income
CS&PM	-231	231	0	Drawdown from reserves incorrectly budgeted as income instead of a credit to expenditure
CS&PM	-650	650	0	ISG correction to gross & income budgets
Revised Budget	2,334,922	-1,440,868	894,054	

FINANCIAL HEALTH INDICATORS

1. CASH BALANCES

The following graph represents the total cash balances under internal management by KCC at the end of each month in £m. This includes principal amounts currently at risk in Icelandic bank deposits (£47.4m), Pension Fund cash (£67.5m), Kent Fire and Rescue balances (£16.4m), balances of schools in the corporate scheme (£70.2m), other reserves, and funds held in trust. KCC will have to honour calls on all held balances such as these, on demand. The remaining deposit balance represents KCC working capital created by differences in income and expenditure profiles.

	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
2008-09	419.9	425.7	375.7	395.8	403.5	441.1	436.3	403.9	345.5	342.8	312.6	357.0
2009-10	402.7	500.9	414.6	395.7	363.6	415.4	409.1					



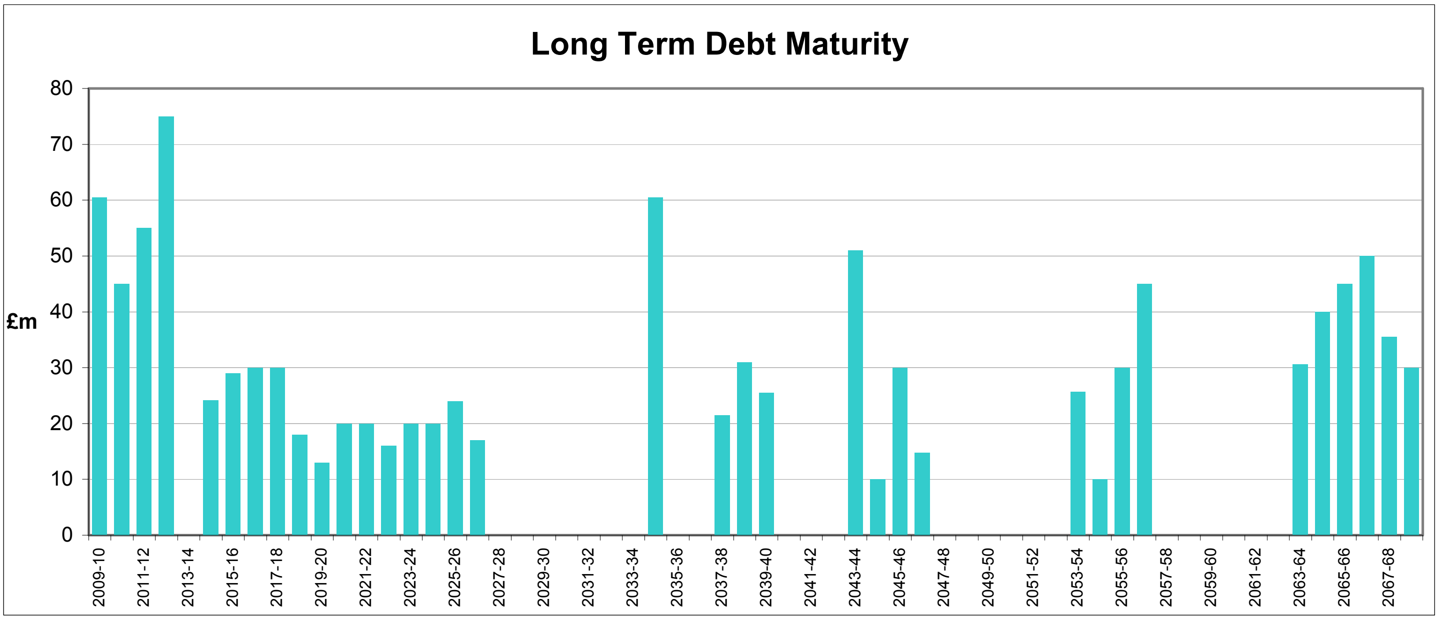
2. LONG TERM DEBT MATURITY

The following graph represents the total external debt managed by KCC, and the year in which this is due to mature. This includes £49.9m pre-Local Government Review debt managed on behalf of Medway Council. Also included is pre-1990 debt managed on behalf of the Further Education Funding council (£2.6m), Magistrates Courts (£1.4m) and the Probation Service (£0.24m). These bodies make regular payments of principal and interest to KCC to service this debt. The graph shows total principal repayments due in each financial year. Small maturities indicate repayment of principal for annuity or equal instalment of principal loans, where principal repayments are made at regular intervals over the life of the loan. The majority of loans have been taken on a maturity basis so that principal repayments are only made at the end of the life of the loan. These principal repayments will need to be funded using available cash balances (i.e. internalising the debt), by taking new external loans or by a combination of the available options.

The total debt fall out for 2009-10 is £60.505m, however £0.030m relating to small annuity and equal instalment of principal loans has already been repaid during this year from cash balances, hence the figure in the table of £60.475m represents the remaining debt still to be repaid in this financial year.

The overall total debt has increased by £60.47m since the last report due to a loan taken in October as early refinancing for debt maturing on 21 January 2010.

Year	£m	Year	£m	Year	£m	Year	£m	Year	£m
2009-10	60.475	*2022-23*	16.001	*2035-36*	0.000	*2048-49*	0.000	*2061-62*	0.000
2010-11	45.031	*2023-24*	20.001	*2036-37*	0.000	*2049-50*	0.000	*2062-63*	0.000
2011-12	55.024	*2024-25*	20.001	*2037-38*	21.500	*2050-51*	0.000	*2063-64*	30.600
2012-13	75.021	*2025-26*	24.001	*2038-39*	31.000	*2051-52*	0.000	*2064-65*	40.000
2013-14	0.015	*2026-27*	17.001	*2039-40*	25.500	*2052-53*	0.000	*2065-66*	45.000
2014-25	24.193	*2027-28*	0.001	*2040-41*	0.000	*2053-54*	25.700	*2066-67*	50.000
2015-16	29.001	*2028-29*	0.001	*2041-42*	0.000	*2054-55*	10.000	*2067-68*	35.500
2016-17	30.001	*2029-30*	0.001	*2042-43*	0.000	*2055-56*	30.000	*2068-69*	30.000
2017-18	30.001	*2030-31*	0.001	*2043-44*	51.000	*2056-57*	45.000	*2069-70*	0.000
2018-19	18.001	*2031-32*	0.000	*2044-45*	10.000	*2057-58*	0.000		
2019-20	13.001	*2032-33*	0.000	*2045-46*	30.000	*2058-59*	0.000	**TOTAL**	**1,102.839**
2020-21	20.001	*2033-34*	0.000	*2046-47*	14.800	*2059-60*	0.000		
2021-22	20.001	*2034-35*	60.470	*2047-48*	0.000	*2060-61*	0.000		



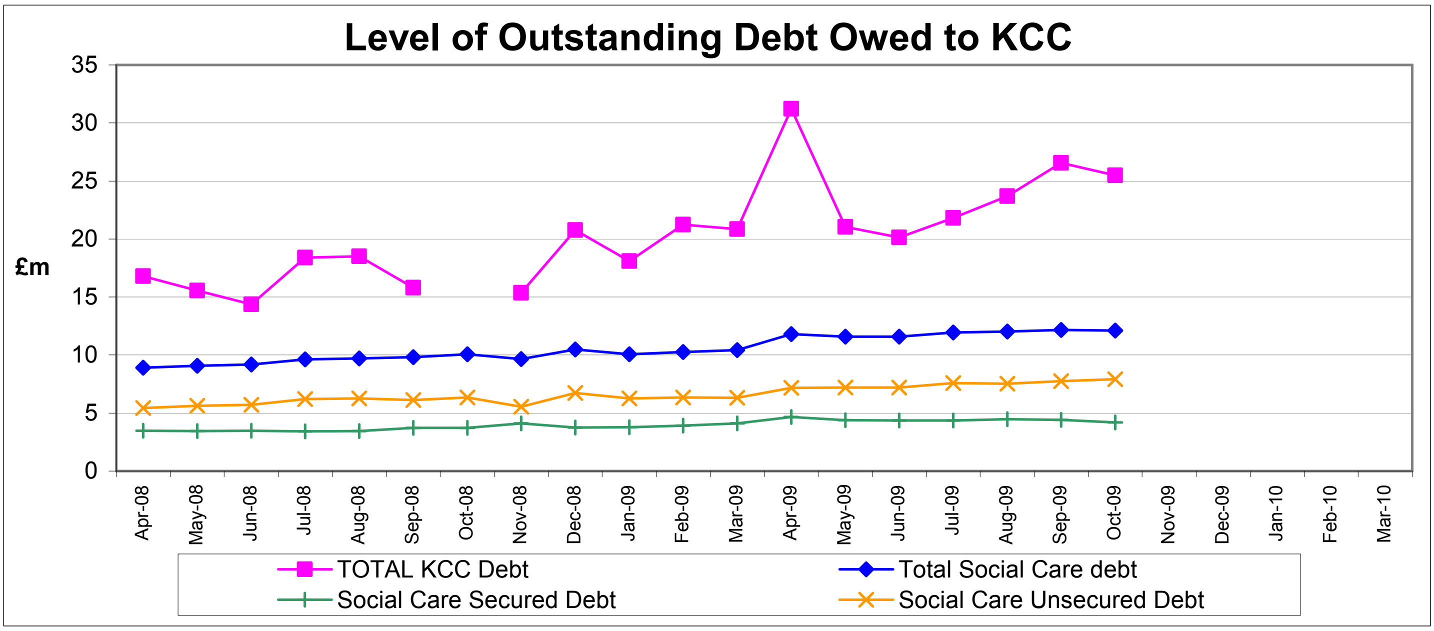
3. OUTSTANDING DEBT OWED TO KCC

The following graph represents the level of outstanding debt due to the authority, which has exceeded its payment term of 28 days. The main element of this relates to Adult Social Services and this is also identified separately, together with a split of how much of the Social Care debt is secured (i.e. by a legal charge on the clients' property) and how much is unsecured.

	Social Care Secured Debt £m	Social Care Unsecured Debt £m	Total Social Care debt £m	KASS Sundry debt £m	**TOTAL KASS debt £m**	All Other Directorates Debt £m	**TOTAL KCC Debt £m**
April 08	3.468	5.437	8.905	2.531	**11.436**	5.369	**16.805**
May 08	3.452	5.626	9.078	1.755	**10.833**	4.736	**15.569**
June 08	3.464	5.707	9.171	1.586	**10.757**	3.619	**14.376**
July 08	3.425	6.195	9.620	2.599	**12.219**	6.174	**18.393**
Aug 08	3.449	6.264	9.713	3.732	**13.445**	5.075	**18.520**
Sept 08	3.716	6.114	9.830	1.174	**11.004**	4.800	**15.804**
Oct 08	3.737	6.334	10.071	*	*	6.021	*
Nov 08	4.111	5.540	9.651	1.206	**10.857**	4.504	**15.361**
Dec 09	3.742	6.740	10.482	2.004	**12.486**	8.269	**20.755**
Jan 09	3.792	6.266	10.058	1.517	**11.575**	6.519	**18.094**
Feb 09	3.914	6.345	10.259	1.283	**11.542**	9.684	**21.226**
March 09	4.100	6.326	10.426	1.850	**12.276**	8.578	**20.854**

	Social Care Secured Debt £m	Social Care Unsecured Debt £m	Total Social Care debt £m	KASS Sundry debt £m	**TOTAL KASS debt £m**	All Other Directorates Debt £m	**TOTAL KCC Debt £m**
April 09	4.657	7.161	11.818	6.056	**17.874**	13.353	**31.227**
May 09	4.387	7.206	11.593	1.078	**12.671**	8.383	**21.054**
June 09	4.369	7.209	11.578	1.221	**12.799**	7.323	**20.122**
July 09	4.366	7.587	11.953	1.909	**13.862**	7.951	**21.813**
Aug 09	4.481	7.533	12.014	1.545	**13.559**	10.126	**23.685**
Sept 09	4.420	7.738	12.158	2.024	**14.182**	12.391	**26.573**
Oct 09	4.185	7.910	12.095	2.922	**15.017**	10.477	**25.494**
Nov 09							
Dec 09							
Jan 10							
Feb 10							
March 10							

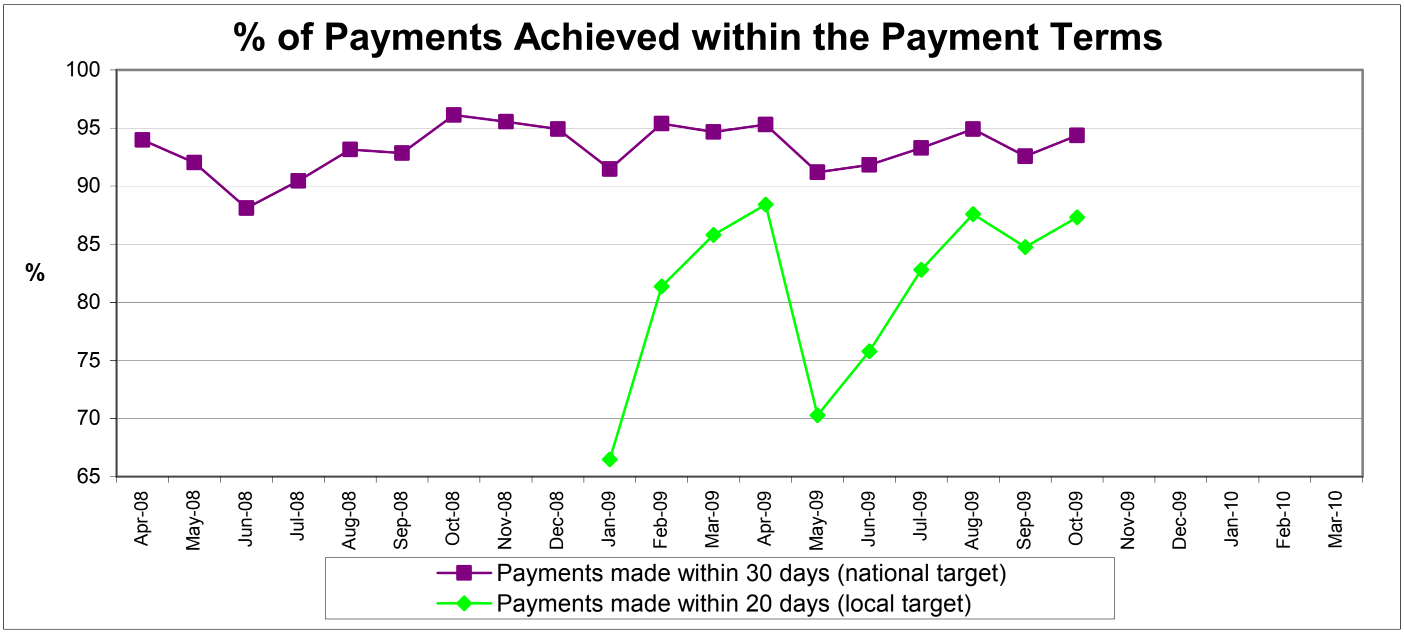
* In October 2008, KASS Social Care debt transferred from the COLLECT system to Oracle. The new reports were not available at this point; hence there is no data available for this period. The October Social Care debt figures relate to the last four weekly billing run in the old COLLECT system



4. PERCENTAGE OF PAYMENTS MADE WITHIN THE PAYMENT TERMS

The following graph represents the percentage of payments made within the payments terms – the national target for this is 30 days, however from January 2009, we have set a local target of 20 days in order to help assist the cash flow of local businesses during the current tough economic conditions.

	2008-09		2009-10	
	Paid within **30** days %	Paid within **20** days %	Paid within **30** days %	Paid within **20** days %
April	94.0	N/A	95.3	88.4
May	92.0	N/A	91.2	70.3
June	88.1	N/A	91.8	75.8
July	90.5	N/A	93.3	82.8
August	93.1	N/A	94.9	87.6
September	92.8	N/A	92.6	84.8
October	96.1	N/A	94.4	87.3
November	95.5	N/A		
December	94.9	N/A		
January	91.5	66.5		
February	95.4	81.4		
March	94.7	85.8		



APPENDIX 4

2009-10 October Monitoring of Prudential Indicators

1. Estimate of capital expenditure (excluding PFI)

Actual 2008-09 £309.368m

Original estimate 2009-10 £435.918m

Revised estimate 2009-10 £422.406m (this includes the rolled forward re-phasing from 2008-09)

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

	2008-09 Actual £m	2009-10 Original Estimate £m	2009-10 Forecast as at October 09 £m
Capital Financing Requirement	1,167.532	1,285.728	1,272,577
Annual increase in underlying need to borrow	96.442	106.475	105,045

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 2008-09	9.67%
Original estimate 2009-10	11.42%
Revised estimate 2009-10	11.29%

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 2009-10

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

	Prudential Indicator 2009-10 £m	Position as at October 09 £m
Borrowing	1,128.0	990.6
Other Long Term Liabilities	0.0	0.0
	1,128.0	990.6

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

	Prudential Indicator 2009-10 £m	Position as at October 09 £m
Borrowing	1,179.0	1,042.4
Other Long Term Liabilities	0.0	0.0
	1,179.0	1,042.4

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 2009-10 are:

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

	£m
Borrowing	1,168
Other long term liabilities	0
	1,168

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

	£m
Borrowing	1,219
Other long term liabilities	0
	1,219

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 2009-10

(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 2009-10. Total external debt is currently held at fixed interest rates.

8. Upper limits for maturity structure of borrowings

	Upper limit	Lower limit	As at October 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	£15m
2 years to 3 years	£ 45m	£15m
3 years to 4 years	£ 40m	£ 0m
4 years to 5 years	£ 40m	£20m
5 years to 6 years	£ 20m	£ 0m
	£190m	**£50m**

CHILDREN, FAMILIES & EDUCATION DIRECTORATE SUMMARY OCTOBER 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 last full monitoring report to reflect a number of technical adjustments to budget.
- 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.

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	
Children, Families & Education portfolio							
Delegated Budget:							
- Delegated Schools Budget	967,837	-80,517	887,320	6,000		6,000	Expected drawdown from schools reserves
- Schools Unallocated	7,864	-450	7,414			0	
TOTAL DELEGATED	975,701	-80,967	894,734	6,000	0	6,000	
Non Delegated Budget:							
- Finance	4,080	-1,122	2,958	-6	0	-6	
- Awards	5,117	-797	4,320	399	0	399	Home to college transport - cost realignment affecting adult fares and increased number of SEN and part-time students; staffing & equipment.
- Personnel & Development	15,297	-1,350	13,947	470	-4	466	Pressure on pensions. Underspends on CRB checks & school crossing patrols.
- Capital Strategy Unit	1,641	-182	1,459	678	-7	671	Maintenance of non-operational buildings. Underspend on tree safety surveys.
- BSF/PFI/Academy Unit	432	0	432	38	0	38	
- Client Services	6,322	-4,449	1,873	29	209	238	Under-recovery of income expected from cleaning & refuse collection contracts.
- Business Management	1,760	-123	1,637	-74	-80	-154	Staff vacancies and office moves underspend plus additional income.

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- ICT	1,950	-693	1,257	70	-92	-22	
- Health & Safety	613	-300	313	9	0	9	
- Strategic Management	1,538	-24	1,514	0	0	0	
- Extended Services	4,182	-77	4,105	20	0	20	
- Kent Music	877	0	877	0	0	0	
- 14 - 24 Unit	2,679	-161	2,518	68	-18		
- School Organisation	3,030	-90	2,940	-5	-10	-15	
- Mainstream HTST	15,238	-484	14,754	-714	44	-670	Renegotiation of contracts & fewer numbers travelling based on latest forecast from Passenger Transport Unit (PTU).
- Local Children's Service Partnerships	61,767	-2,946	58,821	-170	-17	-187	Combined minor underspend on various budgets by LCSPs
- AEN & Resources	16,573	-5,540	11,033	-151	15	-136	Staffing vacancies
- SEN HTST	17,605	0	17,605	200	0	200	Numbers of children using more expensive travel arrangements
- Independent Sector Provision	11,387	-697	10,690	0	0	0	
- Strategic Planning & Review (Strategy, Policy & Performance)	1,581	0	1,581	-45	0	-45	
- Policy & Performance (Vulnerable Children)	4,654	-411	4,243	-29	-19	-48	
- Directorate & Democratic Services	1,255	0	1,255	-17	-30	-47	
- Project Management (Strategy, Policy & Performance)	118	0	118	-31	0	-31	
- Advisory Service Kent (ASK) - Secondary	3,213	-160	3,053	68	-2	66	
- ASK - Primary	6,264	-410	5,854	216	-42	174	Hands on support and infrastructure team plus other minor pressures
- ASK - Early Years	8,341	-12	8,329	-1,179	0	-1,179	Implementation of management action - rebadge of expected children centres underspend
- ASK - Improvement Partnerships	2,635	-566	2,069	6	10	16	
- ASK - Professional Development	3,759	-1,862	1,897	191	-1	190	Children's trust development team plus other minor pressures.
- Early Years & Childcare	5,711	-142	5,569	52	-75	-23	
- Management Information	34,524	-128	34,396	0	0	0	
- Educational Psychology Service	3,695	-1	3,694	-2	2	0	
- Attendance & Behaviour	10,353	-3,871	6,482	82	0	82	
- Minority Community Achievement	1,664	-98	1,566	0	0	0	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Specialist Teaching Service	4,054	-636	3,418	-100	0	-100	Lower than expected take-up of personal educational allowances for looked after children
- Joint Commissioning Service	13,378	0	13,378	0	0	0	
- Commissioning - General	743	-614	129	0	0	0	
- Residential Care provided by KCC	2,691	-40	2,651	75	-44	31	
- Independent Sector Residential Care	6,690	-928	5,762	329	-685	-356	Additional placements partially offset by secure accommodation underspend, Additional income from KASS and health.
- Residential Care - not looked after children	594	0	594	-217	0	-217	Fewer placements.
- Family Group Conferencing	1,302	-246	1,056	-49	-3	-52	
- Fostering Service	23,743	-226	23,517	1,075	-30	1,045	Pressures on Independent fostering allowances partially offset by underspends on fostering related & fostering team.
- Adoption Service	6,882	-50	6,832	492	21	513	Pressure on special guardianship orders and county adoption team partially offset by underspends on adoption payments.
- Direct Payments	2,244	-10	2,234	35	-3	32	
- Teenage Pregnancy	616	0	616	0	0	0	
- 16+ Service	6,699	0	6,699	944	-3	941	Pressure on fostering budgets offset by underspends on section 24/leaving care payments & independent sector residential care budgets
- Other Preventativie Services	7,972	-266	7,706	162	-220	-58	Pressure on section 17 payments offset by underspends on independent sector day care. Additional income from health.
- Childrens Social Services Business Support	8,921	-1,466	7,455	-20	-198	-218	Additional income received for the Social Work Project and other various sources
- Assessment & Related	34,571	-1,499	33,072	-2,585	0	-2,585	Difficulties in recruiting to vacancies and new posts

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Grant income & contingency	4,223	-1,045,849	-1,041,626	-24	-56	-80	underspend to offset pressure on school appeals (below)
- Support Services purchased from CED	8,432	0	8,432	80	0	80	School Appeals
TOTAL NON DELEGATED	393,610	-1,078,526	-684,916	370	-1,338	-968	
Total CFE portfolio excl Asylum	**1,369,311**	**-1,159,493**	**209,818**	**6,370**	**-1,338**	**5,032**	
Assumed Mgmt Action						**0**	
CFE portfolio (excl Asylum) after mgmt action	**1,369,311**	**-1,159,493**	**209,818**	**6,370**	**-1,338**	**5,032**	
Asylum Seekers	14,129	-14,129	0	0	3,808	3,808	Shortfall in 18+ Home Office income & underfunded inflation
Total CFE portfolio incl. Asylum after mgmt action	**1,383,440**	**-1,173,622**	**209,818**	**6,370**	**2,470**	**8,840**	

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 Awards (Gross)

The Awards Unit is forecasting a pressure of £399k, of which £339k relates to Home to College Transport. This is due to a number of factors: an increase in the cost of adult train fares following the renegotiation of mainstream and college transport contracts; the number of SEN students requiring transport; and a rise in the number of students attending part-time and hence requiring multiple taxi trips which has been elevated further by higher industry costs (such as fuel). The balance of the pressure relates to staffing (£30k) and equipment (£30k).

1.1.3.2 Personnel and Development (Gross)

The Personnel and Development Unit is forecasting a gross pressure of £470k. This is due to a £565k pressure on pensions offset by underspends on police checks (£60k) and school crossing patrols (£35k). The pressure on the pensions budget results from early retirements in previous years.

1.1.3.3 Capital Strategy Unit (Gross)

The Capital Strategy Unit is forecasting a £678k gross pressure due to the costs associated with the boarding up and maintenance of unused school buildings, resulting in £700k pressure, which is expected to continue until the property market recovers. This is offset by an expected £22k underspend on tree safety surveys.

1.1.3.4 Client Services (Income)

Client Services is forecasting a £209k under-recovery of income. The unit was expected, as part of the MTP, to implement full-cost recovery in relation to contract management. However, due to delays in the renegotiation of contracts for cleaning & refuse collection, a number of schools withdrew from the contract resulting in a reduction in the expected profit margins on contracts for this year. It is hoped that now that the process has finished, schools will begin to rejoin the contract and full-cost recovery will be achieved next year.

1.1.3.5 Business Management (Net)

Business Management is forecasting a net underspend of £154k, of which £74k is due to a combination of staff vacancies and fewer number of office moves, whilst additional income of £80k is due to the re-imbursement of PA support from other units.

1.1.3.6 Mainstream Home to School Transport (Gross)

The service is forecasting a gross £714k underspend, an increase of £400k since the last monitoring report, following the confirmation of the September pupil numbers. Fewer children are travelling with an average reduction of 3-4% in the first 6 months of the year compared to the same period last year (see section 2.1). The underspend has further been increased following a change in the way rail tickets are purchased generating savings on under 16 fares. This is partially offset by £44k under-recovery of income.

1.1.3.7 Local Children's Services Partnerships (Gross)

The Local Children's Services Partnerships (LCSPs) are forecasting a combined gross underspend of £170k made up of a number of minor underspends across the 23 LCSPs on budgets such as extended schools, childrens fund, HOS and AEN inclusion.

1.1.3.8 Additional Educational Needs and Resources (Gross)

The unit is forecasting a gross underspend of £151k due to staff vacancies and a delay in the recruitment to new posts agreed as part of the MTP for the partnership with parents service.

1.1.3.9 SEN Transport (Gross)

Following confirmation of the September pupil numbers, the forecast pressure on this service has reduced by £270k to a £200k pressure. Expensive travel arrangements, along with a 4% rise in the number travelling in the first 6 months of the year compared to the same period last year (see section 2.1), has contributed to this pressure although this has been reduced following the review of a number of contracts by the Passenger Transport Unit resulting in a 7% reduction in the number of vehicles required from September 2009.

1.1.3.10 Advisory Service Kent – Primary (Gross)

The Primary ASK unit is forecasting a gross pressure of £216k, of which £105k is due to a pressure on the staffing budget for the hands on support and infrastructure team, although plans are in place to manage this in 2010/11 onwards. The balance relates to a number of smaller pressures on school improvement partners, advisory headteachers and other minor budgets.

1.1.3.11 Advisory Service Kent – Early Years (Gross)

The reported underspend of £1,179k results from the implementation of the proposed management action in the previous full monitoring report. The anticipated savings from the Sure Start grant, arising from delays in the round 3 Children's Centres, has been badged against eligible spend in ASK Early Years in order to free up base budget.

1.1.3.12 Advisory Service Kent – Professional Development (Gross)

The unit is forecasting a pressure of £191k, of which £130k relates to staffing within the Children's Trust Development Team with the balance relating to other minor budgets. The pressures on this budget are expected to be dealt with through a restructure and should not be an issue in 2010/11.

1.1.3.13 Specialist Teaching Service (Gross)

The Specialist Teaching Service is forecasting an underspend of £100k resulting from lower then expected take-up of personal educational allowances for looked after children. The unit has recently raised awareness of this funding with Children Social Service District managers and it is hoped that take-up will increase towards the end of year. The expected increased take-up has been reflected in this forecast.

1.1.3.14 Independent Sector Residential Care (Gross and Income)

The service is forecasting a gross pressure of £329k, an increase of £1,210k since the last report. This is offset by additional income of £685k from health and Kent Adult Social Services towards the costs of new placements.

The previously reported gross underspend on this budget has been eradicated following nine new placements between July and September, including three at high cost, and a pressure of £565k is now forecast. This is partially offset by a forecast underspend on secure accommodation of £236k where no children have been placed for the first six months of the year. The budget for secure accommodation is sufficient to fund two placements. If these placements remain vacant, further savings will arise which will be declared in future months.

1.1.3.15 Residential Care – Not Looked After Children (Gross)

This service is forecasting an underspend of £217k resulting from fewer than expected placements in 2009/10 including the unexpected movement of one child to a neighbouring local authority. There is a general decrease in the need to place children with specialist needs in residential care placements following the introduction of other services, such as direct payments which help support parents to enable children to remain at home.

1.1.3.16 Fostering Service (Gross)

The fostering service is currently forecasting a gross pressure of £1,075k. This is largely due to a £1,853k pressure on independent fostering allowances (IFAs) and the kinship service (£48k), offset by underspends on the in-house fostering service (£47k), the county fostering service (£508k), and Related Fostering payments (£271k).

The IFA service is used for more complex cases which our in-house foster carers may not have the capacity, necessary skills or experience to take on. A provision was made in the MTP to develop the more cost effective in-house service, with the expectation that this will relieve the pressure on the IFA budget once the number of foster carers recruited internally begins to rise, and existing carers have received further training to enable them to take on more difficult placements. However, delays in recruitment and training mean that savings are unlikely to be achieved until much later in this financial year or early next financial year. A further update on this position will be given in future monitoring reports.

The £508k underspend in the county fostering team is largely due to delays in recruiting to a number of vacancies and new posts funded from the LAC pledge (£308k). It was hoped these posts would be filled by January 2010, however due to difficulties in recruiting, it is now expected this will not occur until February 2010 at the earliest. However, if further delays occur, the underspend may increase further. The balance of the underspend (£200k) is due to delays in the expansion of the therapeutic fostering scheme funded as part of the Medium Term Plan. However it is expected this scheme will be fully operational by the end of the financial year.

The £271k underspend on Related Fostering is due to a growing trend of carers moving away from fostering to special guardianship (now shown under the 1.1.3.17 adoption service heading below).

1.1.3.17 Adoption Service (Gross)

The adoption service is forecasting a gross pressure of £492k, which is mainly within the Special Guardianship service who are estimating a pressure of £436k; there is a further pressure on the County Adoption Service of £112k and an underspend of £56k on adoption payments.

The Special Guardianship service has been moved here from the Fostering Service this year. This service is forecasting a pressure of £436k. Special Guardianship is a relatively new legal option to provide a permanent home for a child for whom adoption is not appropriate. Since it came into force, there has been a growth in this area and a reduction in fostering (mainly Related).

The pressure on the Adoption Service (£112k) results from a delay in the achievement of medium term planning savings but this is expected to be fully implemented from 2010/11.

1.1.3.18 Leaving Care/16+ (Gross)

The presentation of the budget for the 16+ service was changed in 2009-10 to represent the cost of the service level agreement, in preparation for the transfer of this service to an external provider. This service line now includes budgets relating to 16+ for independent sector residential care, in-house foster care and independent fostering allowances along with the cost of 16+ team and section 24/leaving care payments.

The 16+ service is currently forecasting a £944k gross pressure, of which £766k and £715k relate to in-house fostering and independent fostering allowances respectively, and £41k to kinships payments and related foster care payments, partially offset by projected underspends on independent sector residential care of £186k due to fewer than anticipated placements; section 24 and leaving care payments of £382k and a minor underspend of £10k on 16+ team.

The pressure on both the 16+ in-house fostering service and independent fostering allowances has increased significantly this year compared to previous years, partly due to a group of children reaching age 16 and moving in from the fostering service, and partly as a result of more children choosing to stay within their foster family up to age 18 (or 25 if undergoing further education) rather than moving to supported lodgings at age 16. The authority has a legal obligation to maintain the placement if the child requests, however the budget for the 16+ service has historically only covered the cost of supported lodgings. In previous years, the pressure on this budget has been masked within the fostering and residential care lines. With more children choosing to stay in foster care post age 16, there is less pressure on the section 24/leaving care budget, used to fund 16+ preventative services and supported lodgings, resulting in £382k forecast underspend.

However, the overall pressure on this service has improved by £235k since the previous report, largely due to an increase of children in the last three months choosing to move to supported lodgings. However, it is not known at this stage whether this trend will continue and further updates will be given in future monitoring reports.

1.1.3.19 <u>Other Preventative Services (Gross and Income)</u>

These services are forecasting a £162k pressure offset by a £220k over-recovery of income, of which £218k is from Health.

The Section 17 payments budget is forecasting a pressure of £675k. These payments form part of a community support package which helps families to care for their children at home, and rehabilitates looked after children so that they can return home as soon as possible. This budget has been unable to achieve the savings target applied in the MTP due to the knock on effect it would have on the much more costly fostering service. This pressure is partially offset by a forecast underspend of £308k resulting from the use of the Sure Start grant for Short Breaks to fund the costs of new children accessing day care services therefore freeing up base budget, and delays in the implementation of some of our community-based programmes (£230k). The balance of £25k relates to a small pressure on the link placement scheme.

1.1.3.20 <u>Children Social Services Business Support (Income)</u>

The services in this line are forecasting an over-recovery of income of £198k. This is mainly due to additional administrative costs associated with the Social Work Pilot Project of around £135k, which will be matched by additional income from the Department of Children, Schools and Families (DCSF). The balance relates to other small variances.

The service has a minor gross underspend of £20k resulting from a pressure of £135k associated with the Social Work Pilot Project and other minor pressures of £38k offset by savings on the facilities budget due to the relocation of various children social services teams (£88k) and £105k gross underspend on children social services training budget associated with the delays recruiting to vacancies and new posts in the fostering team and assessment and related service, as reported in sections 1.1.3.16 and 1.1.3.21.

1.1.3.21 <u>Assessment and Related (Gross)</u>

The current forecast underspend of £2,585k is due to a high level of staff vacancies. This is a result of difficulties in recruiting to vacancies and new posts funded from the additional money made available as part of the MTP. Children's Social Services were hoping to have filled these posts by January 2010, however this is now unlikely and the current forecast assumes these posts will be filled by February 2010. The recent recruitment campaigns, both nationally and internationally have had limited success, therefore it is possible this underspend may increase further before the end of the financial year. Historically it has been difficult to recruit Children's Social Workers and this is a problem nationally.

The high level of vacancies in front-line staff is putting pressure on other services, particularly respite care and preventative services, as the safety of children continues to be the highest priority. Recruitment to these posts is crucial to alleviate that pressure, and make social worker caseloads more manageable, enabling the delivery of LAC commitments in a more pro-active and cost effective way.

1.1.3.22 **Asylum:**

The Asylum service is forecasting a net shortfall in income of £3,808k. This forecast fully reflects the new 2009-10 grant rules which make no reference to a separate special circumstances payment, as this has effectively been incorporated into the revised weekly rate. Pressure continues on the asylum budget due to costs which cannot be claimed back from the Home Office under the grant rules. The majority of the pressure comes from the 18+ care leavers budget, estimated at £3,523k, as the Home Office grant does not fund clients once they have exhausted all right of appeal for residency. However the Authority has a duty under the Leaving Care Act to support these clients until they are deported or reach age 21. The Authority is continuing to lobby central government in order to seek further funding for these clients and a meeting was held in September with the UK Borders Agency (UKBA) where long term funding issues were discussed including the possibility of moving away from the current grant claim process to a contractual arrangement with UKBA from 1st April 2010. UKBA is currently setting up a working group with Kent and the London Boroughs of Hillingdon and Croydon to discuss further.

The balance of the shortfall (£285k) results from underfunded inflation following confirmation of the 2009-10 grants rules in relation to the under 18s budget.

In the first quarter we received 107 referrals, in the second 140, an increase of 30%, however in September there were only 26 referrals and in October 27 referrals, the lowest monthly totals for over two years. This decrease has coincided with the French Government's actions to clear asylum seeker camps around Calais. It is unclear whether this situation is a short-term measure or likely to continue over a longer period, and we will continue to monitor the situation closely and provide an update in the next exception report.

The 2008-09 special circumstances payment has recently been confirmed by the UKBA (subject to audit) and, along with the intake grant, is in line with expectations. There are ongoing discussions regarding the 18+ care leavers grant for 2008-09 and an update will be given in future monitoring reports.

Other Issues

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

The latest forecast suggests an underspend of around £1 million on payments to PVI providers for 3 and 4 year olds, however a more accurate forecast will be available once the autumn term hours are known at the end of December. A further update will be given in the exception report to Cabinet on 1st February. 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.

1.1.3.24 **Delegated Schools Budgets**

The first monitoring returns from schools detailing their six monthly monitoring were received during October. Early indications suggest a significant reduction in schools reserves during 2009-10. Schools have traditionally been cautious in their financial forecasting, and the full impact of the tighter balance control mechanism will not be known until the end of the year, however our expectation is that reserves may fall by a further £6million by the end of the financial year although this is substantially less than the schools' forecast suggest. At the end of this financial year all schools will be subject to the balance control mechanism where reserves in excess of their original budget allocation of 5% for secondary or 8% for primary schools will be recovered, except funding relating to reorganisation, an approved capital project or late allocation of government grants passed on by the local authority.

The Schools Funding Forum is due to determine how best to distribute the recovery of reserves resulting from this year's balance control process, along with the accumulated schools unallocated dedicated schools grant, by the end of November and an update will be provided in the next report.

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
CFE	Schools delegated budgets - expected draw down from reserves	+6,000	CFE	Assessment & Related - staffing vacancies (gross)	-2,585
CFE	Asylum - shortfall in Home Office income (income)	+3,808	CFE	ASK - Early Years - badging of unspent sure start grant to free up base budget (gross)	-1,179
CFE	Fostering Service - increase in no of independent fostering allowances (districts & disability, gross)	+1,853	CFE	Mainstream Home to School Transport - contract renegotiations & fewer pupils travelling (gross)	-714
CFE	Leaving Care/16+ service - increase in no of in-house fostering payments (gross)	+766	CFE	Independent Sector Residential Care - additional income received from health and KASS (income)	-685
CFE	Leaving Care/16+ service - increase in no of independent fostering allowances (gross)	+715	CFE	Leaving Care/16+ service - section 24/leaving care payments (gross)	-382
CFE	Capital Strategy Unit - maintenance of non-operational buildings (gross)	+700	CFE	Fostering Service - county fostering team vacancies (gross)	-308
CFE	Other Preventative Services - pressure on section 17 payments (gross)	+675	CFE	Other Preventative Services - disability day care services rebadge of sure start eligible expenditure (gross)	-308
CFE	Personnel & Development - pensions pressure resulting from previous years early retirements (gross)	+565	CFE	Fostering Service - reduction in no of Related Fostering related payments (gross)	-271
CFE	Independent Sector Residential Care - additional placements (gross)	+565	CFE	Independent Sector Residential Care - reduction in no of secure accommodation placements (gross)	-236
CFE	Adoption Service - increase in special guardianship orders (gross)	+436	CFE	Other Preventative Services - delays in implementing community based programmes	-230
CFE	Awards - home to college transport prices and demand (gross)	+339	CFE	Other Preventative Services - additional contributions received from health (income)	-218
CFE	Client Service - under-recovery of contract income due to delays in renegotiation of contracts (income)	+209	CFE	Residential Care Not Looked After Children - reduction in placements (gross)	-217
CFE	SEN Transport - expensive travel arrangements (gross)	+200	CFE	Fostering Service - delays in expansion of therapeutic fostering scheme (gross)	-200
CFE	CSS Business Support - admin costs of Social Work Pilot project	+135	CFE	Leaving Care/16+ service - fewer independent sector residential care placements (gross)	-186
CFE	ASK - Professional Development - children's trust development team staffing costs (gross)	+130	CFE	Local Children's Services Partnerships - various minor underspends (gross)	-170
CFE	Adoption Service - delay in achieving MTP savings within the county adoption team (gross)	+112	CFE	Additional Educational Needs & Resources - staff vacancies and delays in recruitment to new posts (gross)	-151
CFE	ASK Primary - staffing budget for hands on support and infrastructure team (gross)	+105	CFE	CSS Business Support - Social Work Pilot project (income)	-135
			CFE	CSS Business Support - CSS training due to delays in recruitment	-105
			CFE	Specialist Teaching Service - low take-up of personal educational allowances for looked after children (gross)	-100
		+17,313			**-8,380**

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

The rebadging of £1.179m of Sure Start grant, arising from delays in the round 3 Children's Centres, against eligible spend in ASK Early Years has already been reflected in the forecasts in order to free up base budget. This is likely to be the last year that this option is available to us as the final round of centres is expected to be fully functional by the end of this financial year.

1.1.5 **Implications for MTP**:

Where the above pressures and underspends are of a permanent nature and can be viewed with a reasonable degree of certainty, they will be built into the MTP for 2010-13. All other pressures are expected to be managed downwards on an ongoing and sustainable basis.

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]*

Overall the portfolio is forecasting an underspend of £968k excluding the pressure on Asylum. This will be required to fund one-off costs which are likely to fall into 2010-11. Following the delay of one month in the formal consultation of the directorate restructure, additional one-off funding will be required to pay for the delay in the implementation of staffing savings. For staff on teachers terms and conditions, a one month delay will result in three months of additional salary costs due to the termly nature of employment contracts. It is impossible to estimate how much funding will be required at this early stage in the restructure, however further work will be undertaken in the coming months to quantify the requirement so that an estimate may be reported at the earliest opportunity.

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 12th October 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.

	Previous Years £'000s	2009-10 £'000s	2010-11 £'000s	2011-12 £'000s	Future Years £'000s	TOTAL £'000s
Children, Families & Education						
Budget	229,492	218,380	187,475	59,642	136,873	831,862
Adjustments:						
- re-phasing agreed at Oct Cabinet		460	-3,945	765	2,720	0
- Integrated Childrens Systems		218				218
- SusCon		-1,500	-1,500			-3,000
- Non Delegated Capital PRU's				-98	-196	-294
- Primary Capital Programme				-3,975	-9,150	-13,125
-						0
Revised Budget	229,492	217,558	182,030	56,334	130,247	815,661
Variance		+8,527	+946	-687	-1,119	+7,667
split:						
- real variance		+6,098	+1,368	+277	-76	+7,667
- re-phasing		+2,429	-422	-964	-1,043	0
Devolved Capital to Schools						
Budget	916	36,721	26,690	27,291	54,582	146,200
- Devolved Formula Capital				-9,236	-18,472	-27,708
- Extended School				-481	-962	-1,443
-						
Revised Budget	916	36,721	26,690	17,574	35,148	117,049
Variance		0	0	0	0	0
split:						
- real variance		0	0	0	0	0
- re-phasing		0	0	0	0	0
Directorate Total						
Revised Budget	230,408	254,279	208,720	73,908	165,395	932,710
Variance	0	8,527	946	-687	-1,119	7,667

Real Variance	**0**	**6,098**	**1,368**	**277**	**-76**	**7,667**
Re-phasing	**0**	**2,429**	**-422**	**-964**	**-1,043**	**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

			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						
CFE	BSF Unit Costs	Phasing	+3,500			
CFE	Milestone School	Real		+1,114		
CFE	Meadowfield School	Real		+851		
CFE	Bower Grove School	Real		+717		
CFE	The Bridge	Real	+501			
CFE	Orchard/Dunkirk	Real		+500		
CFE	Grange Park	Real		+401		
CFE	Ifield School (NWK College)	Real		+365		
CFE	Ridgeview School	Real			+350	
CFE	The Wyvern School (Clockhouse)	Real		+350		
CFE	Rowhill School	Real		+288		
			+4,001	**+4,586**	**+350**	**+0**
Underspends/Projects behind schedule						
CFE	The Manor	Phasing		-547		
CFE	Dartford Grammar Girls	Phasing	-361			
CFE	Corporate Property recharge	Real	-338			
CFE	Service Redesign	Real			-500	
			-699	**-547**	**-500**	**-0**
			+3,302	**+4,039**	**-150**	**+0**

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

1.2.4.1 **Building Schools for the Future Unit Costs – rephasing of +£3.5m**

The original budget for the Unit was sufficient to create the Local Education Partnership (LEP) and deliver the early BSF wave. KCC is now however involved in the delivery of Waves 3 and 4 together with the planning for Wave 5, the preparation for a second LEP to cover the rest of the county and the delivery of some eleven academies. In total some £1 billion worth of investment.

In advance of the approval of a new budget for the Unit as part of the MTFP, funding has been brought forward to deliver what is currently required to maintain progress.

	Previous Years	2009-10	2010-11	2011-12	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	4,350	2,668	3,000	2,600	5,200	17,818
Forecast	4,350	6,168	1,500	1,600	4,200	17,818
Variance	**0**	**3,500**	**-1,500**	**-1,000**	**-1,000**	**0**
FUNDING						
Budget:						
Grant	3,000	0	0	0	0	3,000
Prudential	-1,665	789	1,336	-2,564	-4,331	-6,435
PEF2	5,950	0		0	2,600	8,550
Supported Borrowing	-2,935	1,879	1,625	5,039	6,806	12,414
Revenue	0	0	39	125	125	289
TOTAL	4,350	2,668	3,000	2,600	5,200	17,818
Forecast:						
Grant	3,000	0	0	0	0	3,000
Prudential	-1,665	789	1,336	-2,564	-4,331	-6,435
PEF2	5,950	0		0	2,600	8,550
Supported Borrowing	-2,935	1,879	1,625	5,039	6,806	12,414
Revenue	0	0	39	125	125	289
Unidentified	0	3,500	-1,500	-1,000	-1,000	0
TOTAL	4,350	6,168	1,500	1,600	4,200	17,818
Variance	**0**	**+3,500**	**-1,500**	**-1,000**	**-1,000**	**0**

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

The real variance over the lifetime of the Medium Term Plan indicates an overspend of £7.667 million (m). The split of the real variance across the years of the MTP is +£6.098m in 2009/10, +£1.368m in 2010/11, +£0.277m in 2011/12 and -£0.076m in future years.

After taking into account additional resources of circa +£2.073m, most of which relates to additional developer contributions attributed to the John Wesley basic need scheme, the overspend across all years reduces to +£5.594m which is an increase of +£0.117m since last month. The funding shortfall both in 2009/10 and across all future years, most of which has previously been reported, will be resolved as part of the MTP for 2010/13.

The +£7.667m overspend relates to the following :

Special Schools Review +£7.040m (+£5.304m in 2009/10, +£1.421m in 2010/11 and +£0.315m in 2011/12).

The overall management of the SSR Programme continues to create challenges both in terms of actual delivery and financial management. The pressures on the overall budget have already required Members to agree that a number of schemes would have to be delivered through the Building Schools for the Future Programme, whilst others have been deferred until other funding sources have been identified. As the Programme progresses there has been less opportunity to offset pressures and we are now in effect seeing the final approved schemes being completed.

The funding shortfall for this programme of works, all of which has been previously identified and reported, will be resolved as part of the MTP for 2010/13. The major variances to cash limit in this programme are:

1. **Grange Park School +£1.294m** (£+0.401m in 2009/10, £+0.886m in 2010/11 and £+0.007 in 2011/12) - the original costings and cash limits for this project, to re-provide the school on the Wrotham School site, were based on a standard build cost per square metre. Its agreed location has required additional works to take place : acoustic works to reduce the traffic noise from the M26 motorway, extra drainage works and the need for a new electricity sub station. This forecast overspend should be reduced by the anticipated receipt from giving up the lease earlier on the existing, very unsuitable site. This receipt has been estimated at £0.4m.

2. **Milestone School +£1.127m** (£+1.114m in 2009/10, £+0.013m in 2010/11) - additional costs have resulted from delays caused by design and performance issues plus arranging for asbestos to be removed. There are outstanding claims against the contractor still to be finalised. The increase of +£0.634m since the July quarterly report relates to the addition to the programme of additional education mobiles.

3. **Meadowfield +£0.886m** (£+0.851m in 2009/10, £+0.035m in 2010/11) - this refurbishment/re-modelling project has been very problematic and with hindsight a new build option would have been considerably easier, less disruptive and possibly cheaper. Delays and additional costs have resulted from resolving a number of design issues, roof leaks, mechanical and electrical changes following changes in building regulations and contractor performance issues. Claims are outstanding against the contractor and if successful will reduce the scale of this overspend.

4. **Bower Grove School +£0.717m** (all in 2009/10) – the increase in spend on this project relates to a combination of the addition of a number of extra items and an error in the monitoring of the overall scheme: Part of the scheme was the development of a satellite centre at the Astor of Hever School (+£0.326m). This scheme was managed by the School, funded by us but unfortunately not reflected in the monitoring. There was also a need to infill a basement area at the school (which was previously unknown), extra ceiling and dining hall works and contractor claim payments.

5. **Ifield School (6th Form Unit) +£0.365m** (all in 2009/10) – the increase relates to the final payment to North West Kent College for the provision of village based 6th Form tuition facilities. The figure has increased from the July quarterly return to take account of furniture provision and stamp duty payment.

6. **Rowhill School +£0.288m** (all in 2009/10) – additional costs resulting from delays to outdoor progress and the discovery of unknown underground cabling/pipework. Efforts are being made to offset this pressure.

7. **The Wyvern School Nursery +£0.250m** (all in 2011/12)
This additional spend relates to provision of a nursery unit at the Wyvern School. The nursery unit build will be undertaken as part of the multi million pound Multi Agency Specialist Hub project at the School.

8. **Valence School +£0.178m** (all in 2009/10) – additional costs have resulted from the collapse of the access road, which has delayed progress on the residential accommodation and had to be replaced, as well as electricity design issues that have needed to be resolved.

9. **Portal House +£0.174m** (£+0.058m in 2009/10, £+0.058m in 2010/11 and £+0.058 in 2011/12)
This relates to the hiring of mobile accommodation (3 years at £58K a year) to accommodate the increasing number of pupils in advance of the delivery of the new school as part of Building Schools for the future.

10. **Appeasement Works** – In approving the new budget for the SSR as part of the 2009/11-2011/12 MTP, there was a commitment to spend up to £3m on the six schools that had had their planned scheme deferred. Three of the Schools are:

(a) **Ridgeview School +£0.750m** (£+0.350m in 2009/10, £+0.400m in 2010/11).
This increased spend relates to the need to purchase and install mobiles to accommodate additional pupils and improve the state of existing facilities, including dealing with immediate Health and Safety issues, pending Member decision concerning the replacement School

(b) **The Wyvern School (Clockhouse and Buxford) +£0.350m** (all in 2009/10) - reduced from the previously reported figure of £+0.500m. - this is an addition to the programme which will provide the School with additional temporary accommodation, two care suites and the refurbishment of the toilets.

(c) **Orchard School (Dunkirk) +£0.500m** (all in 2009/10) - this is an addition to the programme which includes a building extension and some refurbishment which will allow the School to take primary aged pupils.

Overall this leaves a residual balance of +£0.161m on a number of more minor Special Schools Review projects.

Corporate Property Project Management Fees -£1.334m (-£0.338m in 2009/10, -£0.249m in 2010/11, -£0.249m in 2011/12 and -£0.498m in Later Years)
This saving in our Capital budget has arisen because we are unable to capitalise the Corporate Property Unit recharge for indirect staffing to the Capital Programme. Accounting rules demand that these costs have to be met from the CFE Revenue budget. The revised levels of expenditure have been reflected in the 2010/11 MTP submission.

Capital Strategy Unit +£0.680m (+£0.080m in 2009/10, +£0.150m in 2010/11, +£0.150m in 2011/12 and +£0.300m in Later Years). Our forecast has been increased to take account of the current level of staffing costs and an anticipation that legal charges will be at a similar level as those in 2008/09. The revised levels of expenditure have been reflected in the 2010/11 MTP submission.

Development Opportunities +£0.515m (all in 2009/10).
The major increases in costs in this programme relate to Dartford Campus (+£0.206m), Greenfields (+£0.125m) and St James the Great (+£0.089m). **Dartford Campus** – costs have increased on post completion works to phase 2 of the build, the addition to the programme of an acoustic fence and previous forecasts of global fees have proved to be inaccurate. **Greenfields** - There has been an increase in forecast costs due to the ongoing issues with poor workmanship by a contractor who has been dismissed from the project and a replacement taken on. There may be the facility to get some recompense from the original contractor if legal action is considered to be appropriate. **St James the Great** – increases have resulted from mechanical and engineering issues and an extension of time claim.

The Bridge +£0.527m (+£0.501m in 2009/10 and +£0.026m in 2010/11).
The increase in costs were due to a major value engineering exercise which resulted in significant enhancements to the design. There has also been a contractual delay and an extension of time claim has been submitted. Its important to note that this development is cross directorate and not purely a CFE scheme.

Service Redesign - £0.500m (all in 2009/10).
The original programme has re-phased whilst possible alternative co-location opportunities are explored to facilitate integrated working. This revised approach is forecast to deliver a saving of £0.500m.

Management and Modernisation of Assets (Children's Services) +£0.290m (+£0.046m in 2009/10, +£0.061m in 2010/11, +£0.061m in 2011/12 and +£0.122m in later years).
The extra costs relate to the addition to the programme of a Health and Safety programme. The additional costs will be fully funded from revenue contributions.

Primary Pathfinder Programme +£0.361m. (+£0.162m in 2009/10 and +£0.199m in 2010/11)
The increase in costs on this project relate to two projects : The Manor +£0.199m and Oakfield PS +£0.162m. **The Manor** – within the approved estimate for this project there was an expectation that a £0.200m saving could be achieved against the original estimated cost by using mobile accommodation during the build. In hindsight this expectation was over optimistic and the saving has been impossible to achieve. **Oakfield** – to complete the new build element of the project additional labour costs were required to ensure beneficial occupation for September 2009. With regard to the refurbishment element of the project it has been necessary to undertake remedial action on serious structural defects and maintenance issues.
The funding for the overspend on this programme will be found from the Primary Capital Programme.

Primary Capital Programme -£0.361m (-£0.162m in 2009/10 and -£0.199m in 2010/11)
Savings identified to meet overspends identified on the Primary Pathfinder programme.

Modernisation Programme +£0.177m (all in 2009/10)
The main reason for the increase in costs relates to the Park Farm project where the forecast spend has been increased from £1.263m to £1.400m to reflect the agreed contribution to Folkestone Academy as part of the All Age Academy.

Self Funded Projects +£0.147m. (all in 2009/10).
The entire notional overspend relates to the Quarryfield Outdoor Environmental Project which is planned to complete in 2009/10. All costs relating to this project are being funded from Early Years revenue contributions.

Kings Farm Family Centre +0.046m (all in 2009/10)
Our consultants at the time the project was approved gave us an estimate for the project of £95K. The consultants were then removed from the approved lists, so we had to go back out to new consultants for new costs.

PFI Compensation Events +£0.046m (all in 2009/10)
During the life of a PFI scheme we are likely to be faced with a number of compensation claims. These primarily relate to circumstances where as part of the contract finalisation it was decided it would be financially beneficial to Kent for us to retain the risk and fund in event of an issue rather than paying the risk premium the contractor was seeking. We currently have two incidents at The North School where we have met such claims – the filling of an air raid shelter and the removal of asbestos.

Overall this leaves a residual balance of +£0.033m on a number of more minor projects.

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 and has meant a significant reduction in the size of our programme.

The Directorate is also at risk from external sources both in terms of the time and cost pressures on the budget by, for example, decisions taken by planning, environment and occasionally the individual scheme managers.

One specific scheme risk relates to the re-provision of Lympne Primary School. We are currently holding a spend figure on Lympne of £915k, but are forecasting nothing on the basis that it will all be recovered, either via the professional indemnity claim in relation to the architect, additional fire insurance funding or a claim against the causers of the fire for ‘unrecoverable losses’.

(b) Details of action being taken to alleviate risks

The programme is monitored internally on a regular basis and any potential challenges noted and addressed wherever possible.

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	2009-10	2010-11	2011-12	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Budget	21,602	43,204	4,801	0	69,607
Actual / Forecast	21,602	43,204	4,801	0	69,607
Variance	0	0	0	0	0

(a) **Progress and details of whether costings are still as planned (for the 3rd party)**
The contracts for the establishment of the first Local Education Partnership (Kent LEP1 Ltd), including the PFI Agreement for the construction of the three PFI schools, were signed on 24th October 2008. The three PFI schools are nearly a year into their construction programme and although they remain marginally ahead of schedule, the current projections are that the schools will be handed over on the planned service availability date. It is anticipated that the costs will remain in line with the breakdown above.

(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 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.

There is the risk of having to meet compensation claims (see earlier).

1.2.8 **Project Re-Phasing**

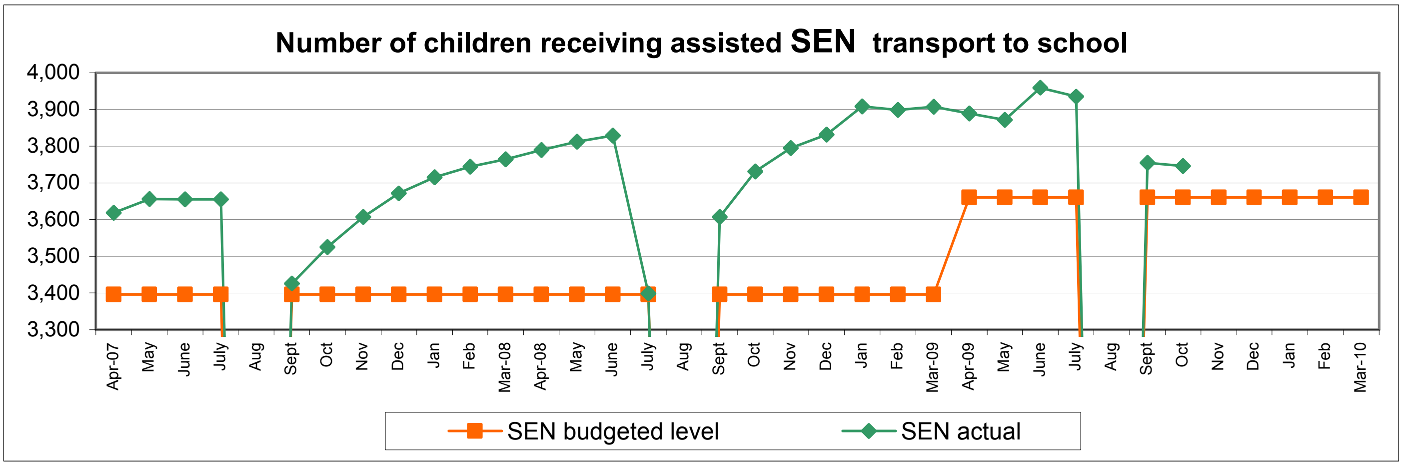
Cash limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the rephasing will be shown. The possible re-phasing is detailed in the table below.

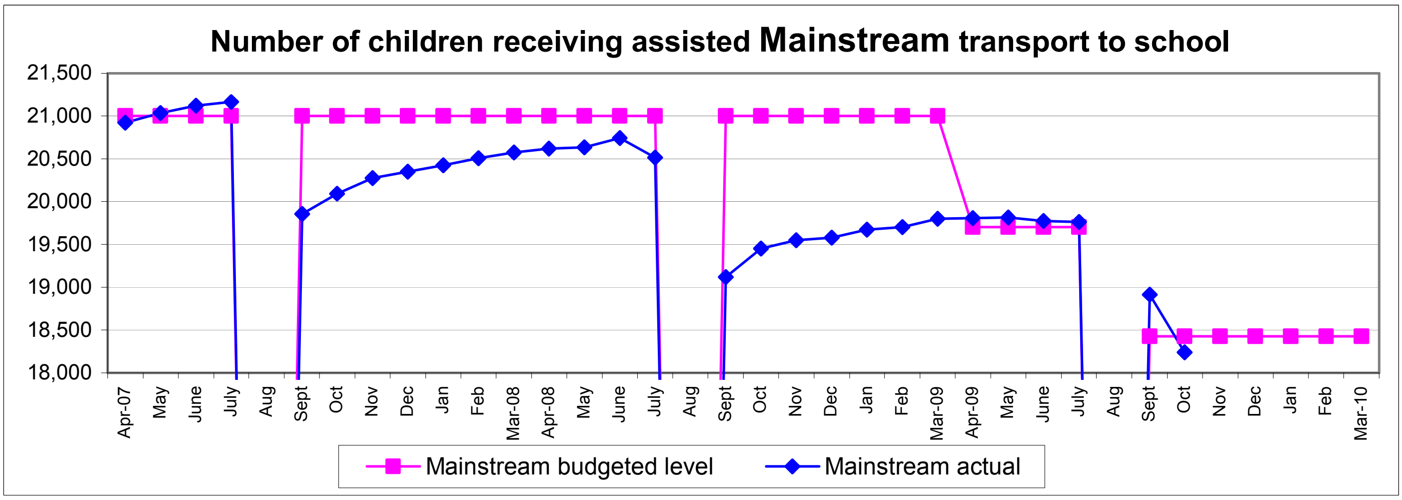
	2009-10	2010-11	2011-12	Future Years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Dartford Grammar for Girls (Basic Need)					
Amended total cash limits	+1,761	+437	0	0	+2,198
re-phasing	-361	+361	0	0	0
Revised project phasing	**+1,400**	**+798**	**0**	**0**	**+2,198**
Building Schools for the Future Unit Costs					
Amended total cash limits	+2,668	+3,000	+2,600	+5,200	+13,468
re-phasing	+3,500	-1,500	-1,000	-1,000	0
Revised project phasing	**+6,168**	**+1,500**	**+1,600**	**+4,200**	**+13,468**
The Manor School (Primary Pathfinder Programme)					
Amended total cash limits	+4,610	+1,145	+27	0	+5,782
re-phasing	-547	+548	-1		0
Revised project phasing	**+4,063**	**+1,693**	**+26**	**0**	**+5,782**
Five Acre Wood - New School (Special Schools Review Programme)					
Amended total cash limits	+195	+19	0	+2,385	+2,599
re-phasing	-126	+150	+19	-43	0
Revised project phasing	**+69**	**+169**	**+19**	**+2,342**	**+2,599**
Crockenhill PS (Modernisation Programme)					
Amended total cash limits	+835	0	0	0	+835
re-phasing	-107	+107	0	0	0
Revised project phasing	**+728**	**+107**	**0**	**0**	**+835**
Service Redesign					
Amended total cash limits	+650	+101	0	0	+751
re-phasing	+101	-101			0
Revised project phasing	**+751**	**0**	**0**	**0**	**+751**
Total re-phasing >£100k	**+2,460**	**-435**	**-982**	**-1,043**	0
Other re-phased Projects below £100k					
re-phasing	-31	+13	+18	0	0
Revised phasing	**-31**	**+13**	**+18**	**0**	**0**
TOTAL RE-PHASING	**+2,429**	**-422**	**-964**	**-1,043**	**0**

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Numbers of children receiving assisted SEN and Mainstream transport to school:

	2007-08				2008-09				2009-10			
	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	3,396	3,618	21,000	20,923	3,396	3,790	21,000	20,618	3,660	3,889	19,700	19,805
May	3,396	3,656	21,000	21,032	3,396	3,812	21,000	20,635	3,660	3,871	19,700	19,813
June	3,396	3,655	21,000	21,121	3,396	3,829	21,000	20,741	3,660	3,959	19,700	19,773
July	3,396	3,655	21,000	21,164	3,396	3,398	21,000	20,516	3,660	3,935	19,700	19,761
Aug	0	0	0	0	0	0	0	0	0	0	0	0
Sept	3,396	3,426	21,000	19,855	3,396	3,607	21,000	19,118	3,660	3,755	18,425	18,914
Oct	3,396	3,525	21,000	20,093	3,396	3,731	21,000	19,450	3,660	3,746	18,425	18,239
Nov	3,396	3,607	21,000	20,276	3,396	3,795	21,000	19,548	3,660		18,425	
Dec	3,396	3,671	21,000	20,349	3,396	3,831	21,000	19,579	3,660		18,425	
Jan	3,396	3,716	21,000	20,426	3,396	3,908	21,000	19,670	3,660		18,425	
Feb	3,396	3,744	21,000	20,509	3,396	3,898	21,000	19,701	3,660		18,425	
March	3,396	3,764	21,000	20,575	3,396	3,907	21,000	19,797	3,660		18,425	



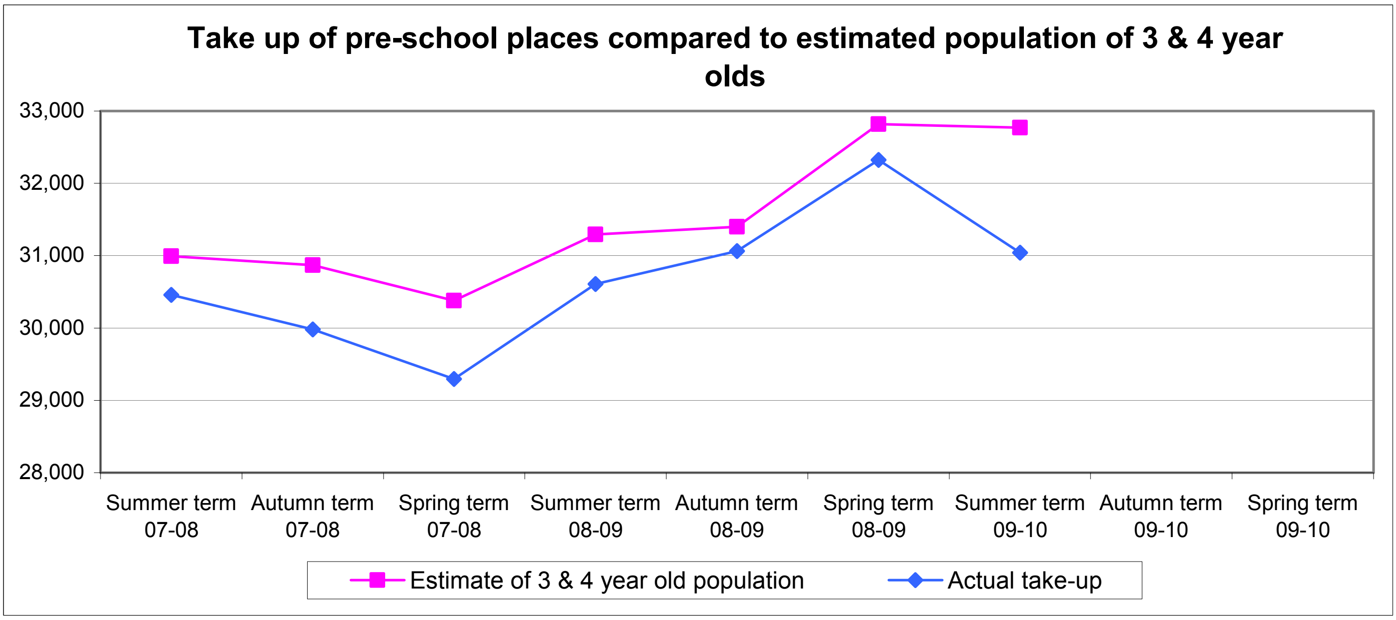


Comments:

- **SEN HTST** – The number of children requiring SEN transport continues to be higher than budgeted levels, and the resulting £200k pressure on this budget is detailed in section 1.1.3.9.
- **Mainstream HTST** – The October monitoring suggests the number of children requiring mainstream transport is now lower than the budgeted level. In addition, as explained in section 1.1.3.6, savings have been generated through the contract renegotiation which means we can now afford more travellers than the budgeted level suggests. Overall therefore we are currently forecasting an underspend of £670k.

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**:

	PVI places taken up	*School places taken up*	Total places taken up	Estimate of 3 & 4 year old population	% take up
2007-08					
Summer term	*20,675*	*9,485*	30,460	30,992	98%
Autumn term	*14,691*	*15,290*	29,981	30,867	97%
Spring term	*17,274*	*12,020*	29,294	30,378	96%
2008-09					
Summer term	*20,766*	*9,842*	30,608	31,294	98%
Autumn term	*14,461*	*16,604*	31,065	31,399	99%
Spring term	*19,164*	*13,161*	32,325	32,820	98%
2009-10					
Summer term	*21,175*	*9,868*	31,043	32,770	95%
Autumn term					
Spring term					



Comments:

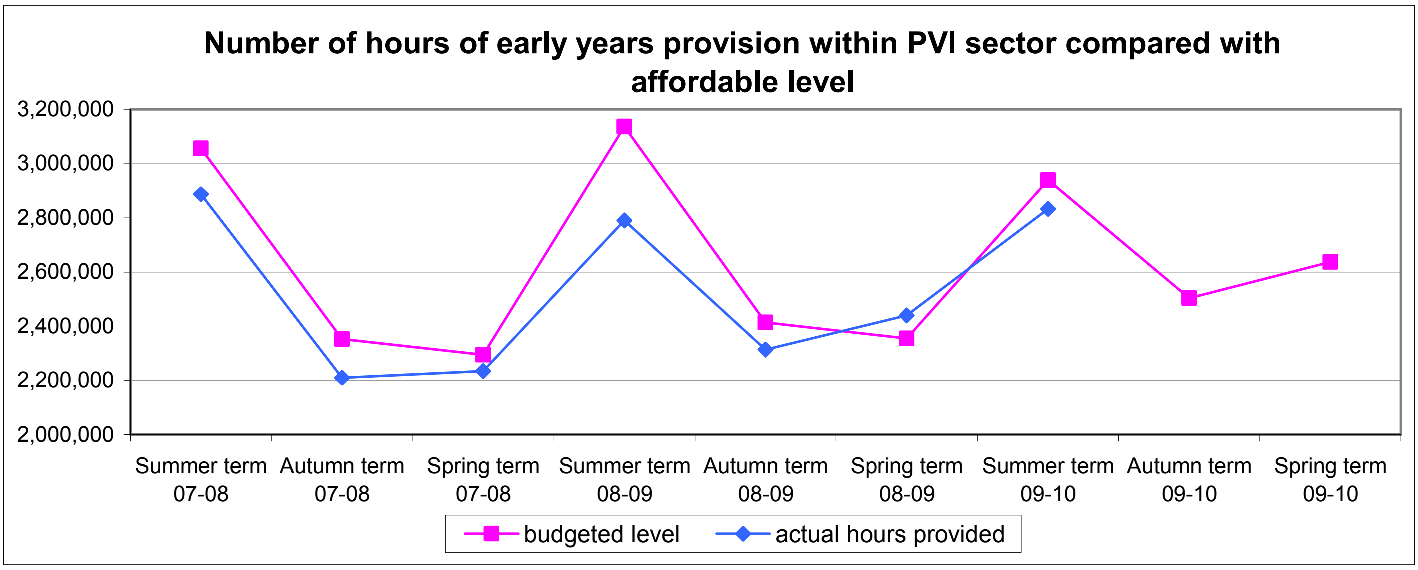
- This graph shows that currently 95% of the estimated population of 3 and 4 year olds are receiving some level of early years provision, whether this be one session per week for 33 weeks or five sessions per week for 38 weeks. This activity indicator is based on headcount and provides a snapshot position 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/standards fund, 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 underspending elsewhere in the directorate budget. Therefore, as any unspent DSG Early Years funding has to be returned to schools, in 2009-10 an estimated underspend of £1m will be transferred to the schools unallocated reserve and hence is not included in the overall directorate forecast shown in table 1, but is reported in the narrative in section 1.1.3.23 of this annex. Expenditure relating to the increase in the free entitlement from 12.5hrs to 15hrs a week will be funded from Standards Fund, a 17month ring-fenced specific grant, which requires any resulting underspends to be carried forward to the next financial year to be spent by 31st August 2010.
- The percentage drop in the level of take-up may be due to the effects of the recession, where some parents, mainly those working part-time, who had used the free-entitlement to enable them to work or train are now unemployed and not using early education even though it is free.

However it must also be noted that while the table suggests a drop in the level of take-up, the 3 & 4 year old population data is an estimate and total numbers of take up for both PVI and school places has risen for this point in the financial year. A further update on this position will be given in future monitoring reports.

- The graph will be updated in the next full monitoring report when data on the take up of places in the autumn term is available

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**		**2009-10**	
	Budgeted number of hours	Actual hours provided	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	2,939,695	2,832,550
Autumn term	2,352,089	2,209,303	2,413,489	2,313,819	2,502,314	
Spring term	2,294,845	2,233,934	2,354,750	2,438,957	2,637,646	
	7,703,488	**7,330,371**	**7,904,583**	**7,543,222**	**8,079,655**	**2,832,550**



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.
- From September 2009-10, the phased roll-out of the increase in the number of free entitlement hours from 12.5hrs to 15 hrs per week will begin. The estimated increase in the number of hours has been factored into the budgeted number of hours for 2009-10. This increase in hours will be funded from a specific DCSF standards fund grant.
- The current activity suggests an underspend of around £1m on this budget which has been mentioned in section 1.1.3.23 of this annex. A more certain position will be reported once the autumn hours are known.
- It should be noted that not all parents currently take up their full entitlement and this can change during the year.
- The number of hours provided in the Summer Term increased even though the percentage take-up reported in 2.2.1 reduced, this is because the actual level of take-up in PVI providers increased and there are more days in the summer term than the spring term.
- The graph will be updated in the next full monitoring report when data on the take up of places in the autumn term is available.

2.3 Number of schools with deficit budgets compared with the total number of schools:

	2005-06	2006-07	2007-08	2008-09	2009-10
	as at 31-3-06	as at 31-3-07	as at 31-3-08	as at 31-3-09	Projection
Total number of schools	600	596	575	570	570
Total value of school revenue reserves	£70,657k	£74,376k	£79,360k	£63,184k	£57,184k
Number of deficit schools	9	15	15	13	20
Total value of deficits	£947k	£1,426k	£1,068k	£1,775k	£2,616k

Comments:

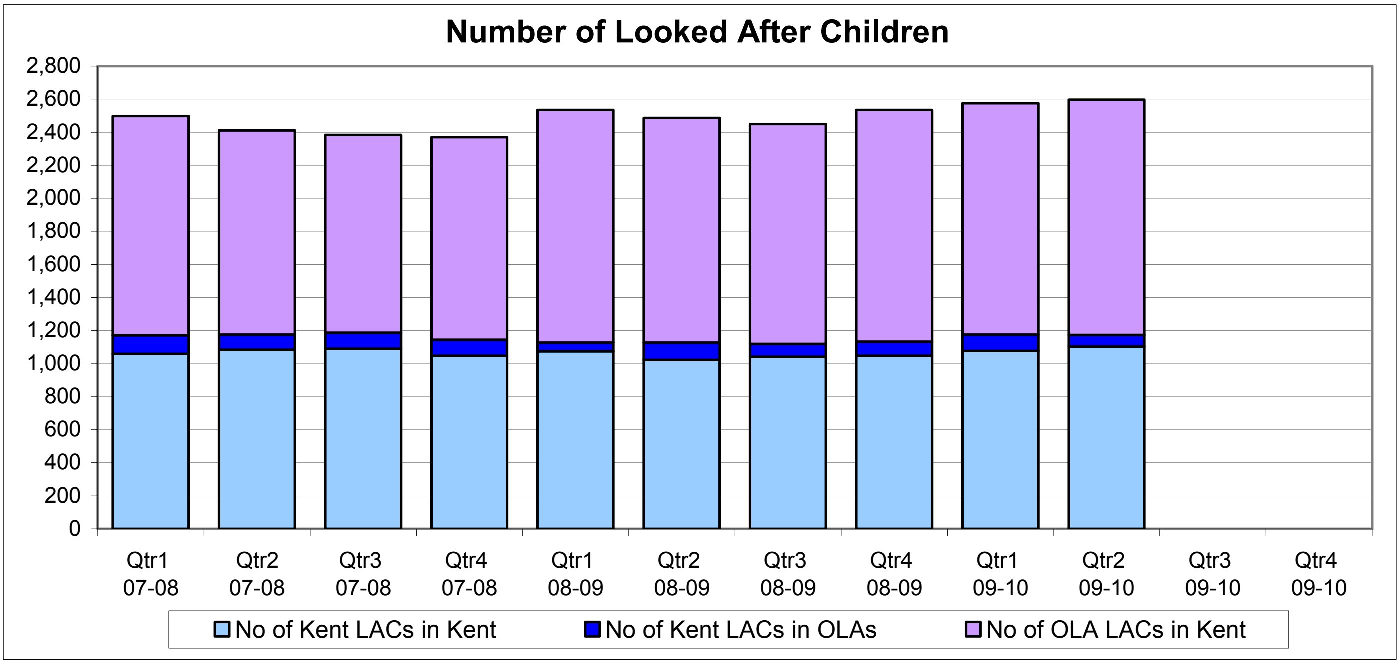
- The information on deficit schools for 2009-10 has been obtained from the schools budget submissions. The directorate receives updates from schools through budget monitoring returns from all schools after 6 months, and 9 months as well as an outturn report at year end.

- The number and value of deficits for 2009-10 is based on the last schools monitoring return. 3 of the 20 schools forecasting a deficit balance closed in August 2009. 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.

- KCC now 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 Local Authority.

2.4 Numbers of Looked After Children (LAC):

	No of Kent LAC placed in Kent	No of Kent LAC placed in OLAs	TOTAL NO OF KENT LAC	No of OLA LAC placed in Kent	TOTAL No of LAC in Kent
2007-08					
Apr – Jun	1,060	112	**1,172**	1,325	**2,497**
Jul – Sep	1,084	91	**1,175**	1,236	**2,411**
Oct – Dec	1,090	97	**1,187**	1,197	**2,384**
Jan – Mar	1,047	97	**1,144**	1,226	**2,370**
2008-09					
Apr – Jun	1,075	52	**1,127**	1,408	**2,535**
Jul – Sep	1,022	105	**1,127**	1,360	**2,487**
Oct – Dec	1,042	77	**1,119**	1,331	**2,450**
Jan – Mar	1,048	84	**1,132**	1,402	**2,534**
2009-10					
Apr – Jun	1,076	100	**1,176**	1,399	**2,575**
Jul – Sep	1,104	70	**1,174**	1,423	**2,597**
Oct – Dec					
Jan – Mar					

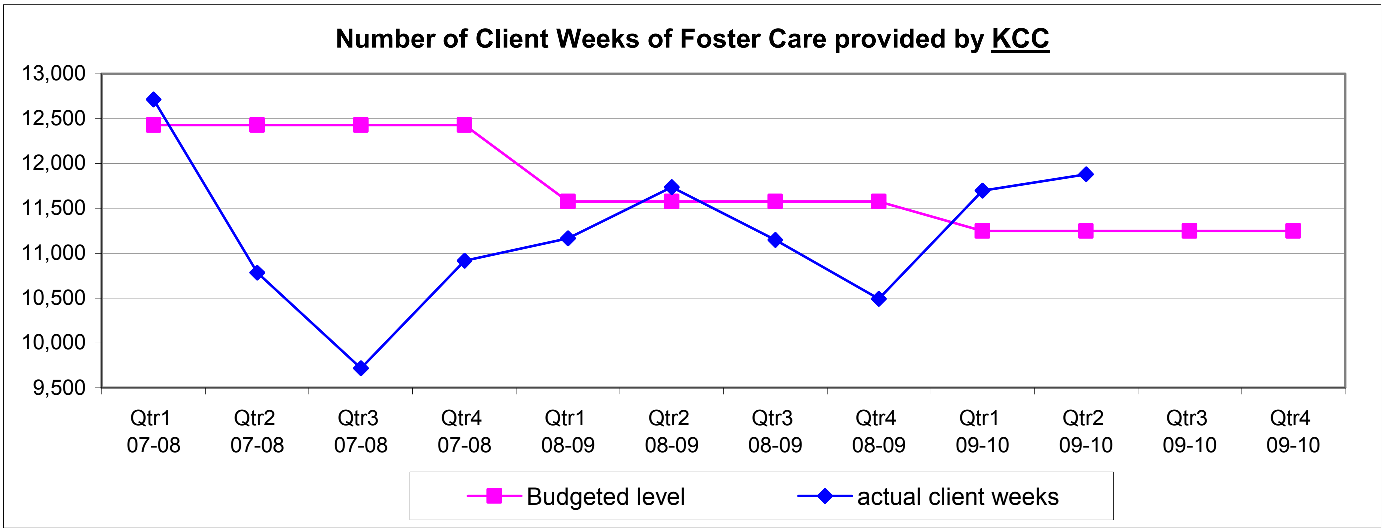


Comments:

- 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.
- Please note, the number of looked after children for each quarter represents a snapshot of the number of children designated as looked after at the end of each quarter, it is not the total number of looked after children during the period. Therefore although the number of looked after children has increased by 42 since the beginning of the year, there could have been more during the period.
- The increase in Kent looked after children has placed additional pressure on the fostering service and 16+ services budget (see section 1.1.3.16 and 1.1.3.18)

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

	2007-08		2008-09		2009-10	
	Budgeted level	**Actual Client Weeks**	**Budgeted level**	**Actual Client Weeks**	**Budgeted level**	**Actual Client Weeks**
Apr – Jun	12,427	12,711	11,576	11,166	11,249	11,695
Jul – Sep	12,427	10,781	11,576	11,735	11,249	11,880
Oct – Dec	12,427	9,716	11,576	11,147	11,249	
Jan – Mar	12,427	10,918	11,576	10,493	11,249	
	49,709	**44,129**	**46,303**	**44,451**	**44,997**	**23,575**



Comments:

- The actual number of client weeks is based on the numbers of known clients at a particular point in time.

- The budgeted level has been calculated by dividing the 2009-10 budget for all in-house fostering (including 16+) by the 2008-09 average weekly cost adjusted for inflation. The average weekly cost is also an estimate based on financial information and estimates of the number of client weeks.

- 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.

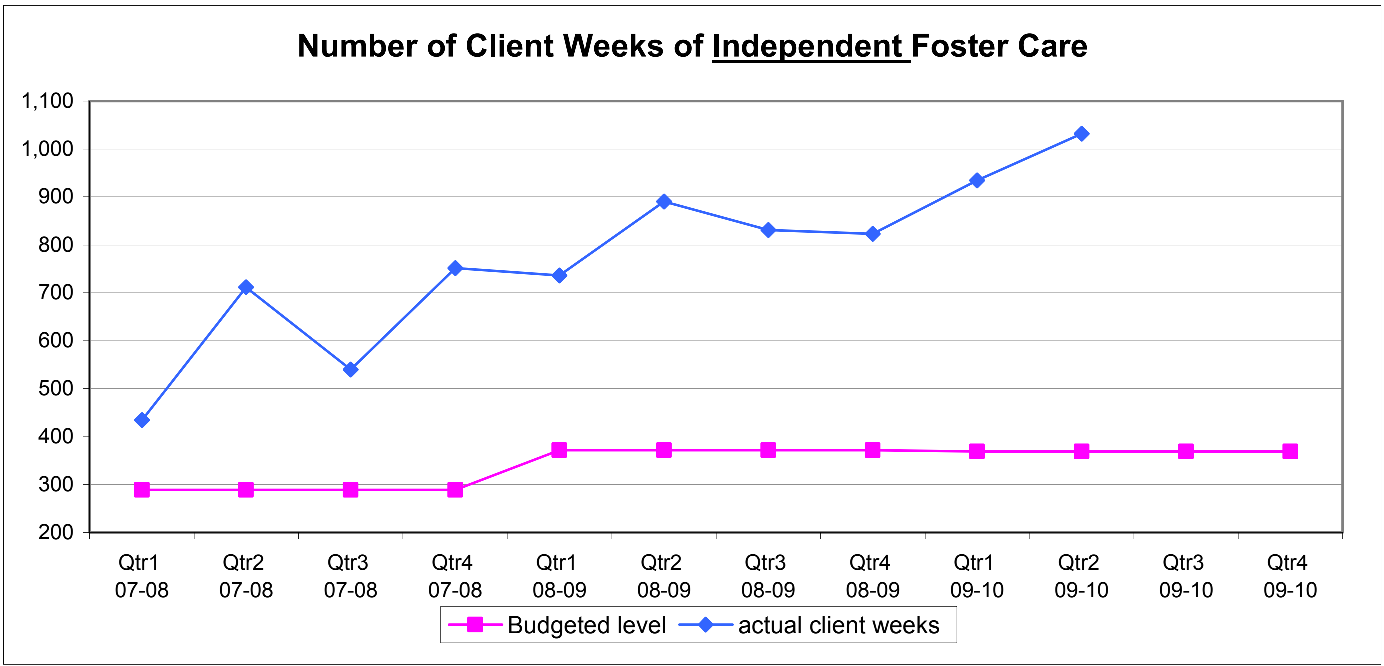
- Please note a correction has been made to the actual number of client weeks for 2009-10 quarter 1, which was previously incorrectly stated at 12,499.

- The overall net pressure on in-house fostering is expected to be approximately £719k, combining both 16+ and fostering service forecasts (sections 1.1.3.16 & 1.1.3.18) and corresponds with forecast activity levels. It should be noted that activity levels for in-house foster care placements are volatile and further information on the apparent trend will be given in future monitoring reports. This pressure is largely attributed to the 16+ age group. However, in the previous quarter, we reported an increase in the number of short term 'respite' placements within the under 16 age group but following the correction of the quarter 1 activity data we are now investigating the significance of this issue, which may have less of an impact on the forecast than previously reported. An update will be given in the January full monitoring report.

- It must be noted there is a move to increase the number of in-house foster carers to reduce the dependence on more costly independent sector provision, however this is not expected to happen until late 2009-10 or early 2010-11, due to delays in the recruitment of relevant staff.

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

	2007-08		2008-09		2009-10	
	Budgeted level	**Actual Client Weeks**	**Budgeted level**	**Actual Client Weeks**	**Budgeted level**	**Actual Client Weeks**
Apr - Jun	289	435	372	737	369	935
Jul - Sep	289	712	372	890	369	1,032
Oct - Dec	289	540	372	831	369	
Jan - Mar	289	752	372	823	369	
	1,154	**2,439**	**1,487**	**3,281**	**1,475**	**1,967**



Comments:

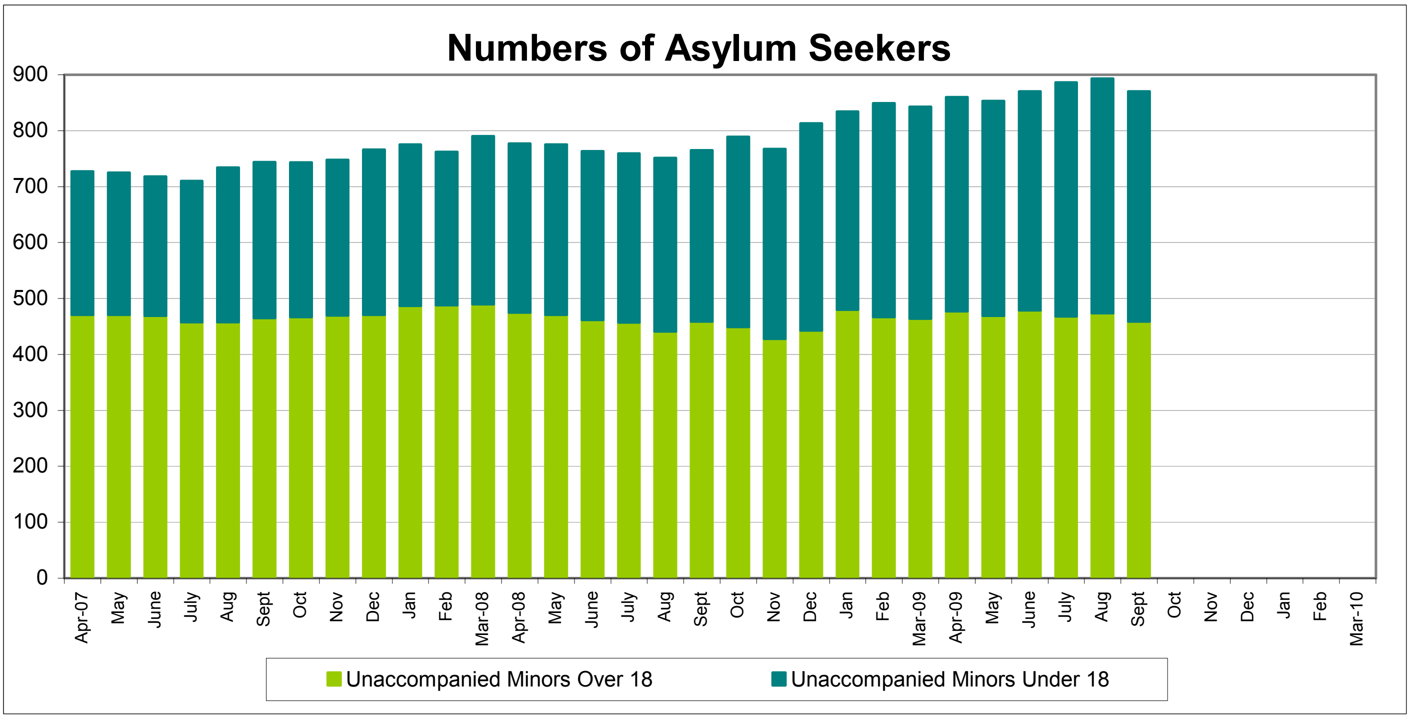
- The actual number of client weeks is based on the numbers of known clients at a particular point in time.

- The budgeted level has been calculated by dividing the 2009-10 budget by the 2008-09 average weekly cost adjusted for inflation. 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 number of independent sector fostering placements continues to grow in the second quarter of 2009-10 with a 25% increase in the number of weeks purchased in the quarter compared with the final quarter of 2008-09. The projected overspend on independent sector fostering payments is £2,568k combining both 16+ and fostering service forecasts (sections 1.1.3.16 & 1.1.3.18), which is an increase of £729k compared to the 2008-09 outturn. The activity relating to independent sector provision is not expected to reduce until late 2009-10 or early 2010-11, once the number and skill level of in-house foster carers has began to increase.

2.6 Numbers of Unaccompanied Asylum Seeking Children (UASC):

	2007-08			2008-09			2009-10		
	Under 18	Over 18	**Total Clients**	Under 18	Over 18	**Total Clients**	Under 18	Over 18	**Total Clients**
April	256	471	**727**	302	475	**777**	383	477	**860**
May	254	471	**725**	304	471	**775**	384	469	**853**
June	249	469	**718**	301	462	**763**	391	479	**870**
July	252	458	**710**	302	457	**759**	418	468	**886**
August	276	458	**734**	310	441	**751**	419	474	**893**
September	279	465	**744**	306	459	**765**	411	459	**870**
October	276	467	**743**	340	449	**789**			
November	278	470	**748**	339	428	**767**			
December	295	471	**766**	370	443	**813**			
January	288	487	**775**	354	480	**834**			
February	274	488	**762**	382	467	**849**			
March	300	490	**790**	379	464	**843**			



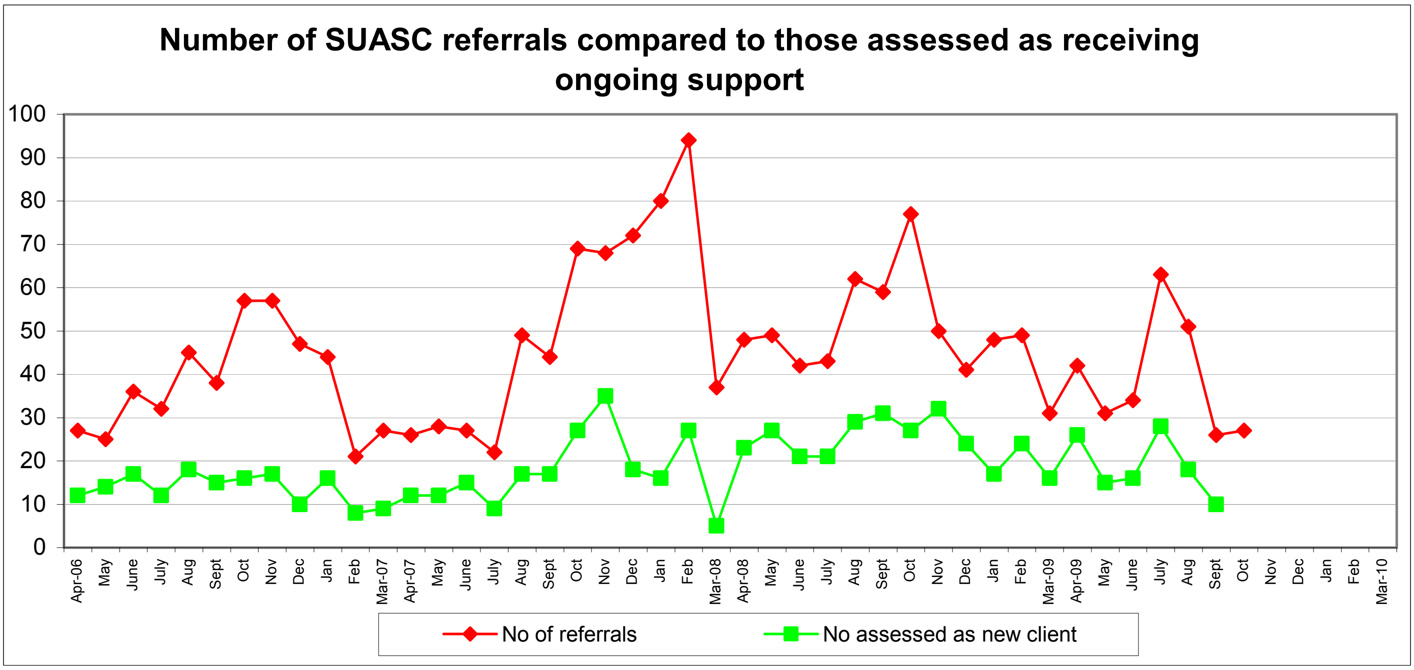
Comment:

- Client numbers have risen as a result of higher referrals and are higher than the projected number, which for 2009-10 is an average of 820 clients per month. The number of under 18s supported has consistently increased each month, rising 7% since the start of the year. In addition the age profile of the children has reduced, with significantly higher numbers being placed in foster care.

- The data recorded above will include some referrals for which the assessments are not yet complete. These clients are initially recorded as having the Date of Birth that they claim but once their assessment has been completed, their category may change.

2.7 **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			2009-10		
	No. of referrals	No. assessed as new client	%	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	27	12	44%	26	12	46%	48	23	48%	42	26	62%
May	25	14	56%	28	12	43%	49	27	55%	31	15	48%
June	36	17	47%	27	15	56%	42	21	50%	34	16	47%
July	32	12	38%	22	9	41%	43	21	49%	63	28	44%
August	45	18	40%	49	17	35%	62	29	47%	51	18	35%
Sept	38	15	39%	44	17	39%	59	31	53%	26	10	38%
Oct	57	16	28%	69	27	39%	77	27	35%	27		
Nov	57	17	30%	68	35	51%	50	32	64%			
Dec	47	10	21%	72	18	25%	41	24	59%			
Jan	44	16	36%	80	16	20%	48	17	35%			
Feb	21	8	38%	94	27	29%	49	24	49%			
March	27	9	33%	37	5	14%	31	16	52%			
	456	**164**	**36%**	**616**	**210**	**34%**	**599**	**292**	**49%**	**274**	**113**	**46%**



Comments:

- It is unclear at this stage whether the high number of referrals will continue in the future as the number of referrals in September fell below the budgeted level of 30 referrals a month for the first time in over two years. This decrease has coincided with the French Government's action to clear asylum seeker camps around Calais and it is unclear whether the impact of this is likely to be short-term or continued over a longer period.

- The high number of referrals has a knock on effect on the number assessed as new clients. The number of new clients has been, up until September, higher than the expected 15 new clients a month. Age assessments for the October referrals have not yet been completed and up-to-date information will be provided in the next full monitoring report to Cabinet in March.

- Please note, the number of 'assessed as a new clients' in June has been reduced from 17 to 16 following the reassessment of a client's age.

KENT ADULT SOCIAL SERVICES DIRECTORATE SUMMARY OCTOBER 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 last full monitoring report to reflect a number of technical adjustments to budget including the transfer of Supporting People to Communities.
- 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.

1.1.2.2 **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	88,635	-31,724	56,911	139	-862	-723	Reducing clients but price pressures due to complexity; agency staff cover for in-house service; additional income
- Nursing Care	43,647	-19,507	24,140	1,588	-1,567	21	Demographic and placement pressures offset with additional income
- Domiciliary Care	47,233	-10,317	36,916	-950	-97	-1,047	Activity below affordable level but price pressures due to complexity
- Direct Payments	4,638	-436	4,202	97	-84	13	
- Other Services	21,607	-4,645	16,962	-508	-3	-511	Release of Contingency to offset overall pressure; lower demand for Fast-track equipment and Enablement
Total Older People	205,760	-66,629	139,131	366	-2,613	-2,247	
People with a Learning Difficulty:							
- Residential Care	64,909	-12,119	52,790	2,176	-348	1,828	Demographic and placement pressures
- Domiciliary Care	6,704	-650	6,054	194	-53	141	more clients accessing Independent Living Scheme
- Direct Payments	5,465	-84	5,381	725	-83	642	increased demand & unit cost
- Supported Accommodation	9,582	-1,151	8,431	723	-389	334	Demographic and placement pressures
- Other Services	20,164	-1,924	18,240	-526	-98	-624	Release of Managing Director's Contingency to offset overall pressure
Total People with a LD	106,824	-15,928	90,896	3,292	-971	2,321	

Table 1

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	12,254	-1,987	10,267	846	-15	831	Demographic and placement pressures
- Domiciliary Care	7,317	-439	6,878	257	-10	247	Demographic pressures
- Direct Payments	6,697	-250	6,447	61	7	68	
- Supported Accommodation	394	-8	386	-95	-2	-97	
- Other Services	6,530	-1,237	5,293	-572	14	-558	Release of Contingency to offset overall pressure; underspend on daycare with a switch to Direct Payments
Total People with a PD	33,192	-3,921	29,271	497	-6	491	
All Adults Assessment & Related	37,367	-1,917	35,450	465	-260	205	Staffing Pressure partially offset by additional income from Health
Mental Health Service							
- Residential Care	6,456	-974	5,482	610	334	944	Forecast activity in excess of affordable level; increased proportion of S117 clients
- Domiciliary Care	627		627	78	0	78	
- Direct Payments	602		602	-338	0	-338	Less than expected activity
- Supported Accommodation	435	0	435	96	-87	9	
- Assessment & Related	9,982	-876	9,106	-206	-74	-280	Vacancy management plus difficulties in recruiting
- Other Services	6,736	-904	5,832	-92	-98	-190	
Total Mental Health Service	24,838	-2,754	22,084	148	75	223	
Gypsy & Traveller Unit	630	-289	341	39	-46	-7	
People with no recourse to Public Funds	100		100	0	0	0	
Strategic Management	1,339		1,339	64	-14	50	
Strategic Business Support	24,261	-1,971	22,290	-44	-231	-275	Additional training income
Support Services purchased from CED	7,301		7,301	-7	0	-7	reduced charge for KPSN
Specific Grants		-7,591	-7,591	0	0	0	
Total Adult Services controllable	**441,612**	**-101,000**	**340,612**	**4,820**	**-4,066**	**754**	
Assumed Management Action				**-754**		**-754**	
Forecast after Mgmt Action				**4,066**	**-4,066**	**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 **Older People:**

The overall net position is an underspend of £2,247k. Although Older people services overall are underspending due to a continuing decline in domiciliary and residential care, there is an increase in demand for services for people with dementia. It should also be noted that the forecast assumes reductions in residential and nursing placements based on prior year trends. However, recently, attrition rates have been lower than expected. If attrition remains below the expected level then this would impact on the forecast. The forecast also assumes a significant over-recovery in client income and a separate piece of work is underway to understand the reasons for this.

a. Residential Care

This line is reporting a gross overspend of £139k as the number of clients in permanent care has recently begun to show an increase. As at September there were 2,796 clients against 2,733 in June, although it remains below the 2,832 reported in March. The forecast position is 157,379 weeks of care against an affordable level of 157,572, which is a difference of 193 weeks. Using the forecast unit cost of £385.42, this reduced level of activity generates an underspend of £74k. In addition the forecast unit cost is £1.90 higher than the affordable which results in a pressure of £299k and reflects the increasing number of clients with dementia as placements are more expensive. Although the slight reduction in activity also means a reduced level of income of £30k, the actual income per week is £156.66 against an expected level of £150.13. This gives an over-recovery in income of £1,029k.

The forecast number of client weeks of service provided to Preserved Rights clients is 982 lower than the affordable level because of increased attrition which is over and above that assumed in the budget. This reduced activity gives an underspend of £391k with a further reduction of £49k because the unit cost is slightly below the affordable level. The reduction in activity also results in an under-recovery in income of £88k.

In-house residential provision is showing a pressure of £357k on staffing because of the continuing need to cover sickness and absence with agency staff in order to meet care standards.

b. Nursing Care

There is a pressure of £1,588k on gross expenditure and client numbers have increased to 1,353 in September from 1,332 in March and 1,340 in June. The forecast is assuming 1,961 weeks more than budget at a cost of £919k. The unit cost is currently forecast to be marginally less than budget, £468.88 instead of £468.95, which reduces the pressure by £5k. The additional activity has resulted in increased income of £308k. Also the actual income per week is £157.18 against an expected level of £148.81. This gives an over-recovery in income of £628k.

Preserved Rights attrition is currently below that assumed within the budget which adds £326k.

There is currently an overspend of £413k against Registered Nursing Care Contributions with an identical over-recovery of income and is based on the latest estimates of client activity.

c. Domiciliary Care

This service remains the most volatile and difficult to forecast and currently this line is forecasting an underspend against gross of £950k. The continuing trend in the number of clients remains uncertain and although the number receiving a domiciliary care package from the independent sector remains below last year's level, this stabilised in the first quarter of 2009-10 and there has even been a steady increase since May. However the budget still allows for significantly more hours than is being delivered and the current forecast under-delivery is over 86,000 hours, giving a saving of £1,332k. The forecast unit cost is also £0.427 per hour more expensive than affordable generating an additional cost of £1,086k. This will relate to the fact that people who do receive domiciliary care, in its traditional sense, are more likely to have higher needs and require more intense packages.

There is also a significant underspend of £696k relating to the in-house domiciliary service as the number of clients remains well below that afforded within the budget.

d. Other Services
This line is showing a gross underspend of £508k following the release of £200k of the Contingency held by the Managing Director to offset the overall pressure within the Directorate. Demand for Fast-track Occupational Therapy equipment and Enablement has also been below the level anticipated in the budget and when combined make up approximately £200k of the underspend. There are also small variances, both over and under, against the remaining services, including payments to voluntary organisations, day-care, and meals.

1.1.3.2 **People with a Learning Difficulty:**

Overall the position for this client group is a net pressure of £2,321k. Services for this client group remain under extreme pressure, particularly within residential care and supported accommodation, as a result of both demographic and placement price pressures.

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. Two recent cases have added approximately £300k to the forecast, although one of these is subject to legal review. There are potentially a further 23 cases that are being investigated and these could have a very significant impact on the financial position. Any costs relating to these 23 cases are not currently included within the forecast as we are still contesting and any legal judgements are unlikely to be made before the end of the year. The issue of ordinary residence is being discussed nationally through the Association of Directors of Adult Social Services as the current system penalises those authorities, such as Kent, who have historically been a net importer of residential clients. An exercise is also underway with CFE to identify children with a disability from other local authorities who are currently fostered in Kent as over time some of these could end up as ordinarily resident when they reach adulthood.

a. Residential Care
The overall forecast for residential care, including preserved rights clients, is an overspend on gross of £2,176k partially offset by an over recovery of income of £348k, giving a net pressure of £1,828k. Details of the individual pressures and savings contributing to this position are provided below.

Although the number of clients had reduced from 640 in March to 632 in June it has now increased to 642 in September. The forecast assumes 1,202 weeks more than is affordable at a cost of £1,356k, and includes those known young people who are in the "transition" process and will be coming to adult social services before the end of the year. The actual unit cost is £1,127.79 which is £17.64 higher than the affordable level which adds £576k to the forecast. The additional client weeks add £211k of income.

The forecast number of client weeks of service provided to Preserved Rights clients is 231 lower than the affordable level because of increased attrition which is over and above that assumed in the budget. This reduced activity gives an underspend of £182k although the unit cost is slightly higher than the affordable level which adds £58k back into the position.

As with Older People, in house residential provision is showing a pressure of £195k on staffing because of the need to cover sickness and absence with agency staff to meet national care standards.

There has also been a contribution of £170k to a provision for a potential future liability.

b. Domiciliary Care
This line is showing a gross overspend of £194k. The forecast for services provided through the independent sector assumes 5,331 hours more than is affordable, which with a cost per hour of £12.64 means a pressure of £67k. There has also been an 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 £126k.

c. Direct Payments
Client numbers have increased from 459 in March, 502 in June and 557 in September which is above the affordable level of 546 clients. This forecast assumes 2,966 more weeks than the budget which is causing a pressure of £653k on gross expenditure. The actual unit cost is £2.88 more than budgeted which is adding £72k to the position. The additional activity has added £83k of income.

d. Supported Accommodation
The current position is a net pressure of £334k with the number of clients having increased from 233 in March to 276 in June although the growth in clients has now begun to slow with the September figure showing 284. The forecast weeks based on these clients shows 234 weeks less than affordable as the budget was based on a slightly higher figure; this generates a saving of £137k. However the unit cost of £583.26 is also £38.95 per week higher than is affordable and this increases the pressure by £653k. It should be noted that the unit cost is skewed by a number of placements transferred from Health under S256 arrangements as these clients cost over £1,200 per week. A combination of higher than expected average contribution per week plus the impact of S256 placements funded by Health generates an additional £390k of income.

There is also £189k of costs backdated for the two previous financial years relating to a client who, following a recent case has been awarded Ordinary Residence in Kent. The cost of this client for 2009/10 is included within the overall position outlined above.

e. Other Services
This line is showing a gross underspend of £526k following the release of £600k 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 payments to voluntary organisations, day-care and supported employment.

1.1.3.3 **People with a Physical Disability:**

Overall the position for this client group is a net pressure of £491k. Services for this client group remain under pressure as a result of both demographic and placement price pressures. As a result there continues to be a significant forecast pressure against residential care.

a. Residential Care
The overall forecast for residential care, including preserved rights clients, is a pressure on gross of £846k.

Although the number of clients had reduced from 222 in March to 213 in June, as at September this had increased to 229 and the forecast assumes 1,047 weeks more than is affordable at a cost of £916k. The actual unit cost is £874.31 which is £1.55 lower than the affordable which reduces the pressure by £18k. The additional client weeks add £131k of income to the position.

The forecast number of client weeks of service provided to Preserved Rights clients is 135 lower than the affordable level because of increased attrition which is over and above that assumed in the budget. This reduced activity gives an underspend of £106k although the unit cost is slightly higher than the affordable level which adds £11k back into the position. The reduced activity also means an under-recovery in income of £65k.

b. Domiciliary Care
This line is showing a gross overspend of £257k. The forecast for services provided through the independent sector assumes 11,984 hours more than is affordable, which with a cost per hour of £13.21 gives a pressure of £158k. The actual unit cost is also slightly higher than the affordable level which increases the pressure by £99k.

c. Other Services
This line is showing a gross underspend of £572k following the release of £200k of the Contingency held by the Managing Director to offset the overall pressure within the Directorate. There is also an underspend of £221k against independent sector day-care as a number of clients are now receiving their daycare via a direct payment. There are also small underspends against the remaining services, including payments to voluntary organisations and occupational therapy.

1.1.3.4 **All Adults Assessment & Related:**

There is a pressure against gross expenditure of £465k with an over-recovery in income of £260k relating to additional contributions from Health. As part of the restructure of the Directorate a very detailed exercise across all staffing lines was recently completed which revealed this pressure. The primary reason for the pressure is a shortfall in the 2009/10 saving relating to the review of management and support structures as the saving was based on a profile of when staff would leave. With such a profile there was always the risk that staff would leave later than anticipated and this has proved to be the case. This saving will be delivered, but not to the original timescale.

1.1.3.5 **Mental Health:**

Overall the position for this client group is a net pressure of £223k.

a. Residential Care
The overall forecast for residential care, including preserved rights clients, is a pressure on gross of £610k. In the case of non-preserved rights clients the affordable level was reduced as a result of the decision in both 2008-09 and 2009-10 to realign budgets to reflect the changed priorities in the Directorate to keep clients, wherever possible, within a community based setting such as supported accommodation or via direct payments, rather than residential care, however this change has not happened as quickly as anticipated. The result is a forecast which is 1,264 weeks more than is affordable at a cost of £693k. The actual unit cost is £548.55 which is £16.66 higher than the affordable which adds £146k to the forecast. The forecast also assumes a significant under-recovery in income as an increasing proportion of clients fall under Section 117 legislation meaning that they do not contribute towards the cost of their care. This has added £230k to the pressure.

The forecast for Preserved Rights clients reflects an underspend of £183k because of increased attrition which is over and above that assumed in the budget. The reduced activity also means an under-recovery in income of £62k.

b. Direct Payments
As referred to above the affordable level has been increased in both 2008-09 and 2009-10 to reflect the changed priorities in the Directorate to keep clients, wherever possible, within a community based setting such as supported accommodation or via direct payments, rather than residential care, however this change has not happened as quickly as anticipated. The result is a gross forecast which is significantly underspending against budget by £338k.

c. Assessment & Related
An underspend of £206k 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.

1.1.3.6 **Strategic Business Support:**

The current forecast is a small underspend on gross of £44k but a more significant over-recovery in income of £231k, of which £140k relates to income from Universities relating to the Practice Placement 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	+1,356	KASS	Older People Domiciliary gross - reduction in hours in independent care	-1,332
KASS	Older People Domiciliary gross - pressure relating to change in unit cost in independent sector hours	+1,086	KASS	Older People Residential income resulting from higher unit cost	-1,029
KASS	Older People Nursing gross - activity in excess of affordable level in independent sector placements	+919	KASS	Older People Domiciliary gross - in house activity below affordable level	-696
KASS	PD Residential gross - activity in excess of affordable level in independent sector placements	+916	KASS	Older People Nursing income resulting from higher unit cost	-628
KASS	MH Residential gross - transfer of clients to community based care/direct payments not yet happened	+693	KASS	LD Other Services gross - release of the balance of the Managing Director's contingency	-600
KASS	LD Direct Payments Gross - activity higher than affordable level	+653	KASS	Older People Nursing income - additional income due to higher RNCC activity	-413
KASS	LD Supported Accommodation gross - pressure relating to change in unit cost	+653	KASS	Older People Residential gross - Preserved Rights increased attrition	-391
KASS	LD Residential gross - pressure relating to change in unit cost in independent sector care	+576	KASS	LD Supported Accommodation income - additional income resulting from unit costs and additional Health funding	-390
KASS	All Adults Assessment & Related Gross - staffing pressures	+465	KASS	MH Direct Payments gross - increase in expected activity in community based care/direct payments not yet happened	-338
KASS	Older People Nursing gross - additional spend due to higher RNCC activity	+413	KASS	Older People Nursing income resulting from additional activity	-308
KASS	Older People Residential gross - in house provision staffing	+357	KASS	Assessment & Related - Over-recovery of income from additional health cotributions	-260
KASS	Older People Nursing gross - attrition in preserved rights lower than expected	+326	KASS	PD Other Services - underspend on independent sector day-care	-221
KASS	Older People Residential gross - pressure relating to change in unit cost in independent sector placements	+299	KASS	LD Residential income - additional income resulting from additional activity	-211
KASS	MH Residential income - reduced income due to increasing proportion of clients who are S117	+230	KASS	MH Assessment & Related gross - vacancy management and difficulty recruiting qualified staff	-206
KASS	LD Residential gross - in house provision staffing	+195	KASS	PD Other Services gross - release of the balance of the Managing Director's contingency	-200
KASS	LD Supported Accommodation gross - backdated cost relating to Ordinary Residence	+189	KASS	OP Other Services gross - release of the balance of the Managing Director's contingency	-200

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
KASS	LD Residential gross - contribution to provision	+170	KASS	OP Other Services gross - lower than anticipated demand for Fast-track Occupational Therapy equipment and Enablement	-200
KASS	PD Domiciliary gross - activity in excess of affordable level	+158	KASS	MH Residential gross - Preserved rights decreased activity due to higher attrition	-183
KASS	MH Residential gross - unit cost in excess of affordable level	+146	KASS	LD Residential gross - Preserved rights decreased activity due to higher attrition	-182
KASS	LD Domiciliary gross - pressure against Independent Living Scheme	+126	KASS	Strat Bus Supp income - additional training income from Universities	-140
			KASS	LD Supported Accommodation gross - activity below affordable level	-137
			KASS	PD Residential income - addit activity/higher contribution	-131
			KASS	PD Residential gross - Preserved Rights increased attrition	-106
		+9,926			**-8,502**

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

The forecast pressure of £754k assumes that most of the savings identified within the MTP will be achieved, however, as indicated in paragraph 1.1.3.4, it is unlikely that the Directorate will be able to deliver the whole saving in 2009-10 relating to the review of management and support structures. Despite this, the Directorate remains confident that other savings, through the application of "Guidelines for Good Management Practice", will be found to ensure that a balanced budget is achieved by the end of the year.

1.1.5 **Implications for MTP**:

The 2010-13 MTP will assume a breakeven position for 2009-10.

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 Directorate is wholly committed to delivering a balanced outturn position by the end of the financial year. KASS has 'Guidelines for Good Management Practice' in place across all teams in order to help us manage demand on an equitable basis consistent with policy and legislation. Robust monitoring arrangements are in place on a monthly basis to ensure that forecasts and expenditure are closely monitored and where necessary challenged. Through these arrangements the Directorate expects to balance the £754k pressure by the end of the year. However this pressure assumes reductions in the number of residential and nursing placements in line with expected trends and makes no allowance for additional costs of clients who may become "ordinarily resident" in Kent.

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 12th October 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
Kent Adult Social Services portfolio						
Budget	2,867	6,531	19,832	16,080	12,651	57,961
Additions:						
- re-phasing agreed at Oct Cabinet		-499	499			0
- trinity foyer		60				60
Revised Budget	2,867	6,092	20,331	16,080	12,651	58,021
Variance		-631	631	0		0
split:						
- real variance		-25	+25	0	0	0
- re-phasing		-606	+606	0	0	0

Real Variance	**0**	**-25**	**+25**	**0**	**0**	**0**
Re-phasing	**0**	**-606**	**+606**	**0**	**0**	**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

			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						
			+0	**+0**	**+0**	**+0**
Underspends/Projects behind schedule						
KASS	Modernisation of Assets	phasing	-270			
			-270	**+0**	**+0**	**+0**
			-270	**+0**	**+0**	**+0**

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

None

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

Edenbridge -£0.025m (in 2010/11) this is being offset by an underspend against the Public Access project.

Taking this into account, there is zero real variance in the KASS capital programme.

1.2.6 **General Overview of capital programme**:

a) Risks

The main risk to the Adult Services Capital Programme is the funding from Developer Contributions. There are risks around the timing of the receipts, and the degree to which Developers may try to avoid the payment of contributions.
KASS Capital programme currently includes the following in relation to developer contributions

	2009/10	**2010/11**	**2011/12**	**Future Years**	**Total**
	£'m	**£'m**	**£'m**	**£'m**	**£'m**
Budget	0.000	1.021	2.675	0.000	3.696
Forecast	0.000	1.021	2.675	0.000	3.696
Variance	0.000	0.000	0.000	0.000	0.000

(b) Details of action being taken to alleviate risks

In order to reduce the risk, KASS are developing a transparent and effective working relationship with third parties, including District and Borough Councils. The aim of this is to ensure KASS are fully aware of any changes to the agreements as they arise, and can plan around the changes.
As can be seen from the table above, KASS require £3.696m of developer contributions to fund their current commitments.

1.2.7 **PFI projects**

- PFI Housing

1. 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 assets are ready for use and this is by way of an annual unitary charge to the revenue budget. The completion of the assets is phased over two years and some are now operational.

	Previous years	2009-10	2010-11	2011-12	TOTAL
	£000s	£000s	£000s	£000s	£000s
Budget	8,892	51,818	11,779	0	72,489
Forecast	8,892	51,818	11,779		72,489
Variance	0	0	0	0	0

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

Overall costings still as planned.

(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 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. The £44.300m investment in the PFI Excellent Homes for All project also represents investment by a third party. No payment is made by KCC for the new/refurbished assets until the assets are ready for use and this is by way of an annual unitary charge to the revenue budget.

	Previous years	2009-10	2010-11	-23	TOTAL
	£000s	£000s	£000s	£000s	£000s
Budget			22,300	22,000	44,300
Forecast			22,300	22,000	44,300
Variance					

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

Overall costings still as planned.

(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 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.

1.2.8 Project Re-Phasing

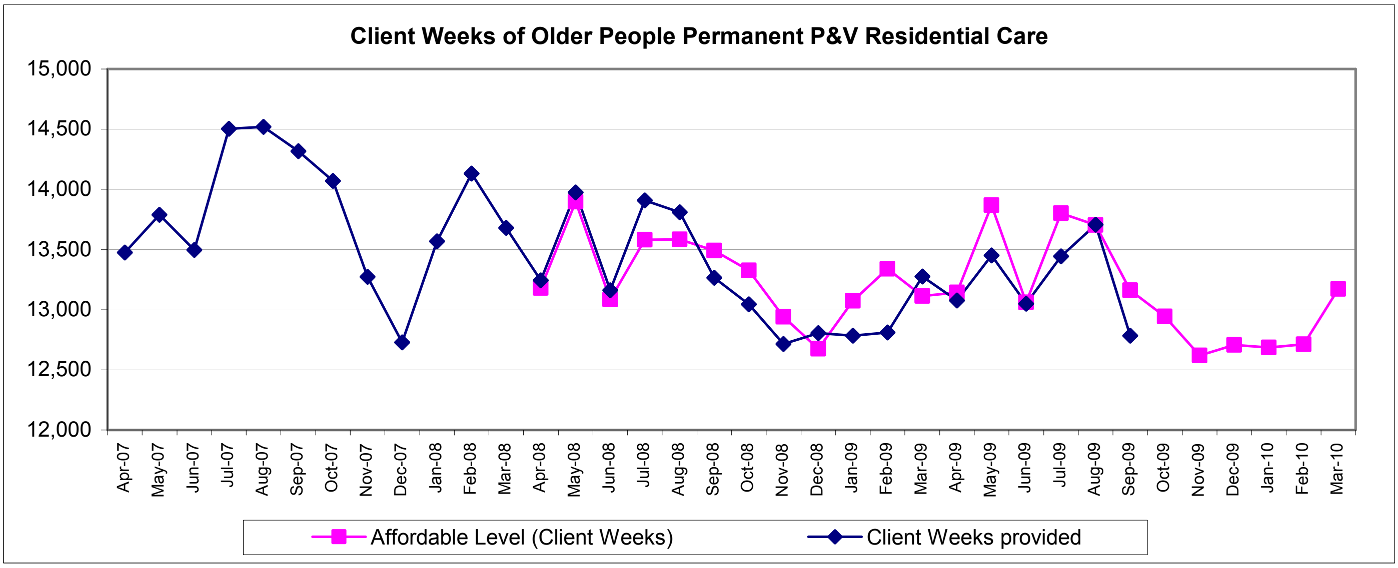
Cash limits are changed for projects that have rephased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the rephasing will be shown. The possible re-phasing is detailed in the table below.

	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	
Modernisation of Assets					
Amended total cash limits	+1,028	+549	+533	+1,119	+3,229
re-phasing	-270	+270			0
Revised project phasing	**+758**	**+819**	**+533**	**+1,119**	**+3,229**
Public Access					
Amended total cash limits	+476	+289	+297	+305	+1,367
re-phasing	-126	+126			0
Revised project phasing	**+350**	**+415**	**+297**	**+305**	**+1,367**
Total re-phasing >£100k	**-396**	**+396**	**0**	**0**	**0**
Other re-phased Projects below £100k	**-210**	**+210**			
TOTAL RE-PHASING	**-606**	**+606**	**0**	**0**	**0**

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:

	2007-08		2008-09		2009-10	
	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		13,476	13,181	13,244	13,142	13,076
May		13,789	13,897	13,974	13,867	13,451
June		13,495	13,084	13,160	13,059	13,050
July		14,502	13,581	13,909	13,802	13,443
August		14,520	13,585	13,809	13,703	13,707
September		14,316	13,491	13,264	13,162	12,784
October		14,069	13,326	13,043	12,943	
November		13,273	12,941	12,716	12,618	
December		12,728	12,676	12,805	12,707	
January		13,568	13,073	12,784	12,685	
February		14,131	13,338	12,810	12,712	
March		13,680	13,114	13,275	13,172	
TOTAL	**169,925**	**165,546**	**159,287**	**158,793**	**157,572**	**79,511**

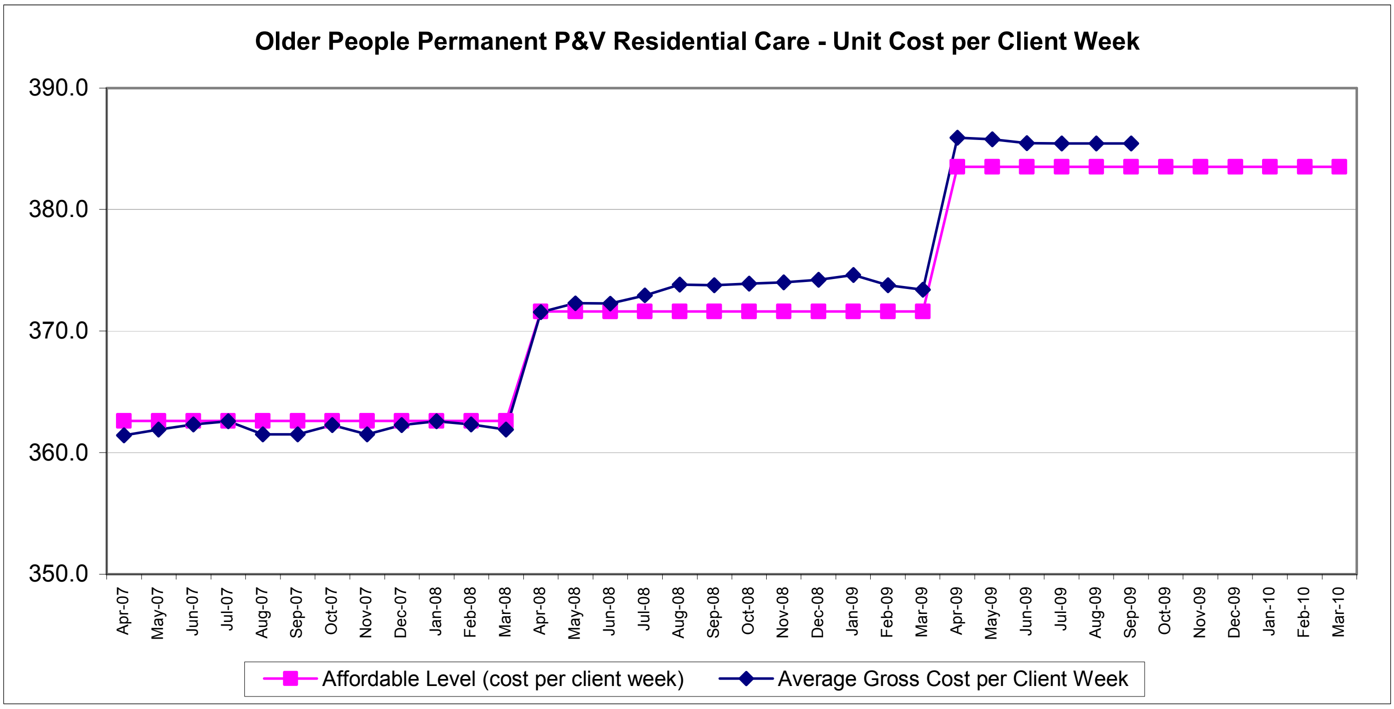


Comments:

- 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 2007-08 was 2,917 and at the end of March 2009 it was 2,832. In September, the number was 2,796. Although the September position is lower than the March position, there continues to be a pressure relating to older people with dementia.
- The forecast position is 157,379 weeks of care against an affordable level of 157,572, which is a difference of -193 weeks. Using the actual unit cost of £385.42, this reduced level of activity generates an underspend of £74k as highlighted in section 1.1.3.1.a.
- To the end of September 79,511 weeks of care have been delivered against an affordable level of 80,735, a difference of -1,224 weeks. It should be noted that the actual weeks for June have been revised to take account of changes to Swift (client activity system) on the basis of ongoing data quality validation and changing client circumstances. Lower placements at the beginning of the year (there were 2,733 clients as at the end of June) means that the mid year position is lower than the affordable level. However, the forecast includes the increase in placements since then and this will impact on the end of year position, closing this gap.

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

	2007-08		2008-09		2009-10	
	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	383.52	385.90
May	362.60	361.90	371.60	372.28	383.52	385.78
June	362.60	362.31	371.60	372.27	383.52	385.47
July	362.60	362.56	371.60	372.94	383.52	385.43
August	362.60	361.50	371.60	373.84	383.52	385.44
September	362.60	361.50	371.60	373.78	383.52	385.42
October	362.60	362.27	371.60	373.91	383.52	
November	362.60	361.50	371.60	374.01	383.52	
December	362.60	362.27	371.60	374.22	383.52	
January	362.60	362.56	371.60	374.61	383.52	
February	362.60	362.31	371.60	373.78	383.52	
March	362.60	361.90	371.60	373.42	383.52	

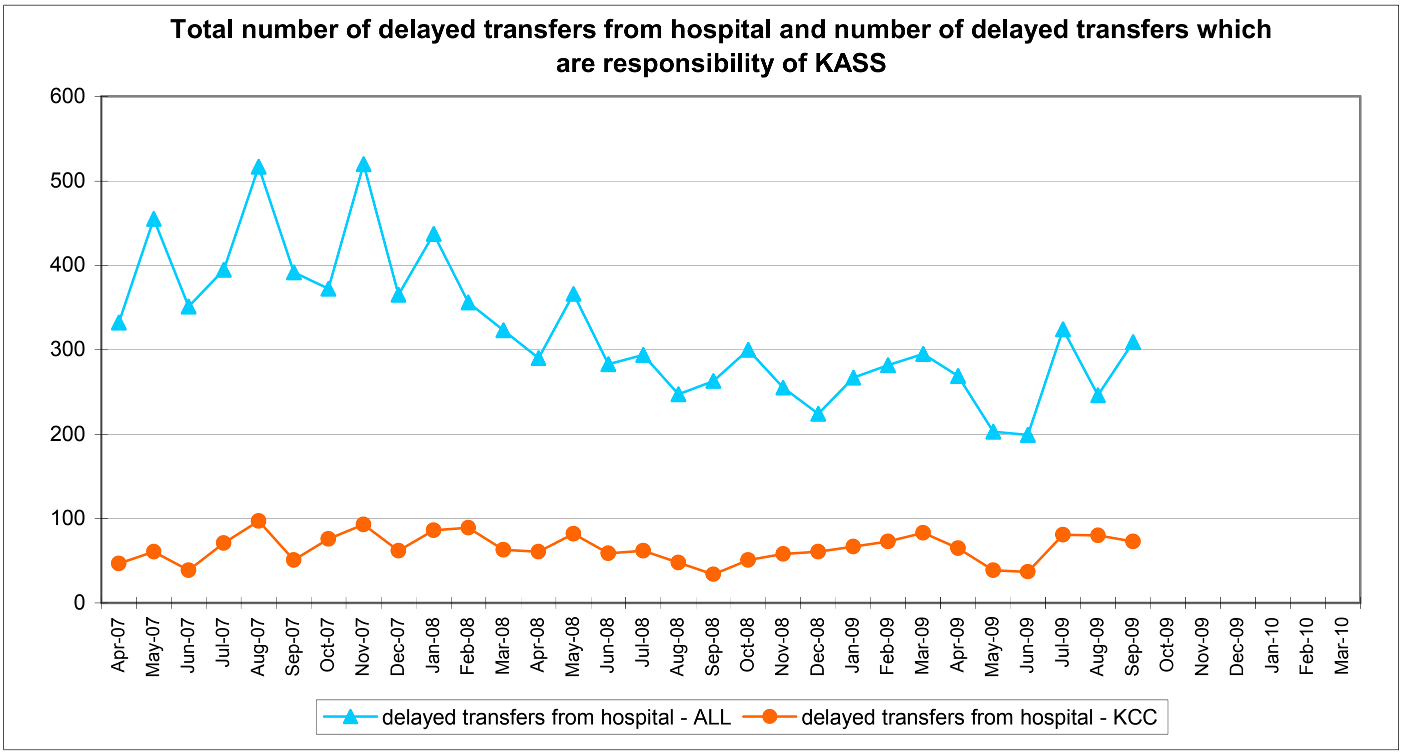


Comments:

- The increase in unit cost over the last year is higher than inflation, but reflects the increasing proportion of clients with dementia.
- The forecast unit cost of £385.42 is higher than the affordable cost of £383.52 and this difference of +£1.90 adds £299k to the position when multiplied by the affordable weeks, as highlighted in section 1.1.3.1.a.

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

	2007-08		2008-09		2009-10	
	ALL	**KASS responsibility**	**ALL**	**KASS responsibility**	**ALL**	**KASS responsibility**
April	332	47	290	61	269	65
May	455	61	366	82	203	39
June	351	39	283	59	199	37
July	395	71	294	62	324	81
August	517	97	247	48	246	80
September	392	51	263	34	309	73
October	372	76	300	51		
November	520	93	255	58		
December	365	62	224	61		
January	437	86	267	67		
February	356	89	282	73		
March	323	63	295	83		



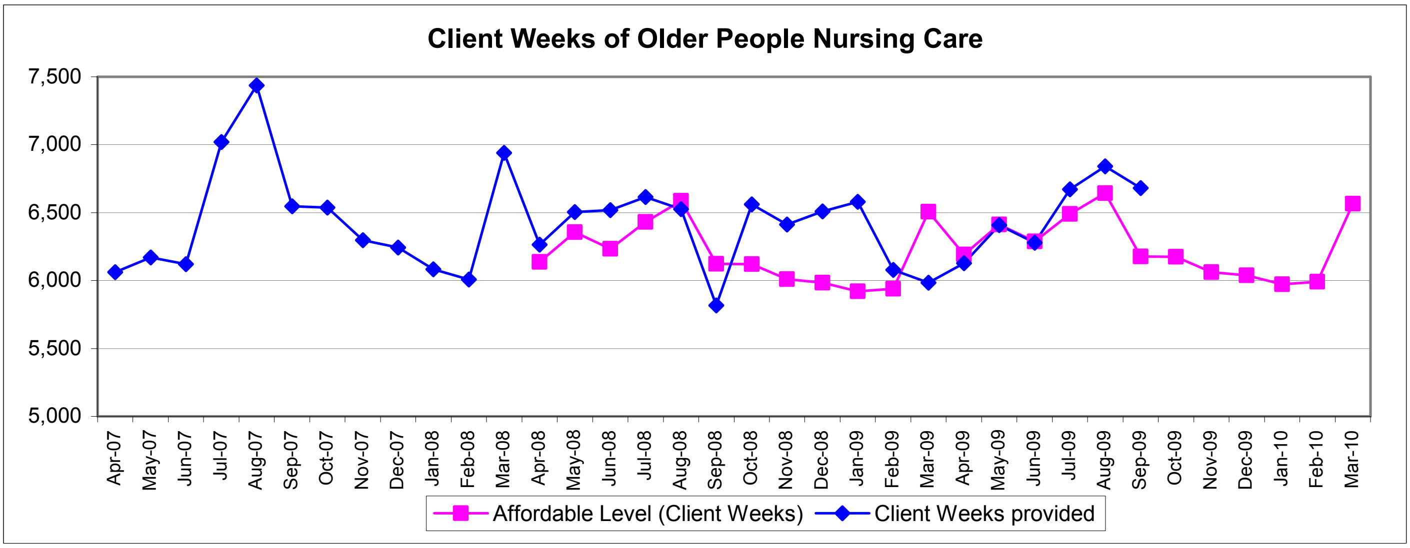
Comments:

- 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.

- This activity information is obtained from a national database based on data provided by the PCTs. The data previously reported for April 2009 has been amended to reflect later information provided by PCTs to the national database.

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

	2007-08		2008-09		2009-10	
	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		6,062	6,137	6,263	6,191	6,127
May		6,170	6,357	6,505	6,413	6,408
June		6,120	6,233	6,518	6,288	6,279
July		7,020	6,432	6,616	6,489	6,671
August		7,436	6,586	6,525	6,644	6,841
September		6,546	6,124	5,816	6,178	6,680
October		6,538	6,121	6,561	6,175	
November		6,298	6,009	6,412	6,062	
December		6,243	5,984	6,509	6,037	
January		6,083	5,921	6,580	5,973	
February		6,008	5,940	6,077	5,992	
March		6,941	6,507	5,985	6,566	
TOTAL	**74,707**	**77,463**	**74,351**	**76,367**	**75,008**	**39,006**



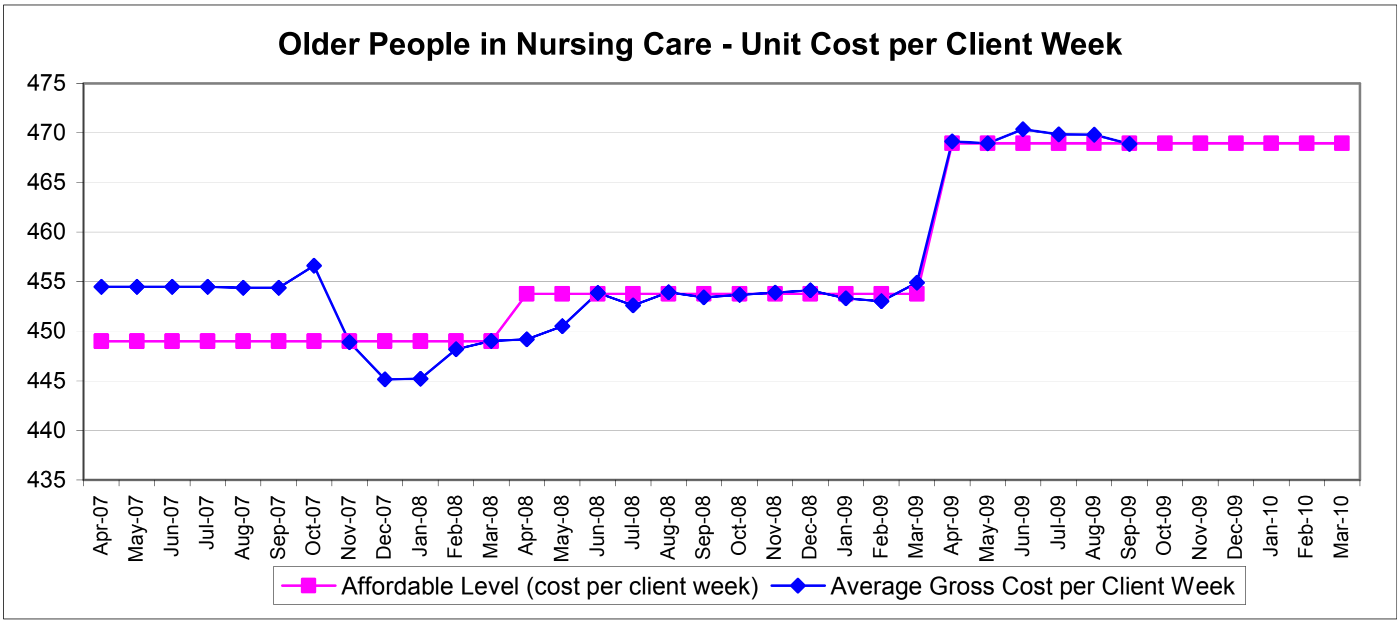
Comment:

- 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 2007-08 was 1,386, at the end of March 2009, it had decreased to 1,332 and in September, it had increased slightly to 1,353. This increase is attributable to people with dementia.
- To the end of September 39,006 weeks of care have been delivered against an affordable level of 38,203 a difference of +803 weeks. It should be noted that the actual weeks for June have been revised to take account of changes to Swift (client activity system) on the basis of ongoing data quality validation and changing client circumstances.
- The forecast position is 76,969 weeks of care against an affordable level of 75,008, a difference of +1,961 weeks. Using the actual unit cost of £468.88, this additional activity adds £919k to the forecast as highlighted in section 1.1.3.1.b.
- Permanent placements have been slightly higher in the second quarter than in the first which means the difference between the forecast weeks and the affordable levels will be larger by year-end. In addition, non-permanent care has increased since the first quarter and this is included in the forecast.
- There are always pressures in permanent nursing care which may occur for many reasons. Increasingly, older people are entering nursing care only when other ways of support have been explored. This means that the most dependent are those that enter nursing care and consequently

are more likely to have dementia. In addition, 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 nursing care.

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

	2007-08		2008-09		2009-10	
	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	468.95	469.15
May	448.98	454.50	453.77	450.49	468.95	468.95
June	448.98	454.50	453.77	453.86	468.95	470.37
July	448.98	454.50	453.77	452.61	468.95	469.84
August	448.98	454.40	453.77	453.93	468.95	469.82
September	448.98	454.40	453.77	453.42	468.95	468.88
October	448.98	456.60	453.77	453.68	468.95	
November	448.98	448.88	453.77	453.92	468.95	
December	448.98	445.16	453.77	454.13	468.95	
January	448.98	445.22	453.77	453.33	468.95	
February	448.98	448.17	453.77	453.02	468.95	
March	448.98	449.00	453.77	454.90	468.95	

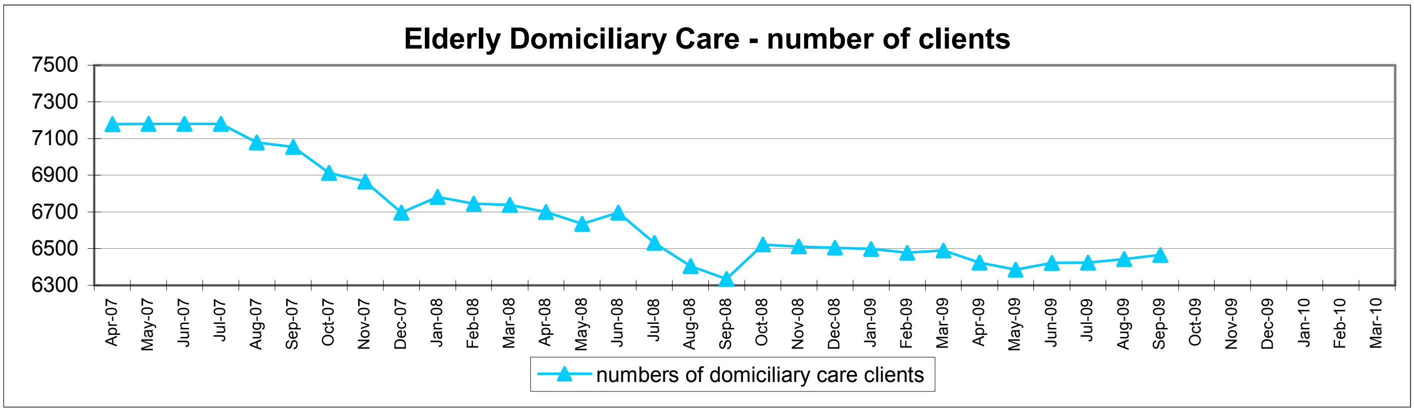


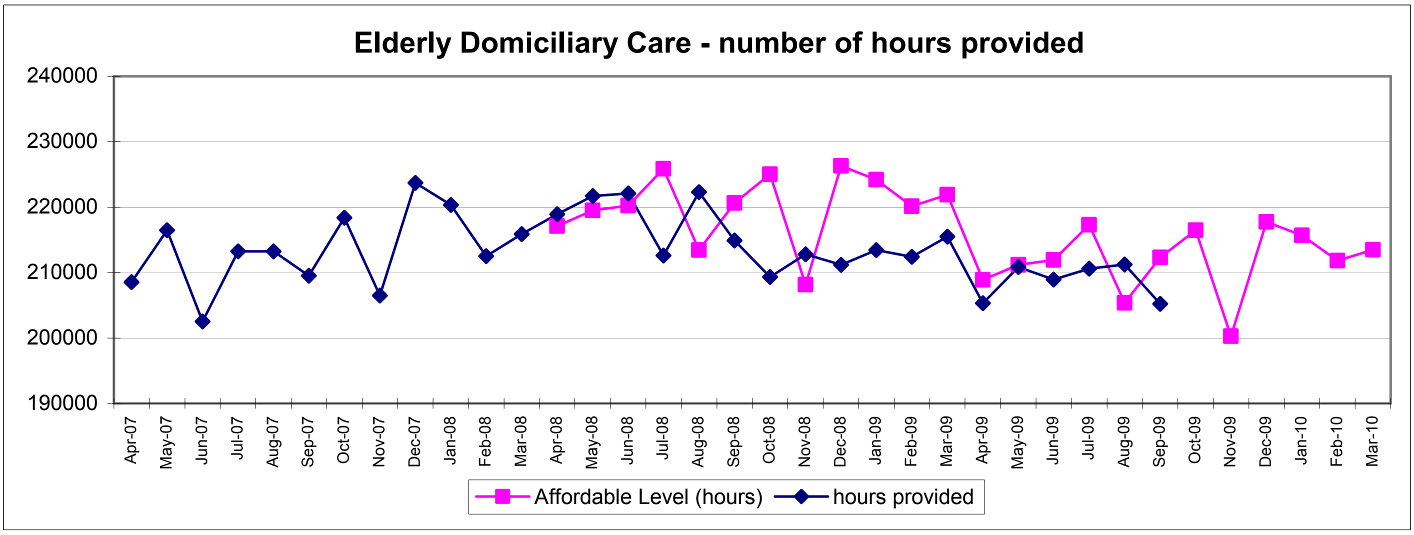
Comments:

- As with residential care, the unit cost for nursing care will be affected by the increasing proportion of older people with dementia who need more specialist and expensive care
- The forecast unit cost of £468.88 is slightly lower than the affordable cost of £468.95 and this difference of -£0.07 reduces the pressure by £5k when multiplied by the affordable weeks, as highlighted in section 1.1.3.1.b

2.3.1 **Elderly domiciliary care – numbers of clients and hours provided**:

	2007-08			2008-09			2009-10		
	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		208,524	7,179	217,090	218,929	6,700	208,869	205,312	6,423
May		216,477	7,180	219,480	221,725	6,635	211,169	210,844	6,386
June		202,542	7,180	220,237	222,088	6,696	211,897	208,945	6,422
July		213,246	7,180	225,841	212,610	6,531	217,289	210,591	6,424
August		213,246	7,079	213,436	222,273	6,404	205,354	211,214	6,443
September		209,504	7,054	220,644	214,904	6,335	212,289	205,238	6,465
October		218,397	6,912	225,012	209,336	6,522	216,491		
November		206,465	6,866	208,175	212,778	6,512	200,292		
December		223,696	6,696	226,319	211,189	6,506	217,749		
January		220,313	6,782	224,175	213,424	6,499	215,686		
February		212,499	6,746	220,135	212,395	6,478	211,799		
March		215,865	6,739	221,875	215,488	6,490	213,474		
TOTAL	**2,610,972**	**2,560,774**		**2,642,419**	**2,587,139**		**2,542,358**	**1,252,144**	





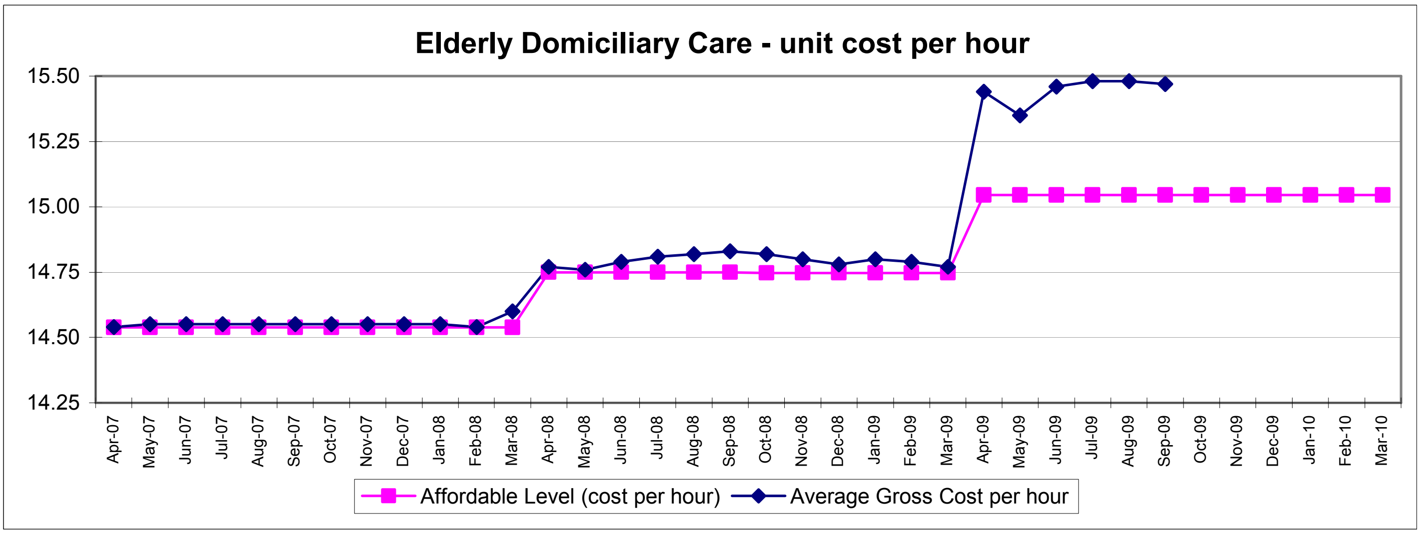
Comment:

- Figures exclude services commissioned from the Kent HomeCare Service.
- The current forecast is 2,456,273 hours of care set against an affordable level of 2,542,358, a difference of 86,085 hours. Using the forecast unit cost of £15.472, this reduction in activity indicates a £1,332k underspend, as highlighted in section 1.1.3.1.c.
- The number of people receiving domiciliary care has decreased over the last year, but stabilised in the first quarter this year. We would not expect the number of domiciliary care clients to be significantly increasing for several reasons. Firstly, the success of preventative services such as intermediate care, rapid response and ongoing service developments with the voluntary sector and

other organisations mean that we continue to prevent people from needing 'mainstream' domiciliary care. The LAA target focuses on how we can ensure that people are helped back to their own homes successfully with very minimal support. In the voluntary sector, people 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. Secondly, 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. Thirdly, in Kent, as well as nationwide, the take up of direct payments by older people, has for the first time, reached similar levels as people with physical disabilities.

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

	2007-08		**2008-09**		**2009-10**	
	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	15.045	15.44
May	14.50	14.55	14.75	14.76	15.045	15.35
June	14.50	14.55	14.75	14.79	15.045	15.46
July	14.50	14.55	14.75	14.81	15.045	15.48
August	14.50	14.55	14.75	14.82	15.045	15.48
September	14.50	14.55	14.75	14.83	15.045	15.47
October	14.50	14.55	14.75	14.82	15.045	
November	14.50	14.55	14.75	14.80	15.045	
December	14.50	14.55	14.75	14.78	15.045	
January	14.50	14.55	14.75	14.80	15.045	
February	14.50	14.54	14.75	14.79	15.045	
March	14.50	14.60	14.75	14.77	15.045	

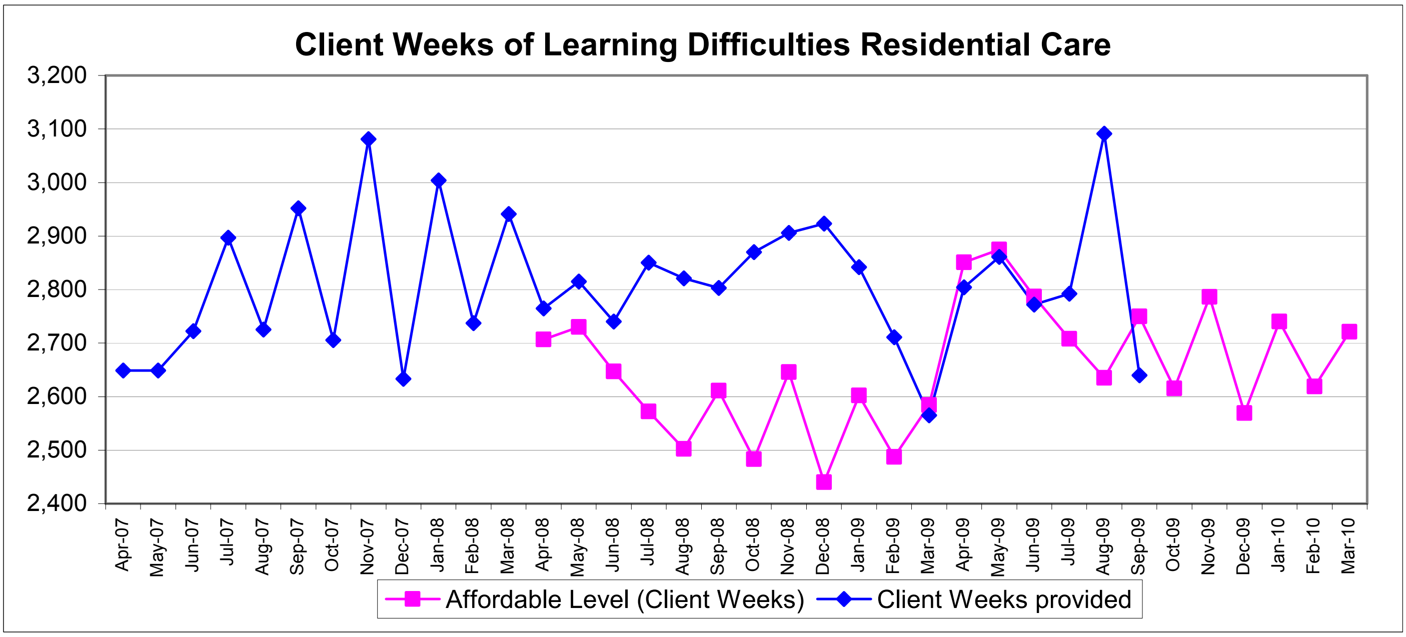


Comments:

- The average unit cost per week is increasing and may reflect the same issues outlined above concerning more intense packages and higher levels of need
- The forecast unit cost of £15.472 is higher than the affordable cost of £15.045 and this difference of £0.427 increases the pressure by £1,086k when multiplied by the affordable hours, as highlighted in section 1.1.3.1.c.

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

	2007-08		2008-09		2009-10	
	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		2,648	2,707	2,765	2,851	2,804
May		2,648	2,730	2,815	2,875	2,861
June		2,722	2,647	2,740	2,787	2,772
July		2,897	2,572	2,850	2,708	2,792
August		2,725	2,502	2,821	2,635	3,091
September		2,952	2,611	2,803	2,750	2,640
October		2,706	2,483	2,870	2,615	
November		3,081	2,646	2,906	2,786	
December		2,633	2,440	2,923	2,569	
January		3,004	2,602	2,842	2,740	
February		2,737	2,487	2,711	2,619	
March		2,941	2,584	2,565	2,721	
TOTAL	**30,984**	**33,695**	**31,011**	**33,611**	**32,656**	**16,960**



Comments:

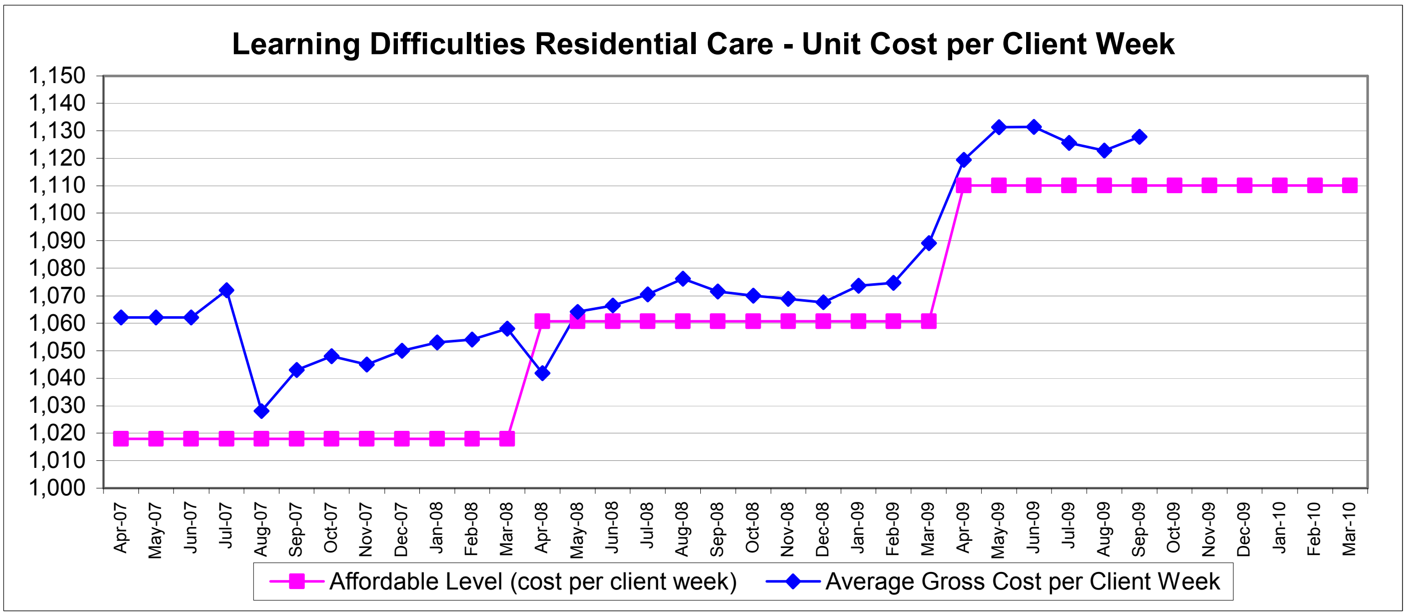
- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in LD residential care at the end of 2007-08 was 633, at the end of 2008-09 it was 640 (with some much higher numbers during the year) and at the end of September, 642.

- The forecast position of 33,858 weeks of care is some 1,202 weeks over the affordable level, indicating a pressure of £1,356k using a unit cost of £1,127.79. The forecast is based on the current activity as well as those known young people that will be coming to adult social services before the end of the year, plus an assumption about clients transferring out of residential care to supported living arrangements. Those young people in the "transition" process are known to Social Services as young as 14 and so they can be planned for, as highlighted in section 1.1.3.2.a.

- To the end of September 16,960 weeks of care have been delivered against an affordable level of 16,606 a difference of 354 weeks. The number of people in residential care has increased slightly in the last couple of months which means that the end of year forecast will be proportionately higher than the affordable levels.

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

	2007-08		2008-09		2009-10	
	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	1,110.15	1,119.42
May	1,018.00	1,062.00	1,060.70	1,064.19	1,110.15	1,131.28
June	1,018.00	1,062.00	1,060.70	1,066.49	1,110.15	1,131.43
July	1,018.00	1,072.00	1,060.70	1,070.50	1,110.15	1,125.65
August	1,018.00	1,028.00	1,060.70	1,076.27	1,110.15	1,122.81
September	1,018.00	1,043.00	1,060.70	1,071.59	1,110.15	1,127.79
October	1,018.00	1,048.00	1,060.70	1,070.02	1,110.15	
November	1,018.00	1,045.00	1,060.70	1,068.95	1,110.15	
December	1,018.00	1,050.00	1,060.70	1,067.59	1,110.15	
January	1,018.00	1,053.00	1,060.70	1,073.71	1,110.15	
February	1,018.00	1,054.00	1,060.70	1,074.67	1,110.15	
March	1,018.00	1,058.00	1,060.70	1,089.10	1,110.15	



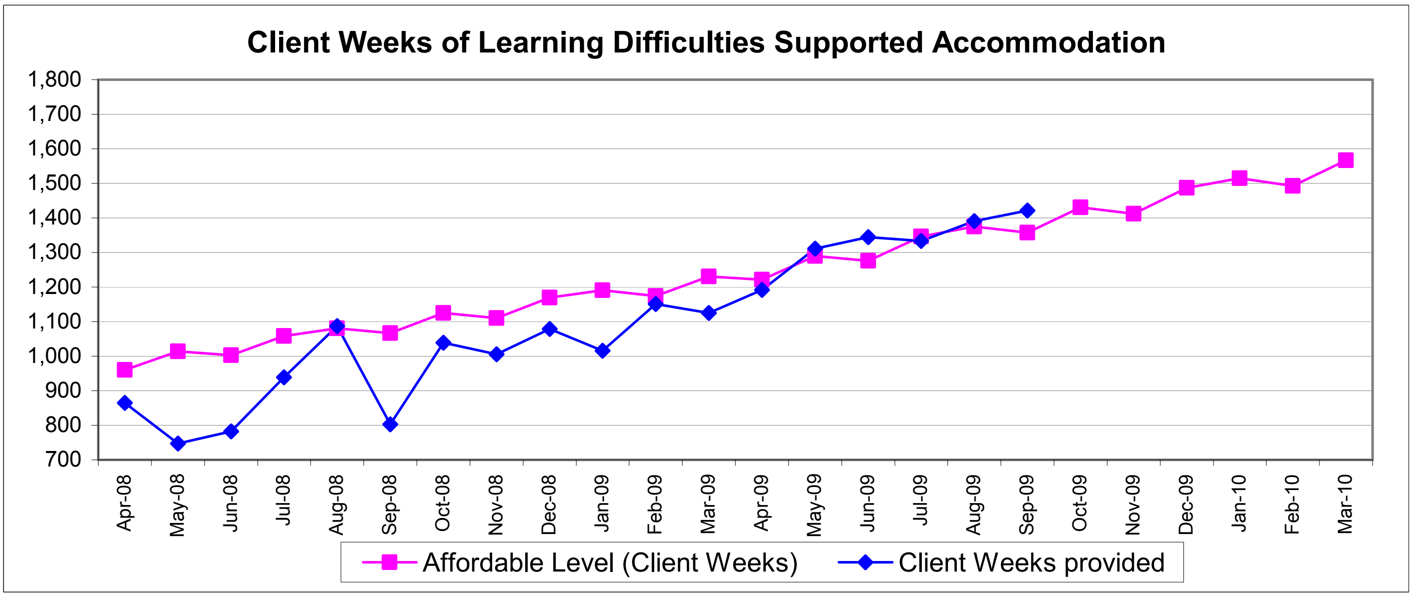
Comments:

- Clients being placed in residential care are those with very complex and individual 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 £1,100 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 those with very high costs – some of whom can cost up to £2,000 per week. In addition, no two placements are alike – the needs of people with learning disabilities are unique and consequently, it is common for average unit costs to increase or decrease significantly on the basis of one or two cases.

- The forecast unit cost of £1,127.79 is higher than the affordable cost of £1,110.15 and this difference of £17.64 adds £576k to the position when multiplied by the affordable weeks, as highlighted in section 1.1.3.2.a.

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

	2007-08		2008-09		2009-10	
	Affordable Level (Client Weeks)	Client Weeks of LD supported accommodation provided	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	1,221	1,192
May			1,014	747	1,290	1,311
June			1,003	782	1,276	1,344
July			1,058	939	1,346	1,333
August			1,081	1,087	1,375	1,391
September			1,067	803	1,357	1,421
October			1,125	1,039	1,431	
November			1,110	1,006	1,412	
December			1,169	1,079	1,487	
January			1,191	1,016	1,515	
February			1,174	1,151	1,493	
March			1,231	1,125	1,567	
TOTAL	**7,618**	**11,156**	**13,183**	**11,639**	**16,770**	**7,992**



Comments:

- The above graph reflects the number of client weeks of service. The actual number of clients in LD supported accommodation at the end of 2007-08 was 193 and at the end of March 2009 it was 233. As at the end of September, the numbers had increased to 284.

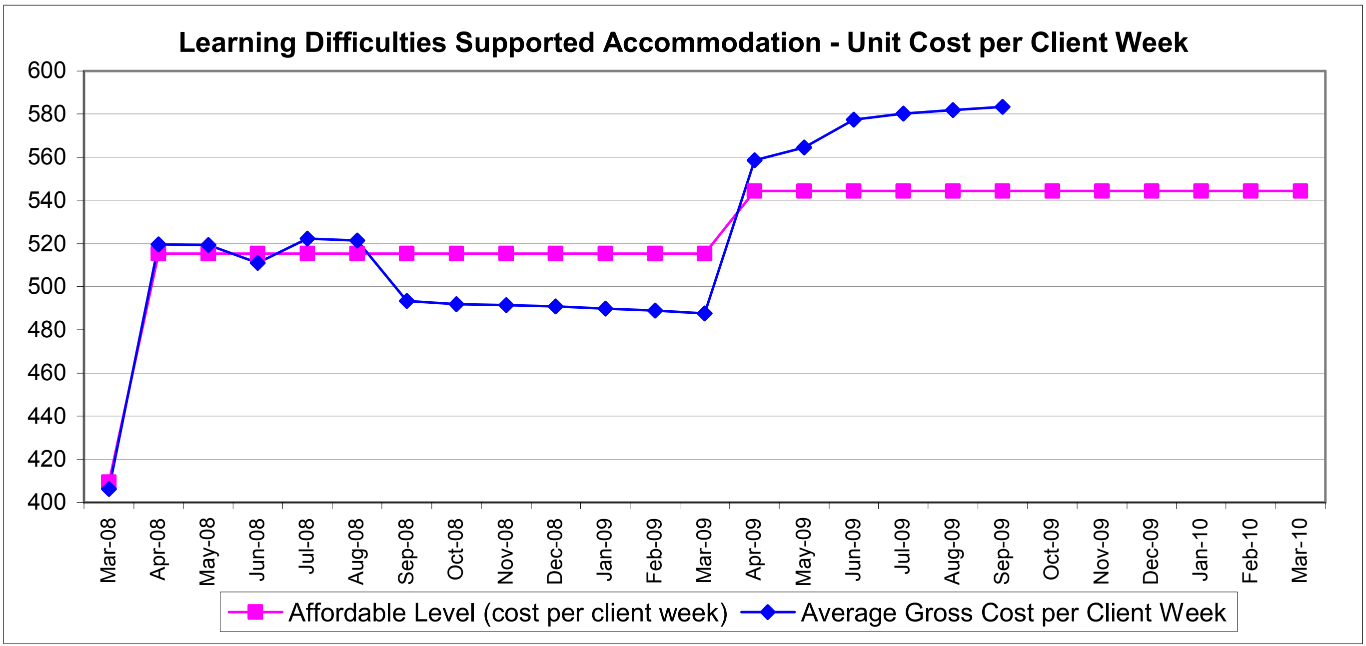
- The latest forecast position of 16,536 weeks against an affordable level of 16,770 weeks shows a difference of 234 weeks, which indicates a saving of £137k using a unit cost of £583.26.

- It should be noted that the actual weeks for June have been revised to take account of changes to Swift (client activity system) on the basis of ongoing data quality validation and changing client circumstances.

- Like residential care for people with a learning disability, every case is unique and varies in cost, depending on the individual circumstances. Although the quality of life will be better for these people, it is not always significantly cheaper. The focus to enable as many people as possible to move from residential care into supported accommodation means that increasingly complex and unique cases will be successfully supported to live independently. The forecast assumes further small increases in clients in the year.

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		2009-10	
	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			515.41	519.60	544.31	558.65
May			515.41	519.40	544.31	564.49
June			515.41	511.10	544.31	577.33
July			515.41	522.30	544.31	580.27
August			515.41	521.40	544.31	581.76
September			515.41	493.33	544.31	583.26
October			515.41	491.85	544.31	
November			515.41	491.47	544.31	
December			515.41	490.83	544.31	
January			515.41	489.75	544.31	
February			515.41	488.90	544.31	
March	409.31	406.18	515.41	487.60	544.31	



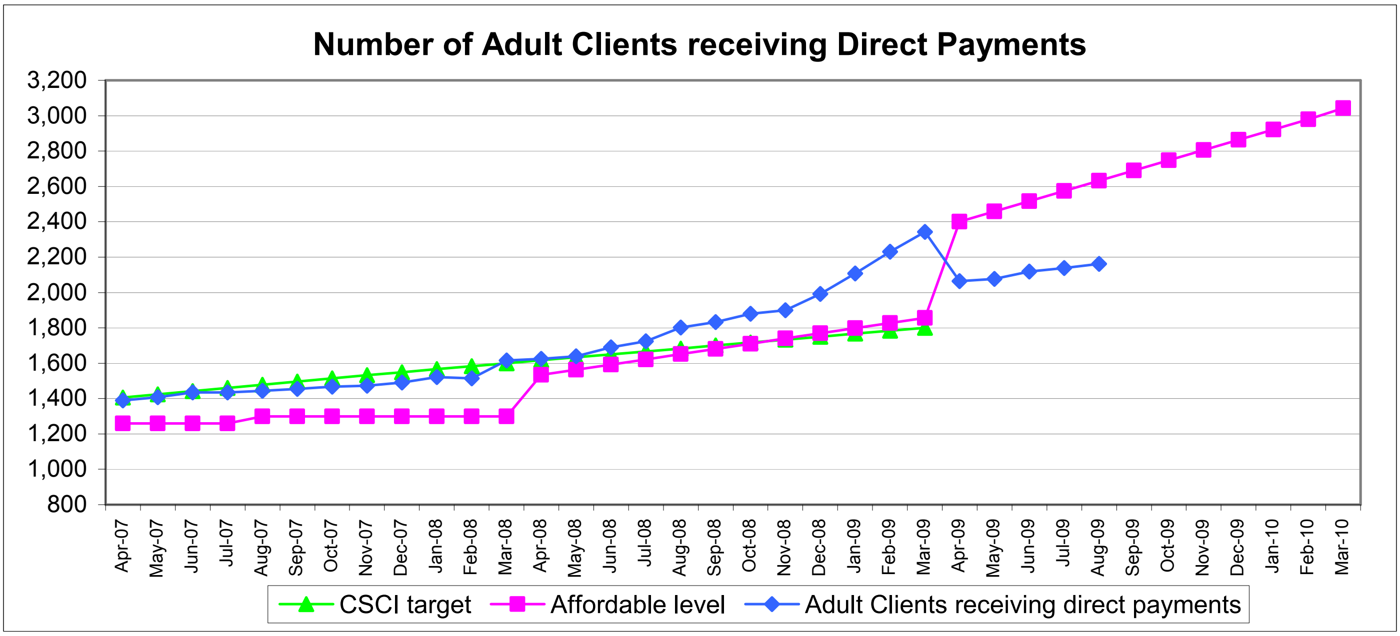
Comments:

- The forecast unit cost of £583.26 is higher than the affordable cost of £544.31 and this difference of £38.95 adds £653k to the position when multiplied by the affordable weeks as highlighted in section 1.1.3.2.d.

- The costs associated with these placements will vary depending on the complexity of each case and the type of support required in each placement. This varies enormously between a domiciliary type support to life skills and daily living support.

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

	2007-08			2008-09			2009-10	
	CSCI Target	Affordable Level	Adult Clients receiving Direct Payments	CSCI Target	Affordable Level	Adult Clients receiving Direct Payments	Affordable Level	Adult Clients receiving Direct Payments
April	1,406	1,259	1,390	1,617	1,535	1,625	2,400	2,065
May	1,424	1,259	1,407	1,634	1,564	1,639	2,458	2,076
June	1,442	1,259	1,434	1,650	1,593	1,689	2,516	2,097
July	1,460	1,259	1,434	1,667	1,622	1,725	2,574	2,118
August	1,478	1,299	1,444	1,683	1,651	1,802	2,632	2,139
September	1,496	1,299	1,454	1,700	1,681	1,832	2,690	2,179
October	1,514	1,299	1,467	1,717	1,710	1,880	2,748	
November	1,532	1,299	1,472	1,734	1,740	1,899	2,806	
December	1,549	1,299	1,491	1,750	1,769	1,991	2,864	
January	1,566	1,299	1,522	1,767	1,799	2,108	2,922	
February	1,583	1,299	1,515	1,783	1,828	2,231	2,980	
March	1,600	1,299	1,615	1,800	1,857	2,342	3,042	



Comments:

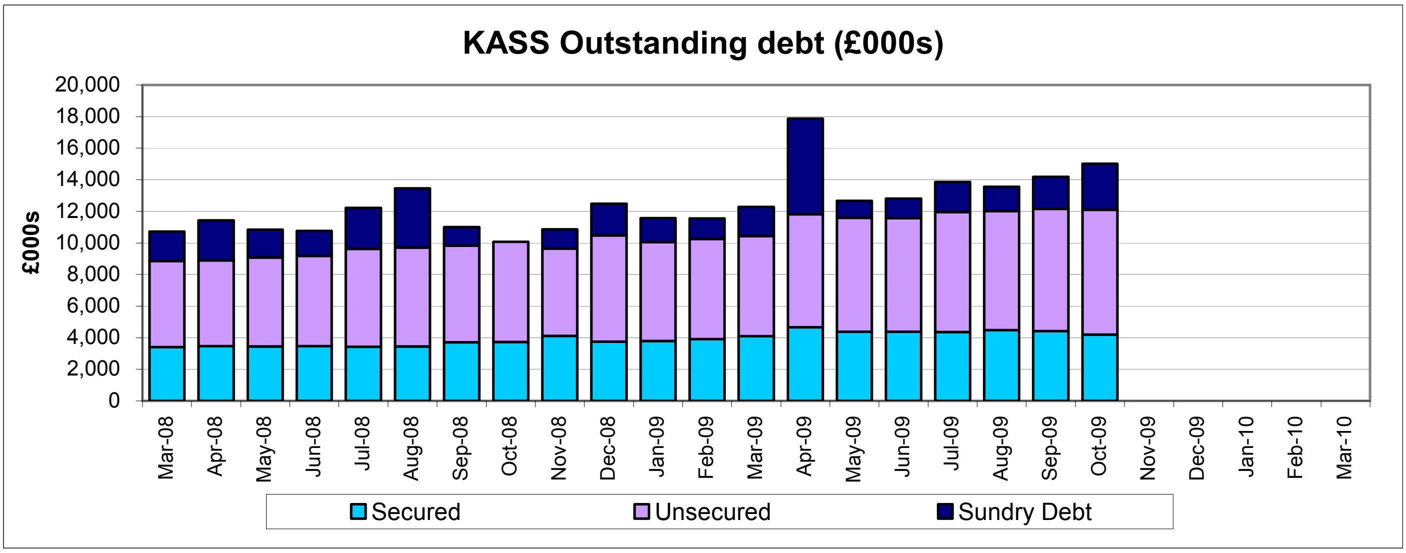
- From April 2008, the national measure for direct payments counted the permanent placements and the number of one-off payments within the year. The position reported for March 2009 represented the total activity for 2008-09 i.e. of the 2,342 adult clients reported as receiving a direct payment, 2,055 were in receipt of ongoing payments and 287 were clients that had received one-off payments at some point throughout the year. From April 2009, we have gone back to again reporting only the permanent placements in line with the requirements for Core Monitoring. For purposes of comparison, the ongoing placements as at March were 2,055, as at September this had increased to 2,179. It should be noted that the actual clients previously reported for April, May and June included one-off payments and these have now been excluded so that only on-going clients are included. Also figures will have been revised to take account of changes to Swift (client activity system) on the basis of ongoing data quality validation and changing client circumstances.
- From 2009-10, we no longer have a CSCI target for direct payments.

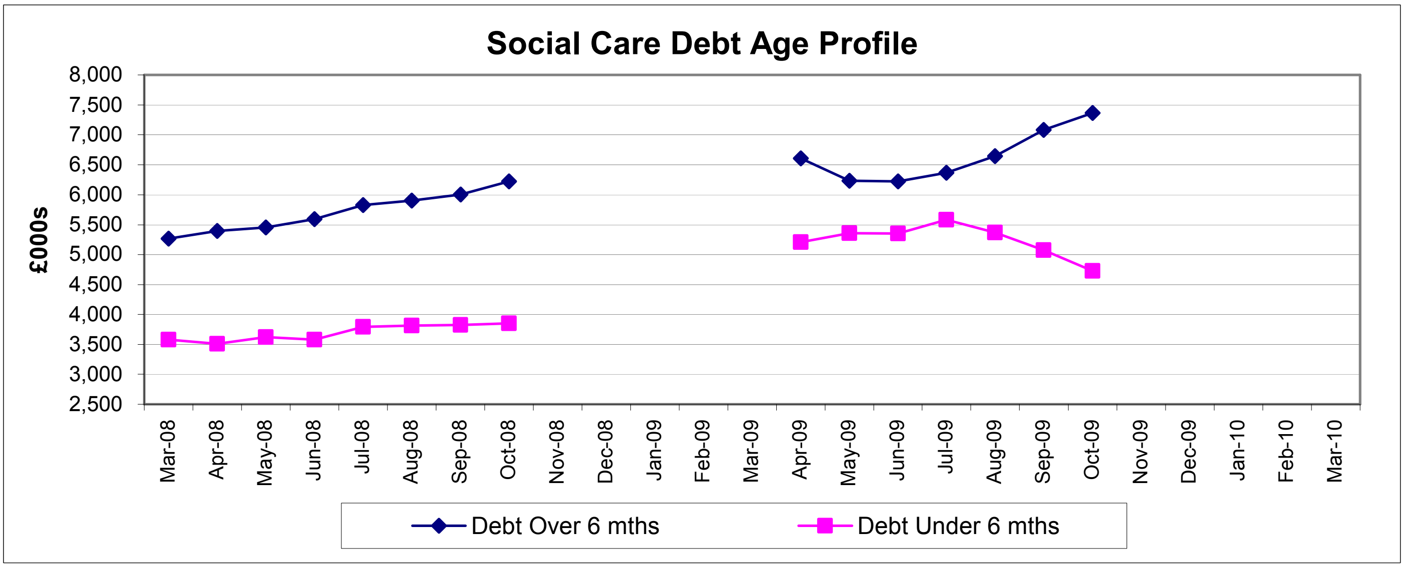
3. KASS OUTSTANDING DEBT

The outstanding debt as at October was £15.0m excluding any amounts not yet due for payment (as they are still within the 28 day payment term allowed). Within this is £12.1m relating to Social Care (client) debt and the following table shows how this breaks down in terms of age and also whether it is secured (i.e. by a legal charge on the client's property) or unsecured, together with how this month compares with previous months. For most months the debt figures refer to when the four weekly invoice billing run interfaces with Oracle (the accounting system) rather than the calendar month, as this provides a more meaningful position for Social Care Client Debt. This therefore means that there are 13 billing invoice runs during the year. It also means that as the Directorate moved onto the new Client Billing system in October 2008, the balance will differ from that reported by Corporate Exchequer who report on a calendar month basis, apart from the period November 2008 to March 2009, when the figures are based on calendar months, as provided by Corporate Exchequer, because reports at that time were not aligned with the four weekly billing runs. From April 2009 the debt figures revert back to being on a four weekly basis to coincide with invoice billing runs. The age of debt cannot be completed for the months between November 2008 and March 2009 as the switch to Client Billing meant that all debts transferring on to the new system became "new" for purposes of reporting therefore it was not possible to show ageing until April.

			Social Care Debt				
Debt Month	**Total Due Debt (Social Care & Sundry Debt) £000s**	**Sundry Debt £000s**	**Total Social Care Due Debt £000s**	**Debt Over 6 mths £000s**	**Debt Under 6 mths £000s**	**Secured £000s**	**Unsecured £000s**
Mar-08	**10,727**	**1,882**	8,845	5,268	3,577	3,410	5,435
Apr-08	**11,436**	**2,531**	8,905	5,399	3,506	3,468	5,437
May-08	**10,833**	**1,755**	9,078	5,457	3,621	3,452	5,626
Jun-08	**10,757**	**1,586**	9,171	5,593	3,578	3,464	5,707
Jul-08	**12,219**	**2,599**	9,620	5,827	3,793	3,425	6,195
Aug-08	**13,445**	**3,732**	9,713	5,902	3,811	3,449	6,264
Sep-08	**11,004**	**1,174**	9,830	6,006	3,824	3,716	6,114
Oct-08	*	*	10,071	6,223	3,848	3,737	6,334
Nov-08	**10,857**	**1,206**	9,651			4,111	5,540
Dec-08	**12,486**	**2,004**	10,482			3,742	6,740
Jan-09	**11,575**	**1,517**	10,058			3,792	6,266
Feb-09	**11,542**	**1,283**	10,259			3,914	6,345
Mar-09	**12,276**	**1,850**	10,426			4,100	6,326
Apr-09	**17,874**	**6,056**	11,818	6,609	5,209	4,657	7,161
May-09	**12,671**	**1,078**	11,593	6,232	5,361	4,387	7,206
Jun-09	**12,799**	**1,221**	11,578	6,226	5,352	4,369	7,209
Jul-09	**13,862**	**1,909**	11,953	6,367	5,586	4,366	7,587
Aug-09	**13,559**	**1,545**	12,014	6,643	5,371	4,481	7,533
Sep-09	**14,182**	**2,024**	12,158	7,080	5,078	4,420	7,738
Oct-09	**15,017**	**2,922**	12,095	7,367	4,728	4,185	7,910
Nov-09							
Dec-09							
Jan-10							
Feb-10							
Mar-10							

* In October 2008, KASS Social Care debt transferred from the COLLECT system to Oracle. The new reports were not available at this point, hence there is no data available for this period. The October Social Care debt figures relate to the last four weekly billing run in the old COLLECT system.





* The age of debt cannot be completed for the months between November 2008 and March 2009 as the switch to Client Billing meant that all debts transferring on to the new system became “new” for purposes of reporting therefore it was not possible to show ageing until April (i.e. once these debts became 6 months old in the new system).

ENVIRONMENT, HIGHWAYS & WASTE DIRECTORATE SUMMARY OCTOBER 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.
- 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 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	
Environment, Highways & Waste portfolio							
Kent Highways Services	59,986	-6,860	53,126	3,400	0	3,400	White lines +£0.6m, signs +£0.25m, resurfacing +£2.1m, dilapidations +£0.25m & vegetation control +£0.2m
Public Transport Contracts	18,273	-2,400	15,873	0	0	0	
Waste Management	69,827	-1,973	67,854	-3,406	-113	-3,519	Reduced tonnage -£2.6m, Allington WtE off-line -£0.806m & additional recycling income (mainly textiles) -£0.113m
Environmental Group	9,228	-4,692	4,536	-120	-65	-185	-£0.120m rephasing & -£0.065m additional external income for land use survey.
Strategic Planning	808		808	0	0	0	
Planning Applications	1,440	-477	963	0	0	0	
Transport Strategy Group	470		470	0	0	0	
Strategic Management	850		850	0	0	0	
Resources	5,812	-276	5,536	-120	0	-120	Vacancies
Support Services purchased from CED	1,871		1,871	0	0	0	
Total E, H & W	**168,565**	**-16,678**	**151,887**	**-246**	**-178**	**-424**	
Assumed Management Action							
Forecast after Mgmt Action				**-246**	**-178**	**-424**	

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:

Environment, Highways & Waste portfolio:

Waste Management:

1.1.3.1 The waste tonnage figures April to September are still significantly below the affordable (budgeted) level. This means that there is a substantial saving from reduced waste tonnage and it is expected that waste volumes will continue to be below the budgeted level for the remainder of the financial year. Our current estimate for the reduced tonnage is around 40,000 tonnes, which at an average of roughly £65 per tonne, produces a budget saving for 2009-10 of approximately £2.6m. If the reduction in tonnage continues at the same rate currently, then there will be further underspend to come.

1.1.3.2 Given the volatile nature of the waste volumes and the fact that at some point consumption is likely to increase when we come out of recession, reliance on permanently low waste tonnage is inadvisable. Waste tonnage reductions could easily reverse and pent-up demand for replacement household goods may accentuate this. Very small changes in consumer behaviour, if they are replicated across the households in Kent, can have a very large effect on the cost of waste disposal. Each 1% increase in waste tonnage on the existing 796,000 tonne budget will cost around £0.5m. If each household throws away just one additional kilogramme of rubbish per week, this would equate to an increase of 3.6% and a disposal cost of nearly £2m.

1.1.3.3 There has also been some agreed downtime for the Allington waste to energy plant for maintenance prior to handover to KentEnviropower Ltd from the construction contractor, resulting in 62,000 tonnes being diverted to landfill. This gives a one-off saving of approximately £0.806m.

1.1.3.4 Recycling income is ahead of target, with textile sales providing the largest element. This is resulting in forecast over recovery of income of £0.113m.

Kent Highways Services (KHS):

1.1.3.5 The highways budget continues to be under significant pressure. The backlog of capital maintenance remains high, which in turn puts pressure on revenue spend. There has been an injection of capital cash in 2009-10 to start reducing some of the backlog, but there are a number of roads in serious need of resurfacing which cannot be met from current allocations. Cabinet agreed therefore that KHS could make a £2.1m revenue contribution, (to be funded from the underspending on Waste Management), to bring forward these essential resurfacing works into 2009-10.

1.1.3.6 A complete refresh of white lines in 31 towns across Kent (Maidstone and Ashford are already complete) will cause KHS to overspend by about £600k, which will also now be set against this year's waste underspend.

1.1.3.7 There is also a need to do a comprehensive clean of all of our signs which will add a further £250k to the signs and lines budget.

1.1.3.8 As reported as likely in the last quarter's monitoring report, there are two further pressures. An overspend of £0.2m is forecast on Vegetation Control, and dilapidation charges against Beer Cart Lane premises have been settled at £0.25m (as highlighted in the last exception report to Cabinet in October).

Environmental Group:

1.1.3.9 There is an underspend on the land use survey, partly caused by a re-phasing of the project (£0.120m) and partly by receiving additional income for the project (£0.065m), which it is proposed to use before KCCs funding. This underspend is committed to the project and will be required in 2010-11 in order to fund the completion of the project.

Resources:

1.1.3.10 There are a number of staff vacancies in the Resources function, which will result in a projected underspend of £0.120m.

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	KHS - revenue contribution to capital in order to reduce backlog of capital maintenance	+2,100	EHW	Reduced waste tonnage	-2,600
EHW	KHS - White lining refresh	+600	EHW	Diversion to landfill while Allington Waste to Energy plant off-line for agreed maintenance	-806
EHW	KHS - Sign cleaning programme	+250	EHW	Env Grp - Additional external income and re-phasing of Land Use survey	-185
EHW	KHS - dilapidation charge on Beer Cart Lane premises	+250	EHW	Resources - staff vacancies	-120
EHW	KHS - vegetation control	+200	EHW	Waste recycling income	-113
		+3,400			**-3,824**

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

There are no specific actions required to achieve this position.

1.1.5 **Implications for MTP**:

The ongoing pressures on the KHS budget are a cause for concern for the MTP. The waste tonnage is currently in our favour but as described in paragraph 1.1.3.2, this may be reversed by very small changes in household behaviour.

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

Environment land use survey has been re-phased and the funding will be required in 2010-11 in order to complete the survey (£120k). Some new external funding has also been secured which means that £65k of KCC funding will also not be needed now until the new year.

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

The current forecast underspend is £0.424m of which £0.185m relates to re-phasing of the environment land survey project into 2010-11, leaving an uncommitted residual balance of £0.239m. There are no detailed plans for this but it may be needed to address the continuing pressure on highways maintenance (especially if there is a bad winter).

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 12th October 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
Environment, Highways & Waste Portfolio						
Budget	99,780	102,127	165,933	121,995	354,648	844,483
Adjustments:						
- re-phasing agreed at Oct Cabinet		-895	-3,237	2,990	1,142	0
- East Kent Access phase 2		850				850
- Victoria Way			-277			-277
- Major scheme design		250				250
- Highway Major Maintenance		-210				-210
- Small Community projects	-5					-5
-	0					
Revised Budget	99,775	102,122	162,419	124,985	355,790	845,091
Variance		4,036	2,652	-6,953	-2,897	-3,162
split:						
- real variance		+1,448	-1,511	-5,498	+2,399	-3,162
- re-phasing		+2,588	+4,163	-1,455	-5,296	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

			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 Major Maintenance	phasing	5,000			
EHW	Highway Major Maintenance	real	3,582			
EHW	East Kent Access phase 2	phasing		+2,403		
EHW	Victoria Way	phasing			+308	
			+8,582	**+2,403**	**+308**	**+0**
Underspends/Projects behind schedule						
EHW	Sittingbourne Northern Relief Rd	phasing		-2,444		
EHW	Integrated Transport Schemes	real	-1,482			
EHW	Kent Natural Burial Ground	real			-700	
EHW	Energy Water Efficiency Fund	phasing		-572		
EHW	Country Parks	phasing	-325			
EHW	Ashford Ring Road	phasing		-330		
			-1,807	**-3,346**	**-700**	**-0**
			+6,775	**-943**	**-392**	**-0**

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

East Kent Access Road phase 2 rephasing of +£2.40m

This scheme is designed to deliver improved economic performance for east Kent. The revised scheme cost is estimated to be £87m. The DfT has agreed to provide funding of £82.1m (that includes £0.850m contribution to preparatory costs) and the balance will be funded from the Council. The Full Approval for the scheme was given by DfT and the contract was formally awarded in August. The contractor's revised works programme and spend profile shows the expenditure is expected to be advanced by £2.4m in 2009-10 over the pre awarded prediction. There will be no change in the completion of the scheme.
Revised phasing of the scheme is now as follows:

	Prior Years	2009-10	2010-11	2011-12	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	262	11,547	37,895	25,696	8,360	83,760
Forecast	262	13,950	43,990	22,632	6,166	87,000
Variance	0	+2,403	+6,095	-3,064	-2,194	+3,240
FUNDING						
Budget:						
grant	262	11,547	37,895	24,036	8,360	82,100
prudential				1,660		1,660
TOTAL	262	11,547	37,895	25,696	8,360	83,760
Forecast:						
grant	262	13,950	43,990	20,972	2,926	82,100
prudential				1,660		1,660
unidentified					3,240	3,240
TOTAL	262	13,950	43,990	22,632	6,166	87,000
Variance	**0**	**+2,403**	**+6,095**	**-3,064**	**-2,194**	**+3,240**

Sittingbourne Northern Relief Road re-phasing -£2.4m

This scheme is designed to help deliver regeneration of Sittingbourne by supporting existing and future commercial and housing development. This scheme was expected to start in September but there was a delay in receiving DfT and HCA funding approvals. These were received in August but it took time for KCC to formally accept the HCA funding conditions. The contract was awarded in September with the formal start of work in November. These have set back both the works programme and together with the contractor's spend profile. There is likely to be an under spend of £2.4m in 09-10.
Revised phasing of the scheme is now as follows:

	Prior Years	2009-10	2010-11	2011-12	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	3,553	11,651	13,700	4,041	2,761	35,706
Forecast	3,553	9,207	14,420	5,765	2,761	35,706
Variance	0	-2,444	+720	+1,724	0	0
FUNDING						
Budget:						
prudential						0
revenue	58	80				138
ex dev	67			1,339	2,761	4,167
grant	3,428	11,571	13,700	2,702		31,401
TOTAL	3,553	11,651	13,700	4,041	2,761	35,706
Forecast:						
revenue	58	80				138
ex dev	67			1,339	2,761	4,167
grant	3,428	9,127	14,420	4,426		31,401
TOTAL	3,553	9,207	14,420	5,765	2,761	35,706
Variance	**0**	**-2,444**	**+720**	**+1,724**	**0**	**0**

Highway Major Maintenance re-phasing +£5.0m

Kent Highway Service is now in a position to carry out additional work in this financial year. It has been agreed to bring forward some of the next year's programme of works.
Revised phasing of the scheme is now as follows:

	Prior Years	2009-10	2010-11	2011-12	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget		41,175	40,152	28,300	60,650	170,277
Forecast		46,175	35,152	28,300	60,650	170,277
Variance	0	+5,000	-5,000	0	0	0
FUNDING						
Budget:						
prudential		8,282	9,000			17,282
Prudential/Revenue		6,500	4,000			10,500
supported borrowing		26,393	26,952	28,300	60,650	142,295
grant		0	200			200
TOTAL	0	41,175	40,152	28,300	60,650	170,277
Forecast:						
prudential		13,282	4,000			17,282
Prudential/Revenue		6,500	4,000			10,500
supported borrowing		26,393	26,952	28,300	60,650	142,295
grant		0	200			200
TOTAL	0	46,175	35,152	28,300	60,650	170,277
Variance	**0**	**+5,000**	**-5,000**	**0**	**0**	**0**

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

The underlying real variance over the projects life is showing a saving of £7.022m.
The detailed analysis is explained below:

Major scheme design -£0.333m (in 2010/11)
This is due to some corporate uncertainty of delivering some of the major projects. The design costs for these projects are therefore incurred in revenue.

Modernisation of assets -£0.330m (-£0.105m in 2010/11, -£0.110m in 2011/12 and -£0.115m in 2012/13)
A slight underspend in light of the increased spend on major maintenance.

Highway Major Maintenance +£3,582m (in 2009/10)
It was agreed by the Cabinet to use the IT underspend to fund the maintenance programme (+£1.482m). In addition to this, an extra £2.1m of waste under spend was agreed to spend on carriageway resurfacing programme to reduce the backlog.

Integrated Transport -£1,482m (in 2009/10)
It was agreed by the Cabinet to use the IT underspend to fund the maintenance programme.

Archaeological Resource Centre +£0.7m (in 2010/11)
The expected cost of creating the resource centre has risen. It was agreed that KCC's contribution towards this project to be increased by £0.7m. The additional funding is to be released by not carrying out the Natural Burial ground project.

Ashford Ring Road +£0.3m (+£0.045m in 2009/10 and +£0.255m in 2010/11)
It was agreed by GAF3 to fund this additional work. The construction of Latitude walk was unable to start until the adjacent development had been completed.

Ashford Drovers Roundabout +£2.598m (in 2010/11)
The original scheme was to design and construct drovers roundabout and junction 9 improvements. Ashford Futures are now providing this additional fund from GAF to provide a high standard footbridge over the M20.

East Kent Access phase 2 +£3.240m (in 2013/14)
The scheme cost has increased due to higher tender price because of increased archaeology cost and contractor being cautious about the cost of the 'complex box structure' under the railway line. This increased scheme cost has already been reported.

Kent Natural Burial Ground -£1.287m (-£0.7m in 2009/10 and -£0.587m in 2010/11)
This project has not yet started and will be fully re-considered as part of the 2010-13 MTP process.

Taking this into account, there is an underlying real variance of +£0.034m

1.2.6 **General Overview of capital programme**:

(a) Risks
The main risk for the directorate is that some of the major schemes (SNRR and Kent Transport Programme) are partly funded from the developer contributions. There may be some problems in realising these due to the economic downturn.

(b) Details of action being taken to alleviate risks
In the case of KTS programme EHW is closely working with landowners and developers to ensure that contributions are secured. The KTS programme will not proceed to its full scale unless KCC's financial position is protected.
We have received a letter of comfort from the developer to confirm the contribution towards SNRR. The scheme is programmed so that contribution will be used to fund the back end of the construction.

1.2.7 **Project Re-Phasing**

Cash limits are changed for 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 will be reported and the full extent of the rephasing will 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	
County Park Access and Development					
Amended total cash limits	+1,051	+800	+800		+2,651
re-phasing	-325	+325			0
Revised project phasing	**+726**	**+1,125**	**+800**	**0**	**+2,651**
Highway Major Maintenance					
Amended total cash limits	+41,175	+40,152	+28,300	+60,650	+170,277
re-phasing	+5,000	-5,000			0
Revised project phasing	**+46,175**	**+35,152**	**+28,300**	**+60,650**	**+170,277**
Ashford Ring Road					
Amended total cash limits	+504				+504
re-phasing	-330	+330			0
Revised project phasing	**+174**	**+330**	**0**	**0**	**+504**
East Kent Access phase 2					
Amended total cash limits	+11,547	+37,895	+25,696	+8,360	+83,498
re-phasing	+2,403	+6,095	-3,064	-5,434	0
Revised project phasing	**+13,950**	**+43,990**	**+22,632**	**+2,926**	**+83,498**
Kent Thameside Strategic Transport					
Amended total cash limits	+717	+1,735	+14,874	+133,786	+151,112
re-phasing	-17	-42	-5,131	+5,190	0
Revised project phasing	**+700**	**+1,693**	**+9,743**	**+138,976**	**+151,112**
Sittingbourne Northern Relief Road					
Amended total cash limits	+11,651	+13,700	+4,041	+2,761	+32,153
re-phasing	-2,444	+720	+1,724	0	0
Revised project phasing	**+9,207**	**+14,420**	**+5,765**	**+2,761**	**+32,153**
Archaelogical Research Centre					
Amended total cash limits	+200				+200
re-phasing	-200	+100	+100		0
Revised project phasing	**0**	**+100**	**+100**	**0**	**+200**
Ashford - Drovers Roundabout					
Amended total cash limits	+1,719	+13,161			+14,880
re-phasing	-129	+129			0
Revised project phasing	**+1,590**	**+13,290**	**0**	**0**	**+14,880**

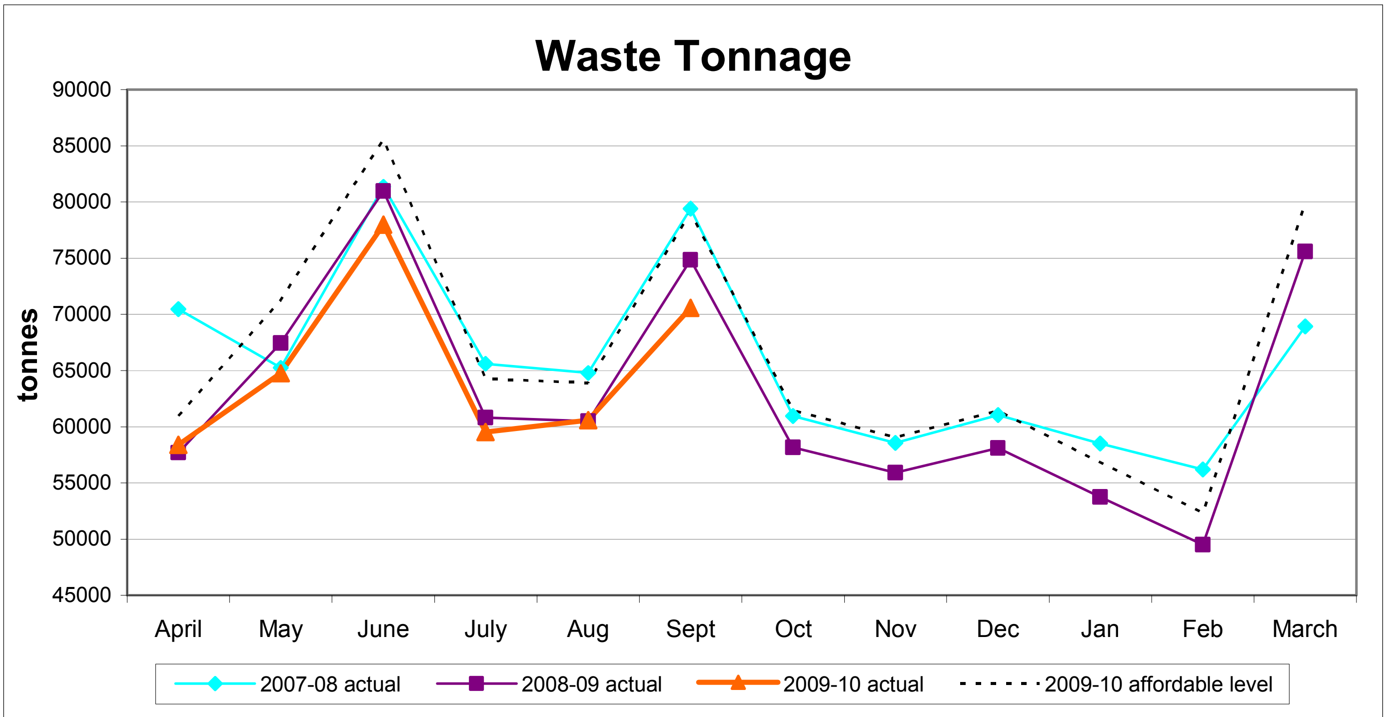
	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	
Ashford - Victoria Way					
Amended total cash limits	+3,729	+12,352	+132		+16,213
re-phasing	+308	-176	-132		0
Revised project phasing	**+4,037**	**+12,176**	**0**	**0**	**+16,213**
Energy and Water Efficiency Investment approval to spend					
Amended total cash limits	+1,323	0	0	0	+1,323
re-phasing	-572	+572	0	0	0
Revised project phasing	**+751**	**+572**	**0**	**0**	**+1,323**
Energy and Water Efficiency Investment - approval to plan					
Amended total cash limits	+106	+148	+148	+338	+740
re-phasing	-106	-88	+21	+173	0
Revised project phasing	**0**	**+60**	**+169**	**+511**	**+740**
Total re-phasing >£100k	**+3,588**	**+2,965**	**-6,482**	**-71**	**0**
Other re-phased Projects below £100k	**-17**	**+56**	**-5**	**-34**	
TOTAL RE-PHASING	**+3,571**	**+3,021**	**-6,487**	**-105**	**0**

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Waste Tonnage:

	2006-07	2007-08	2008-09	2009-10	
	Waste Tonnage	Waste Tonnage	Waste Tonnage	Waste Tonnage *	Affordable Level
April	69,137	70,458	57,688	58,395	60,957
May	69,606	65,256	67,452	64,757	71,274
June	82,244	81,377	80,970	77,994	85,558
July	63,942	65,618	60,802	59,542	64,248
August	62,181	64,779	60,575	60,593	63,921
September	77,871	79,418	74,642	70,570	79,100
October	61,066	60,949	58,060		61,465
November	60,124	58,574	55,789		59,065
December	64,734	61,041	58,012		61,414
January	60,519	58,515	53,628		56,798
February	58,036	56,194	49,376		52,313
March	73,171	68,936	76,551		79,887
TOTAL	**802,631**	**791,115**	**753,545**	**391,851**	**796,000**

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



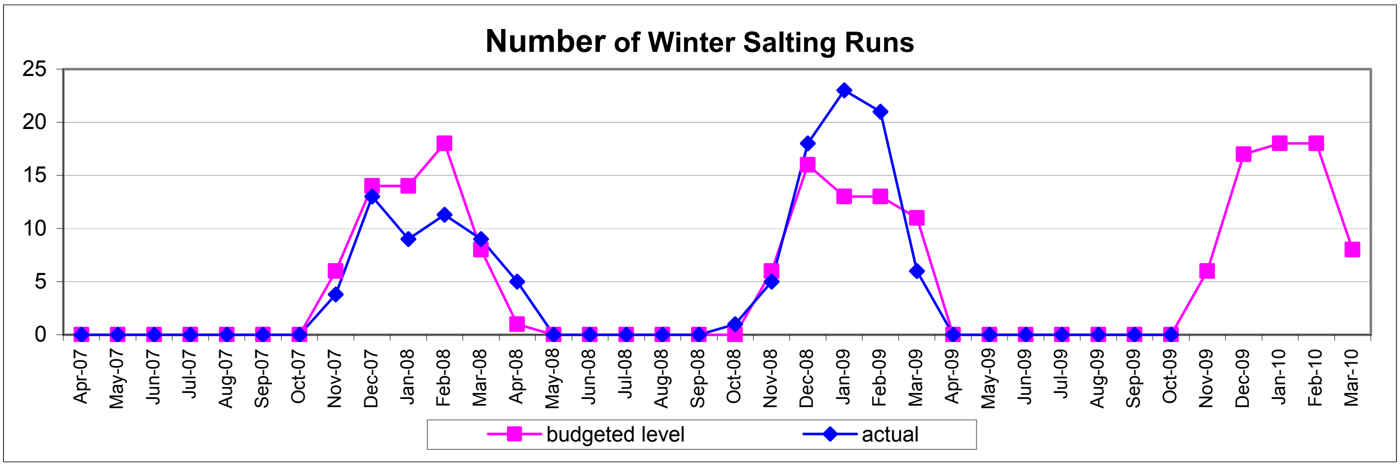
Comments:

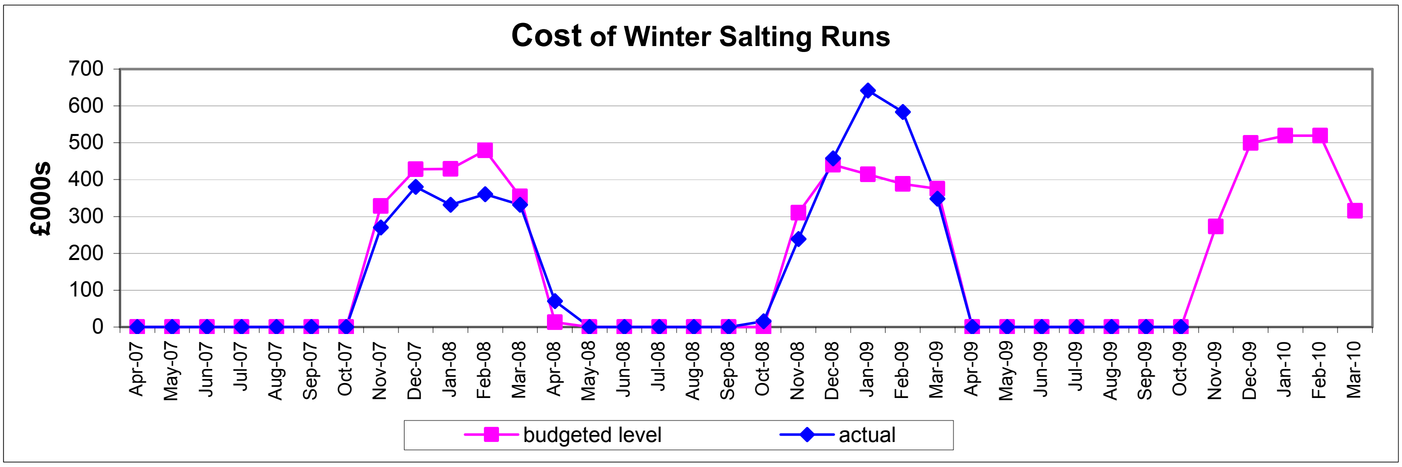
- The March 2009 tonnage figures were considerably higher than the equivalent figure for 2008 and the April figure also slightly higher. This indicated that the decline in waste tonnage may have eased or indeed, started to reverse. However the May to September figures have returned to the lower levels seen through most of the last financial year, again demonstrating the unpredictable nature of waste volumes.

- The tonnage is expected to remain below the affordable level for the remainder of the year but may exceed 2008-09 levels in particular months.

2.2 **Number and Cost of winter salting runs**:

	2007-08				2008-09				2009-10			
	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	Budgeted Level	Actual £000s	Budgeted Level £000s	Actual	Budgeted Level	Actual £000s	Budgeted Level £000s	Actual	Budgeted level	Actual £000s	Budgeted Level £000s
April	-	-	-	-	5	1	70	13	-	-	-	-
May	-	-	-	-	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-	-	-	-	-
October	-	-	-	-	1	-	16	-	-	-	-	-
November	3.8	6	270	328	5	6	239	310		6		273
December	13.0	14	380	428	18	16	458	440		17		499
January	9.0	14	332	429	23	13	642	414		18		519
February	11.3	18	360	479	21	13	584	388		18		519
March	9.0	8	332	354	6	11	348	375		8		315
TOTAL	**46.1**	**60**	**1,674**	**2,018**	**79**	**60**	**2,357**	**1,940**	**0**	**67**	**0**	**2,125**



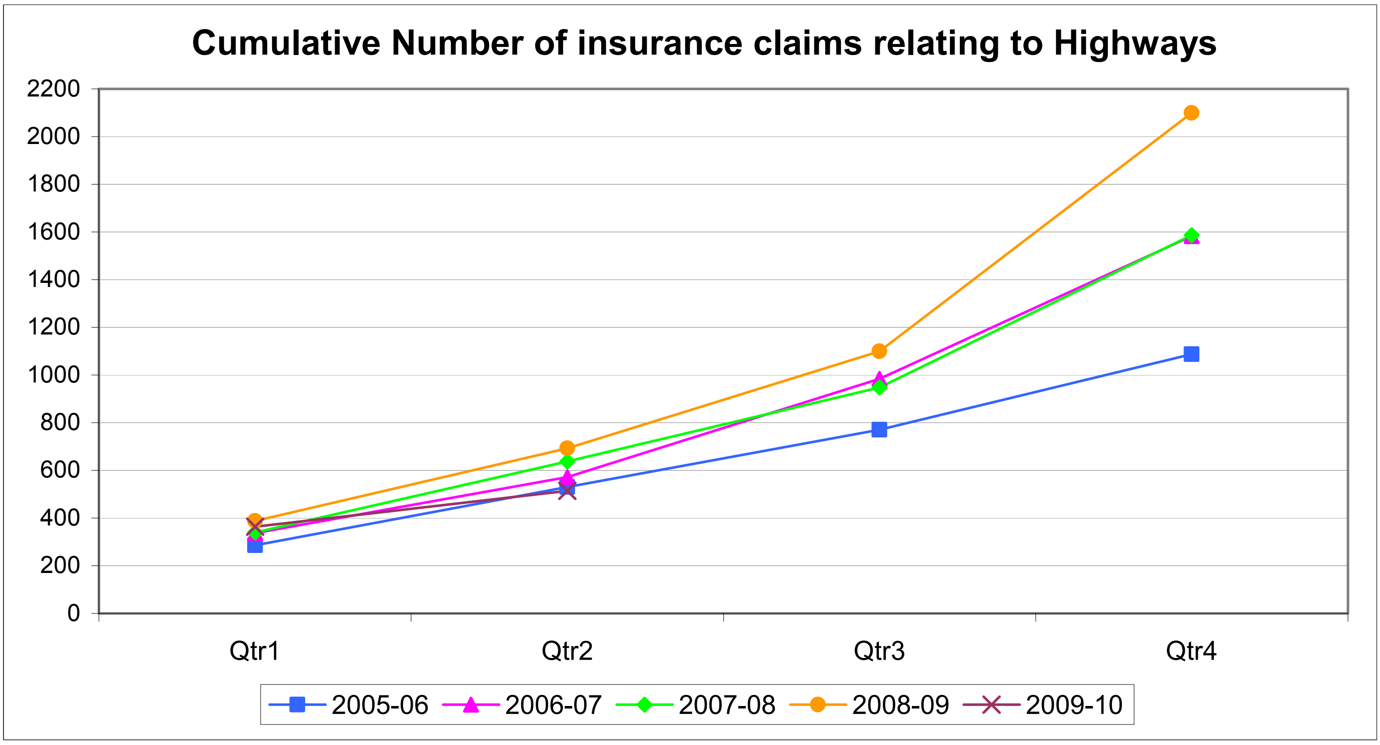


Comment:

- 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 normal salting period.

2.3 **Number of insurance claims arising related to Highways**:

	2005-06	2006-07	2007-08	2008-09	2009-10
	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims
April – June	286	337	339	388	364
July – Sept	530	572	637	692	514
Oct – Dec	771	984	947	1,099	
Jan - Mar	1,087	1,583	1,586	2,100	



Comments:

- Numbers of claims will change continually 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 13 October 2009.
- The number of claims rose sharply at the end of 2008-09. The particularly adverse weather conditions and the consequent damage to the highway seems a major factor with this along with some possible effect from the economic downturn. The number of claims for the first half of 2009-10 is back below the average but this figure may rise as claims continue to be submitted for that period (see paragraph above).
- 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 75%.

COMMUNITIES DIRECTORATE SUMMARY
OCTOBER 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" 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.
- Cash limits have been adjusted since the last full monitoring report to reflect the a number of technical adjustments to budget including the transfer of Supporting People from KASS and the virement of £0.1m from the Finance portfolio to fund our contribution towards the construction programme at Maidstone Museum as agreed by Cabinet in September.
- 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 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	
Communities portfolio							
Turner Contemporary	1,122	-332	790	7	-7	0	
Kent Drug & Alcohol Action Team	17,392	-15,103	2,289	57	-57	0	
Youth Offending Service	7,244	-3,417	3,827	0	0	0	
Youth Services	13,586	-6,451	7,135	23	-23	0	
Adult Education (incl KEY)	17,427	-17,638	-211	-117	45	-72	Net variance relates to an underspend of £91k within AE and a £19k deficit on KEY that cannot be mitigated in year.
Arts Unit	1,397	-91	1,306	-60	-17	-77	Additional income from Arts Council has been received and a concerted effort has been made to reduce staffing & other running costs in order to help achieve a balanced budget for Directorate.
Libraries, Archives & Museums	23,336	-2,861	20,475	35	-35	0	Underachievement of AV & merchandising income targets and further forecast reductions given declining demand, offset by a modest increase in income from prisons & income from internal clients. Gross variance relates to extended vacancy management/ freeze & a contribution towards directorate pressures in order to deliver balanced budget.

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Communities portfolio							
Sports, Leisure & Olympics	2,697	-1,498	1,199	39	-39	0	
Supporting Independence	1,616	0	1,616	0	0	0	
Supporting People	33,034	-32,175	859	0	0	0	
Kent Community Safety Partnership	4,393	-473	3,920	12	-12	0	
Coroners	2,421	-384	2,037	186	0	186	Continuation of 2008-09 pressures on Mortuary fees/long inquests, Pathology costs and new pressure regarding body removal, toxicology, histology and deputy coroner cover.
Emergency Planning	817	-168	649	0	0	0	
Kent Scientific Services	1,327	-752	575	78	-43	35	Unachievable internal income target, partly mitigated by management action.
Registration	4,224	-3,140	1,084	-84	84	0	Reduced spend on premises and running costs, due a reduction in fees income
Trading Standards	3,821	-340	3,481	-46	28	-18	Extended vacancy management policy to contribute to divisional overspends, offset by reduced anticipated fees due to self verification of liquid fuel measurements. The underspend has reduced since the previous quarter due to a revised allocation of central overheads.
Policy & Resources	1,388	-76	1,312	0	0	0	
Business Development & Support	650	-220	430	0	0	0	
Strategic Management	957	0	957	0	0	0	
Centrally Managed directorate budgets	954	-1,363	-409	300	-300	0	dilapidations costs to be met by contribution from CFE & recharges to other Communities Service budgets
Support Services purchased from CED	4,109	0	4,109	-21	0	-21	Reduced charge for KPSN
Total Communities controllable	**143,912**	**-86,482**	**57,430**	**409**	**-376**	**33**	
Assumed Management Action				**-33**	**0**	**-33**	
Forecast after Mgmt Action				**376**	**-376**	**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 individual forecast revenue variances over £100k.

Each of these variances is explained further below:

1.1.3.1 Adult Education incl. KEY: -£72k net (-£117k gross, +£45k income)

a) *KEY Training: £19k Net pressure (-£28k gross, +£47k income)*

The KEY training service has made progress with regard to addressing the 2008-09 overspend and has managed all base pressures, as well as making a significant contribution to the rolled forward deficit from 2008-09 of £211k, with only a £19k net pressure forecast.

The origin of the 2008-09 deficit was detailed in the prior quarter's full monitoring report. To date, there have been no significant changes to the profile of payments from the LSC and where income targets have not been met, expenditure has been reduced accordingly to prevent a further pressure arising.

Although this service is currently forecasting a net pressure of £19k, within this is a gross variance of -£28k and an income variance of +£47k. The gross variance has reduced from the +£191k in the previous report as a result of savings on staff, whereby management action commenced earlier than was scheduled, which has been partially offset by a £25k increase in internal recharges. Staff savings have been achieved as a result of the restructuring of the service and by some staff leaving a month earlier than planned.

Further changes made to the Entry 2 Employment contract, which has moved from being a guaranteed income profile to being contingent and linked to learner numbers, has resulted in an income shortfall and explains the £47k variance.

A management action plan was drafted to address the underlying 2008-09 overspend and was to be delivered over a two year period and is well on the way to achieving this target, all things remaining equal.

b) *Adult Education: -£91k Net underspend (-£89k gross, -£2k income)*

A management plan was enacted to hold vacancies to the value of £252k, with a view to making annual contributions to build a reserve to meet planned renewals of plant and equipment, rather than to meet the full cost of these renewals from the annual budget in the year in which they occur which places undue pressure on the service during that time.

As the Communities portfolio as a whole is currently forecasting a net pressure, this contribution will not be made until a balanced position is reported.

The current forecast gross underspend of £89k consists of the £252k saving from vacancy management offset by the following pressures:

- £39k in relation to IT replacement needs in the Skills Plus Centre and an increase in contracts with the private sector;
- £86k additional costs in relation to an allocation to the Ofsted inspection nominee to update teaching resources, increase staff training and replace furniture and equipment in readiness for the forthcoming Ofsted inspection.
- £38k has also been set aside to fast track much needed maintenance improvements of the service's premises portfolio.

1.1.3.2 Libraries: +£35k Gross and -£35k Income

The service has made savings on gross expenditure, mainly through vacancy management (-£161k), and on premises costs, which have been achieved by the re-tendering of the cleaning contract (-£63k) and from one-off rate rebates for the Tunbridge Wells and Sevenoaks Libraries of (-£100k) and reduced spend on Third party payments to Canterbury City Council in respect of shared running costs of the Beaney (-£11k).

This is being offset by the service's contribution of £175k towards directorate wide savings targets and unexpected costs that had been held centrally such as Church Street dilapidations, an overspend on energy costs of £70k, and other costs totalling £125k which include such items as a £40k revenue contribution to capital projects, £26k additional expenditure relating to Prison IT system and £26k increased internal recharge to the district offices relating to merchandising.

Libraries are forecasting a reduction in their Audio Visual (AV) income streams of £70k (supported by the activity indicators in section 2.2 and a shortfall in their merchandising income of £74k. The Archives service is also forecasting a shortfall in income of £6k from work done on parish surveys and an underachievement on the income target set for the Centre for Kentish Studies shop.

This is being offset by increased income from access services (including prisons) (-£47k), additional rent from Thanet District Council (-£44k) and an increase in internal income of £94k.

1.1.3.3 Coroners: +£186k Gross and Net

The service continues to experience pressures, despite providing an additional £150k (£100k for long inquests, £50k pay) into the budget in 2009-10.

The main pressures arise from Pathology and Mortuary costs of £85k. There is also a pressure on Histology (child death post mortem referrals), Toxicology and Mortuary costs arising from increased activity, as more deaths are being investigated, currently forecast as a pressure of £67k. This pressure is being exacerbated because one of the coroners has opted to use a private sector provider instead of Kent Scientific Services, thus attracting increased costs and procedures (Toxicology) are being undertaken to try and mitigate this behaviour.

Increased costs arising from the re-tender of the body removal contract are estimated at £70k during 2009-10, with the full year effect being £100k that will impact in 2010-11.

The Head of Service has met with Coroners in an attempt to agree a solution, but Coroners are governed by central government and not the Communities directorate, which makes this budget very difficult to control.

It should also be noted that a further pressure could arise due to payments made to deputy coroners due to the enforced absence of one coroner, outside of the annual leave allowance. The deputy coroner is required to cover for the day to day operational tasks that the coroner is no longer able to undertake during more intensive inquests (see 1.1.5). The outcome, when known, will then be reflected in a future monitoring report, but shows the constant pressure that the service faces in order to try to balance this budget.

To date no definitive solution has been formulated although the service is committed to monitoring all of its budget lines in order to mitigate these pressures as far as practical given the limited level of authority that we have to govern the coroners.

1.1.3.4 Supporting People

A balanced position is forecast for this service, but commitments are in place that will result in gross expenditure being close to £2.69m in excess of the agreed cash limit. However these costs will be met by a draw down from the existing Supporting People earmarked reserve, as part of a planned programme of expenditure approved by the Supporting People Commissioning Body, and therefore a balanced position is forecast.

1.1.3.5 Centrally Managed Budgets: £300k Gross and £300k Income

The Directorate experienced an unexpected dilapidations notice in relation to one of its properties at a total cost in the region of £300k. It has been agreed that £169k of the cost of these works will be met by CFE due to their period of occupation, with the remainder to be funded from contributions from the various services within Communities.

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	Supporting People	+2,690	CMY	Drawdown from Supporting People reserve	-2,690
CMY	Central budgets: Unexpected dilapidation claim.	+300	CMY	Central Budgets: contribution from CFE & recharges to services within Communities of dilapidations cost	-300
CMY	Libraries:contribution towards directorate wide savings targets & other centrally held costs	+175	CMY	Adult Education: Support staff savings.	-252
CMY	Coroners: Mortuary, Histology, Pathology, long inquest and Toxicology fees that are not governed by CMY	+152	CMY	Libraries: staff savings to mitigate reduced income from AV issues and merchandising.	-161
CMY	Libraries: Reduced forecast in relation to Libraries' Audio Visual income streams due to declining demand and alternative sources of supply. Shortfall in merchandising income	+144	CMY	Libraries: one off rates rebates	-100
		+3,461			**-3,503**

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

In order to mitigate the underlying rolled forward deficit on KEY Training from 2008-09 of £454k, the Directorate has reviewed the structure of the service, and that of Adult Education, in order to achieve synergies and better working practices.

A thorough review was undertaken concerning staffing levels and premises costs given the reduction in funding available and a management action plan was enacted which will result in a £199k net saving in year, with the full year effect being £534k.

This removes the base pressure facing KEY Training and the service is on schedule to present a balanced position by the end of 2010-11, reinforced by the net pressure reported of only £19k, based on current assumptions surrounding income targets and profiles.

1.1.5 **Implications for MTP**:

The on-going pressures faced by the Coroners Service and the impact of the full year effect of the body removal contract, are medium term financial pressures for the portfolio. Rising costs concerning mortuary fees, increases in the number of long inquests being held, increased fees for pathology, toxicology and histology all present a base pressure for the Directorate.

A further pressure that is yet to be quantified is the current year issue of the increasing length of the number of long inquests. A long inquest is deemed as such if the time a coroner attends the court exceeds one day (or five hours) and in the past it was the volume of long inquests that caused the additional costs.

In the current year, two inquests are forecast for periods of four and five weeks and therefore the length of these two long inquests has essentially committed a significant part of the long inquests budget for the year. The impact of extensive long inquests also requires the use - and cost - of deputy coroners to cover the operational day to day tasks that the coroners otherwise would do at the end of the day but are unable to do so for longer inquests, as not only are the coroners required to attend court but they are required to prepare and read for the following days hearing.

Until the full extent of the commitments for the current and future years are quantified by the coroners, then the impact on monitoring and the MTP cannot be accurately forecast, but it was felt that this continuing pressure, albeit for different reasons, should be highlighted at the earliest convenience.

Other pressures for the Directorate relate to their property portfolio as there is deemed to be inflationary pressures on energy, premises, rates and other property related expenses.

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

N/A

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

1.1.7.1 Both KEY Training and Adult Education reviewed their structures in an attempt to address the previous year's deficit in KEY so that the service is able to respond more quickly to changes in LSC funding levels. Part of this review included regular annual contributions to reserves as a % of the annual income target of £172.5k and £160k for KEY and Adult Education respectively.

As Communities is currently forecasting a net pressure (mainly in relation to Coroners), these contributions will not be made in the current year as was hoped, as the Directorate must first present a balanced budget, but will be included in the budgets from 2010-11 onwards.

1.1.7.2 The Directorate expects to deliver a balanced budget by the end of the year by applying management action as appropriate. The specifics of which, are still to be agreed by the Directorate Management Team, but if necessary, will implement a moratorium on non essential expenditure across the directorate should the position not improve within a reasonable timescale.

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 12th October 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
Community Services Portfolio						
Budget	23,568	24,208	19,964	3,698	5,670	77,108
Adjustments:						
- re-phasing agreed at Oct Cabinet		-2,408	1,786	622		0
-						0
Revised Budget	23,568	21,800	21,750	4,320	5,670	77,108
Variance		-759	+2,450	+1,285	0	+2,976
split:						
- real variance		21	1,663	1,292	0	+2,976
- re-phasing		-780	787	-7	0	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;
- have received approval to spend and are underway;
- are only at the approval to plan stage and
- are at the 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, in excess of £250k, 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	Initial Planning Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
CMY	Ramsgate Library	Real		+333		
			+0	**+333**	**+0**	**+0**
Underspends/Projects behind schedule						
CMY	Gravesend Library	Phasing			-342	
CMY	Tunbridge Wells Library	Real			-298	
			-0	**-0**	**-640**	**-0**
			+0	**+333**	**-640**	**+0**

1.2.4 Projects re-phasing by over £1m:

None

1.2.5 Projects with real variances, including resourcing implications:

Modernisation of Assets -£0.429m (-£0.250m in 2009/10 and -£0.179m in 2010/11)
Underspend from DDA may be needed in 2010-11 and 2011-12 to contribute to the disabled access costs of the Beaney project. Scheduled DDA works will be delayed accordingly and will be reinstated if the tender process reduces the current forecast overspend.

Canterbury High School Adult Education facilities -£0.03m (in 2009/10)
Underspend expected from the final negotiations with the school regarding the share of costs to be borne by Communities in 2009-10.

BLF Physical Education & Sport Programme -£0.083m (in 2009/10)
Grant may have to be returned to the Big Lottery Fund if the St Gregory's School project is finally cancelled. If it cannot be cancelled an additional grant of £14k will be sought from BLF, which would otherwise be a pressure on the programme.

Renewal of Library ICT System -£0.028m (in 2009/10)
Underspend with costs now forecast lower than expected. Project due for completion in November 2009.

Herne Bay Youth & Children's Centre +£0.009m (in 2009/10)
Overspend as despite the project completing in 2008-09, there were additional costs arising from the need to remedy a problem with the air circulation system and some late payments for computer equipment. This should be funded from developer contributions.

Ramsgate Library Betterment +0.333m (in 2009/10)
Overspend as a result of delays during construction, some design changes and additional fees as a result of the higher overall cost. There has also been an extension of time claim by the contractor, which has now been settled, however, the contractor is now in administration and the final costs cannot yet confirmed. This extra cost will be funded from savings on the Tunbridge Wells project.

Ashford Gateway Plus +£1.623m (+£0.731m in 2010/11 and +£0.892m in 2011/12).
The total project cost is now £7.566m. The additional funding of £1.95m from GAF3 has now been approved and compensates for the increased cost of the design changes.

Dover Big Screen +£0.055m (in 2009/10)
Overspend arising from the additional costs of piling and archaeology. This cost will be funded from savings elsewhere in the programme and additional funding from the revenue budgets with the Arts Unit and EH&W.

Tunbridge Wells Library -£0.298m (in 2009/10),
Savings expected with the necessary works trimmed back to meet DDA requirements for the library and AEC. Tunbridge Wells BC are also making a contribution of £0.109m, with the overall saving (£0.407m) to be used to fund the over spend at Ramsgate Library.

The Beaney +£0.429m (+£0.250m in 2010/11 and +£0.179m in 2011/12).
This has been identified from the additional cost of acquiring Kingsbridge Villas and the detailed pre-tender estimate. Further value engineering has been undertaken pending the results of the tendering process. The additional costs will be funded from within the Modernisation of assets programme if the tender price cannot be reduced. See Modernisation of Assets comments above.

Kent History Centre +£1.332m (+£0.932m in 2010/11 and +£0.400m in 2011/12)
The revised proposals have an additional cost. However, the reduced land value at James Whatman Way means additional funding totalling £2.562m will be required. The borrowing costs will be met by the service once the project is operational and savings can be delivered from rationalisation of premises.

After allowing for these funding issues the true underlying variance is -£0.057m in 2009/10.

1.2.6 **General Overview of capital programme**:

(a) Risks

Ramsgate – the financial costs to the project of the contractor being in administration are still being determined. Retention monies are held, but it is not yet known if they will be sufficient.

Ashford Gateway Plus – planning approval is now being sought, but any further delays and variances from the cost plan could impact on the deliverability of the project.

Turner Contemporary – the profile of funding from ACE has altered in line with the project spend profile. The effect is to change further the upfront funding from £3.75m over 2 years to £2.841m over 3 years.

Tunbridge Wells – there is a possibility that the anticipated costs of the proposals may yet rise due the AEC and library being listed buildings. Any such additional costs will be managed within the overall CMY capital programme.

The Beaney – The project pre-tender estimate is some £858k above the agreed budget with the KCC share being £429k. The £0.4m external funding requirement underwritten by KCC, if not achieved, will add to the extra resources required. The archaeology works have yet to begin and there is the potential for additional cost and delay.

Kent Library & History Centre - if project does not proceed KCC would be liable for site survey, design and planning expenses incurred by Bouygues (currently being quantified). However planning permission has now been granted (see below).

(b) Details of action being taken to alleviate risks

Ramsgate – financial assessment being completed by the QS and a meeting with the Administrator is to take place in early November. A final cost figure is expected shortly afterwards.

Ashford Gateway Plus – agreement has been reached with the partners regarding both the design and funding. A report is being prepared advising members of the revised spending profile.

Turner – the funding agreement is in place with ACE and SEEDA and 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.

Tunbridge Wells – the plans will be tendered shortly and the detailed works carefully reviewed to achieve the forecast cost profile.

The Beaney – The additional costs of £429k are factored in to the overall Directorate budget. However, analysis of the tenders is now underway and initial indications suggest the building works costs could be below the pre-tender estimate, however a more detailed review is being completed. The findings from the initial archaeological investigations have been factored into the project. Work is now in hand with Canterbury City Council to develop and implement a funding strategy.

Kent Library & History Centre – new proposals have been carefully assessed and contract negotiations are proceeding with Bouygues. It is expected this will be signed off when Approval to Spend has been secured. Planning approval has been granted for James Whatman Way and outline permission for Springfield. A report is being prepared and members will be kept informed of the options/proposals.

1.2.7 Project Re-Phasing

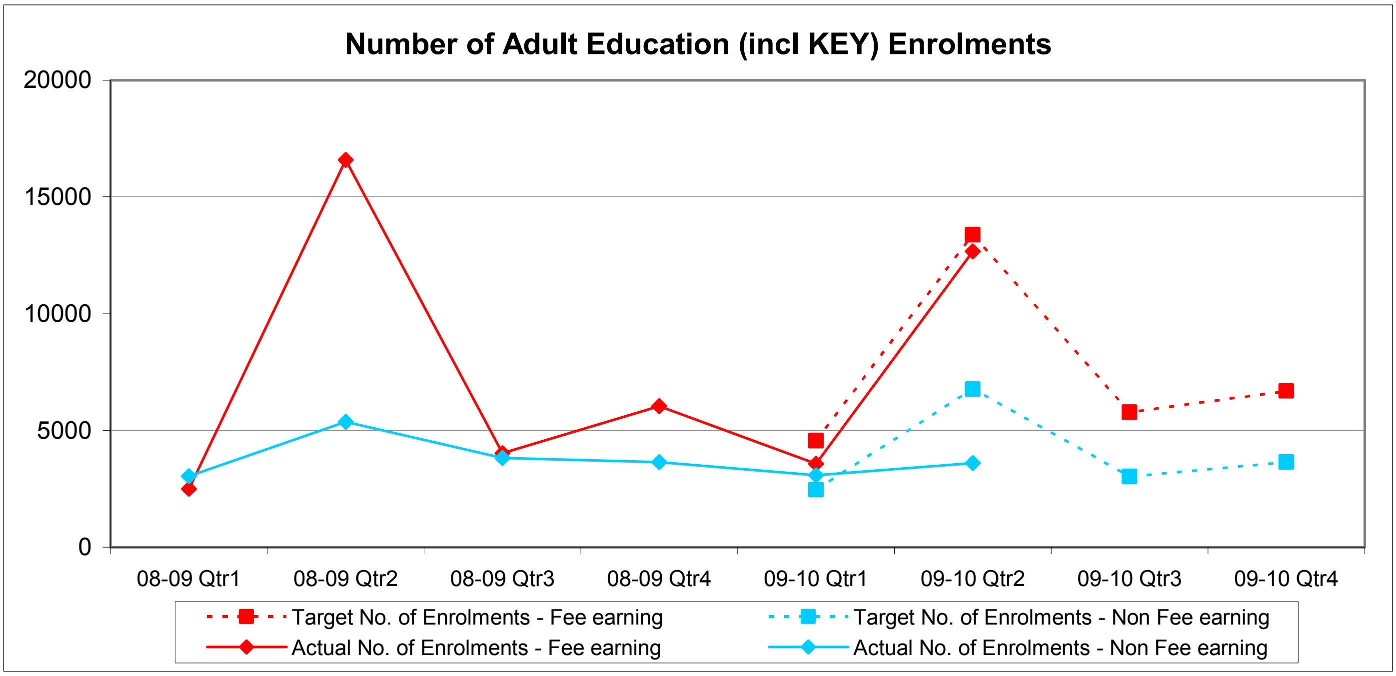
Cash Limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the rephasing will be shown. The possible re-phasing is detailed in the table below.

	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	
Library Modernisation Programme					
Amended total cash limits	+932	+460	+460	+920	+2,772
re-phasing	-200	+200			0
Revised project phasing	**+732**	**+660**	**+460**	**+920**	**+2,772**
Ashford Gateway Plus					
Amended total cash limits	+639	+4,377			+5,016
re-phasing	-242	+242			0
Revised project phasing	**+397**	**+4,619**	**0**	**0**	**+5,016**
Gravesend Library					
Amended total cash limits	+700	+1,125	+638		+2,463
re-phasing	-342	+349	-7		0
Revised project phasing	**+358**	**+1,474**	**+631**	**0**	**+2,463**
Total re-phasing >£100k	**-784**	**+791**	**-7**	**0**	**0**
Other re-phased Projects below £100k					
re-phasing	+4	-4			0
Revised phasing	**+4**	**-4**	**0**	**0**	**0**
TOTAL RE-PHASING	**-780**	**+787**	**-7**	**0**	**0**

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 **Number of Adult Education & KEY enrolments**:

	2008-09			2009-10					
	ACTUALS			TARGET			ACTUALS		
	Fee earning	Non fee earning	TOTAL	Fee earning	Non fee earning	TOTAL	Fee earning	Non fee earning	TOTAL
Apr - Jun	2,496	3,049	**5,545**	4,560	2,456	**7,016**	3,572	3,087	**6,659**
Jul – Sept	16,590	5,360	**21,950**	13,377	6,774	**20,151**	12,667	3,598	**16,265**
Oct – Dec	4,024	3,816	**7,840**	5,776	3,029	**8,805**			
Jan - Mar	6,039	3,639	**9,678**	6,689	3,651	**10,340**			
TOTAL	**29,149**	**15,864**	**45,013**	**30,402**	**15,910**	**46,312**	**16,239**	**6,685**	**22,924**



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. Student enrolments are gathered via a census at three points during the academic year.

  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 enrolment figures reported this year represent actual enrolments in the quarter rather than enrolments for courses started during the quarter, which is what has previously been reported. This should resolve the issue of previous quarter's figures constantly changing. The figures also now include KEY training enrolments as well as Adult Education enrolments.

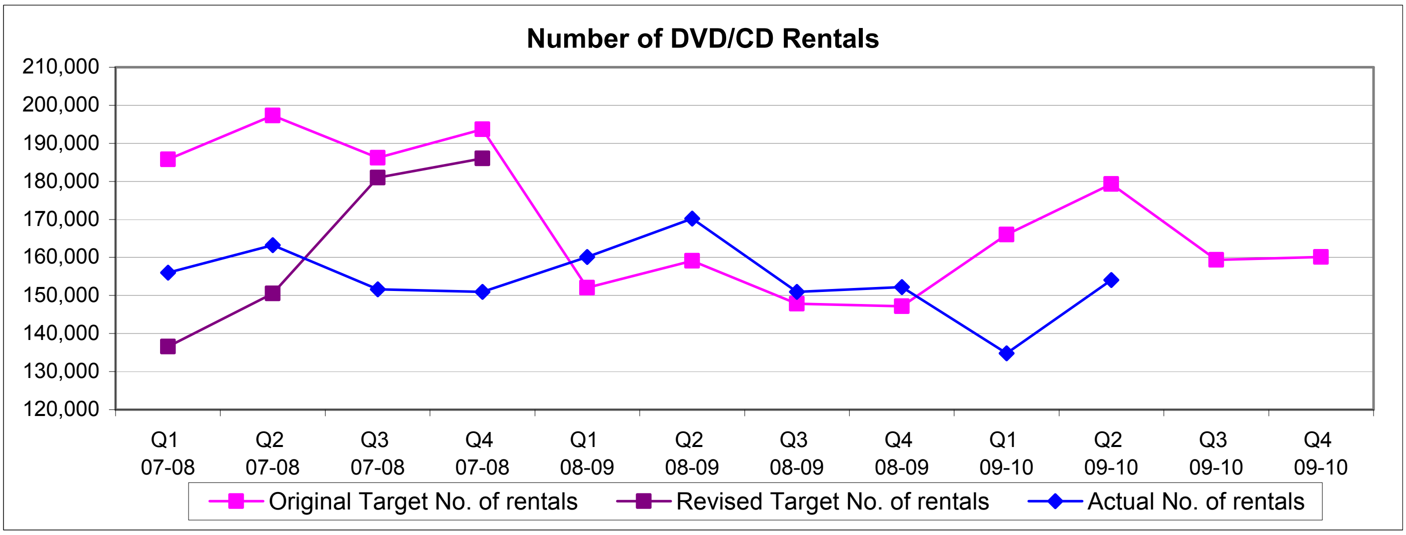
- The actual enrolment figures for the year to date are below initial expectations. An improvement had been expected for quarter two, but student numbers are still below the target. To mitigate against the decrease in student numbers, the use of sessional staff will be reviewed and costs controlled in line with a projected decline in income.

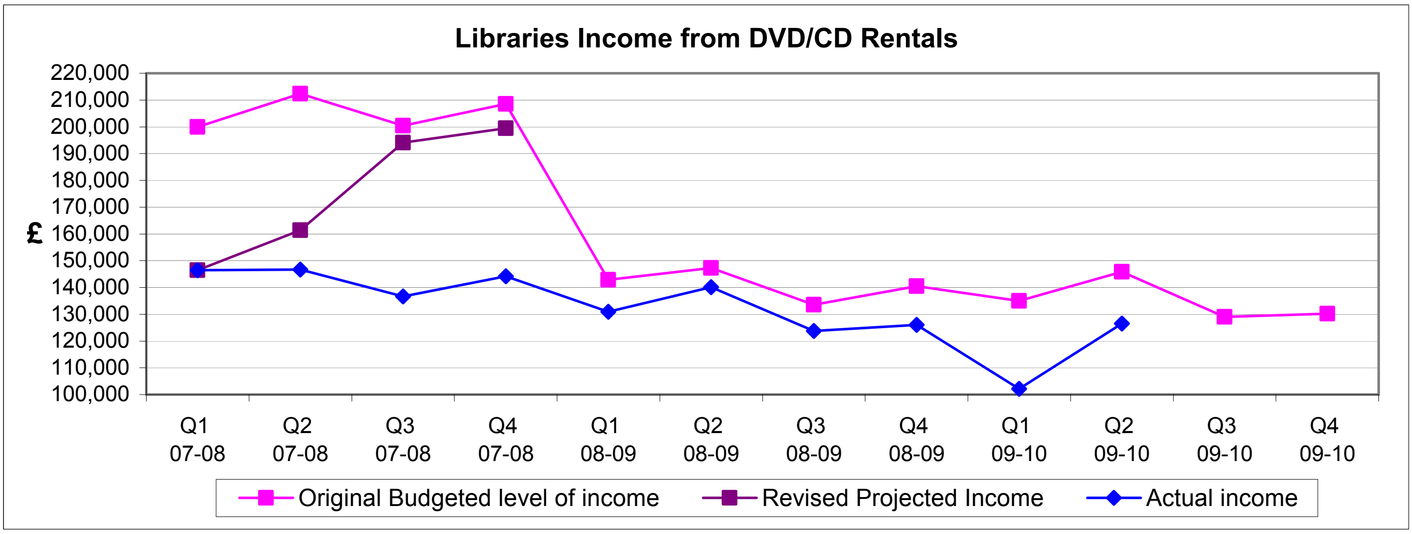
Annex 4

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

	2007-08						2008-09			
	No of rentals			Income (£)			No of rentals		Income (£)	
	Budgeted target	revised target	Actual	budget	revised projected income	actual	Budgeted target	actual	Budget	actual
April–Jun	185,800	136,556	155,958	200,000	146,437	146,437	152,059	160,162	142,865	130,920
July–Sep	197,300	150,500	163,230	212,300	161,390	146,690	159,149	170,180	147,232	140,163
Oct–Dec	186,200	181,000	151,650	200,400	194,096	136,698	147,859	150,968	133,505	123,812
Jan–Mar	193,700	186,000	150,929	208,500	199,458	144,136	147,156	152,249	140,533	126,058
TOTAL	**763,000**	**654,056**	**621,767**	**821,200**	**701,381**	**573,961**	**606,223**	**633,559**	**564,135**	**520,953**

	2009-10			
	No of rentals		Income (£)	
	Budgeted target	actual	Budget	actual
April–Jun	166,000	134,781	135,000	103,135
July–Sep	179,300	154,044	145,800	126,494
Oct–Dec	159,400		129,000	
Jan–Mar	160,100		130,200	
TOTAL	**664,800**	**288,825**	**540,000**	**229,629**





Comments:

- 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, which has resulted in the forecast reduction in AV income of £70k as identified in tables 1 & 2 and paragraph 1.1.3.2.

  Demand for spoken word materials and DVDs has remained reasonably stable.

- Research undertaken by the service in order to mitigate this actual and forecast decline, indicates issues can be increased if loans are offered for longer periods at a reduced fee. The service has also identified that it has a niche market for certain genres where demand can be sustained and there is little competition e.g. old TV shows.

- The service has reviewed its marketing strategy and set more realistic levels of rentals both in terms of volume and value. The service reduced expenditure on consumables in 2007-08 to offset the estimated loss of £120k income from the original budget.

- The roll out of the revised strategy in 2007-08 was not as successful as the research indicated and we fell just over 30,000 issues short of the revised target. The service was able to generate additional income from other merchandising in libraries not included in the original or revised budget to offset the £127k shortfall against the revised income budget for 2007-08.

- Targets and income budgets set for 2008-09 were based on a continued decline but these were increased slightly for 2009-10. The service increased income budgets from other merchandising to offset the loss of income from AV issues. Issues in 2008-09 exceeded the target but income fell short, due to an increase in the spoken word issues for which no fees are charged and this trend has continued in 09-10. The correlation between issues and income is subject to an ongoing review and mitigating action will be taken accordingly.

- The actual number of rentals includes those from visits to lending libraries, postal loans and reference materials.

- To enable better comparison of AV issues and income data, the actual income reported for quarter 1 of 2009-10 has been changed from the £102,152 previously reported, to reflect the late banking of income which has taken place during the second quarter but relates to rentals issued within the first quarter, the number of rentals reported previously remains unchanged. It is likely that a similar adjustment will be required in each report.

CHIEF EXECUTIVES DIRECTORATE SUMMARY
OCTOBER 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 last full monitoring report to reflect a number of technical adjustments to budget.
- 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 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:							
- core service & PAYG activity	4,347	-3	4,344	219	-43	176	Committee manager post & Members allowance
- delegated to directorates	160	-160	0	80	-80	0	Schools Appeals recharged to CFE
TOTAL Democratic Services	4,507	-163	4,344	299	-123	176	
International Affairs Group	587	-35	552	27	-27	0	
Kent Partnerships	1,013	-571	442	-51	2	-49	£35k reduction in income & expenditure relating to Learning Skills Council. Addt compensating income from Thanet for staff secondment.
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	8,366	-769	7,597	275	-148	127	
Less Support Costs delegated to Service Directorates	-160	160	0	-80	80	0	Adj for Schools Appeals revised charge
Total L&P portfolio	**8,206**	**-609**	**7,597**	**195**	**-68**	**127**	
Corporate Support & Performance Management portfolio							
Personnel & Development:							
- core service & PAYG activity	6,210	-5,032	1,178	298	-346	-48	Pay as you go activity
- delegated to directorates	4,356	-4,356	0	0	0	0	
TOTAL P&D	10,566	-9,388	1,178	298	-346	-48	
Business Solutions & Policy:							
- core service & PAYG activity	9,846	-8,239	1,607	1,830	-1,813	17	ISG pay as you go activity and EIS trading activity with Schools.
- delegated to directorates	14,410	-14,410	0	-28	28	0	KPSN adj
TOTAL Business Solutions	24,256	-22,649	1,607	1,802	-1,785	17	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Property Group:							
- core service & PAYG activity	5,442	-4,080	1,362	260	-262	-2	Pay as you go activity
- delegated to directorates	4,525	-4,525	0	0	0	0	
TOTAL Property Group	9,967	-8,605	1,362	260	-262	-2	
Internal Audit & Procurement Support to Directorates							
- core service & PAYG activity	286	-31	255	16	-16	0	Pay as you go activity
- delegated to directorates	754	-754	0	0	0	0	
TOTAL Internal Audit & Procure	1,040	-785	255	16	-16	0	
Legal Services	6,189	-7,037	-848	664	-964	-300	Increased trading activity & related costs
Corporate Communications	1,596	-94	1,502	-27	-1	-28	
Strategic Development Unit	3,893	-1,287	2,606	99	-24	75	Increased running costs for Gateways
Strategic Management	651		651	-16	0	-16	
Centrally Managed Budgets	1,756	-184	1,572	165	10	175	In year management action savings target
Contact Kent	5,108	-2,091	3,017	54	-54	0	
Central Policy	566	-81	485	199	-56	143	Strengthening of team
Performance, Improvement & Engagement	570	-86	484	59	0	59	Expenditure 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	0	0	0	
Budget Managed by this portfolio	71,252	-58,101	13,151	3,573	-3,498	75	
Less Support Costs delegated to Service Directorates	-24,045	24,045	0	28	-28	0	Adj for KPSN revised charges
Total CS&PM	**47,207**	**-34,056**	**13,151**	**3,601**	**-3,526**	**75**	
Finance Portfolio							
Finance Group:							
- core service & PAYG activity	6,178	-4,199	1,979	36	-36	0	Increased costs & recovery in Investments & Treasury
- delegated to directorates	1,706	-1,706	0	0	0	0	
TOTAL Finance Group	**7,884**	**-5,905**	**1,979**	**36**	**-36**	**0**	
Less Support Costs delegated to Service Directorates	-1,706	1,706	0	0	0	0	
Total Finance portfolio	**6,178**	**-4,199**	**1,979**	**36**	**-36**	**0**	
TOTAL CORPORATE POC	**61,591**	**-38,864**	**22,727**	**3,832**	**-3,630**	**202**	
Public Health & Innovation portfolio							
Kent Department of Public Health	**1,410**	**-620**	**790**	**-54**	**54**	**0**	
Regeneration & Economic Development portfolio							
Economic Development incl Regeneration Projects	8,409	-2,067	6,342	-165	35	-130	-£130k staff vacancies; -/+£25k due to reduced SEEDA income covered by drawdown from reserves
Kent Film Office	101		101	6	-4	2	
Resources	232		232	0	0	0	
Strategic Management	158		158	0	0	0	
Analysis & Information	931	-60	871	26	-71	-45	
Geographic Information Systems	534	-146	388	0	0	0	
TOTAL Regen & ED	**10,365**	**-2,273**	**8,092**	**-133**	**-40**	**-173**	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Total Directorate Controllable	**73,366**	**-41,757**	**31,609**	**3,645**	**-3,616**	**29**	
Assumed Management Action:							
- L&P portfolio						**0**	
- CS&PM portfolio					**-202**	**-202**	
- Finance portfolio						**0**	
- PH&I portfolio						**0**	
- Regen & ED portfolio						**0**	
Forecast after Mgmt Action				**3,645**	**-3,818**	**-173**	

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)** is due to continuance of the Committee Manager post through to March 2010 plus other salary pressures which include three cases 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 Personnel & Development: Variances on gross spend and income reflect the increased demand for additional Personnel services, mainly trading activity with Learning & Development (+/-£152k). Also, within Employee Services, additional external income, partly from shared HR services with District Councils at East Kent, has been offset by additional expenditure on the replacement of the telephony system (+/- £153k).

1.1.3.3 Information Systems (Business Solutions & Policy): Variances on gross spend **(+£1830k)** and income **(-£1813k)** reflect the increased demand for additional IT services, mainly trading activity with Schools through EIS +/-£400k and Pay-as-you-go projects +/-£1,389k (includes support to Libraries +/-£457k & Children's Centres +/-£490k). Project demand is difficult to predict during budget setting. Within the budgets delegated to service directorates, reduced costs relating to the Kent Public Services Network (KPSN) will result in lower recharges to directorates **-/+£28k.**

1.1.3.4 Property Group; Variances on gross spend **(+£260k)** and income **(-£262k)** reflect increased demand for additional pay as you go services mainly within the Estates and Capital Projects teams.

1.1.3.5 Legal Services: Variances on gross spend **(+£664k)** and income **(-£964k)** reflect the additional work that the function has taken on over and above that budgeted for, responding to both internal and external demand.

1.1.3.6 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.

1.1.3.7 Central Policy & Performance, Improvement & Engagement: Additional permanent and temporary appointments **(+£141k)** have been made 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.

Regeneration & Economic Development portfolio:

1.1.3.8 Economic Development incl. Regeneration Projects: A number of staff vacancies were frozen pending the arrival of the new director, giving a saving of £130k. A series of reviews are underway to enable the director to align the unit to the 'Regeneration Framework' aspirations, and to meet MTP savings and the projected loss of LABGI funding in 2011-12.

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 pay as you go activity	+1,389	CSPM	Information Systems income from additional pay as you go activity	-1,389
CSPM	Legal services cost of additional work (offset by increased income)	+664	CSPM	Legal income resulting from additional work (partially offset by increased costs)	-964
CSPM	Information Systems costs of EIS additional services/projects	+400	CSPM	Information Systems income from EIS additional services/projects	-400
CSPM	Property Group - Additional costs of increased PAYG activity	+260	CSPM	Property - Additional income from PAYG activity	-262
CSPM	MTP saving 'In year management action'	+175	CSPM	Personnel - Increased external income in Employee Services, partly from shared HR with DCs at East Kent	-153
CSPM	Personnel - increased costs including new telephony system for Employee Services	+153	CSPM	Personnel - increased income from Learning & Development courses	-152
CSPM	Personnel - increased trainer costs in Learning & Development	+152	R&ED	staff vacancies within Regeneration	-130
CSPM	Policy & PIE- Staffing costs to strengthen performance management & corporate assurance across KCC	+141			
L&P	Committee Manager post to March 2010 plus maternity covers.	+117			
		+3,451			**-3,450**

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 will be netted off against savings 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]*

Current assumptions are that units within the Corporate Support and Performance Management portfolio will be able to generate increased income to cover the current overspends across all CED Portfolios (excluding Regeneration).

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 12th October 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	10,919	22,745	19,493	16,599	14,507	84,263
Additions:						
-re-phasing agreed at Oct Cabinet		-4,081	1,245	2,400	436	0
-						0
Revised Budget	10,919	18,664	20,738	18,999	14,943	84,263
Variance		-255	1,267	-575	860	1,297
split:						
- real variance		-150	+1,162	-575	+860	+1,297
- re-phasing		-105	+105			0
Localism & Partnerships Portfolio						
Budget	0	584	500	500	1,000	2,584
Additions:						
-						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
Regeneration & Economic Development Portfolio						
Budget	12,985	6,988	7,268	4,730	6,222	38,193
Additions:						
-						0
Revised Budget	12,985	6,988	7,268	4,730	6,222	38,193
Variance		-24	87	0	0	63
split:						
- real variance		+63	0	0	0	+63
- re-phasing		-87	+87	0	0	0
Directorate Total						
Revised Budget	23,904	26,236	28,506	24,229	22,165	125,040
Variance	0	-279	1,354	-575	860	1,360

Real Variance	**0**	**-87**	**+1,162**	**-575**	**+860**	**+1,360**
Re-phasing	**0**	**-192**	**+192**	**0**	**0**	**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.

There are no variances over £250k

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

There is no re-phasing over £1m

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

<u>Regeneration & Economic Development Portfolio</u>

Kent Thameside Regeneration Partnership (was Kent Thameside Delivery Board) +£0.063m (in 2009/10).
A re-alignment of costs between revenue and capital expenditure due to project management capitalisation results in a restated capital budget of £543k, The increase is met by the revenue contribution from partners (Dartford BC, Gravesham BC and KCC)

<u>Corporate Support and Performance Management Portfolio</u>

Modernisation of Assets -£0.15m (in 2009/10)
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.

Better Workplaces +£1.447m (+£1.162m in 2010/11, -£0.575m in 2011/12 and +£0.860m in later years)
A review of the Better Workplaces project is being undertaken as part of the 2010/13 MTP, and will be incorporated into the Total Place initiative. This projected overspend reflects the latest assumptions on the office estate re-provision.

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**

Cash limits are changed for 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 will be reported and the full extent of the rephasing will be shown. The possible re-phasing is detailed in the table below.

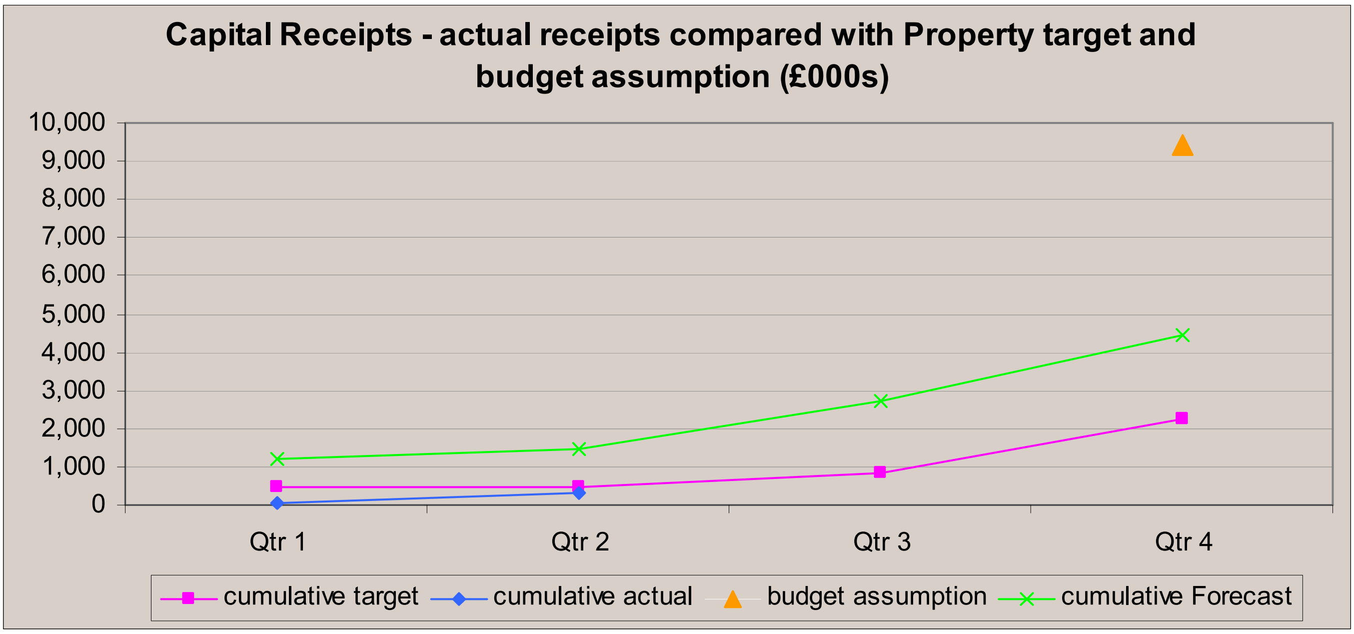
	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	
Web Platform (CSS&PM)					
Amended total cash limits	+875	+250			+1,125
re-phasing	-105	+105			0
Revised project phasing	**+770**	**+355**	**0**	**0**	**+1,125**
Total re-phasing >£100k	**-105**	**+105**	**0**	**0**	**0**
Other re-phased Projects below £100k					
re-phasing	**-87**	**+87**			0
Revised phasing	**-87**	**+87**	**0**	**0**	**0**
TOTAL RE-PHASING	**-192**	**+192**	**0**	**0**	**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		2,705
January - March		2,235		4,460
TOTAL	***9,421***	***2,235**	**316**	**4,460**

**The cumulative target profile shows the anticipated receipts for 2009-10 total £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.*



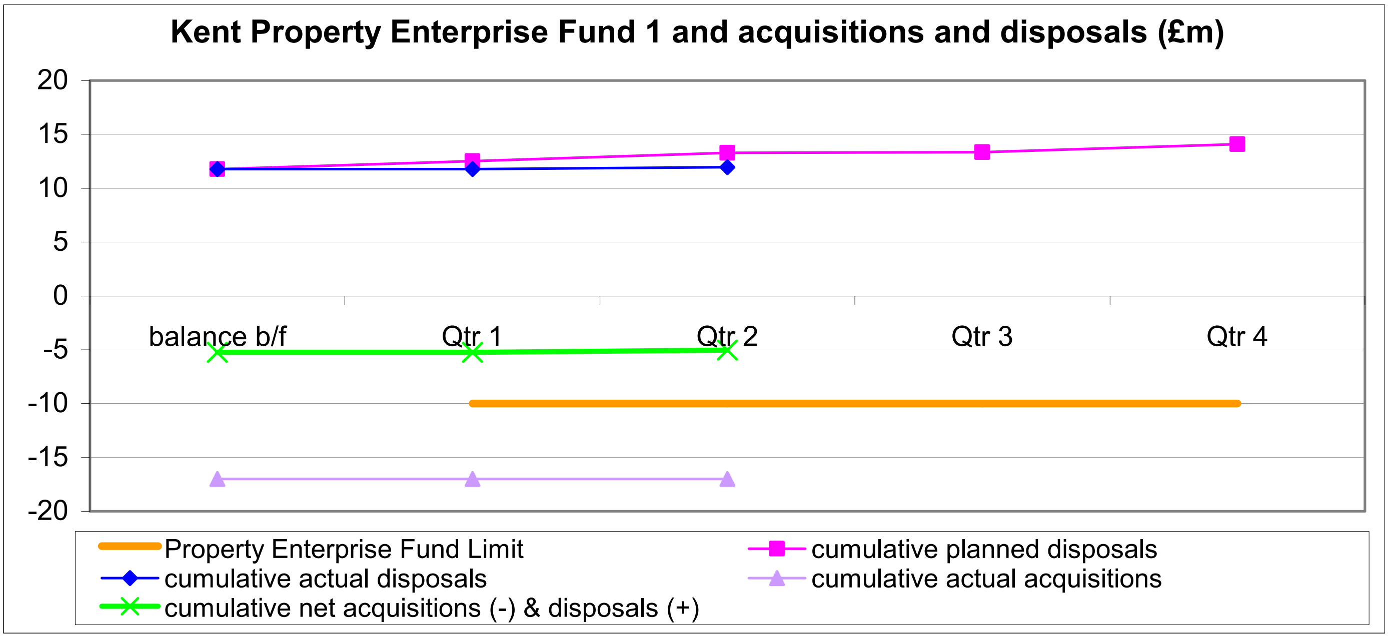
Comments:

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 £4.46m 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 £2.3m this year is due to some receipts which were originally earmarked, which have now been taken into PEF2. This position needs to be closely monitored throughout the year.

	2009-10 £'000
Capital receipt funding per revised 2009-12 MTP	7,455
Property Group's forecast receipts	1,769
Receipts banked in previous years for use	2,430
Capital receipts from other sources	1,000
Potential Deficit Receipts	**2,256**

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		11.764	11.764	-16.999	-5.235
April - June	*-10*	12.529	11.771	-16.999	-5.228
July – September	*-10*	13.295	11.966	-16.999	-5.033
October – December	*-10*	13.341			
January – March	*-10*	14.084			



Background:

- 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.

Comments:

The balance brought forward from 2008-09 on the Property Group Enterprise Fund No. 1 was **£5.235m**.

A value of **£0.296m** 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 30 September 2009 disposals to date this year have been **£0.202m** from the disposal of 2 non-operational properties.

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 **£0.347m**.

Forecast Outturn

Taking all the above into consideration, the Fund is expected to be in a deficit position of £6.666m at the end of 2009-10.

Opening Balance – 01-04-09	-£5.235m
Planned Receipts (Risk adjusted)	£0.296m
Costs	-£0.347m
Acquisitions	-
Other Funding: - Ashford Library	-£1.380m
Closing Balance – 31-03-10	**-£6.666m**

Revenue Implications

In 2009-10 the fund is currently forecasting £0.045m of low value revenue receipts but, with the need to fund both costs of borrowing (£0.389m) against the overdraft facility and the cost of managing properties held for disposal (net £0.195m), the PEF1 is forecasting a £0.976m deficit on revenue which will be rolled forward to be met from future income streams.

2.2 **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.

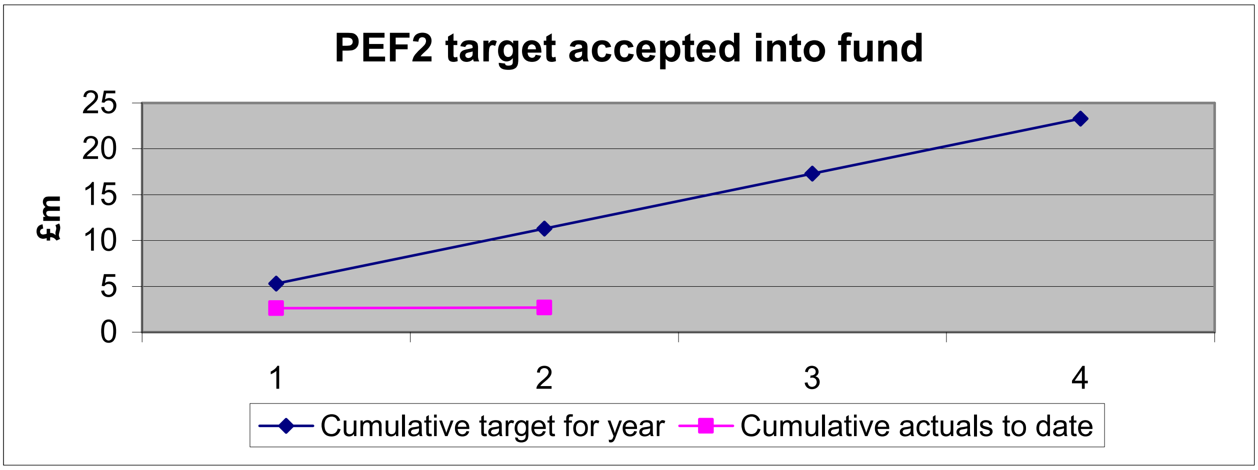
Overall forecast position on the fund

	2009-10 Forecast
	£m
Capital:	
Opening balance	-42.914
Potential receipts to be agreed into PEF2	-20.719
Forecast sale of PEF2 properties	12.461
Disposal costs	-0.623
Closing balance	-51.795
Revenue:	
Opening balance	0.000
Interest on borrowing	-1.894
Holding costs	-1.695
Closing balance	-3.589
Overall closing balance	-55.384

The forecast closing balance for PEF2 is -£55.384, this 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	



Comments…..

To date one PEF2 property has been sold. The cumulative profit/(loss) on disposal to date is -£0.017m. Large profits or losses are not anticipated over the lifetime of the fund.

<u>Interest costs</u>
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 £1.894m, an increase of £0.07m. 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
OCTOBER 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 last full monitoring report to reflect a number of technical adjustments to budget and the virement of £0.1m to the Communities portfolio to fund our contribution towards the construction programme at Maidstone Museum as agreed by Cabinet in September.
- 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 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	1,400		1,400	increase in value of recorded claims outstanding
Workforce Reduction	1,498		1,498			0	
Environment Agency Levy	359		359			0	
Joint Sea Fisheries	264		264			0	
Interest on Cash Balances / Debt Charges	117,821	-12,769	105,052	-4,582	951	-3,631	Write down of discount saving from 08-09 debt restructuring; no new borrowing; reduced interest apportionments to Pension fund & schools
Transferred Services Pensions	22		22			0	
PRG	83	-2,100	-2,017			0	
Contribution to/from Reserves	-2,392		-2,392	8,071		8,071	tfr of 09-10 write down of discount saving from 08-09 debt restructuring to reserves; provision for recession; drawdown of Insurance reserve to cover pressure on Insurance Fund; tfr to reserves of net proceeds from Turner settlement

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Drawdown from Kings Hill reserve	-1,000		-1,000			0	
ABG Safer Stronger Communities	1,277		1,277			0	
Original Turner Contemporary	0	0	0	0	-6,000	-6,000	settlement proceeds
Total Finance	**120,911**	**-14,869**	**106,042**	**4,889**	**-5,049**	**-160**	
Total Controllable	**124,027**	**-21,329**	**102,698**	**4,889**	**-5,049**	**-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 a saving on the interest on cash balances budget. This is because 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 were 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, however balances have recently reduced following the transfer out to Fund Managers of a large amount of the Pension Fund cash for reinvestment but the reduction in interest earned as a result of this is offset by reduced interest apportionments on cash balances to the Pension Fund and schools.

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 contingency against the impact of the recession on the Finance Portfolio budgets.

1.1.3.3 Insurance Fund:

A forecast pressure on the Insurance Fund, currently estimated at £1.4m, will be met by a drawdown from the Insurance Reserve. This pressure is a result of an increase in the estimated funding required to settle the self funded element of recorded claims (excesses) and a lower investment income received on the balance in the Fund.

1.1.3.4 Original Turner Contemporary:

A settlement has been reached, without any admissions as to liability, regarding the original Turner project which was abandoned in 2006. The costs of this project were written off to reserves when this project was abandoned and therefore the net proceeds of this settlement will be transferred back to reserves.

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 of net proceeds from Turner settlement	+6,000	FIN	Original Turner Contemporary settlement	-6,000
FIN	Contribution to economic downturn reserve of 2009-10 write down of discount saving from 2008-09 debt restructuring	+1,971	FIN	2009-10 write down of discount saving from 2008-09 debt restructuring	-1,971
FIN	Contribution to economic downturn reserve to provide contingency for the impact of the recession	+1,500	FIN	Treasury savings - lower debt charges and savings on interest on cash balances budget	-1,660
FIN	Pressure on Insurance Fund	+1,400	FIN	Drawdown from Insurance Reserve to cover pressure on Insurance Fund	-1,400
		+10,871			**-11,031**

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]*

N/A

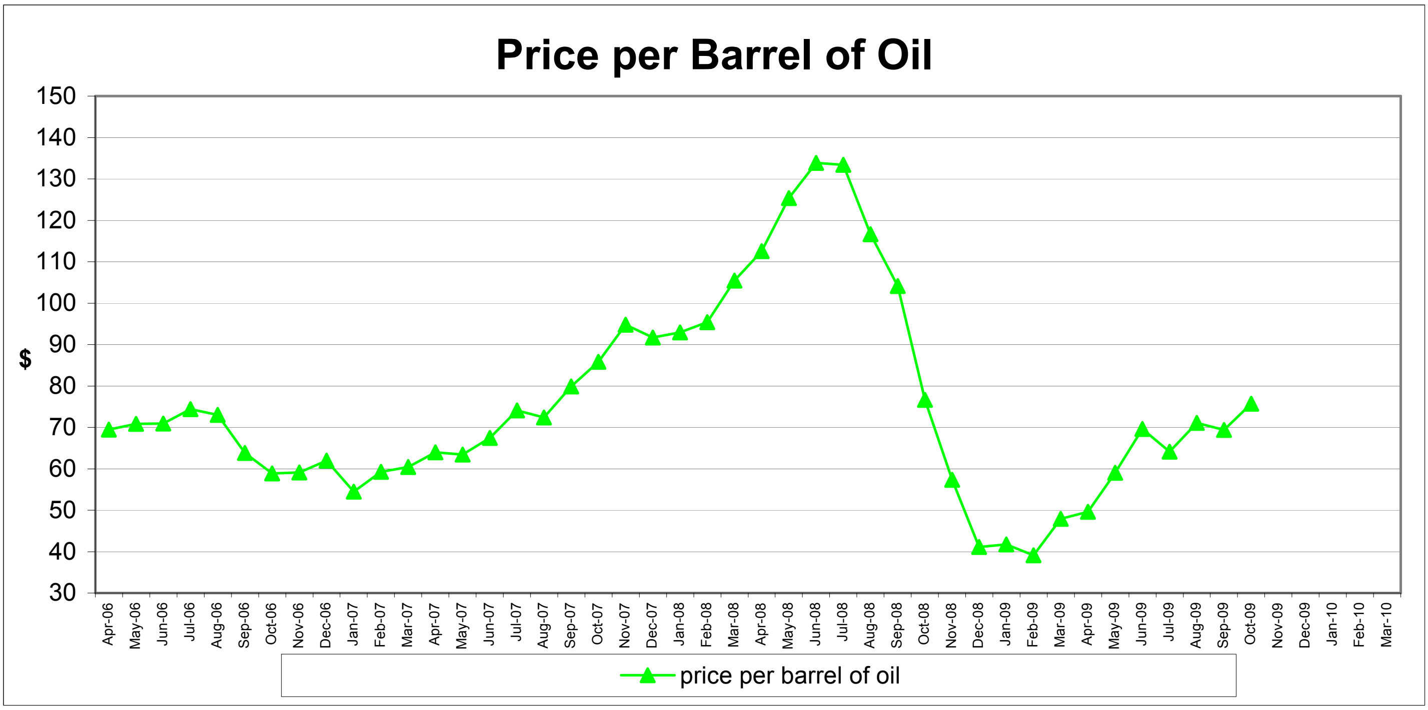
1.2 CAPITAL

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	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	71.05
September	63.80	79.91	104.11	69.41
October	58.89	85.80	76.61	75.72
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.