

**TO:** Corporate Policy Overview Committee – 14<sup>th</sup> January 2010

**BY:** Paul Carter, Leader  
Alex King, Deputy Leader  
John Simmonds, Cabinet Member for Finance  
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**SUBJECT:** Financial Monitoring 2009/10

**Classification:** Unrestricted

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**Summary:**

Members of the POC are asked to note the second quarter's budget monitoring report for 2009/10 to Cabinet on 30<sup>th</sup> November 2009 and the latest exception report on 11<sup>th</sup> January 2010

**FOR INFORMATION**

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**1. Introduction**

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

**2. Forecast Outturn**

2.1 A detailed quarterly budget monitoring report is presented to Cabinet, usually in September, December and March, and a draft final outturn report in June. These reports outline the full financial position for each portfolio and are reported to POSCs after they have been considered by Cabinet. In the intervening months an exception report is made to Cabinet outlining any significant variations from the quarterly report.

2.2 The second quarter's monitoring report for 2009/10 was presented to Cabinet on 30<sup>th</sup> November 2009. Extracts from the annex for the Chief Executives Department for the portfolios reporting to this POSC and the annex for Financing Items are attached as appendix 1. An exception report was presented to Cabinet on 11<sup>th</sup> January 2010 which did not identify any significant variations from the quarterly report for Chief Executives Department and the changes to financing items outlined in paragraph 2.?

2.3 Revenue Budget  
*Chief Executives Department*

2.3.1 Since the last report to this POSC in November we have identified the following significant variations:

- a. An increase in pay as you go activities and income of £1.389m for the Information Systems Group in response to demand from directorates, and an increase in activities and income for Education Information Systems (EIS) of £400k in response to demands from schools

- b. Additional income earned by Legal Services of £548k (partially offset by additional expenditure) resulting in an increase in the forecast surplus generated by legal services from £196k to £300k
- c. Additional spending and income in Personnel and Development including trading activities within learning and development, and additional income within employee services partly from shared services with East Kent District Councils offset by additional expenditure on replacement of telephony systems
- d. Additional expenditure and income in the Property Group within the estates and capital projects teams
- e. The previously reported overspends within Democratic Services and Central Policy and Performance improvement & Engagement remain with only minor changes from previous reports.

2.3.2 The overall impact is a net forecast overspend of £202k which it is anticipated will be covered during the remainder of the year through additional income.

2.3.3 The support element of Chief Executive's Department budgets has been delegated to service directorates. This means any over or under spends on the support elements will feature in directorate budget monitoring. At this stage the only variations to delegated support service budgets is a minor variation in relation to reduced costs for the Kent Public Services Network (KPSN).

#### *Financing Items*

2.3.4 The same small net under spend of £160k was reported in the second quarter's report for the Financing Items budget (same as the first quarter's report). There were some changes from the first quarter's report relating to £1.4m over spend on the insurance fund and £6m settlement on the original Turner Contemporary project but both were offset by a corresponding change in reserves.

2.3.5 The exception report on 11<sup>th</sup> January 2010 identified an increased under spend by £2.862m to £3.022m. This was due to further savings on the treasury budgets as no new borrowing has yet been undertaken this financial year and the impact of the new counterparty policy approved by Cabinet in October, where, currently, the newly added banking groups are being utilised as fully as possible.

#### 2.4 Capital

2.4.1 The capital budget shows an under spend of £150k in 2009/10 on maintenance budgets for SHQ necessary in order to balance the revenue budget. This decision was endorsed by Resource Directors. The monitoring also shows a rephrasing of £105k from 2009/10 to 2010/11.

2.4.2 The pressure on future years' capital budgets as a result of the review of the BetterWorkPlaces programme was identified in the monitoring. No immediate action is necessary as any changes would need to be agreed as part of 2010/13 MTP.

### **3 Recommendations**

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

Background Documents:

- 1) Cabinet 30<sup>th</sup> November 2009 – Revenue and Capital Budgets, Key Activity and Risk Monitoring
- 2) Cabinet 11<sup>th</sup> January 2010 – Revenue and Capital Budget Monitoring Exception Report

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## 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 £'000s	I £'000s	N £'000s	G £'000s	I £'000s	N £'000s	
<b>Localism &amp; Partnerships portfolio</b>							
Democratic Services:						0	
- 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
<b>TOTAL Democratic Services</b>	<b>4,507</b>	<b>-163</b>	<b>4,344</b>	<b>299</b>	<b>-123</b>	<b>176</b>	
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	
<b>Less</b> Support Costs delegated to Service Directorates	<b>-160</b>	<b>160</b>	<b>0</b>	<b>-80</b>	<b>80</b>	<b>0</b>	
<b>Total L&amp;P portfolio</b>	<b>8,206</b>	<b>-609</b>	<b>7,597</b>	<b>195</b>	<b>-68</b>	<b>127</b>	
<b>Corporate Support &amp; Performance Management portfolio</b>							
Personnel & Development:						0	
- 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	
<b>TOTAL P&amp;D</b>	<b>10,566</b>	<b>-9,388</b>	<b>1,178</b>	<b>298</b>	<b>-346</b>	<b>-48</b>	
Business Solutions & Policy:			0			0	
- 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
<b>TOTAL Business Solutions</b>	<b>24,256</b>	<b>-22,649</b>	<b>1,607</b>	<b>1,802</b>	<b>-1,785</b>	<b>17</b>	

Property Group:			0			0	
- 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	
<b>TOTAL Property Group</b>	<b>9,967</b>	<b>-8,605</b>	<b>1,362</b>	<b>260</b>	<b>-262</b>	<b>-2</b>	
Internal Audit & Procurement Support to Directorates			0			0	
- core service & payg activity	286	-31	255	-34	-16	-50	Pay as you go activity
- delegated to directorates	754	-754	0	0	0	0	
<b>TOTAL Internal Audit &amp; Procure</b>	<b>1,040</b>	<b>-785</b>	<b>255</b>	<b>-34</b>	<b>-16</b>	<b>-50</b>	
Legal Services	6,189	-7,037	-848	664	-964	-300	Increased trading activity and 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	3,523	-3,498	25	
<b>Less</b> Support Costs delegated to Service Directorates	<b>-24,045</b>	<b>24,045</b>	<b>0</b>	<b>28</b>	<b>-28</b>	<b>0</b>	Adj for KPSN revised charges
<b>Total CS&amp;PM</b>	<b>47,207</b>	<b>-34,056</b>	<b>13,151</b>	<b>3,551</b>	<b>-3,526</b>	<b>25</b>	
			0			0	
<b>Finance Portfolio</b>			0			0	
Finance Group:			0			0	
- core service & payg activity	6,178	-4,199	1,979	86	-36	50	Increased costs & recovery in Investments & Treasury
- delegated to directorates	1,706	-1,706	0			0	
<b>TOTAL Finance Group</b>	<b>7,884</b>	<b>-5,905</b>	<b>1,979</b>	<b>86</b>	<b>-36</b>	<b>50</b>	
<b>Less</b> Support Costs delegated to Service Directorates	<b>-1,706</b>	<b>1,706</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total Finance portfolio</b>	<b>6,178</b>	<b>-4,199</b>	<b>1,979</b>	<b>86</b>	<b>-36</b>	<b>50</b>	
			0			0	
<b>TOTAL CORPORATE POC</b>	<b>61,591</b>	<b>-38,864</b>	<b>22,727</b>	<b>3,832</b>	<b>-3,630</b>	<b>202</b>	
			0			0	
<b>Public Health &amp; Innovation portfolio</b>			0			0	
Kent Department of Public Health	1,410	-620	790	-54	54	0	
<b>Total Directorate Controllable</b>	<b>63,001</b>	<b>-39,484</b>	<b>23,517</b>	<b>3,778</b>	<b>-3,576</b>	<b>202</b>	
<b>Assumed Management Action:</b>						<b>0</b>	
- L&P portfolio						<b>0</b>	
- CS&PM portfolio					<b>-202</b>	<b>-202</b>	
- Finance portfolio						<b>0</b>	
- PH&I portfolio						<b>0</b>	
<b>Forecast after Mgmt Action</b>				<b>3,778</b>	<b>-3,778</b>	<b>0</b>	

1.1.3 **Major Reasons for Variance:** *[provides an explanation of the 'headings' in table 2]*

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

**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.

**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			
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			
		<b>+3,451</b>			<b>-3,320</b>

#### 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 12<sup>th</sup> 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
<b>Corporate Support Services &amp; Performance Management</b>						
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
<b>split:</b>						
- real variance		-150	+1,162	-575	+860	+1,297
- re-phasing		-105	+105			0
<b>Localism &amp; Partnerships Portfolio</b>						
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
<b>split:</b>						
- real variance		0	0	0	0	0
- re-phasing		0	0	0	0	0
<b>Real Variance</b>						
	<b>0</b>	<b>-150</b>	<b>+1,162</b>	<b>-575</b>	<b>+860</b>	<b>+1,297</b>
<b>Re-phasing</b>						
	<b>0</b>	<b>-105</b>	<b>+105</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 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:

##### Corporate Support and Performance Management Portfolio

##### **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.

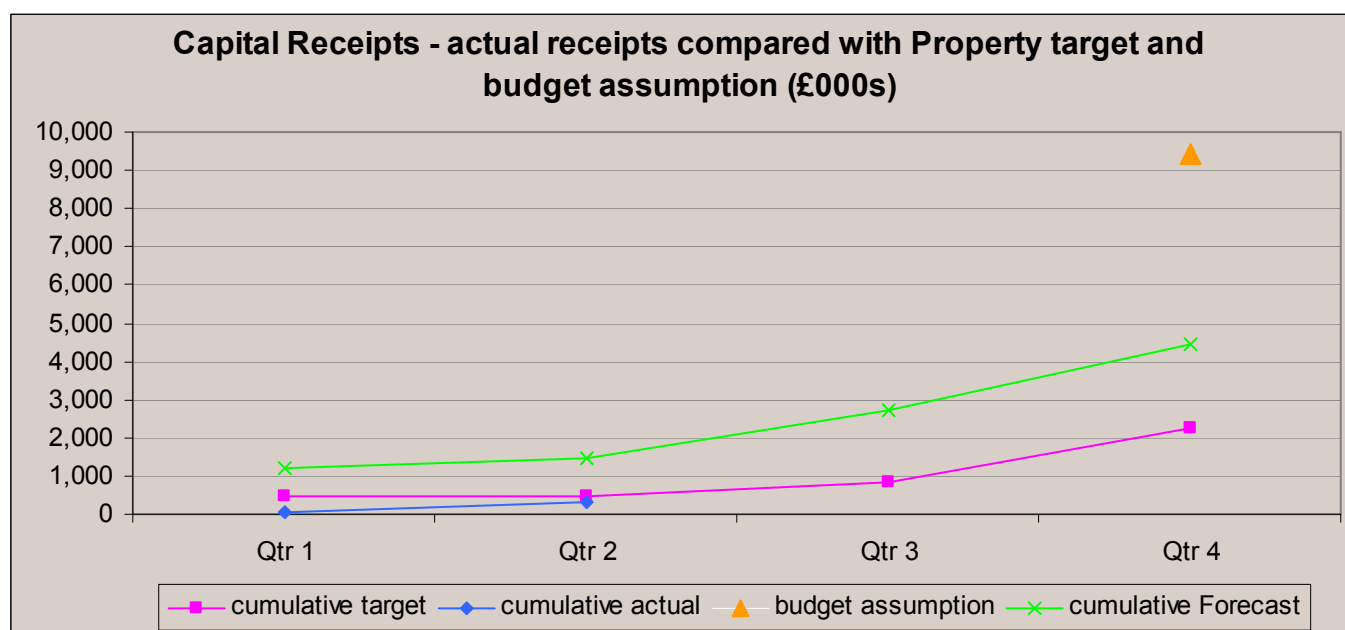
	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	
<b>Web Platform (CSS&amp;PM)</b>					
Amended total cash limits	+875	+250			+1,125
re-phasing	-105	+105			0
<b>Revised project phasing</b>	<b>+770</b>	<b>+355</b>	<b>0</b>	<b>0</b>	<b>+1,125</b>
<b>Total re-phasing &gt;£100k</b>	<b>-105</b>	<b>+105</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other re-phased Projects below £100k</b>					
re-phasing	-87	+87			0
<b>Revised phasing</b>	<b>-87</b>	<b>+87</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL RE-PHASING</b>	<b>-192</b>	<b>+192</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 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
<b>TOTAL</b>	<b>9,421</b>	<b>*2,235</b>	<b>316</b>	<b>4,460</b>

\*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:

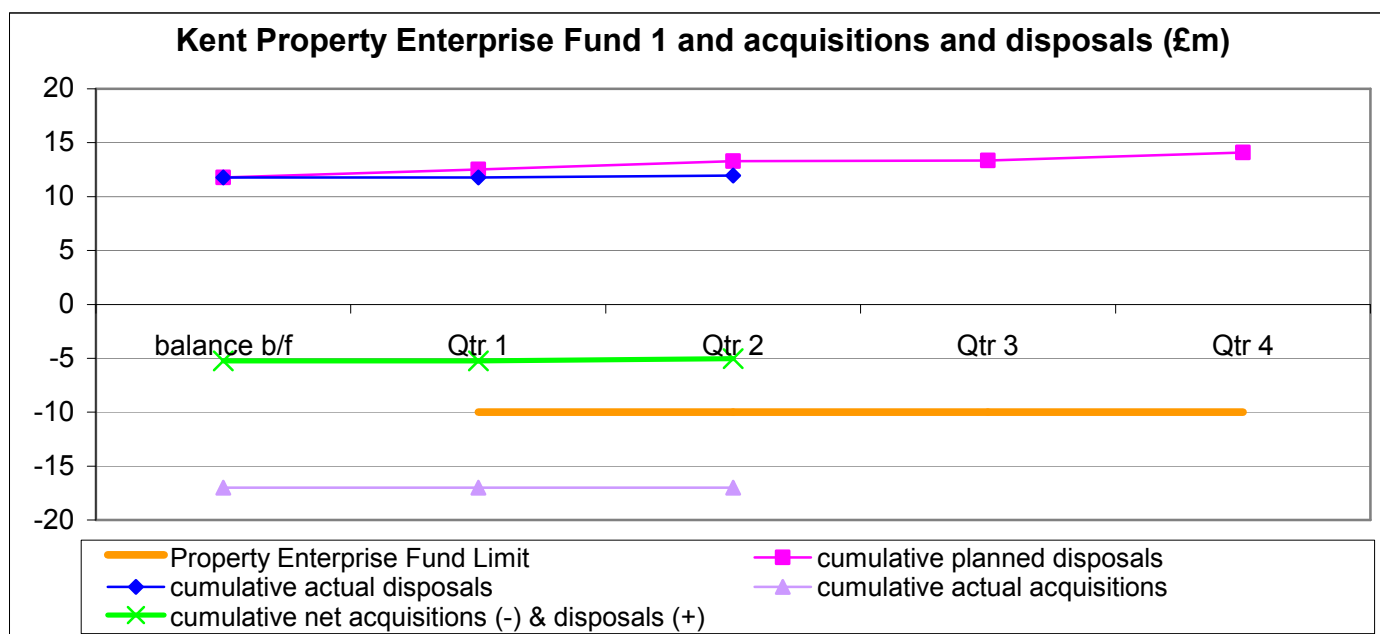
The table below compares the capital receipt funding required per the capital programme this year, with the expected receipts that will be available to fund this. Property group are actually forecasting a total of £4.46m to come in from capital receipts during this financial year. The table below only 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
<b>Potential Deficit Receipts</b>	<b>2,256</b>

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

	<i>Kent Property Enterprise Fund Limit £m</i>	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.

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

### 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.

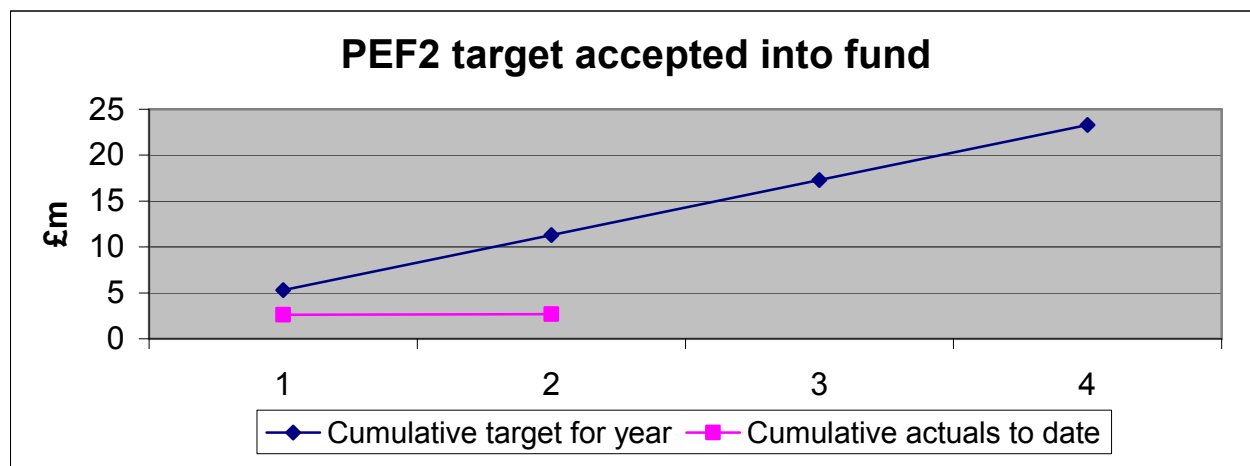
### **Overall forecast position on the fund**

	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
<b>Overall closing balance</b>	<b>-55.384</b>

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.

#### Interest costs

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

Latest forecasts show interest costs of £1.894m, 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	
<b>Corporate Support &amp; Performance Management portfolio</b>							
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	
<b>Total Corporate Support &amp; PM</b>	<b>3,116</b>	<b>-6,460</b>	<b>-3,344</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Finance Portfolio</b>							
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
<b>Total Finance</b>	<b>120,911</b>	<b>-14,869</b>	<b>106,042</b>	<b>4,889</b>	<b>-5,049</b>	<b>-160</b>	
<b>Total Controllable</b>	<b>124,027</b>	<b>-21,329</b>	<b>102,698</b>	<b>4,889</b>	<b>-5,049</b>	<b>-160</b>	

### 1.1.3 Major Reasons for Variance: *[provides an explanation of the 'headings' in table 2]*

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

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

- 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
		<b>+10,871</b>			<b>-11,031</b>

**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

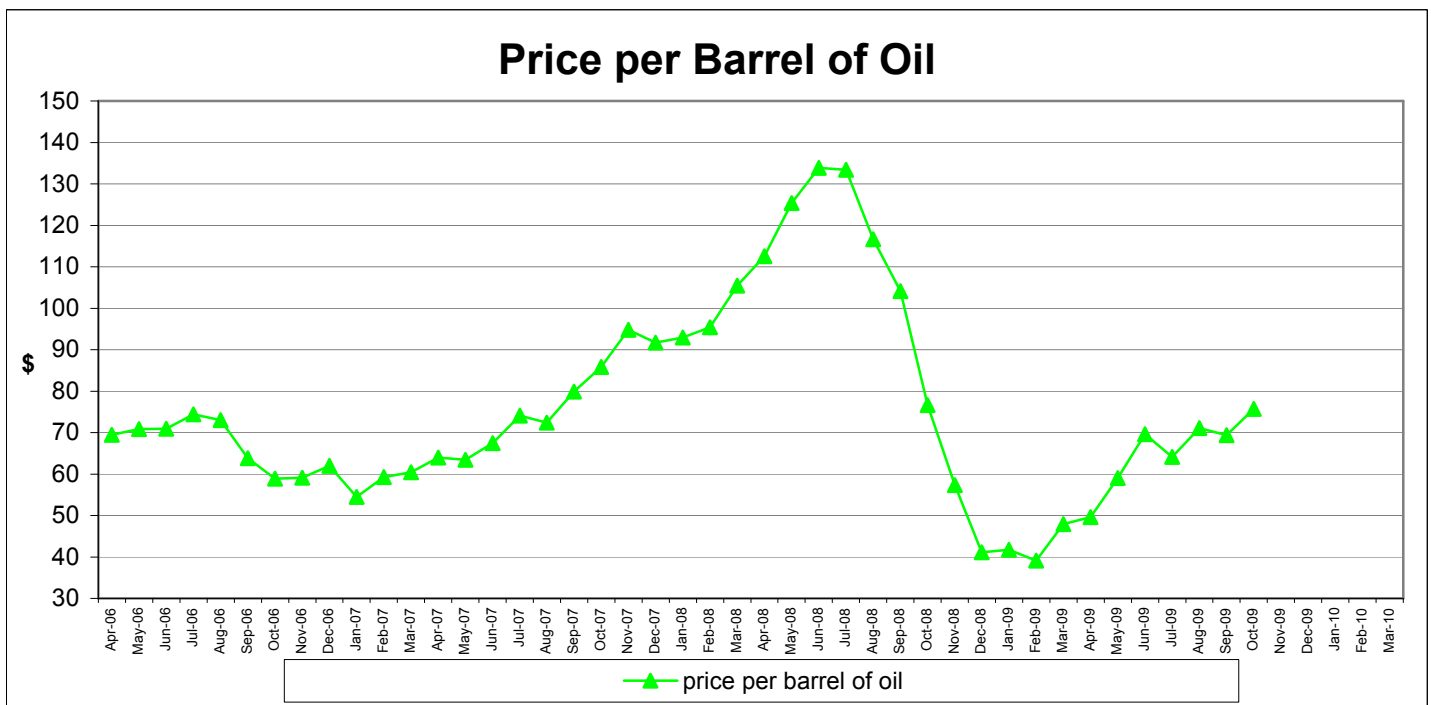
**1.2 CAPITAL**

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.