

REPORT TO: CABINET – 29 NOVEMBER 2010

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 that management action will be required within the CFE & KASS portfolios in order to deliver a balanced outturn position
 - note and agree the changes to the capital programme,
 - agree that £16.129m of re-phasing on the capital programme is moved from 2010-11 capital cash limits to future years
 - agree that £0.915m capital underspend against Non TSG Land & Part 1 compensation can be used for East Kent Access Phase 2 to offset prudential/revenue funding
 - agree that a general capital receipt released from the Upper Stone Street lay-by scheme, which is no longer considered viable, can be used to contribute towards the Maidstone High Street improvement project at a maximum cost to KCC of £0.4m
 - note the latest financial health indicators and prudential indicators
 - note the directorate staffing levels as at the end of September, compared to the end of 2009-10 and the previous quarter
 - agree a virement of £0.161m from the underspending on the debt charges budget within the Finance portfolio to a new Restructure budget, also to be held within the Finance portfolio, to cover the costs of the Transformation Programme Manager and related project costs.
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1. INTRODUCTION

- 1.1 This is the second full monitoring report to Cabinet for 2010-11. It is worth reiterating that the budget for 2010-11 is the final year of the three year settlement covering the period 2008-11. It has been widely reported both within KCC and nationally that funding for local government will reduce over the medium term and the Spending Review announcement on 20 October indicated a significant reduction in local government funding over the period of the spending review, which is front loaded to 2011-12. It is vitally important therefore that we do not go into 2011-12 with any unresolved pressures from the current year. More optimistically, any underspend should remain uncommitted at least until the 2011-12 budget is approved.
- 1.2 The budgets included within this report reflect the government grant reductions announced in June as reported to Cabinet in July and subsequent changes. We have not attached the appendix detailing these Government funding announcements and their impact on KCC this time, as there have not been any changes for the last couple of months. The latest version of the appendix is attached to the October Cabinet report and the previous full monitoring report, if required.
- 1.3 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.

1.4 **Headlines:**

1.4.1 **Revenue:**

- The latest forecast revenue position (excl Schools) before the implementation of management action is an underspend of -£0.978m, which is an improvement of £2.979m since the October Cabinet report. Management action is currently expected to increase this underspend to -£4.538m. The majority of this management action is to be delivered within the KASS portfolio. KASS 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 £2.581m pressure by the end of the year.
- There are significant demand led pressures totalling £5.7m reported within the Children's Social Services budgets which are currently being partly offset by one-off savings arising from the continuing difficulties in recruiting to social worker posts. The success of recent recruitment campaigns and those planned will hopefully fill more of these posts throughout 2010-11; hence the demand led pressures will need to be addressed in the 2011-14 MTP process as the one-off staff savings will no longer be available.
- Within the above, the activity levels for Fostering are a particular cause for concern as they are very high compared to the affordable level despite additional funding being provided in the 2010-13 MTP. A review of all high cost placements is underway to establish whether a child's needs may be better served in a more cost effective in-house foster placement or whether a number of children within the 16+ service can be transferred to lower cost supported lodgings. However the Authority has a legal obligation to maintain the existing placement if the child requests. It is anticipated that even with this review much of this demand will continue for the medium term and therefore will need to be addressed in the 2011-14 MTP.
- There is a £0.8m pressure on the Asylum budget which is primarily due to the costs incurred in continuing to support young people (18+ care leavers) who are categorised as "All Rights Exhausted" (ARE) and "naturalised" until the point of removal. The UK Border Agency (UKBA) are working on speeding up the ARE and removal processes, however the processes have not been accelerated in tandem resulting in the widening of the gap between the dates of ARE and removal, exacerbating the pressure on the asylum budget. We continue with our 'discussions' with the UKBA on this issue.
- Demographic and price pressures are cause for concern within Adult Social Services as both client numbers and complexity of care requirements increase, especially within residential care across all service groups, likely to be as a result of medical advances enabling people to live longer but with more complex needs. This will need to be addressed in the 2011-14 MTP.
- The April RPI figure, to which the indexation on many waste contracts is linked, was higher than expected in the MTP. Therefore if the index does not reverse in 2011, some catch up funding will be required in the 2011-14 MTP which is currently estimated at about £1.2m. The impact in 2010-11 is £1.1m.
- The Freedom Pass has proved extremely popular with the number of passes issued and the number of journeys undertaken exceeding expectation. This additional demand will need consideration in the 2011-14 MTP, which is currently estimated at around £1.56m in a full year. The net impact in 2010-11 is £0.8m.
- We have recently recovered a further £0.759m from our principal investments in the collapsed Icelandic Banks, bringing our total recovery so far to £8.329m, which all relates to the UK registered Heritable Bank.

1.4.2 **Capital:**

- The latest forecast capital position is a variance of -£14.344m, -£16.760m on schemes which we are re-phasing and +£2.416m on schemes with a real variance.

2. **OVERALL MONITORING POSITION (excluding PFI & budgets delegated to schools)**

2.1 **Revenue**

The net projected variance against the combined portfolio revenue budgets is an underspend of £4.538m 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 before and after management action

Portfolio	Budget	Gross Variance	Proposed Management Action	Net Variance
	£k	£k	£k	£k
Children, Families & Education	-779,042	+979	-979	0
Kent Adult Social Services	+344,589	+2,581	-2,581	0
Environment, Highways & Waste	+151,603	-324	0	-324
Communities	+88,815	-124	0	-124
Localism & Partnerships	+8,286	-28	0	-28
Corporate Support & Performance Mgmt	+10,267	-256	0	-256
Finance	+125,598	-3,741	0	-3,741
Public Health & Innovation	+567	0	0	0
Regeneration & Economic Development	+7,228	-65	0	-65
TOTAL (excl Schools)	-42,089	-978	-3,560	-4,538
Schools	+985,810	+3,481	0	+3,481
TOTAL	+943,721	+2,503	-3,560	-1,057

2.2 Capital

This report reflects the current monitoring position against the revised programme, where a pressure of £2.416m and re-phasing of -£16.760m of expenditure into future years is forecast, giving a total variance in 2010-11 of -£14.344m. Further details are provided in section 4 of this report.

3. REVENUE

3.1 Virements/changes to budgets

Directorate cash limits have been adjusted to include:

- a virement of £75k from the underspending within the Finance portfolio to the Arts Unit within the Communities portfolio to fund a contribution to the joint marketing plan of Contemporary Coast, as agreed by Cabinet in October.
- 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

Portfolio	Budget	Variance	Directorate					
			CFE	KASS	EH&W	CMY	CED	FI
	£k	£k	£k	£k	£k	£k	£k	£k
Children, Families & Educ	-779,042	+979	+979					
Kent Adult Social Services	+344,589	+2,581		+2,581				
Environ, Highways & Waste	+151,603	-324			-324			
Communities	+88,815	-124				-124		
Localism & Partnerships	+8,286	-28					-28	
Corporate Support & Performance Mgmt	+10,267	-256					-78	-178
Finance	+125,598	-3,741					-91	-3,650
Public Health & Innovation	+567	0					0	
Regen & Economic Dev	+7,228	-65					-65	
SUB TOTAL (excl Schools)	-42,089	-978	+979	+2,581	-324	-124	-262	-3,828
Schools	+985,810	+3,481	+3,481					
TOTAL	+943,721	+2,503	+4,460	+2,581	-324	-124	-262	-3,828

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

Portfolio	CASH LIMIT			VARIANCE		
	Gross	Income	Net	Gross	Income	Net
	£k	£k	£k	£k	£k	£k
Children, Families & Educ	+419,995	-1,199,037	-779,042	+1,235	-256	+979
Kent Adult Social Services	+475,431	-130,842	+344,589	+3,973	-1,392	+2,581
Environ, Highways & Waste	+174,758	-23,155	+151,603	-224	-100	-324
Communities	+145,442	-56,627	+88,815	+282	-406	-124
Localism & Partnerships	+8,372	-86	+8,286	-14	-14	-28
Corporate Support & Performance Mgmt	+55,625	-45,358	+10,267	+2,072	-2,328	-256
Finance	+139,687	-14,089	+125,598	-5,352	+1,611	-3,741
Public Health & Innovation	+794	-227	+567	+31	-31	0
Regen & Economic Dev	+9,533	-2,305	+7,228	-22	-43	-65
SUB TOTAL (excl Schools)	+1,429,637	-1,471,726	-42,089	+1,981	-2,959	-978
Schools	+1,066,777	-80,967	+985,810	+3,481	0	+3,481
TOTAL	+2,496,414	-1,552,693	+943,721	+5,462	-2,959	+2,503

A reconciliation of the above gross and income cash limits to the approved budget 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

There are a number of savings referred to in the annex reports, particularly within KASS, which individually are below £100k and therefore do not appear in the table below. Therefore overall the net position in table 2 below (+£4,072k) is significantly greater than the overall position before management action presented in tables 1a and 1b above (+£2,503k).

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CFE	Schools Delegated Budget: estimated drawdown of schools reserves due to 23 schools converting to academies	+3,481	CMY	Drawdown from Supporting People reserve.	-2,868
CMY	Supporting People: planned increase in the level of Floating Support and small underspend on administration	+2,868	FIN	Treasury savings - lower debt charges	-2,409
FIN	Contribution to reserves of in year MRP saving to cover potential impact in future years	+1,899	EHW	Waste tonnage	-2,176
CFE	Fostering Service (gross): Continual high demand for Independent fostering allowances	+1,515	FIN	In year Minimum Revenue Provision saving as a result of 2009-10 re-phasing of the capital programme	-1,899
KASS	OP Residential Gross - Independent Sector Activity higher than affordable	+1,466	CFE	Assessment & Related (gross): high level of staff vacancies due to difficulty in recruitment	-1,776

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
KASS	LD Residential Gross - Independent Sector Activity higher than affordable	+1,440	CFE	SEN Transport (gross): fewer than budgeted children travelling and contract renegotiation	-1,200
CFE	Fostering Service (gross): high demand for in-house foster care placements	+1,147	CFE	Mainstream Home to School Transport: fewer children than budgeted level	-1,038
EHW	Waste contract prices including Allington WtE incinerator	+1,100	FIN	2010-11 write down of discount saving from 2008-09 debt restructuring	-1,016
KASS	LD Residential Gross - Independent Sector Unit Cost higher than affordable	+1,094	FIN	Drawdown from Insurance Reserve to cover pressure on Insurance Fund	-1,000
KASS	MH Residential Independent Sector Gross - slower than anticipated switch to community based services	+1,058	CSPM	Legal income resulting from additional work (partially offset by increased costs)	-934
FIN	Contribution to economic downturn reserve of 2010-11 write down of discount saving from 2008-09 debt	+1,016	KASS	LD Other Services Gross - uncommitted grant funding following review	-846
CFE	Residential Care (gross): high demand for independent sector residential care placements	+1,015	KASS	LD Other Services Gross - Release of Managing Directors Contingency	-830
FIN	Pressure on Insurance Fund due to rise in liability claims	+1,000	FIN	release of provisions following review of balance sheet	-807
EHW	Freedom Pass	+898	FIN	release of Minimum Revenue Provision contingency	-739
KASS	OP Domiciliary Gross - Independent Sector Activity higher than affordable	+839	CSPM	Legal Services increased income relating to Disbursements	-730
CFE	Asylum Service (gross): Providing support for young people categorised as "all rights exhausted" and naturalised	+777	CSPM	Information Systems income from additional pay as you go activity	-620
KASS	LD Supported Accommodation Gross - activity in excess of affordable	+768	KASS	OP Residential Income - Independent Sector Activity higher than affordable	-608
CSPM	Legal Services increased costs of Disbursements	+730	KASS	OP Domiciliary Gross - In House - Number of Clients below affordable	-572
FIN	Treasury - pressure on the interest on cash balances budget	+680	KASS	Strategic Business Support Gross - vacancy management	-555
KASS	LD Residential Income - Independent Sector average income lower than affordable	+673	CFE	Personnel and Development (gross): Independent Safeguarding Authority scheme & 3 yearly CRB checks put on hold indefinitely	-544
CSPM	Information Systems costs of additional pay as you go activity	+620	KASS	OP Nursing Income - RNCC increased activity giving rise to increased health income	-544
CSPM	Legal services cost of additional work (offset by increased income)	+618	KASS	MH Other Services Gross - released contingency & uncommitted funding	-520
KASS	PD Direct Payments Gross - Independent Sector Unit Cost higher than affordable	+614	CMY	Supporting Independence: Drawdown from reserves to match spend on Margate Taskforce.	-500
CFE	16+ Service (gross): high demand for residential care placements	+582	KASS	OP Nursing Income - Independent Sector average income higher than affordable	-410
CFE	16+ Service (gross): high demand for Section 24/leaving care services	+562	KASS	LD Residential Income - Independent Sector Activity higher than affordable	-393
KASS	OP Nursing Gross - RNCC increased cost and activity	+544	CMY	Libraries: vacancy management & advancement of planned restructuring	-363
KASS	PD Residential Gross - Independent Sector Activity higher than affordable	+529	CFE	Residential Care (gross): fewer placements in secure accommodation	-352
CMY	Supporting Independence: Forecast spend on Margate Taskforce funded by drawdown from reserves.	+500	KASS	MH Assessment & Related Gross - vacancy management & problems in recruiting qualified care staff	-341

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
KASS	OP Residential Income - Independent Sector Unit Cost lower than affordable	+497	KASS	OP Other Services Gross - uncommitted grant funding following review	-330
KASS	LD Direct Payments Gross - Independent Sector Unit Cost higher than affordable	+474	CFE	LCSPs (income): additional internal income for provision of 2 year old places	-322
KASS	PD Domiciliary Gross - Independent Sector Activity higher than affordable	+426	KASS	OP Other Services Gross - Whole Systems Demonstrator Base Funding not required in 10/11	-315
CFE	LCSPs (gross): pressure for provision of 2 year old places at Children's Centres & Nurseries	+385	KASS	LD Residential Gross (Pres Rights) - Independent Sector Activity less than affordable	-303
EHW	Find and fix completion	+372	FIN	Vacancy freeze within pensions & insurance	-302
CMY	Libraries: revenue contribution to capital programme	+363	KASS	LD Domiciliary Gross - Independent Sector Activity less than affordable	-294
CFE	Other Preventative Services (gross): high demand of direct payments	+358	CFE	16+ Service (gross): fewer placements in independent fostering	-290
KASS	PD Residential Income - Independent Sector average income lower than affordable	+327	CMY	Centrally Managed Budgets: increased internal recharge income from Trading Standards & Community Safety towards centrally held directorate pressures.	-279
FIN	Reduced drawdown from Pension & Insurance funds to reflect reduced salary costs	+302	FIN	savings on leasing costs	-277
CFE	Other Preventative Services (gross): high demand for daycare services for children with a disability	+295	KASS	LD Supported Accommodation Gross - unit cost lower than affordable	-276
KASS	PD Direct Payments Gross - Independent Sector Activity higher than affordable	+290	KASS	Strategic Business Support Gross - uncommitted grant funding following review	-250
CMY	Centrally Managed Budgets: centrally held vacancy management savings target (offset by savings within Trading Standards & Community Safety).	+279	CMY	Trading Standards: vacancy management & advancement of planned restructuring	-245
CFE	Business Planning and Management Unit (gross): Rise in costs due to change in care proceedings and high demand for children social services legal budget	+261	EHW	New wood recycling contract	-244
CFE	16+ Service (gross): high demand for in-house fostering placements	+258	CSPM	Workplace Transformation - 4th Qtr rent for 17 King's Hill Avenue	-240
KASS	OP Direct Payments Gross - Independent Sector Unit Cost higher than affordable	+255	KASS	Strategic Business Support Gross - other management actions including reducing project fees	-232
EHW	Emergency road repairs Boughton Hill	+250	KASS	OP Residential Gross - Independent Sector Unit Cost less than affordable	-226
CSPM	Workplace Transformation - Possible one-off costs re: alterations for displacements from Kings Hill Avenue	+240	KASS	LD Other Services Gross - Kent Supported Employment	-209
CSPM	Centrally Managed Budgets: centrally held base saving on delegated budgets which is offset by savings on other budget lines within the portfolio	+231	EHW	Vacancy savings within Resources and Strategic Management	-200
KASS	MH Residential Independent Sector Income - increased number of clients falling under S117 who do not contribute to costs	+199	EHW	MIDAS financial system replacement rephasing	-200
KASS	MH Supported Accommodation Gross - activity in excess of affordable	+193	CMY	Libraries: one-off income contributions from internal and external partners.	-192

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
KASS	OP Nursing Gross - Independent Sector Unit Cost higher than affordable	+180	KASS	OP Residential Income - In House - Additional recharges to Health	-166
CMY	Coroners: long inquest costs	+158	CMY	Community Safety: Vacancy management & targeted savings on running costs	-162
CMY	Coroners: increase in post mortem & body storage charges	+150	CSPM	Contact Kent - Consumer Direct holding vacancies until replacement contract is negotiated	-160
CMY	Trading Standards: increased internal recharge for contribution towards directorate pressures	+150	CFE	Strategic, Planning and Review (gross): National Foundation of Educational Research survey will not take place in 2010-11	-160
CFE	Awards (gross): staffing pressure whilst finalising the handover of work to the Student Loan Company	+150	CFE	Extended Services (gross): T2010 targets for Healthy Eating and Parent Support achieved in 2009-10	-155
CMY	Supporting Independence: Forecast spend on Vulnerable Learners funded by drawdown from reserves.	+144	KASS	Strategic Business Support Gross - posts attracting external funding	-153
CSPM	Property - Increased staff costs for pay as you go activity	+140	CFE	Children's Support Services (gross): staff vacancies relating to social care professional training and use of external income to fund training programmes	-146
EHW	Term maintenance re-procurement costs	+130	CMY	Supporting Independence: Drawdown from reserves to match spend on Vulnerable Learners.	-144
CMY	Community Safety: increased internal recharge for contribution towards directorate pressures.	+129	CSPM	Property - increased income for pay as you go projects	-140
CMY	Libraries: reduced forecast on audio visual income stream due to reduction in activity compared with Q2 in 09-10 and anticipated shortfall in merchandising income.	+126	CMY	Libraries: Reduced spend on utilities and one off rates rebates.	-140
KASS	OP Residential Gross - In House - Agency Staffing pressure	+126	KASS	Strategic Business Support Gross - savings made on printing etc	-132
CFE	Client Services (income): under-recovery of income relating to the cleaning and refuse collection contract	+110	EHW	Subsidised buses contract renewal	-120
KASS	OP Direct Payments Gross - Independent Sector Activity higher than affordable	+106	CSPM	local authority subscriptions	-112
			KASS	PD Residential Gross (Pres Rights) - Independent Sector Activity less than affordable	-109
			EHW	Increase in Freedom Pass income	-100
			CFE	Fostering Service (gross): Delays in the implementation of the county wide therapeutic service	-100
		+38,087			-34,015

3.4 Key issues and risks

3.4.1.1 **Children, Families & Education portfolio:** Forecast (excl. schools) **+£0.979m**

This pressure is mainly related to the residential care and fostering budgets within both the under 16's and the 16+ services together with pressure on other preventative services such as direct payments and daycare services for children with a disability, but these pressures are largely being offset by savings as a result of continuing difficulties in recruiting to social worker posts and savings on SEN and Mainstream home to school transport. There is also a pressure on the Asylum service mainly due to costs incurred in continuing to support young people who are categorised as "All Rights Exhausted" and "naturalised" until the point of removal. Further details are provided in Annex 1.

3.4.1.2 **Children, Families & Education portfolio – Schools Delegated:** Forecast **+£3.481m**

The first monitoring returns from schools are currently being collated and an update will be provided in the next exception report. Therefore this forecast relates entirely to the reduction in schools reserves resulting from an anticipated 23 schools converting to academy status and taking their reserves with them.

3.4.2 **Kent Adult Social Services portfolio:** Forecast **+£2.581m**

The pressure is mainly as a result of demographic and placement pressures, primarily within services for people with physical disabilities and learning disabilities and to a lesser degree within services for older people and mental health services, offset by underspending on Strategic Business Support largely due to vacancy management and holding back uncommitted funding to offset pressures elsewhere within the portfolio. Further details are provided in Annex 2.

3.4.3 **Environment, Highways & Waste portfolio:** Forecast **-£0.324m**

Pressures due to the increased popularity of the Freedom Pass, increased waste contract prices, emergency road repairs and completion of the find and fix programme are more than offset by savings as a result of reduced waste tonnage, a new wood recycling contract and vacancy management. In addition there is some re-phasing of costs into 2011-12 relating to the MIDAS financial system replacement project. Further details are provided in Annex 3.

3.4.4 **Communities portfolio:** Forecast **-£0.124m**

Pressure continues to be experienced on the Coroners budget as a result of more long inquests and an increase in post mortem and body storage charges. In addition there is a reduction in income from audio visual rentals and merchandising within our libraries but these pressures are more than offset by underspends across other units, largely as a result of vacancy management and advancement of planned restructuring within Libraries, Trading Standards and Community Safety. A planned increase in the level of floating support within the Supporting People service will be offset by a drawdown from the Supporting People earmarked reserve. Further details are detailed in Annex 4.

3.4.5 In the Chief Executives directorate, there are small underspends within each of the portfolios, but the main issues are within the **Corporate Support and Performance Management portfolio** where a centrally held savings target is more than being offset by underspending on other budget lines and additional income within Legal Services from increased internal and external demand. 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 **-£3.650m.**

There is an underspend on the debt charges budget due to delays in taking new borrowing and achieving lower interest rates on new borrowing than assumed in the budget. There is an in year saving in the Minimum Revenue Provision (MRP) because fewer assets became operational in 2009-10 than assumed, however once these assets become operational we will incur MRP in the following year, therefore we need to transfer this saving to reserves to cover the potential future impact. Now that the final MRP figure for 2010-11 has been determined, which could not happen until the 2009-10 accounts were finalised and signed off, we are able to release a contingency held in case there was a detrimental impact in the current year from this MRP calculation. 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 forecast pressure on the Insurance Fund largely due to a continued rise in the number of liability claims will be met by a drawdown from the Insurance reserve. In addition there is a saving on leasing costs. These savings are being partially offset by a pressure on the interest on cash balances budget.

It is proposed that £0.161m of this underspending on the debt charges budget is vired to a new budget line, also to be held and reported within the Finance portfolio, for Restructure costs, specifically to cover the costs of the Transformation Programme Manager and related project costs. Further restructure costs as they arise will also be charged here, to be met from either a drawdown from the Restructure reserve, or other appropriate funding to be determined prior to the expenditure being incurred. **Cabinet is asked to agree this virement.**

3.4.6.2 Corporate Support & Performance Management portfolio: Forecast -£0.178m

There is a small underspend on the local authority subscriptions and audit fees budgets. Further details are provided in Annex 6.

3.4.7 A significant amount of management action is expected to be achieved by year end within the KASS and CFE portfolios. 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 plans (MTP) for 2011-14. Although these are forecast to be largely offset by management action this year, a significant amount 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 this year, will also need addressing in the MTP. These are detailed in the Annex reports.

3.5.2 In addition we are expecting a significant reduction in Government funding over the medium term, following the Chancellor's emergency budget statement on 22nd June in which he outlined his plans to address the national budget deficit and the Spending Review announcement on 20 October. We will not know the full details of this until the announcement of the provisional local government finance settlement for 2011-12, which we anticipate will be in early December but the cuts are front loaded to the short term. The Autumn Budget Statement, which is also on this meeting's agenda, sets out the detail.

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 11th October, the following adjustments have been made to the 2010-11 capital budget.

	£000s 2010-11	£000s 2011-12
1 Cash Limits as reported to Cabinet on 11 October	497,676	397,467
2 Re-phasing agreed at Cabinet on 11 October		
Children, Families & Education (CFE)	-685	694
Environment, Highways & Waste	-955	955
Communities	-332	0
Corporate Support Services & Performance Management	-1,395	1,645
Localism & Partnerships		
3 Integrated Childrens Systems - confirmed cuts grant funding - CFE portfolio	-90	
4 Early Years/Children Centres - confirmed cuts grant funding - CFE portfolio	-1,507	
5 Primary Improvement Programme - additional external funding - CFE portfolio	339	
6 Multi-Agency Specialist Hubs - confirmed cuts grant funding - CFE portfolio	-1,036	-459
7 Playbuilder capital funding - confirmed cuts grant funding - CFE portfolio	-231	
8 Specialist Schools - additional grant received - CFE portfolio	130	10
9 Fulston Manor - additional external funding - CFE portfolio	197	
10 Sittingbourne Community College - additional external funding - CFE portfolio	200	
11 Westlands - additional external funding - CFE portfolio	123	
12 The Towers - additional capital receipt received - CFE portfolio	400	352
13 Transforming Short Breaks - confirmed cuts grant funding - CFE portfolio	-549	
	492,285	400,664
14 PFI	45,101	88,000
	537,386	488,664

4.2 Table 3 – Portfolio/Directorate position – capital

Portfolio	Budget £k	Variance £k	Directorate				
			CFE £k	KASS £k	E,H&W £k	CMY £k	CED £k
CFE	+221,547	-8,232	-8,232				
KASS	+9,714	-1,575		-1,575			
E,H&W	+160,151	-5,870			-5,870		
Communities	+26,476	+125				+125	
Regen & ED	+11,996	-443					-443
Corporate Support & PM	+14,608	+1,651					+1,651
Localism & Partnerships	+503	0					0
TOTAL (excl Schools)	+444,995	-14,344	-8,232	-1,575	-5,870	+125	+1,208
Schools	+47,290	0	0				
TOTAL	+492,285	-14,344	-8,232	-1,575	-5,870	+125	+1,208

Real Variance		+2,416	+532	-605	+47	-9	+2,451
Re-phasing (detailed below)		-16,760	-8,764	-970	-5,917	+134	-1,243
		2010-11	2011-12	2012-13	Future yrs		Total
Re-phasing		-16,760	+15,537	+33	+1,190		0

4.2.1 Table 3 shows that there is an overspend of £2.416m on the capital programme for 2010-11 and -£16.760m of re-phasing of expenditure into later years. Of the current -£16.760m forecast re-phasing, -£9.354m relates to projects with variances of £1m or more which are identified in table 6 and section 4.6 below, and reported in detail in the annex reports; -£6.607m relates to projects with variances between £0.25m and £1m which are also identified in table 6, and the balance of -£0.799m is made up of projects with variances of under £0.25m which do not get reported in detail in this report.

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

Project Status	budget £'000s	Variance			total £'000s
		real variance £'000s	re-phasing £'000s	total £'000s	
Rolling Programme	86,993	3,495	-1,302	2,193	
Approval to Spend	287,905	-1,675	-9,926	-11,601	
Approval to Plan	70,097	596	-5,532	-4,936	
Preliminary Stage	0	0	0	0	
Total	444,995	2,416	-16,760	-14,344	
	2010-11	2011-12	2012-13	future years	total
	£'000s	£'000s	£'000s	£'000s	£'000s
Re-phasing:					
Rolling Programme	-1,302	692	17	593	0
Approval to Spend	-9,926	9,830	15	81	0
Approval to Plan	-5,532	5,016	0	516	0
Preliminary Stage	0	0	0	0	0
Total	-16,760	15,538	32	1,190	0

4.3.1 Table 4 shows that of the +£2.416m forecast capital variance (excluding devolved capital to schools), +£0.596m 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 +£1.820m 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 -£7.276m and this is a contributory factor in the treasury management underspend reported within the Finance portfolio.

Table 5: 2010-11 Capital Variance analysed by funding source (incl Devolved Capital to Schools)

	Capital Variance £m
Supported Borrowing	-0.018
Prudential	-7.169
Prudential/Revenue (directorate funded)	+1.723
PEF2	-1.812
Grant	-9.754
External Funding - Other	-0.658
External Funding - Developer contributions	+0.429
Revenue & Renewals	+3.622
Capital Receipts	+2.893
General Capital Receipts (generated by Property Enterprise Fund)	0.000
Transfer of Land in payment	-3.600
TOTAL	-14.344

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

portfolio	Project	real/ phasing	Project Status			
			Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
CED	Commercial Services	real	+2,034			
EHW	Integrated Transport Scheme	real	+1,540			
CMY	Libraries Invest to Save	phasing			+550	
EHW	Highway Major Maintenance	real	+494			
CFE	Development Opportunities	real			+400	
CFE	Modernisation Programme 2008/09/10	real	+276			
CMY	Turner Contemporary	phasing		+286		
			+4,344	+286	+950	+0
		real	+4,344	+0	+400	+0
		phasing	+0	+286	+550	+0

portfolio	Project	real/ phasing	Project Status			
			Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Underspends/Projects behind schedule						
CFE	Primary Improvement Plan - approval to plan	phasing			-3,991	
EHW	Re-shaping Kent Highways Accomodation	phasing		-1,712		
CFE	MASH - Swale	phasing		-1,310		
EHW	Non TSG Land, Compensation Claims and Blight	phasing	-1,243			
CFE	Transforming Short Breaks for Families with Disabled Children	phasing		-1,098		
EHW	Household Waste Recycling Centres - Approval to Spend	real		-1,074		
EHW	Sittingbourne Northern Relief Road	phasing		-909		
CFE	MASH - Thanet	phasing		-886		
CFE	Children's Centres Phase 1,2,3 & Early Years	phasing		-764		
CMY	Gravesend Library	phasing		-774		
EHW	East Kent Access PH2	phasing		-742		
KASS	Modernisation of LD Services	phasing			-680	
EHW	Kent Thameside Strategic Transport Programme	phasing			-677	
CED	Euro Kent	phasing		-660		
EHW	Household Waste Recycling Centres - Approval to Plan	phasing			-650	
CED	Sustaining Kent	phasing		-450		
EHW	Non TSG Land, Compensation Claims and Blight	real	-414			
EHW	Rushenden Link Road	real		-364		
CFE	Services Redesign	phasing		-251		
			-1,657	-10,994	-5,998	0
		real	-414	-1,438	+0	+0
		phasing	-1,243	-9,556	-5,998	+0
			+2,687	-10,708	-5,048	+0
		real	+3,930	-1,438	+400	+0
		phasing	-1,243	-9,270	-5,448	+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 +£2.416m real variance forecast. The main areas of under and overspending in 2010-11 are listed below together with their resourcing implications:-

- **Development Opportunities +£0.689m** (+£0.591m in 2010-11 and +£0.098m in 2011-12) The additional spend is mainly made up of :
Swadelands School +£0.400m (all in 2010-11) – to provide the school with an All Weather Sports Pitch, to be funded by developer contributions.
Dartford Campus +£0.257m (+£0.159m in 2010-11 and +£0.098m in 2011-12) - this relates to additional works required to complete this project. The overspend is to be met from the saving on the Bridge project.

- **Integrated Transport Schemes +£1.240m** (+£1.540m in 2010-11 and -£0.300m in 2011-12): This increased expenditure is due to undertaking various Members Highway Fund (MHF), S106 and externally funded schemes (£1.439m in total). £0.101m is to replace real time information signs, funded from Repairs and Renewals reserve.
The Upper Stone street lay-by scheme is not considered viable within current plans and identified funding, and therefore it is proposed not to continue with this scheme. The £0.300m general capital receipt that was identified to fund the scheme could be re allocated to a different Maidstone town centre project. It is proposed that the receipt is used to support the Maidstone High Street improvement project, at a maximum cost to KCC of £0.4m and **Cabinet is asked to approve the use of the receipt.**
- **Highway Major Maintenance +£0.494m** (in 2010-11): The real overspend is mainly due to the following:
 - £0.120m of additional maintenance works has been agreed from MHF contributions
 - £0.124m of additional essential works on drainage, street lighting and structures to be funded from de-trunking commuted sum (revenue contribution).
 - £0.250m of emergency work, stabilising carriageway at Boughton Hill to be funded from revenue contribution.
- **Non TSG Land and Part 1 -£0.414m** (in 2010-11): A real over spend of £0.501m is mainly due to settling part 1 claims for developer funded schemes (Hawkinge Ph 2 and M20 J 4) and capitalisation of staff and Kent Property group's time in dealing with the claims and outstanding land settlements. This overspend will be funded from developer contributions and revenue.
Land settlements for Edenbridge Relief Road are estimated to provide savings of at least £0.915m. **Cabinet is asked to approve the reallocation of this underspend to the East Kent Access phase 2 scheme to offset the Directorate's prudential/revenue contribution, which will be difficult to secure given the likely level of savings required in the revenue budget.**
- **Edenbridge Centre +£0.830m** (+£0.237m in 2010-11 and +£0.593m in 2011-12): This represents the change in specifications, all of which are funded by partner contributions. A report detailing the revised specifications of the project is to be taken to the Project Advisory Group prior to seeking approval to spend.
- **Commercial Services VPE +£2.344m** (in 2010-11): this will be matched by an increased contribution from their Renewals Fund so there is no funding implication.
- **Workplace Transformation (formerly Better Workplaces) -£2.616m** (-£0.394m in 2011-12, -£2.172m in 2012-13 and -£0.050m in later years): The underspend is due to a review of the scope of the Better Workplace Programme and the decision to relocate 17 Kings Hill Avenue within the Corporate Office estate rather than undertake a new build.

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: -

- **Primary Improvement Programme (Approval to Plan) – re-phasing of -£3.991m**
There are six projects at approval to plan where expenditure was expected during 2010-11. These projects are either not expected to incur expenditure during the current financial year, or will only spend a minimal amount on preparation and planning work.
All of the projects are part of the Primary Capital Programme funded by Government grant supplemented by capital receipt and conceived of as a 14 year rolling programme. Five of these projects were expected to spend this year to take advantage of the rolling nature of the programme. Due to the economic downturn and uncertainty over future government funding there is a slowdown in the flow of capital. Given that it is not possible to enter into any contractual commitment until future funding streams have been confirmed it has been necessary to slow the rollout of current projects.
The KCC spending on Archbishop Courtenay CEPS has been re-profiled to enable another funding stream to be secured by the Diocese from the Department for Education (DfE), which is required to be spent prior to the end of the 2010-11 financial year.

- **Swale Multi Agency Hub - re-phasing of -£1.310m**
This is a joint venture between KCC and Eastern & Coastal Kent Primary Care Trust which is predominantly funded by a DfE Co-location grant (£3.590m) plus an additional contribution from KCC (£0.500m). The project has been delayed by planning issues and the disconnection of mains gas and electricity at the site to allow demolition works to commence.
- **Transforming Short Breaks programme – re-phasing of -£1.098m**
-£1.095 of this re-phasing relates to the Ashford Multi Agency Hub. This is a joint venture between KCC and Eastern & Coastal Kent Primary Care Trust, which is to be funded by a grant from the Transforming Short Breaks Programme (£0.750m) and a contribution from the Primary Care Trust (PCT) (£3.900m). Planning delays and extensive archaeological investigations have caused significant delays to the commencement of this project.
- **Re-shaping Kent Highways Accommodation - re-phasing of -£1.712m**
The scheme is designed to deliver service improvements in creating a depot in west Kent that is equivalent to the new Ashford depot in east Kent. Due to the current economic climate, it has been decided to redevelop the existing Aylesford site rather than purchase a new site. Planning approval has been granted and the internal demolition work was completed in September. The main building work has started and is expected to be completed by March 2011; with the mobilisation of staff being in the new building in April 2011. The depot work is anticipated to complete by July 2011, ready for the new term maintenance contract in September.
- **Non TSG Land and Part 1 compensations (LCA) - -£1.243m (-£1.243m in 2010-11, +£0.630m in 2011-12, +£0.020m in 2012-13 and +£0.593m in future years)**
The revised phasing of £1.243m is primarily due to delays in the remaining land acquisition for Edenbridge Relief Road, some of which has been referred to the Land Tribunal.

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 The £2.416m 'real' overspend in 2010-11 is fully funded by additional revenue contributions and external funding.

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. The 'warning' in paragraph 3.5.2 also applies to capital funding, where the reduction in funding could be even greater.

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 18 February 2010, 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

We will continue with the practice adopted in 2009-10 of changing cash limits 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 proposed re-phasing is summarised in the table below, details of individual projects are listed within the directorate sections.

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

Portfolio	2010-11	2011-12	2012-13	Future Years	Total
	£k	£k	£k	£k	£k
CFE					
Amended total cash limits	221,547	235,201	245,995	153,676	856,419
Re-phasing	-8,442	8,356	50	36	0
Revised cash limits	213,105	243,557	246,045	153,712	856,419
KASS					
Amended total cash limits	9,714	10,117	4,170	1,541	25,542
Re-phasing	-680	700	0	-20	0
Revised cash limits	9,034	10,817	4,170	1,521	25,542
E,H&W					
Amended total cash limits	160,151	92,965	89,404	247,685	590,205
Re-phasing	-5,933	4,820	20	1,093	0
Revised cash limits	154,218	97,785	89,424	248,778	590,205
Communities					
Amended total cash limits	26,476	12,398	3,392	350	42,616
Re-phasing	62	-62	0	0	0
Revised cash limits	26,538	12,336	3,392	350	42,616
Regen & ED					
Amended total cash limits	11,996	4,230	3,242	2,980	22,448
Re-phasing	-660	660	0	0	0
Revised cash limits	11,336	4,890	3,242	2,980	22,448
Corporate Support & PM					
Amended total cash limits	14,608	10,962	9,299	2,663	37,532
Re-phasing	-476	550	-74	0	0
Revised cash limits	14,132	11,512	9,225	2,663	37,532
Localism & Partnerships					
Amended total cash limits	503	500	500	0	1,503
Re-phasing	0	0	0	0	0
Revised cash limits	503	500	500	0	1,503
TOTAL RE-PHASING >£100k	-16,129	15,024	-4	1,109	0
Other re-phased Projects below £100k	-631	+514	+36	+81	0
TOTAL RE-PHASING	-16,760	+15,538	+32	+1,190	0

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

	2010-11	2011-12	2012-13	Future Years	Total
	£k	£k	£k	£k	
CFE					
Kitchen and Dining Programme					
Original budget	+828	+432			+1,260
Amended cash limits	+101	-101			0
additional re-phasing	-142	+142			0
Revised project phasing	+787	+473	0	0	+1,260
CED					
Sustaining Kent - maintaining the infrastructure - (CSS&PM)					
Original budget	+6,226	+1,150	+250	+250	+7,876
Amended cash limits	-1,076	+1,326	-250		0
additional re-phasing	-450	+450			0
Revised project phasing	+4,700	+2,926	0	+250	+7,876
KASS					
Modernisation of LD Services					
Amended total cash limits	+3,853	+749	+1,152	+1,162	+6,916
Amended cash limits	-2,613	+1,786	+448	+379	0
additional re-phasing	-680	+700		-20	0
Revised project phasing	+560	+3,235	+1,600	+1,521	+6,916

5. FINANCIAL HEALTH

- 5.1 The latest Financial Health indicators, including cash balances, our long term debt maturity, outstanding debt owed to KCC, the percentage of payments made within 20 and 30 days and the recent trend in inflation indices (RPI & CPI) are detailed in **Appendix 3**.
- 5.2 The latest monitoring of Prudential Indicators is detailed in **Appendix 4**.

6. RISK MANAGEMENT

- 6.1 Since the last report to Cabinet in August the Strategic Risk Register has been updated and loaded onto the new Risk Management Information System. The new Information System will bring changes to the way risk is managed as well as improved operational performance, which should enable Members and officers to have a better understanding around the areas of concern. The updated Strategic Risk Register is reported elsewhere on this Cabinet agenda.
- 6.2 The impending reorganisation of the Council will have an impact upon the structure of directorate registers. Although it was intended to load directorate registers onto the database by the end of the year this has now been delayed until the restructuring of directorates has taken place and new registers prepared. Likewise it is deemed sensible to defer any significant changes to the Risk Management Strategy and framework until after the restructure has been finalised.

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 2010 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 31/3/11 £m	Balance at 31/3/10 £m
Earmarked Reserves	87.4	115.9
General Fund balance	26.7	25.8
Schools Reserves *	48.3	51.8

* 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 £28.5m in earmarked reserves is mainly due to the planned movements in reserves such as IT Asset Maintenance, Kingshill Smoothing, PRG, earmarked reserve to support 10-11 budget, insurance reserve, economic downturn reserve, revenue reserve to support projects previously classified as capital eg Member Highway Fund and PFI equalisation reserves, together with the anticipated movements in the Regeneration Fund, rolling budget, DSG and Supporting People reserves. In addition reserves have been drawn down in order to offset some of the Government grant reductions, as reported to Cabinet in July.

7.1.3 The £0.9m increase in general reserves is due to the proposed transfer of the forecast residual balance of the Asylum reserve. However, if the position on Asylum changes significantly during the remainder of the financial year, this transfer may not be possible.

7.1.4 The reduction of £3.5m in the schools reserves is due to an anticipated 23 schools converting to academy status and therefore taking their reserves with them. The value of school reserves is very difficult to predict at this early stage in the year and further updates will be provided in future monitoring reports following the collation of the first monitoring returns from schools.

8. STAFFING LEVELS

8.1 The following table provides a snapshot of the staffing levels by directorate as at 30 September 2010 compared to the numbers as at 30 June 2010 and 31 March 2010, based on active assignments.

		Mar-10	Jun-10	Sep-10	Movement in year	
					Number	%
KCC	Assignment count	52,131	52,036	51,640	-491	-0.94%
	Headcount (inc. CRSS)	44,583	44,557	44,281	-302	-0.68%
	Headcount (exc. CRSS)	39,402	39,435	39,232	-170	-0.43%
	FTE	29,162.50	29,218.70	29,125.23	-37.27	-0.13%
KCC - Non Schools	Assignment count	16,252	16,082	15,705	-547	-3.37%
	Headcount (inc. CRSS)	14,719	14,570	14,221	-498	-3.38%
	Headcount (exc. CRSS)	12,549	12,475	12,219	-330	-2.63%
	FTE	10,530.87	10,477.39	10,259.14	-271.73	-2.58%
CED	Assignment count	2,169	2,155	2,120	-49	-2.26%
	Headcount (inc. CRSS)	2,160	2,148	2,109	-51	-2.36%
	Headcount (exc. CRSS)	2,121	2,110	2,070	-51	-2.40%
	FTE	2,003.23	1,993.37	1,954.71	-48.52	-2.42%
CFE	Assignment count	4,617	4,573	4,342	-275	-5.96%
	Headcount (inc. CRSS)	4,450	4,420	4,208	-242	-5.44%
	Headcount (exc. CRSS)	3,956	3,938	3,838	-118	-2.98%
	FTE	3,345.26	3,331.53	3,251.09	-94.17	-2.82%
CMY	Assignment count	4,345	4,207	4,131	-214	-4.93%
	Headcount (inc. CRSS)	3,713	3,578	3,506	-207	-5.58%
	Headcount (exc. CRSS)	2,392	2,330	2,235	-157	-6.56%
	FTE	1,758.52	1,709.86	1,629.94	-128.58	-7.31%
EHW	Assignment count	799	823	836	37	4.63%
	Headcount (inc. CRSS)	782	803	808	26	3.32%
	Headcount (exc. CRSS)	659	673	683	24	3.64%
	FTE	606.19	616.48	617.05	10.86	1.79%
KASS	Assignment count	4,322	4,324	4,276	-46	-1.06%
	Headcount (inc. CRSS)	3,722	3,731	3,690	-32	-0.86%
	Headcount (exc. CRSS)	3,456	3,464	3,434	-22	-0.64%
	FTE	2,817.67	2,826.15	2,806.35	-11.32	-0.40%
Schools	Assignment count	35,879	35,954	35,935	56	0.16%
	Headcount (inc. CRSS)	30,180	30,288	30,312	132	0.44%
	Headcount (exc. CRSS)	26,954	27,060	27,107	153	0.57%
	FTE	18,631.63	18,741.31	18,866.09	234.46	1.26%

CRSS = Staff on Casual Relief, Sessional or Supply contracts

Notes:

If a member of staff works in more than one directorate they will be counted in each. However, they will only be counted once in the Non Schools total and once in the KCC total.

If a member of staff works for both Schools and Non Schools they will be counted in both of the total figures. However, they will only be counted once in the KCC Total.

9. RECOMMENDATIONS

Cabinet is asked to:

- 9.1 **Note** the latest monitoring position on both the revenue and capital budgets.
- 9.2 **Note** that management action will be required within the CFE & KASS portfolios in order to deliver a balanced outturn position
- 9.3 **Note** and **agree** the changes to the capital programme, as detailed in section 4.1.
- 9.4 **Agree** that £16.129m of re-phasing on the capital programme is moved from 2010-11 capital cash limits to future years. Further details are included in section 4.10 above.
- 9.5 **Agree** that £0.915m underspend against Non TSG Land and Part 1 compensations can be used for East Kent Access Phase 2 to offset prudential/revenue. Details are shown in 4.5.1 above.
- 9.6 **Agree** that a general capital receipt released from the Upper Stone Street lay-by scheme, which is no longer considered viable, can be used to contribute towards the Maidstone High Street improvement project at a maximum cost to KCC of £0.4m. Details are shown in 4.5.1 above.
- 9.7 **Note** the latest Financial Health Indicators and Prudential Indicators as reported in appendix 3 and appendix 4 respectively.
- 9.8 **Note** the directorate staffing levels as at the end of September 2010 compared with the end of 2009-10 and the previous quarter of 2010-11, as provided in section 8.
- 9.9 **Agree** a virement of £0.161m from the underspending on the debt charges budget within the Finance portfolio to a new Restructure budget line, also to be held and reported within the Finance portfolio, to cover the costs of the Transformation Programme Manager and related project costs. Further restructure costs as they arise will also be charged here, to be met from either a drawdown from the Restructure reserve, or other appropriate funding to be determined prior to the expenditure being incurred.

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 2010		31 March 2009	
	£'000	£'000	Restated £'000	£'000
Fixed assets				
Intangible fixed assets		2,544		3,551
Tangible fixed assets				
Operational assets				
Land and buildings	1,442,502		1,456,417	
PFI Assets	195,242		139,228	
Vehicles, plant and equipment	32,091		28,811	
Roads and other highways infrastructure	631,431		606,431	
Community assets	9,141		8,505	
Non-operational assets				
Investment property	5,848		6,624	
Assets under construction	412,693		327,734	
Surplus and non-operational property	52,463		99,869	
Total tangible assets		<u>2,781,411</u>		<u>2,673,619</u>
Total fixed assets		<u>2,783,955</u>		<u>2,677,170</u>
Long-term investments		35,671		96,267
Long-term debtors		59,154		54,712
Total long-term assets		<u>2,878,780</u>		<u>2,828,149</u>
Current assets				
Stocks and work in progress	6,231		5,937	
Debtors	210,803		193,644	
Investments	224,043		262,949	
Total current assets		441,077		462,530
Current liabilities				
Temporary borrowing	-45,240		-60,641	
Short term PFI Lease Liability	-3,114			
Creditors	-284,534		-298,747	
Cash balances overdrawn	-34,283		-103,339	
		<u>-367,171</u>		<u>-462,727</u>
Total assets less current liabilities (Net assets employed)		<u>2,952,686</u>		<u>2,827,952</u>
Long-term liabilities				
Long-term borrowing	-1,012,116		-998,427	
Deferred liabilities	-4		-255	
PFI Lease Liability	-160,397		-107,702	
Deferred credit - Medway Council	-49,198		-51,249	
Creditors due after one year	-823			
Provisions	-16,093		-14,489	
Government grant deferred account	-213,739		-196,454	

Balance Sheet

Liability related to defined benefit pensions schemes	- KCC	-1,129,229	-739,900
	- DSO	-2,270	-2,199
		<u>-2,583,869</u>	<u>-2,110,675</u>
Total assets less liabilities		<u><u>368,817</u></u>	<u><u>717,277</u></u>
Revaluation reserve		-183,753	-131,912
Capital adjustment account		-988,810	-1,075,507
Financial instruments adjustment account		26,229	27,715
Collection Fund Adjustment Account		-4,475	-3,906
Earmarked capital reserve		-139,706	-70,144
Usable capital receipt reserve		-16,016	-14,379
Pensions reserve	- KCC	1,129,229	739,900
	- DSO	2,270	2,199
Earmarked reserves		-115,884	-102,002
General fund balance		-25,835	-25,835
Schools reserves		-51,753	-63,183
Surplus on trading accounts		<u>-313</u>	<u>-223</u>
Total net worth		<u><u>-368,817</u></u>	<u><u>-717,277</u></u>

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

Portfolio	CASH LIMIT		
	Gross £k	Income £k	Net £k
CFE	419,548	-1,198,123	-778,575
Schools	1,066,310	-80,967	985,343
KASS	467,134	-122,545	344,589
EHW	174,728	-23,125	151,603
CMY	145,072	-56,407	88,665
Localism & Partnerships	8,362	-86	8,276
Corporate Support & PM	55,680	-45,413	10,267
Finance	139,880	-14,089	125,791
Public Health & Innovation	944	-377	567
Regen & ED	9,500	-2,305	7,195
Per September report	2,487,158	-1,543,437	943,721
Subsequent changes:			
			Changes to grant/income allocations:
CFE	57	-57	0 Reversal of Qtr1 Correction to National College for School Leadership (NCSL) grant for succession planning - adjustment shown the wrong way round
CFE	57	-57	0 NCSL: Grant for succession planning
CFE	481	-481	0 Young People's Learning Agency (YPLA): Education Business Partnership Service
CFE	467	-467	0 YPLA: Correction to schools funding
CFE	20	-20	0 Additional income from schools for Outdoor Education Unit
CFE	-26	26	0 Correction to income from schools for KS4 engagement programme
KASS	4,350	-4,350	0 OP Other Services - PFI credits and unitary charge for Better Homes Active Lives
KASS	913	-913	0 LD Supported Accommodation - PFI credits and unitary charge for Better Homes Active Lives
KASS	2,000	-2,000	0 LD Supported Accommodation - funding from Health for additional S256 clients
KASS	1,000	-1,000	0 LD Residential - funding from Health for additional S256 clients
KASS	107	-107	0 MH Supported Accommodation - PFI credits and unitary charge for Better Homes Active Lives
KASS	-28	28	0 OP Other Services - realignment of Integrated Community Equipment Stores Health funding
KASS	-335	335	0 LD Other Services - realignment of Kent Supported Employment funding from DWP
KASS	-211	211	0 PD Other Services - realignment of Integrated Community Equipment Stores Health funding
KASS	35	-35	0 All Adults Assessment & Related - charges for client accounts administered by client financial affairs officers
KASS	16	-16	0 All Adults Assessment & Related - increased recharge to CFE for Area Benefits staffing

Portfolio	CASH LIMIT			
	Gross	Income	Net	
	£k	£k	£k	
KASS	43	-43	0	Strategic Business Support - additional rebate from Royal Bank of Scotland reflecting increased value of payments through TDM
EHW	30	-30	0	DEFRA grant for preliminary flood risk assessment work
CMY	24	-24	0	Youth: additional funding from the Prison Service for provision of services to Cookham Wood.
CMY	-488	488	0	Youth: Loss of funding from GOSE for Youth Opportunities Fund.
CMY	78	-78	0	Youth: Additional funding from Training Business Group learning for the Youth Foundation learning programme.
CMY	58	-58	0	Youth: additional funding from CFE to support Aiming High project.
CMY	-70	70	0	Youth: Loss of funding from CFE for Positive Activities for Young People (PAYP) programme.
CMY	30	-30	0	Youth: Additional funding from DCSF for payment to Contactpoint for Management Information Systems.
CMY	30	-30	0	Youth: Additional funding from GOSE for Youth Opportunities Fund.
CMY	10	-10	0	Youth: Funding from Youth Centre charities to support youth centre improvements and refurbishments.
CMY	-139	139	0	Arts: Repayment of Interreg claim.
CMY	22	-22	0	Arts: 2009-10 receipts in advance funding various projects.
CMY	12	-12	0	Arts: Additional funding from SE Coast Strategic Health to fund change for life project.
CMY	67	-67	0	Arts: Additional funding from Arts Council England (ACE) to support N11 project to improve audience participation at cultural events.
CMY	84	-84	0	Sports: Funding from Essex County Council for Beacon transition work.
CMY	29	-29	0	Sports: Additional funding from Private Sector for a variety of projects, including Dame Kelly Holmes Backing Talent Event and cycling event.
CMY	25	-25	0	Sports: Funding from Kent Disability Sports Advisory Group to support sports for the disabled.
CMY	7	-7	0	Sports: Funding from Sports England to support playground to podium activity.
CMY	3	-3	0	Sports: Funding for Volleyball England to support activities.
CMY	52	-52	0	Sports: 2009-10 receipts in advance to support various sports projects.
CMY	153	-153	0	SIP: Reimbursement of funding given to Thanet District Council to run Apprenticeship scheme in 2009-10.
CMY	-1,032	1,032	0	SIP - Reduction in funding from DWP for Future Jobs Fund due to reduced number of apprentices on this scheme.

Portfolio	CASH LIMIT			
	Gross	Income	Net	
	£k	£k	£k	
CMY	-36	36	0	KDAAT: reduced funding from Home Office for Drugs Intervention Programme.
CMY	675	-675	0	KDAAT: additional funding from Home Office to support Integrated Drugs Treatment Service.
CMY	126	-126	0	KDAAT: additional funding from Probation to support the alcohol referral treatment programme.
CMY	146	-146	0	KDAAT: additional funding from WKPCT to support the alcohol referral treatment programme.
CMY	44	-44	0	KDAAT: Additional funding from KASS to support Substance Misuse Parents programme.
CMY	30	-30	0	KDAAT: Additional funding from KASS for Carers Strategy.
CMY	34	-34	0	KDAAT: Additional funding from Home Office as part of the Young Peoples Substance Misuse Partnership grant (YPSMPG).
CMY	1,507	-1,507	0	KDAAT: 2009-10 Receipts in advance allocations approved by KDAAT Board.
PH&I	-150	150	0	Part reversal of EKPCT qtr 1 adj for 09-10 receipt in advance, due to delay to Mobile House Project which will now be completed in 2011/12. Funding transferred back to receipts in advance
				Technical Adjustments:
CFE	-24	24	0	Correction to expected income for self-funded Kent Safe School Projects (internal income)
CFE	-118	118	0	Adjustment to expected income for Specialist Teaching Service (internal income)
KASS	434	-434	0	LD Domiciliary - realignment of Supporting People recharges
KASS	-27	27	0	Strategic Management - inter-directorate charge no longer required
CMY	-32	32	0	Correction to Youth Outdoor Education (operations East) budget
CMY	-1,229	1,229	0	KDAAT: correction to gross & income budgets relating to funding arrangements from partners over the past two financial years taking account of changes in the commissioning and de-commissioning of services which were not reflected in the budget build.
CSPM	-41	41	0	incorrect treatment in budget of recovery of costs for a Corporate Communications post
CSPM	-14	14	0	Property Group - Cease Insight trading activities part way through year
Revised Budget	2,496,414	-1,552,693	943,721	

FINANCIAL HEALTH INDICATORS

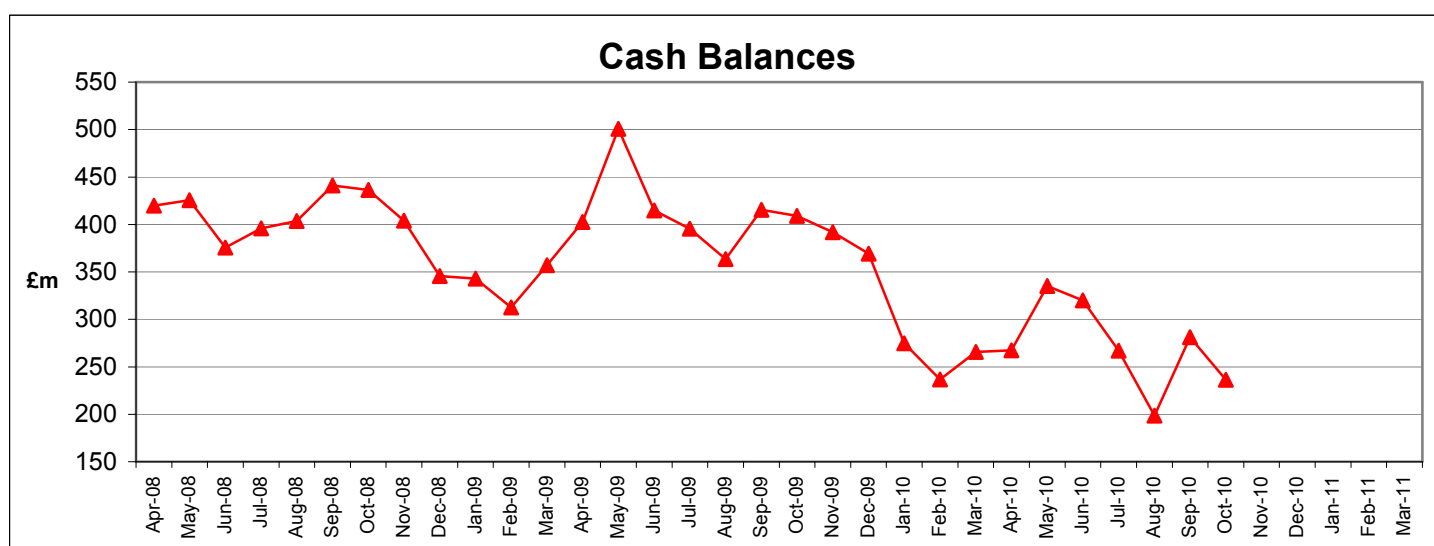
1. CASH BALANCES

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 (£42.021m), balances of schools in the corporate scheme (£64.9m), 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.

Pension Fund cash balances were removed from KCC Funds on 1 July and are now being handled separately.

The overall downward trend in the cash balance since September 2009 reflects the Council's policy of deferring borrowing and using available cash balances whenever possible to fund new capital expenditure (i.e. internalising the debt).

	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	391.7	369.1	275.0	236.7	265.8
2010-11	267.4	335.2	319.8	267.2	198.7	281.3	236.4					



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 £48.057m 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.

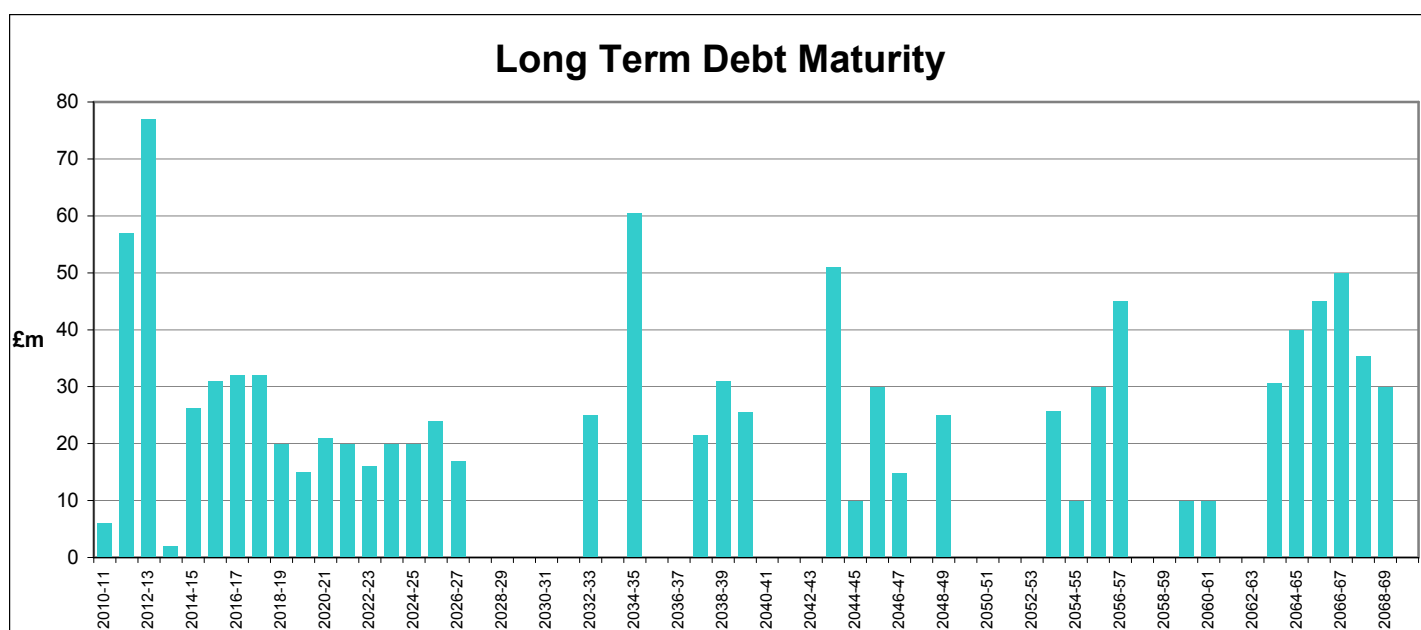
The graph shows total principal repayments due in each financial year. Small maturities indicate repayment of principal for annuity or equal instalment of principal loans, where principal repayments are made at regular intervals over the life of the loan. The majority of loans have been taken on a maturity 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 principal to be repaid in 2010-11 is £46.031m, £45m maturity loan and £1.031m relating to small annuity and equal instalment of principal loans. £40.027m has been repaid this quarter; hence the figure in the table of £6.004m represents the remaining debt still to be repaid in this financial year.

Two new PWLB loans of £25m each were advanced to KCC on 27 May 2010. The first is to mature in 2032-33 and the second in 2048-49. These loans were taken as part of the new borrowing requirement to fund the programme of capital expenditure.

Also £40m of new PWLB borrowing was taken on 3 September in three loans: two fixed interest maturity loans for £10m each and one EIP loan for £20m. The EIP loan principal will be repaid in 20 six monthly repayments of £1m over 10 years whereas the total principal will be repaid at maturity for the other two loans.

Year	£m	Year	£m	Year	£m	Year	£m	Year	£m
2010-11	6.004	2023-24	20.001	2036-37	0.000	2049-50	0.000	2062-63	0.000
2011-12	57.024	2024-25	20.001	2037-38	21.500	2050-51	0.000	2063-64	30.600
2012-13	77.021	2025-26	24.001	2038-39	31.000	2051-52	0.000	2064-65	40.000
2013-14	2.015	2026-27	17.001	2039-40	25.500	2052-53	0.000	2065-66	45.000
2014-15	26.193	2027-28	0.001	2040-41	0.000	2053-54	25.700	2066-67	50.000
2015-16	31.001	2028-29	0.001	2041-42	0.000	2054-55	10.000	2067-68	35.500
2016-17	32.001	2029-30	0.001	2042-43	0.000	2055-56	30.000	2068-69	30.000
2017-18	32.001	2030-31	0.001	2043-44	51.000	2056-57	45.000	2069-70	0.000
2018-19	20.001	2031-32	0.000	2044-45	10.000	2057-58	0.000		
2019-20	15.001	2032-33	25.000	2045-46	30.000	2058-59	0.000		
2020-21	21.001	2033-34	0.000	2046-47	14.800	2059-60	10.000	TOTAL	1,092.337
2021-22	20.001	2034-35	60.470	2047-48	0.000	2060-61	10.000		
2022-23	16.001	2035-36	0.000	2048-49	25.000	2061-62	0.000		



3. OUTSTANDING DEBT OWED TO KCC

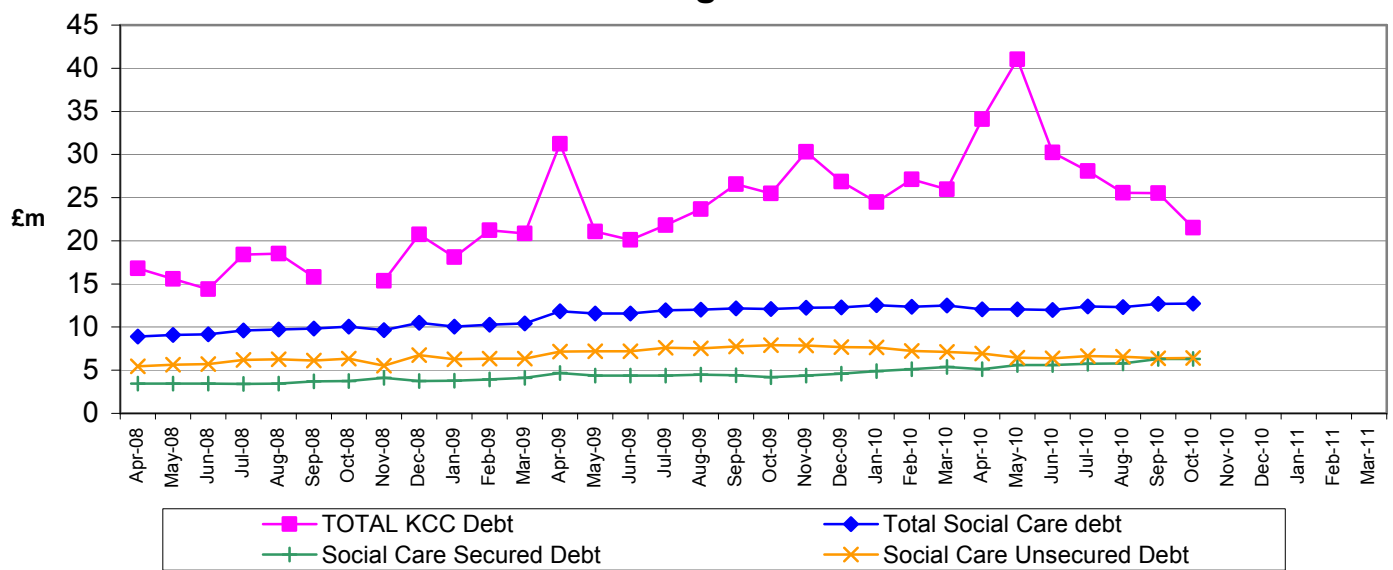
The following graph represents the level of outstanding debt due to the authority, which has exceeded its payment term of 28 days. The main element of this relates to Adult Social Services and this is also identified separately, together with a split of how much of the Social Care debt is secured (i.e.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

	Social Care Secured Debt	Social Care Unsecured Debt	Total Social Care debt	KASS Sundry debt	TOTAL KASS debt	All Other Directorates Debt	TOTAL KCC Debt
	£m	£m	£m	£m	£m	£m	£m
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
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	4.386	7.859	12.245	6.682	18.927	11.382	30.309
Dec 09	4.618	7.677	12.295	6.175	18.470	8.376	26.846
Jan 10	4.906	7.627	12.533	2.521	15.054	9.445	24.499
Feb 10	5.128	7.221	12.349	2.956	15.305	11.801	27.106
March 10	5.387	7.127	12.514	1.643	14.157	11.818	25.975
April 10	5.132	6.919	12.051	2.243	14.294	19.809	34.103
May 10	5.619	6.438	12.057	3.873	15.930	25.088	41.018
June 10	5.611	6.368	11.979	3.621	15.600	14.648	30.248
July 10	5.752	6.652	12.404	4.285	16.689	11.388	28.077
Aug 10	5.785	6.549	12.334	5.400	17.734	7.815	25.549
Sept 10	6.289	6.389	12.678	4.450	17.128	8.388	25.516
Oct 10	6.290	6.421	12.711	3.489	16.200	5.307	21.507
Nov 10							
Dec 10							
Jan 11							
Feb 11							
March 11							

* 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

Level of Outstanding Debt Owed to KCC

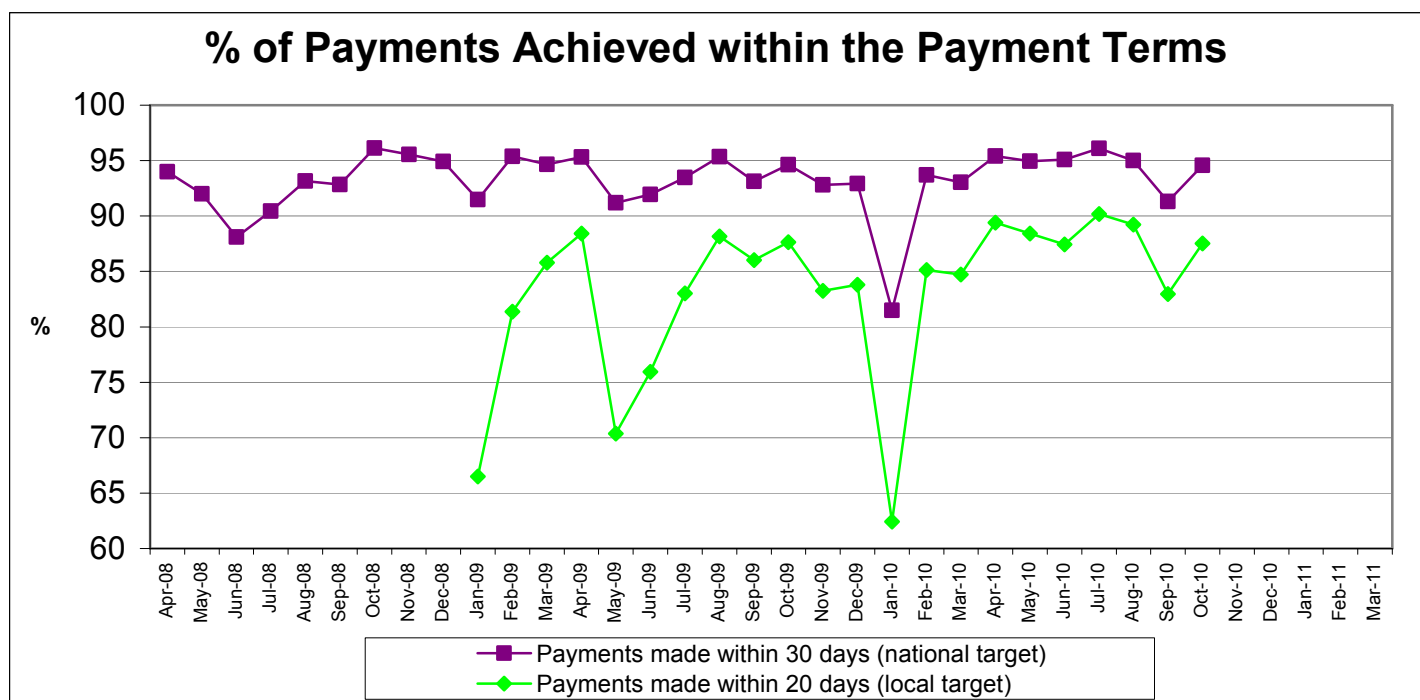


The overall KCC debt increased significantly in April and May 2010 due to two large invoices to Health raised within the Kent Drug Action Team and one large invoice raised within CFE to a youth charity, all of which have now been paid.

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		2010-11	
	Paid within 30 days %	Paid within 20 days %	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	95.4	89.4
May	92.0	N/A	91.2	70.4	94.9	88.4
June	88.1	N/A	91.9	75.9	95.1	87.4
July	90.5	N/A	93.5	83.0	96.1	90.2
August	93.1	N/A	95.3	88.2	95.0	89.2
September	92.8	N/A	93.1	86.0	91.3	83.0
October	96.1	N/A	94.6	87.6	94.6	87.5
November	95.5	N/A	92.8	83.3		
December	94.9	N/A	92.9	83.8		
January	91.5	66.5	81.5	62.4		
February	95.4	81.4	93.7	85.1		
March	94.7	85.8	93.0	84.7		

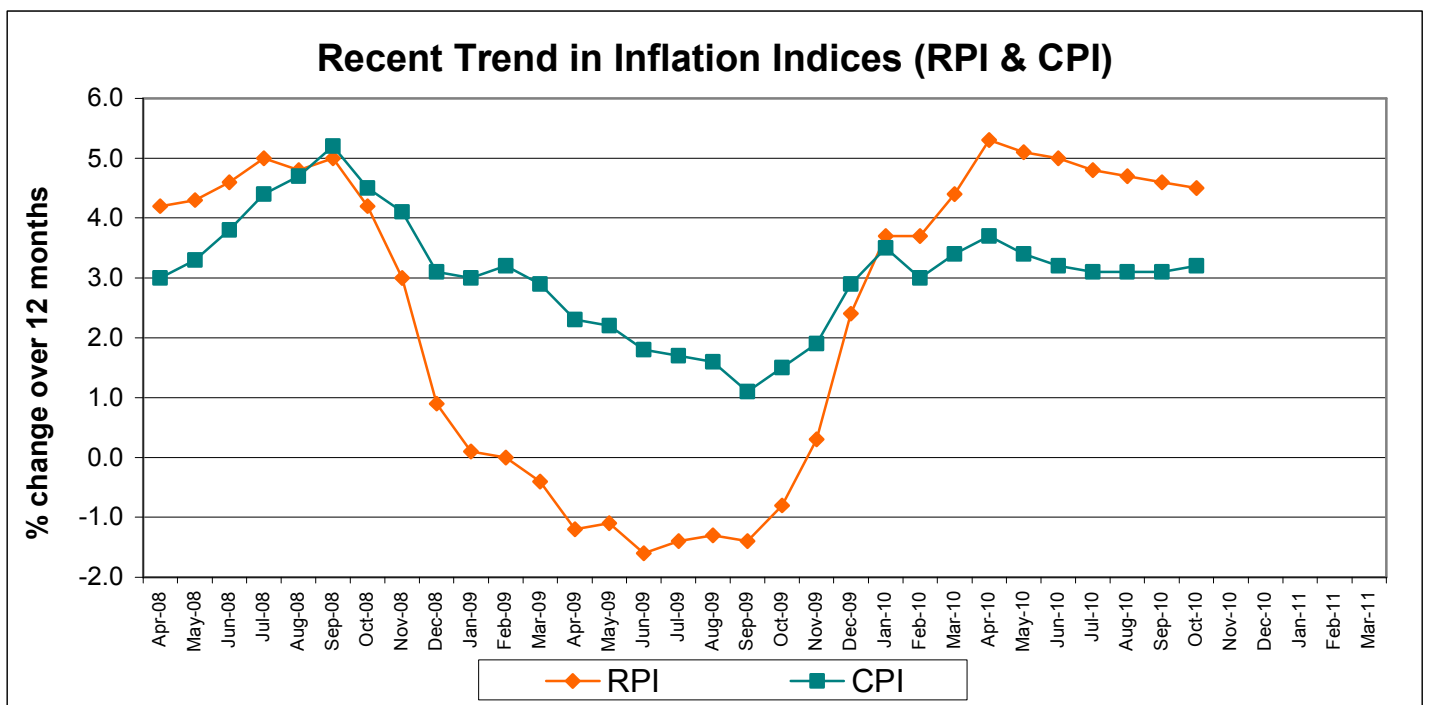


The percentages achieved for January were lower than other months due to the Christmas break. This is evident in both 2008-09 and 2009-10. This position was exacerbated in 2009-10 due to the snow. The 2010-11 year to date figure for invoices paid within 20 days is 88.0%, and within 30 days is 94.7%.

5. RECENT TREND IN INFLATION INDICES (RPI & CPI)

In the UK, there are two main measures of inflation – the Consumer Prices Index (CPI) and the Retail Prices Index (RPI). The Government's inflation target is based on the CPI. The RPI is the more familiar measure of inflation, which includes mortgage interest payments. The CPI and RPI measure a wide range of prices. The indices represent the average change in prices across a wide range of consumer purchases. This is achieved by carefully recording the prices of a typical selection of products from month to month using a large sample of shops and other outlets throughout the UK. The recent trend in inflation indices is shown in the table and graph below.

	2008-09		2009-10		2010-11	
	Percentage Change over 12 months					
	RPI %	CPI %	RPI %	CPI %	RPI %	CPI %
April	4.2	3.0	-1.2	2.3	5.3	3.7
May	4.3	3.3	-1.1	2.2	5.1	3.4
June	4.6	3.8	-1.6	1.8	5.0	3.2
July	5.0	4.4	-1.4	1.7	4.8	3.1
August	4.8	4.7	-1.3	1.6	4.7	3.1
September	5.0	5.2	-1.4	1.1	4.6	3.1
October	4.2	4.5	-0.8	1.5	4.5	3.2
November	3.0	4.1	0.3	1.9		
December	0.9	3.1	2.4	2.9		
January	0.1	3.0	3.7	3.5		
February	0.0	3.2	3.7	3.0		
March	-0.4	2.9	4.4	3.4		



2010-11 OCTOBER Monitoring of Prudential Indicators

1. Estimate of capital expenditure (excluding PFI)

Actual 2009-10	£344.065m	
Original estimate 2010-11	£460.330m	
Revised estimate 2010-11	£477.941m	(this includes the rolled forward re-phasing from 2009-10)

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

	2009-10 Actual	2010-11 Original Estimate	2010-11 Forecast as at 31-10-10
	£m	£m	£m
Capital Financing Requirement	1,230.100	1,333.075	1,328.009
Annual increase in underlying need to borrow	62.568	82.779	91.798

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 2009-10	12.36%
Original estimate 2010-11	11.85%
Revised estimate 2010-11	11.44%

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 2010-11

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

	Prudential Indicator 2010-11 £m	Position as at 31.10.10 £m
Borrowing	1,301	1,040.0
Other Long Term Liabilities	0	0.0
	1,301	1,040.0

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

	Prudential Indicator 2010-11 £m	Position as at 31.10.10 £m
Borrowing	1,349	1,092.3
Other Long Term Liabilities	0	0.0
	1,349	1,092.3

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 2010-11 are:

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

	£m
Borrowing	1,341
Other long term liabilities	0
	<hr/> 1,341

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

	£m
Borrowing	1,389
Other long term liabilities	0
	<hr/> 1,389

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 2010-11

(a) Borrowing

Fixed interest rate exposure	100%
Variable rate exposure	50%

(b) Investments

Fixed interest rate exposure	100%
Variable rate exposure	50%

These limits have been complied with in 2010-11. Total external debt is currently held at fixed interest rates.

8. Upper limits for maturity structure of borrowings

	Upper limit	Lower limit	As at 31.10.10
	%	%	%
Under 12 months	25	0	0.5
12 months and within 24 months	40	0	5.2
24 months and within 5 years	60	0	9.6
5 years and within 10 years	80	0	11.9
10 years and within 20 years	20	10	12.6
20 years and within 30 years	15	5	15.0
30 years and within 40 years	15	5	12.0
40 years and within 50 years	20	10	11.1
50 years and within 60 years	20	10	22.1

The 2010-11 limits were set based on the expected outturn for the year. Borrowing arrangements are kept under review and it is anticipated that by the year end the structure of the borrowings will fall below the upper limits.

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

Indicator	Actual
£50m	£30m

CHILDREN, FAMILIES & EDUCATION DIRECTORATE SUMMARY

OCTOBER 2010-11 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 a number of 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. 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 Budgets	1,026,642	-80,967	945,675	3,481		3,481	
- Early Years free entitlement budget	40,135	0	40,135			0	
TOTAL DELEGATED	1,066,777	-80,967	985,810	3,481	0	3,481	Estimated drawdown of reserves following 23 schools converting to academies
Non Delegated Budget:							
Learning Group:							
- Early Years & Childcare	6,274	-92	6,182			0	
- Advisory Service Kent (ASK) - Early Years	9,708	-15	9,693	30	-30	0	
- ASK Primary	6,011	-400	5,611	46	-46	0	
- ASK Secondary	3,297	-276	3,021	68	-68	0	
- ASK Strategic Development	3,545	-1,615	1,930	83		83	
- ASK Partnerships & Professional Development	2,550	-658	1,892	25		25	
- International Development	94	0	94			0	
- 14 - 24 Unit	5,634	-2,498	3,136	-8	-31	-39	
- School Organisation	925	0	925			0	
- School Governance	737	-467	270	0	0	0	
- Extended Services	4,139	-562	3,577	-155	0	-155	Underspend on T2010 projects
- Minority Community Achievement	1,699	-116	1,583			0	
- Specialist Teaching Service	4,077	-417	3,660			0	
- Local Children's Service Partnerships	68,910	-9,487	59,423	385	-295	90	Increased spend on nursery provision offset by additional income & funding for 2 year olds
- Group Savings from restructure	-2,893	0	-2,893			0	
Total Learning Group	114,707	-16,603	98,104	474	-470	4	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<u>Specialist Children's Services Group:</u>							
- Residential Care	10,253	-2,014	8,239	673	-2	671	High demand for independent sector residential provision partially offset by underspend on secure accommodation
- Fostering Service	25,996	-254	25,742	2,479	-22	2,457	High demand for independent fostering allowances and in-house foster care placements partially offset by underspend in the county fostering team
- Adoption Service	7,400	-40	7,360	-6	-9	-15	
- Other Preventative Services	10,371	-425	9,946	540	-25	515	Increased demand of direct payments and daycare provision for children with a disability
- 16+ Service	7,738	0	7,738	1,086	0	1,086	Increased demand for residential care and in-house foster care placements, pressure on section 24/leaving care payments
- Childrens Support Services	4,095	-1,400	2,695	-163	-43	-206	Underspend on social work professional training
- Assessment & Related	33,945	-1,242	32,703	-1,776	56	-1,720	Staff vacancies
- Asylum Seekers	15,568	-15,111	457	777	0	777	Costs incurred in supporting young people categorised as All Rights Exhausted & naturalised
- Special Educational Needs (SEN)	16,813	-6,723	10,090	59		59	
- SEN Transport to Schools	18,740	0	18,740	-1,200		-1,200	Lower costs resulting from contract renegotiation & fewer children than budgeted level
- Independent Sector Provision	12,215	-697	11,518	0	0	0	
- Attendance & Behaviour Service	9,358	-1,671	7,687	0		0	
- Educational Psychology Service	3,692	-13	3,679	-70		-70	
- Common Assessment Framework & Contactpoint	538	-108	430			0	
- Group Savings from restructure	-290	0	-290			0	
Total Specialist Children's Services	176,432	-29,698	146,734	2,399	-45	2,354	
<u>Commissioning & Partnership Group:</u>							
- Strategic Planning & Review	2,049	0	2,049	-160		-160	NFER survey not due to be completed in 2010-11
- Policy & Performance (Vulnerable Children)	6,119	-1,077	5,042			0	
- Management Information	2,433	-116	2,317			0	
- Commissioning	15,291	-1,477	13,814			0	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Business Planning & Management Unit	7,065	-465	6,600	129	-20	109	Additional costs relating to children social services legal services
- Group Savings from restructure	-536	0	-536			0	
Total Commissioning & Partnerships Group	32,421	-3,135	29,286	-31	-20	-51	
<u>Resources & Planning Group:</u>							
- Finance	4,254	-1,128	3,126			0	
- Awards	5,453	-603	4,850	217		217	Staffing pressure resulting from handover of work to the Student Loans Company. High demand for home to college transport
- Personnel & Development	17,311	-1,519	15,792	-632	20	-612	ISA scheme has been put on hold and underspend on school crossing patrols
- Communication & Information Governance	426	-10	416	-10	5	-5	
- Managing Directors Support	822	-25	797			0	
- Strategic Management	1,523	-6	1,517	-66		-66	
- Grant income & contingency	454	-1,123,187	-1,122,733		0	0	
- Support Services purchased from CED	9,415	0	9,415			0	
- Group Savings from restructure	-975	0	-975			0	
Total Resources & Planning Group	38,683	-1,126,478	-1,087,795	-491	25	-466	
<u>Capital Programme & Infrastructure Group:</u>							
- Capital Strategy Unit	20,189	-17,041	3,148	-73	8	-65	
- BSF/PFI/Academy Unit	432	0	432			0	
- Client Services	6,439	-4,480	1,959	22	110	132	Under-recovery of income relating to the cleaning & refuse collection contract
- Facilities Management	3,701	-203	3,498			0	
- Strategic Technology & Digital Curriculum	8,974	-600	8,374	-29	41	12	
- Health & Safety	628	-315	313	2		2	
- Admissions & Transport	1,416	0	1,416			0	
- Mainstream Home to School Transport	16,025	-484	15,541	-1,038	95	-943	Fall in the number of children requiring transport and contract renegotiations
- Group Savings from restructure	-52	0	-52			0	
Total Capital Programme & Infrastructure Group	57,752	-23,123	34,629	-1,116	254	-862	
TOTAL NON DELEGATED	419,995	-1,199,037	-779,042	1,235	-256	979	
Total CFE portfolio	1,486,772	-1,280,004	206,768	4,716	-256	4,460	
Assumed Mgmt Action				-979	0	-979	
Total CFE portfolio <u>after</u> mgmt action	1,486,772	-1,280,004	206,768	3,737	-256	3,481	this relates to the schools delegated budget and will be funded by a reduction in the schools reserves

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 Extended Services (gross)

Extended services are forecasting a gross underspend of -£155k due to an underspend on the Towards 2010 budgets for Healthy Eating and Parent Support. These budgets have been offered as a part year saving in the CFE restructure but the targets were met during 2009/10 and a full year saving has been achieved in 2010/11.

1.1.3.2 Local Children's Service Partnerships (gross and income)

Local Children's Service Partnerships are forecasting a gross pressure on Childrens Centres and nurseries of +£385k which is offset by an internal reallocation of Sure Start grant income for 2 year olds of £322k from the Management Information Unit and an increase in income from parents of £63k. There are other minor income variances totalling +£90k.

1.1.3.3 Residential Care (gross)

Residential care services are forecasting a gross pressure of +£673k. The service has experienced an increase in the number of children placed in independent sector residential placements resulting in an estimated gross pressure of +£1,015k although this has reduced since the first quarter monitoring due to a reduction in the number of clients. A review is ongoing of all high cost placements (including residential care placement), as to whether a child's needs may be better served in a more cost effective in-house foster placement, however this is dependant on the availability of suitable foster care placements.

This pressure is partially offset by forecast underspends on secure accommodation of -£352k. The budget for secure accommodation is sufficient to fund two full year placements. If these placements remain vacant, further savings will arise which will be declared in future months. There are other minor pressures of +£10k.

1.1.3.4 Fostering Service (gross)

The fostering service is forecasting a gross pressure of £2,479k due to pressures on independent fostering allowances (+£1,515k) and in-house foster care placements (+£1,147k) respectively, partially offset by an underspend in the fostering team (-£193k).

There continues to be a high demand for both independent fostering allowances and in-house foster care placements and although significant funding was made available as part of the 2010-13 MTP this has been insufficient to cover the full year effect of children placed in 2009-10 and additional placements expected in 2010-11. The activity data for in-house fostering and independent fostering client weeks (see section 2.5.1 and 2.5.2) shows a sharp increase in the number of client weeks between the first and second quarters of 2010-11. A review is ongoing of all high cost placements, as to whether a child's needs may be better served in a more cost effective in-house foster placement, however any savings the review may identify are likely to be offset by the significant increase in client weeks.

The county fostering team is forecasting an underspend of £193k partly due to staffing vacancies (-£93k) and delays in the commissioning of the county wide therapeutic service which is now expected to commence towards the end of the year (-£100k).

1.1.3.5 Other Preventative Services (gross)

These services are forecasting a gross pressure of +£540k largely due to a continual rise in the demand, leading to a pressure on both direct payments (+£358k) and daycare (+£295k) budgets. The increase in demand for these services may be attributable, at least in part, to the national publicity surrounding the Aiming High programme as the number of children with a disability receiving short break services from all sources has doubled during the life of the programme which began in 2008. These pressures are partially offset by an underspend of on the link placement scheme (-£60k) and other minor variances totalling -£53k.

1.1.3.6 16+ Service (gross)

The 16+ service is currently forecasting a gross pressure of +£1,086k due to significant demands on this service resulting from a peak in the number of children turning 16. There have been a high number of children transferring to this service in high cost placements, resulting in a pressure on residential care (+£582k) and in-house fostering (+£258k) although these figures have reduced substantially following a review of all high costs placements, transferring children to lower cost supported lodgings. The resulting pressure on Section 24/Leaving Care payments (including supported lodgings) is now +£562k. (Overall therefore the review of high cost placements has helped to reduce the pressure on this service from £1.703m to £1.086m since the quarter 1 report). These pressures are only partially offset by variances on other services including underspends on independent fostering allowances (-£290k) and Kinship (-£42k).

The overall pressure on this service is reducing, following the review of all high cost residential care and fostering placements, by transferring a number of children to lower cost supported lodgings. However, the Authority has a legal obligation to maintain the existing placement if the child requests. Further updates will be given in future monitoring reports.

1.1.3.7 Children's Support Services (gross)

These services are forecasting a gross underspend of -£163k mainly due to an underspend of -£146k in social care workforce training unit. This underspend has resulted from a number of staff vacancies coupled with the securing of additional external income (already reflected in the 2010-11 cash limit) to fund the social work training programme, allowing the rebadging of traditionally base funded activities, although this additional income is not certain each year.

1.1.3.8 Assessment and Related (gross)

The current forecast underspend of -£1,776k is due to a high level of staff vacancies. In 2009-10 there were a number of successful recruitment drives, both nationally and internally and we are continuing to advertise social work posts on a rolling basis. There has been continued success in foreign recruitment and higher than anticipated numbers of existing staff have been retained. All of this has resulted in a reduction in the underspend on this budget from £3.7m in 2009-10 to the £1.776m currently forecast for 2010-11.

1.1.3.9 Asylum Services (gross and income)

The asylum service is forecasting a gross pressure of +£777k due to the costs incurred in continuing to support young people (18+ care leavers) who are categorised as "All Rights Exhausted" (ARE) and "naturalised".

The UKBA will fund the costs of an individual for up to three months after the ARE process, but the LA remains responsible for costs under the Leaving Care Act until the point of removal. The UKBA are working on speeding up the ARE and removal process, however the processes have not been accelerated in tandem resulting in the widening of the gap between the dates of ARE and removal, exacerbating the pressure on the asylum budget. In addition, the service also has a duty of care under the Leaving Care Act to support those young people who have undergone the naturalisation process but are not eligible for benefits due to delays in being identified by the benefit system or when undertaking education courses.

The service is working towards bringing the average weekly cost of care leavers in line with the UKBA funded rates of £150 per week per client by the beginning of 2011-12. In order to achieve this, rent costs must be no more than £100 per week and positive discussions have taken place with accommodation providers to relocate clients to more affordable housing in the later part of the year, along with the greater use of housing benefit. However a series of one-off costs has been incurred as a result of the relocation and closing of more expensive placements which has led to average weekly costs for the first 6 months of 2010-11 of £227.79 per week (see section 2.8). Additional funding was made available as part of the MTP in 2010-11 to help fund the difference between the current average cost and the funded rate. However, this funding will be taken back as a saving in the 2011-14 MTP, therefore it is imperative the unit cost of £150 per week is reached by 1 April 2011.

On 12 August 2010, the UKBA wrote to all Local Authorities confirming the grant rules for the Unaccompanied Asylum Seeking Children (UASC) Grant and Leaving Care Grant for 2010-11 financial year. Whilst there are no changes to the Leaving Care Grant, a new regime has been implemented for the UASC Grant from 1 October and the intention is to carry forward these new grant arrangements into 2011-12. Early analysis suggests changes to the grant rules will not have a significant impact on this service.

1.1.3.10 SEN Transport (gross)

The budget is forecasting an estimated underspend of -£1,200k due to the full year effect of successful contract renegotiations in the previous years, coupled with ongoing contract reviews. The number of children requiring SEN transport remains high, however it is below the budgeted level due to additional funding made available as part of the MTP (see section 2.1), which also contributes to the underspend. The number of pupils is just one variable contributing to total cost of transport with other factors such as distance travelled, type of travel etc impacting on the forecast.

1.1.3.11 Strategic, Planning and Review (gross)

The National Foundation of Educational Research (NFER) survey is no longer due to take place in 2010-11 resulting in a forecast underspend of -£160k. The survey seeks the views of children on a range of subjects and the Directorate was hoping to use the 'Tellus' survey in the future, however this has recently been scrapped, and alternative options are now being considered.

1.1.3.12 Business Planning and Management Unit (gross)

The unit is forecasting a gross pressure of +£129k solely due to the pressure on the childrens social services legal budget following the introduction of the public law outline, a change in the way care proceedings are conducted, and increased demand for internal legal services, resulting in a forecast pressure of +£261k. This pressures is partially offset by an underspend on facilities of -£78k due to savings on building running costs and other minor underspends of -£54k.

1.1.3.13 Awards (gross)

The awards service is forecasting a gross pressure of +£217k due to a pressure on staffing of +£150k and home to college transport of +£67k. The assessment and processing of the student loans applications has been centralised and this is the final year of a three year transfer of this service to the Student Loans Company. The number of staff has reduced over this period however a staffing pressure has arisen whilst the handover is finalised and the unit is closed. This is a one-off pressure and will disappear in 2011-12.

1.1.3.14 Personnel and Development (gross)

The unit is forecasting a gross underspend of -£632k of which -£544k relates to CRB checks and -£67k to School Crossing Patrols. In 2010-11 additional funding was made available as part of the MTP for the Independent Safeguarding Authority (ISA) scheme and three yearly CRB checks, however, following the announcement by the Government, this has been put on hold indefinitely and may be scrapped. Existing procedures for CRB checks, which are currently only done as part of the appointment process, will continue until a new scheme has been agreed. There are other minor underspends of -£21k.

1.1.3.15 Client Services (income)

In 2009-10, the unit was expected, as part of the MTP, to implement full-cost recovery in relation to contract management of the cleaning and refuse collection contracts with schools. However, whilst they have made significant strides to achieve this, the service is struggling to achieve the necessary income to cover the costs of the contract team resulting in a forecast +£110k under-recovery of income.

1.1.3.16 Mainstream Home to School Transport (gross)

The budget is forecasting a gross underspend of -£1,038k due to the number of children requiring transport continuing to be below budgeted level (see 2.1), along with the full year effect of successful contract renegotiations in 2009-10 and ongoing contract reviews.

Other Issues

1.1.3.17 Payments to PVI providers for the free Entitlement for three and four year olds

The latest forecast suggests an underspend of around -£2.4 million on payments to PVI providers for 3 and 4 year olds. This underspend is in addition to the £1.5 million cash limit recently removed from this service to help fund the in year government grant reductions (as reported to Cabinet in July). The number of hours provided has increased by 17.8% over the same two terms last year as per Section 2.2 due to one more week in the summer term than last year, a significant increase (3.5%) in the number of children, and an increase in the average number of hours taken up mainly due to the introduction of extension of the free entitlement to 15 hours per week in pilot areas. The forecast assumes this trend will continue in the spring term. In addition, the extension of the free entitlement to 15 hours per week was rolled out across the County in September 2010 and it has been assumed there will be a similar level of take up as in the pilot area. A more accurate forecast will be available once the autumn term hours are confirmed at the end of November/beginning of December and a further update will be given in the November exception report to be reported to Cabinet in January. As this budget is funded entirely from DSG and standards fund, this underspend is transferred into the DSG reserve at the end of the year in accordance with regulations.

1.1.3.18 Delegated Schools Budgets

Following the Secretary of State's announcement that outstanding schools could convert to academy status and the passing of the Academies Act 2010, the latest position is as follows. Nine schools (including 2 primary schools) have converted since the beginning of September 2010. Another 3 schools are due to convert on 1st December and a further 6 at the beginning of 2011. In addition to this, 5 schools converted to 'old style' academies from 1st September.

The forecast £3.481m drawdown of schools reserves shown in tables 1 and 2 represents the estimated reduction in reserves resulting from these 23 schools converting to academies including the 18 schools converting to academies following the recent government announcements.

The first 2010-11 monitoring returns from schools are currently being collated and an update on the position will be provided in the next exception report to Cabinet in January.

1.1.3.19 Restructure update

The CFE restructure is being implemented and cash limits to reflect the new structure will be reported in the next full monitoring report to Cabinet in April. We expect the required savings to be achieved.

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

(shading denotes that a pressure has an offsetting saving, which is directly related, or vice versa)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CFE	Schools Delegated Budget: estimated drawdown of schools reserves due to 23 schools converting to academies	+3,481	CFE	Assessment & Related (gross): high level of staff vacancies due to difficulty in recruitment	-1,776
CFE	Fostering Service (gross): Continual high demand for Independent fostering allowances	+1,515	CFE	SEN Transport (gross): fewer than budgeted children travelling and contract renegotiation	-1,200
CFE	Fostering Service (gross): high demand for in-house foster care placements	+1,147	CFE	Mainstream Home to School Transport: fewer children than budgeted level	-1,038
CFE	Residential Care (gross): high demand for independent sector residential care placements	+1,015	CFE	Personnel and Development (gross): Independent Safeguarding Authority scheme & 3 yearly CRB checks put on hold indefinitely	-544
CFE	Asylum Service (gross): Providing support for young people categorised as "all rights exhausted" and naturalised	+777	CFE	Residential Care (gross): fewer placements in secure accommodation	-352
CFE	16+ Service (gross): high demand for residential care placements	+582	CFE	LCSPs (income): additional internal income for provision of 2 year old places	-322
CFE	16+ Service (gross): high demand for Section 24/leaving care services	+562	CFE	16+ Service (gross): fewer placements in independent fostering	-290
CFE	LCSPs (gross): pressure for provision of 2 year old places at Children's Centres & Nurseries	+385	CFE	Strategic, Planning and Review (gross): National Foundation of Educational Research survey will not take place in 2010-11	-160
CFE	Other Preventative Services (gross): high demand of direct payments	+358	CFE	Extended Services (gross): T2010 targets for Healthy Eating and Parent Support achieved in 2009-10	-155
CFE	Other Preventative Services (gross): high demand for daycare services for children with a disability	+295	CFE	Children's Support Services (gross): staff vacancies relating to social care professional training and use of external income to fund training programmes	-146
CFE	Business Planning and Management Unit (gross): Rise in costs due to change in care proceedings and high demand for children social services legal budget	+261	CFE	Fostering Service (gross): Delays in the implementation of the county wide therapeutic service	-100
CFE	16+ Service (gross): high demand for in-house fostering placements	+258			
CFE	Awards (gross): staffing pressure whilst finalising the handover of work to the Student Loan Company	+150			
CFE	Client Services (income): under-recovery of income relating to the cleaning and refuse collection contract	+110			
		+10,896			-6,083

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

N/A

1.1.5 Implications for MTP:

The base budget implications of issues identified in this monitoring report will be a call on the amounts identified in the 2010/13 MTP as emerging pressures in 2011/12 and 2012/13. The details of individual amounts will be included when the revised plan is published for consultation in January 2011 together with any new pressures forecast for 2011/12 and 2012/13. The significant issues for the Children, Families and Education portfolio arising from 2010/11 budget monitoring are as follows:

- Residential Care – in the current year the service has seen an increase in the number of children placed in independent sector residential placements resulting in an estimated gross pressure of +£1,015k (see paragraph 1.1.3.3 above). It is anticipated that this demand will continue for the medium term and therefore a pressure will be included within the Directorate's MTP submission.
- Independent and in-house Fostering – in the current year the fostering service is forecasting a gross pressure of £2,479k (see paragraph 1.1.3.4 above). Whilst a review is currently being undertaken of all high cost placements, it is anticipated that some of this demand will continue for the medium term and therefore a pressure will be included within the Directorate's MTP submission.
- Other preventative services – in the current year the service is forecasting a gross pressure of +£540k (see paragraph 1.1.3.5 above) largely due to a continual rise in the demand for these services leading to a pressure on both direct payments and daycare budgets. It is anticipated that this demand will continue for the medium term and therefore a pressure will be included within the Directorate's MTP submission.
- 16+ Leaving Care Services - The 16+ service is currently forecasting a gross pressure of +£1,086k (see paragraph 1.1.3.4). It is hoped the pressure on this service will reduce, following the review of all high cost residential care and fostering placements. However, if the reduction does not materialise and the future age profile of looked after children indicates a continuing pressure this will be included within the Directorate's MTP submission.
- Asylum Service – Funding was made available as part of the MTP in 2010-11 to help fund the difference between the current average cost and the funded rate for 18+ Care Leavers. However, this funding will be taken back as a saving in the 2011-14 MTP, therefore it is imperative the unit cost of £150 per week is reached by 1 April 2011. The service is confident that they will be able to achieve this by the start of 2011-12, however a pressure is expected to continue on the service for those young people who are not covered by the existing grant rules, including the first 25 care leavers and those categorised as either "All Rights Exhausted" and naturalised.
- LSC Transfer - In the previous monitoring report, submitted to Cabinet in July, concerns were raised regarding the funding for the costs of term time residential placements at Independent Specialist Providers (ISP) for post 18 learners. Prior to the transfer of post 16 funding responsibility on 1st April 2010, the Learning Skills Council (LSC) had picked up all associated placement costs. This was a unique situation for Kent learners. The Young People's Learner Agency (YPLA), the replacement to the LSC, has confirmed they will fund all costs for 2010-11 academic year. However, there is still a risk this position may be reconsidered in future years, resulting in an estimated £1million pressure. Following the recent announcements from the Secretary of State, the YPLA will now directly fund general FE & sixth form colleges and other work based learning providers for 16-19 learners (up to 25 with a learning disability), rather than funds being directed through the local authorities. The funding responsibilities for 19 – 24 learners are still unclear, however work is being undertaken on a process that would reduce costs by reducing expensive out of county placements with local provision. Full details of the change in responsibilities are not expected until the end of November/early December. If this results in a subsequent pressure this will be included within the Directorate's MTP submission.

The revised MTP will include proposals on how the in-year cuts in Government grants will be accommodated in base budgets once it has been confirmed that these reductions are permanent following the announcement of the provisional local government finance settlement for 2011/12 which we anticipate will be in early December. The revised plan will also include the strategy to address the likely reductions in funding over the lifetime of the current parliament following the Chancellor's emergency budget statement on 22nd June in which he outlined his plans to address the national budget deficit and the Spending Review announcement on 20 October.

1.1.6 Details of re-phasing of revenue projects:

N/A

1.1.7 Details of proposals for residual variance:

The Directorate is forecasting an overall pressure of £4,460k, of which, +£3,481k represents the drawdown from school reserves following the anticipated transfer of 23 schools to academy status and +£979k net pressures relating to other non-delegated units. We are expecting to balance the 2010-11 Children, Families and Education portfolio (excluding Schools) and CFE SMT will be discussing proposals to achieve this during November.

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 11th October 2010, 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	2010-11 £'000s	2011-12 £'000s	2012-13 £'000s	Future Years £'000s	TOTAL £'000s
Children, Families & Education						
Budget	348,571	224,256	234,604	246,005	154,816	1,208,252
Adjustments:						0
- re-phasing August monitoring		-685	694	-9		0
- Integrated Childrens Systems		-90				-90
- Early Years/Children Centres		-1,507				-1,507
- Primary Improvement Programme - spend		477	393	-7		863
- Primary Improvement Programme - plan		-138	-393	7		-524
- Multi-Agency Hubs - plan		-1,036	-459	-1		-1,496
- Playbuilder capital funding		-231				-231
- Specialist Schools		130	10			140
- Basic Need - Fulston Manor		197				197
- Basic Need - Sittingbourne Community College		200				200
- Basic Need - Westlands		123				123
- The Towers		400	352		-1,140	-388
- Transforming Short Breaks		-549				-549
Revised Budget	348,571	221,547	235,201	245,995	153,676	1,204,990
Variance		-8,232	+8,734	+51	+117	+670
split:						
- real variance		+532	+174	-36	0	+670
- re-phasing		-8,764	+8,560	+87	+117	0
Devolved Capital to Schools						
Budget	2,049	47,290	34,291	34,291		117,921
Adjustments:						0
Revised Budget	2,049	47,290	34,291	34,291	0	117,921
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	350,620	268,837	269,492	280,286	153,676	1,322,911
Variance	0	-8,232	+8,734	+51	+117	+670
Real Variance		532	174	-36	0	670
Re-phasing		-8,764	8,560	87	117	0

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2010-11 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- Projects at preliminary stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

portfolio	Project	real/ phasing	Project Status			
			Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
CFE	Dev Opps - Swadelands	real			400	
			+0	+0	+400	+0
Underspends/Projects behind schedule						
CFE	Primary Improvement Programme	phasing			-3,991	
CFE	Swale MASH	phasing		-1,310		
CFE	Transforming Short Breaks	phasing		-1,098		
CFE	Thanet MASH	phasing		-886		
CFE	Childrens Centres	phasing		-764		
CFE	Service Redesign	phasing		-251		
			0	-4,309	-3,991	-0
				-4,309	-4,391	-0

1.2.4 Projects re-phasing by over £1m:

1.2.4.1 Primary Improvement Programme (Approval to Plan) – a variance in 2010/11 of -£4.032m (re-phasing of -£3.991m & real variance of -£0.041m)

There are six projects at approval to plan where expenditure was expected during 2010-11. These projects are either not expected to spend during the current financial year, or will only spend a minimal amount on preparation and planning work. The projects involved are:

- Halfway Houses PS, Sheppey - Relocation to new site
- Richmond PS, Sheppey - Extension and refurbishment
- West Minster PS, Sheppey - Extension and refurbishment
- St John's CEPS, Sevenoaks - New hall and kitchen plus refurbishment
- St Paul's CEPS, Tunbridge Wells - Minor refurbishment
- Archbishop Courtenay CEPS, Maidstone - New build school.

All of the projects are part of the Primary Capital Programme funded by Government grant supplemented by capital receipt and conceived of as a 14 year rolling programme. Five of these projects were expected to incur expenditure this year to take advantage of the rolling nature of the programme. Due to the economic downturn and uncertainty over future government funding there is a slowdown in the flow of capital. Given that it is not possible to enter into any contractual commitment until future funding streams have been confirmed it has been necessary to slow the rollout of current projects.

The KCC spending on Archbishop Courtenay CEPS has been re-profiled to enable another funding stream to be secured by the Diocese from the Department for Education (DfE), which is required to be spent prior to the end of the 2010-11 financial year.

The total amount of the re-phasing in 2010-11 is £3.991m which represents 14.7% of the total value of the programme.

Revised phasing of the scheme is now as follows:

	Prior Years	2010-11	2011-12	2012-13	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	918	5,210	10,303	10,700	0	27,131
Forecast	918	1,178	14,258	10,657	36	27,047
Variance	0	-4,032	+3,955	-43	+36	-84
FUNDING						
Budget:						
Grant	34	5,210	10,303	10,700	0	26,247
Supported Borrowing	-75	0	0	0	0	-75
PEF2	959	0	0	0	0	959
TOTAL	918	5,210	10,303	10,700	0	27,131
Forecast:						
Grant	34	1,178	14,258	10,657	36	26,163
Supported Borrowing	-75	0	0	0	0	-75
PEF2	959	0	0	0	0	959
TOTAL	918	1,178	14,258	10,657	36	27,047
Variance	0	-4,032	+3,955	-43	+36	-84

1.2.4.2 Swale Multi Agency Hub - re-phasing of -£1.310m

This is a joint venture between KCC and Eastern & Coastal Kent Primary Care Trust which is predominantly funded by a DfE Co-location grant (£3.590m) plus an additional contribution from KCC (£0.500m).

The project is designed to deliver a multi-agency specialist hub for disabled children and their families living in Swale, one of the most deprived districts in Kent. The project will establish a strong link with the new Meadowfield Special School, which includes a specialist training centre, located 2.5 miles away. The centre will co-locate the following services: a multi-agency assessment centre, a specialist child and adolescent mental health service, specialist short breaks offered during the day and evening, a specialist nursery, a specialist training centre to promote inclusion & a carers centre.

The project has been delayed by planning issues and the disconnection of mains gas and electricity at the site to allow demolition works to commence.

The total amount of the re-phasing is £1.310m which represents 29.4% of the total value of the programme.

Revised phasing of the scheme is now as follows:

	Prior Years	2010-11	2011-12	2012-13	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	102	3,099	1,246	3	0	4,450
Forecast	102	1,789	2,529	30		4,450
Variance	0	-1,310	+1,283	+27	0	0
FUNDING						
Budget:						
Grant	102	3,099	749	0	0	3,950
Prudential	0	0	497	3		500
TOTAL	102	3,099	1,246	3	0	4,450
Forecast:						
Grant	102	1,789	2,059	0	0	3,950
Prudential	0	0	470	30	0	500
TOTAL	102	1,789	2,529	30	0	4,450
Variance	0	-1,310	+1,283	+27	0	0

1.2.4.3 Transforming Short Breaks programme - re-phasing of -£1.098m

-£1.095 of this re-phasing relates to the Ashford Multi Agency Hub. This is a joint venture between KCC and Eastern & Coastal Kent Primary Care Trust, which is to be funded by a grant from the Transforming Short Breaks Programme (£0.750m) and a contribution from the Primary Care Trust (PCT) (£3.900m).

The project will improve services to disabled children and other young people with complex needs. KCC and the PCT wish to continue providing the activities offered at the Ashford Child Development Centre, Jubilee House at the new premises to be located at Wyvern Secondary Special School. The premises are to include a child development centre, a resource centre for short breaks/respite care together with a nursery and 'SMILE' centre.

Planning delays and extensive archaeological investigations have caused significant delays to the commencement of this project.

The total amount of the re-phasing on this programme is £1.098m which represents 18.2% of the total value of the programme.

Revised phasing of the scheme is now as follows:

	Prior Years	2010-11	2011-12	2012-13	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	783	3,765	1,493	0	0	6,041
Forecast	783	2,667	2,591	0	0	6,041
Variance	0	-1,098	+1,098	0	0	0
FUNDING						
Budget:						
Grant	783	1,358	0	0	0	2,141
Ex Other	0	2,407	1,493		0	3,900
TOTAL	783	3,765	1,493	0	0	6,041
Forecast:						
Grant	783	1,358	0	0	0	2,141
Ex Other	0	1,309	2,591		0	3,900
TOTAL	783	2,667	2,591	0	0	6,041
Variance	0	-1,098	+1,098	0	0	0

1.2.5 Projects with real variances, including resourcing implications:

There is a real variance of +£0.670m (+£0.532m in 2010-11, +£0.174m in 2011-12 and -£0.036m in 2012-13) which is detailed as follows:

Development Opportunities +£0.689m (+£0.591m in 2010-11 and +£0.098m in 2011-12)

The additional spend is mainly made up of :

- Swadelands School +£0.400m (all in 2010-11) – the additional developer contributions has been combined with the Schools DFE Specialist Schools Grant of £0.200m to provide the school with an All Weather Sports Pitch.
- Dartford Campus +£0.257m (+£0.159m in 2010-11 and +£0.098m in 2011-12) - this relates to additional works required to complete this project. The main element of the extra work is associated with the re location of Adult Services from the old Yeomans Building on the Dartford Campus site to accommodation within North West Kent College. The overspend is to be met from the saving on the Bridge which is detailed in paragraph 1.2.5.2.

The Bridge -£0.237m (all in 2010-11) The settlement of contractor claims on this project have now been agreed and are significantly better than previously expected resulting in a net project saving. The saving of prudential borrowing on this project has been used to fund most of the additional costs on Dartford Campus.

Modernisation Programme 2008-10 +£0.294m (+£0.276m in 2010-11 and +£0.018m in 2011-12) The major increase in costs in this programme relate to :

- Maidstone Grammar School for Girls +£0.207m (all in 2010/11) - the additional costs relate to the early development costs for the proposed building scheme at the school.
- Sissinghurst +£0.090m (+£0.072m in 2010-11 and +£0.018m in 2011-12) – the additional costs relate to Highways works which were omitted from earlier cost projections.

The additional costs are to be met from developer contributions.

Corporate Property Team -£0.108m (all in 2010-11). The majority of the saving relates to the fixed maintenance element of the recharge which has reduced from £0.350m in 2009-10 to £0.281m in 2010-11.

Overall this leaves a residual balance of +£0.032m on a number of more minor projects

1.2.6 General Overview of capital programme:

(a) Risks

The current programme carries with it significant risks primarily related to its funding. We already know that the proposed investment in the improvements and maintenance of our estate was simply addressing the committed and essential works but even the funding of this programme is uncertain following the CSR announcement which has confirmed a larger than expected reduction in education capital investment. The indications are also that the majority of the funding is going to be committed to the 600 BSF & Academy schemes that the government are continuing with although collectively these are being required to deliver a 40% reduction.

Until we receive our capital allocations significant uncertainty will continue & we are not expecting announcements until early 2011.

The position on the outstanding academy schemes is expected to be finalised before the end of 2010 albeit with perhaps significant reduced funding.

In addition to the above specifics there are a number of recent issues that could present additional financial challenges. These include a couple of school roofs & a sizeable amount of asbestos found at BSF Wave 3 sites.

(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.

Following the BSF and Academies Programme announcement we have taken action to reduce our financial exposure as far as is 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 assets are ready for use and this is by way of an annual unitary charge to the revenue budget.

	Previous years	2010-11	2011-12	2012-13	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Budget	64,806	4,801	0	0	69,607
Actual / Forecast	64,806	4,801	0	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 were completed and handed over at the end of July 2010, as scheduled. Work has continued on the external areas including the demolition of the old buildings. A substantial amount of asbestos has been found below ground level during the demolition.

(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 Contractor has submitted compensations claims in relation to the asbestos that has been found at the PFI schools. The amount of the compensation claims have yet to be agreed but will, where they relate to asbestos that was not identified as part of the Type 2 surveys, be the responsibility of the Authority. Any payments will be 'one-off' capital payments and will not affect the unitary charge.

- Building Schools for the Future (future waves 4, 5 and 6)

Although the table below indicates £179.1m of expenditure, this investment in the BSF future waves is currently on hold following the Government's recent announcements. Waves 4, 5 and 6 in Kent are currently '**stopped**', although Wave 4 remains subject to representations made by the Council.

	2010-11	2011-12	Future Years	Total
	£'000s	£'000s	£'000s	£'000s
Budget	18,000	66,000	95,100	179,100
Actual / Forecast	18,000	66,000	95,100	179,100
Variance	0	0	0	0

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

At the present time there is no funding allocated for the future BSF waves. Any future expenditure is dependant on the outcome of representations made to the Government and the comprehensive spending review.

(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.

1.2.8 Project Re- Phasing

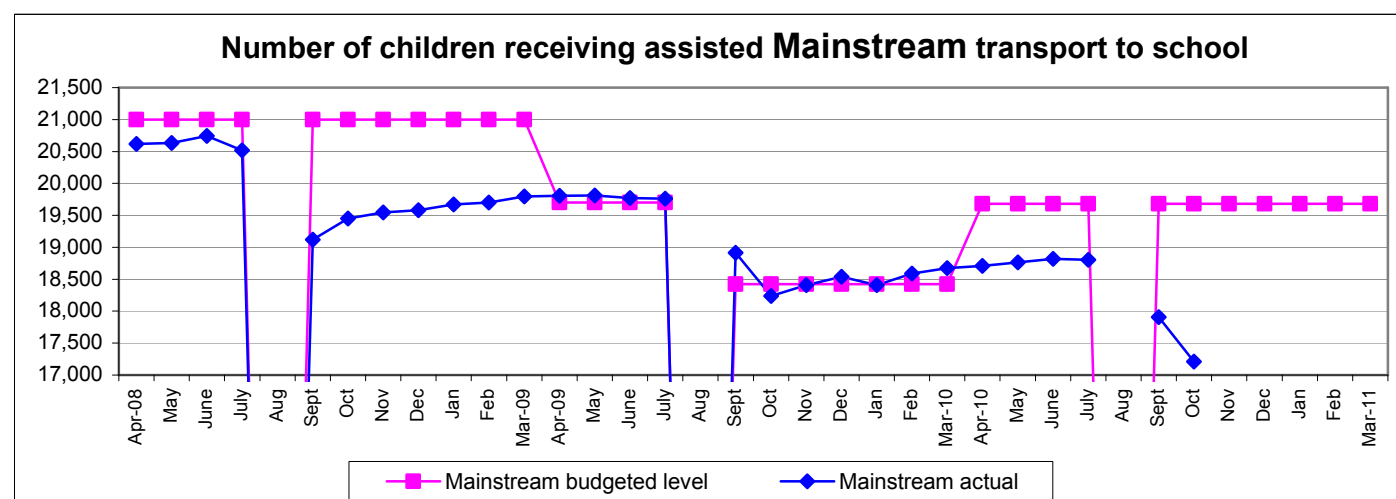
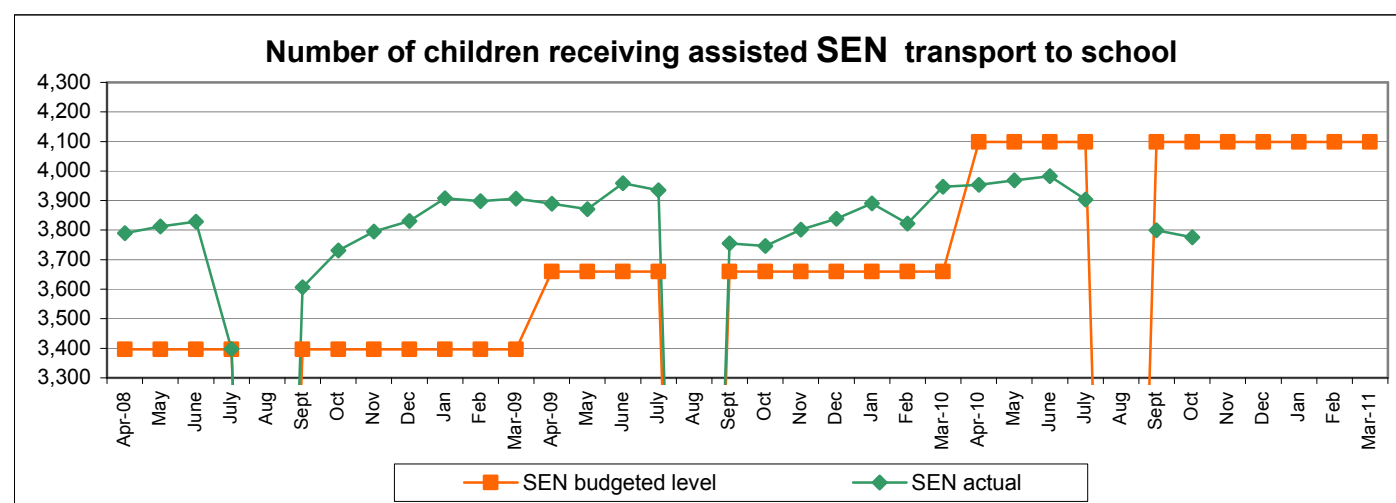
Cash limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the rephasing will be shown. The proposed re-phasing is detailed in the table below.

	2010-11	2011-12	2012-13	Future Years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Children's Centres Phase 1, 2, 3 & Early Years					
Amended total cash limits	+18,796	+7	0	0	+18,803
re-phasing	-764	+764			0
Revised project phasing	+18,032	+771	0	0	+18,803
Services Redesign					
Amended total cash limits	+251	0	0	0	+251
re-phasing	-251	+251			0
Revised project phasing	0	+251	0	0	+251
Transforming Short Breaks for Families with Disabled Children					
Amended total cash limits	+3,765	+1,493	0	0	+5,258
re-phasing	-1,098	+1,098			0
Revised project phasing	+2,667	+2,591	0	0	+5,258
Kitchen and Dining Programme					
Amended total cash limits	+929	+331	0	0	+1,260
re-phasing	-142	+142			0
Revised project phasing	+787	+473	0	0	+1,260
MASH - Thanet					
Amended total cash limits	+2,466	+1,395	+3	0	+3,864
re-phasing	-886	+863	+23		0
Revised project phasing	+1,580	+2,258	+26	0	+3,864
MASH - Swale					
Amended total cash limits	+3,099	+1,246	+3	0	+4,348
re-phasing	-1,310	+1,283	+27		0
Revised project phasing	+1,789	+2,529	+30	0	+4,348
Primary Improvement Programme - Approval to Plan					
Amended total cash limits	+5,210	+10,303	+10,700	0	+26,213
re-phasing	-3,991	+3,955		+36	0
Revised project phasing	+1,219	+14,258	+10,700	+36	+26,213
Total re-phasing >£100k	-8,442	+8,356	+50	+36	0
Other re-phased Projects below £100k	-322	+205	+36	+81	0
TOTAL RE-PHASING	-8,764	+8,561	+86	+117	0

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

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

	2008-09				2009-10				2010-11			
	SEN		Mainstream		SEN		Mainstream		SEN		Mainstream	
	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual
April	3,396	3,790	21,000	20,618	3,660	3,889	19,700	19,805	4,098	3,953	19,679	18,711
May	3,396	3,812	21,000	20,635	3,660	3,871	19,700	19,813	4,098	3,969	19,679	18,763
June	3,396	3,829	21,000	20,741	3,660	3,959	19,700	19,773	4,098	3,983	19,679	18,821
July	3,396	3,398	21,000	20,516	3,660	3,935	19,700	19,761	4,098	3,904	19,679	18,804
Aug	0	0	0	0	0	0	0	0	0	0	0	0
Sept	3,396	3,607	21,000	19,118	3,660	3,755	18,425	18,914	4,098	3,799	19,679	17,906
Oct	3,396	3,731	21,000	19,450	3,660	3,746	18,425	18,239	4,098	3,776	19,679	17,211
Nov	3,396	3,795	21,000	19,548	3,660	3,802	18,425	18,410	4,098		19,679	
Dec	3,396	3,831	21,000	19,579	3,660	3,838	18,425	18,540	4,098		19,679	
Jan	3,396	3,908	21,000	19,670	3,660	3,890	18,425	18,407	4,098		19,679	
Feb	3,396	3,898	21,000	19,701	3,660	3,822	18,425	18,591	4,098		19,679	
Mar	3,396	3,907	21,000	19,797	3,660	3,947	18,425	18,674	4,098		19,679	

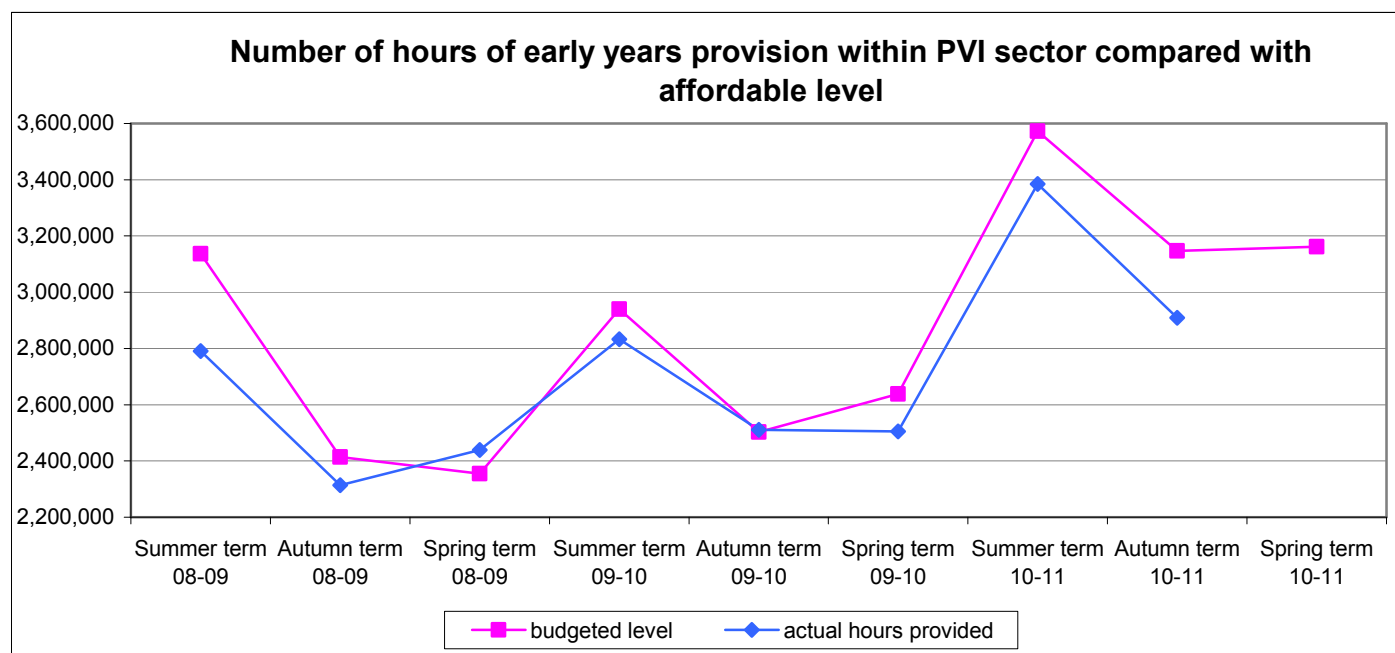


Comments:

- **SEN HTST** – The number of children is lower than the budgeted level contributing to the underspend of -£1,200k reported in section 1.1.3.10.
- **Mainstream HTST** – The number of children is lower than the budgeted level resulting in a corresponding underspend of -£943k (see section 1.1.3.16).

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:

	2008-09		2009-10		2010-11	
	Budgeted number of hours	Actual hours provided	Budgeted number of hours	Actual hours provided	Budgeted number of hours	Actual hours provided
Summer term	3,136,344	2,790,446	2,939,695	2,832,550	3,572,444	3,385,199
Autumn term	2,413,489	2,313,819	2,502,314	2,510,826	3,147,387	2,909,313
Spring term	2,354,750	2,438,957	2,637,646	2,504,512	3,161,965	
	7,904,583	7,543,222	8,079,655	7,847,888	9,881,796	6,294,512



Comments:

- The budgeted number of hours per term is based on an assumed level of take-up and the assumed number of weeks the providers are open. The variation between the terms is due to two reasons: firstly, the movement of 4 year olds at the start of the Autumn term into reception year in mainstream schools; and secondly, the terms do not have the same number of weeks.
- The phased roll-out of the increase in the number of free entitlement hours from 12.5hrs to 15 hrs per week began from September 2009 and was rolled out across the County in September 2010. The increase in the number of hours has been factored into the budgeted number of hours for 2009-10 and 2010-11. This increase in hours is funded by a specific DFE Standards Fund grant.
- The current activity suggests an underspend of approximately £2.4m on this budget which has been mentioned in section 1.1.3.17 of this annex.
- It should be noted that not all parents currently take up their full entitlement and this can change during the year.

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

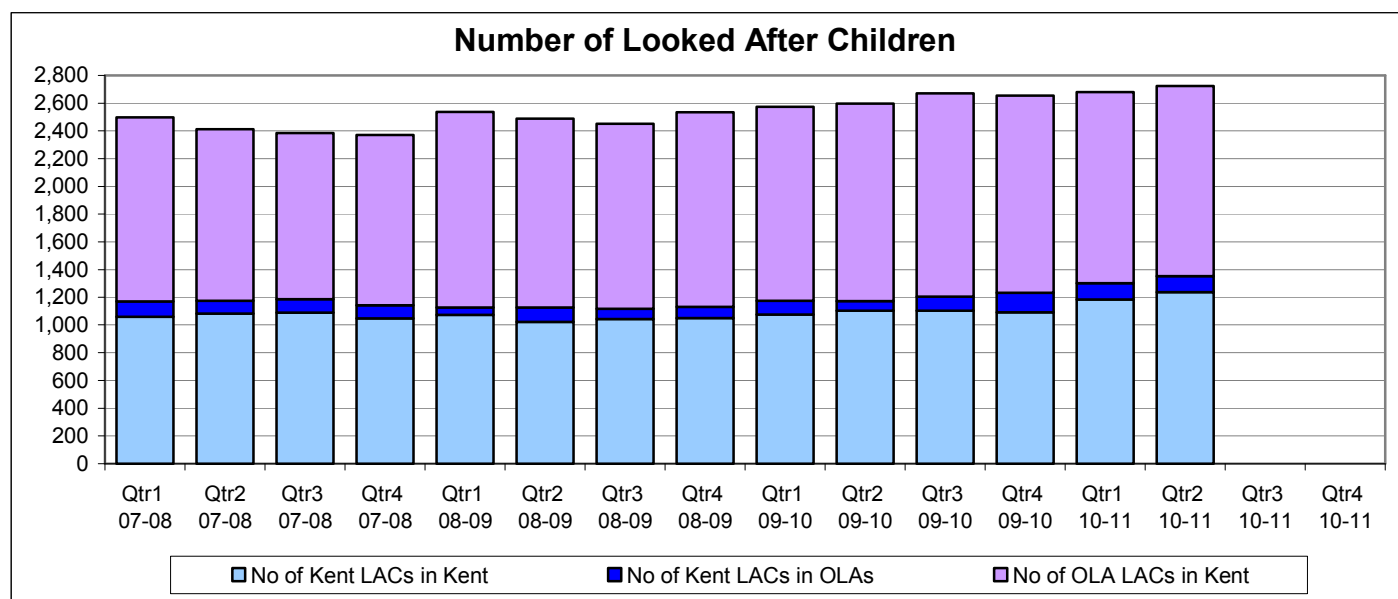
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	as at 31-3-06	as at 31-3-07	as at 31-3-08	as at 31-3-09	as at 31-3-10	Projection
Total number of schools	600	596	575	570	564	541
Total value of school revenue reserves	£70,657k	£74,376k	£79,360k	£63,184k	£51,753k	£48,272k
Number of deficit schools	9	15	15	13	23	17
Total value of deficits	£947k	£1,426k	£1,068k	£1,775k	£2,409k	£2,474k

Comments:

- The information on deficit schools for 2010-11 has been obtained from the schools budget submissions. The LA receives updates from all schools through budget monitoring returns after 6 months, and 9 months as well as an outturn report at year end.
- 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 LA. The CFE Statutory team are working with all schools currently reporting a deficit with the aim of returning the schools to a balanced budget position as soon as possible. This involves agreeing a management action plan with each school.
- The number of schools is based on the assumption all 18 schools (including 14 outstanding secondary schools and 4 primary schools) will convert to academies before the 31st March 2011 in line with the government’s decision to fast track outstanding schools to academy status. This is in addition to the 5 secondary schools planned to transfer to academy status during 2010-11.
- The estimated drawdown from schools reserves of £3,481k represents the estimated reduction in reserves resulting from 23 schools converting to academy status, however the value of school reserves and deficits are very difficult to predict at this early stage in the year and further updates will be provided in future monitoring reports once we have collated the first monitoring returns from schools.

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	1,104	102	1,206	1,465	2,671
Jan – Mar	1,094	139	1,233	1,421	2,654
2010-11					
Apr – Jun	1,184	119	1,303	1,377	2,680
Jul – Sep	1,237	116	1,353	1,372	2,725
Oct – Dec					
Jan – Mar					

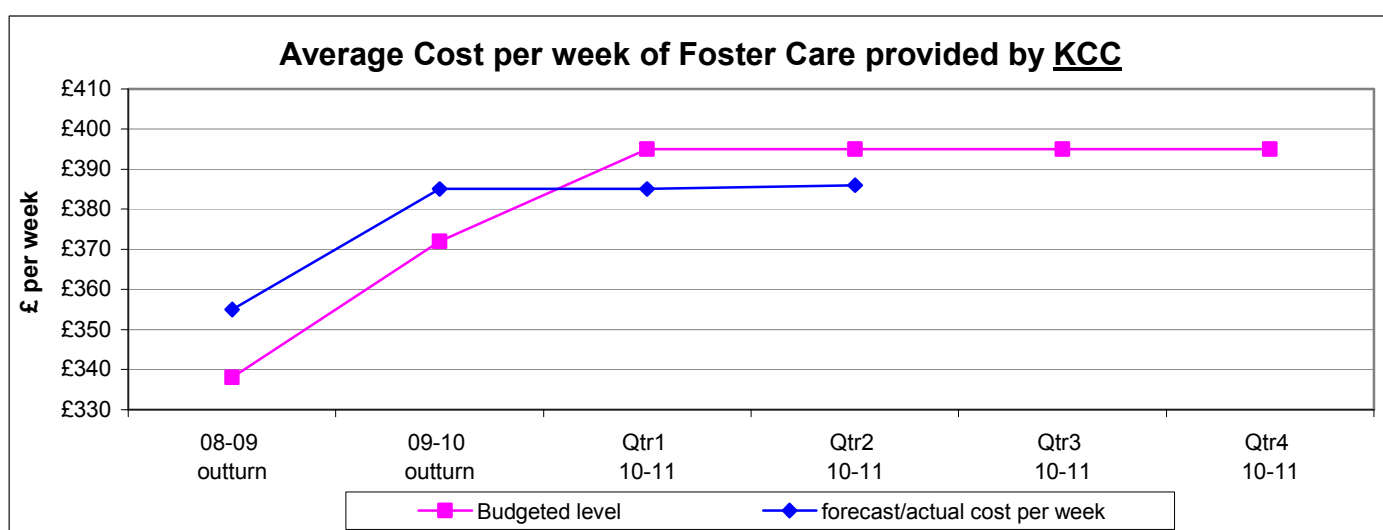
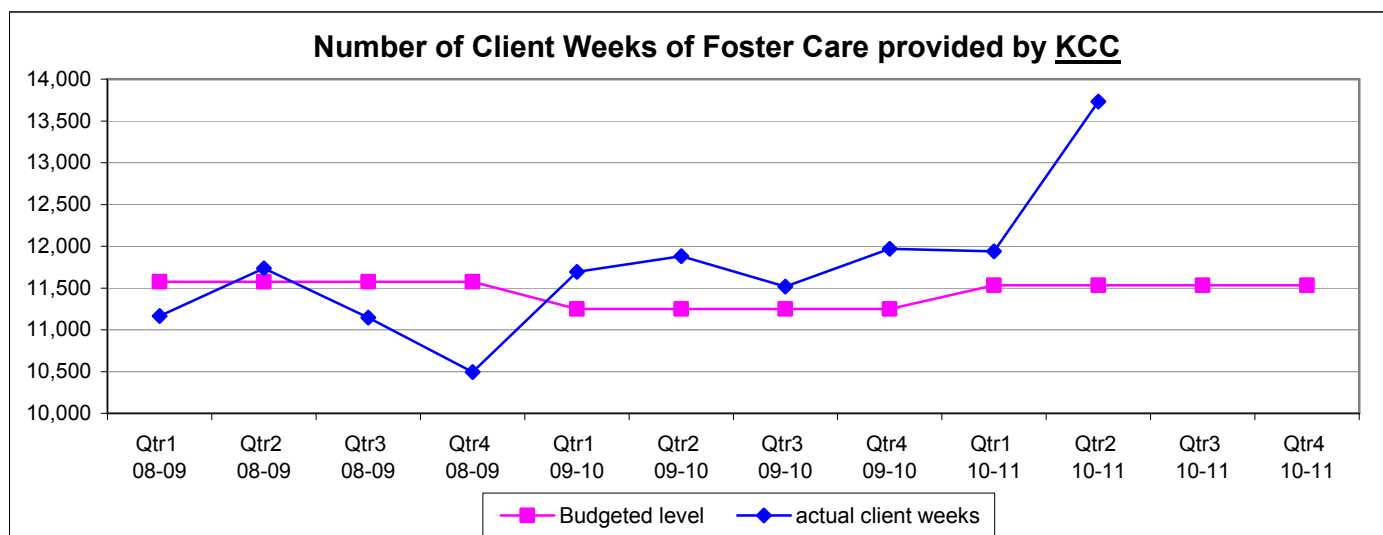


Comments:

- 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 Kent looked after children has increased by 50, there could have been more during the period.
- The increase in the number of looked after children is reflected in the additional pressure on fostering (see section 1.1.3.4).

2.5.1 Number of Client Weeks & Average Cost per Client Week of Foster Care provided by KCC:

	2008-09				2009-10				2010-11			
	No of weeks		Average cost per client week		No of weeks		Average cost per client week		No of weeks		Average cost per client week	
	Budget Level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	forecast
Apr - June	11,576	11,166			11,249	11,695			11,532	11,937	£395	£386
July - Sep	11,576	11,735			11,249	11,880			11,532	13,732	£395	£386
Oct - Dec	11,576	11,147			11,249	11,518			11,532		£395	
Jan - Mar	11,576	10,493			11,249	11,969			11,532		£395	
	46,303	44,451	£338	£355	44,997	47,062	£372	£385	46,128	25,669	£395	£386

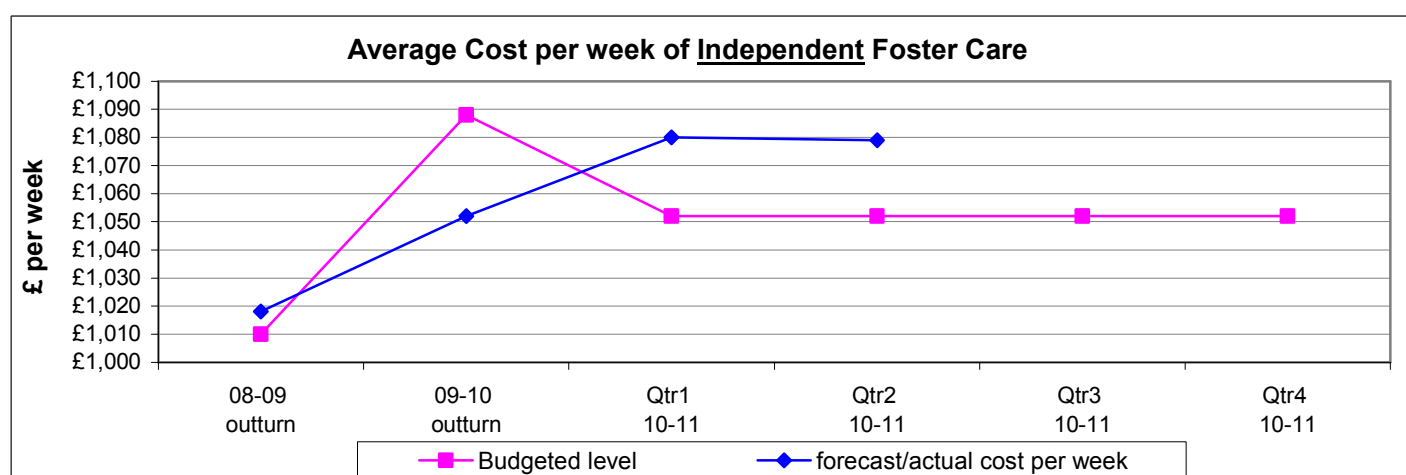
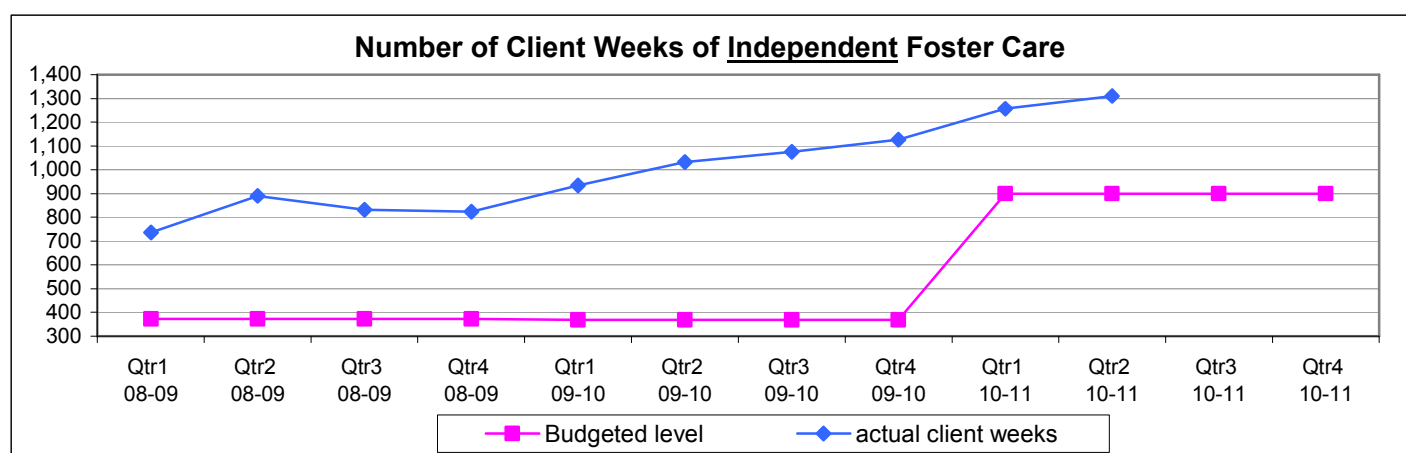


Comments:

- The actual number of client weeks is based on the numbers of known clients at a particular point in time. This may be subject to change due to the late receipt of paperwork.
- The budgeted level has been calculated by dividing the budget by the average weekly cost. The average weekly cost is also an estimate based on financial information which may be subject to change.
- The forecast unit cost of £386 is £9 below the budgeted level and when multiplied by the budgeted number of weeks, gives a saving of -£417k. However, this is more than offset by the high demand for in-house foster placements in both the fostering service (under 16s and those with a disability) and the 16+ service, therefore resulting in a combined net pressure of £1,405k (see sections 1.1.3.4 and 1.1.3.6). Although this forecast appears low compared with actual year to date activity, the forecast number of client weeks for the second 6 months of 2010-11 is lower than the first 6 months as it is based on all placements being forecast individually and takes into account all future placements identified by District managers.

2.5.2 Number of Client Weeks & Average Cost per Client Week of Independent Foster Care:

	2008-09				2009-10				2010-11			
	No of weeks		Average cost per client week		No of weeks		Average cost per client week		No of weeks		Average cost per client week	
	Budget Level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	forecast
Apr - June	372	737			369	935			900	1,257	£1,052	£1,080
July - Sep	372	890			369	1,032			900	1,310	£1,052	£1,079
Oct - Dec	372	831			369	1,075			900		£1,052	
Jan - Mar	372	823			369	1,126			900		£1,052	
	1,488	3,281	£1,010	£1,018	1,476	4,168	£1,088	£1,052	3,600	2,567	£1,052	

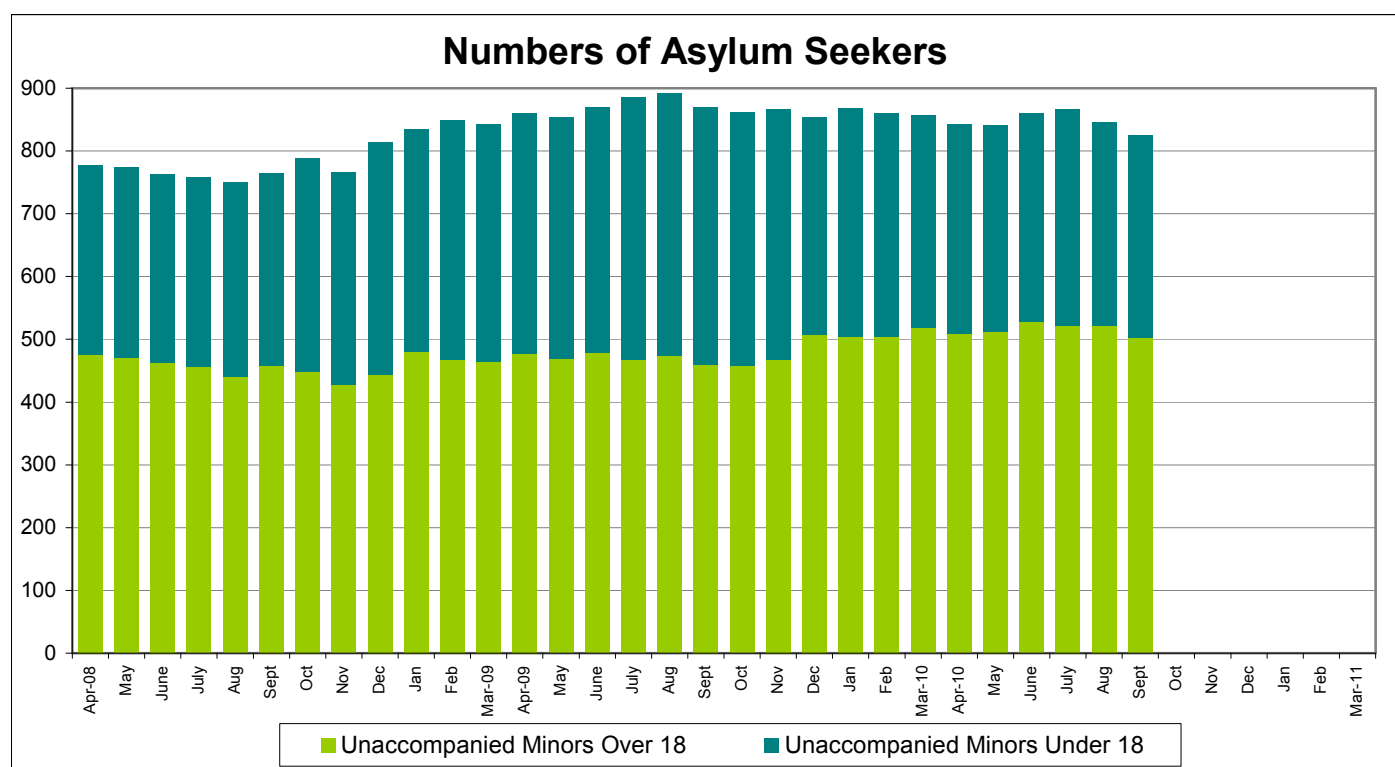


Comments:

- The actual number of client weeks is based on the numbers of known clients at a particular point in time. This may be subject to change due to the late receipt of paperwork.
- The budgeted level has been calculated by dividing the budget by the average weekly cost. The average weekly cost is also an estimate based on financial information which may be subject to change.
- The budgeted levels for 2010-11 are below the 2009-10 activity because although significant funding was made available as part of the MTP, this has been insufficient to cover the demands for this service. If current levels of activity continue throughout 2010-11, there will remain a pressure on the Independent Fostering budget of around £1,225k (see sections 1.1.3.4 and 1.1.3.6). Although this forecast appears low compared with actual year to date activity, all placements are forecast on an individual basis as identified by District managers and a number of placements are due to end. This service will require careful monitoring to identify potential overspends as early as possible during 2010-11.
- The forecast unit cost of £1,079 is £27 above the budgeted level and when multiplied by the budgeted number of weeks, gives a pressure of £97k. This is included within the £1,225k pressure explained within sections 1.1.3.4 and 1.1.3.6.

2.6 Numbers of Unaccompanied Asylum Seeking Children (UASC):

	2008-09			2009-10			2010-11		
	Under 18	Over 18	Total Clients	Under 18	Over 18	Total Clients	Under 18	Over 18	Total Clients
April	302	475	777	383	477	860	333	509	842
May	304	471	775	384	469	853	329	512	841
June	301	462	763	391	479	870	331	529	860
July	302	457	759	418	468	886	345	521	866
August	310	441	751	419	474	893	324	521	845
September	306	459	765	411	459	870	323	502	825
October	340	449	789	403	458	861			
November	339	428	767	400	467	867			
December	370	443	813	347	507	854			
January	354	480	834	364	504	868			
February	382	467	849	355	504	859			
March	379	464	843	338	519	857			



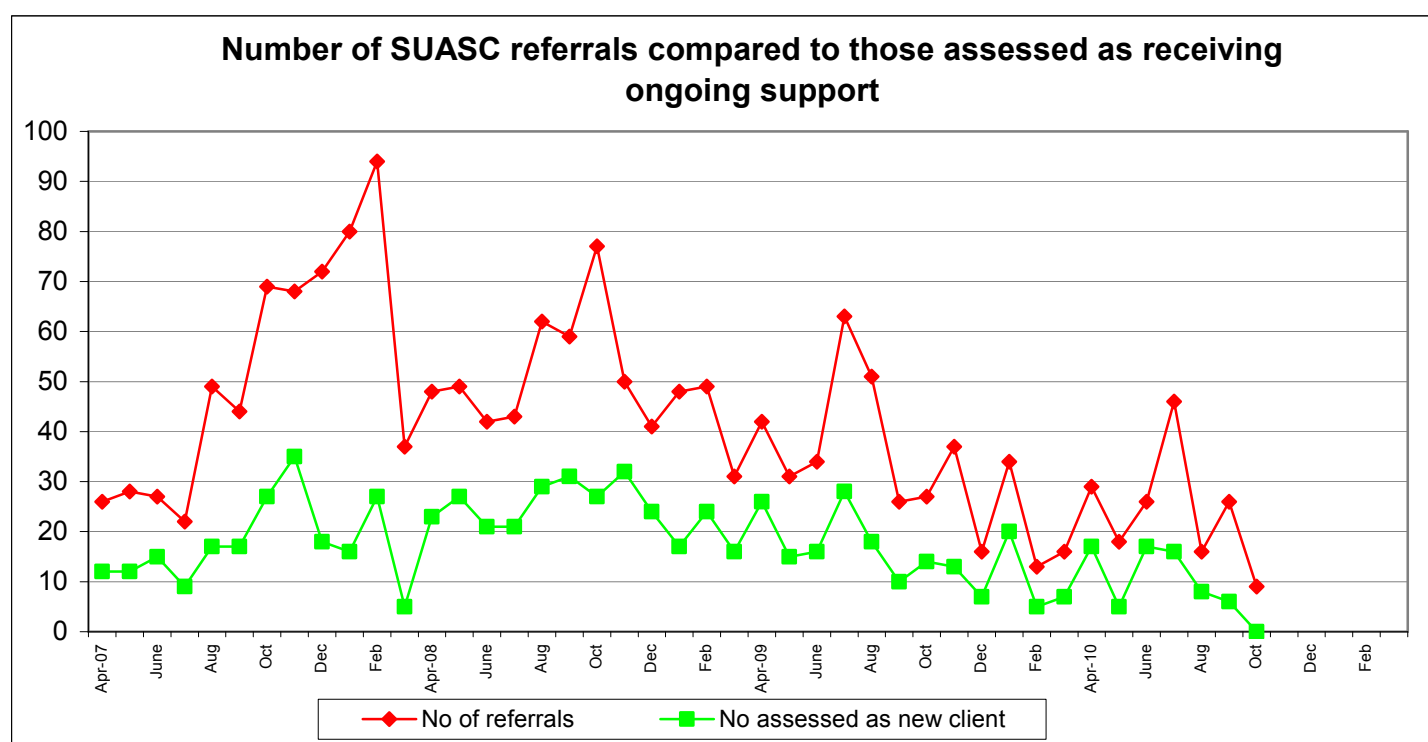
Comment:

- Client numbers have fallen for the past two months but remain higher than the projected number, which for 2010-11 is an average of 812 clients per month (approx 1.6% higher). This is largely due to over 18s not reducing as quickly as predicted, partly due to UKBA removals being significantly lower than anticipated, and also due to a number of over 21s remaining in the service while they complete their education courses (this is reflected in the pressure on this service of £777k, see section 1.1.3.9)
- The age profile suggests the number of over 18s is increasing compared to the same period last year, and it is this service which is experiencing the shortfall of funding. In addition the age profile of the under 18 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 or are being challenged. These clients are initially recorded as having the Date of Birth that they claim but once their assessment has been completed, or when successfully appealed, 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:**

	2007-08			2008-09			2009-10			2010-11		
	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	26	12	46%	48	23	48%	42	26	62%	29	17	59%
May	28	12	43%	49	27	55%	31	15	48%	18	5	28%
June	27	15	56%	42	21	50%	34	16	47%	26	17	65%
July	22	9	41%	43	21	49%	63	28	44%	46	16	35%
August	49	17	35%	62	29	47%	51	18	35%	16	8	50%
Sept	44	17	39%	59	31	53%	26	10	38%	26	6	23%
Oct	69	27	39%	77	27	35%	27	14	52%	9	0*	0%
Nov	68	35	51%	50	32	64%	37	13	35%			
Dec	72	18	25%	41	24	59%	16	7	44%			
Jan	80	16	20%	48	17	35%	34	20	59%			
Feb	94	27	29%	49	24	49%	13	5	38%			
March	37	5	14%	31	16	52%	16	7	44%			
	616	210	34%	599	292	49%	390	179	46%	170	69	41%

(* October 2010: 3 Assessments remain outstanding)

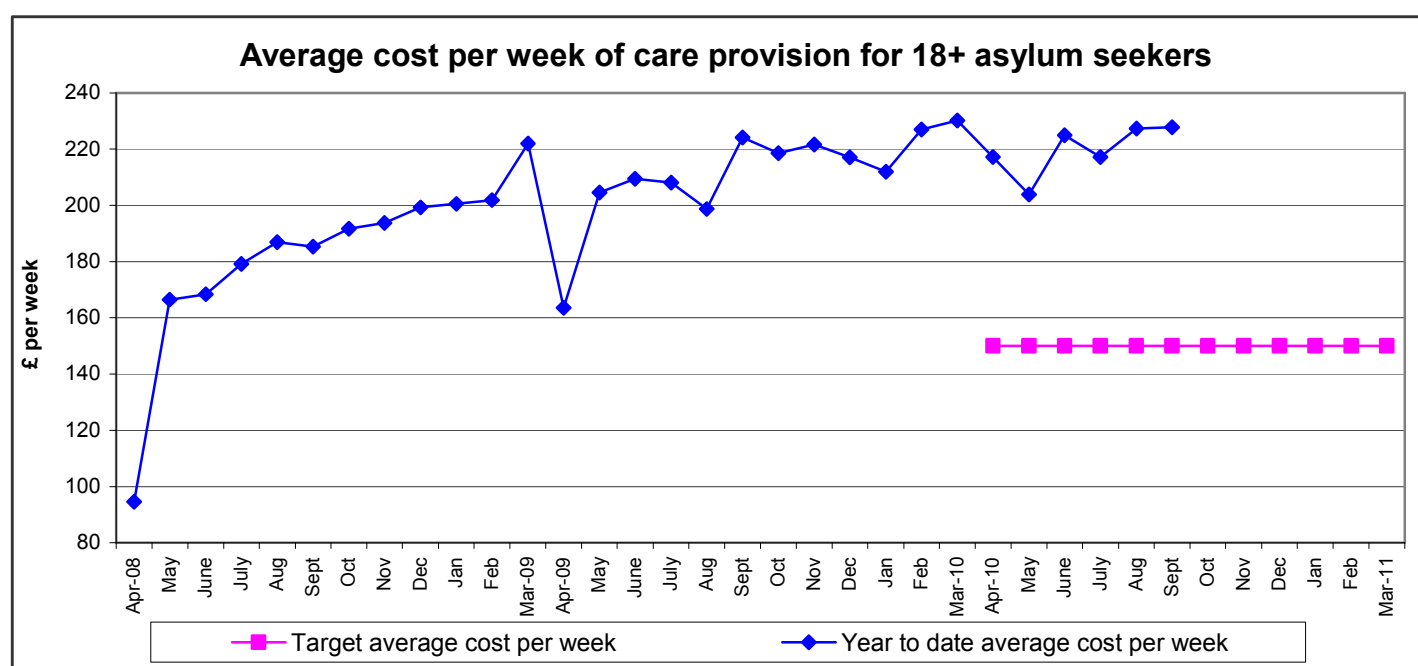


Comments:

- The number of referrals has tended to be lower since September 2009 which coincides with the French Government's action to clear asylum seeker camps around Calais and in October, is the lowest for over three years. Although the first 6 months of 2010-11 saw the number of referrals rise to an average close to the budgeted number of 30 referrals per month, the much lower number in October has reduced the average number of referrals to 24.3.
- The number of referrals has a knock on effect on the number assessed as new clients. The budgeted level is based on the assumption 50% of the referrals will be assessed as a new client. The number assessed as a new client had been higher than budgeted level, of 15 new clients per month, for three of the first four months of the year, but this has reduced for the past three months. This appears to follow the general trend experienced during the final seven months of 2009/10.

2.8 Average monthly cost of Asylum Seekers Care Provision for 18+ Care Leavers:

	2008-09		2009-10		2010-11	
	Target average weekly cost £p	Year to date average weekly cost £p	Target average weekly cost £p	Year to date average weekly cost £p	Target average weekly cost £p	Year to date average weekly cost £p
April		94.48		163.50	150.00	217.14
May		166.44		204.63	150.00	203.90
June		168.38		209.50	150.00	224.86
July		179.17		208.17	150.00	217.22
August		186.90		198.69	150.00	227.24
September		185.35		224.06	150.00	227.79
October		191.67		218.53	150.00	
November		193.71		221.64	150.00	
December		199.22		217.10	150.00	
January		200.46		211.99	150.00	
February		201.83		226.96	150.00	
March		221.97		230.11	150.00	



Comments:

- The funding levels for the Asylum Service agreed with the Government rely on us achieving an average cost per week of £150, in order for the service to be fully funded, which is also reliant on the UKBA accelerating the removal process. The UKBA will fund the costs of an individual for up to three months after the All Rights of appeal Exhausted (ARE) process, but the LA remains responsible for costs under the Leaving Care Act until the point of removal. As the gap between the date of ARE and the date of removal widens, then our ability to achieve a balanced position on the Asylum Service becomes more difficult.
- Since 1 April 2010, there have been over 80 young people declared ARE but there have only been 16 removed from the UK. This is partly why we are forecasting a £777k pressure on this service, as explained in section 1.1.3.9.
- Additional funding was made available as part of the MTP in 2010-11 to help fund the difference between the current average cost and the funded rate. This additional funding will be taken back as a saving in 11-14 MTP therefore it is imperative the unit cost of £150 per week is reached by 1 April 2011. In order to achieve this, rent costs must be no more than £100 per week and positive discussions have taken place with accommodation providers to relocate clients to more affordable housing in the later part of the year, along with the greater use of housing benefit. However a series of one-off costs has been incurred as a result of the relocation and closing of more expensive placements, which has led to average weekly costs for the first 6 months of 2010-11 of £227.79 per week.

KENT ADULT SOCIAL SERVICES DIRECTORATE SUMMARY OCTOBER 2010-11 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 a number of technical adjustments to budget.
- The inclusion of a number of 100% grants (i.e. grants which fully fund the additional costs) awarded since the budget was set. 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	
Adult Services portfolio							
Older People:							
- Residential Care	87,616	-33,310	54,306	1,367	-371	996	Demographic pressure; staff cover for in-house; additional client/health income
- Nursing Care	45,690	-21,078	24,612	777	-896	-119	Forecast activity slightly below affordable level
- Domiciliary Care	47,498	-10,044	37,454	36	92	128	Activity in independent sector in excess of affordable offset by underspend on in-house
- Direct Payments	5,062	-532	4,530	425	-26	399	Demographic and placement pressures
- Other Services	24,509	-7,459	17,050	-872	83	-789	WSD underspend; uncommitted grants; small underspends on a number of lines
Total Older People	210,375	-72,423	137,952	1,733	-1,118	615	
People with a Learning Disability:							
- Residential Care	72,361	-19,794	52,567	2,331	513	2,844	Demographic and placement pressures
- Domiciliary Care	7,827	-1,556	6,271	-384	-51	-435	Forecast activity and price below affordable level
- Direct Payments	7,865	-143	7,722	436	-94	342	Demographic and placement pressures
- Supported Accommodation	26,230	-15,556	10,674	499	70	569	some demographic and placement pressures
- Other Services	21,268	-897	20,371	-2,207	33	-2,174	Releasing of Managing Director's contingency to offset overall pressure; uncommitted grant funding; number of savings
Total People with a LD	135,551	-37,946	97,605	675	471	1,146	
People with a Physical Disability							
- Residential Care	12,526	-1,951	10,575	528	295	823	Demographic and placement pressures
- Domiciliary Care	7,661	-449	7,212	388	30	418	Demographic pressures

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
- Direct Payments	7,132	-249	6,883	974	-101	873	Demographic and placement pressures
- Supported Accommodation	394	-8	386	59	-14	45	
- Other Services	5,594	-685	4,909	-97	3	-94	
Total People with a PD	33,307	-3,342	29,965	1,852	213	2,065	
All Adults Assessment & Related	37,343	-2,071	35,272	96	3	99	
Mental Health Service							
- Residential Care	6,416	-882	5,534	908	205	1,113	Forecast activity in excess of affordable level; increased proportion of S117 clients who do not contribute to costs
- Domiciliary Care	623	0	623	-57	0	-57	
- Direct Payments	606	0	606	-78	0	-78	
- Supported Accommodation	542	-107	435	194	-19	175	Demographic pressures
- Assessment & Related	10,001	-876	9,125	-341	90	-251	Vacancy management; difficulties in recruiting
- Other Services	7,180	-902	6,278	-610	-90	-700	Releasing of Managing Director's contingency/ other uncommitted monies to offset overall pressure
Total Mental Health Service	25,368	-2,767	22,601	16	186	202	
Gypsy & Traveller Unit	662	-333	329	60	-55	5	
People with no recourse to Public Funds	100	0	100	0	0	0	
Strategic Management	1,222	0	1,222	-98	0	-98	
Strategic Business Support	24,716	-2,050	22,666	-1,390	-92	-1,482	Uncommitted funding held by Managing Director; vacancy management; non pay savings; grant funded posts
Support Services purchased from CED	6,787	0	6,787	29	0	29	
Specific Grants		-9,910	-9,910	0	0	0	
Total Adult Services controllable	475,431	-130,842	344,589	2,973	-392	2,581	
Assumed Management Action				-2,581		-2,581	
Forecast after Mgmt Action				392	-392	0	

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

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

1.1.3.1 General Comment

Winter brings an increased level of pressure to the health and social care community. Seasonal variations in illness have historically resulted in increased emergency admissions and length of stay in hospital during the winter months with pressures peaking between December and March. Although the winter peak in demand is generally no worse than summer, the increased demand occurs alongside peaks in seasonal flu, swine flu and norovirus. This will lead to increased pressure for services from KASS and we expect to see increased levels of activity over the next few months, which is reflected in the forecast outturn.

1.1.3.2 Older People:

The overall position for services for Older People is a net pressure of £615k.

a. Residential Care

This line is reporting a gross pressure of £1,367k, and an over recovery of income of £371k, leaving a net pressure of £996k. As at September, there were 2,817 permanent clients in independent sector care compared with 2,751 in March, an increase of 66. The forecast for independent sector residential care is 159,125 weeks against an affordable level of 155,351 which is 3,774 more than budget. Using the forecast unit cost of £388.46 this increased level of activity generates a pressure of £1,466k. In addition the forecast unit cost is £1.45 lower than the affordable which results in a saving of £226k. Using the forecast unit income of £161.09 this increased level of activity generates additional income of £608k. In addition the forecast unit income is £3.20 lower than the affordable which results in a pressure of £497k.

The overall attrition rate within residential has been low during the first half of the year although it is expected that it will rise over the winter. The number of clients with dementia continues to cause concern as we have seen a net increase of 67 clients with the number of other residential clients actually reducing by one (net). Increased activity within the independent sector also results from not placing clients into permanent care within our own homes whilst the consultation on modernisation of Older People's care is taking place; however conversely there will be some reduction in respite care as we seek to maximise the spare capacity in-house for non-permanent placements. It should also be noted that where possible we seek to place people into residential care rather than nursing so there is some off-set of the pressure identified here against that line.

The forecast for Preserved Rights clients is showing minor variances on both gross and income.

Internal provision, including integrated care centres, is showing a forecast pressure of £126k against gross, primarily as a result of the continuing need to cover sickness and absence with agency staff in order to meet care standards. There will also be some reduction in cost because as mentioned above we are not placing anyone permanently in the homes affected by the consultation. There is an over-recovery in income of £236k of which £166k relates to additional recharges to health.

b. Nursing Care

This line is reporting a gross pressure of £777k, and an over recovery of income of £896k, leaving a net underspend of £119k. The number of permanent clients in independent sector placements has increased to 1,405 in September compared to the 1,374 reported in March, an increase of 31 clients. The forecast position is 79,029 weeks of care against an affordable level of 79,199 which is 170 less than affordable. The small underspend also results from the intention to place people into residential care rather than nursing care. As with residential the low level of attrition also remains an issue although it is expected to increase over the winter months. Using the forecast unit cost of £472.28 the reduced level of activity generates a saving of £80k. In addition the forecast unit cost is £2.27 higher than the affordable which results in a pressure of £180k. Using the forecast unit income of £163.48 this reduced level of activity creates a pressure of £28k. In addition the forecast unit income is £5.17 higher than the affordable which results in an over-recovery of £410k

Increased cost and activity for Registered Nursing Care Contribution clients is resulting in a forecast pressure of £544k, however this is completely off-set with additional income from health, meaning a net nil position for this service.

The remaining £133k pressure is due to small pressures, below £100k, against both activity and price on Preserved Rights, as well as a small increase in the bad debt provision.

c. Domiciliary Care

This line is reporting a gross overspend of £36k, and an under recovery of income of £92k, giving a net pressure of £128k. Domiciliary care continues to be the most difficult to forecast as there is a constant and significant churn in activity; the continuing trend in the number of clients remains volatile and the number receiving a domiciliary care package from the independent sector remains below the average of last year. The number of clients in receipt of a package through the independent sector in September was 6,216 compared with 6,227 clients in March. The forecast position is 2,530,908 hours of care which is 54,362 more than budgeted for. Using the forecast unit cost of £15.435 this increased level of activity generates a pressure of £839k. In addition the forecast unit cost is £0.017 lower than the affordable which results in a saving of £42k There is

also a significant underspend of £572k relating to the in-house domiciliary service as the number of clients remains well below that afforded within the budget. There are also underspends against block contracts, extra care, and enablement, individually below £100k, but together totalling £217k.

d. Direct payments

This line is reporting a gross pressure of £425k, and an over recovery of income of £26k. Increasing client numbers mean that the forecast activity is 804 weeks higher than affordable. Using the average weekly cost of £131.96 this additional activity creates a pressure of £106k. The average cost is also £6.42 higher than affordable leading to an additional pressure of £255k. There is also a small pressure on one-off direct payments, e.g. for equipment.

e. Other Services

This line is reporting a gross underspend of £872k, and an under recovery of income of £83k. This line covers a range of services, including day-care, meals, payments to voluntary organisations and occupational therapy, although individually below £100k, these services are reporting a collective underspend of £227k. A further £315k of underspend relates to the Whole System Demonstrator base funding, which was provided because it was expected that the remaining amount of health funding would be insufficient to meet this year's costs. Fortunately the most recent forecast suggests that base budget funding will not now be required in 2010/11, and will instead be funded by the savings found through management actions driving down the cost of equipment & installations. There is also £330k of funding that was identified as uncommitted following a review of all grants in light of potential in-year cuts from Government and this is being used to offset the overall pressure.

1.1.3.3 **People with a Learning Disability:**

The overall position for services for Learning Disabled is a net pressure of £1,146k. However, as described further on in this section, this position is mitigated by underspends within Other Services without which the pressure would be over £3m. Services for this client group remain under extreme pressure, particularly within residential care as a result of both demographic and placement price pressures. This includes 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. There are also increasing numbers of older learning disabled clients who are cared for at home by ageing parents who will begin to require more support. Cases of clients becoming/ or who could become "ordinarily resident" in Kent continue to be a problem. 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. We have accepted responsibility for a number of clients, and we are still contesting a number of other applications. The issue of ordinary residence is under discussion 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.

a. Residential Care

This line is reporting a gross pressure of £2,331k with an under recovery of income of £513k, giving a net pressure of £2,844k. Details of the individual pressures and savings contributing to this position are provided below.

The number of clients has increased from 632 in March to 697 in September however this includes the transfer of a further 34 clients since quarter 1 from Health under Section 256 arrangements. This is part of the overall transfer of responsibility for most Learning Disability placements from Health. These clients are 100% funded by Health and gross and income cash limits have been realigned to reflect this.

The forecast position for independent sector residential care is 37,757 weeks of care against an affordable level of 36,593 which is 1,164 more than affordable. Using the forecast unit cost of £1,237.49 this increased level of activity generates a pressure of £1,440k. In addition the forecast unit cost is £29.91 higher than the affordable which results in a pressure of £1,094k. This level of activity, using the forecast unit income of £337.77, generates additional income of £393k. In addition the forecast unit income is £1.85 lower than the affordable which results in an under-recovery of £68k.

For preserved rights, the forecast position is 31,038 weeks of care against an affordable level of 31,414 which is 376 less than affordable. Using the forecast unit cost of £805.63 this reduced level of activity generates a saving of £303k. In addition the forecast unit cost is £0.35 higher than the affordable which results in a pressure of £11k. Using the forecast unit income of £205.19 this reduced level of activity creates an under recovery of income of £77k. In addition the forecast unit income is £21.41 lower than the affordable which results in a pressure of £673k.

There is a small pressure on in-house provision, primarily due to the continuing need to cover sickness and absence with agency staff in order to meet care standards, and additional 1 to 1 support being provided. There are also small variances on in-house income lines.

b. Domiciliary Care

This line is reporting a gross underspend of £384k, and an over-recovery of income of £51k. The forecast position for independent sector provision is 326,972 hours of care against an affordable level of 351,968 which is 24,996 less than affordable. Using the forecast unit cost of £11.76 this reduced level of activity generates a saving of £294k. In addition the forecast unit cost is £0.22 lower than the affordable which results in a saving of £77k. The effect of this on income is an over recovery of £79k.

There are also small saving on gross on other domiciliary lines including extra care sheltered housing and independent living scheme.

c. Direct payments

This line is reporting a gross pressure of £436k, and an over recovery of income of £94k. Forecast activity is 169 weeks under the budgeted level of 34,219 which when multiplied by the average weekly cost of £240.26 results in an underspend of £41k. However the average cost is £13.87 higher than affordable leading to a pressure of £474k. There is also a small variance against one-off direct payments, e.g. for equipment.

d. Supported Accommodation

The current position is a gross pressure of £499k and an under recovery of income of £70k giving a net pressure of £569k. The number of clients having increased from 309 in March to 408 in June and then to 478 in September with the increase almost solely relating to the further transfer of clients from Health under Section 256 arrangements. The gross and income cash limits have been realigned to reflect this further transfer of clients and 100% funding from Health. The current forecast is 775 weeks more than the affordable level of 24,851 creating a pressure of £768k which primarily relates to non-Section 256 clients. This is based on a forecast unit cost of £991.20, although within this are three distinct groups of clients: Section 256 clients, Ordinary Residence clients and other clients. Each client group has a very different unit cost, which when combined give this average forecast unit cost of £991.20. This combined forecast unit cost is £11.12 less than affordable, which reduces the pressure by £276k. Both the affordable and forecast unit costs have increased significantly from last year as a result of the placements transferred from Health under S256 arrangements due to the high cost of these placements. However it should also be noted that both the affordable and forecast unit costs have reduced significantly from those reported in Quarter 1 as a result of two changes. Firstly affordable and forecast activity now includes Ordinary Residence clients and secondly, much of supported accommodation is delivered through a supported living type arrangement which is counted in hours and not weeks. For the purposes of this report the average hours at that point in time are taken and used to convert the activity into weeks. This can fluctuate and in Quarter 1 a slightly higher hours per week figure was used to calculate the weeks which resulted in higher unit costs and lower forecast weeks. The Quarter 2 average is lower meaning an increase in the weeks forecast and lower average unit costs.

There are also small variances against group homes and the adult placement scheme.

It should be noted that the Residential Change Strategy is encouraging many small residential providers to move to providing supported accommodation giving people more choice and opportunities to remain within the community rather than live in a residential environment.

e. Other Services

This line is reporting a gross underspend of £2,207k, and an under recovery of income of £33k. The gross underspend includes the release of £830k Contingency held by the Managing Director, as well as £846k of uncommitted grant monies used to offset the overall pressure within this client group. There is also an underspend of £209k in supported employment, £113k of this is due to some activities being transferred to the private sector, with the remaining £96k made up of several other small underspends. This is partially offset by an under-recovery in income of £52k. The remaining underspend of £322k has been found primarily by further savings and reductions in the remaining services, including day-care and payments to voluntary organisations, through a range of changes to the cost and length of some contracts, together with savings on salaries, expenses and running costs; individually the savings are each under £100k.

1.1.3.4 **People with a Physical Disability:**

Overall the position for this client group is a net pressure of £2,065k. Services for this client group remain under pressure as a result of demographic and placement price pressures, and difficulties in forecasting remain, e.g. the number of road traffic accidents.

a. Residential Care

The overall forecast for residential care, including preserved rights clients, is a pressure on gross of £528k and an under recovery of income of £295k. Although the number of clients reduced to 218 in June from 222 in March, it has now increased back to 222 in September. The forecast assumes 598 weeks more than is affordable giving a pressure of £529k. The actual unit cost is £885.21 which is £7.55 higher than the affordable which increases the pressure by £92k. The additional client weeks add £60k of income to the position however the income per week is less than the level expected which causes a pressure of £327k.

The forecast number of client weeks of service provided to Preserved Rights clients is 128 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 £109k and the unit cost is slightly lower than the affordable level which further reduces the position by £45k. The reduced activity and a lower average of income per week means an under-recovery in income of £85k.

Increased cost and activity for Registered Nursing Care Contribution clients is resulting in a forecast pressure of £62k, however this is completely off-set with additional income from health, meaning a net nil position for this service.

b. Domiciliary Care

This budget is reporting a gross pressure of £388k, and an under-recovery of income of £30k. The forecast position for independent sector provision is 590,488 hours of care against an affordable level of 556,354 which is 34,134 more than affordable. Using the forecast unit cost of £12.48 this increased level of activity generates a pressure of £426k. In addition the forecast unit cost is £0.06 lower than the affordable which results in a saving of £34k. There are minor variances against the other domiciliary budgets.

c. Direct Payments

This line is reporting a gross pressure of £974k, and an over recovery of income of £101k. Client numbers continue to increase meaning that the forecast activity of 40,964 weeks is 1,497 weeks higher than affordable. Using the average weekly cost of £193.46 this additional activity creates a pressure of £290k. The average cost is also £15.55 higher than affordable leading to an additional pressure of £614k. There is also a small pressure on one-off direct payments, e.g. for equipment.

1.1.3.5 **Mental Health**

The overall position for Mental Health is a net pressure of £202k.

a. Residential Care

The forecast for residential care, including preserved rights clients, is a pressure on gross of £908k and an under recovery of income of £205k. The affordable level for non-preserved rights

was previously reduced following the decision 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 intention to keep clients in the community remains, so budgets have been left as they are rather than adjusted back. The result is a forecast which is 1,957 weeks more than is affordable at a cost of £1,058k. The actual unit cost is £540.71 which is £8.69 lower than the affordable which reduces the pressure by £77k. 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 £199k to the pressure.

There are small variances against gross and income for both preserved rights and Registered Nursing Care Contribution clients.

b. Supported Accommodation

The current position is £194k pressure on gross; the forecast assumes 560 weeks more than budget which at an average cost per week generates a £193k pressure, and there is an additional pressure of £1k as the unit cost is marginally higher than budget.

c. Assessment & Related

An underspend of £341k on gross expenditure is being forecast which in part results from vacancy management but also from difficulties in recruiting qualified social work staff. Savings also accrue from difficulties experienced in recruiting to senior positions for joint health/social care posts.

d. Other Services

This line is showing an underspend on gross of £610k following the release of £520k of Contingency and other uncommitted funding held by the Managing Director to offset the overall pressure within this client group. The balance of the underspend on gross is made up of small variances against day-care, payments to voluntary organisations, and community services. There is a small over-recovery in income of £90k.

1.1.3.6 **Strategic Business Support:**

This line is forecasting a significant underspend of £1,390k against gross expenditure with a small over recovery in income of £92k. Of the gross underspend £250k relates to funding that was declared as uncommitted following a review of all grants in light of potential in-year cuts from Government and this is being used to offset the overall pressure. There have also been significant savings in a number of areas including: £555k of vacancy management through continuing to hold posts vacant and delaying the recruitment process, £132k of printing, stationery, rent and room hire and reduced Girobank charges, and £153k of posts funded externally and not backfilled, a further £232k of other management actions including reducing project fees. The remaining balance of £68k is made up of numerous small savings. The over recovery of income is primarily due to £71k of extra income generated for Moving & Handling training, along with numerous smaller income variances.

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

(shading denotes that a pressure has an offsetting saving, which is directly related, or vice versa)

There are a number of savings which are referred to in section 1.1.3 above which are grouped together such as £217k within Older People Domiciliary, £227k within Older People Other Services and £322k within Learning Disability Other Services which do not appear in the table below as individually the savings are all below £100k. Therefore overall the net position in table 2 (+£3,484k) is significantly greater than the overall net position presented in table 1 (+£2,581k).

Pressures (+)			Underspends (-)		
Portfolio		£'000	Portfolio		£'000
KASS	OP Residential Gross - Independent Sector Activity higher than affordable	+1,466	KASS	LD Other Services Gross - uncommitted grant funding following review	-846
KASS	LD Residential Gross - Independent Sector Activity higher than affordable	+1,440	KASS	LD Other Services Gross - Release of Managing Directors Contingency	-830
KASS	LD Residential Gross - Independent Sector Unit Cost higher than affordable	+1,094	KASS	OP Residential Income - Independent Sector Activity higher than affordable	-608
KASS	MH Residential Independent Sector Gross - slower than anticipated switch to community based services	+1,058	KASS	OP Domiciliary Gross - In House - Number of Clients below affordable	-572
KASS	OP Domiciliary Gross - Independent Sector Activity higher than affordable	+839	KASS	Strategic Business Support Gross - vacancy management	-555
KASS	LD Supported Accommodation Gross - activity in excess of affordable	+768	KASS	OP Nursing Income - RNCC increased activity giving rise to increased health income	-544
KASS	LD Residential Income - Independent Sector average income lower than affordable	+673	KASS	MH Other Services Gross - released contingency & uncommitted funding	-520
KASS	PD Direct Payments Gross - Independent Sector Unit Cost higher than affordable	+614	KASS	OP Nursing Income - Independent Sector average income higher than affordable	-410
KASS	OP Nursing Gross - RNCC increased cost and activity	+544	KASS	LD Residential Income - Independent Sector Activity higher than affordable	-393
KASS	PD Residential Gross - Independent Sector Activity higher than affordable	+529	KASS	MH Assessment & Related Gross - vacancy management & problems in recruiting qualified care staff	-341
KASS	OP Residential Income - Independent Sector Unit Cost lower than affordable	+497	KASS	OP Other Services Gross - uncommitted grant funding following review	-330
KASS	LD Direct Payments Gross - Independent Sector Unit Cost higher than affordable	+474	KASS	OP Other Services Gross - Whole Systems Demonstrator Base Funding not required in 10/11	-315
KASS	PD Domiciliary Gross - Independent Sector Activity higher than affordable	+426	KASS	LD Residential Gross (Pres Rights) - Independent Sector Activity less than affordable	-303
KASS	PD Residential Income - Independent Sector average income lower than affordable	+327	KASS	LD Domiciliary Gross - Independent Sector Activity less than affordable	-294
KASS	PD Direct Payments Gross - Independent Sector Activity higher than affordable	+290	KASS	LD Supported Accommodation Gross - unit cost lower than affordable	-276
KASS	OP Direct Payments Gross - Independent Sector Unit Cost higher than affordable	+255	KASS	Strategic Business Support Gross - uncommitted grant funding following review	-250
KASS	MH Residential Independent Sector Income - increased number of clients falling under S117 who do not contribute to costs	+199	KASS	Strategic Business Support Gross - other management actions including reducing project fees	-232
KASS	MH Supported Accommodation Gross - activity in excess of affordable	+193	KASS	OP Residential Gross - Independent Sector Unit Cost less than affordable	-226
KASS	OP Nursing Gross - Independent Sector Unit Cost higher than affordable	+180	KASS	LD Other Services Gross - Kent Supported Employment	-209
KASS	OP Residential Gross - In House - Agency Staffing pressure	+126	KASS	OP Residential Income - In House - Additional recharges to Health	-166
KASS	OP Direct Payments Gross - Independent Sector Activity higher than affordable	+106	KASS	Strategic Business Support Gross - posts attracting external funding	-153

Pressures (+)			Underspends (-)		
Portfolio		£'000	Portfolio		£'000
			KASS	Strategic Business Support Gross - savings made on printing etc	-132
			KASS	PD Residential Gross (Pres Rights) - Independent Sector Activity less than affordable	-109
		+12,098			-8,614

1.1.4 Actions required to achieve this position:

The forecast pressure of £2,581k assumes that the savings identified within the MTP will be achieved and the Directorate remains confident that these savings will be achieved. 'Guidelines for Good Management Practice', also referred to below, are in place across the Directorate, and these, together with vacancy management, are anticipated to address the overall pressure.

1.1.5 Implications for MTP:

The MTP assumes a breakeven position for 2010-11.

The base budget implications of issues identified in this monitoring report will be a call on the amounts identified in the 2010/13 MTP as emerging pressures in 2011/12 and 2012/13. The details of individual amounts will be included when the revised plan is published for consultation in January 2011 together with any new pressures forecast for 2011/12 and 2012/13. The significant issues for the KASS portfolio arising from 2010/11 budget monitoring are related to demography.

It is assumed that the demographic pressures for KASS are likely to be £8.7m in future years. This is based on detailed calculations, on trends over the past year of increased clients and complexity. Clearly this will be reviewed on an on-going basis as part of the monitoring process.

The revised MTP will include proposals on how the in-year cuts in Government grants will be accommodated in base budgets once it has been confirmed that these reductions are permanent following the announcement of the provisional local government finance settlement for 2011/12 which we anticipate will be in late November/Early December. The revised plan will also include the strategy to address the likely reductions in funding over the lifetime of the current parliament following the Chancellor's emergency budget statement on 22nd June in which he outlined his plans to address the national budget deficit, and the Spending Review announcement on 20 October.

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: *[eg roll forward proposals; mgmt action outstanding]*

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. The Guidelines include ensuring all high cost placements and support packages are reviewed, plus a continued analysis and scrutiny of all requests for waiving of third party top ups to the cost of placements, and rigorous on-going panel arrangements. Furthermore the successful promotion and increased use of enablement continues to result in fewer people needing long term support. 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 £2,581k pressure by the end of the year.

1.2 CAPITAL

1.2.1 All changes to cash limits are in accordance with the virement rules contained within the constitution and have received the appropriate approval via the Leader, or relevant delegated authority.

The capital cash limits have been adjusted since last reported to Cabinet on 11th October 2010, 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	2010-11 £000s	2011-12 £000s	2012-13 £000s	Future Yrs £000s	TOTAL £000s
Kent Adult Social Services portfolio						
Budget	4,176	9,714	10,117	4,170	1,541	29,718
Adjustments:						
-						0
Revised Budget	4,176	9,714	10,117	4,170	1,541	29,718
Variance		-1,574	991	0	-20	-605
split:						
- real variance		-605	0	0	0	-605
- re-phasing		-970	+990	0	-20	0

Real Variance	0	-605	0	0	0	-605
Re-phasing	0	-970	+990	0	-20	0

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2010-11 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- Projects at preliminary stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

portfolio	Project	real/ phasing	Project Status			
			Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
			+0	+0	+0	+0
Underspends/Projects behind schedule						
KASS	Modernisation of LD Services	phasing			-680	
			0	-0	-680	-0
			-0	-0	-680	-0

1.2.4 Projects re-phasing by over £1m:

None

1.2.5 Projects with real variances, including resourcing implications:

There is a real variance of -£0.605m (in 2010-11) which is detailed as follows:

Asset Maintenance -£0.248m, Modernisation of Dementia Care -£0.152m and Public Access -£0.075m (all in 2010-11): these underspends are due to the projects no longer going forward, for which funding is no longer required.

Taking these into account there is an underlying variance of -£0.13m

1.2.6 General Overview of capital programme:**(a) Risks**

The risks linked to KASS must be similar to those felt throughout the Authority in this current financially suppressed climate. As a Directorate that works alongside many partners such as District Councils, Private/Voluntary Organisations and Primary Care Trusts (PCT) in order to provide the most comprehensive service delivery to our users, the risks to KASS are potentially compounded.

(b) Details of action being taken to alleviate risks

The Directorate continues to closely monitor those risks associated with our partnership working arrangements on a regular basis through Area Asset Management Boards which run alongside its over-arching capital strategy. However, the Directorate may not always be able to influence/control the final outcome.

1.2.7 PFI projects

The £44.3m investment in the PFI Excellent Homes for All project also represents investment by a third party. No payment will be made by KCC for the newly built assets until they are ready for use. Again this will be by way of an annual unitary charge to the revenue budget.

	Previous years	2010-11	2011-12	2012-13	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**

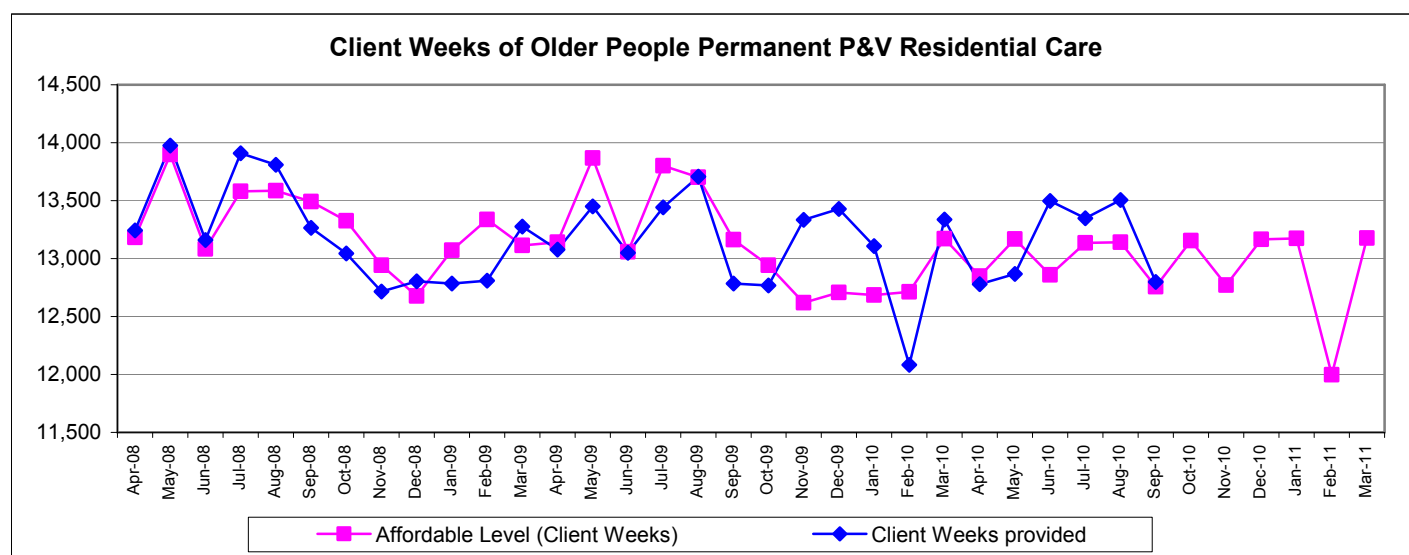
Cash limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the rephasing will be shown. The proposed re-phasing is detailed in the table below.

	2010-11	2011-12	2012-13	Future Years	Total
	£k	£k	£k	£k	
Modernisation of Assets					
Amended total cash limits	+1,240	+2,535	+1,600	+1,541	+6,916
re-phasing	-680	+700		-20	0
Revised project phasing	+560	+3,235	+1,600	+1,521	+6,916
Total re-phasing >£100k	-680	+700	0	-20	0
Other re-phased Projects below £100k					
	-290	+290			
TOTAL RE-PHASING	-970	+990	0	-20	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:

	2008-09		2009-10		2010-11	
	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	13,181	13,244	13,142	13,076	12,848	12,778
May	13,897	13,974	13,867	13,451	13,168	12,867
June	13,084	13,160	13,059	13,050	12,860	13,497
July	13,581	13,909	13,802	13,443	13,135	13,349
August	13,585	13,809	13,703	13,707	13,141	13,505
September	13,491	13,264	13,162	12,784	12,758	12,799
October	13,326	13,043	12,943	12,768	13,154	
November	12,941	12,716	12,618	13,333	12,771	
December	12,676	12,805	12,707	13,429	13,167	
January	13,073	12,784	12,685	13,107	13,175	
February	13,338	12,810	12,712	12,082	11,998	
March	13,114	13,275	13,172	13,338	13,176	
TOTAL	159,287	158,793	157,572	157,568	155,351	78,795

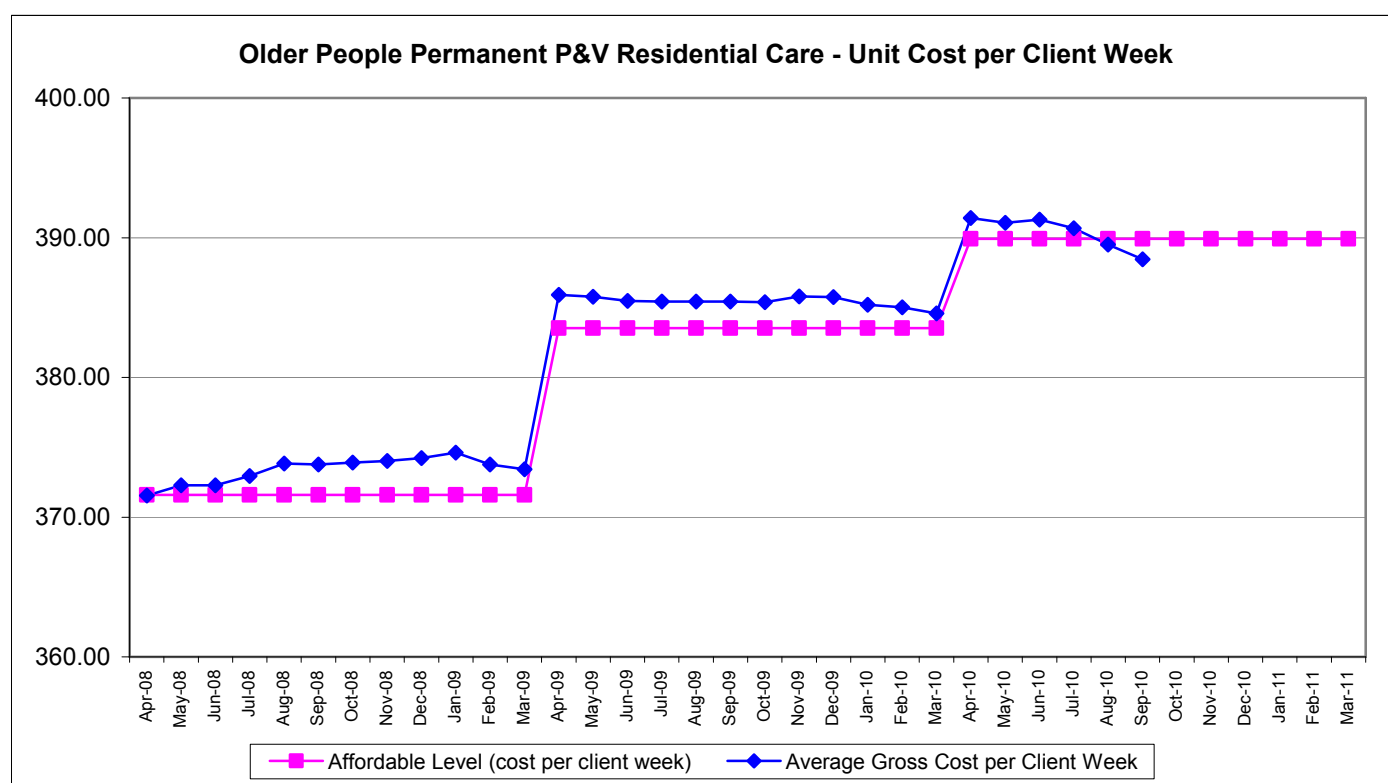


Comments:

- Actual weeks of care have been updated for previous months to reflect late data entry and provides a more accurate trend.
- 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 2008-09 was 2,832, at the end of 2009-10 it was 2,751 and at the end of September 2010 it was 2,817. It is evident that there are ongoing pressures relating to clients with dementia. During this year, the number of clients with dementia has increased from 1,195 in March to 1,262 in September, and the other residential clients have decreased from 1,556 in March to 1,555 in September.
- The current forecast is 159,125 weeks of care against an affordable level of 155,351; a difference of +3,774 weeks. Using the forecast unit cost of £388.46 this increase in activity increases the forecast by £1,466k, as highlighted in section 1.1.3.2.a We are expecting an increase in both permanent clients, and non permanent episodes, which explains why the year to date (YTD) appears slightly low when compared to this forecast.
- To the end of September 78,795 weeks of care have been delivered against an affordable level of 77,910; a difference of +885 weeks.

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

	2008-09		2009-10		2010-11	
	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	371.60	371.54	383.52	385.90	389.91	391.40
May	371.60	372.28	383.52	385.78	389.91	391.07
June	371.60	372.27	383.52	385.47	389.91	391.29
July	371.60	372.94	383.52	385.43	389.91	390.68
August	371.60	373.84	383.52	385.44	389.91	389.51
September	371.60	373.78	383.52	385.42	389.91	388.46
October	371.60	373.91	383.52	385.39	389.91	
November	371.60	374.01	383.52	385.79	389.91	
December	371.60	374.22	383.52	385.76	389.91	
January	371.60	374.61	383.52	385.20	389.91	
February	371.60	373.78	383.52	385.01	389.91	
March	371.60	373.42	383.52	384.59	389.91	

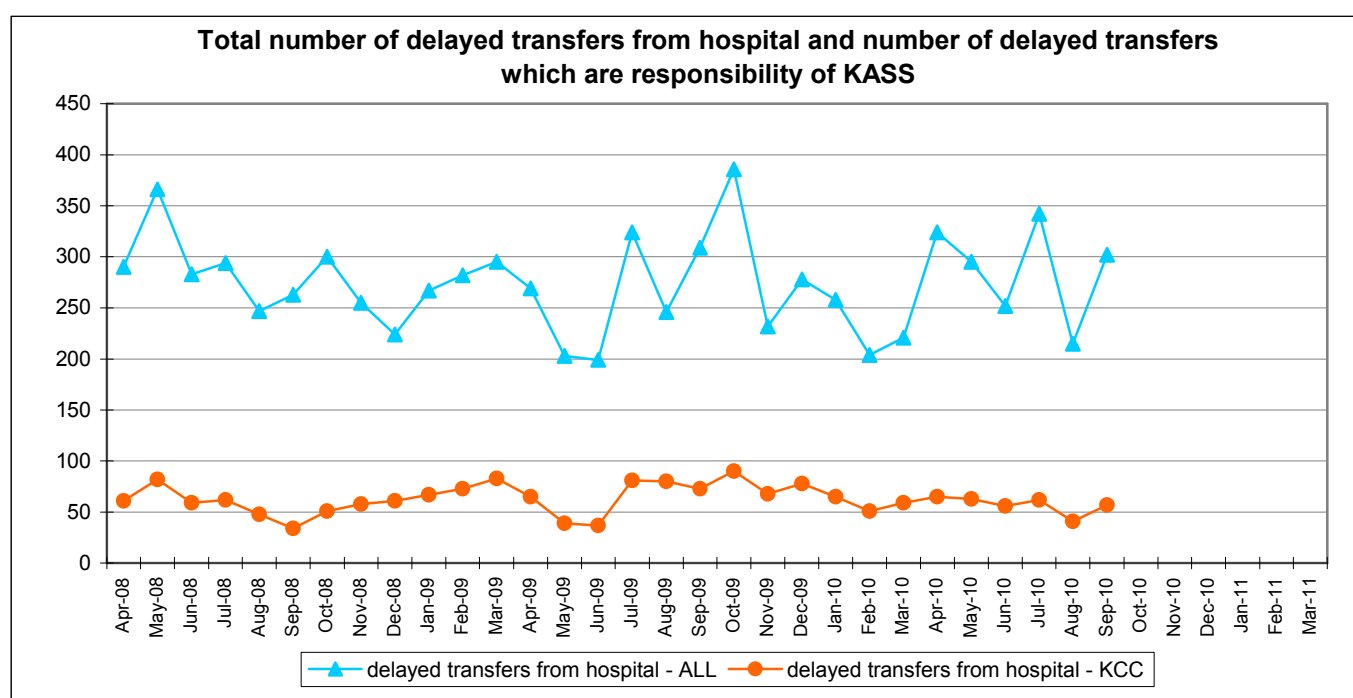


Comments:

- The forecast unit cost of £388.46 is higher than the affordable cost of £389.91 and this difference of +£1.45 creates a saving of £226k when multiplied by the affordable weeks, as highlighted in section 1.1.3.2.a

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

	2008-09		2009-010		2010-11	
	ALL	KASS responsibility	ALL	KASS responsibility	ALL	KASS responsibility
April	290	61	269	65	324	65
May	366	82	203	39	295	63
June	283	59	199	37	252	56
July	294	62	324	81	342	62
August	247	48	246	80	215	41
September	263	34	309	73	302	57
October	300	51	386	90		
November	255	58	232	68		
December	224	61	278	78		
January	267	67	258	65		
February	282	73	204	51		
March	295	83	221	59		

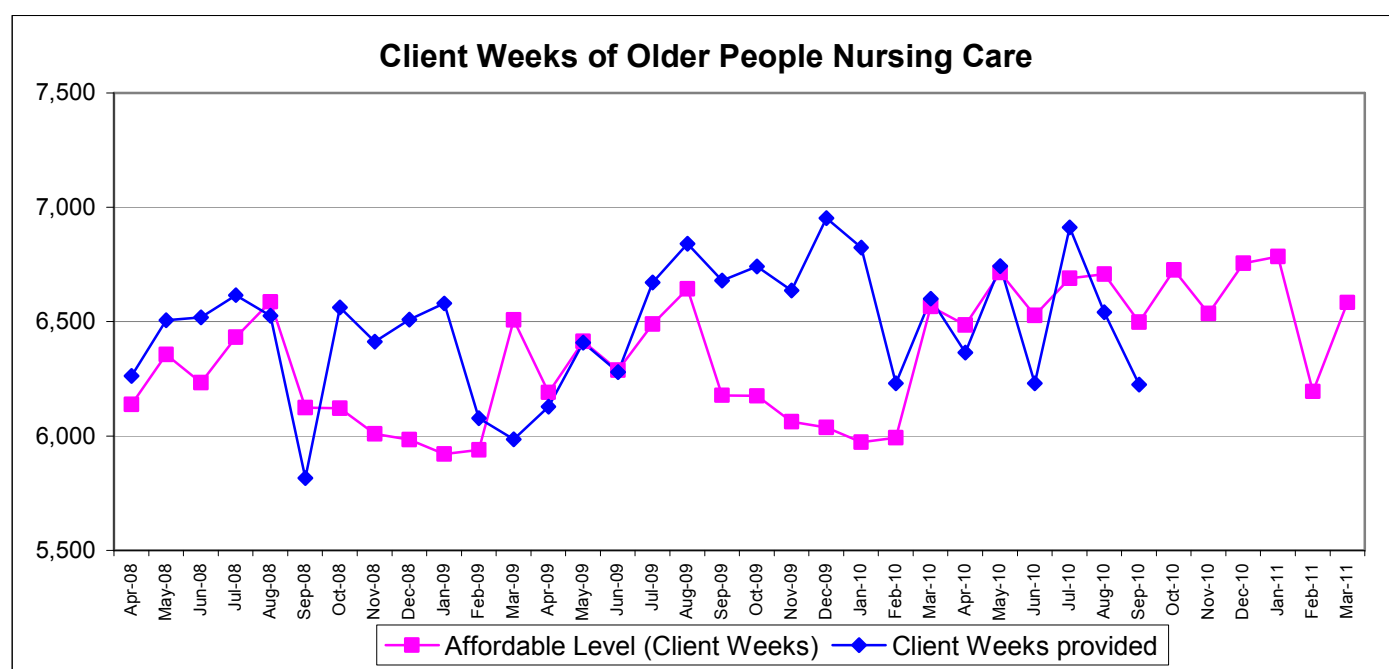


Comments:

- The Delayed Transfers of Care (DTCs) show the numbers of people whose movement from an acute hospital has been delayed. Generally, the main reasons for delay are 'Patient Choice' (just over 25%), with the reasons 'Awaiting non-acute NHS care' and 'Awaiting assessment' being the next highest (approx. 19% each). 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 the KASS hospital teams who monitor delayed discharges on a weekly basis and validate the figures with the Hospital Trust.

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

	2008-09		2009-10		2010-11	
	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	6,137	6,263	6,191	6,127	6,485	6,365
May	6,357	6,505	6,413	6,408	6,715	6,743
June	6,233	6,518	6,288	6,279	6,527	6,231
July	6,432	6,616	6,489	6,671	6,689	6,911
August	6,586	6,525	6,644	6,841	6,708	6,541
September	6,124	5,816	6,178	6,680	6,497	6,225
October	6,121	6,561	6,175	6,741	6,726	
November	6,009	6,412	6,062	6,637	6,535	
December	5,984	6,509	6,037	6,952	6,755	
January	5,921	6,580	5,973	6,824	6,784	
February	5,940	6,077	5,992	6,231	6,194	
March	6,507	5,985	6,566	6,601	6,584	
TOTAL	74,351	76,367	75,008	78,992	79,199	39,016



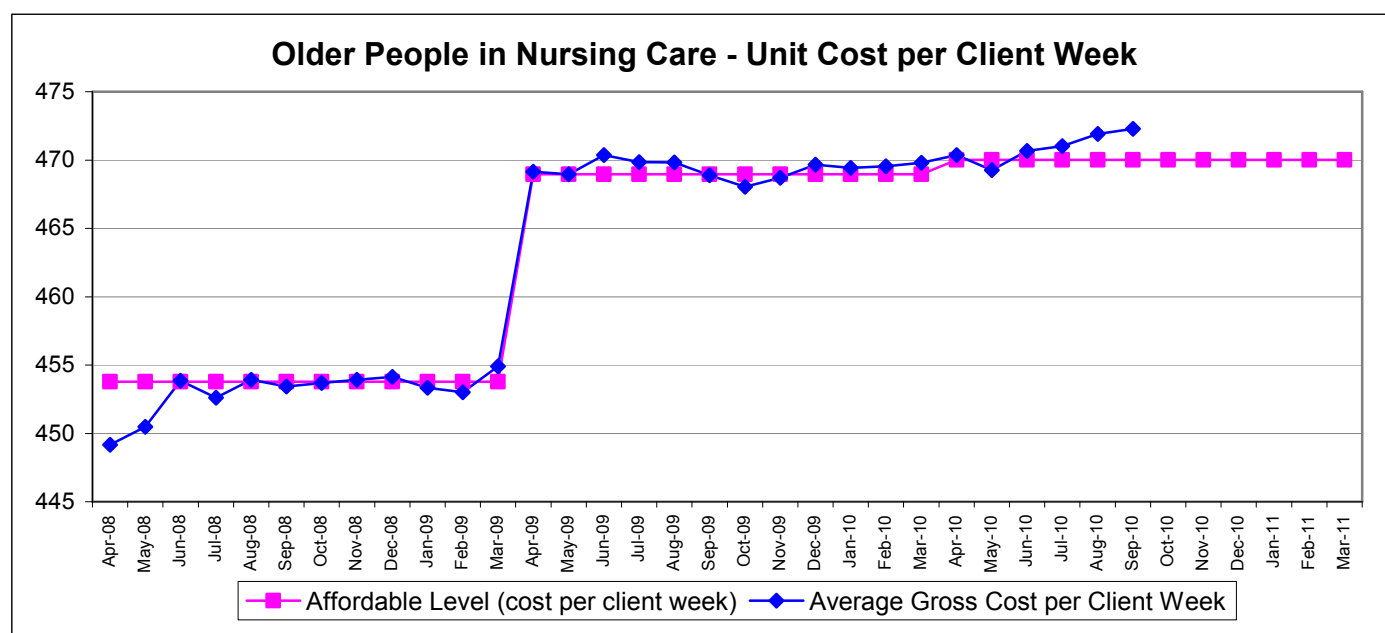
Comment:

- Actual weeks of care have been updated for previous months to reflect late data entry and provides a more accurate trend.
- 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 2008-09 was 1,332, at the end of 2009-10 it was 1,374 and at the end of September 2010 was 1,405. In nursing care, there is not the same distinction between clients with dementia, as with residential care. The difference in intensity of care for nursing care and nursing care with dementia is not as significant as it is for residential care, where the increase of 31 clients is made up of 11 dementia clients and 20 other nursing care clients.
- The current forecast is 79,029 weeks of care against an affordable level of 79,199 a difference of -170 weeks. Using the forecast unit cost of £472.28, this reduction in activity reduces the forecast by £80k, as highlighted in section 1.1.3.2.b. We are expecting an increase in both permanent clients, and non permanent episodes in the second half of the year compared to the first, which explains why the year to date (YTD) appears slightly low when compared to this forecast.
- To the end of September 39,016 weeks of care have been delivered against an affordable level of 39,621, a difference of -605 weeks.

- 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:

	2008-09		2009-10		2010-11	
	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	453.77	449.18	468.95	469.15	470.01	470.36
May	453.77	450.49	468.95	468.95	470.01	469.27
June	453.77	453.86	468.95	470.37	470.01	470.67
July	453.77	452.61	468.95	469.84	470.01	471.03
August	453.77	453.93	468.95	469.82	470.01	471.90
September	453.77	453.42	468.95	468.88	470.01	472.28
October	453.77	453.68	468.95	468.04	470.01	
November	453.77	453.92	468.95	468.69	470.01	
December	453.77	454.13	468.95	469.67	470.01	
January	453.77	453.33	468.95	469.42	470.01	
February	453.77	453.02	468.95	469.55	470.01	
March	453.77	454.90	468.95	469.80	470.01	

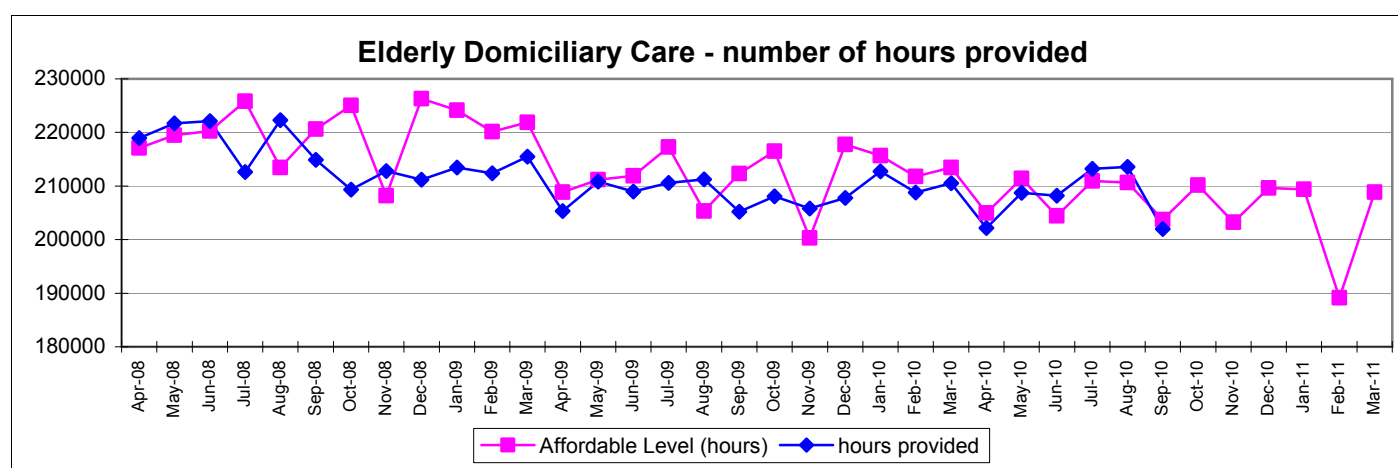
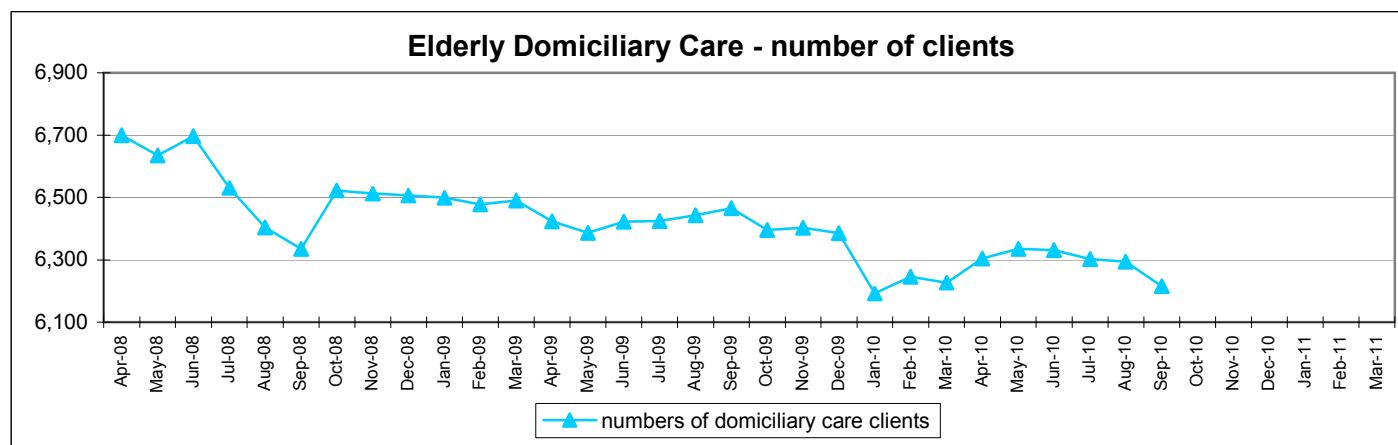


Comments:

- 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 £472.28 is higher than the affordable cost of £470.01 and this difference of +£2.27 adds £180k to the position when multiplied by the affordable weeks, as highlighted in section 1.1.3.2.b

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

	2008-09			2009-10			2010-11		
	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	217,090	218,929	6,700	208,869	205,312	6,423	204,948	202,167	6,305
May	219,480	221,725	6,635	211,169	210,844	6,386	211,437	208,757	6,335
June	220,237	222,088	6,696	211,897	208,945	6,422	204,452	208,177	6,331
July	225,841	212,610	6,531	217,289	210,591	6,424	210,924	213,241	6,303
August	213,436	222,273	6,404	205,354	211,214	6,443	210,668	213,561	6,294
September	220,644	214,904	6,335	212,289	205,238	6,465	203,708	201,986	6,216
October	225,012	209,336	6,522	216,491	208,051	6,396	210,155		
November	208,175	212,778	6,512	200,292	205,806	6,403	203,212		
December	226,319	211,189	6,506	217,749	207,771	6,385	209,643		
January	224,175	213,424	6,499	215,686	212,754	6,192	209,387		
February	220,135	212,395	6,478	211,799	208,805	6,246	189,143		
March	221,875	215,488	6,490	213,474	210,507	6,227	208,869		
TOTAL	2,642,419	2,587,139		2,542,358	2,505,838		2,476,546	1,247,889	



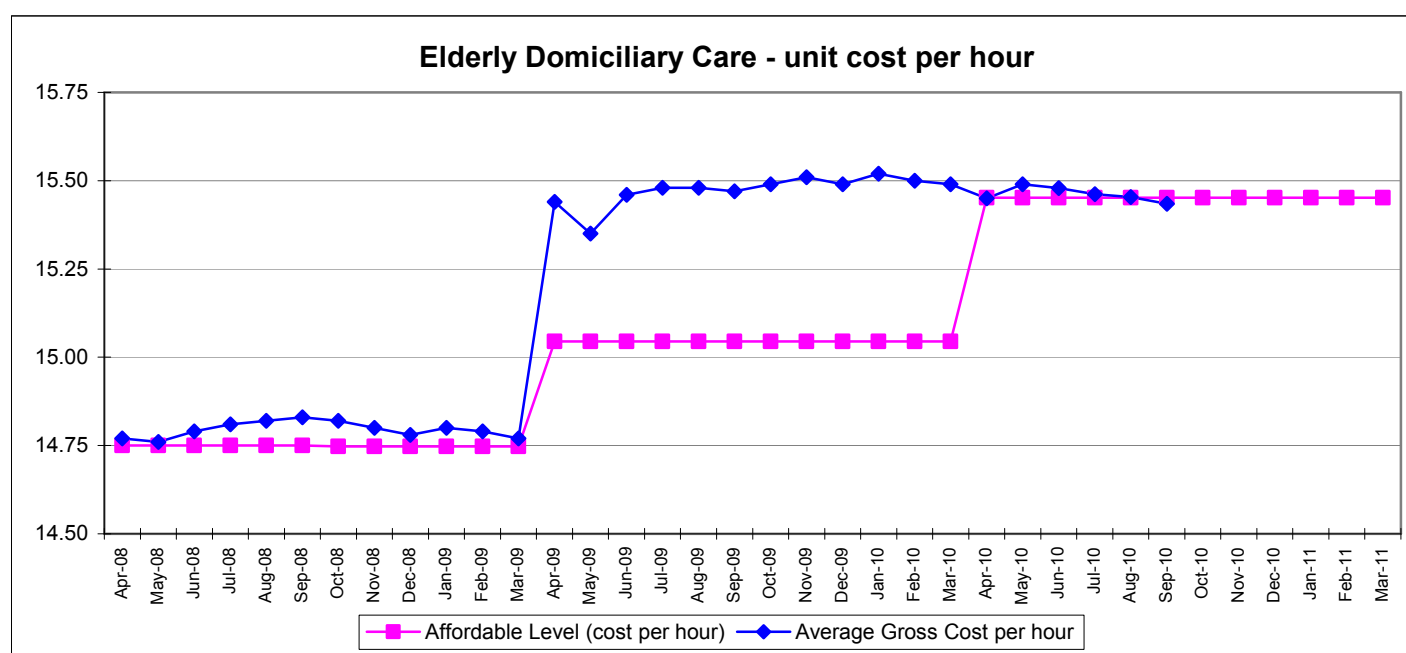
Comment:

- Actual hours of care have been updated for previous months to reflect late data entry and provides a more accurate trend.
- Figures exclude services commissioned from the Kent Enablement At Home service.
- The current forecast is 2,530,908 hours of care against an affordable level of 2,476,546, a difference of +54,362 hours. Using the forecast unit cost of £15.435 this additional activity increases the forecast by £839k, as highlighted in section 1.1.3.2.c. We are expecting an increase in permanent clients in the second half of the year compared to the first, which explains why the year to date (YTD) appears slightly low when compared to this forecast.

- To the end of September 1,247,889 hours of care have been delivered against an affordable level of 1,246,137, a difference of +1,752 hours. The higher figures in July and August follow a trend in previous years where the figures for the summer months appear to peak and then drop again.
- While the number of clients receiving domiciliary care has been decreasing over the past two years, this trend appears to have slowed, and flattened out as the number of clients forecast is now 6,380, 164 more than the current figure of 6,216, but only 49 more than the June figure. In addition, the intensity of care appears to have increased such that clients are receiving more hours per week on average than in previous years as a result of the implementation of Self Directed Support (SDS) within the Directorate.

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

	2008-09		2009-10		2010-11	
	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	14.75	14.77	15.045	15.44	15.45	15.45
May	14.75	14.76	15.045	15.35	15.45	15.49
June	14.75	14.79	15.045	15.46	15.45	15.48
July	14.75	14.81	15.045	15.48	15.45	15.46
August	14.75	14.82	15.045	15.48	15.45	15.45
September	14.75	14.83	15.045	15.47	15.45	15.44
October	14.75	14.82	15.045	15.49	15.45	
November	14.75	14.80	15.045	15.51	15.45	
December	14.75	14.78	15.045	15.49	15.45	
January	14.75	14.80	15.045	15.52	15.45	
February	14.75	14.79	15.045	15.50	15.45	
March	14.75	14.77	15.045	15.49	15.45	

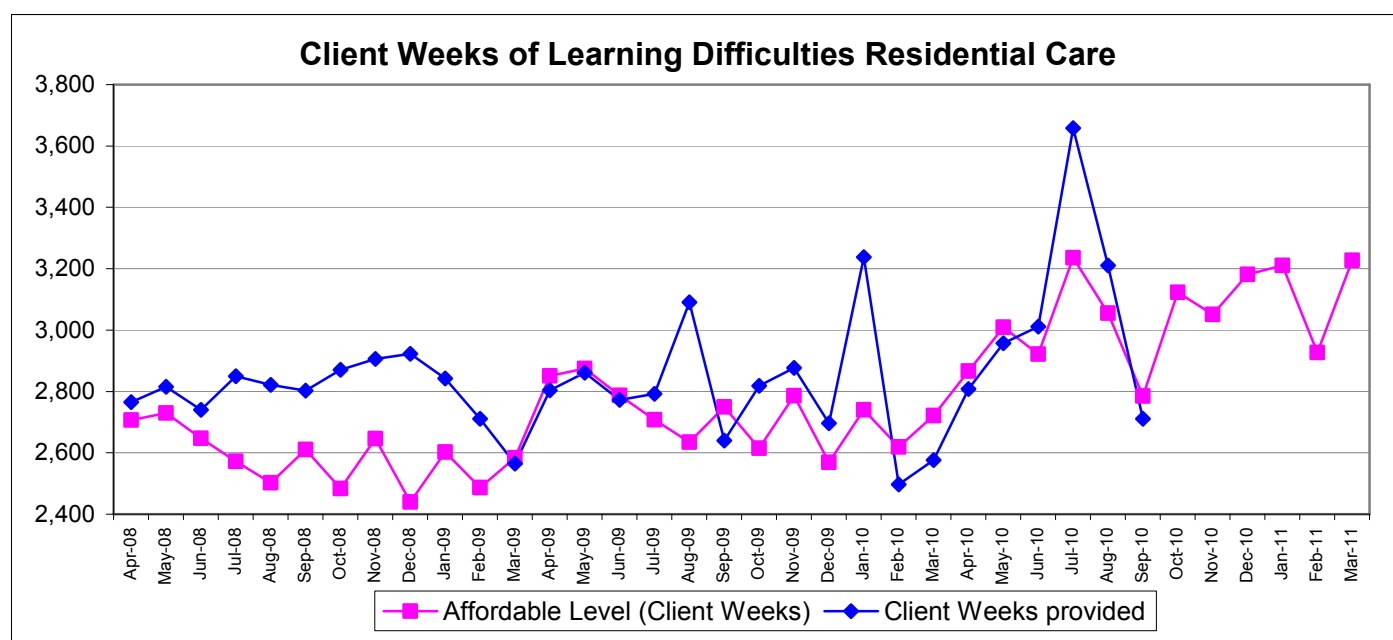


Comments:

- 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 £15.435 is slightly lower than the affordable cost of £15.452 and this difference of -£0.017 creates a saving of £42k when multiplied by the affordable hours, as highlighted in section 1.1.3.2.c

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

	2008-09		2009-10		2010-11	
	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	2,707	2,765	2,851	2,804	2,866	2,808
May	2,730	2,815	2,875	2,861	3,009	2,957
June	2,647	2,740	2,787	2,772	2,922	3,011
July	2,572	2,850	2,708	2,792	3,236	3,658
August	2,502	2,821	2,635	3,091	3,055	3,211
September	2,611	2,803	2,750	2,640	2,785	2,711
October	2,483	2,870	2,615	2,818	3,123	
November	2,646	2,906	2,786	2,877	3,051	
December	2,440	2,923	2,569	2,696	3,181	
January	2,602	2,842	2,740	3,238	3,211	
February	2,487	2,711	2,619	2,497	2,927	
March	2,584	2,565	2,721	2,576	3,227	
TOTAL	31,011	33,611	32,656	33,662	36,593	18,356

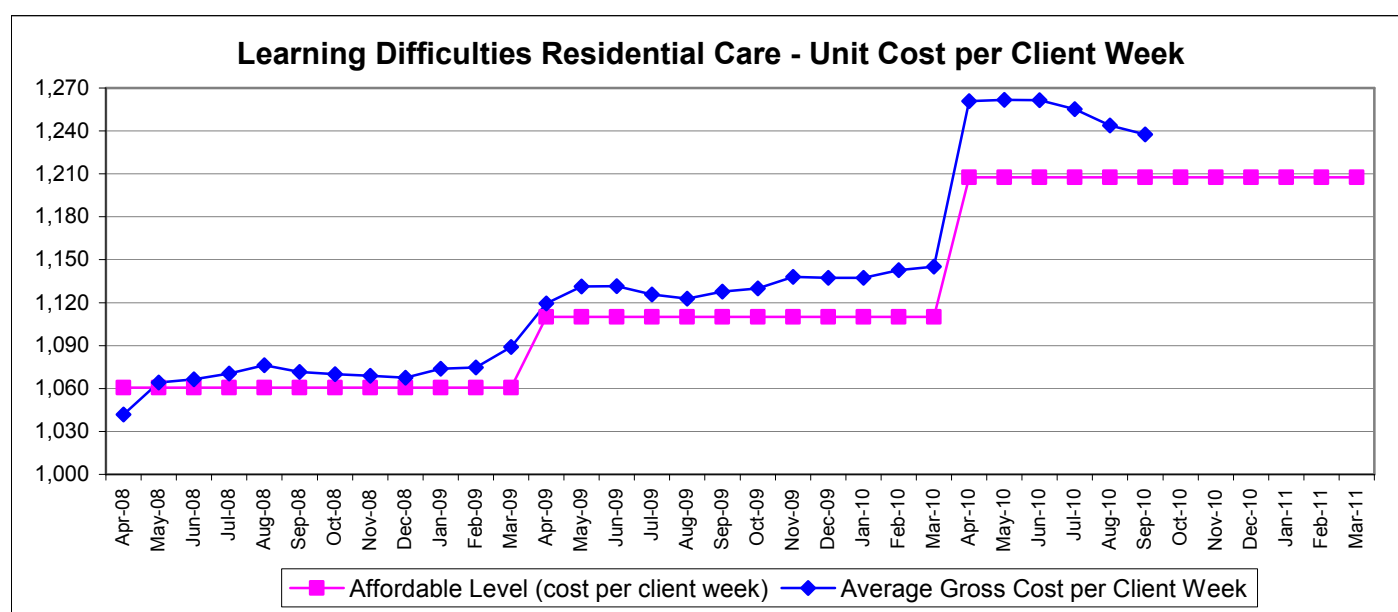


Comments:

- The affordable level of weeks has been amended to reflect the additional transfer of S256 clients and their funding from Health.
- Actual weeks of care have been updated for previous months to reflect late data entry and provides a more accurate trend.
- 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 2008-09 was 640, at the end of 2009-10 it was 632 and at the end of September 2010 it was 697 of which 103 are S256 clients.
- The current forecast is 37,757 weeks of care against an affordable level of 36,593 a difference of +1,164 weeks. Using the forecast unit cost of £1,237.49 this additional activity adds £1,440k to the forecast, as highlighted in section 1.1.3.3.a. We are expecting an increase in both permanent clients, and non permanent episodes in the second half of the year compared to the first, which explains why the year to date (YTD) appears slightly low when compared to this forecast.
- To the end of September 18,356 weeks of care have been delivered against an affordable level of 17,873, a difference of +483 weeks.

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

	2008-09		2009-10		2010-11	
	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	1,060.70	1,041.82	1,110.15	1,119.42	1,207.58	1,260.82
May	1,060.70	1,064.19	1,110.15	1,131.28	1,207.58	1,261.67
June	1,060.70	1,066.49	1,110.15	1,131.43	1,207.58	1,261.46
July	1,060.70	1,070.50	1,110.15	1,125.65	1,207.58	1,255.21
August	1,060.70	1,076.27	1,110.15	1,122.81	1,207.58	1,243.87
September	1,060.70	1,071.59	1,110.15	1,127.79	1,207.58	1,237.49
October	1,060.70	1,070.02	1,110.15	1,130.07	1,207.58	
November	1,060.70	1,068.95	1,110.15	1,137.95	1,207.58	
December	1,060.70	1,067.59	1,110.15	1,137.28	1,207.58	
January	1,060.70	1,073.71	1,110.15	1,137.41	1,207.58	
February	1,060.70	1,074.67	1,110.15	1,142.82	1,207.58	
March	1,060.70	1,089.10	1,110.15	1,145.12	1,207.58	

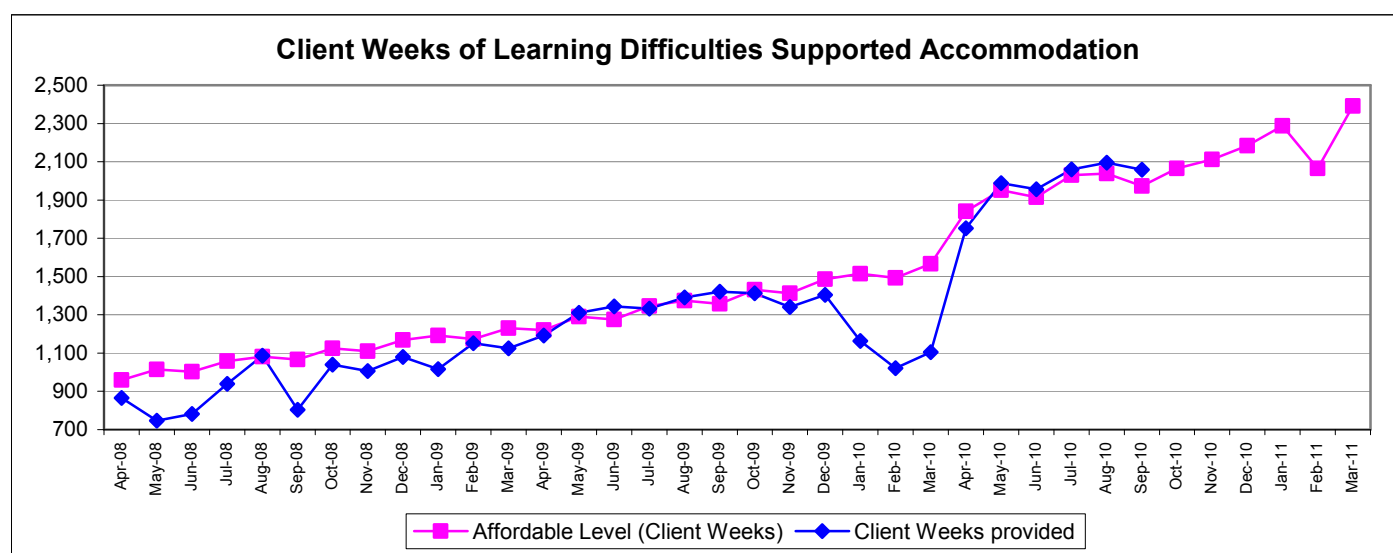


Comments:

- The affordable unit cost has been amended to reflect the inclusion of new S256 clients and their funding, transferred from Health.
- 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 £1,200 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 cost – 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 £1,237.49 is higher than the affordable cost of £1,207.58 and this difference of +£29.91 adds £1,094k to the position when multiplied by the affordable weeks, as highlighted in section 1.1.3.3.a

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

	2008-09		2009-10		2010-11	
	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	1,841	1,752
May	1,014	747	1,290	1,311	1,951	1,988
June	1,003	782	1,276	1,344	1,914	1,956
July	1,058	939	1,346	1,333	2,030	2,060
August	1,081	1,087	1,375	1,391	2,039	2,096
September	1,067	803	1,357	1,421	1,973	2,059
October	1,125	1,039	1,431	1,412	2,065	
November	1,110	1,006	1,412	1,340	2,112	
December	1,169	1,079	1,487	1,405	2,183	
January	1,191	1,016	1,515	1,163	2,287	
February	1,174	1,151	1,493	1,021	2,065	
March	1,231	1,125	1,567	1,105	2,391	
TOTAL	13,183	11,639	16,770	15,438	24,851	11,911



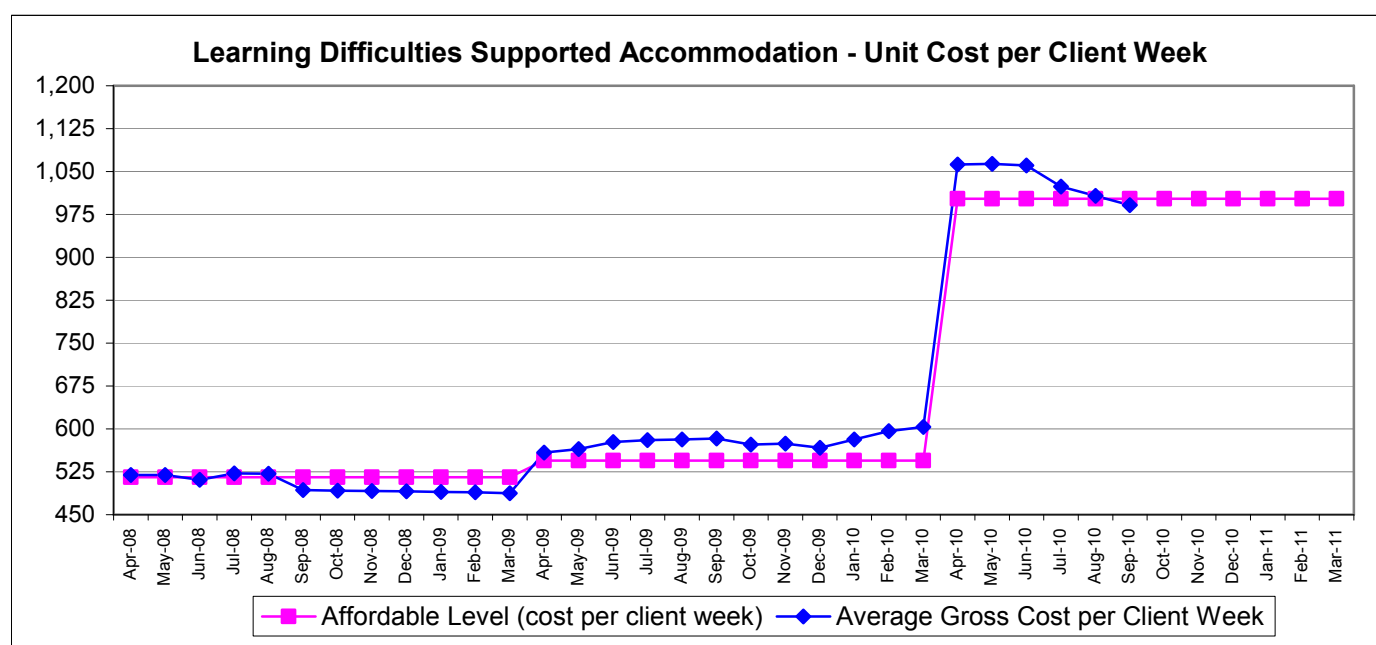
Comments:

- The affordable level of weeks has been amended to reflect the additional transfer of S256 clients and their funding from Health. It also now includes Ordinary Residence clients. The overall weeks have been increased to reflect the latest average hours per week for client in receipt of supported living. This service is counted in hours rather than weeks and the process for converting to weeks for this report uses the latest average hours per week. This has reduced slightly from Quarter 1 resulting in both an increased level of affordable activity as well as an increased forecast.
- Actual weeks of care have been updated for previous months to reflect late data entry and provides a more accurate trend.
- The above graph reflects the number of client weeks of service provided. The actual number of clients in LD supported accommodation at the end of 2008-09 was 233, at the end of 2009-10 it was 309 and at the end of September 2010 was 478. This increase is almost solely due to S256 clients.
- The current forecast is 25,626 weeks of care against an affordable level of 24,851, a difference of +775 weeks which relates entirely to non-S256 clients. Using the forecast unit cost of £991.20 this increased activity creates a pressure of £768k as highlighted in section 1.1.3.3.d.
- To the end of September 11,911 weeks of care have been delivered against an affordable level of 11,748, a difference of +163 weeks. The year to date looks low compared to forecast as there are approximately 1,100 weeks included within the forecast relating to Ordinary Residence clients who have yet to show within the year to date activity. The forecast assumes that we take responsibility for the majority of these clients from April but they will only appear in actual activity once responsibility is confirmed.

- 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.

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

	2008-09		2009-10		2010-11	
	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	1,002.32	1,062.38
May	515.41	519.40	544.31	564.49	1,002.32	1,063.22
June	515.41	511.10	544.31	577.33	1,002.32	1,060.59
July	515.41	522.30	544.31	580.27	1,002.32	1,023.90
August	515.41	521.40	544.31	581.76	1,002.32	1,007.58
September	515.41	493.33	544.31	583.26	1,002.32	991.20
October	515.41	491.85	544.31	572.59	1,002.32	
November	515.41	491.47	544.31	574.24	1,002.32	
December	515.41	490.83	544.31	566.87	1,002.32	
January	515.41	489.75	544.31	581.53	1,002.32	
February	515.41	488.90	544.31	595.89	1,002.32	
March	515.41	487.60	544.31	603.08	1,002.32	



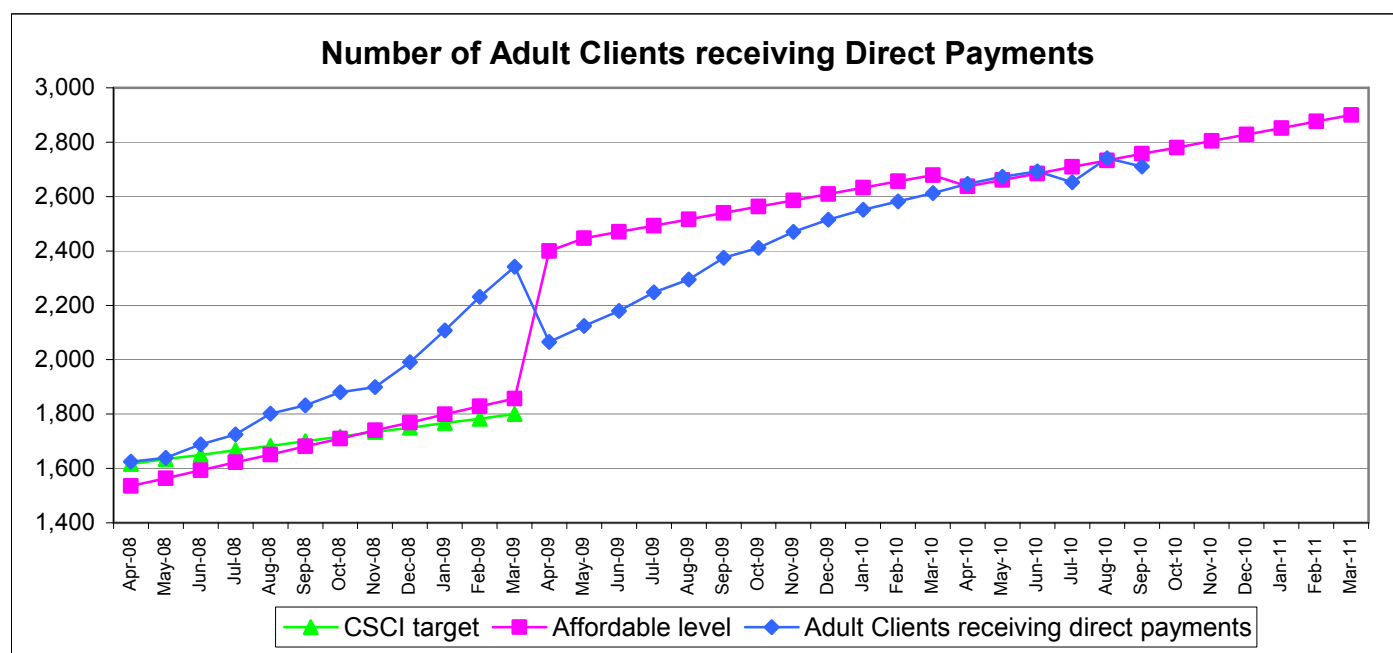
Comments:

- The affordable unit cost has been amended, both to reflect the inclusion of new S256 clients and their funding, transferred from Health, but also to include Ordinary Residence clients. The affordable unit cost has reduced to reflect an increase in affordable weeks as a result of using a lower average hours per week to convert supported living activity, which is provided in hours, in to weeks.
- The forecast unit cost of £991.20 is lower than the affordable cost of £1,002.32. This difference of -£11.12 creates a saving of £276k when multiplied by the affordable weeks, as highlighted in section 1.1.3.3.d. As referred to in section 1.1.3.3.d, there are three distinct groups of clients: Section 256 clients, Ordinary Residence clients and other clients. Each group has a very different unit cost which are combined to provide an average unit cost for the purposes of this report.

- The forecast unit cost has also reduced from July to reflect the inclusion of Ordinary Residence clients as well as the impact of a lower average hours per client per week for supported living which is used to convert supported living hours to weeks in this report.
- 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:

	2008-09			2009-10		2010-11	
	CSCI Target	Affordable Level	Adult Clients receiving Direct Payments	Affordable Level	Adult Clients receiving Direct Payments	Affordable Level	Adult Clients receiving Direct Payments
April	1,617	1,535	1,625	2,400	2,065	2,637	2,647
May	1,634	1,564	1,639	2,447	2,124	2,661	2,673
June	1,650	1,593	1,689	2,470	2,179	2,685	2,693
July	1,667	1,622	1,725	2,493	2,248	2,709	2,653
August	1,683	1,651	1,802	2,516	2,295	2,733	2,741
September	1,700	1,681	1,832	2,540	2,375	2,757	2,710
October	1,717	1,710	1,880	2,563	2,411	2,780	
November	1,734	1,740	1,899	2,586	2,470	2,804	
December	1,750	1,769	1,991	2,609	2,515	2,828	
January	1,767	1,799	2,108	2,633	2,552	2,852	
February	1,783	1,828	2,231	2,656	2,582	2,876	
March	1,800	1,857	2,342	2,679	2,613	2,900	



Comments:

- The activity being reported is as per the Department of Health definition for counting Direct Payments, which includes anyone who has received a Direct Payment during the preceding 12 months, but includes only those that are 'on-going'. i.e. in April the figures include clients who have received an on-going Direct Payment between 1st May 2009 and 30th April 2010, and the June figures includes clients who have received an on-going Direct Payment between 1st July 2009 and 30th June 2010. This compares with what was reported last year.

3. SOCIAL CARE DEBT MONITORING

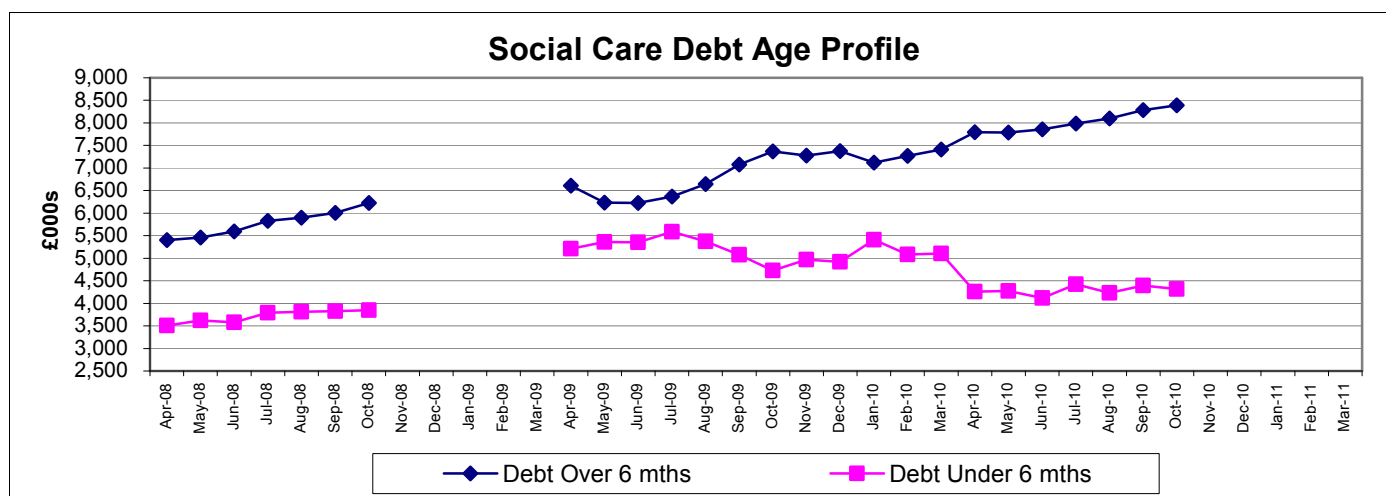
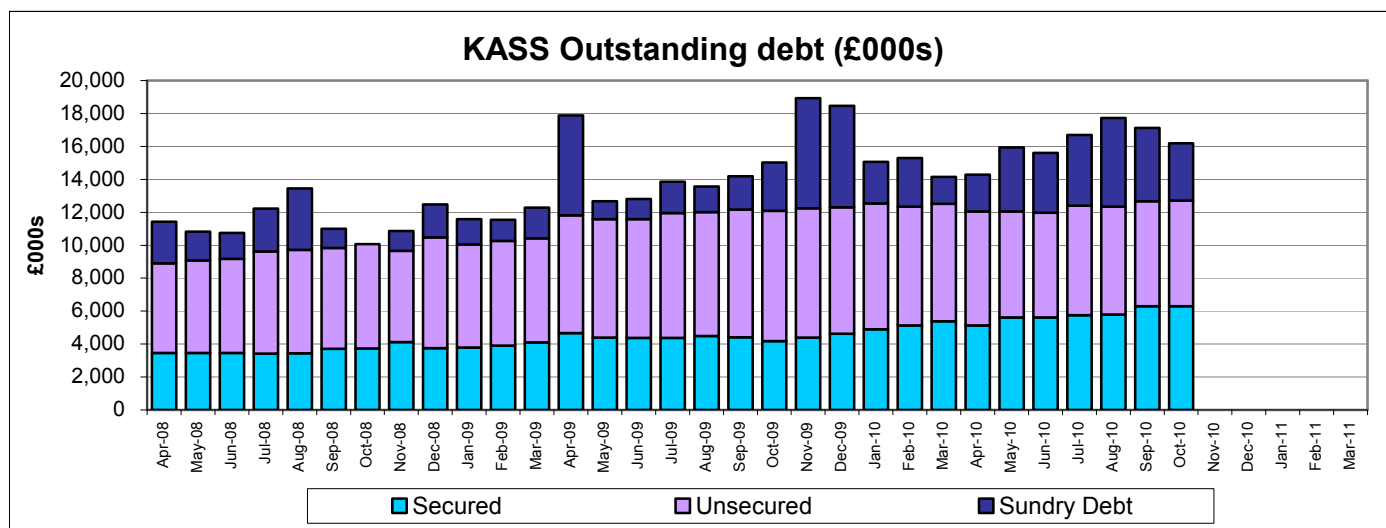
The outstanding due debt as at the October 2010 was £16.200m compared with July's figure of £16.689m (reported to Cabinet in September) excluding any amounts not yet due for payment (as they are still within the 28 day payment term allowed). Within this figure is £3.489m of sundry debt compared to £4.285m at the end of July. The amount of sundry debt can fluctuate for large invoices to health. Also within the outstanding debt is £12.711m relating to Social Care (client) debt which is an increase of £0.307m from the last reported position to Cabinet in September (July position). 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.

Now that the full client debt monitoring and recovery function has been fully integrated into KASS, we have been able to develop bespoke reports that accurately reflect the ageing of Social Care debt. This has therefore meant that since April there has been some slight changes to how debt is categorised between that which is over six months and that which is under six months and this has resulted in slightly more debt being classed as over six months.

Debt Month	Total Due Debt (Social Care & Sundry Debt) £000s	Sundry Debt £000s	Social Care Debt				
			Total Social Care Due Debt £000s	Debt Over 6 mths £000s	Debt Under 6 mths £000s	Secured £000s	Unsecured £000s
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	18,927	6,682	12,245	7,273	4,972	4,386	7,859
Dec-09	18,470	6,175	12,295	7,373	4,922	4,618	7,677
Jan-10	15,054	2,521	12,533	7,121	5,412	4,906	7,627
Feb-10	15,305	2,956	12,349	7,266	5,083	5,128	7,221
Mar-10	14,157	1,643	12,514	7,411	5,103	5,387	7,127

Debt Month	Total Due Debt (Social Care & Sundry Debt) £000s	Sundry Debt £000s	Social Care Debt				
			Total Social Care Due Debt £000s	Debt Over 6 mths £000s	Debt Under 6 mths £000s	Secured £000s	Unsecured £000s
Apr-10	14,294	2,243	12,051	7,794	4,257	5,132	6,919
May-10	15,930	3,873	12,057	7,784	4,273	5,619	6,438
Jun-10	15,600	3,621	11,979	7,858	4,121	5,611	6,368
Jul-10	16,689	4,285	12,404	7,982	4,422	5,752	6,652
Aug-10	17,734	5,400	12,334	8,101	4,233	5,785	6,549
Sep-10	17,128	4,450	12,678	8,284	4,394	6,289	6,389
Oct-10	16,200	3,489	12,711	8,392	4,319	6,290	6,421
Nov-10							
Dec-10							
Jan-11							
Feb-11							
Mar-11							

* 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 2010-11 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 budget was set. These are detailed in Appendix 2 of the executive summary.

1.1.2 **Table 1** below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Environment, Highways & Waste portfolio							
Kent Highways Services	62,942	-12,724	50,218	752	0	752	Find & fix completion +£0.372m, contract re-procurement +£0.130m, emergency works +£0.250m
Public Transport Contracts	21,490	-2,977	18,513	778	-100	678	Freedom Pass +£0.898m/-£0.1m income, Subsidised buses contract renewal - £0.120m
Waste Management	69,945	-1,973	67,972	-1,354	0	-1,354	Increase in contract prices +£1.1m, offset by reduced tonnage -£2.176m & new wood contract -£0.244m
Environmental Group	10,114	-4,860	5,254	0	0	0	
Planning & Development Group	770	-15	755	0	0	0	
Planning Applications	1,134	-477	657	0	0	0	
Transport Strategy Group	503		503	0	0	0	
Strategic Management	850		850	-25	0	-25	PA vacancy
Resources	5,242	-129	5,113	-375	0	-375	Vacancies -£0.175m, MIDAS replacement - £0.2m (rephasing)
Support Services purchased from CED	1,768		1,768	0	0	0	
Total E, H & W	174,758	-23,155	151,603	-224	-100	-324	
Assumed Management Action							
Forecast after Mgmt Action				-224	-100	-324	

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:

Kent Highways Services (KHS):

- 1.1.3.1 The pothole find and fix programme has now concluded. The project was a combination of revenue and capital expenditure, with £5.948m of funding found in revenue (Government £2.448m, reserves £2.5m and KHS redirection £1m). The revenue element of the programme has cost an extra £0.372m to complete. The remainder of the expenditure was on capital and was found from efficiencies in the existing capital budget.
- 1.1.3.2 KHS is incurring additional costs of £0.130m for the re-procurement of the highways term maintenance contract, which will come into effect from September 2011. KHS are using a competitive dialogue process with the bidders, to ensure the most appropriate and cost-effective final solution for the new contract.
- 1.1.3.3 There have been some emergency works for subsidence on Boughton Hill (£0.25m). These are being carried out in capital but will be funded from a revenue contribution.
- 1.1.3.4 The Freedom Pass numbers continue to grow due to the popularity of the pass and the number of journeys now being undertaken. Over 25,500 passes have been issued so far and the final figure for this year is expected to top 26,000, against a budget of 24,000. This brings a forecast net pressure of £0.798m, (£0.898m costs and £0.1m additional income), but it is now offset by an underspend of £0.120m on the support to socially necessary but uneconomic bus services. This underspend has resulted from cash set aside for the renewal of 25% of the contracts, not being needed, as keen prices were achieved from contractors.

Waste Management:

- 1.1.3.5 The RPI index for April was much higher than budgeted, which has put significant price pressure on some of the Waste contracts. The Allington waste to energy price per tonne is £2.38 more than the budgeted figure which increases costs (assuming minimum tonnage through Allington of 325,000 tonnes) by £0.773m. Inflation on other disposal and Household Waste Recycling Centre contracts is expected to increase the total price pressure on waste to £1.1m.
- 1.1.3.6 This price pressure is expected to be offset by overall tonnage being less than the budgeted 760,000 tonnes. Although the cumulative September and draft October tonnage figures are about 4,000 tonnes greater than for the same period last year, they are still below the affordable level for the two months. It is expected that overall tonnage for the year will be 32,000 tonnes below the affordable level. This will give a saving of around £2.176m at an average disposal cost per tonne of £68. As explained in previous reports, relying on waste tonnage to remain permanently low is not advisable and the next few months will be watched closely to see if they repeat the slight upward trend shown in September and October as illustrated in the key activities section 2.1 below.
- 1.1.3.7 A new wood recycling contract is due to be let shortly which is expected to save approximately £0.244m for the rest of this financial year.

Resources and Strategic Management

- 1.1.3.8 Staff vacancies of £0.2m are being held in order to help offset the pressure on the Freedom Pass and other highway issues; (£0.175m within Resources and £0.025m within Strategic Management).
- 1.1.3.9 The MIDAS financial system replacement project is progressing well and it is anticipated that the final phase will be completed by the end of this financial year. There will however be residual development costs for reporting, training and final configurations in the new year and it is expected that £0.2m will need to be rephased in to 2011-12.

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

(shading denotes that a pressure has an offsetting saving, which is directly related, or vice versa)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
EHW	Waste contract prices including Allington WtE incinerator	+1,100	EHW	Waste tonnage	-2,176
EHW	Freedom Pass	+898	EHW	New wood recycling contract	-244
EHW	Find and fix completion	+372	EHW	Vacancy savings within Resources and Strategic Management	-200
EHW	Emergency road repairs Boughton Hill	+250	EHW	MIDAS financial system replacement rephasing	-200
EHW	Term maintenance re-procurement costs	+130	EHW	Subsidised buses contract renewal	-120
			EHW	Increase in Freedom Pass income	-100
		+2,750			-3,040

1.1.4 Actions required to achieve this position:

Vacancies in Resources and Strategic Management are being deliberately held in order to achieve this position.

1.1.5 Implications for MTP:

The base budget implications of issues identified in this monitoring report will be a call on the amounts identified in the 2010/13 MTP as emerging pressures in 2011/12 and 2012/13. The details of individual amounts will be included when the revised plan is published for consultation in January 2011 together with any new pressures forecast for 2011/12 and 2012/13. The significant issues for this portfolio arising from 2010/11 budget monitoring are:

- price increases on waste contracts – the April RPI figure, to which the indexation on many waste contracts is linked, was higher than expected in the MTP. Therefore if the index does not reverse in 2011, some catch up funding will be required, to maintain the purchasing power of the budget. This is estimated at about £1.2m currently.
- take-up and usage of the Freedom Pass – the Freedom Pass has proved extremely popular and the numbers of passes issued and the number of journeys undertaken is increasing. This will put a demand pressure on next year's budget of around £1.56m

The revised MTP will include proposals on how the in-year cuts in Government grants will be accommodated in base budgets once it has been confirmed that these reductions are permanent following the announcement of the provisional local government finance settlement for 2011/12 which we anticipate will be in early December. The revised plan will also include the strategy to address the likely reductions in funding over the lifetime of the current parliament following the Chancellor's emergency budget statement on 22nd June in which he outlined his plans to address the national budget deficit, and the Spending Review announcement on 20 October.

1.1.6 Details of re-phasing of revenue projects:

The MIDAS replacement project is progressing well and it is anticipated that the final phase will be completed by the end of this financial year. There will however be residual development costs for reporting, training and final configurations in the new year and it is expected that £0.2m will need to be rephased in to 2011-12.

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

It is proposed that the residual forecast underspend of £0.124m (having taken into account the MIDAS rephasing of £0.2m) is held at present to deal with possible future pressures. These pressures are likely to come from Highways for dealing with the extraordinary number of insurance claims currently being experienced, the popularity of the Freedom Pass, the possibility of another bad winter and general maintenance pressures (although KHS is working hard currently to contain these additional general pressures).

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 11th October 2010, 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	2010-11 £000s	2011-12 £000s	2012-13 £000s	Future Yrs £000s	TOTAL £000s
Environment, Highways & Waste Portfolio						
Budget	100,869	161,106	92,010	89,904	247,185	691,074
Adjustments:						
- rephasing August monitoring		-955	955	-500	500	
Revised Budget	100,869	160,151	92,965	89,404	247,685	691,074
Variance		-5,870	5,201	-108	-4,939	-5,716
split:						
- real variance		+47	+397	-128	-6,032	-5,716
- re-phasing		-5,917	+4,804	+20	+1,093	0

Real Variance		+47	+397	-128	-6,032	-5,716
Re-phasing		-5,917	+4,804	+20	+1,093	0

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2010-11 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- Projects at preliminary stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

portfolio	Project	real/ phasing	Project Status			
			Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
EHW	Integrated Transport Scheme	real	+1,540			
EHW	LCA Part1 and Land	real	+501			
EHW	Highways Maintenance	real	+494			
			+2,535	+0	+0	+0
Underspends/Projects behind schedule						
EHW	Kent Highways Accom	phasing		-1,712		
EHW	LCA Part1 and Land	phasing	-1,243			
EHW	Household Waste Recycling/ T.Station - Approval to Spend	real		-1,074		
EHW	LCA Part1 and Land	real	-915			
EHW	Sittingbourne N Relief Road	phasing		-909		
EHW	East Kent Access Road Ph2	phasing		-742		
EHW	Kent Thameside Strategic Transport	phasing			-677	
EHW	Household Waste Recycling/ T.Station - Approval to Plan	phasing			-650	
EHW	Rushenden Relief Road	real		-364		
			-2,158	-2,361	-1,327	0
			+377	-2,361	-1,327	-0

1.2.4 Projects re-phasing by over £1m:

1.2.4.1 Re-shaping Kent Highways Accommodation - re-phasing of -£1.712m

The scheme is designed to deliver service improvements in creating a depot in west Kent that is equivalent to the new Ashford depot in east Kent. Due to the current economic climate, it has been decided to redevelop the existing Aylesford site rather than purchase a new site. The redevelopment includes office accommodation and an operational depot with salt barn facilities. Planning approval has been granted and the internal demolition work was completed in September. The main building work has started and is expected to be completed by March 2011; with the mobilisation of staff being in the new building in April 2011. The depot work is anticipated to complete by July 2011, ready for the new term maintenance contract in September

Revised phasing of the scheme is now as follows:

	Prior Years	2010-11	2011-12	2012-13	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	17,286	4,300				21,586
Forecast	17,286	2,560	1,712			21,558
Variance	0	-1,740	+1,712	0	0	-28
FUNDING						
Budget:						
creditor provision	362					362
prudential	4,555				0	4,555
Ex Other	9					9
prudential/revenue	10,802	2,493				13,295
Capital Receipt	1,558	701				2,259
PEF2		1,106				1,106
TOTAL	17,286	4,300	0	0	0	21,586
Forecast:						
creditor provision	362					362
prudential	4,555					4,555
Ex Other	9					9
prudential/revenue	10,802	2,493				13,295
Capital Receipt	1,558	67	606			2,231
PEF2			1,106			1,106
TOTAL	17,286	2,560	1,712	0	0	21,558
Variance	0	-1,740	+1,712	0	0	-28

1.2.4.2 Non TSG Land and Part 1 compensations (LCA) - £0.228m (-£1.243m of re-phasing and -£0.414m real in 2010-11, +£0.630m of re-phasing and +£0.131m real in 2011-12, +£0.020m of re-phasing and +£0.065m real in 2012-13 and +£0.593m of re-phasing and -£0.010m real in future years)

The revised phasing of £1.243m is primarily due to delays in the remaining land acquisition for Edenbridge Relief Road, some of which has been referred to the Land Tribunal. Alongside this re-phasing there is expected to be a real underspend of £0.915m as a result of more favourable projected settlement figures (see real underspend in S.1.2.5 below).

Revised phasing of the scheme is now as follows:

	Prior Years	2010-11	2011-12	2012-13	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget		3,275	1,071	373	453	5,172
Forecast		1,618	1,832	458	1,036	4,944
Variance	0	-1,657	+761	+85	+583	-228
FUNDING						
Budget:						
Ex Dev Con		16	16	8	10	50
Prudential		3,259	1,055	365	443	5,122
TOTAL	0	3,275	1,071	373	453	5,172
Forecast:						
Revenue		250				250
prudential		1,100	1,685	386	1,036	4,207
Ex Dev Con		267	147	73		487
TOTAL	0	1,617	1,832	459	1,036	4,944
Variance	0	-1,658	+761	+86	+583	-228

1.2.5 Projects with variances, including resourcing implications:

There is a real variance of -£5.716m (+£0.0497m in 2010-11, +£0.397m in 2011-12, -£0.128m in 2012-13 and -£6.032m in future years) which is detailed as follows:

Major Scheme Preliminary Design +£0.069m (in 2010-11): This net overspend is made up of the following:

- £0.136m is due to strategic project management fees which are expected to be charged by the Ashford Future team for managing the Smart Link Project. This will be funded from additional Growth Area Fund (GAF3).
- £0.067m is no longer required as no more major schemes designs costs are expected in this financial year.

Highway Major Maintenance +£0.494m (in 2010-11): The real overspend is mainly due to the following:

- £0.120m of additional maintenance works has been agreed from Member Highway Fund (MHF) contributions
- £0.124m of additional essential works on drainage, street lighting and structures to be funded from de-trunking commuted sum (revenue contribution).
- £0.250m of emergency work, stabilising carriageway at Boughton Hill to be funded from revenue contribution.

Integrated Transport Schemes +£1.240m (+£1.540m in 2010-11 and -£0.300m in 2011-12): This increased expenditure is due to undertaking various MHF, S106 and externally funded schemes (£1.439m in total). Also, £0.101m is to replace real time information signs, funded from Repairs and Renewals reserve.

The Upper Stone street lay-by scheme is not considered viable within current plans and identified funding, and therefore it is proposed not to continue with this scheme. The £0.300m general capital receipt that was identified to fund the scheme could be re-allocated to a different Maidstone town centre project. It is proposed that the receipt is used to support the Maidstone High Street improvement project at a maximum cost of £0.400m and **Cabinet is asked to approve the use of the receipt.**

Non TSG Land and Part 1 -£0.228m see details in 1.2.4.2: There is a net real under spend of £0.414m in 2010-11 due to the following:

- A real over spend of £0.501m is mainly due to settling part 1 claims for developer funded schemes (Hawkinge Ph 2 and M20 J 4) and capitalisation of staff and Kent Property group's time in dealing with the claims and outstanding land settlements. This overspend will be funded from developer contributions and revenue.
- Land settlements for Edenbridge Relief Road are estimated to provide savings of at least £0.915m. **Cabinet is asked to approve the reallocation of this underspend to the East Kent Access phase 2 scheme to offset the Directorate's prudential/revenue contribution, which will be difficult to secure given the likely level of savings required in the revenue budget.**

Wetland -£0.478m (in 2011-12): The development of the wetland will now go ahead by the RSPB without the need for further KCC input or land purchase.

House Hold Waste Recycling Centre/Transfer Station – Approval to Spend and Plan – -£0.200m (-£0.650m of re-phasing and -£1.074m real in 2010-11, +£0.150m of re-phasing and +£0.899m real in 2011-12 and +£0.500m of re-phasing and -£0.025m real in later years):

The whole waste programme has been reviewed and the following savings have been identified to fund the additional costs on East Kent joint waste containerisation project.

- Herne Bay: revised estimated project cost delivers a saving of £0.532m.
- Lydd/New Romney: the project is currently underway and the revised forecast outturn identifies a saving of £0.328m.

The savings identified are sufficient to cover the additional East Kent costs. The additional capital costs on the East Kent waste programme are necessary to achieve maximum revenue savings.

A decision has been taken not to proceed with the Hawkinge incinerator capital project and this will save £0.200m.

Rushenden Relief Road -£0.417m (-£0.364m in 2010-11, +£0.42m in 2011-12 and -£0.195m in 2012-13): It was reported in quarter 1 that the scheme is expected to under spend by £0.344m in 2010-11. A further review of the scheme following completion of phase 1 and assessment of remaining costs has identified that the overall scheme can be delivered at a cost of £11.8m. This has generated a further savings of £0.073m. There is a switch of funding of £2.08m from SEEDA to a developer contribution and this has already been reported in quarter 1 monitoring report.

Bredhurst Woodlotting -£0.100m (in 2010-11): This project would need additional funding to go ahead and it has therefore been put on hold.

After taking into consideration some of the small under and over spends on projects there is a real variance of +£0.25m that needs an additional revenue contribution (see revenue monitoring report).

1.2.6 General Overview of capital programme:

(a) Risks and action being taken to alleviate risks

East Kent Access Phase 2 - spend on this project is currently predicted to be ahead of the original DfT allocation for this year. DfT will be approached formally to bring forward its phasing of the budget in October. The total scheme outturn remains a concern particularly because of construction price inflation and utility costs but this is being closely monitored together with robust contract management to ensure that necessary management action can be taken at the appropriate time to reduce the risk.

Sittingbourne Northern Relief Road - spend on this project is also currently predicted to be ahead of the original DfT allocation for this year. DfT will be approached formally to bring forward its phasing of the budget in October.

Rushenden Relief Road - SEEDA has not been able to secure the £1.9m funding required to complete the scheme. The preferred option is not to leave this road part-finished because of the impact this will have on the development and regeneration of this area and therefore other ways of funding the shortfall are currently being explored. A charge on the land or S106 is being considered by Legal and it is thought they are likely to recommend S106. There is no work on-site at present while the completed earthworks are allowed to settle. Should the funding not be available the risk to KCC is minimal due to the fact that the construction of road has not started. A Member decision will be sought in the autumn, to approve the alternative funding (when secured) and to complete the road build.

Victoria Way, Ashford - this scheme is funded from the Community Infrastructure Fund. Funding expires at 31 March 2011. Late award has always made this completion date challenging and the need to remove unforeseen land contamination and difficulties with utilities are already threatening a delay beyond 31 March 2011. The project team are focused on preparing a plan of action to overcome the difficulties and to mitigate the risk of overrun beyond the funding deadline.

Drovers Roundabout - M20 Junction 9 - this scheme is funded by the Regional infrastructure Fund (RIF) and Growth Area Fund. As with Victoria way the funding expires on 31 March 2011. Progress is good so far but the feature bridge remains the biggest risk of delay. The team are focussed on plans to overcome that risk but if there is a RIF timing issue and consequent shortfall in funding, Ashford Borough Council has agreed that KCC will be able to claim S106 money to cover any underfunding. It is expected there will be sufficient S106 monies to cover any risk to KCC.

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 proposed re-phasing is detailed in the table below.

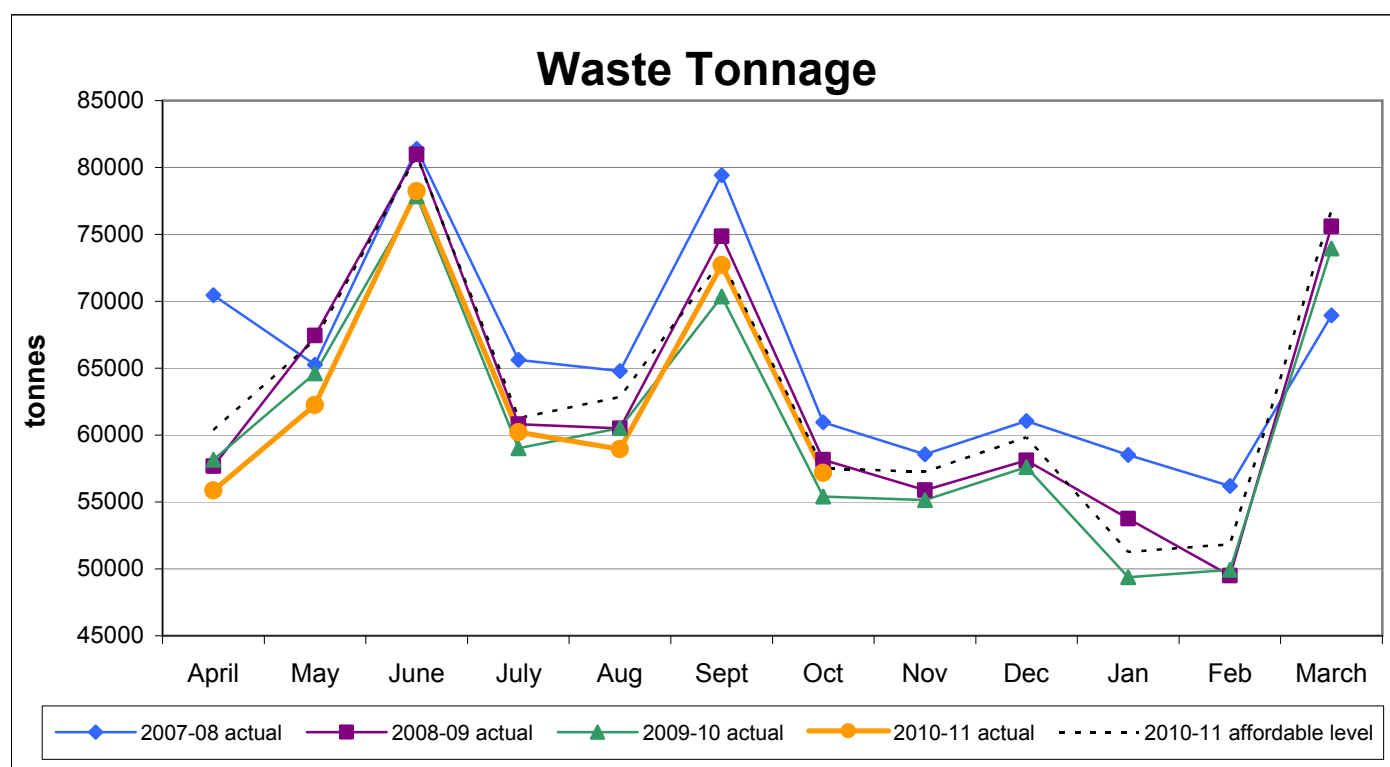
	2010-11	2011-12	2012-13	Future Years	Total
	£k	£k	£k	£k	
Non TSG Land, Compensation Claims and Blight					
Amended total cash limits	+3,275	+1,071	+373	+453	+5,172
re-phasing	-1,243	+630	+20	+593	0
Revised project phasing	+2,032	+1,701	+393	+1,046	+5,172
Sittingbourne Northern Relief Road					
Amended total cash limits	+13,820	+6,254	+1,701	+1,110	+22,885
re-phasing	-909	+909			0
Revised project phasing	+12,911	+7,163	+1,701	+1,110	+22,885
East Kent Access PH2					
Amended total cash limits	+47,049	+19,892	+5,850	+3,240	+76,031
re-phasing	-742	+742			0
Revised project phasing	+46,307	+20,634	+5,850	+3,240	+76,031
Re-shaping Kent Highways Accomodation					
Amended total cash limits	+4,300				+4,300
re-phasing	-1,712	+1,712			0
Revised project phasing	+2,588	+1,712	0	0	+4,300
Kent Thameside Strategic Transport Programme					
Amended total cash limits	+1,290	+1,947	+7,796	+140,034	+151,067
re-phasing	-677	+677			0
Revised project phasing	+613	+2,624	+7,796	+140,034	+151,067
Household Waste Recycling Centres and Transfer Station					
Amended total cash limits	+1,150	+8,932	+1,750	+500	+12,332
re-phasing	-650	+150		+500	0
Revised project phasing	+500	+9,082	+1,750	+1,000	+12,332
Total re-phasing >£100k					
	-5,933	+4,820	+20	+1,093	0
Other re-phased Projects below £100k					
	+16	-16			
TOTAL RE-PHASING	-5,917	+4,804	+20	+1,093	0

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Waste Tonnage:

	2007-08	2008-09	2009-10	2010-11	
	Waste Tonnage	Waste Tonnage	Waste Tonnage	Waste Tonnage *	Affordable Level
April	70,458	57,688	58,164	55,870	60,394
May	65,256	67,452	64,618	62,248	67,096
June	81,377	80,970	77,842	78,231	80,826
July	65,618	60,802	59,012	60,219	61,274
August	64,779	60,575	60,522	58,951	62,842
September	79,418	74,642	70,367	72,709	73,065
October	60,949	58,060	55,401	57,182	57,526
November	58,574	55,789	55,138		57,252
December	61,041	58,012	57,615		59,825
January	58,515	53,628	49,368		51,260
February	56,194	49,376	49,930		51,845
March	68,936	76,551	73,959		76,795
TOTAL	791,115	753,545	731,936	445,410	760,000

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

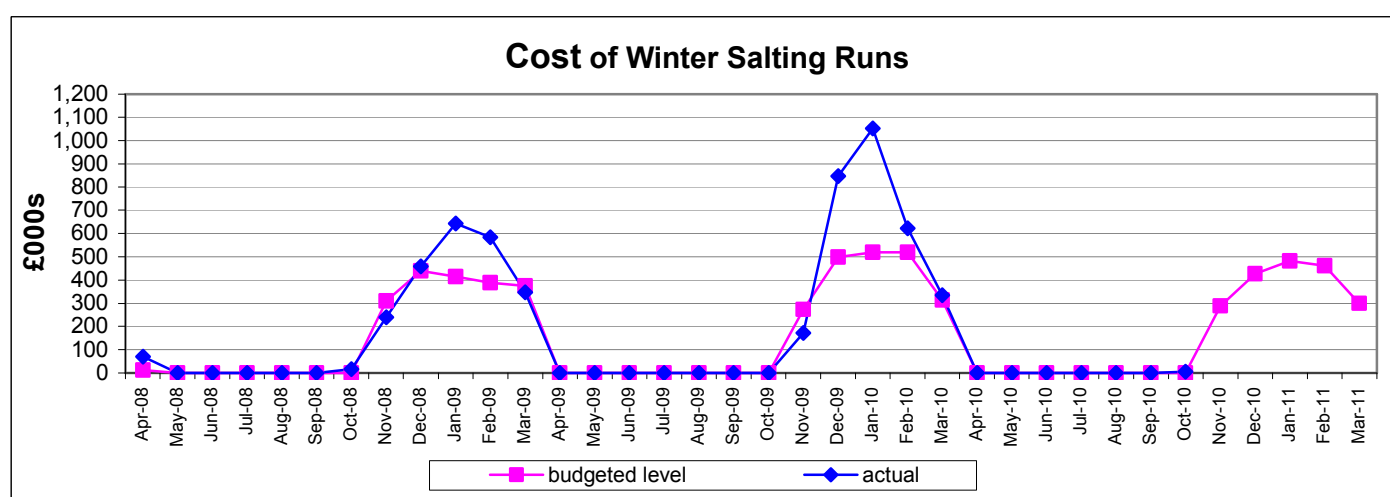
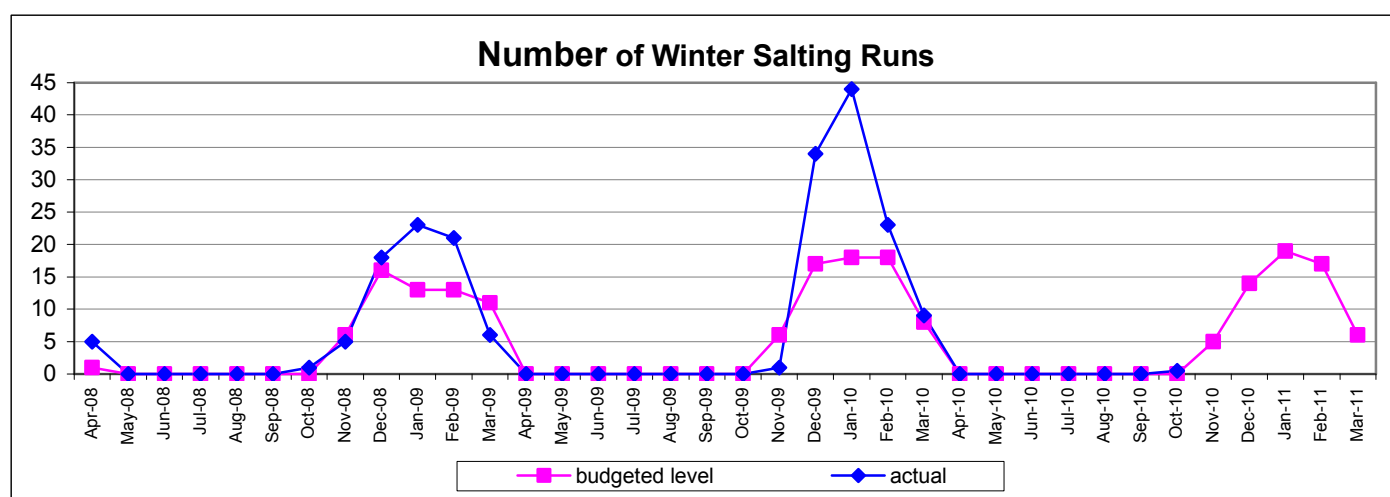


Comments:

- Waste volumes are below the affordable level for the first seven months of 2010-11 and the outturn assumptions in 1.1.3.6 above assume that tonnage will continue to remain below the budgeted levels for the rest of the year. It is estimated that outturn tonnage will 32,000 tonnes below budget based on current figures. However waste may start to increase again at any point, now that the economy is picking up and continued falls in waste cannot be relied upon. An early warning of this may be the September and draft October tonnage figures, which cumulatively are about 4,000 tonnes greater than for the same period last year. The next few months will be watched closely to see if they repeat this upward trend and if this does happen, the forecast underspend will be reduced.

2.2 Number and Cost of winter salting runs:

	2008-09				2009-10				2010-11			
	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	-	-	-	-	-	0.5	-	6	-
November	5	6	239	310	1	6	171	273		5		288
December	18	16	458	440	34	17	847	499		14		427
January	23	13	642	414	44	18	1,052	519		19		482
February	21	13	584	388	23	18	622	519		17		461
March	6	11	348	375	9	8	335	315		6		299
TOTAL	79	60	2,357	1,940	111	67	3,027	2,125	0.5	61	6	1,957

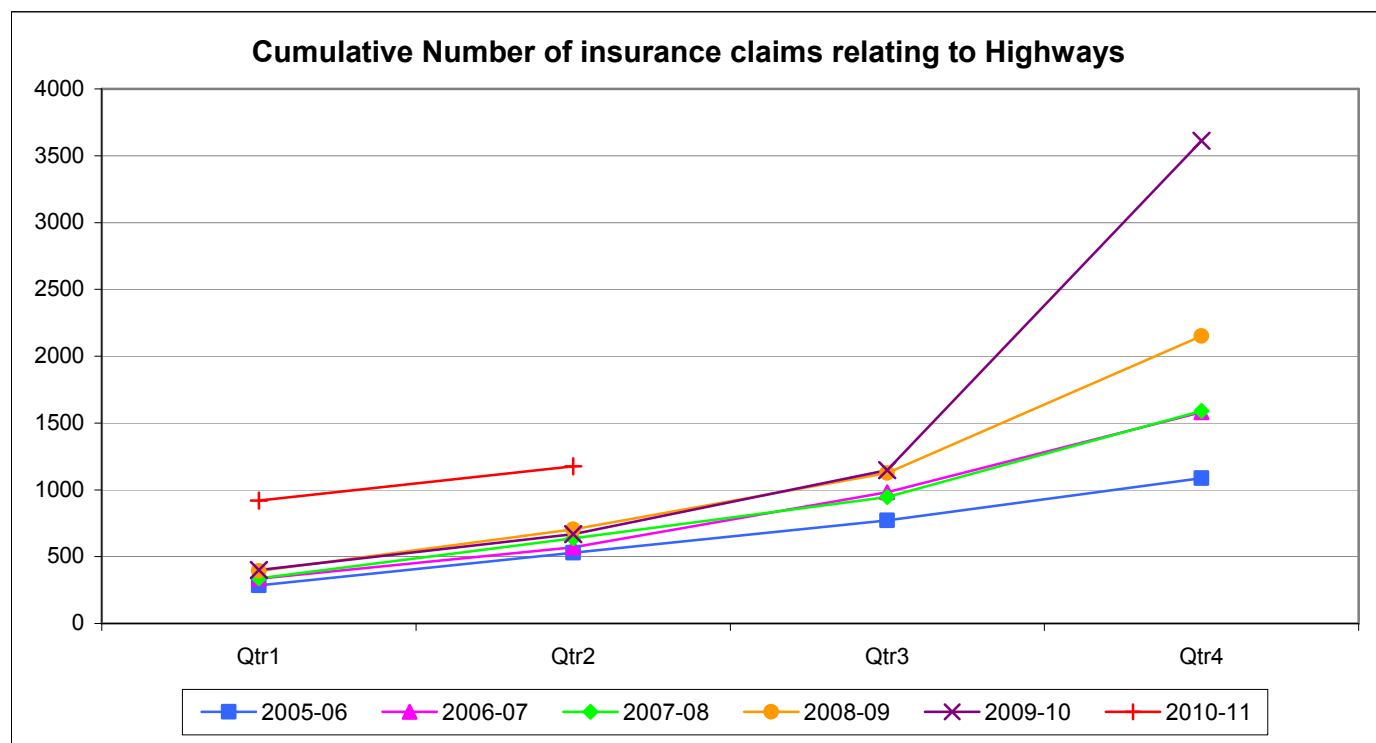


Comment:

- 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 salting period.

2.3 Number of insurance claims arising related to Highways:

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims
April – June	286	335	337	392	399	919
July – Sept	530	570	637	703	669	1,175
Oct – Dec	771	982	947	1,126	1,148	
Jan - Mar	1,087	1,581	1,590	2,150	3,611	



Comments:

- Numbers of claims will continually change as new claims are received relating to accidents occurring in previous quarters. Claimants have 3 years to pursue an injury claim and 6 years for damage claims. The data previously reported has been updated to reflect claims logged with Insurance as at 5 November 2010.
- The number of claims rose sharply at the end of 2008-09 and 2009-10. 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. Claims for the first two quarters 2010-11 are also significantly above previous years (and will increase as more claims for that period are received in subsequent months).
- The Insurance section continues to work closely with Highways to try to reduce the number of successful claims and currently the Authority is managing to achieve a rejection rate on 2010-11 claims where it is considered that we do not have any liability, of about 89%.
- As previously reported, a new way of charging KHS for highways related insurance claims has been introduced for 2010-11 in order to more accurately reflect the risk and reward associated with managing risk within the Highways service. This will be reviewed at the end of the first year to see whether the new scheme has achieved this objective.

COMMUNITIES DIRECTORATE SUMMARY OCTOBER 2010-11 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 a number of technical adjustments to budget including the virement of £75k from the Finance portfolio for a contribution towards the Contemporary Coast marketing campaign, as approved by Cabinet in October.
- The inclusion of a number of 100% grants (i.e. grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 2 of the executive summary.

1.1.2 **Table 1** below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Communities portfolio							
Kent Drug & Alcohol Action Team	18,520	-16,230	2,290	0	0	0	
Youth Offending Service	6,757	-3,012	3,745	-32	-54	-86	Gross: service restructure resulting in the reduction of a senior post which is being back-filled from within existing resources. Income: Additional funding from YJB for Training Manager seconded to YJB & additional funding for the Summer Arts project from Unitas
Youth Services	11,699	-4,845	6,854	64	-95	-31	Additional expenditure on Outdoor education (£24k); Residual costs for Alternative Curriculum Programme (£10k); remaining £30k covers a multitude of variances. Additional fees from Outdoor Education & income generation from Youth Centres over budgeted target
Supporting People	32,314	-220	32,094	0	0	0	
Adult Education (incl KEY)	17,072	-17,172	-100	5	-5	0	
Arts Unit	2,315	-248	2,067	-15	0	-15	
Libraries, Archives & Museums	22,626	-3,045	19,581	36	-39	-3	Increased gross costs arising from Radio Frequency Identification (RFID) project offset by enhanced vacancy management savings; additional income from Home Office, reduced shortfall in AV income forecasts & back rent.
Sports, Leisure & Olympics	3,201	-1,572	1,629	0	-10	-10	
Supporting Independence	4,058	-3,281	777	-3	-2	-5	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Kent Community Safety Partnership	5,215	-382	4,833	-21	-36	-57	Reduced staff costs mainly due to part year Community Warden vacancies offset by contribution towards directorate vacancy savings target. Additional income from Future Jobs Fund.
Coroners	2,702	-475	2,227	266	20	286	Continuation of pressure reported in 2009-10, regarding long inquests and Body removal contract. Income variance relates to Medway Council SLA.
Emergency Planning	828	-199	629	-6	6	0	
Kent Scientific Services	1,271	-780	491	-29	32	3	Reduced staff costs arising from vacancy management, offset by higher than anticipated price increases of chemical & safety equipment. Income variance relates to an income target, which at present is deemed as not achievable.
Registration	3,856	-3,027	829	-88	-15	-103	Reduced staff & premises costs. Increased fees income.
Trading Standards	3,655	-322	3,333	-135	7	-128	Reduced staff costs due to vacancies being held, where possible, for duration of year offset by contributions towards directorate vacancy savings target; reduced spend on staff related, premises and transport costs. Reduced fees income
Policy & Resources	1,669	-361	1,308	-6	-2	-8	
Business Development & Support	699	-228	471	-33	66	33	Reduced costs and income from Regulatory Training Services (RTS) due to lower than anticipated take up of services, combined with reduced income from internal clients.
Strategic Management	929		929	0	0	0	
Centrally Managed directorate budgets	1,296	-1,228	68	279	-279	0	Centrally held vacancy management savings target offset by internal recharge income from Trading Standards & Community Safety
Support Services purchased from CED	4,760		4,760	0	0	0	
Total Communities controllable	145,442	-56,627	88,815	282	-406	-124	
Assumed Management Action						0	
Forecast after Mgmt Action				282	-406	-124	

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 Supporting People

Commitments are in place that will result in gross expenditure being close to £2,916k in excess of the agreed cash limit for floating support. This is a demand led service provided by the unit, to assist customers to remain within their homes. Demand currently exceeds the resources allocated at the time of budget build and, therefore, additional support has been provided to cope with the increase in demand. These costs will be met by a drawdown from the existing supporting people earmarked reserve and, therefore, a balanced position is being forecast with regard to the main grant.

As a result of the 10 June Government savings announcement, the service was notified of a reduction in the Area Based Grant for supporting people administration of £736k. Cabinet, at its meeting in July, agreed that this reduction could be met by a drawdown from the supporting people earmarked reserve and the cash limit has been reduced accordingly to reflect this drawdown. However, the current forecast for supporting people administration indicates a modest underspend of -£48k, therefore the estimated drawdown from the reserve will be reduced accordingly to give a nil net effect on administration.

Overall therefore, the current estimated drawdown from the reserve is £2,868k (£2,916k - £48k) in order to present a balanced outturn position. This is in addition to the budgeted drawdown of £736k.

1.1.3.2 Libraries: +£36k Gross, -£39k Income, -£3k Net

The service has made savings on gross expenditure, mainly through vacancy management and advancement of planned restructuring (-£363k), all of which has been earmarked as a revenue contribution towards capital projects including the Radio Frequency Identification project (RFID) which will provide an electronic check-out service for customers for which no funding was identified in the budget process. Also savings have been realised on premises costs (-£140k) which have been achieved from one-off rates rebates for three libraries and reduced spend on utilities; offset by internal recharges (+£64k), other running costs (+£77k), specialist fees (+£19k) and third party payments (+£17k).

Libraries are forecasting a reduction in their Audio Visual and merchandising income streams of £126k, due to activity below target in Quarter 2, as illustrated in section 2.2 below. The budget was set at a lower level than in the prior year but even then; revised targets have not been met. Therefore, the forecast for the year has been reduced accordingly.

Income targets set for Kent on Canvas and the Centre for Kentish Studies (CKS) shop are no longer achievable which results in a shortfall of £22k and £16k respectively. This is being partly offset by various one-off income contributions from internal and external partners totalling -£192k, which is part of the reason for adverse variances on certain lines of gross expenditure.

1.1.3.3 Supporting Independence (-£3k gross, -£2k income, -£5k net)

a) Vulnerable Workers

The Vulnerable worker's programme supports young offenders, young parents, care leavers and young people with physical or mental health issues into apprenticeships. The project seeks to engage employers across the private sector in offering vulnerable workers short term placements of six-months by making a contribution towards their salaries. A target of 20 young people will be recruited by KCC to undertake a variety of apprenticeships supported by KCC and partners throughout the project.

The programme will be funded by a drawdown from reserves of up to £496k. The drawdown will be phased over two years, as a consequence of the late start to the project; £144k in 2010-2011 and £352k in 2011-12. The cost of employment is offset by the drawdown, so a nil net effect.

b) Margate Taskforce

The main focus of the project is to seek agreement with Thanet District Council to set-up a selective licensing scheme for private landlords in Margate Central and Cliftonville West wards to be funded from KCC's share of the Local Area Agreement Performance Reward Grant, which is held in reserves. To date we have spent £500k of an earmarked £750k, which will be matched by a drawdown from reserves.

1.1.3.4 Community Safety: -£21k Gross, -£36k Income, -£57k Net

The service has made savings of £162k on gross expenditure, mainly through enhanced vacancy management and targeted savings on running costs but these are largely offset by a £129k internal recharge to contribute towards directorate pressures. The income variance is mainly due to additional internal income from the Future Jobs Fund for funding and training of support wardens.

1.1.3.5 Coroners: +£266k Gross, +£20k Income, +£286k Net

The pressures affecting the service, and our inability to control Coroners' expenditure, have been fully documented in recent years.

Despite additional funding in each of the last three years to address the issue of long inquests and increasing pressures on Mortuary costs, the service continues to experience pressures due to a rise in the number of deaths that are deemed suspicious and subsequently referred.

The main existing pressures arise from specialist fees and premises costs associated with long inquests +£158k. This is being offset by various minor over/underspends which total -£22k.

The specialist fees pressure is being exacerbated by one of the coroners continuing to use an external provider for toxicology and other laboratory services, instead of using Kent Scientific Services. Negotiation remains ongoing in this respect to ensure that our in-house laboratory is used.

The service has recently been notified of an increase in Post Mortem and Body Storage charges from Dartford & Gravesham NHS Trust in the region of £150k, which follows changes to the methodology employed in calculating service income. The Head of Service and the Head of Finance have met with the Trust and negotiations are ongoing but the forecast reflects the full year effect on the in-year increase to the service level agreement.

These pressures are being partially offset because invoices relating to 2009-10 have come in at less than the estimated creditor provisions established at the end of the year.

1.1.3.6 Trading Standards: -£135k Gross, +£7k Income, -£128k Net

The service has made savings on gross expenditure, mainly through enhanced vacancy management and advancement of staff restructuring of £245k, offset by £150k internal recharge to contribute towards directorate pressures. A minor shortfall in fees income accounts for the income variance.

1.1.3.7 Centrally Managed Budgets

Within the directorates centrally managed budget, is an in-year pressure of £279k which relates to a vacancy management target. This pressure is being met by contributions from the Trading Standards and Community Safety units through vacancy management and advancement of staff restructuring.

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

(shading denotes that a pressure has an offsetting saving, which is directly related, or vice versa)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CMY	Supporting People: planned increase in the level of Floating Support and small underspend on administration	+2,868	CMY	Drawdown from Supporting People reserve.	-2,868
CMY	Supporting Independence: Forecast spend on Margate Taskforce funded by drawdown from reserves.	+500	CMY	Supporting Independence: Drawdown from reserves to match spend on Margate Taskforce.	-500
CMY	Libraries: revenue contribution to capital programme	+363	CMY	Libraries: vacancy management & advancement of planned restructuring	-363
CMY	Centrally Managed Budgets: centrally held vacancy management savings target (offset by savings within Trading Standards & Community Safety).	+279	CMY	Centrally Managed Budgets: increased internal recharge income from Trading Standards & Community Safety towards centrally held directorate pressures.	-279
CMY	Coroners: long inquest costs	+158	CMY	Trading Standards: vacancy management & advancement of planned restructuring	-245
CMY	Coroners: increase in post mortem & body storage charges	+150	CMY	Libraries: one-off income contributions from internal and external partners.	-192
CMY	Trading Standards: increased internal recharge for contribution towards directorate pressures	+150	CMY	Community Safety: Vacancy management & targeted savings on running costs	-162
CMY	Supporting Independence: Forecast spend on Vulnerable Learners funded by drawdown from reserves.	+144	CMY	Supporting Independence: Drawdown from reserves to match spend on Vulnerable Learners.	-144
CMY	Community Safety: increased internal recharge for contribution towards directorate pressures.	+129	CMY	Libraries: Reduced spend on utilities and one off rates rebates.	-140
CMY	Libraries: reduced forecast on audio visual income stream due to reduction in activity compared with Q2 in 09-10 and anticipated shortfall in merchandising income.	+126			
		+4,867			-4,893

1.1.4 Actions required to achieve this position:Community Learning & Skills

In order to mitigate against the grant reduction from the Skills Funding Agency of £469k, the service has enacted management action devised to deliver a balanced budget. (This was reported in the last full monitoring report to Cabinet in September and cash limits were amended to reflect this grant reduction, hence no variance reflected in this report).

Vacancy management

Due to the current financial climate and volatility regarding grant funding, the directorate has informed units to maintain and extend vacancies wherever possible, as well as bring forward any planned restructures, but on the basis that front line provision should not be adversely affected. In addition, services have also been asked to monitor and reduce all non essential expenditure.

Grant Reductions

A few directorate units have recently been notified of reduced grant income from internal and external partners. In all cases, management action has been enacted to contain expenditure and to deliver a balanced budget position.

Supporting People

The service expects to drawdown £3.604m from its reserve (£2.868m + £0.736m as reported in section 1.1.3.1 above), to address costs required to service existing contracts. The level of drawdown required, has been exacerbated by the removal of the administration grant in-year.

1.1.5 Implications for MTP:

The base budget implications of issues identified in this monitoring report will be a call on the amounts identified in the 2010/13 MTP as emerging pressures in 2011/12 and 2012/13. The details of individual amounts will be included when the revised plan is published for consultation in January 2011 together with any new pressures forecast for 2011/12 and 2012/13.

The significant issues for the Communities portfolio arising from 2010/11 budget monitoring are noted in the above report and will feed into the MTP process as emerging pressures.

The revised MTP will include proposals on how the in-year cuts in Government grants will be accommodated in base budgets, once it has been confirmed that these reductions are permanent. Confirmation will be following the announcement of the provisional local government finance settlement for 2011/12 which we anticipate will be in early December.

The revised plan will also include the strategy to address the likely reductions in funding over the lifetime of the current parliament following the Chancellor's emergency budget statement on 22nd June, in which he outlined his plans to address the national budget deficit, and the Spending Review announcement on 20 October.

1.1.6 Details of re-phasing of revenue projects:

None

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

N/A

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 11th October 2010, 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	2010-11 £000s	2011-12 £000s	2012-13 £000s	Future Yrs £000s	TOTAL £000s
Communities Portfolio						
Budget	14,891	26,808	12,398	3,060	350	57,507
Adjustments:						
- re-phasing August monitoring		-332		332		
Revised Budget	14,891	26,476	12,398	3,392	350	57,507
Variance	0	+125	+457	0	0	+582
split:						
- real variance		-9	591			582
- re-phasing		134	-134			

Real Variance	0	-9	591			582
Re-phasing	0	134	-134			

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2010-11 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- Projects at preliminary stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

portfolio	Project	real/ phasing	Project Status			
			Rolling Programme £'000s	Approval to Spend £'000s	Approval to Plan £'000s	Preliminary Stage £'000s
Overspends/Projects ahead of schedule						
CMY	Libraries Invest to Save Project	Phasing			+550	
CMY	Turner Contemporary	Phasing		+286		
			+0	+286	+550	+0
Underspends/Projects behind schedule						
CMY	Gravesend Library	Phasing		-774		
			-0	-774	-0	-0
				-488	+550	-0

1.2.4 Projects rephasing by over £1m:

None

1.2.5 Projects with real variances, including resourcing implications:

There is a real variance of +£0.582m (-£0.009m in 2010-11 and +£0.591m in 2011-12) which is detailed as follows:

Library Modernisation Programme +£0.061m (in 2010-11): Cost of additional works over and above the original programme matched with funding from other sources.

Modernisation of Assets -£0.134m (-£0.065m in 2010-11 and -£0.069m in 2011-12): There are increased costs of +£0.063m reflecting the capitalisation of additional assets funded from revenue contributions. The underspend of £0.197m reflects a switch of costs to revenue that cannot be capitalised and with the capital funding being transferred to the Kent History & Library Centre to reduce the prudential/revenue borrowing.

Edenbridge Centre +£0.830m (+£0.237m in 2010-11 and +£0.593m in 2011-12): No change since the last report (Quarter 1). This represents the change in specifications, all of which are funded by partner contributions.

Grove Green Library -£0.175m (in 2010-11): Following a review of library provision in East Maidstone, this project has been withdrawn from the programme.

The underlying real budget variance is nil in 2010-11.

1.2.6 General Overview of capital programme:

(a) Risks (mitigations in section b below):

Library Modernisation Programme – consists of several large individual projects, which if delayed could result in significant re-phasing of costs into 2011-12. As this programme is linked to the Modernisation of Assets budget, delays in relation to DDA and planned maintenance would also ensue.

The Beaney – The existing building needs significant restoration to the façade and roof, the cost of which may not be covered by the project contingency. The contingency has already been depleted and subsequently boosted in relation to archaeology costs. The delayed start could also lead to further weather related delays next winter.

Turner Contemporary– the external funding target of £2.9m, underwritten by KCC, may not be reached, therefore causing a potential funding shortfall.

Ashford Gateway Plus – the specification of the build was enhanced to incorporate partner requests, which were fully funded by the partners, however further changes to specification or schedule could result in additional costs.

Ramsgate Library – final agreement with the administrator is ongoing. It is anticipated that the settlement should be in line with the project budget; however there is small risk that this position may alter.

Kent History & Library Centre – project funding could be affected by both the state of the property market, by virtue of reduced capital receipts/land value, and rising costs.

Gravesend Library – delays to the programme could result in additional costs if the schedule cannot be adhered to.

New community facilities at Edenbridge – the project is partially dependent upon external partner funding and without this in place the KCC share of the project costs will rise.

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

Library Modernisation Programme – the Library Modernisation Advisory Group, including support from the Property Group, is overseeing this programme and co-ordinating appropriate project management, design development, estates and financial advice and linking into the Modernisation of Assets programme as appropriate. Expenditure has been profiled over the coming year for each of the key locations.

The Beaney – a full assessment of the existing building by specialist consultants is now underway and further value engineering will follow if the allocated budget and contingency is insufficient to cover remedial works. The potential for securing additional grant funding from HLF and others is urgently being explored. Any weather related delays will be a call on the contingency, which was recently increased as a prudent measure.

KCC are working closely with the specialist consultants and Canterbury City Council – the lead partner in this venture – to ensure that this risk is mitigated and that the project is kept on schedule with regards to timing and cost.

Turner Contemporary– Turner Contemporary Art Trust has been established to raise funds to meet the funding target and a number of donations have been made in recent months, although the funding target has still to be fully mitigated.

Ashford Gateway Plus – with the steel frame and roof decking now in place the building is expected to be water tight in November. This will allow prompt progress for the remainder of the build. Specification changes are being strictly controlled and where approved will require either further value engineering or to be fully funded to ensure that there is no financial liability to the authority.

Ramsgate Library – the outstanding defects liability has been costed by the Quantity Surveyor and formed part of the settlement negotiations. Therefore it is considered that sufficient funds will be available to complete the works. Negotiations are ongoing but are at an advanced stage.

Kent History and Library Centre – Following a fall in the residential property market a revised funding strategy has been devised, which still relies on income from the sale of Springfield, where negotiations are continuing, to present a balance budget.

The borrowing funded from the revenue budget is being reduced by £300k to £2,262k, thereby reducing future pressure for revenue savings. This will be achieved by using one-off revenue savings from this year.

Gravesend Library – a number of unavoidable delays have occurred in the last month leading to a delayed completion now expected in early July. The QS is advising that this should not result in any additional costs to the project

New community facilities at Edenbridge – Heads of Terms and the Developer Agreement have been completed with a number of potential partners and with most funding being confirmed as available, thus alleviating the risk to the authority that funding will not be in place at the required juncture. This significantly reduces the risk associated with this project.

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 proposed re-phasing is detailed in the table below.

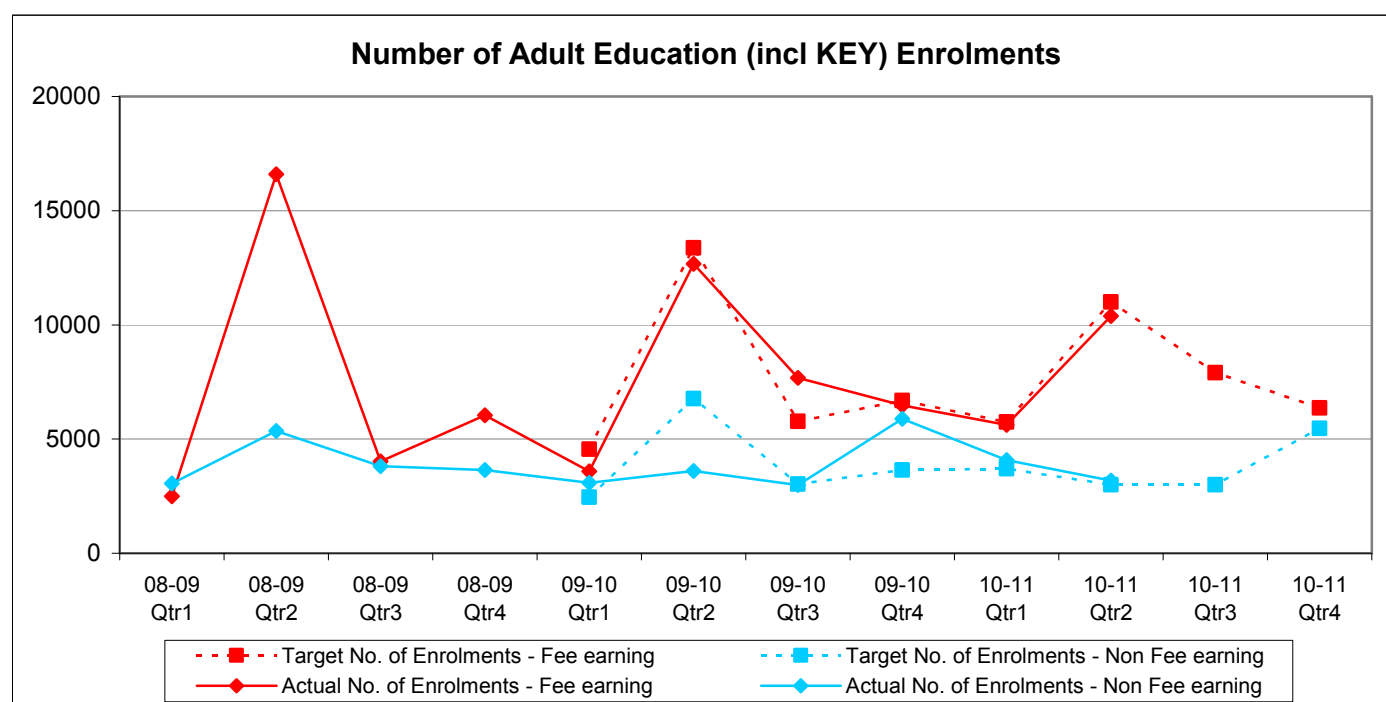
	2010-11	2011-12	2012-13	Future Years	Total
	£k	£k	£k	£k	
Turner Contemporary					
Amended total cash limits	+8,441	+286			+8,727
re-phasing	+286	-286			0
Revised project phasing	+8,727	0	0	0	+8,727
Gravesend Library					
Amended total cash limits	+2,094	+147			+2,241
re-phasing	-774	+774			0
Revised project phasing	+1,320	+921	0	0	+2,241
Libraries Invest to Save Project					
Amended total cash limits	+100	+1,400			+1,500
re-phasing	+550	-550			0
Revised project phasing	+650	+850	0	0	+1,500
Total re-phasing >£100k	+62	-62	0	0	0
Other re-phased Projects below £100k	+72	-72	0		0
TOTAL RE-PHASING	+134	-134	0	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	3,589	3,087	6,676
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	7,680	2,986	10,666
Jan - Mar	6,039	3,639	9,678	6,689	3,651	10,340	6,474	5,880	12,354
TOTAL	29,149	15,864	45,013	30,402	15,910	46,312	30,410	15,551	45,961

	2010-11					
	TARGET			ACTUALS		
	Fee earning	Non fee earning	TOTAL	Fee earning	Non fee earning	TOTAL
Apr - Jun	5,750	3,700	9,450	5,619	4,075	9,694
Jul - Sept	11,000	3,000	14,000	10,382	3,186	13,568
Oct - Dec	7,900	3,000	10,900			
Jan - Mar	6,368	5,462	11,830			
TOTAL	31,018	15,162	46,180	16,001	7,261	23,262



Comments:

- The Skills Funding Agency (SFA) grants depend partly on enrolments to courses and are subject to a contract agreement with SFA. 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.

- Enrolments (fee and non fee paying) are below the target set for 2010-2011 by 0.8% for the periods April – September. Enrolments on fee paying courses have reduced by 1.6% over that achieved for similar period last year, and are below target by 4.5%. Income remains unaffected, as the profile of courses with higher fees means there are more courses paid by learners, rather than grant income as in previous years. Forecast tuition income therefore exceeds target based on actual income received to date, profiled for the remainder of the year.

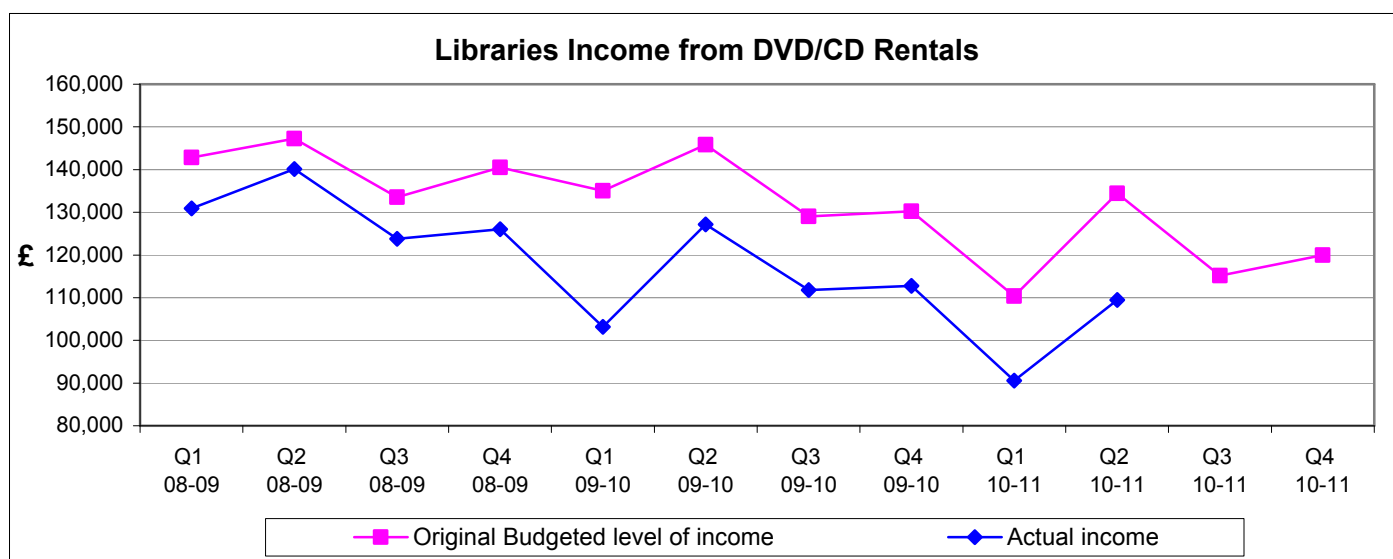
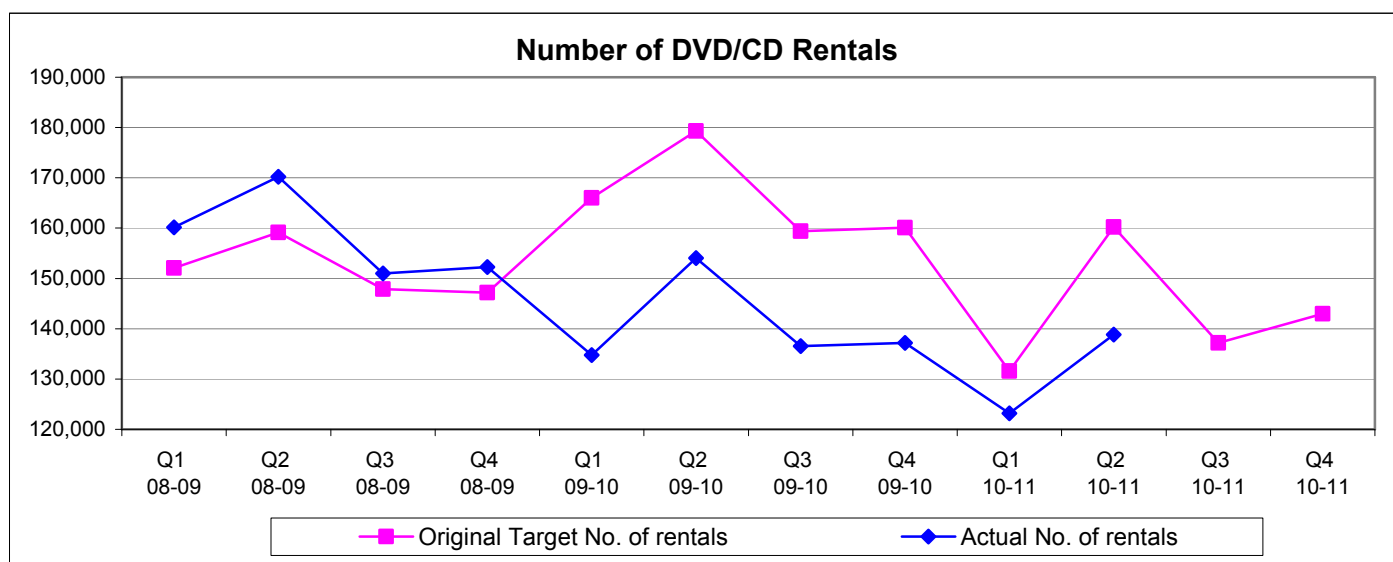
Enrolments for courses where fees are not payable have increased by 8.6% over that achieved for similar period in 2009-10, and are 8.4% above target enrolments for 2010-2011.

The majority of these enrolments are for family learning and skills for life programmes, which are wholly funded by Skills Funding Agency (SFA) contracts. Performance on the contracts is regularly monitored to ensure the services will drawdown the total contract values for the academic year.

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

	2008-09				2009-10			
	No of rentals		Income (£)		No of rentals		Income (£)	
	Budgeted target	actual	budget	actual	Budgeted target	actual	Budget	actual
April – Jun	152,059	160,162	142,865	130,920	166,000	134,781	135,000	103,135
July – Sep	159,149	170,180	147,232	140,163	179,300	154,044	145,800	127,156
Oct – Dec	147,859	150,968	133,505	123,812	159,400	136,516	129,000	111,827
Jan – Mar	147,156	152,249	140,533	126,058	160,100	137,172	130,200	112,775
TOTAL	606,223	633,559	564,135	520,953	664,800	562,513	540,000	454,893

	2010-11			
	No of rentals		Income (£)	
	Budgeted target	actual	Budget	actual
April – Jun	131,600	123,201	110,400	90,569
July – Sep	160,200	138,853	134,400	109,462
Oct – Dec	137,200		115,200	
Jan – Mar	143,000		120,000	
TOTAL	572,000	262,054	480,000	200,031



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 a forecast reduction in AV income of £78k. Demand for spoken word materials and DVDs has remained reasonably stable despite the introduction of downloadable books on issues of spoken word material.
- 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 increased income budgets from other merchandising to offset the loss of income from AV issues, but is also now falling short on this. Issues and income achieved in 2009-10 were below target, partly due to the impact on loans in the first quarter as the new computer system was being rolled-out, and visitor numbers declined; as customers stayed away, wary that things may go wrong with the new system. The position was exacerbated further by half day closures, the unavailability of the web catalogue and the facility to renew items, which resulted in a loss of income as DVD's could not be renewed.
- The service is currently working on an exit strategy for the audio visual rental service, in acknowledgment of the continual decline in demand and that merchandising income is no longer sufficient to plug the gap. It is expected that the outcomes of this will be reflected in the 2011-14 MTP.
- 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 the previous quarter is changed from the figure previously reported, to reflect the late banking of income which has taken place during the current quarter but relates to rentals issued within the previous quarter. The number of rentals reported previously remains unchanged. It is likely that this adjustment will be required in each report.

CHIEF EXECUTIVES DIRECTORATE SUMMARY OCTOBER 2010-11 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 budget was set. These are detailed in Appendix 2 of the executive summary.

1.1.2 **Table 1** below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Localism & Partnerships portfolio							
Democratic Services:						0	
- core service	4,902	-3	4,899	-34	-7	-41	
- support to directorates	260	-260	0	0	0	0	
TOTAL Democratic Services	5,162	-263	4,899	-34	-7	-41	
International Affairs Group	572	-35	537	3	-3	0	
Kent Partnerships	414	-48	366	17	-4	13	
County Council Elections	255		255	0	0	0	
Public Consultation	100		100	0	0	0	
Provision for Member Community Grants	853		853	0	0	0	
Local Scheme Spending recommended by Local Boards	468		468	0	0	0	
District Grants for Local Priorities	808		808	0	0	0	
Budget Managed by this portfolio	8,632	-346	8,286	-14	-14	-28	
Less Support Costs delegated to Service Directorates	-260	260	0	0	0	0	
Total L&P portfolio	8,372	-86	8,286	-14	-14	-28	
Corporate Support & Performance Management portfolio							
Personnel & Development:						0	
- core service & PAYG activity	7,272	-5,271	2,001	-72	72	0	
- support to directorates	3,679	-3,679	0	0	0	0	
TOTAL P&D	10,951	-8,950	2,001	-72	72	0	
Business Solutions & Policy:							
- ISG core service & PAYG activity	14,857	-12,741	2,116	575	-575	0	IT project contractors funded by income
- ISG support to directorates	15,130	-15,130	0	0	0	0	
- Central Policy	656	0	656	1	-1	0	
- Performance, Improvement & Engagement	691		691	0	-50	-50	
TOTAL Business Solutions	31,334	-27,871	3,463	576	-626	-50	
Finance Group:						0	
- Procurement & Audit	320	-34	286	106	-15	91	Balanced with underspend in Finance portfolio below
- Audit support to directorates	735	-735	0	0	0	0	
TOTAL Audit & Procurement	1,055	-769	286	106	-15	91	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Property Group:							
- core service	5,583	-4,416	1,167	132	-137	-5	Addt costs & income from trading activities
- support to directorates	5,443	-5,443	0	0	0	0	
TOTAL Property Group	11,026	-9,859	1,167	132	-137	-5	
Legal Services	6,789	-7,764	-975	1,348	-1,664	-316	£730k disbursements costs & income; addt costs & income from trading activities
Strategic Management Unit	431		431	0	0	0	
Kent Works	0	0	0	32	1	33	
Corporate Communications	1,682	-215	1,467	-63	63	0	
Strategic Development Unit	2,604	-631	1,973	20	-20	0	Workplace transformation saving on 17 KHA rent, offset by costs of redeployments
Contact Kent	5,517	-2,248	3,269	-85	13	-72	Consumer Direct vacancies off-set by other costs & reduced income
Centrally Managed Budgets	2,013	-184	1,829	256	-15	241	£231k centrally held base saving on delegated budgets which is offset by savings on other budget lines within the portfolio
Support Services purchased from CED	4,094		4,094	0	0	0	
PFI Grant		-605	-605	0	0	0	
Dedicated Schools Grant		-4,289	-4,289	0	0	0	
Budget Managed by this portfolio	77,496	-63,385	14,111	2,250	-2,328	-78	
Less Support Costs delegated to Service Directorates	-24,987	24,987	0	0	0	0	
Total CS&PM	52,509	-38,398	14,111	2,250	-2,328	-78	
Finance Portfolio							
Finance Group:							
- core service	6,015	-4,046	1,969	-434	343	-91	Vacancies held & reduced drawdown from Funds. Underspend offsets Finance Group (procurement) overspend in CS&PM portfolio above
- support to directorates	1,577	-1,577	0	0	0	0	
TOTAL Finance Group	7,592	-5,623	1,969	-434	343	-91	
Less Support Costs delegated to Service Directorates	-1,577	1,577	0	0	0	0	
Total Finance portfolio	6,015	-4,046	1,969	-434	343	-91	
TOTAL CORPORATE POC	66,896	-42,530	24,366	1,802	-1,999	-197	
Public Health & Innovation portfolio							
Kent Department of Public Health	794	-227	567	31	-31	0	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Regeneration & Economic Development portfolio							
Supporting Business	2,468	-590	1,878	-25	0	-25	Staff vacancy savings
Growth Areas	1,694	-466	1,228	-40	0	-40	Staff vacancy savings
Kent wide & Strategic Projects	4,222	-1,011	3,211	-30	0	-30	Mgmt savings to meet costs of R&I Group restructuring
Research & Intelligence Group	435	-101	334	73	-43	30	Service restructuring costs
Kent Film Office	110		110	0	0	0	
Resources	604	-137	467	0	0	0	
TOTAL Regen & ED	9,533	-2,305	7,228	-22	-43	-65	
Total Directorate Controllable	77,223	-45,062	32,161	1,811	-2,073	-262	
Assumed Management Action:							
- L&P portfolio						0	
- CS&PM portfolio						0	
- Finance portfolio						0	
- PH&I portfolio						0	
- Regen & ED portfolio						0	
Forecast after Mgmt Action				1,811	-2,073	-262	

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

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

Corporate Support & Performance Management portfolio:

- 1.1.3.1 Information Systems (Business Solutions & Policy): The main variances are **(+£620k)** on gross spend and income **(-£620k)** reflecting the increased demand for additional IT Pay-as-you-go projects. Project demand is difficult to predict during budget setting.
- 1.1.3.2 Property Group: Variances on gross spend **(+£140k)** and income **(-£140k)** reflect the increased demand for additional Pay-as-you-go projects. Project demand is difficult to predict during budget setting.
- 1.1.3.3 Legal Services: Variances on gross spend **(+£618k)** and income **(-£934k)** reflect the additional work that the function has taken on over and above that budgeted for, responding to both internal and external demand. Variances of **(+/-£730k)** are due to increased costs & their recovery for Disbursements.
- 1.1.3.4 Strategic Development Unit: Workplace Transformation: Variance on Gross Spend **(-£240k)** is generated from saving the 4th quarter's rent for 17 Kings Hill Avenue, due to the closure of that office in December 2010. There is also a gross variance of **+£240k** due to uncertainty around the total costs of one-off alterations and cabling costs to existing buildings needed to expand occupancy to accommodate these displaced staff. As the costs are finalised, any saving remaining will accrue to the Directorates as County Office rents is a fully delegated budget.
- 1.1.3.5 Contact Kent – Consumer Direct: Underlying variance on gross spend of **(-£160k)**, partially offset by other increased costs, reflects the holding of staff vacancies until the decision has been announced on the awarding of the new contract in December 2010. If awarded, staff will be recruited in the new year.
- 1.1.3.6 Centrally Managed Budgets: Budgeted base savings on delegated budgets of £231k have been held within Centrally Managed Budgets, but these savings are expected to be achieved by in-year opportunities on other service lines within the portfolio. There is therefore a pressure on this budget, which is offset by underspending elsewhere within the portfolio resulting in an overall underspend forecast for the portfolio.

Finance portfolio:

1.1.3.7 Pensions & Insurance Teams: The main variances are (**-£302k**) on gross spend, which has arisen due to a freeze on recruitment to staff vacancies in the Pensions and Insurance teams. A corresponding variance on income (**+£302k**) is due to the reduced drawdown from the Pension and Insurance Funds.

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

(shading denotes that a pressure has an offsetting saving, which is directly related, or vice versa)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CSPM	Legal Services increased costs of Disbursements	+730	CSPM	Legal income resulting from additional work (partially offset by increased costs)	-934
CSPM	Information Systems costs of additional pay as you go activity	+620	CSPM	Legal Services increased income relating to Disbursements	-730
CSPM	Legal services cost of additional work (offset by increased income)	+618	CSPM	Information Systems income from additional pay as you go activity	-620
FIN	Reduced drawdown from Pension & Insurance funds to reflect reduced salary costs	+302	FIN	Vacancy freeze within pensions & insurance	-302
CSPM	Workplace Transformation - Possible one-off costs re: alterations for displacements from Kings Hill Avenue	+240	CSPM	Workplace Transformation - 4th Qtr rent for 17 King's Hill Avenue	-240
CSPM	Centrally Managed Budgets: centrally held base saving on delegated budgets which is offset by savings on other budget lines within the portfolio	+231	CSPM	Contact Kent - Consumer Direct holding vacancies until replacement contract is negotiated	-160
CSPM	Property - Increased staff costs for pay as you go activity	+140	CSPM	Property - increased income for pay as you go projects	-140
		+2,881			-3,126

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

N/A

1.1.5 Implications for MTP:

The base budget implications of issues identified in this monitoring report will be a call on the amounts identified in the 2010/13 MTP as emerging pressures in 2011/12 and 2012/13. The details of individual amounts will be included when the revised plan is published for consultation in January 2011 together with any new pressures forecast for 2011/12 and 2012/13. There are no significant issues for the CED portfolios arising from 2010/11 budget monitoring.

The revised MTP will include proposals on how the in-year cuts in Government grants will be accommodated in base budgets once it has been confirmed that these reductions are permanent, following the announcement of the provisional local government finance settlement for 2011/12 which we anticipate will be in early December. The revised plan will also include the strategy to address the likely reductions in funding over the lifetime of the current parliament following the Chancellor's emergency budget statement on 22nd June, in which he outlined his plans to address the national budget deficit, and the Spending Review announcement on 20 October.

1.1.6 Details of re-phasing of revenue projects:

None identified at the moment.

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

N/A

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 11th October 2010, 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	2010-11	2011-12	2012-13	Future Yrs	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
Corporate Support Services & Performance Management						
Budget	8,953	16,003	9,317	9,549	2,663	46,485
Adjustments:						
- August rephasing		-1,395	1,645	-250		0
						0
Revised Budget	8,953	14,608	10,962	9,299	2,663	46,485
Variance		1,651	263	-2,246	-50	-382
split:						
- real variance		+2,234	-394	-2,172	-50	-382
- re-phasing		-583	+657	-74	0	0
Localism & Partnerships Portfolio						
Budget	0	503	500	500	0	1,503
Adjustments:						0
						0
Revised Budget	0	503	500	500	0	1,503
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	15,312	11,996	4,230	3,242	2,980	37,760
Adjustments:						0
-						0
Revised Budget	15,312	11,996	4,230	3,242	2,980	37,760
Variance		-443	659	0	0	216
split:						
- real variance		+217	-1			+216
- re-phasing		-660	+660			0
Directorate Total						
Revised Budget	24,265	27,107	15,692	13,041	5,643	85,748
Variance	0	1,208	922	-2,246	-50	-166
Real Variance	0	+2,451	-395	-2,172	-50	-166
Re-phasing	0	-1,243	+1,317	-74	0	0

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2010-11 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- Projects at preliminary stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

portfolio	Project	real/ phasing	Project Status			
			Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
CSS&PM	Commercial Services VPE	real	2,034			
			+2,034	+0	+0	+0
Underspends/Projects behind schedule						
CSS&PM	Sustaining Kent - Maintaining the Infrastructure	phasing		-450		
			0	-450	-0	-0
			+2,034	-450		-0

1.2.4 Projects re-phasing by over £1m:

None

1.2.5 Projects with real variances, including resourcing implications:

There is a real variance of -£0.166m (+£2.451m in 2010-11, -£0.395m in 2011-12, -£2.172m in 2012-13 and -£0.050m in later years) which is detailed as follows:

Commercial Services VPE +£2.334m (in 2010-11): This overspend is due to the following:

The increase in expenditure on vehicles, plant & equipment will be funded by an increased contribution to and drawdown from their Renewals Fund. There are therefore no implications on resources.

Workplace Transformation (formerly Better Workplaces) -£2.616m (-£0.394m in 2011-12, -£2.172m in 2012-13 and -£0.050m in later years): The underspend is due a review of the scope of the Better Workplace Programme and the decision to relocate 17 Kings Hill Avenue within the Corporate Office estate rather than undertake a new build.

Swale Parklands +£0.225m (+£0.226m in 2010-11 and -£0.001m in 2011-12): KCC has assumed the lead role in delivering this project as a constituent element to a larger programme funded by Communities and Local Government (CLG) and Homes and Communities Agency (HCA) for the adjoining areas of Milton Creek of £2.3m. The project comprises of two distinct components:

- Sheppey Cycle Routes with an overall budget of £0.725m, of which £0.225m is funded from Sustrans.
- Churchfield Wharf with an overall budget is £0.250m.

Taking these into account, there is a small real variance of £0.009m which is met from additional external contributions.

1.2.6 General Overview of capital programme:

- Risks
- Details of action being taken to alleviate risks

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.

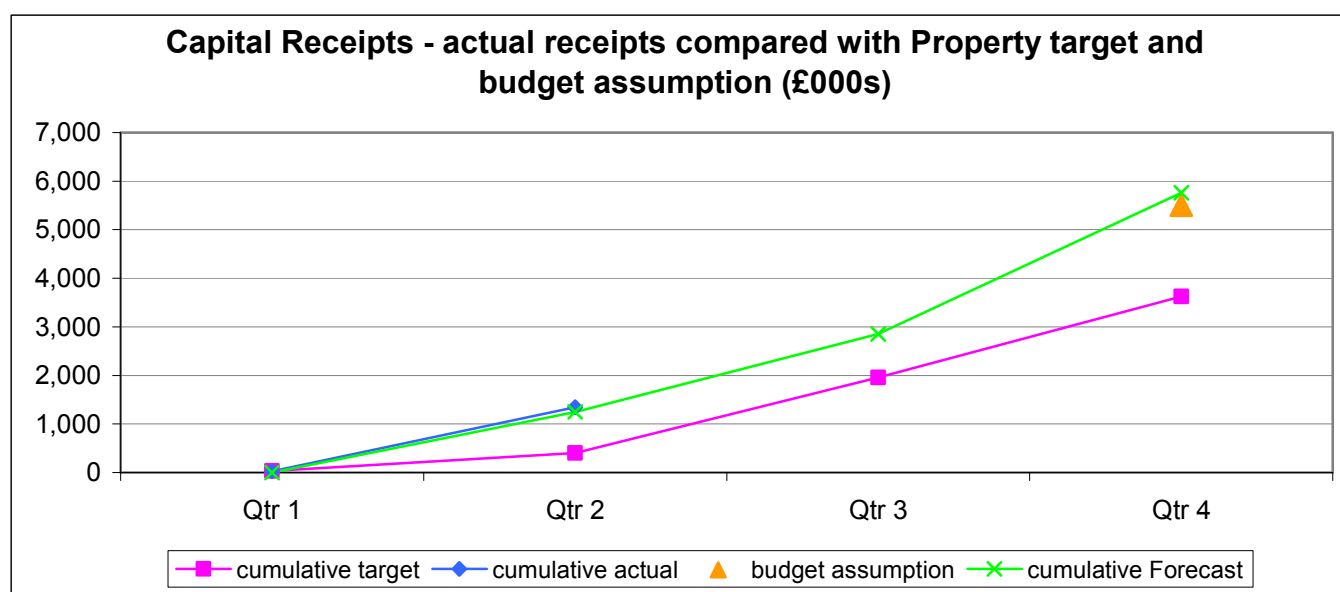
	2010-11	2011-12	2012-13	Future Years	Total
	£k	£k	£k	£k	
Gateways (CSS&PM)					
Amended total cash limits	+1,605	+720	+804		+3,129
re-phasing	-26	+100	-74		0
Revised project phasing	+1,579	+820	+730	0	+3,129
Euro Kent (R&ED)					
Amended total cash limits	+670	0			+670
re-phasing	-660	+660			0
Revised project phasing	+10	+660	0	0	+670
Sustaining Kent - Maintaining the Infrastructure					
Amended total cash limits	+5,150	+2,476		+250	+7,876
re-phasing	-450	+450			0
Revised project phasing	+4,700	+2,926	0	+250	+7,876
Total re-phasing >£100k	-1,136	+1,210	-74	0	0
Other re-phased Projects below £100k	-107	+107			0
TOTAL RE-PHASING	-1,243	+1,317	-74	0	0

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Capital Receipts – actual receipts compared to budget profile:

	2010-11			
	Budget funding assumption £000s	Cumulative Target Profile £000s	Cumulative Actual Receipts £000s	Cumulative Forecast receipts £000s
April - June		36	25	0
July - September		399	1,345	1,250
October - December		1,960		2,850
January - March		3,630		5,765
TOTAL	5,503	3,630	1,345	5,765

The cumulative target profile shows the anticipated receipts at the start of the year totalled £3.630k. The difference between this and the budget funding assumption is mainly attributable to timing differences between when the receipts are anticipated to come in and when the spend in the capital programme will occur. There are banked receipts achieved in prior years which were not required to be used for funding until 2010-11.



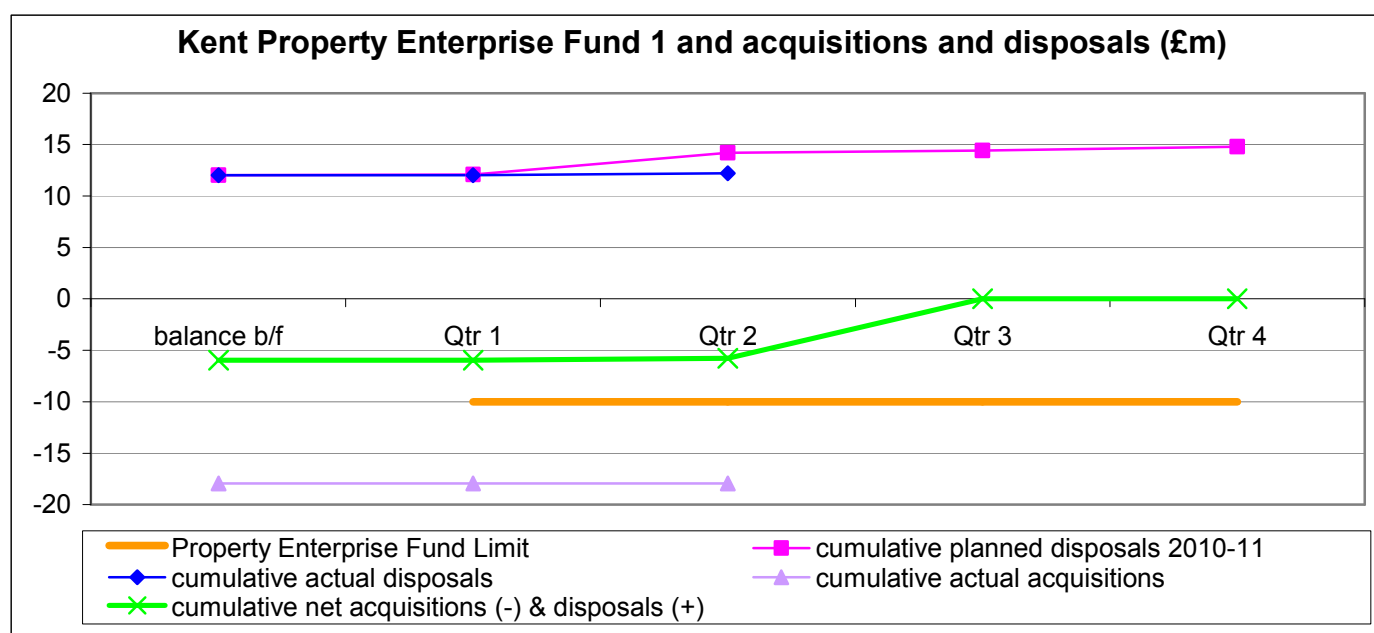
Comments:

- The table below compares the capital receipt funding required per the capital programme this year, with the expected receipts available to fund this.
- Property Group are actually forecasting a total of £5.765m to come in from capital receipts during the year. Taking into consideration the receipts banked in previous years and receipts from other sources there is a forecast surplus of £5.085m in 2010-11. This is due to receipts being forecast to be achieved during 2010-11 which are earmarked to fund spend in future years of the programme.

	2010-11 £'000
Capital receipt funding per revised 2010-13 MTP	6,170
Property Groups' actual (forecast for 10-11) receipts	5,765
Receipts banked in previous years for use	2,600
Capital receipts from other sources	2,890
Potential Surplus Receipts	5,085

2.2 Capital Receipts – Kent Property Enterprise Fund 1:

	2010-11				
	<i>Kent Property Enterprise Fund Limit</i> £m	Cumulative Planned Disposals (+) £m	Cumulative Actual Disposals (+) £m	Cumulative Actual Acquisitions (-) £m	Cumulative Net Acquisitions (-) & Disposals (+) £m
Balance b/f		12.019	12.019	-17.967	-5.948
April - June	-10	12.102	12.019	-17.967	-5.948
July - September	-10	14.199	12.209	-17.967	-5.758
October - December	-10	14.420			0
January - March	-10	14.778			0

Background:

- County Council approved the establishment of the Property Enterprise Fund 1 (PEF1), with a maximum permitted deficit of £10m, but self-financing over a period of 10 years. The cost of any temporary borrowing will be charged to the Fund to reflect the opportunity cost of the investment. The aim of this Fund is to maximise the value of the Council's land and property portfolio through:
 - the investment of capital receipts from the disposal of non operational property into assets with higher growth potential, and
 - the strategic acquisition of land and property to add value to the Council's portfolio, aid the achievement of economic and regeneration objectives and the generation of income to supplement the Council's resources.

Any temporary deficit will be offset as the disposal of assets are 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 2009-10 on PEF1 was **-£5.948m**.

A value of **£2.868m** has been identified for disposal in 2010-11. This is the risk adjusted figure to take on board the potential difficulties in disposing some of the properties.

As at the 30 September 2010 there has been one disposal which amounted to £0.19m.

The fund has been earmarked to provide **£1m** for Ashford Library and **£0.309m** 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 **£0.173m**.

Forecast Outturn

Taking all the above into consideration, the Fund is expected to be in a deficit position of £4.562m at the end of 2010-11.

Opening Balance – 01-04-10	-£5.948m
Planned Receipts (Risk adjusted)	£2.868m
Costs	-£0.173m
Acquisitions	-
Other Funding:	
- Ashford Library	-£1.000m
- Gateways	-£0.380m
Closing Balance – 31-03-11	-£4.562m

Revenue Implications

In 2010-11 the fund is currently forecasting £0.033m of low value revenue receipts but, with the need to fund both costs of borrowing (£0.460m) against the overdraft facility and the cost of managing properties held for disposal (net £0.138m), the PEF1 is forecasting a £1.5m deficit on revenue which will be rolled forward to be met from future income streams.

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

County Council approved the establishment of PEF2 in September 2008 with a maximum permitted overdraft limit of £85m, but with the anticipation of the fund broadly breaking even over a rolling five year cycle. However, due to the slower than expected recovery, breakeven, is likely to occur over a rolling seven to eight 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

	2010-11 Forecast
	£m
Capital:	
Opening balance	-33.274
Properties to be agreed into PEF2	-26.686
Forecast sale of PEF2 properties	18.038
Disposal costs	-0.902
Closing balance	-42.824
Revenue:	
Opening balance	-2.153
Interest on borrowing	-1.522
Holding costs	-1.154
Closing balance	-4.829
Overall closing balance	-47.653

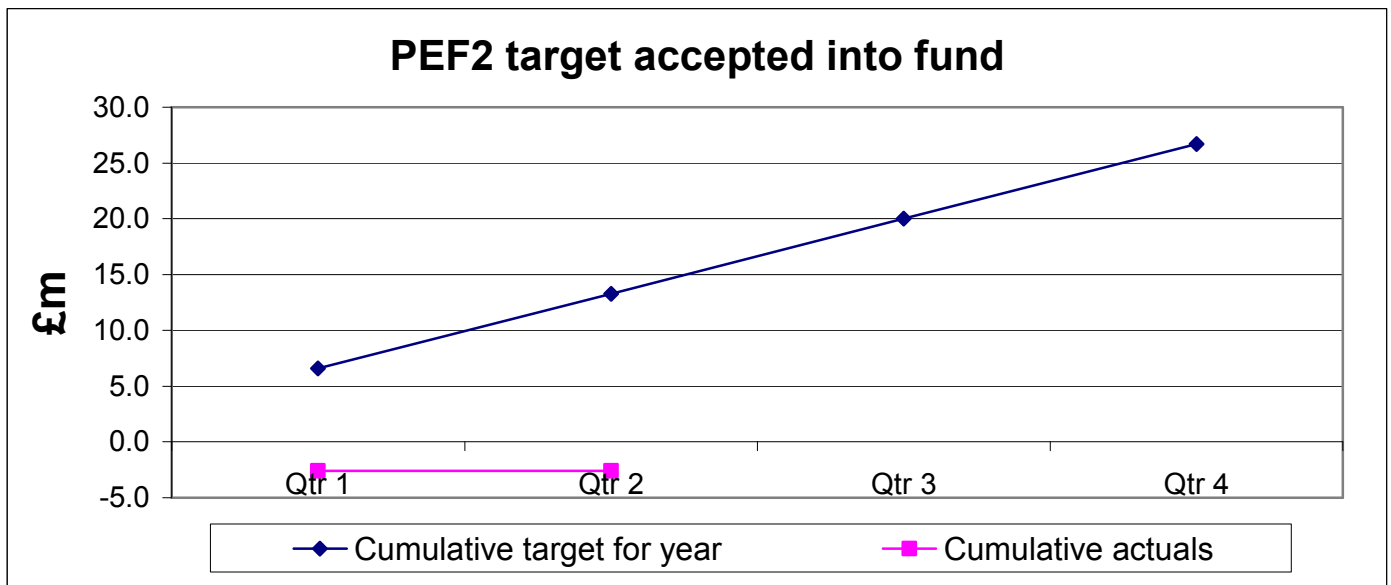
The forecast closing balance for PEF2 is -£47.653m, this is within the overdraft limit of £85m.

The target receipts to be accepted into PEF2 during 2010-11 equate to the PEF2 funding requirement in the 2010-13 budget book, and achievement against this is shown below:

	2010-11	
	Cumulative target for year	Cumulative actuals
	£m	£m
Balance b/fwd	-2.6	-2.6
Qtr 1	6.6	-2.6
Qtr 2	13.3	-2.6
Qtr 3	20.0	
Qtr 4	26.7	

Comments:

- The above table shows a £2.6m deficit which is the net of a £5.4m deficit within CFE and £2.8m of PEF2 achieved in 2008-09 by KASS and EH&W that was not required until later years.
- To date no properties have been transferred into PEF2. Corporate Property and Directorates continue to work together to enable properties to be transferred into the fund.



PEF2 Disposals

To date seven PEF2 properties have been sold and four are in the process of completing. The cumulative profit on disposal to date is £1.29m. 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 2010-11 were expected to total £1.56m.

Latest forecasts show interest costs of £1.52m, a decrease of £0.04m. This is because there has been an increase 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 2010-11 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 virement of £75k from the debt charges budget to the Arts Unit within the Communities portfolio to fund a contribution towards the Contemporary Coast marketing campaign, as approved by Cabinet in October.
- The inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 2 of the executive summary.

1.1.2 **Table 1** below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Corporate Support & Performance Management portfolio							
Contribution to IT Asset Maintenance Reserve	2,352		2,352			0	
Audit Fees & Subscriptions	764		764	-178		-178	subscriptions -£112k; audit fees -£66k
Contribution from Commercial Services		-6,960	-6,960			0	
Total Corporate Support & PM	3,116	-6,960	-3,844	-178	0	-178	
Finance Portfolio							
Insurance Fund	3,479		3,479	1,000		1,000	increase in liability claims
Modernisation of the Council	3,810		3,810			0	
Environment Agency Levy	344		344			0	
Joint Sea Fisheries	264		264			0	
Interest on Cash Balances / Debt Charges	126,215	-10,043	116,172	-7,026	1,268	-5,758	2010-11 write down of discount saving from 2008-09 debt restructuring; saving on leasing costs; in year MRP reduction; savings on new borrowing
Transferred Services Pensions	22		22			0	
PRG	-1,500	0	-1,500			0	
Contribution to/from Reserves & Provisions	1,948		1,948	1,108		1,108	transfer of 10-11 write down of discount saving from 08-09 debt restructuring to reserves; transfer of MRP saving to reserves to fund potential impact on future years; drawdown of insurance reserve to cover pressure on Insurance Fund; review of balance sheet
Drawdown from Kings Hill reserve	-1,000		-1,000			0	
ABG Centrally Held Allocations	90		90			0	
Total Finance	133,672	-10,043	123,629	-4,918	1,268	-3,650	
Total Controllable	136,788	-17,003	119,785	-5,096	1,268	-3,828	

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

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

Corporate Support & Performance Management portfolio:

- 1.1.3.1 There is an underspend of £0.112m on the local authority subscriptions budget and a £0.066m underspend on the External Audit Fee budget. The final amount of the External Audit fee is yet to be agreed, so there could be further savings. The current forecast takes into account the estimated fees for grant claim audits and a rebate to mitigate the increase in fees arising from the transition to International Financial Reporting Standards (IFRS).

Finance portfolio:

1.1.3.2 Insurance Fund:

A forecast pressure on the Insurance Fund is largely due to an increase in the value of outstanding liabilities, as a result of a continued rise in the number of liability claims recorded for 2010 (currently more than twice the annual average since 2001), together with some notable increases in reserves for some claims. This will be met by a drawdown from the Insurance Reserve (see 1.1.3.4(c) below).

1.1.3.3 Interest on Cash Balances and Debt Charges:

- a) There is a saving of £1.016m which relates to the write-down in 2010-11 of the £4.024m discount saving on debt restructuring undertaken at the end of 2008-09. (£2.362m was written down in 2008-09 and 2009-10, therefore leaving a further £0.646m to be written down over the period 2011-12 to 2012-13).
- b) There is an in-year saving in the Minimum Revenue Provision (MRP). This used to be based on 4% of our capital financing requirement but 2008-09 was the last year we were able to calculate it that way. Thereafter we must make an amount of MRP which we consider prudent. We have adopted the asset life method. This method provides authorities with the option of applying MRP over the life of the asset once it is in operation, so for assets that are not yet operational and still under construction we effectively have an "MRP holiday". MRP is based on capital expenditure incurred in the previous year and therefore cannot be calculated until the previous year's accounts have been finalised and audited. Due to the re-phasing in the capital programme during 2009-10, fewer assets became operational than anticipated and therefore MRP in 2010-11 is £1.9m less than budgeted. However, once these assets do become operational we will incur MRP in the following year, therefore we need to transfer this £1.9m to reserves in order to fund the potential impact in future years of this re-phasing.
As this method of calculating MRP is very complex and it is only the second year of calculating it this way, we were also holding a contingency of £0.7m (1.5% of the MRP budget) in case of any adverse impact compared to the budgeted amount; this contingency can now be released.
- c) There is a saving on leasing costs of £0.277m.
- d) There are savings of £2.409m on debt charges largely due to delays in taking new borrowing and achieving lower interest rates on new borrowing than assumed in the budget.
- e) There is a pressure of £0.680m on the interest on cash balances budget which is due to:
 - The downgrade of the Spanish sovereign rating resulting in the policy decision to remove £40m on call deposit with Santander UK and to place these funds with the Government's Debt Management Office has resulted in a reduction in the interest rate from 0.8% to 0.25%.
 - The transfer out of Pension Fund cash, which now has to be handled wholly separately, and a reduction in government grants following the emergency budget has had an adverse impact on our cashflow and consequently our interest returns.
 - Reduced cash balances compared to that assumed when the budget was set due to policy of internalising debt, as reported in the cash balances financial health indicator in Appendix 3.
 - Reduced interest returns due to the impact of maturing long-term deposits.
 - Additional brokerage costs on new borrowing, including two market loans taken in advance for 2011-12.

1.1.3.4 Contributions to/from reserves & provisions:

- As planned, the £1.016m write down of the discount saving earned from the debt restructuring in 2008-09, will be transferred to the Economic Downturn reserve.
- As referred to in 1.1.3.1(b) above, £1.9m will be transferred to reserves in order to fund the potential impact in future years of the current year saving on MRP.
- In addition, £1m will be drawdown from the Insurance Reserve to fund a forecast pressure on the Insurance Fund (see 1.1.3.1 above)
- As part of the balance sheet management process, regular reviews of balances held within the balance sheet are undertaken. Following this latest review and settlement of some of our outstanding liabilities, £0.807m has been identified which can be released back to revenue as it is no longer required.

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

(shading denotes that a pressure has an offsetting saving, which is directly related, or vice versa)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
FIN	Contribution to economic downturn reserve of 2010-11 write down of discount saving from 2008-09 debt restructuring	+1,016	FIN	Treasury savings - lower debt charges	-2,409
FIN	Contribution to reserves of in year MRP saving to cover potential impact in future years	+1,899	FIN	In year Minimum Revenue Provision saving as a result of 2009-10 re-phasing of the capital programme	-1,899
FIN	Pressure on Insurance Fund due to rise in liability claims	+1,000	FIN	2010-11 write down of discount saving from 2008-09 debt	-1,016
FIN	Treasury - pressure on the interest on cash balances budget	+680	FIN	Drawdown from Insurance Reserve to cover pressure on Insurance Fund	-1,000
			FIN	release of provisions following review of balance sheet	-807
			FIN	release of Minimum Revenue Provision contingency	-739
			FIN	savings on leasing costs	-277
			CSPM	local authority subscriptions	-112
		+4,595			-8,259

1.1.4 Actions required to achieve this position:

N/A

1.1.5 Implications for MTP:

Please refer to section 1.1.5 in Annex 5.

1.1.6 Details of re-phasing of revenue projects:

N/A

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

A virement of £0.161m from the underspending on the debt charges budget to a new Restructure budget line, also to be held and reported within the Finance portfolio, is requested to cover the costs of the Transformation Programme Manager and related project costs. **Cabinet is asked to agree this virement.** It is proposed that further restructure costs, as they arise, will also be charged here, to be met from either a drawdown from the Restructure reserve, or other appropriate funding to be determined prior to the expenditure being incurred.

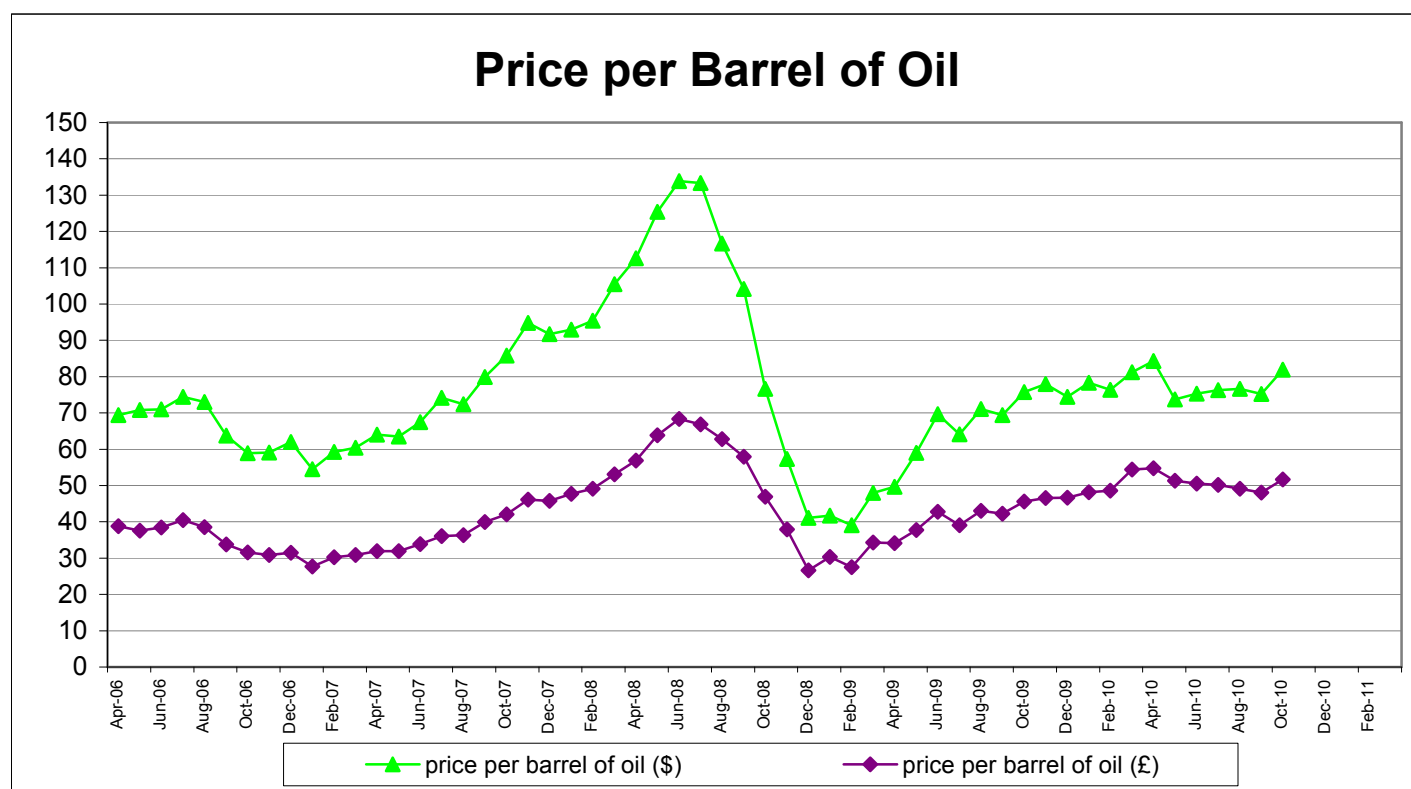
1.2 CAPITAL

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	2010-11
	\$	\$	\$	\$	\$
April	69.44	63.98	112.58	49.65	84.29
May	70.84	63.45	125.40	59.03	73.74
June	70.95	67.49	133.88	69.64	75.34
July	74.41	74.12	133.37	64.15	76.32
August	73.04	72.36	116.67	71.05	76.60
September	63.80	79.91	104.11	69.41	75.24
October	58.89	85.80	76.61	75.72	81.89
November	59.08	94.77	57.31	77.99	
December	61.96	91.69	41.12	74.47	
January	54.51	92.97	41.71	78.33	
February	59.28	95.39	39.09	76.39	
March	60.44	105.45	47.94	81.20	



Comments:

- The figures quoted are the West Texas Intermediate Spot Price in dollars per barrel, monthly average price.
- The dollar price has been converted to a sterling price using exchange rates obtained from the HMRC website.