To:	Customer & Communities Policy Overview & Scrutiny Committee
By:	Mike Hill, Cabinet Member Customer & Communities Services Amanda Honey, Corporate Director Customer & Communities
Date:	20 January 2012
Subject:	Financial Monitoring 2011/12
Classification:	Unrestricted

Summary: Members of the POSC are asked to note the latest projected outturn figures for the Directorate for 2011/12 based on the monitoring report to Cabinet on 5 December 2011.

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1. Introduction

This is a regular report to this Committee on the forecast outturn against budget for the Customer & Communities portfolio.

2. Background

Policy Overview & Scrutiny Committees (POSCs) consider priorities for the Medium Term Plan (MTP) at their November meetings and the draft MTP and annual budget at their January meetings. Two reports are presented to the Committee on a regular basis to inform discussions:

a) Budget Monitoring Reports
Quarterly budget monitoring reports are presented to Cabinet usually in September, December and March. The Customer & Communities annex to these reports is reported to the POSC at the earliest opportunity and keeps Members informed about current trends, pressures and management actions in advance of budget setting. In the intervening months, an exception report is presented.

The approved A-Z of budgets has been realigned for the first quarter's budget monitoring to reflect the new portfolio responsibilities and new directorate structures to give a new starting point for the year.

b) Outturn Report
The outturn report in July summarises financial and performance information for the preceding year.

3. Quarterly Monitoring Report

Attached for the first time is the full monitoring report for the second quarter in 2011/12 which reflects the latest position, based on September's actual spend to date.

The salient points from this report are highlighted below, together with any movement from the position reported at the November meeting, which was based on the forecast outturn as at August.

Revenue
Members were informed at the meeting in November the Directorate was forecasting a net overspend of £0.42m, a movement of £0.38m from the £0.8m pressure reported at the September meeting.

I am pleased to report the Directorate has been able to reduce the projected overspend to £0.13m - a further movement of £0.29m - in spite of an in-year funding reduction for Community Learning & Skills. The expectation is that the Directorate will deliver a balanced budget position by the end of the financial year.

The movements in the Directorate's position are outlined below:

<u>Community Learning Services: £0m to +£0.09m: a movement of +£0.09m</u>

- The service is forecasting a significant reduction in income through a combination of mid-year change in the eligibility criteria by the Skills Funding Agency for the equivalent learning programme and a decline in student enrolment numbers. This has led to a lower than expected drawdown of maximum contract values and a diminution in contributions from employers.

- Management actions have been implemented to part mitigate this income shortfall, but the reductions cannot be fully absorbed in the current year due to the timing of the changes and the one-off costs associated with staff restructures. It is hoped a balanced budget will prevail in 2012 /13 but any other funding changes do present a significant challenge to the service.

<u>Trading Standards (incl. KSS): -£0.06m to -£0.14m: a movement of -£0.08m</u>

- Kent Scientific Services is showing an improved position of £0.05m since the previous monitoring, consisting of a one-off refund from the Human Tissue Authority and savings on staff costs.

- Trading Standards has delivered further savings through vacancy management and an acceleration in the review of service priorities which has the effect of bringing forward some of the planned 2012/13 savings into the current year.

<u>Library & Archive Services: -£0.06m to -£0.12m: a movement of -£0.06m</u>

- The service has delivered further savings through a planned reduction in running costs in order to mitigate against additional costs associated with Kent History & Library Centre. In addition, management of staff vacancies arising from the accelerated implementation of Radio Frequency Identification (RFID) savings has delivered further underspends.

<u>Youth Offending Services: -£0.01m to -£0.08m: a movement of -£0.07m</u>

- The service is reporting a reduced number of referrals in secure accommodation in the first half of the year with the budget allocation released from the previous forecast accordingly.

Sports Development: £0m to -£0.05m: a movement of -£0.05m

- Following a final review of expenditure the service is reporting an underspend in relation to the Sandwich Open Golf event. The final account is less than forecast and again this has been released.

Strategic Management & Directorate Support Budgets: +£0.56m to +£0.50m, a movement of -£0.06m

- The movement within these budgets relates primarily to reduced staff costs from vacancy management and curtailing all non-essential spend across a number of services within this grouping.

The net result of the above, outlines a movement of -£0.23m representing the best part of the -£0.29m variance. The remaining movement consists of a number of minor compensating variances across the Directorate.

The Directorate will continue to review and curtail non-essential spend wherever practical to do so and without impacting on front line service, with the eventual aim of delivering a balanced budget by the end of the year.

Capital

The second quarter's full monitoring forecast in relation to the capital programme shows an underspend of £0.08m consisting of real variances of £0.23m and re-phasing variances of -£0.31m when compared to the approved budget

The real variance of £0.23m primarily relates to Public Rights of Way where there is an additional project, funded by Department for Transport, now being reflected.

The re-phasing variance is across several projects where small delays, each below £0.25m, have shifted expenditure from the final quarter in 2011/12 into the early weeks of 2012/13.

Saving Plans

Project implementation documents (PIDs) have been drafted by each service which has a saving in the Medium Term Financial Plan (MTFP) to ensure they provide a stand alone guide about how and when the saving will be delivered.

A summary report aggregating the PIDs was drafted and shared with this Committee at the July 2011 meeting. Progress against these PIDs is now included as part of the financial monitoring process and is included in the narrative above.

4. Recommendations

Members of the POSC are asked to note the projected outturn figures for the Directorate for 2011/12 based on the monitoring report to Cabinet on 5 December 2011.

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Appendix:
The Customer & Communities annex to the 2011/12 quarter two budget monitoring report, as reported to Cabinet on 5 December 2011.

APPENDIX 1: CUSTOMER & COMMUNITIES DIRECTORATE SUMMARY - OCTOBER 2011-12 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 report to reflect the virement of £0.307m from the debt charges underspending within the Finance & Business Support portfolio to the Contact Centre budget to meet the increase in call volumes, as approved by Cabinet in September, and a number of other 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 1 of the executive summary.

1.1.2 **Table 1** below details the revenue position by A-Z budget line:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Communities, Customer Services & Improvement portfolio							
C&C Strategic Management & Directorate Support Budgets	5,256	-1,451	3,805	164	331	495	Shortfall in savings and income target in the Communications and Engagement division.
Other Services for Adults:							
- Drug & Alcohol Services	18,617	-17,169	1,448	-13	13	0	
- Supporting People	29,821		29,821	0	0	0	
	48,438	-17,169	31,269	-13	13	0	
Community Services:							
- Archive Service (incl Museum Development)	1,345	-424	921	-42	41	-1	
- Arts Development (incl Turner Contemporary)	2,390	-90	2,300	-39	-2	-41	Reduced staff costs from vacancy management
- Community Learning Services	16,590	-16,790	-200	-241	332	91	Reduction in income from Skills Funding Agency, lower enrolment numbers (and lower drawdown on maximum contract values) & the associated reduction in employer contributions. Gross costs reduced accordingly but unable to fully mitigate the income reduction
- Community Safety	1,922	-225	1,697	66	2	68	Increased staff costs due to backfill of maternity leave and funding of two partnership officer posts. Managed in conjunction with the Community Wardens budget below.
- Community Wardens	2,798	-2	2,796	-104	1	-103	Vacancy management savings & reduced transport costs.

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Contact Centre & Consumer Direct	6,951	-2,917	4,034	0	181	181	Income: Reduced income from Trading Standards S.E Ltd (TSSEL) due to reduced call volumes, offset by increased internal and external fee income. Gross: Shortfall on savings target offset by lower spend on TSSEL.
- Gateways	2,522	-652	1,870	-9	-6	-15	Reduced staff costs & third party payments as a result of a delay in roll out of certain Gateways, offset by spend on projects brought forward from 2012.
- Library Services	16,504	-2,332	14,172	-69	-51	-120	Planned reduction in running costs to offset the moving costs associated with Kent History Centre (KHLC); reduced staff costs due to RFID project. Increased contributions from Kent Cultural Trading, increased internal income, offset by reduced merchandising & fees income.
- Sports Development	2,686	-1,337	1,349	14	-68	-54	underspend on the Sandwich Open Golf event.
- Supporting Independence & Supported Employment	3,201	-1,954	1,247	-331	112	-219	Reduced staff costs from vacancies expected to be held for the remainder of the year and reduced spend (and income) re Future Jobs Fund; reduced contributions from DWP due to lack of take-up for placements. Delays in the recruitment of Vulnerable Learners has led to a reduction in costs & corresponding reduction in the need to draw down from reserves.
- Big Society Fund	5,000		5,000	0	0	0	
	61,909	-26,723	35,186	-755	542	-213	
Environment:							
- Country Parks	1,749	-973	776	-29	29	0	
- Countryside Access (incl PROW)	3,233	-1,145	2,088	-64	67	3	
	4,982	-2,118	2,864	-93	96	3	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Local Democracy:							
- Local Boards	675		675	82	0	82	Shortfall in savings target in relation to Community Engagement Officer posts
- Member Grants	1,303		1,303	0	0	0	
	1,978	0	1,978	82	0	82	
Regulatory Services:							
- Coroners	2,840	-475	2,365	32	-22	10	Inflationary pressure due to NHS post mortem charges. Additional income from Medway .
- Emergency Planning	880	-199	681	-5	-6	-11	
- Registration	2,988	-3,166	-178	-97	75	-22	Vacancy management & release of CARA reserve, as no planned spend. Shortfall against income target associated with collaborative working with other local authorities.
- Trading Standards (incl KSS)	4,464	-865	3,599	-205	68	-137	Advancement of 2012-13 savings to be achieved in 2011-12 & savings on gross spend-mainly staffing. KSS shortfall against income target.
	11,172	-4,705	6,467	-275	115	-160	
Support for Individual Children:							
- Youth Service	10,308	-4,214	6,094	-3	2	-1	
- Youth Offending Service	6,013	-2,608	3,405	-43	-37	-80	Reduced number of referrals in secure accommodation in the first half of the year
	16,321	-6,822	9,499	-46	-35	-81	
Total controllable	**150,056**	**-58,988**	**91,068**	**-936**	**1,062**	**126**	
Assumed Management Action						**0**	
Forecast after Mgmt Action				**-936**	**1,062**	**126**	

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 **Strategic Management & Directorate Support Budgets:** Gross +£164k, Income +£331k Net +£495k

The gross variance relates primarily to pressures of +£357k in the Communication and Engagement division offset by a number of minor variances across a number of services within this service grouping, which in aggregate amount to -£193k.

The gross pressure of +£357k within Communication and Engagement is as a result of (i) £500k of the savings target of £1.5m that is yet to be fully achieved and (ii) compensating underspend on staffing of £143k. The -£193k of minor variances have been achieved in line with the directorate's policy of curtailing all non essential spend and extending vacancy management wherever possible to try and mitigate the overspends within the directorate.

In addition to the gross variance, an income variance also exists and can be largely explained by a shortfall against an income target of £249k for Communications and Engagement, together with reduced internal income in Centrally Managed Budgets of £63k and other minor variances amounting to £19k.

Overall, therefore the net pressure of +£495k comprises a pressure on Communication and Engagement of +£606k *(+£357k gross and +£249k income)*, which is offset by underspends across this grouping of services of £111k *(-£193k gross, and +£63k & +£19k income)*.

1.1.3.2 **Community Services:**

a. Community Learning Services: Gross -£241k, Income +£332k, Net +£91k

The Community Learning and Skills service (Adult Education and Key Training) is forecasting a significant reduction in income, which the service is unable to fully mitigate due to the timing and nature of the reductions and hence a net pressure is being reported.

The income variance of +£332k is comprised of the following. The service has reduced its forecast in relation to sales, fees and charges due to a decline in enrolment numbers (+£93k) meaning a lower than expected drawdown of maximum contract values. The decline in enrolment numbers - as well as the economic environment that we are currently operating in - has also led to an expected diminution in contributions from employers of +£58k.

The most significant reason for the adverse income variance however, is the decision by the Skills Funding Agency to alter the eligibility criteria – mid year – for the equivalent learning programme, meaning that up to 75% of funding has been removed. This means that either the learner, or the employer, has to make good the difference in order to make the programme viable.

This reduced funding, and related income streams, amount to a variance of +£218k. In this climate SME's are unable to absorb such costs and therefore certain courses are being withdrawn, causing enrolment numbers to fall, which again means that employer contributions reduce accordingly.

The above reductions in funding explains a £369k income shortfall (£93k +£58k +£218k), which is partially offset by minor compensating income streams of -£37k.

The gross variance of -£241k is primarily the management action taken by the service to part-mitigate this income shortfall as follows: The service has withheld training and development budgets for its tutors; brought forward staff and management restructures (but the savings are offset by one-off costs to be incurred for pension and redundancy); and reduced business development budgets aimed at increasing the breadth and quality of services offered to students and employers.

The service is unable to fully absorb or mitigate these funding reductions in the current year due to the timing of these changes, as well as the one-off costs involved with staff restructures. It is hoped therefore that a balanced budget will prevail in 2012-13 but, given that in excess of £1m of income has been removed from the budget in the past 18 months; further funding changes do present a significant challenge to the service.

b. Contact Centre & Consumer Direct: Gross £0k, Income +£181k, Net +£181k

In the previous quarter's monitoring, the gross variance of £566k was primarily due to the call volume pressure of £460k and a partial shortfall against savings targets.

The call volume pressure has been fully mitigated by a combination of a virement of £307k from the Finance & Business Support portfolio from the underspend on debt financing, with the residual pressure of +£153k (£460k minus the £307k virement), alleviated by permitting a temporary relaxation of call answer rates for non critical services.

Therefore a pressure continues to remain in relation to the shortfall against the savings targets, amongst other things. The net variance of +£181k is mainly comprised of such a shortfall against the £246k savings target of the Kent Contact & Assessment Service (KCAS), which following specific one-off management action has a residual deficit of +£152k. CFIS also had a shortfall against its savings target of £120k but has found one-off solutions to fully mitigate this.

The gross pressure associated with KCAS (+£196k) is offset by a reduction in staff costs (-£209k) on the Consumer Direct South East Service (CDSE), which – when combined with a few other minor variances – means that no gross variance is currently being reported on the service overall. These staffing savings within CDSE have been made to offset a forecast income reduction of £246k due to lower call volumes (as funding is performance related). This income shortfall is partially offset by an increase in internal income (-£57k) and a small rise in sales, fees and charges of -£11k.

c. Gateways: Gross -£9k, Income -£6k, Net -£15k

A number of Gateways have been delayed resulting in a gross underspend of £227k, but the service has re-prioritised and accelerated future year's planned activity with an additional £114k of spend on cross authority projects. Also, the service has not drawn down £150k of reserves, given that funding is available in the current year due to the roll out delay. Other minor variances account for the residual difference.

d. Library Services: Gross -£69k, Income -£51k, Net -£120k

The service has made savings on gross expenditure, mainly through a planned reduction in running costs (-£250k) to mitigate against additional costs associated with Kent History and Library Centre (KHLC) where a switch of funding from capital to revenue is required due to the nature of the moving costs (+£168k). Accounting convention prevents capital funding to be used for revenue purposes so a strategy was enacted to allow these costs to be met from the revenue budgets, without causing a pressure to the service. This strategy enabled the costs to be met and an -£82k gross variance to be delivered *(+£168k – £250k)*.

Other compensating gross variances including an acceleration of RFID savings of -£198k, that were reported in quarter one's monitoring report, show an aggregated +£13k deviation from the approved budget, which when combined with the -£82k above, arrive back at the gross variance of -£69k.

Libraries are forecasting a reduction in their Audio Visual and Merchandising income of £60k, this is a continuation in the trend of reducing sales over the past number of years. An exit strategy is currently being devised and opportunities for replacing this with other forms of income investigated.

The above, combined with reduced income from fines (as reported in the previous quarter's monitoring) gives a shortfall in income of £123k, which is compensated by additional external contributions of £127k and increased income from internal clients of £65k. Other minor differences of +£18k account for the residual income variance.

e. Supporting Independence & Supported Employment: Gross -£331k, Income +£112k, Net -£219k

Kent Supported Employment (KSE) is forecasting a shortfall in external income from the Department for Work & Pensions (DWP), as well as income from external clients, totalling +£88k.

To compensate for this shortfall, and to contribute towards reducing the directorates net overspend, the service has made savings on gross expenditure of -£290k by holding staff vacancies. There are also other minor gross and income variances within Supporting Independence to reconcile back to the gross and income variances of -£331k and +£112k respectively.

Due to delays in the identification and subsequent recruitment of a number Vulnerable Learners, the Supporting Independence Programme (SIP) is forecasting a reduction in staffing and other related expenditure in 2011-12 of -£159k. This is however fully mitigated by a corresponding reduction in the required drawdown from reserves in the current year, with the scheme continuing into 2012-13 as the Vulnerable Learner programme involves a 12 month placement.

1.1.3.3 **Regulatory Services:**

a. Trading Standards (Incl. Kent Scientific Services): Gross -£205k, Income +£68k, Net -£137k

The net variance of -£137k comprises -£165k Trading Standards and +£28k Kent Scientific Services (KSS), the latter showing an improved position of £53k since the previous quarter's monitoring.

The majority of the Trading Standards net variance results from vacancy management and an acceleration of the review of service priorities, in order to deliver some of the planned 2012-13 savings a year early in an attempt to part mitigate the directorate's pressures elsewhere. This has achieved gross savings of £180k.

Within Kent Scientific Services there is a shortfall in income of £89k. The service was given a £50k target for increasing income from other authorities, which was predicated on more and more laboratories closing resulting in new custom to KSS. This trend has not continued and the whole of this £50k savings target is being shown as a pressure. In addition, other authorities are reducing the number of samples that are being placed at the laboratory until their own budget situation becomes clearer, reducing the service's income further.

Trading Standards are forecasting £21k of additional income and this, combined with the +£89k KSS variance, arrives back at the +£68k income variance.

To try to mitigate their income shortfall, KSS has made savings on staff costs of £60k. When combined with Trading Standards gross saving of £180k, this explains -£240k of the gross variance, with minor compensating 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)

Pressures (+)			**Underspends (-)**		
portfolio		£000's	portfolio		£000's
CCSI	Strat. Mgmt & Directorate Support shortfall against Communications & Engagement activity savings target to be mitigated by management action	+500	CCSI	Kent Supported Employment: staff vacancies anticipated to be held for the remainder of the year.	-290
CCSI	Contact Centre: Shortfall against savings targets of KCAS (+£246k) and CFIS (+£120k)	+366	CCSI	Libraries: Planned reduction in running costs to mitigate additional KHLC moving costs	-250
CCSI	Communications & Engagement: Shortfall against the income target set at the time of building the budget.	+249	CCSI	CLS: management actions to part mitigate income shortall	-241
CCSI	Contact Centre (Consumer Direct): Reduced income from Trading Standards S.E.Ltd; income is based upon a price per call basis and call volumes have declined.	+246	CCSI	Gateways: reduced spend due to delayed opening of Gateways	-227
CCSI	CLS: Reduced income on the equivalent learners programme due to a combination of reduced demand and a change in the eligibility criteria (in-year) by the Skills Funding Agency.	+218	CCSI	Contact Centre: One-off solutions to offset shortfall against savings targets for the CFIS and KCAS services.	-214
CCSI	Libraries: Additional moving costs associated with Kent History & Library Centre (KHLC), mitigated by reduced spend on other running costs	+168	CCSI	Contact Centre (Consumer Direct): Reduced staff costs, primarily through vacancy management, as management action towards the reduce income stream from TSSEL.	-209
CCSI	SIP: Reduction in staff and other related expenditure for the Vulnerable Leaners Scheme. A delay in the identification of the learners means the scheme will continue into 2012/13.	+159	CCSI	Libraries: reduced staff costs arising from Radio Frequency Identification (RFID) self service implementation	-198
CCSI	Gateways - reduction in expected drawdown from reserves, no longer required due to delay in the rollout programme	+150	CCSI	Trading Standards: Reduced staff costs achieved through vacancy management and advancement of 2012-13 savings.	-180
CCSI	Libraries: reduced income from fines, Audio Visual & Merchandising	+123	CCSI	SIP - reduction in the drawdown from reserves in relation to the Vulnerable Learners Scheme. These reserves will now be called upon in 2012/13.	-159
CCSI	Gateways - additional other running costs as other projects brought forward to compensate for delay in roll out of the programme.	+114	CCSI	Strat Mgmt & Directorate Support: Comms & Engagement staff vacancy management savings	-143
			CCSI	Libraries: additional external contributions	-127
		+2,293			-2,238

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

1.1.4.1 Contact Kent

The Contact Centre was allocated a savings target of £406k for the current year, of which £366k related to the integration of the Kent Contact & Assessment Service (KCAS) and Children & Families Information Services (CFIS).

Due to a delay in the integration of KCAS and reductions in grant funding meaning that the CFIS saving was not deliverable in-year, alternative ways of mitigating the saving in the current year were sought. Subsequently one-off solutions of £214k have been found but a residual variance remains.

In addition, Consumer Direct is delivering a small underspend to part mitigate the above pressures, with vacancy management extended as far as possible across the whole service.

Alternative ways of achieving savings through the integration of further services into the Contact Centre are being devised, with the hope that management, support and logistical savings can still be generated, in order to present a balanced budget by the end of the year. An update on progress with this review, and ergo the management action, will be reported through monitoring in subsequent reports as services and new ways of working are identified.

1.1.4.2 Communications & Media Relations

This division, which for the purposes of the restructure, includes Local Boards (Community Engagement Officers) - has a savings target of £1.5m to achieve in 2011-12 and a further £0.5m in 2012-13, giving a total savings target of £2m over the two years.

The overall position on this service in the current year is detailed below, and explained in the subsequent narrative:

	£m
Anticipated part year savings from restructure	-0.500
Activity savings	-0.500
Vacancy management savings	-0.143
Shortfall in income	+0.249
TOTAL	**-0.894**
2011-12 Savings Target	-1.500
Shortfall – Communications	**0.606**
Shortfall – Local Boards (incl CEO costs)	**0.082**
Total Shortfall – Communications & Engagement	**0.688**

a) Staff restructure

A restructure of the service has been explored. The restructure proceeded and was set to deliver in excess of £1m, full year effect. However one aspect of the proposals - in relation to Community Engagement Officers (previously Community Liaison Managers) - did not proceed as expected and this element of the saving (full year effect approximating to £265k) will not be achieved. The part-year effect of this shortfall against the savings target in the current year is shown under Local Boards; with a net overspend of £82k showing against this budget line for 2011-12.

Overall – and prior to the change to the Local Board structure – the review was anticipated to deliver in excess of £1m of savings, with the remaining £1m of savings to be achieved through reducing communication related activity costs.

The new structure was not fully in place by 1st September as first expected so the anticipated 6 month effect of a £1m saving (e.g. a £500k saving) would not be expected to materialise under normal circumstances.

However, the full year effect of the restructure (prior to the Local Board change) is now expected to deliver closer to £1.5m, or approximately £1.25m after the Local Board changes have been taken into account.

The part year effect in 2011-12 is expected to still deliver £500k for the Communications and Engagement element, but with the £82k Local Board pressure being reported separately.

<u>b) Proposed reduction in activity levels and spend</u>

The savings target of £2m cannot be met from staff reductions alone; as the £1m anticipated restructure saving was to reduce the establishment by in the region of 30 FTE, a significant reduction.

The balance of the savings of £1m will need to be delivered through a review of communications related activity expenditure and these budgets are not held within C&C directorate but remain across all directorates, so whilst this service will coordinate savings options, the actual savings will be delivered through reduced activity in the service units.

No area of related spend – including publicity, printing & photocopying, advertising, books/publications/newspapers, will escape scrutiny and options are being devised to contribute to this area. Half of the £1m activity reductions have been found, with a further £500k shortfall to be identified and then delivered.

Upon a review of communications related expenditure in the first 6 months of 2011-12, it does appear that funding restraints elsewhere has meant that this type of expenditure has already reduced significantly and the ability to deliver £500k in the current year will be extremely difficult.

A review is continuing to be undertaken, to investigate potential solutions but a prudent forecast has been included in this monitoring report to show that no further mitigation of the £500k shortfall is expected this financial year.

<u>c) Vacancy Management Savings</u>

In-year vacancy management and not backfilling staff on maternity has enabled the service to deliver £143k of staff savings and therefore this area has been fully exhausted unless further vacancies – in the new structure – ensue in the coming months.

1.1.4.3 <u>Moratorium on non essential expenditure</u>

In order to deliver a balanced budget position, the directorate will continue to review all non critical expenditure, with the view of maximising opportunities to reduce expenditure without adversely affecting service delivery. This has delivered significant savings since the last monitoring report.

1.1.4.4 <u>Vacancy Management</u>

Where possible, and not just within the Communications and Engagement division, the directorate will continue to maintain and extend vacancies as far as practicable. Currently vacancies are, in some cases, being held for up to 16 weeks and our ability to maintain vacancy management at this level - without impacting on service delivery - is becoming a significant challenge.

1.1.4.5 To date, in contrast to the initial gross pressures reported in quarter 1 of £644k for the Contact Centre and the £606k pressure on Communications and Engagement, the directorate has already enacted management action to reduce or contain these pressures wherever possible. These two pressures alone amounted to +£1.25m, with the directorate previously delivering significant underspends elsewhere as +£0.8m was the net underspend in quarter one.

1.1.4.6 Vacancy management, primarily within Trading Standards, Libraries and Kent Supported Employment, has delivered significant underspends to part mitigate the above gross overspends and is a significant contributor in enabling the directorate to report a current net pressure of +£126k, a significant reduction from the +£800k reported in quarter one's monitoring report.

The identification of management action will continue, with a balanced budget being the aspiration of the directorate by the end of the year.

1.1.5 **Implications for MTFP**:

The directorate will continue to manage in-year pressures and deliver savings proposals to the best of its ability and where this is not possible will aim to over-deliver or deliver future savings early in order to present a balanced budget at the year-end.

The outcome of the review of Communications and Engagement staffing restructure, as well as the reconfiguration of Contact Kent, will determine the extent of pressures and further savings options that will need to be considered as part of the Medium Term Financial Plan (MTFP) for the coming period.

The staff restructure in Communications was due to deliver significantly in excess of the £1m initial estimates – to part offset the activity requirement of £500k - but due to the consultation altering the structures around Community Engagement Officers, a revised staff saving of around £1.25m will now be possible.

This therefore means that the service needs to continue to explore ways of mitigating the need to reduce activity expenditure – across the authority as budgets remain dispersed – and to look at alternative ways to generate income to supplement the internal income that could not be achieved in the current year.

Note will also have to be taken of in-year and future grant funding reductions, as well as prior year funding reductions, that have implications on the ability of the directorate to balance their budgets and to deliver savings that had assumed no change to funding levels.

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

None, apart from the early delivery of certain savings options e.g. Trading Standards service priority review and over-delivery of the RFID libraries project. The rollout of some of the Gateway programme has been delayed and expenditure has been re-prioritised accordingly – both revenue and capital – to ensure that sufficient budget remains in 2012-13 for this rollout to continue.

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

This section should provide details of the management action outstanding, as reflected in the assumed management action figure reported in table 1 and details of alternative actions where savings targets are not being achieved.

Management action for Communications & Engagement and Contact Kent are currently being prepared and will be communicated through the monitoring reports as and when identified.

It was hoped that these would have been devised and implemented by now but as explained in previous sections, services have already reduced their expenditure on communication related activity to mitigate their own funding reductions and so this saving cannot be delivered twice.

Similarly, the two services integrated into the contact centre this year were partially funded by grants which were reduced pre-transfer, so base solutions are unlikely to be found unless further services are integrated into the centre, as the anticipated savings have been enacted merely to absorb the funding reductions.

As such the directorate has sought to extend vacancy management wherever possible, to impose a moratorium on non-essential spend and to release certain activity related budgets where the demand in the first half of the year has not been at forecast levels.

This has contributed to a significant improvement in the directorate's position and whilst this is not specific management action proposals for the two services noted above, these proposals have enabled the net pressure the directorate is facing to be reduced each month and is now a modest +£126k when compared to the +£800k of three months ago.

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 17th October 2011, 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	2011-12 £000s	2012-13 £000s	2013-14 £000s	Future Yrs £000s	TOTAL £000s
Communities, Customer Services & Improvement						
Budget	45,501	18,194	5,529	5,274	4,929	79,427
Adjustments:						
- Re-phasing August Monitoring		70	-52	-18		
- Completed Projects	-8,413					-8,413
- Edenbridge Community Centre		150				150
- Gateways		-150				-150
- Kent Library & History Centre		280				280
- Library Modernisation		-280				-280
Revised Budget	37,088	18,264	5,477	5,256	4,929	71,014
Variance	0	-79	+311	0	0	+232
split:						
- real variance		232				232
- re-phasing		-311	311			0

Real Variance	**0**	**232**				**232**
Re-phasing	**0**	**-311**	**311**			**0**

1.2.1 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2011-12 and identifies these between projects which are:

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

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

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

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

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

			Project Status			
portfolio	Project	real/ phasing	Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
	None					
			+0	**+0**	**+0**	**+0**
Underspends/Projects behind schedule						
	None					
			0	**-0**	**-0**	**-0**

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

None

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

There is a real variance of +£0.232m in 2011-12

Public Rights of Way: +£0.194m (in 2011-12): This reflects an additional project funded by Department for Transport grant and the full cost of 3 existing projects with funding from external funding/developer contributions.

Overall this leaves a residual balance of +£0.038m which is to be met from revenue.

1.2.6 **General Overview of capital programme**:

The risks set out in (a) below must be read in conjunction with section (b), which are the actions being taken to alleviate the potential risks.

(a) Risks

Library Modernisation Programme – consists of several large individual projects, which if delayed, could result in significant re-phasing of costs into 2012-13. As this is linked to the Modernisation of Assets (MOA) programme (an aim to conduct works simultaneously in order to minimise cost and disruption), delays in relation to Disability Discrimination Act (DDA) works and planned maintenance would also ensue.

Modernisation of Assets Programme – the programme of works is determined in conjunction with service requirements, corporate priorities and largely the Library Modernisation programme. Any delay from whatever source will impact directly on delivering improvements to facilities and result in slippage of the inter-related programmes.

The Beaney – costs from contractor claims for an extension of time, design team claims for additional fees, change control requests and the higher museum fit out costs could lead to unavoidable further increases to the overall project cost.

Turner – included within the project funding is an external funding target of £2.9m, which has been underwritten by KCC. In the current climate, the full amount of this target may not be achieved, therefore causing a potential funding shortfall.

Gateways – Sheerness running costs exceed anticipated levels.

Kent History & Library Centre – the remainder of project funding could be affected by the state of the property market, by virtue of reduced capital receipts/land value, which are needed in order for construction costs to be met.

Ramsgate Library – there is small risk that the costs of the final snagging works will exceed the funds available or that the surplus will have to be returned to the Administrator.

Tunbridge Wells Library – a risk that the associated costs to ensure full DDA and fire compliance, and the costs of the lift installation, cannot be met from the existing budget.

New Community Centre 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.

Web Platform – programme delivery and cost is impacted by the availability of in-house technicians/external consultants.

(b) Details of action being taken to alleviate risks

Library Modernisation Programme – the Library Modernisation Project Board, 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, in line with latest information available.

Modernisation of Assets Programme – by working very closely with Property and Heads of Service, careful planning is in place to ensure that, as far as possible, investment is co-ordinated with other funds available and targets service priorities in the most cost effective manner.

The Beaney – following a full assessment of all risks by the project managers the schedule of associated costs is continually reviewed and challenged. The bid to Viridor Credits is in hand for additional funding and will be submitted in December for approximately £150k. Further value engineering in relation to the museum fit out in taking place and the project managers are actively and robustly addressing various claims by the contractor and design team to minimise/ eliminate any additional costs.

Turner – Turner Contemporary Art Trust has raised £1.662m towards the funding target of £2.9m. Alternative methods are being explored should the full amount of funds not be forthcoming this year.

Gateways – The anticipated running costs and available budgets are being assessed in detail with Property to ensure sufficient funds are available.

Kent History & Library Centre – Alternative options are being developed and other sources of funding explored, should the fall in the residential property market impact on the disposal of land earmarked to fund the completion of the project.

Ramsgate Library – the outstanding defects liability has been costed by the Quantity Surveyor and formed part of the settlement negotiations. The programme of work is now being tendered and will be monitored against the funds available.

Tunbridge Wells Library – any additional works and therefore funding will have to be prioritised alongside other DDA priorities within the MOA programme. Half the costs of the works to the library will be shared equally with TWBC.

New Community Centre at Edenbridge – All partner funding agreements (including external contributions) are now in place, thereby eliminating this risk that has been logged from the outset. This is a design and build contract signed at a fixed price, limiting to a minimum future cost rises.

Web Platform – With active support from ISG, delay to the programme should be minimised with completion now expected in 2012-13. Governance for Customer Service Strategy-related web projects will be overseen by the Access & Assessment Team.

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 re-phasing will be shown. The possible re-phasing is detailed in the table below.

	2011-12	**2012-13**	**2013-14**	**Future Years**	**Total**
	£k	**£k**	**£k**	**£k**	**£k**
Country Park Access & Development					
Amended total cash limits	+1,318	0	0	0	+1,318
re-phasing	-105	+105	0	0	0
Revised project phasing	**+1,213**	**+105**	**0**	**0**	+1,318
Web Platform					
Amended total cash limits	+504	0	0	0	+504
re-phasing	-150	+150			0
Revised project phasing	**+354**	**+150**	**0**	**0**	+504
Total re-phasing >£100k	**-255**	**+255**	**0**	**0**	**0**
Other re-phased Projects below £100k	**-56**	**+56**	**0**		**0**
TOTAL RE-PHASING	**-311**	**+311**	**0**	**0**	**0**

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

N/A