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Date: 9 September 2011

Dear Member

**CUSTOMER AND COMMUNITIES POLICY OVERVIEW AND SCRUTINY COMMITTEE -  
THURSDAY, 15 SEPTEMBER 2011**

I am now able to enclose, for consideration at next Thursday, 15 September 2011 meeting of the Customer and Communities Policy Overview and Scrutiny Committee, the following report(s) that were unavailable when the agenda was printed.

<b>Agenda No</b>	<b>Item</b>
B8	<b><u>Financial Monitoring - to follow ( 1 - 18)</u></b>

Yours sincerely

**Peter Sass**  
**Head of Democratic Services**

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**To:** Customer and Communities Policy Overview and Scrutiny Committee

**By:** Mike Hill, Cabinet Member for Customer and Communities Services  
Amanda Honey, Managing Director Customer and Communities

**Date:** 15<sup>th</sup> September 2011

**Subject:** Financial Monitoring 2011/12

**Classification:** Unrestricted

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## **For Information and Comment**

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### **1. Introduction**

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

### **2. Background**

2.1 Policy Overview and 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. To inform discussion, three reports are presented to the Committee on a regular basis:

a) Budget Monitoring reports

A quarterly budget monitoring report is presented to Cabinet, usually in September, December and March and the Customer and Communities' annex to those reports is on the agenda of this Committee at the next available meeting. This keeps Members informed about current trends, pressures and management actions in advance of budget setting.

The approved A-Z of budgets have 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) Performance reports

Reports are also brought to POSCs throughout the year advising Members of performance against national indicators, KCC priorities, operational business activity and any external inspection reports.

c) Outturn report

The outturn report in July summarises financial and performance information for the preceding year.

### 3 Quarterly monitoring report

3.1 Attached as an annexe to this report - for the first time in 2011/12 for the members of this POSC - is the full monitoring report for the first quarter of 2011/12 in relation to the Customer and Communities portfolio.

The salient issues from this report are highlighted and summarised below.

#### 3.2 Revenue

3.2.1 At the July POSC, members were orally updated on progress against 2011/12 savings targets and the current monitoring position.

A balanced position was to be delivered as part of the Exception monitoring report, however it was confirmed that two of the savings targets (Communications and the Contact Centre) were not progressing as expected, with the quantum to be confirmed in the full quarterly monitoring report.

3.2.1.1 The quarterly monitoring report shows the directorate is forecasting a net overspend – for the first time in recent years – of £0.8m, which comprises pressures/overspends of £1.25m and part compensating underspends of £0.45m

3.2.2 The main components of the net overspend of £0.8m are outlined below:

*Shortfall against, and/or acceleration of, 2011/12 MTFP savings:*

- Contact Centre +£0.64m

The service was to deliver £406k of savings in the current year, with solutions to half of these being met for 11/12. Management action is being devised in order fully mitigate this pressure but the ability to deliver the savings has been affected by grant reductions which has reduced the funding base for some of the services delivered by the Contact Centre.

In addition to the pressure above, the service has also experienced a significant increase (in the region of 20%) of call volumes, which is primarily due to the current economic climate.

This has meant that the service has been unable to respond to its required answer rate of 80% of calls within 20 seconds (“80/20”). In order to achieve this performance indicator, an estimated 24 FTE would need to be employed at a full year cost of £600k (part year effect £450k).

Therefore the £450k part year effect of call volume pressure, as well as the £200k pressure in relation to savings targets not progressing as expected, comprises the £640k projected overspend.

Avenues are being explored with regard to funding the additional resource required, as well as relaxing the performance indicators.

- Communications, Media Relations and Engagement +£0.60m

The service was allocated a savings target of £2m, of which £1.5m is to be achieved in 11/12. A staff restructure is due to deliver a six month effect saving of £0.5m (full year effect in 12/13) and a further £0.5m has been identified through reducing activity. The remaining £0.5m has yet to be delivered.

In addition to this, at the point of building the budget, income targets were set in the region of £200k and it is prudently being assumed that these will not be met with all units, authorities and partners curtailing non essential spend where appropriate.

Vacancies have been extended for the first part of the year and have contributed in the region of £100k of underspends. The combination of the £500k savings pressure, the £200k income target and the £100k vacancy management comprises the £600k projected overspend.

Management action is still being devised in relation to reducing activity spend further, however as the activity budgets remained in the units following the centralisation of the communications function, this has been difficult to extract as units are already curtailing such spend in order to meet their own reductions in funding which were not expected when the £2m saving was approved.

- Trading Standards ("TS") -£0.14m

The service was to deliver savings profiled £250k in 11/12 and £250k in 12/13, with a significant part of the 12/13 savings being delivered early to part-compensate for other savings targets not progressing as expected.

- Kent Scientific Services ("KSS") +£0.05m

The service had anticipated being able to deliver additional income generation opportunities but, given the current economic climate, customers are actually reducing their sample sizes.

*Prudent management of vacancies and curtailing non essential spend:*

- Kent Supported Employment ("KSE") -£0.21m

Following the cessation of a contract, staff vacancies are being extended until the replacement contract is at full capacity. It is expected that posts will be held vacant until the new contract is fully operational and this is expected to generate an underspend in the region of £200k.

The above components account for a net pressure of £940k, with a number of other services within the directorate contributing forecast underspends to bring the net pressure down towards the forecast net overspend of £800k.

### **3.3 Capital**

3.3.1 The first quarter's full monitoring forecast in relation to the capital programme shows real variances of £1.64m and re-phasing variances of £1.26m when compared to the approved budget.

3.3.2 The real variance of £1.64m primarily consists of an accounting adjustment which makes it appear as though there is a reduction in spend on the Edenbridge project of £1.74m. In reality however, the spend is reducing by this figure but income is also being reduced so this adjustment merely represents a netting off of income and expenditure as the monies from the sale of land are being held in an ESKROW account and will be drawn down by the developer as the building progresses.

3.3.3 The re-phasing variance of £1.26m primarily relates to a delay to the roll out of a number of the gateway projects, with the anticipated spend in 2011/12 being moved into 2012/13.

### **3.4 Saving Plans**

Project implementation documents (PIDs) have been drafted by each service that has a saving within the Medium Term Financial Plan but require a consistency review to ensure that they provide a standalone guide as to how and when the saving will be delivered.

A summary report, aggregating the PIDs was drafted and was shared with this committee at the July meeting and progress against these PIDs are now included as part of the financial monitoring process and have been referred to in the narrative above.

## **4 Recommendations**

4.1 Members of the POSC are asked to note the projected outturn figures for the directorate for 2011/12 based on the latest monitoring report to Cabinet.

### **Amanda Honey**

Managing Director, Customer and Communities

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### Appendix:

*The Customer and Communities annex to the 2011/12 quarter one budget monitoring report, as reported to Cabinet in September 2011.*

# CUSTOMER & COMMUNITIES DIRECTORATE SUMMARY

## JULY 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 for the A-Z service analysis have been adjusted since the budget was set to reflect the transfers required to reflect the new directorate and portfolio structures, the addition of £0.621m of roll forward from 2010-11 as approved by Cabinet on 20 June 2011, 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 Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Communities, Customer Services &amp; Improvement portfolio</b>							
C&C Strategic Management & Directorate Support Budgets	5,234	-1,451	3,783	242	323	565	Shortfalls against savings target and income target in Communications and Media relations
<u>Other Services for Adults:</u>							
- Drug & Alcohol Services	17,571	-16,066	1,505	0	0	0	
- Supporting People	29,825		29,825	0	0	0	
	47,396	-16,066	31,330	0	0	0	
<u>Community Services:</u>							
- Archive Service (incl Museum Development)	1,345	-424	921	41	-29	12	Increased staff costs funded by European Regional Development Fund(ERDF); and Museums, Libraries & Archives Council (MLA), offset by modern records storage costs. Income from ERDF and MLA being offset by shortfall in fees income in the Archive Service (-£40k)
- Arts Development (incl Turner Contemporary)	2,394	-90	2,304	-21	-1	-22	Reduced staff costs from vacancy management.
- Community Learning Services	16,590	-16,790	-200	0	0	0	
- Community Safety	1,819	-225	1,594	68	-2	66	Additional staff costs due to backfilling for maternity leave & loss of funding for partnership officers posts - being mitigated by vacancy management in Wardens' Service.
- Community Wardens	2,810	-2	2,808	-67	1	-66	Reduced staff costs from vacancy management, offset by increased premises, transport and running costs.

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Contact Centre & Consumer Direct	5,414	-2,657	2,757	566	78	644	Undeliverable CFIS & KCAS savings; increased level of demand over & above expected levels for current and new services requiring additional staff to respond to 80% of calls in 20 secs. Reduced income from Trading Standards S.E. Ltd, offset by additional income
- Gateways	2,593	-718	1,875	-76	59	-17	Reduced hosting costs due to delayed opening of gateways being offset by additional costs associated with the Multi-Channel project; reduced internal income.
- Library Services	16,503	-2,332	14,171	-1	-15	-16	Planned reduction in running costs to offset switch of costs from capital; reduced staff costs due to RFID project, partially offset by new posts. Invest to save funding and increased contributions from Kent Cultural Trading, being offset by reduced fees income
- Sports Development	2,730	-1,373	1,357	4	-4	0	
- Supporting Independence & Supported Employment	3,206	-1,954	1,252	-265	48	-217	Reduced staff costs arising from vacancies anticipated to be held for the remainder of the year. Reduced external and internal income.
- Big Society Fund	5,000		5,000	0	0	0	
	60,404	-26,565	33,839	249	135	384	
<u>Environment:</u>							
- Country Parks	1,777	-973	804	7	-7	0	
- Countryside Access (incl PROW)	3,241	-1,145	2,096	5	-6	-1	
	5,018	-2,118	2,900	12	-13	-1	
<u>Local Democracy:</u>							
- Local Boards	817	0	817	-43	0	-43	Reduced staff costs achieved through vacancy management.
- Member Grants	1,303	0	1,303	0	0	0	
	2,120	0	2,120	-43	0	-43	
<u>Regulatory Services:</u>							
- Coroners	2,860	-475	2,385	17	-17	0	
- Emergency Planning	830	-199	631	0	0	0	
- Registration	2,998	-3,166	-168	-86	68	-18	Vacancy management and release of CARA reserve, with no gross spend planned. Non deliverable income associated with collaborative working with other local authorities.

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Trading Standards-(incl. KSS)	4,333	-865	3,468	-156	69	-87	TS - Advancement of 2012-13 savings to be achieved in 2011-12 & savings on gross spend in KSS, incl.savings due to maternity leave where not backfilling. KSS: Unachievable income target and income shortfall on fees.
	11,021	-4,705	6,316	-225	120	-105	
<u>Support for Individual Children:</u>							
- Youth Service	10,326	-4,257	6,069	95	-95	0	Increased staff costs, running costs & internal recharges. Increased external & internal income offset by reduced fees.
- Youth Offending Service	6,029	-2,538	3,491	5	-5	0	
	16,355	-6,795	9,560	100	-100	0	
<b>Total controllable</b>	<b>147,548</b>	<b>-57,700</b>	<b>89,848</b>	<b>335</b>	<b>465</b>	<b>800</b>	
<b>Assumed Management Action</b>						<b>0</b>	Not quantified at this stage.
<b>Forecast after Mgmt Action</b>				<b>335</b>	<b>465</b>	<b>800</b>	

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

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

#### 1.1.3.1 Strategic Management & Directorate Support Budgets Gross +£242k, Income +£323k Net +£565k

The gross variance relates primarily to gross pressures of +£357k in Communication, Media Relations and Public Engagement, as a result of (i) the savings target of £1.5m that is yet to be fully achieved - £500k remains a pressure – following a review of staff/activity spend and (ii) compensating underspend on staffing of £143k .

The staff restructure is expected to deliver £500k in-year (full year effect in the region of £1m), with a further £500k identified through reducing activity levels, leaving a residual pressure of £500k.

In first two quarters, prior to the new structure taking effect, it is expected that vacancy management and maternity cover will deliver £143k of savings to offset some of this pressure, leaving a residual gross variance of £357k.

In addition to the Communications, Media Relations and Public Engagement gross variance, there are other minor variances totalling -£115k in a number of budgets that make up the Strategic Management & Directorate Support Budgets, including a £91k forecast underspend on the strategic management budgets, which when combined with the £357k forecast pressure on Communications arrives back at the £242k adverse gross variance.

However, 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 the Communications, Media Relation and Public Engagement, together with reduced internal income in Centrally Managed Budgets of £63k.

#### 1.1.3.2 Community Services:

a. Contact Centre & Consumer Direct: Gross +£566k, Income +£78k, Net +£644k

The gross variance is primarily due to a shortfall against savings targets of £406k and a call volume pressure of £460k meaning adverse variances of £866k.

The shortfall against savings targets relates to two services that transferred under the control of the Contact Centre as part of the council restructure, namely Kent Contact & Assessment Services (KCAS) and Children and Families Information Services (CFIS), of £246k and £120k respectively (£366k in total). A further target was identified in relation to Consumer Direct South East Limited of £40k (so £406k in total).

The funding of the CFIS service was significantly reduced as the grant, which forms part of the aggregated Early Intervention Grant (EIG), was subsequently top-sliced so not only is the saving in doubt – due to a lower funding base – but the service has had to restructure in order to mitigate this funding reduction. The proposals for savings have therefore been shown as a pressure until a solution can be found.

A number of one-off solutions totalling £214k have been identified to mitigate part of the above pressures but a base solution for these shortfalls in savings is being reviewed to ensure a balanced position is reported for future years.

In addition to these shortfalls against savings targets, the service has been inundated with calls and requests for information, with a 20% increase in call volumes being reported. This has led to performance indicators, including the need to respond to 80% of calls within 20 seconds, not being met and in order to achieve these indicators, more staff are required. The cost of this has been estimated at £460k, to cover salary costs and training. Management action is being devised in an attempt to mitigate this pressure, and reduce the burden of demand on the service.

A small saving of £8k has been generated through reducing administration and support, together with staff savings in the region of £78k (to mitigate income reductions below) delivered to arrive back at the £566k gross variance (£406K+£460k-£214k-£8k-£78k).

The income variance of £78k is primarily due to two movements, one being a reduced call activity, and therefore income, from Trading Standards South East Limited (TSSEL) – not the KCC Trading Standards service - with the Contact Centre forecasting £173k less income this year. This is being offset by an increase in internal income, mainly from a recharge to Gateways, for call handling of £85k.

Payments from TSSEL are calculated on a price per call basis and call volumes are down this year for the Consumer Direct service. A resulting reduction in staff costs, as mentioned above, has been enacted to counter the fall in expected income. The quality bonus usually received for this service is potentially in doubt, if the increase in call volumes – meaning calls not answered or answered late - is perceived as a fall in quality but this has not been reflected in the above forecast.

b. Gateways: Gross -£76k, Income +£59k, Net -£17k

The reduction in gross expenditure is due to lower hosting charges scheduled to be paid to other local authorities as the roll-out of the gateways programme has been delayed (see capital monitoring) which provides a saving of £134k, with compensating increased spending on Multi Channel projects of £117k. There are also minor underspends on staffing, transport and premises costs.

The income variance relates to a shortfall in internal income due to an income target which cannot now be met due to the delay in the roll-out of the gateway programme in 2011-12.

c. Library Services Gross -£1k & Income -£15k, Net -£16k

The service has made savings on gross expenditure, mainly through a planned reduction in running costs (-£240k) to mitigate against additional costs associated with Kent History and Library Centre (KHLC) where a switch from capital to revenue funding is required due to the nature of the moving costs (+£130k) and to allow for increased prudential borrowing costs (+£57k).

Increased staff costs of £116k relating to the delayed launch of Kent Cultural Trading, a time limited Capital Transition Manager for the Edenbridge project and a Radio Frequency Identification (RFID) support assistant is being offset by reduced staff costs of £177k from the RFID self service implementation project. Other minor variances mean that the gross forecast is effectively in line with budget.

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.

Income targets set for fines and recharges to Medway are no longer achievable in their entirety; with such income for fines (just shy of £100k) reducing as customers are taking advantage of new technologies such as websites and the contact centre to renew books and other items. As a result, income from fines is declining but has been offset by an increase of £85k in relation to external contributions (merchandising stock being returned to the supplier) and internal income of £50k, with other minor variances arriving back at the income variance of -£15k.

d. Supporting Independence & Supported Employment: Gross -£265k, Income +£48k, Net -£217k

Kent Supported Employment has made savings on gross expenditure, mainly through extended vacancy management of -£278k, which is being offset by minor overspends on other gross budgets. These savings have been made to compensate for a forecast shortfall in external income from the DWP. As the contract is in its early stages, a prudent approach has been adopted with more savings made than currently required to meet the funding shortfall, so this situation may change during the year.

1.1.3.3 Regulatory Services:

a. Registration: Gross -£86k, Income +£68k Net -£18k

The Registration Service has made savings on gross expenditure, mainly from reduced sessional staff costs and reduced running costs of £76k. The service also intends to draw down the remaining balance on reserves as the Ceremonies and Registrations Appointments booking system (CARA) cost less than originally anticipated.

The income variance of £68k is largely due to a savings target that was to be achieved through collaborative working with other authorities. However it is doubtful whether the agreement will commence in the current year and even if it does then a full year effect will not arise and the prudent approach has been taken in this monitoring report.

b. Trading Standards (Incl. Kent Scientific Services): Gross -£156k, Income +£69k Net -£87k

Trading Standards has achieved gross savings through an acceleration of the review of service priorities and is planning to deliver in the region of £139k of the 2012-13 savings a year early, as well as delivering one-off staff savings of £23k by holding vacancies and not backfilling maternity leave so as to maximise the underspends in an attempt to partly mitigate the directorate's pressures elsewhere.

The income variance relates almost entirely to KSS and is due to a shortfall against the target for increasing income from other authorities, which was predicated on more and more laboratories closing resulting in new custom to KSS. Unfortunately this trend has not continued, and in addition, authorities are reducing the number of samples that are being placed at the laboratory until their own budget situation becomes clearer. It is expected that contracts will pick up during the year but at this stage the whole of the savings target of £50k is being shown as a pressure that is covered by accelerating the Trading Standards review of service priorities.

(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 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.	-278
CCSI	Contact Centre: Increase in staffing required to meet call volume pressure.	+460	CCSI	Libraries: Planned reduction in spend on other running costs to mitigate additional KHLC moving costs	-240
CCSI	Communication & Engagement: A shortfall against the income target set at the time of building the budget.	+249	CCSI	Contact Centre: one-off solutions to offset shortfall against savings targets	-214
CCSI	Contact Centre: Shortfall against Kent Contact & Assessment Service (KCAS) saving	+246	CCSI	Libraries: reduced staff costs arising from Radio Frequency Identification (RFID) self service implementation.	-177
CCSI	Consumer Direct: Reduced income from Trading Standards S.E. Ltd; income predicated on price per call and call volumes are down.	+173	CCSI	Trading Standards: Reduced staff costs achieved through vacancy management & advancement of 2012-13 savings.	-162
CCSI	Libraries: Additional moving costs associated with Kent History & Library Centre, mitigated by reduced spend on other running costs..	+130	CCSI	Communications & Engagement: reduced staff costs achieved through vacancy management, maternity cover and reduced TSSEL call volume activity.	-143
CCSI	Contact Centre: Shortfall against Children & Families Information Service (CFIS) saving	+120	CCSI	Gateways: reduced spend on Third Party Payments to other local authorities, due to delayed opening of Gateways.	-134
CCSI	Gateways: increase spend for Multi-Channel project.	+117			
CCSI	Libraries: Increased staff costs for Kent Cultural Trading ; Capital transition Mgr and RFID Support Assistant	+116			
		+2,111			-1,348

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

##### 1.1.4.1 Contact Kent

The Contact Centre currently has a shortfall against their savings targets of £406k – as detailed in section 1.1.3.2.a above - following the integration of the Kent Contact & Assessment Service (KCAS) and Children & Families Information Services (CFIS).

Alternative ways of achieving savings through the integration of services into the Contact Centre are being devised, with the hope that management, support and logistical savings can still be generated, although potentially not to the level previously expected.

One-off solutions have been identified by the service already and hence why the reported overspend in relation to savings is not the full £406k, but merely £106k.

In relation to the £460k call volume pressure, avenues to achieve the funding to pay for the necessary staff are being explored, as well as options for reprioritising certain types of calls. This will mean that core services will adhere to the 80/20 (80% of calls answered within 20 seconds) indicators, whereas others will be achieved in 70/30 or even 60/40 until funding can be secured or until call volumes reduce to their previous levels.

An alternative management action would be for the indicators to be relaxed, in the short term, thereby alleviating the pressure on the staffing budget.

#### 1.1.4.2 Corporate Communications & Media Relations

This service has a savings target of £1.5m in 2011-12 and a further £0.5m in 2012-13, giving a total savings target of £2m.

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
<b>TOTAL</b>	<b>-0.894</b>
<b>2011-12 Savings Target</b>	<b>-1.500</b>
<b>Shortfall</b>	<b>0.606</b>

##### a) Staff restructure

A restructure of the service has been explored and is currently being consulted upon, with a new structure anticipated to be in place by early September. The anticipated full-year effect of this restructure is – subject to consultation – a saving in the region of £1m but this could change depending on alternative proposals, on the level of redundancy payments required, notice periods to be worked and based on the mix of staff who remain in the new structure going forward.

The anticipated part-year effect in the current year is a saving of £0.5m.

##### b) Proposed reduction in activity levels and spend

The savings target of £2m cannot be met from staff reductions alone as the £1m anticipated restructure saving is set 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, recruitment advertising, books/publications/newspapers, advertising, 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 to be finalised and then delivered. Options to achieve a part-year effect, whether one-off or base, are currently being explored and it is hoped that the management actions will be available in time for the next exception report.

##### c) Vacancy Management Savings

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 so the only options surrounding staffing is the restructure that is currently mid consultation.

#### 1.1.4.3 Moratorium on non essential expenditure

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.

#### 1.1.4.4 Vacancy Management

Where possible, 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 £644k net pressure on the Contact Centre and the £606k pressure on Communications, Media Relations and Engagement (totalling £1.25m), the service has already enacted management action to keep these pressures at those levels, as well as delivering underspend of £0.45m, mainly within Trading Standards and Kent Supported Employment, in order to get to the current +£0.8m reported position in an attempt to deliver a balanced budget.

The identification of management action will continue, with a balanced budget being the aspiration 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 Media Relations 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.

Note will also have to be taken of in-year grant funding reductions, as well as prior year funding reductions that have implications on the ability of the directorate 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.

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

Management action for Communications & Media Relations and Contact Kent are currently being prepared. It is hoped that more detailed management action proposals will be available for the next exception report.

## 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 18<sup>th</sup> July 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
<b>Customer &amp; Communities Portfolio</b>						
Budget	44,572	19,646	5,053	3,523	3,929	76,723
Adjustments:						
- Re-phasing at Outturn	-702	702				0
- Outturn changes	439					439
- New Community Centre Edenbridge		-267				-267
- Transfer of Small Community Projects	556	506	500	500	1,000	3,062
- Library Modernisation		-300				-300
- Gateways		300				300
- Transfer of Web Platform	635	504				1,139
Revised Budget	45,500	21,091	5,553	4,023	4,929	81,096
Variance	0	-2,894	+7	+1,251	0	-1,636
<b>split:</b>						
- real variance		-1,636	0	0	0	-1,636
- re-phasing		-1,258	7	1,251	0	0

<b>Real Variance</b>	<b>0</b>	<b>-1,636</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,636</b>
<b>Re-phasing</b>	<b>0</b>	<b>-1,258</b>	<b>7</b>	<b>1,251</b>	<b>0</b>	<b>0</b>

### 1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 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**

portfolio	Project	real/ phasing	Project Status			
			Rolling Programme £'000s	Approval to Spend £'000s	Approval to Plan £'000s	Preliminary Stage £'000s
<b>Overspends/Projects ahead of schedule</b>						
C&C	Kent History & Library Centre	real		280		
			<b>+0</b>	<b>+280</b>	<b>+0</b>	<b>+0</b>
<b>Underspends/Projects behind schedule</b>						
C&C	New Community Centre Edenbridge	real		-1,793		
C&C	Gateways	phasing		-1,395		
C&C	Library Modernisation	real	-280			
			<b>-280</b>	<b>-3,188</b>	<b>-0</b>	<b>-0</b>
			<b>-280</b>	<b>-2,908</b>		<b>-0</b>

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

### 1.2.4.1 Gateways - re-phasing of -£1.395m

The re-phasing of this programme reflects the complexity of the external collaborations with key strategic partners, and in particular the impact of time delays with 3 town centre regeneration projects. The roll-out of the Gateway programme in these areas has been re-phased accordingly.

Revised phasing of the scheme is now as follows:

	Prior Years	2011-12	2012-13	2013-14	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>BUDGET &amp; FORECAST</b>						
Budget	3,417	2,493	930			6,840
Forecast	3,417	1,218	1,074	1,251		6,960
Variance	0	-1,275	+144	+1,251	0	+120
<b>FUNDING</b>						
<b>Budget:</b>						
External	55					55
prudential	1,559	2,296	930		0	4,785
General Capital Rec	1,803	197				2,000
						0
TOTAL	3,417	2,493	930	0	0	6,840
<b>Forecast:</b>						
External	55	270				325
prudential	1,559	751	1,074	1,251		4,635
General Capital Rec	1,803	197				2,000
						0
TOTAL	3,417	1,218	1,074	1,251	0	6,960
<b>Variance</b>	<b>0</b>	<b>-1,275</b>	<b>+144</b>	<b>+1,251</b>	<b>0</b>	<b>+120</b>

NB: The variance of £1.275m in 2011-12 reflects re-phasing of £1.395m plus a net real increase of £0.120m (see 1.2.5 below).

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

There is a real variance of -£1.636m in 2011-12

**New Community Centre at Edenbridge: -£1.793m** (-£2.041m in 2011-12 and +£0.248m in 2012-13): The project budget of £2.540m included funding from the sale proceeds of the site, which were £1.906m. This money is now being held independently in an ESKROW account which will be drawn upon by the contractor as construction proceeds in line with the terms of the developer agreement. The forecast has been reduced accordingly and now includes only the balance of construction and other project costs. It now includes £0.150m for the Gateway component, but does not include £0.259m for the Families & Social Care (FSC) facilities, which remains held in their capital programme. The above represents a “netting down” of costs and income but the forecast also reflects other cost reductions amounting to £0.037m as a result of further refinement of the cost plan.

**Library Modernisation -£0.280m and Kent History & Library Centre +£0.280m** (in 2011-12): The public realm works at Kent History and Library Centre did not form part of the original construction budget and developer agreement but have now been reflected in this forecast. The works are to be funded from the Library Modernisation programme.

**Gateways: +£0.120m** (in 2011-12): The overspend consists of two elements:

- -£0.150m which has previously been reported separately in this programme as a contribution towards planned facilities in the Edenbridge Project. This is now reflected in the project forecast as detailed above.
- +£0.270m the agreed partner contribution from Swale Borough Council were included in the original project approval for Sheerness Gateway, to be drawn down in 2011-12 but the gross effect on costs and income had not been reflected. The Sheerness project costs do not reflect £0.092m for FSC facilities, which remains held their capital programme.

**Modernisation of Assets -£0.047m and Tunbridge Wells Library +£0.031m** (in 2011-12): This reflects the latest estimate for the revised plans for the Tunbridge Wells Library project, with costs increasing by £0.031m and a reduced contribution from Tunbridge Wells Borough Council (TWBC) of £0.016m. A total of £47k is needed and the intention is to divert funding from the Modernisation of Assets rolling programme.

**The Beaney: +£0.040m** (in 2011-12): Revenue savings of £0.040m in 2011-12 from running the temporary Canterbury library have been earmarked as part of the funding strategy approved in February to help fund the costs of essential additional works to the façade and roof.

**Country Park Access & Development: +£0.013m** (in 2011-12): This is due to additional European Union (EU) Interreg funding to fund Easy Access Trail works, so increased income leading to an increased cost base.

Taking these into account, there is an underlying nil variance.

#### 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 programme is linked to the Modernisation of Assets (MOA) budget (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. If operational priorities or requirements override the timetable of works, then this will impact directly on delivering improvements to facilities and the inter-related schedule and cost of works.

**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** – if Sheerness opening is delayed beyond 28 October the landlord may impose financial penalties under the terms of the lease as a rent-free period was granted while works were ongoing. The target completion date is 23 October and this could provide insufficient time for services to relocate by the target opening date. The contingency could well be insufficient, giving rise to additional financial demand for the project

**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** – the Administrator has now agreed that final snagging be undertaken and it is anticipated that this will be possible in line with the retention monies held, however there is small risk that the costs 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** – there is a risk that the restructure of the Communications and Web function during autumn 2011 and subsequent proposed reduction in staff numbers could impact on the project governance which could in turn cause project delays and could impact on cost.

(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, in line with latest information available.

**Modernisation of Assets Programme** – by working very closely with 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 a schedule of associated costs is being continually reviewed and challenged. A further bid to Viridor Credits is in hand and will be submitted in the autumn. Further value engineering in relation to the museum fit out is taking place and the project managers are actively and robustly addressing the various claims by the contractor and design team to minimise/ eliminate any additional costs.

**Turner** – Turner Contemporary Art Trust has raised £1.65m towards the funding target of £2.9m. Alternative methods are being explored should the full amount of funds not be forthcoming in the coming year.

**Gateways** – The contract ensures that the contractor will provide partial completion to enable site set-up of IT and furniture installation and in order to meet the deadline for opening to the public. The intention is for the building to open in two phases - ground and then 1st floor so as to eliminate any unnecessary costs and with minimal disruption to the public.

**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, as well as exploring other funding opportunities.

**New Community Centre at Edenbridge** – All partner funding (including external contributions) is now in place, thereby eliminating this risk that has been logged from the outset.

**Web Platform** – a new team is being appointed and should be in place by the end of August and with active support from ISG, the programme should remain on target. By the end of August project governance will be reviewed to ensure the appropriate balances and checks are established.

### 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	
<b>Gateways</b>					
Amended total cash limits	+2,492	+930			+3,422
re-phasing	-1,395	+144	+1,251		0
<b>Revised project phasing</b>	<b>+1,097</b>	<b>+1,074</b>	<b>+1,251</b>	<b>0</b>	<b>+3,422</b>
<b>Tunbridge Wells Library</b>					
Amended total cash limits	+129	+200			+329
re-phasing	+200	-200			0
<b>Revised project phasing</b>	<b>+329</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>+329</b>
<b>Kent History &amp; Library Centre</b>					
Amended total cash limits	+4,269	+216			+4,485
re-phasing	+216	-216			0
<b>Revised project phasing</b>	<b>+4,485</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>+4,485</b>
<b>New Community Facility at Edenbridge</b>					
Amended total cash limits	+2,233				+2,233
re-phasing	-248	+248	0		0
<b>Revised project phasing</b>	<b>+1,985</b>	<b>+248</b>	<b>0</b>	<b>0</b>	<b>+2,233</b>
<b>Total re-phasing &gt;£100k</b>	<b>-1,227</b>	<b>-24</b>	<b>+1,251</b>	<b>0</b>	<b>0</b>
<b>Other re-phased Projects below £100k</b>					
	-31	+31	0		0
<b>TOTAL RE-PHASING</b>	<b>-1,258</b>	<b>+7</b>	<b>+1,251</b>	<b>0</b>	<b>0</b>

## 2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

N/A

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