

To: Communities Policy Overview & Scrutiny Committee – 6<sup>th</sup> April 2010

From: Mike Hill, Cabinet Member and Amanda Honey, Managing Director

Subject: **Financial Monitoring Report: Community Services 2009/10**

Classification: Unrestricted

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**Summary:** This is a regular report to this Committee on the forecast outturn against budget for the Communities portfolio.

## **FOR INFORMATION AND COMMENT**

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### **1. INTRODUCTION AND BACKGROUND**

1.1 Policy Overview & Scrutiny Committees (POSCs) consider the draft Medium Term Financial Plan at their November and January meetings. To enable an informed discussion, three reports are presented to the Committees on a regular basis:

a) Budget Monitoring reports

Detailed quarterly budget monitoring reports are presented to Cabinet during the year, normally in September, December and March, and a draft final outturn report in June. A section of the Cabinet Report relates to each directorate which is then presented at the next round of POSC meetings. These reports inform members about current trends, pressures and management actions in advance of the following year's budget setting.

The timing of the quarterly reports to Cabinet, and of subsequent POSC meetings, leads on occasion to considerable gaps but this is a corporate issue and cannot be easily be resolved by individual POSCs.

The third quarter's full monitoring report, for the period ended December 2009, was presented to Cabinet on 29<sup>th</sup> March 2010 and has been included in the annex to this report for the first time.

b) Performance monitoring reports

These are reported to the POSCs twice a year, in January and July.

c) Unit level outturn reports

Effectively an amalgam of the above two, the annual outturn report in July summarises financial and performance information at unit level for the whole of the preceding year. The first of these, the outturn report for 2008/09, was reported on 7<sup>th</sup> July 2009.

## 2. QUARTERLY MONITORING REPORT

2.1 Attached at Appendix One is the monitoring report for the third quarter in 2009/10 for the Communities directorate as reported to Cabinet on 29<sup>th</sup> March 2010. The table shows net variance as an amount, and percentage, as requested by Members.

### 2.2 Revenue

2.2.1 At its meeting on 12<sup>th</sup> January 2010, the outturn for September and October's monitoring – the second full quarter monitoring, as reported to Cabinet on 30<sup>th</sup> November 2009 - was presented to this Committee and the outturn identified a gross pressure of £0.033m. This pressure was offset by associated management action, meaning that a balanced position was therefore presented for the directorate.

A verbal update was also given at that meeting in relation to November's outturn, with narrative not included within the paper due to the timing of the Cabinet Report. The November outturn showed a balanced position overall, but within that, noted increased pressures with regard to Coroners in the region of +£0.04m. This was offset by a modest underspend generated by the Supporting Independence Programme ("SIP") and it was noted that this underspend may increase further once the outcomes of the SIP review had been analysed in detail.

2.2.2 The third full quarter's monitoring report (Appendix One), is now reporting on underspend of £0.395m and the main movements since November are:

- -£0.343m Supporting Independence Programme - the service had previously reported an underspend of £136k, with the potential for further savings once a comprehensive service review had been undertaken. The outcome of this review, combined with anticipated savings within the Medium Term Plan, has enabled the service to deliver a greater underspend, whilst maintaining the current levels of service and ensuring that all 2010 targets continue to be met.
- +£0.32m Business Development & Support – a significant drop in anticipated income in the last quarter from training has caused a pressure on this service. The impact of the decline and cancellation of courses has been partially mitigated by eliminating the variable costs associated with delivery.
- -£0.031m Registration - the reduction in forecast overspend is due to a series of planned building improvements that were cancelled in the current year due to service pressures. These include repairs to a retaining wall in Canterbury; building improvements in Tunbridge Wells and various other minor savings. These projects will be undertaken in 2010-11.

2.2.3 The main components of the net underspend of £0.385m are set out below:

*Supporting Independence Programme: - £0.480m underspend*

The variance from the prior month's outturn is explained above.

*Adult Education and KEY Training: - £0.081m underspend*

As reported previously, an net underspend of £0.101m was forecast in respect of staff pay within the Adult Education service, with an off-setting pressure in relation to Ofsted and

other running costs. A further adverse variance of £0.018m within the KEY Training service aggregates to the £0.081m underspend.

*Coroners: + £0.258m overspend*

The pressure from prior years has continued into the present year with further pressure arising from long inquests and analytical tests, principally in the Mid Kent and Medway district. The previous quarter's outturn report identified an overspend of £0.186m but this has since increased, mainly as a result of the Coroners having presented a number of aged invoices relating to long inquests and specialist (pathology) fees for payment. These date back to 08-09 and 07-08 respectively and had not been communicated to the service and had not been included within budget monitoring or MTP for the current or prior years.

*Kent Scientific Services: + £0.042m overspend*

A pressure has arisen in relation to the service's current inability to meet the income targets of £0.050m that were established within the previous MTP process for generating income from internal sources. The service is committed to meeting the target, although in future will focus on generating additional external income as and when other local authority laboratories are forced to close, which has been the trend in recent years.

*Trading Standards: - £0.071m underspend*

The service is forecasting an underspend for the year, as vacancies are being held prior to a planned recruitment in the coming year. This underspend has been offset by a forecast reduction for generating income as a change in legislation now permits the self verification of liquid fuel measurements which the service provided a certificate, and charged, for in prior periods.

*Arts: - £0.117m underspend*

The Arts unit received additional one-off funding in the period and has retained £0.050m to offset directorate overspends. This is in addition to managing its vacancies and not reappointing to certain roles in the year in anticipation of future savings.

*Registration: - £0.161m overspend*

In light of national statistics that the number of people getting married has reduced by an average of 10%, the service has completed an in-year comprehensive review of actual ceremonial fee income and projected bookings for the rest of the year.

It was concluded that the economic downturn has been the main impetus behind the national decline and the impact within Kent is a projected fall in income of up to £275k, which represents a fall in the number of ceremonies being performed in excess of 500.

Variable costs have been reduced where possible, one off income has been used to offset the decline and all non essential spend has been curtailed in order to mitigate the pressure with the management action undertaken in the current month reducing the overspend to £0.161m

### *Supporting People: - £0.071m underspend*

The service has reviewed its costs and has forecast a net underspend of £71k on its administration grant.

## **2.3 Capital**

The economic downturn has had a profound affect on the capital programme with anticipated and earmarked receipts lower than expected and a diminution in the value of land. This had posed several challenges to the directorate but by working with our partners and embarking on some pioneering developer agreements we have seen significant progress on a number of key projects in the last quarter.

The current period shows a variance of - £1.474m, all of which relates to project re-phasing adjustments into 2010-11.

The main movements are detailed below:

- Ashford Gateway Plus (-£0.125m): Re-phasing into 2010/11. The design enhancements that were previously reported have led to a slight deferral of the expenditure into the final year of the project. The cost and timing of the project is unchanged and the re-phasing merely represents a change in the profile of spend.
- Turner Contemporary (-£0.741m): Re-phasing into 2010/11. Due to the inclement weather, significant works that were due to be completed in quarter 4 of 2009/10 in relation to the roof and façade were delayed and will now be completed in quarter 1 of 2010-11. The cost of the project and anticipated opening date remains unchanged
- Library Modernisation and Modernisation of Assets Programmes (-£0.251m): Re-phasing into 2010/11. One of the significant modernisation projects has been delayed, with minimal costs likely to be incurred this year, as the tenders for the project are in excess of expectation.
- Tunbridge Wells Library (-£0.332m): Re-phasing into 2010/11. The budget has been adjusted to reflect the delay in commencing works onsite due to investigations being commissioned surrounding the need for further excavation works in the basement. The project was due to commence in quarter 4 of 2009/10 but has been deferred until quarter 1 of 2010/11.

## **3 RECOMMENDATION**

- 3.1 Members of the POSC are asked to note the projected 2009/10 outturn figures for the portfolio, based on the outturn included within the third quarterly monitoring report, as presented to Cabinet on 29<sup>th</sup> March 2010.

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## Appendix One

### COMMUNITIES DIRECTORATE SUMMARY JANUARY 2009-10 FULL MONITORING REPORT

#### 1. FINANCE

##### 1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered “technical adjustments” i.e. where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the last full monitoring report to reflect a number of technical adjustments to budget.
- The inclusion of new 100% grants (i.e. grants which fully fund the additional costs) awarded since the last full monitoring report. These are detailed in Appendix 2 of the executive summary.

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

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Communities portfolio</b>							
Turner Contemporary	1,122	-332	790	15	-16	-1	
Kent Drug & Alcohol Action Team	18,047	-15,758	2,289	74	-74	0	The KDAAT board agreed that funds received in advance in the prior year were not to be repaid and these have been reflected in 09-10 monitoring as variance on income.
Youth Offending Service	7,244	-3,417	3,827	88	-88	0	The Youth Justice Board agreed that funds received in advance in the prior year were not to be repaid and these have been reflected in 09-10 monitoring as a variance on income.
Youth Services	14,083	-6,947	7,136	53	-63	-10	
Supporting People	33,034	-32,175	859	-71	0	-71	Agreed overspend on floating support to be mitigated by drawdown from historic reserves. Underspend on admin grant
Adult Education (incl KEY)	17,532	-17,743	-211	-120	39	-81	Net variance relates to an underspend of £101k within AE and a £20k deficit on KEY that cannot be mitigated in year.
Arts Unit	1,397	-91	1,306	-25	-92	-117	Additional income from Arts Council, unbudgeted contribution from SIP to support Folkestone Forward programme. Staff savings in the Arts unit & reduced running costs.

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Libraries, Archives & Museums	23,336	-2,861	20,475	-90	90	0	Underachievement of AV & merchandising income targets and further forecast reductions given declining demand, offset by a modest increase in income from prisons & income from internal clients. Gross variance relates to extended vacancy management/ freeze & a contribution towards directorate pressures in order to deliver balanced budget.
Sports, Leisure & Olympics	2,697	-1,498	1,199	73	-73	0	Additional staff costs & internal recharges, offset by increased fees & charges & an increase in internal income
Supporting Independence	1,616	0	1,616	-480	0	-480	Savings identified following a comprehensive service review regarding future strategic direction of the unit
Kent Community Safety Partnership	4,393	-473	3,920	-116	81	-35	Reduced contribution from the Future Jobs Fund. Gross variance relates entirely to staff savings.
Coroners	2,421	-384	2,037	304	-46	258	Continuation of 2008-09 pressures on Mortuary fees/long inquests, Pathology costs and new pressure regarding body removal, toxicology, histology and deputy coroner cover. Income variance relates to a recharge to Medway for their share of service pressures
Emergency Planning	817	-168	649	-7	7	0	
Kent Scientific Services	1,327	-752	575	50	-8	42	Unachievable internal income target, partly mitigated by management action, offset by increased fees and charges.
Registration	4,224	-3,141	1,083	-25	186	161	Reduced spend on premises & running costs. Reduction in fees income
Trading Standards	3,821	-340	3,481	-94	23	-71	Extended vacancy management policy to contribute to divisional overspends, offset by reduced anticipated fees due to self verification of liquid fuel measurements. The underspend has reduced since the previous quarter due to a revised allocation of central overheads

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Policy & Resources	1,432	-102	1,330	243	-243	0	Unbudget external contributions & costs relating to Migration programmes.
Business Development & Support	650	-220	430	-11	43	32	
Strategic Management	925	0	925	20	-21	-1	
Centrally Managed directorate budgets	954	-1,363	-409	228	-228	0	Directorate pressures, offset by contributions from service units.
Support Services purchased from CED	4,109	0	4,109	-21	0	-21	Reduced charge for KPSN
<b>Total Communities controllable</b>	<b>145,181</b>	<b>-87,765</b>	<b>57,416</b>	<b>88</b>	<b>-483</b>	<b>-395</b>	
<b>Assumed Management Action</b>					<b>0</b>	<b>0</b>	
<b>Forecast after Mgmt Action</b>				<b>88</b>	<b>-483</b>	<b>-395</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 individual forecast revenue variances over £100k.

Each of these variances is explained further below:

#### 1.1.3.1 Adult Education incl. KEY: -£81k net (-£120k gross, +£39k income)

##### a) *KEY Training: +£20k Net pressure (-£24k gross, +£44k income)*

The KEY training service has made progress with regard to addressing the 2008-09 overspend and has managed all base pressures, as well as making a significant contribution to the rolled forward deficit from 2008-09 of £211k, with only a £20k net pressure forecast.

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

Although this service is currently forecasting a net pressure of £20k, within this is a gross variance of -£24k and an income variance of +£44k. The gross variance comprises an increase in internal recharges and increased costs of contracts with the private sector, with £107k of staff savings as a result of the restructuring of the service more than offsetting these pressures. The income shortfall is due to in year changes made to the Entry 2 Employment contract, which has moved from being a guaranteed income profile to being contingent and linked to learner numbers. This shortfall is partially offset by increased income from contracts with the private sector.

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

##### b) Adult Education: -£101k net (-£96k gross, -£5k income)

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

The directorate was advised against making this contribution until it had achieved a balanced budget position. Now that the directorate is satisfying this requirement, the service intends to

make a contribution to reserves during 2009-10 and annual contributions thereafter and this will be reflected in the next monitoring return, once the asset replacement plans have been fully assessed and the value of the annual contribution requirement has been calculated.

The gross underspend mainly consists of the £252k saving from vacancy management offset by the following pressures in accord with the management plan, plus an additional £61k savings from holding further vacancies and rationalisation of support staff through the merger with Key Training services. This is being offset by the following pressures:

- £39k in relation to IT replacement needs in the Skills Plus Centre and an increase in contracts with the private sector;
- £86k additional costs in relation to an allocation to the Ofsted inspection nominee to update teaching resources, increase staff training and replace furniture and equipment in readiness for the forthcoming Ofsted inspection.
- £38k has also been set aside to fast track much needed maintenance improvements of the service's premises portfolio.
- £30k increased travel costs
- £30k Redundancies

#### 1.1.3.2 Libraries: -£90k Gross and +£90k Income

The service has made savings on gross expenditure, mainly through vacancy management (-£236k), and on premises costs, which have been achieved by the re-tendering of the cleaning contract (-£63k) and from one-off rate rebates for the Tunbridge Wells and Sevenoaks Libraries of (-£110k) and reduced spend on Third party payments to Canterbury City Council in respect of shared running costs of the Beaney (-£11k).

This is being offset by the service's contribution of £175k towards directorate wide savings targets and unexpected costs that had been held centrally such as Church Street dilapidations, an overspend on energy costs of £67k, £40k revenue contribution to capital projects, £26k additional expenditure relating to Prison IT system and £26k increased internal recharge to the district offices relating to merchandising.

Libraries are forecasting a reduction in their Audio Visual (AV) income streams of £79k (supported by the activity indicators in section 2.2) and a shortfall in their merchandising income of £79k. The Archives service is also forecasting a shortfall in income of £6k from work done on parish surveys and an underachievement on the income target set for the Centre for Kentish Studies shop.

This is being offset by increased income from access services (including prisons) of £47k, and an increase in internal income of £44k.

#### 1.1.3.3 Coroners: Net Pressure +£258k (+£304k Gross and -£46k income)

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

The main pressures arise from Pathology and Mortuary costs of £103k. There is also a pressure on Histology (child death post mortem referrals), Toxicology and Histology costs arising from increased activity, as more deaths are being investigated, currently forecast as a pressure of £46k. This pressure is being exacerbated because one of the coroners has opted to use a private sector provider instead of Kent Scientific Services, thus attracting increased costs and procedures are being undertaken to try and mitigate this behaviour.

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

The Head of Service has met with Coroners in an attempt to agree a solution, but Coroners are governed by central government and not the Communities directorate, which makes this budget very difficult to control. To date no definitive solution has been formulated although the service is committed to monitoring all of its budget lines in order to mitigate these pressures as far as practical given the limited level of authority that we have to govern the coroners.

Despite management action to reduce this pressure in recent months, the Coroners provided the service with details of new and unbudgeted long inquests, one of which was estimated to last up to

five weeks. This inquest had significant cost implications and had been fully reflected in the prior month's forecasts. The inquest was concluded after only two weeks, which therefore has had a positive impact on the forecast, but this has been countered by an increase in other costs, such as toxicology, in relation to increased activity. The overall impact of all of these costs is approximately £35k.

The income variance results from part of the management action which has led to the service successfully brokering an arrangement with Medway Council to contribute towards the overspend, in addition to their annual recharge, which has further reduced the pressure on the authority.

#### 1.1.3.4 Supporting People -£71 Net (-£71k gross)

The service has reviewed its costs and has forecast a net underspend of £71k on its administration grant. A decision has subsequently been made whereby the underspend will be used to partially offset the budget pressures in other services within the directorate.

Commitments are in place that will result in gross expenditure being close to £2.690m in excess of the agreed cash limit for floating support, which is a demand led service that this unit provides to assist customers within their homes. Demand currently exceeds the allocated resources and additional support has been provided to cope with the increased demand. However these costs will be met by a draw down from the existing Supporting People earmarked reserve, as part of a planned programme of expenditure approved by the Supporting People Commissioning Body, and therefore a balanced position is forecast with regard to the main grant.

#### 1.1.3.5 Registration: +£161k Net (- £25k Gross and +£186k income)

The service has just completed a comprehensive review of actual ceremonial fee income and projected bookings for the rest of the year, following an alarming national statistic that the number of people getting married has reduced by an average of 10%.

The service had already estimated a potential reduction in year of up to £100k (approximately 150-200 ceremonies) but had made mitigating savings elsewhere by reducing its variable costs where ceremonies are not taking place, and other management action.

Based on the above statistic, and a review of advance bookings made until the end of the year, the forecast has been revised and it is estimated that the economic downturn has been the main impetus behind a projected fall in income of up to £275k, which represents a fall in the number of ceremonies being performed in excess of 500.

Variable costs have been reduced where possible but this reduction only represents a fall in the number of ceremonies being performed, on average, across our six main offices of one per week and therefore it is difficult to enact management action in order to mitigate this pressure in house.

Underspends elsewhere in the directorate will therefore offset this pressure and the budget build for 2010-11 has been updated accordingly to reflect this continuing downward trend relating to ceremonial income.

The net projected overspend is £161k. The gross underspend relates to a series of planned building improvements that were abandoned due to service pressures. These include repairs to a retaining wall in Canterbury; building improvements in Tunbridge Wells and various other minor savings that totals £72k. These projects have been delayed and will be undertaken in 2010-11. These costs have then been partially offset by an increase of £13k in other running costs, a £35k contribution to central budgets and other minor items to reconcile back to the £25k underspend on gross expenditure.

The net income reduction comprises the £275k projected fall in ceremonial income, partially offset by other sundry income.

#### 1.1.3.6 Centrally Managed Budgets: £Nil Net (£228k Gross and -£228k Income)

This budget comprises of centrally managed budget, directorate-wide pressures and savings targets. The former is managed like any other budget, with the latter then recharged to service units and therefore the gross represents the movement in these central costs, with the variance on income being the contributions to be received from units. The variance on gross can be attributed largely to unbudgeted dilapidation costs, service awards and costs of other director-wide initiatives and targets that are monitored centrally.

#### 1.1.3.7 Policy & Resources: £Nil Net (£243k Gross & -£243k Income)

The South-East Strategic Partnership on migration and Community Cohesion projects are now being reported through this service. The gross and income variances reflect the costs of these projects which are matched by new funding streams. The South-East Strategic Partnership will be transferring to a new provider either this year or next. If this happens this year then the costs and income will transfer to the new provider and these variances will disappear.

#### 1.1.3.8 Supporting Independence -£480k Gross and Net

The service transferred to Communities at the beginning of the financial year and is responsible for delivering Kent County Council's programme for Apprenticeships and also the Future Jobs Fund.

The service rolled forward elements of funding from 2008-09 and had previously reported an underspend of £136k, with the potential for further savings once a comprehensive service review had been undertaken.

The outcome of this review, combined with anticipated savings within the Medium Term Plan, has enabled the service to deliver a greater underspend, whilst maintaining the current levels of service and ensuring that all 2010 targets continue to be met.

#### 1.1.3.9 Trading Standards: -£71k Net (-£94k Gross and +£23k income)

The unit has delivered an underspend on its staff costs of £193k in order to offset the slight reduction in income, which is primarily due to self certification of petrol limits, and also to facilitate a contribution of £131k to central costs. Other minor adjustments to other running costs account for the difference.

#### 1.1.3.10 Kent Community Safety Partnership: -£35k Net (-£116k Gross and +£81k income)

The unit has endeavoured to hold vacancies and delay appointments to new posts in order to offset declining income within the service, to contribute toward central costs and also to deliver an underspend to contribute towards the directorate's overspends in other services.

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

(shading denotes that a pressure/saving has an offsetting entry which is directly related)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CMY	Supporting People - planned increased in levels of floating support	+2,690	CMY	Drawdown from Supporting People reserve	-2,690
CMY	Registration: reduced income from ceremonies, due to declining number of marriages	+275	CMY	Supporting Independence: Review of service & change in emphasis of the service from establishing to supporting the programmes within its remit.	-480
CMY	Policy & Resources: costs of SE Strategic Partnership on migration & Community Cohesion projects matched by external income	+243	CMY	Adult Education: Support staff savings	-313
CMY	Centrally Managed Costs: Directorate-wide pressures managed centrally, including dilapidations, service awards, rental costs & other central costs that are then funded through contributions from within units.	+228	CMY	Policy & Resources: new income streams to fund costs of SE Strategic Partnership on migration & Community Cohesion projects, with funding emanating from UKBA.	-243
CMY	Coroners: Increased pressure arising from increasing Pathology, Mortuary, Body Removal, Histology and Toxicology costs	+219	CMY	Libraries: Staff savings to mitigate against reduced income from AV issues, merchandising and contribution towards directorate-wide savings.	-236
CMY	Libraries - contribution towards directorate-wide savings & other centrally held costs	+175	CMY	Centrally Managed Budgets: Contributions from Services to mitigate Directorate pressures.	-228
CMY	Libraries - Reduced forecast in relation to Libraries' audio visual income streams due to declining demand and alternative sources of supply. Shortfall in merchandising income	+158	CMY	Trading Standards: Staff underspend to enable contribution to central costs	-193
CMY	Trading Standards: Contribution to central costs	+131	CMY	Community Safety: Staff underspends to offset reduced levels of income	-130
			CMY	Libraries: One-off rates rebates being used to mitigate against declining AV issues, merchandising income and contribution towards directorate-wide savings	-110
			CMY	Key Training: Staff underspends arising from service restructure	-107
		<b>+4,119</b>			<b>-4,730</b>

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

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

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

This removes the base pressure facing KEY Training and the service is on schedule to present a balanced position by the end of 2010-11, reinforced by the net pressure reported of only £20k, based on current assumptions surrounding income targets and profiles.

*Supporting Independence Programme:*

A review was conducted over the past quarter with a view to the unit's future strategic direction. The outcome of the review was to highlight that many of the original objectives had been achieved and established and that the role of the unit would now be in a facilitating and monitoring capacity. In financial terms the review, and anticipated savings over the next three years have enabled the service to deliver an underspend of £480k and a £500k saving to be taken in the 2010-13 MTP.

*Vacancy management*

Due to significant overspends within the coroners and registration budgets, the directorate informed units to maintain and extend vacancies wherever possible in order to achieve a balanced position but on the basis that front line provision would not be adversely affected. This is apparent in numerous services such as Adult Education, Trading Standards and the Arts Development Unit. A number of restructures have also been undertaken in the year that has enabled deletion of posts or extended vacancies with examples being Registration and Key Training.

**1.1.5 Implications for MTP:**

The 2010-13 Medium Term Plan reflects the ongoing pressures on all services at the time the 2010-11 budget was produced.

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

N/A

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

1.1.7.1 Both KEY Training and Adult Education reviewed their structures in an attempt to address the previous year's deficit in KEY so that the service is able to respond more quickly to changes in LSC funding levels. Part of this review included regular annual contributions to reserves as a % of the annual income target. However until the directorate achieved a balanced position overall, this was not possible.

As the directorate is now forecasting an underspend position, we are investigating the possibility of setting up a renewals reserve for the AE service as originally planned at the beginning of the year. As mentioned in para 1.1.3.1.b the requirement for this reserve is currently being assessed. Once this exercise is complete and the level of the annual contributions has been calculated, then the forecast will be amended to reflect the contribution for the current year, thereby reducing the current forecast underspend, assuming nothing else changes.

**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 to reflect the position reflected in the 2010-13 MTP as agreed by County Council on 18 February 2010, any further adjustments are detailed in section 4.1.

1.2.2 **Table 3** below provides a portfolio overview of the latest capital monitoring position excluding PFI projects.

	Prev Yrs Exp £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	Future Yrs £000s	TOTAL £000s
<b>Community Services Portfolio</b>						
Budget	21,165	17,351	24,407	10,887	3,194	77,004
Adjustments:						
-						
Revised Budget	21,165	17,351	24,407	10,887	3,194	77,004
Variance	0	-1,474	+2,004	-530	0	0
<b>split:</b>						
- real variance						
- re-phasing		-1,474	2,004	-530		
<b>Real Variance</b>	<b>0</b>					
<b>Re-phasing</b>	<b>0</b>	<b>-1,474</b>	<b>2,004</b>	<b>-530</b>		

### 1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2009-10 and identifies these between projects which:

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

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

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

All real variances, in excess of £250k, are explained in section 1.2.5, together with the resourcing implications.

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

Portfolio	Project	real/ phasing	Project Status			
			Rolling Programme	Approval to Spend	Approval to Plan	Initial Planning Stage
			£'000s	£'000s	£'000s	£'000s
<b>Overspends/Projects ahead of schedule</b>						
CMY						
			<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>
<b>Underspends/Projects behind schedule</b>						
CMY	Turner Contemporary	phasing		-741		
CMY	Tunbridge Wells Library	phasing		-332		
			<b>-0</b>	<b>-1,073</b>	<b>-0</b>	<b>-0</b>
			<b>+0</b>	<b>-1,073</b>	<b>+0</b>	<b>+0</b>

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

None

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

None

There are no underlying variances.

1.2.6 **General Overview of capital programme:**

(a) Risks

**The Beaney project** – the contractor is due to start on site during February 2010, but this will depend upon the outcome of an archaeological inspection which could add additional costs to the project. Certain financial information is also awaited from Canterbury City Council to enable the payment of the current year forecast of £400k. Both of the above events could result in further re-phasing of the project.

**Turner Contemporary** – the inclement weather and late delivery of key components could delay completion of the project.

**Ashford Gateway Plus** – onerous planning conditions that cause variations to the contract, leading to increased costs and delays to completion timetable.

**Ramsgate Library** – delays in meeting with the Administrator mean it is not known if the retention monies will be sufficient.

**Dover Big Screen** – final costs are higher than expected, due to unforeseen and unbudgeted events such as piling and archaeological studies.

**Tunbridge Wells Library** – investigative works to the basement have identified the potential for more excavation works, which may add to the overall costs.

**Kent History Centre** – conditional developer agreement depends on the outcome of the judicial review, which could delay the project. The stopping-up order for access to the site is due to be considered immediately following judicial review and could also delay the project further if problems occur.

**Gravesend Library** – outstanding party wall issues could delay the start of works and additional costs could arise from the asbestos removal and demolition. Works due to start at the end of March.

**Edenbridge Community Facility** – the revised project will require a further planning application and is reliant on third party investor partners.

**Marlowe Theatre** – the grant agreement has yet to be finalised and certain financial information is awaited from Canterbury City Council to enable the payment of the current year forecast of £1m. Such delays could result in the re-phasing of the project.

(b) Details of action being taken to alleviate risks

**The Beaney project** – the archaeology works are being closely monitored and nothing of significance has been found to date. Profiling of payments and provision of financial information is currently being discussed with Canterbury City Council.

**Turner Contemporary** – any additional costs will be met from the contingency provision and action is being taken to minimise any necessary extension of time, however the persistent inclement weather has led to the delay in works on the roof and façade, both of which were due for completion by the year end and are expensive phases of the build.

**Ashford Gateway Plus** – current negotiations with the contractor and planners is seeking to minimise these issues. No significant issues at this stage.

**Ramsgate Library** – a meeting with the Administrator is now set, after which we should know the final cost figure.

**Dover Big Screen** – Property Group is preparing the final cost statement and a plan is in place, including a contingency provision. Alternative sources of funding are also being explored should the final cost statement exceed current allocated funding levels.

**Tunbridge Wells Library** – the structural engineer has been commissioned to report on the detailed works necessary, in conjunction with the conservation officer, to refine the listed buildings application. If costs increase TWBC will be asked to increase their contribution.

**Kent History Centre** – the planning conditions have been complied with and the necessary preparations have been made to ensure as far as possible the stopping-up order is considered by the Magistrate as planned.

**Gravesend Library** – due to a favourable tender process, it has been possible to increase the contingency provision to mitigate any additional unforeseen costs.

**Edenbridge Community Facility** – consultation has begun in anticipation of the revised planning application and negotiations are ongoing with potential interested investors.

**Marlowe Theatre** – Profiling of payments and provision of financial information is currently being discussed with Canterbury City Council.

## 1.2.7 Project Re-Phasing

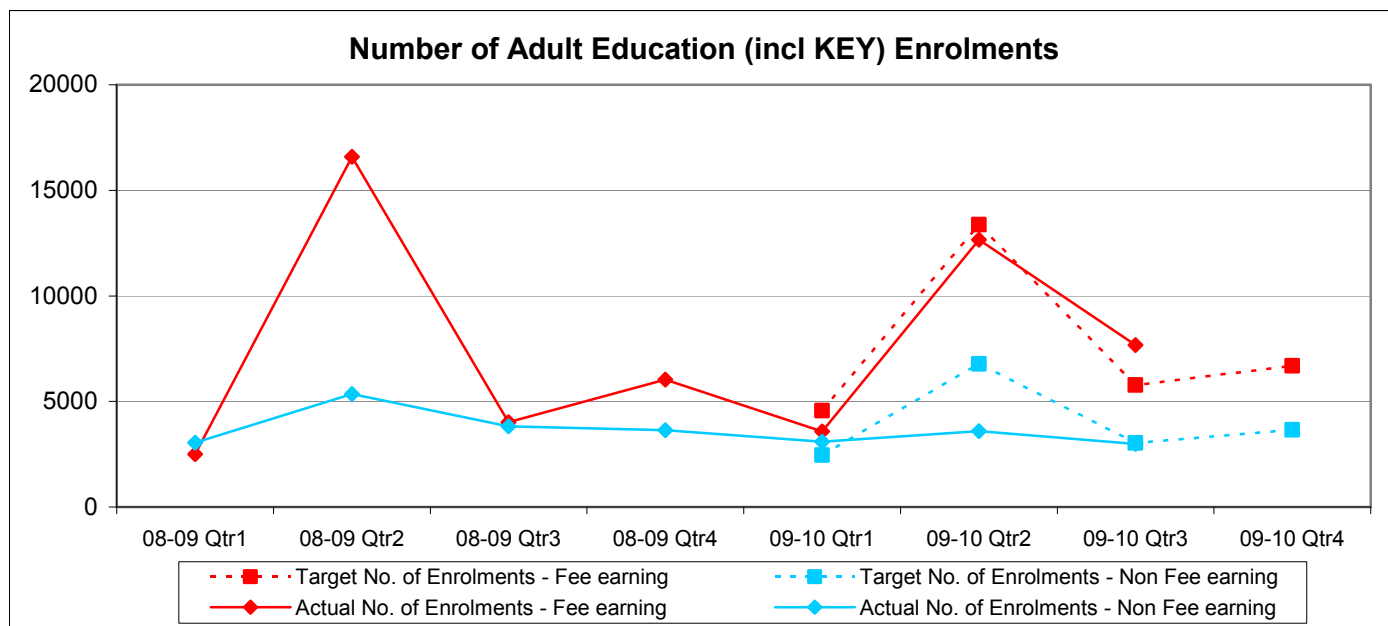
Cash Limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the rephasing will be shown. The possible re-phasing is detailed in the table below.

	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	
<b>Library Upgrade Programme</b>					
Amended total cash limits	+445	+894	+460	+460	+2,259
re-phasing	-144	+144			0
<b>Revised project phasing</b>	<b>+301</b>	<b>+1,038</b>	<b>+460</b>	<b>+460</b>	<b>+2,259</b>
<b>Modernisation of Assets</b>					
Amended total cash limits	+1,970	+1,951	+1,905	+2,084	+7,910
re-phasing	-107	+107			0
<b>Revised project phasing</b>	<b>+1,863</b>	<b>+2,058</b>	<b>+1,905</b>	<b>+2,084</b>	<b>+7,910</b>
<b>Turner Contemporary</b>					
Amended total cash limits	+7,608	+6,601	+299		+14,508
re-phasing	-741	+754	-13		0
<b>Revised project phasing</b>	<b>+6,867</b>	<b>+7,355</b>	<b>+286</b>	<b>0</b>	<b>+14,508</b>
<b>Ashford Gateway Plus</b>					
Amended total cash limits	+497	+5,350	+892		+6,739
re-phasing	-125	+125			0
<b>Revised project phasing</b>	<b>+372</b>	<b>+5,475</b>	<b>+892</b>	<b>0</b>	<b>+6,739</b>
<b>Tunbridge Wells Library</b>					
Amended total cash limits	+334				+334
re-phasing	-332	+332			0
<b>Revised project phasing</b>	<b>+2</b>	<b>+332</b>	<b>0</b>	<b>0</b>	<b>+334</b>
<b>Gravesend Library</b>					
Amended total cash limits	+226	+1,606	+631		+2,463
re-phasing	-4	+488	-484		0
<b>Revised project phasing</b>	<b>+222</b>	<b>+2,094</b>	<b>+147</b>	<b>0</b>	<b>+2,463</b>
<b>Total re-phasing &gt;£100k</b>	<b>-1,453</b>	<b>+1,950</b>	<b>-497</b>	<b>0</b>	<b>0</b>
<b>Other re-phased Projects below £100k</b>					
	-21	+54	-33		0
<b>TOTAL RE-PHASING</b>	<b>-1,474</b>	<b>+2,004</b>	<b>-530</b>	<b>0</b>	<b>0</b>

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

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

	2008-09			2009-10					
	ACTUALS			TARGET			ACTUALS		
	Fee earning	Non fee earning	TOTAL	Fee earning	Non fee earning	TOTAL	Fee earning	Non fee earning	TOTAL
Apr - Jun	2,496	3,049	5,545	4,560	2,456	7,016	3,572	3,087	6,659
Jul - Sept	16,590	5,360	21,950	13,377	6,774	20,151	12,667	3,598	16,265
Oct - Dec	4,024	3,816	7,840	5,776	3,029	8,805	7,680	2,986	10,666
Jan - Mar	6,039	3,639	9,678	6,689	3,651	10,340			
<b>TOTAL</b>	<b>29,149</b>	<b>15,864</b>	<b>45,013</b>	<b>30,402</b>	<b>15,910</b>	<b>46,312</b>	<b>23,919</b>	<b>9,671</b>	<b>33,590</b>



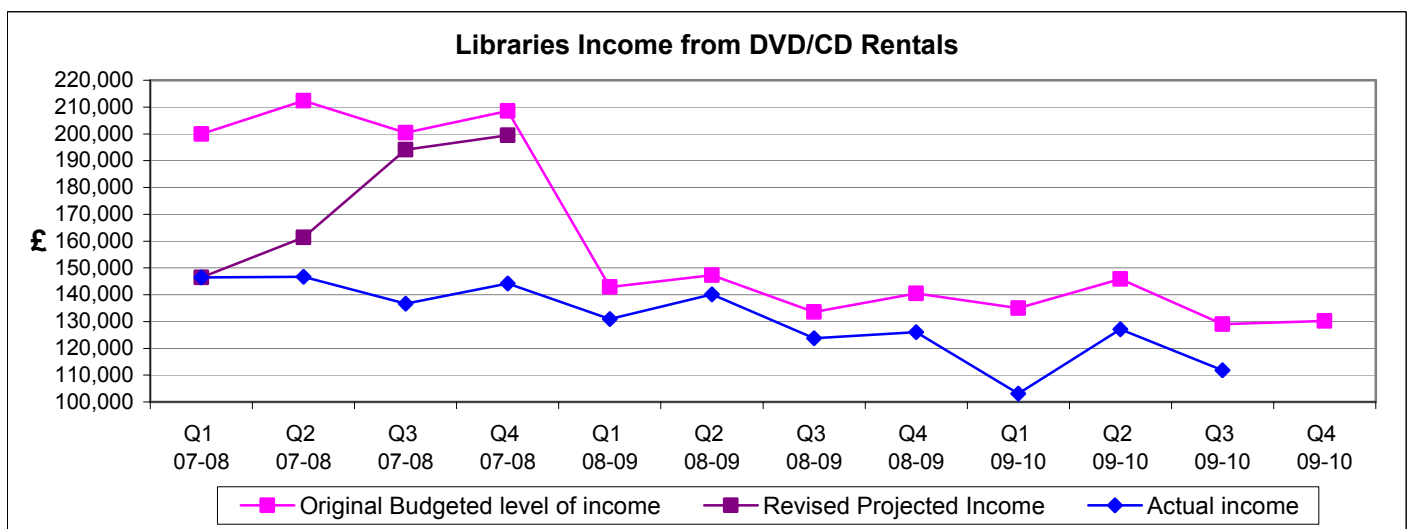
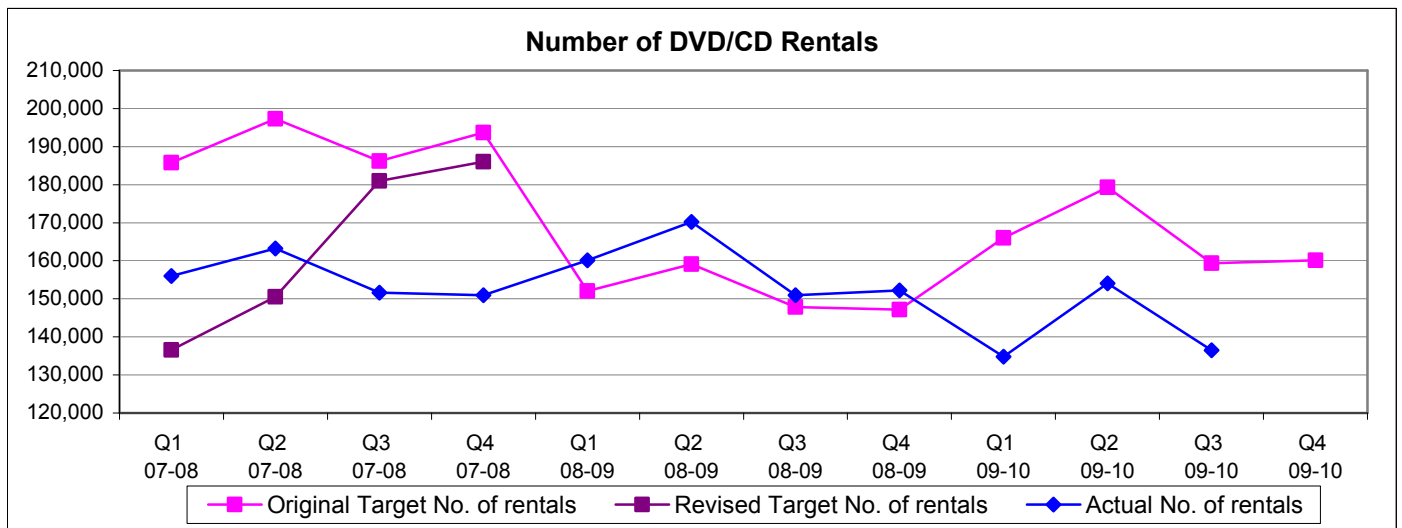
#### Comments:

- The LSC grants depend partly on enrolments to courses and are subject to a contract agreement with LSC. Students taking courses leading to a qualification are funded via Further Education (FE) grant based upon the course type and qualification. However, students taking non-vocational courses not leading to a formal qualification are funded via a block allocation not related to enrolments, referred to as Adult and Community Learning Grant (ACL) grant. Student enrolments are gathered via a census at three points during the academic year. Students pay a fee to contribute towards costs of tuition and examinations. There is a concession on ACL tuition fees for those aged under 19, those in receipt of benefits and those over 60. FE courses are free for those aged under 19 or in receipt of benefits undertaking Basic Skills or Skills for Life Courses.
- The enrolment figures reported this year represent actual enrolments in the quarter rather than enrolments for courses started during the quarter, which is what has previously been reported. This should resolve the issue of previous quarter's figures constantly changing. The figures also now include KEY training enrolments as well as Adult Education enrolments.
- All enrolments are now achieving 93% of the 2009-10 target for the period April to December. Enrolments on fee paying courses have increased by 3.5% over that achieved last year and are slightly above target by 0.9%. This small increase has no impact on the forecast for tuition fee income, as the income due for enrolments during this period will partly be deferred into the new financial year, based on start and end dates of courses. Enrolments on courses where fees are not payable are at 79% of target for the period April to December. The majority of these enrolments are for family learning and skills for life programmes which are wholly funded by LSC contracts. Performance on the contracts is regularly monitored to ensure the services will draw down the total contract values for the academic year. Enrolment patterns are different this year, due to changes in administrative processes but the service expects to deliver both contracts to full value by the end of the academic year 2009-10 (July 2010).

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

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

	2009-10			
	No of rentals		Income (£)	
	Budgeted target	actual	Budget	actual
April–Jun	166,000	134,781	135,000	103,135
July–Sep	179,300	154,044	145,800	127,156
Oct–Dec	159,400	136,516	129,000	111,827
Jan–Mar	160,100		130,200	
<b>TOTAL</b>	<b>664,800</b>	<b>425,341</b>	<b>540,000</b>	<b>342,118</b>



## Comments:

- Rentals of audio visual materials (especially videos and CDs) continue to decline as videos become more obsolete and alternative sources for music become more widely available, which has resulted in the forecast reduction in AV income of £79k as identified in tables 1 & 2 and paragraph 1.1.3.2. Demand for spoken word materials and DVDs has remained reasonably stable.
- Research undertaken by the service in order to mitigate this actual and forecast decline, indicates issues can be increased if loans are offered for longer periods at a reduced fee. The service has also identified that it has a niche market for certain genres where demand can be sustained and there is little competition e.g. old TV shows.
- The service has reviewed its marketing strategy and set more realistic levels of rentals both in terms of volume and value. The service reduced expenditure on consumables in 2007-08 to offset the estimated loss of £120k income from the original budget.
- The roll out of the revised strategy in 2007-08 was not as successful as the research indicated and we fell just over 30,000 issues short of the revised target. The service was able to generate additional income from other merchandising in libraries not included in the original or revised budget to offset the £127k shortfall against the revised income budget for 2007-08.
- Targets and income budgets set for 2008-09 were based on a continued decline but these were increased slightly for 2009-10. The service increased income budgets from other merchandising to offset the loss of income from AV issues. Issues in 2008-09 exceeded the target but income fell short, due to an increase in the spoken word issues for which no fees are charged and this trend has continued in 2009-10. The correlation between issues and income is subject to an ongoing review and mitigating action will be taken accordingly.
- The actual number of rentals includes those from visits to lending libraries, postal loans and reference materials.
- To enable better comparison of AV issues and income data, the actual income reported for the previous quarter is changed from the figure previously reported, to reflect the late banking of income which has taken place during the current quarter but relates to rentals issued within the previous quarter. The number of rentals reported previously remains unchanged. It is likely that this adjustment will be required in each report.