

## COMMUNITIES DIRECTORATE SUMMARY JULY 2010-11 FULL MONITORING REPORT

### 1. FINANCE

#### 1.1 REVENUE

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

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the budget was set to reflect the adjustments required as a result of the in year grant reductions as reported to Cabinet in July, the addition of £0.126m of roll forward from 2009-10, as approved by Cabinet on 14 June 2010 and a number of technical adjustments to budget including the transfer of the Stronger Safer Communities Area Based Grant from the Finance portfolio.
- The inclusion of a number of 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 2 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>							
Kent Drug & Alcohol Action Team	17,172	-14,933	2,239	0	0	0	
Youth Offending Service	6,757	-3,012	3,745	1	-1	0	
Youth Services	12,059	-5,205	6,854	-19	-3	-22	
Supporting People	32,314	-220	32,094	0	0	0	
Adult Education (incl KEY)	17,072	-17,172	-100	0	0	0	
Arts Unit	2,277	-285	1,992	-107	95	-12	Variance relates to the finalisation and repayment of an Interreg grant, gross and income effect.
Libraries, Archives & Museums	22,602	-3,045	19,557	-62	62	0	Gross costs have been reduced by enhanced vacancy management with AV income forecasts reduced in line with Qtr 1 activity.
Sports, Leisure & Olympics	3,002	-1,373	1,629	-8	8	0	
Supporting Independence	4,937	-4,160	777	0	0	0	
Kent Community Safety Partnership	5,296	-382	4,914	33	-79	-46	Reduced staff costs mainly due to part year Community Warden vacancies offset by contribution towards directorate vacancy savings target. Additional income from Future Jobs Fund.
Coroners	2,702	-475	2,227	95	0	95	Continuation of pressure reported in 2009-10, regarding long inquests and Body removal contract.

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Emergency Planning	828	-199	629	-9	9	0	
Kent Scientific Services	1,271	-780	491	-40	58	18	Reduced staff costs arising from vacancy management, offset by higher than anticipated price increases of chemical and safety equipment. Income variance relates to an income target, which at present is deemed as not achievable.
Registration	3,895	-3,027	868	-28	0	-28	Reduced staff and premises costs.
Trading Standards	3,655	-322	3,333	-63	11	-52	Reduced staff costs due to vacancies being held, where possible, for duration of year; reduced spend on staff related, premises and transport costs. Reduced fees income
Policy & Resources	1,669	-361	1,308	0	0	0	
Business Development & Support	579	-228	351	-16	16	0	
Strategic Management	929		929	-1	0	-1	
Centrally Managed directorate budgets	1,296	-1,228	68	46	-53	-7	
Support Services purchased from CED	4,760		4,760	0	0	0	
<b>Total Communities controllable</b>	<b>145,072</b>	<b>-56,407</b>	<b>88,665</b>	<b>-177</b>	<b>122</b>	<b>-55</b>	
<b>Assumed Management Action</b>						<b>0</b>	
<b>Forecast after Mgmt Action</b>				<b>-177</b>	<b>122</b>	<b>-55</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 Coroners: +£95k Net (Gross +£95k)

The pressures affecting the service, and our inability to control Coroners' expenditure has been fully documented over the past years.

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

The main pressure arises from long inquests payments (£39k on staff pay, £47k premises and £43k fees with private sector). As an example, two long inquests in the North West Kent area are forecast in the region of £49k, with another significant inquest scheduled later in the year, estimated at a further cost of £20k.

The pressure is being exacerbated by one of the coroners continuing to use, in the first quarter, an external provider for toxicology and other laboratory services, instead of using Kent Scientific Services, which contributes £20k towards the forecast overspend.

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

#### 1.1.3.2 Libraries: -£62k Gross and +£62k Income

The service has made savings on gross expenditure, mainly through vacancy management (-£65k), and on premises costs (-£134k) which have been achieved from one-off rates rebates for three of their libraries.

This is being offset by higher than anticipated running costs (£89k) and increased internal recharges (£39k).

Libraries are forecasting a reduction in their Audio Visual and merchandising income streams of £155k and reduced fines income of £50k, due to reduced activity in Quarter 1. The budget was set at a lower level than in the prior year but even then; revised targets have not been met. Therefore, the forecast for the year has been reduced accordingly.

This is being offset by various one-off income contributions from internal and external partners totalling £146k.

#### 1.1.3.3 Community Learning & Skills (AE &KEY)

Subsequent to the preparation of the 2010-2011 budget, the service was notified of a variation in grant funding of £469k, for the 2010-2011 academic year from the Skill Funding Agency (formerly the Learning & Skills Council).

The service has responded to this ever changing and volatile market by revising its budget plans to take into account the net loss of grant income, amended the enrolment targets set, and put in place management action designed to reduce expenditure in line with current funding levels and to mitigate against the loss of income.

Cash limits have been adjusted to reflect this grant reduction, as highlighted in Appendix 3, Reconciliation of Gross and Income Cash Limits to the Budget Book, to the executive summary report.

#### 1.1.3.4 Supporting People

Commitments are in place that will result in gross expenditure being close to £2,796k in excess of the agreed cash limit for floating support. This is a demand led service provided by the unit, to assist customers within their homes. Demand currently exceeds the resources allocated and, therefore, additional support has been provided to cope with the increase in demand. These costs will be met by a drawdown from the existing supporting people earmarked reserve and, therefore, a balanced position is being forecast with regard to the main grant.

As a result of the 10 June Government savings announcement, the service was notified of a reduction in the Area Based Grant for supporting people administration of £736k. Cabinet, at its meeting in July, agreed that this reduction could be met by a drawdown from the supporting people earmarked reserve and the cash limit has been reduced accordingly to reflect this drawdown. However, the current forecast for supporting people administration indicates a modest underspend of -£73k, therefore the estimated drawdown from the reserve will be reduced accordingly.

Overall therefore, the current estimated drawdown from the reserve is £2,723k (£2,796k - £73k) above the budgeted drawdown of £736k.

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

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CMY	Supporting People: planned increase in the level of Floating Support and small underspend on administration	+2,723	CMY	Drawdown from Supporting People reserve.	-2,723
CMY	Libraries: reduced forecast on audio visual income stream due to reduction in activity compared with Q1 in 09-10 and anticipated shortfall in merchandising income.	+155	CMY	Libraries: one-off income contributions from internal and external partners.	-146
CMY	Coroners: long inquest costs	+129	CMY	Libraries: Reduced spend on utilities and one off rates rebates.	-134
		<b>+3,007</b>			<b>-3,003</b>

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

In order to mitigate against the grant reduction from the Skills Funding Agency of £469k, the service has enacted management action devised to deliver a balanced budget.

Vacancy management

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

Grant Reductions

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

Supporting People

The service expects to drawdown £3.459m from its reserve to address costs required to service their contracts. The level of drawdown required, has been exacerbated by the removal of the Admin grant.

**1.1.5 Implications for MTP:**

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

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

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

None

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

*This section should provide details of the management action outstanding, as reflected in the assumed management action figure reported in table 1.*

N/A

## 1.2 CAPITAL

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

The capital cash limits have been adjusted since last reported to Cabinet on 12<sup>th</sup> July 2010, as detailed in section 4.1.

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

	Prev Yrs Exp £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	Future Yrs £000s	TOTAL £000s
<b>Communities Portfolio</b>						
Budget	33,545	28,725	10,311	3,060	350	75,991
Adjustments:						
- re-phasing May monitoring		-1,680	1,680			
- completed projects	-18,654					-18,654
- The Beaney			170			170
Revised Budget	14,891	27,045	12,161	3,060	350	57,507
Variance	0	-22	+876	0	0	+854
<b>split:</b>						
<b>Real Variance</b>	<b>0</b>	<b>261</b>	<b>593</b>			<b>854</b>
<b>Re-phasing</b>	<b>0</b>	<b>-283</b>	<b>283</b>			

### 1.2.3 Main Reasons for Variance

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

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

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

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

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

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

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

#### 1.2.4 Projects rephasing by over £1m:

None

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

There is a real variance of +£0.854m (-£0.022m in 2010-11 and £0.876m in 2011-12) which is detailed as follows:

**Edenbridge Centre +£0.830m** (+£0.237m in 2010-11,+£0.593m in 2011-12 and rephasing of -£0.237m from 2010-11 to 2011-12): The increase in gross expenditure reflects the revised and increased project specifications which include funding in full from the developer, external partners and the service units (libraries and youth). The full funding proposals are expected to be completed and approval to spend sought later this year.

Taking this into account, there is an underlying variance of +£0.024m

#### 1.2.6 General Overview of capital programme:

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

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

**The Beaney** – further archaeology is required, which could result in additional delays and cost. The existing building needs significant restoration, the cost of which was included in

the original budget but if further defects are noted then these may not be covered by the project contingency. The delayed start could also lead to further weather related delays.

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

**Ashford Gateway Plus** – the specification of the build was enhanced to incorporate partner requests, however any further changes to the specification or schedule could result in additional costs.

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

**Tunbridge Wells Library** – awaiting revised plans and costings for the external lifts. Given the listed status of the building, there is a small risk that the budget will be insufficient to meet the cost of remedial works.

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

**Gravesend Library** – the delay to the programme start could result in additional costs if the proposed schedule cannot be adhered to.

**New community facilities at Edenbridge** – the project is partially dependent upon external partner funding, which in itself is reliant on the sale of a partner asset, and without this in place the KCC share of the project costs will rise.

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

**Library Modernisation Programme** – a Library Modernisation Advisory Group, including support from the Property Group, has been established to oversee this programme and to co-ordinate appropriate project management, design development, estates and financial advice of the various rolling programmes. Expenditure has been profiled over the coming year for each of the key locations.

**The Beaney** – the archaeology to the crane foundations is considered a low risk as this is a small, relatively shallow area and the project team is working closely with Canterbury Archaeological Trust. A full assessment of the existing building by specialist consultants is now underway and further value engineering will follow if the allocated budget and contingency is insufficient to cover remedial works. Any weather related delays will be a call on the contingency, which was recently increased as a prudent measure.

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

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

**Ashford Gateway Plus** – the installation of the steel frame indicates that progress will be prompt for the remainder of the build. Further specification changes are not expected at this late stage of the design but any possible changes would require value engineering or full funding to ensure there is no financial liability to the authority.

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

**Tunbridge Wells Library** – development of the revised plans is now progressing well and the conservation officers are involved in this process thereby ensuring that the project completes on time and within budget. The budget is being monitored and the revised plans are focused on essential works only, to ensure no exposure to KCC.

**Kent History and Library Centre** – a revised funding strategy is being devised, which will aim to close any future funding shortfall.

**Gravesend Library** – the contractors have identified a revised schedule that aims to complete the re-development within the original timeframe, thereby minimising the risk and exposure to the authority.

**New community facilities at Edenbridge** – the developer has indicated a willingness to purchase the third party property, thus alleviating the risk to the authority that funding will not be in place at the required juncture. This significantly reduces the risk associated with this project.

### 1.2.7 Project Re-Phasing

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

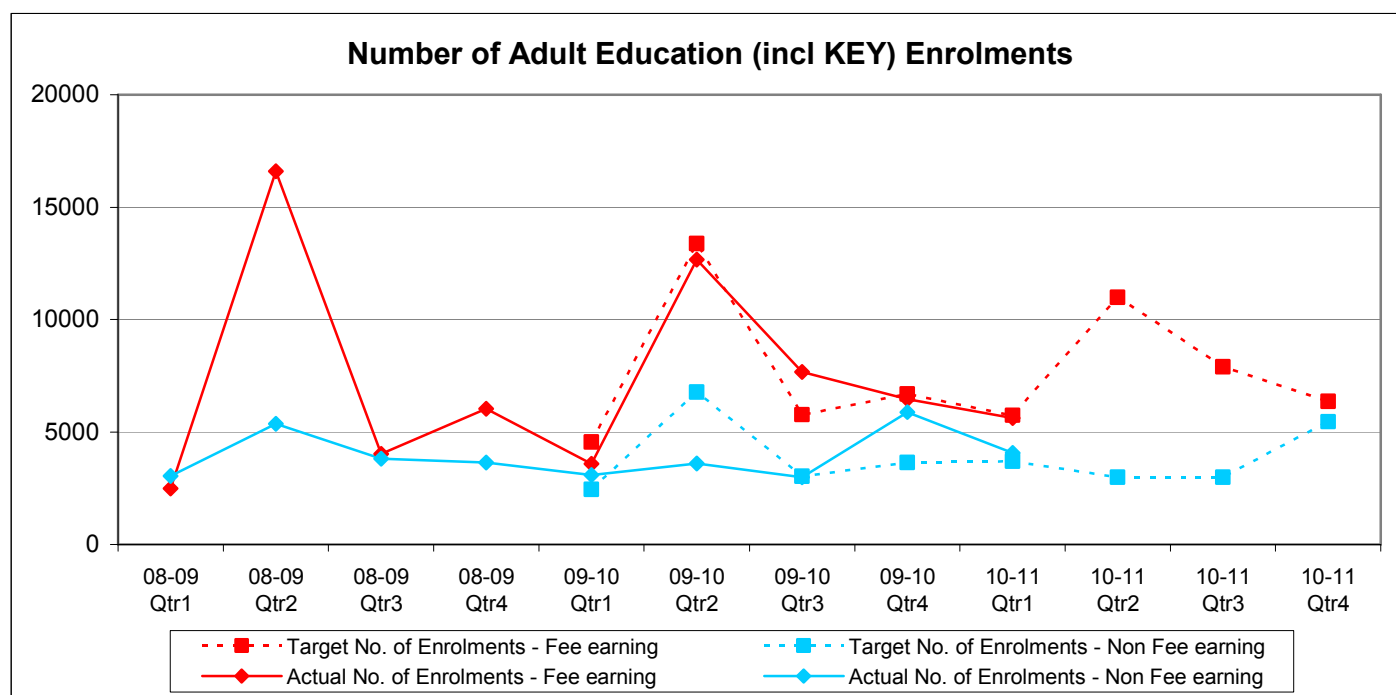
	2010-11	2011-12	2012-13	Future Years	Total
	£k	£k	£k	£k	
<b>New Community Facilities at Edenbridge</b>					
Amended total cash limits	+75	+1,680			+1,755
re-phasing	-237	+237			0
<b>Revised project phasing</b>	<b>-162</b>	<b>+1,917</b>	<b>0</b>	<b>0</b>	<b>+1,755</b>
<b>Total re-phasing &gt;£100k</b>	<b>-237</b>	<b>+237</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other re-phased Projects below £100k</b>	<b>-46</b>	<b>+46</b>			<b>0</b>
<b>TOTAL RE-PHASING</b>	<b>-283</b>	<b>+283</b>	<b>0</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	3,589	3,087	6,676
Jul - Sept	16,590	5,360	21,950	13,377	6,774	20,151	12,667	3,598	16,265
Oct - Dec	4,024	3,816	7,840	5,776	3,029	8,805	7,680	2,986	10,666
Jan - Mar	6,039	3,639	9,678	6,689	3,651	10,340	6,474	5,880	12,354
<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>30,410</b>	<b>15,551</b>	<b>45,961</b>

	2010-11					
	TARGET			ACTUALS		
	Fee earning	Non fee earning	TOTAL	Fee earning	Non fee earning	TOTAL
Apr - Jun	5,750	3,700	9,450	5,619	4,075	9,694
Jul - Sept	11,000	3,000	14,000			
Oct - Dec	7,900	3,000	10,900			
Jan - Mar	6,368	5,462	11,830			
<b>TOTAL</b>	<b>31,018</b>	<b>15,162</b>	<b>46,180</b>	<b>5,619</b>	<b>4,075</b>	<b>9,694</b>



#### Comments:

- The Skills Funding Agency (SFA) grants depend partly on enrolments to courses and are subject to a contract agreement with SFA. Students taking courses leading to a qualification are funded via Further Education (FE) grant based upon the course type and qualification. However, students taking non-vocational courses not leading to a formal qualification are funded via a block allocation not related to enrolments, referred to as Adult and Community Learning Grant (ACL) grant. Student enrolments are gathered via a census at three points during the academic year. Students pay a fee to contribute towards costs of tuition and examinations. There is a concession on ACL tuition fees for those aged under 19, those in receipt of benefits and those over 60. FE courses are free for those aged under 19 or in receipt of benefits undertaking Basic Skills or Skills for Life Courses.
- All enrolments (fee and non fee paying) have exceeded the target by 2.6% for the periods April – June. Enrolments on fee paying courses have increased by 56.6% over that achieved for similar period last year, but are below target by 2.2%. Enrolments for courses where fees are not payable

have increased by 32% over that achieved for similar period in 2009-10, and are 10.1% above target enrolments for 2010-2011.

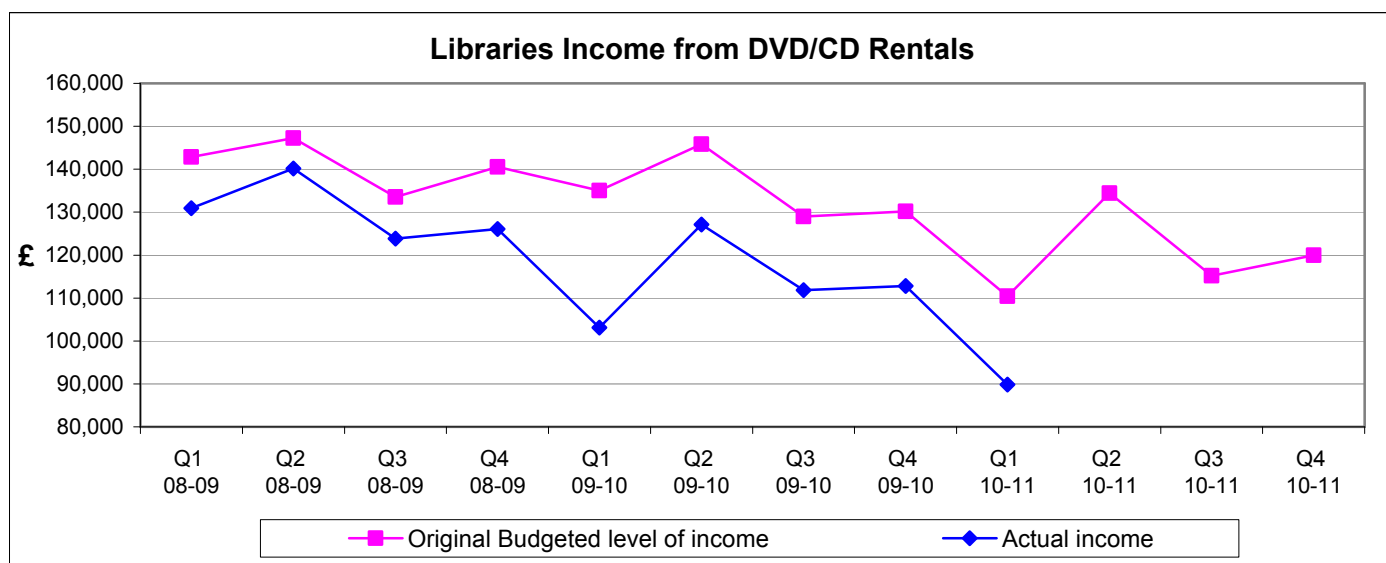
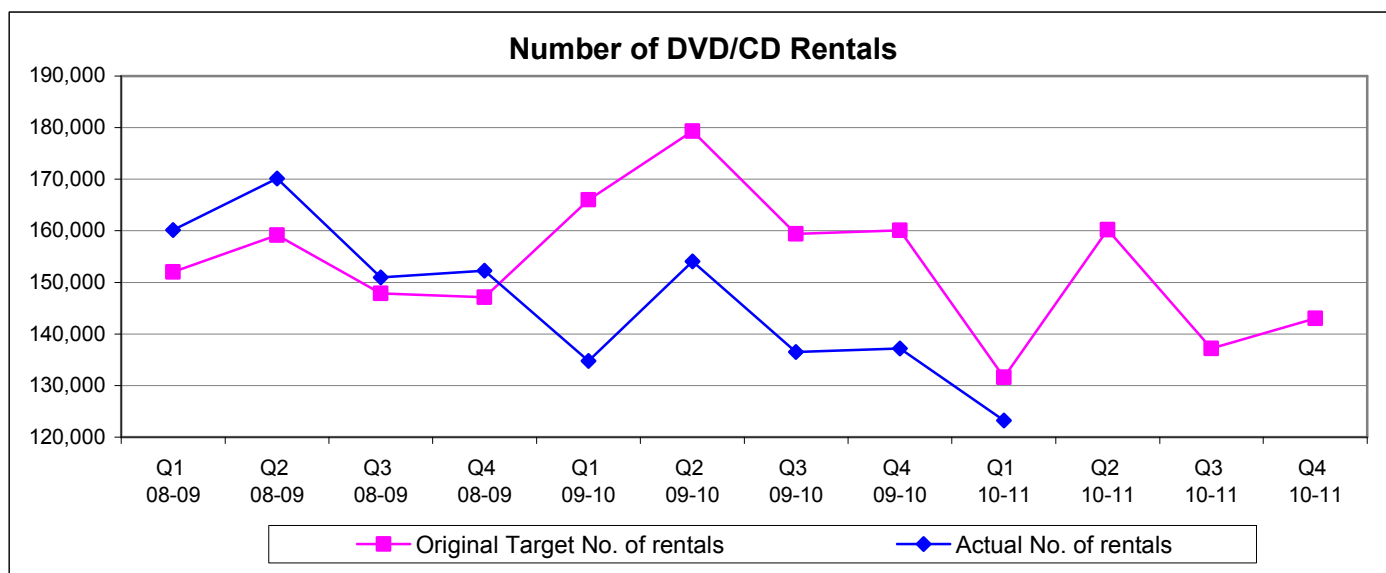
The majority of these enrolments are for family learning and skills for life programmes, which are wholly funded by Skills Funding Agency (SFA) contracts. Performance on the contracts is regularly monitored to ensure the services will drawdown the total contract values for the academic year.

- The estimated profile of 2010-11 enrolment targets provided in the 2009-10 outturn report has been adjusted as the unit moves towards 'continual' curriculum planning. The 2010-2011 brochure was published 3-4 weeks earlier than 2009-10 (2% down against target - peak enrolment period Qtr 2 & Qtr 3). The increase in enrolments for courses without fees is due to a profile of enrolments on Family Learning courses. Generally, enrolment targets have been revised to reflect changes in the minimum contract value.

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

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

	2010-11			
	No of rentals		Income (£)	
	Budgeted target	actual	Budget	actual
April – Jun	131,600	123,201	110,400	89,866
July – Sep	160,200		134,400	
Oct – Dec	137,200		115,200	
Jan – Mar	143,000		120,000	
<b>TOTAL</b>	<b>572,000</b>	<b>123,201</b>	<b>480,000</b>	<b>89,866</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 a reduction in AV income of £111k.
- Research undertaken by the service in order to mitigate this actual and forecast decline, indicates issues can be increased if loans are offered for longer periods at a reduced fee. The service has also identified that it has a niche market for certain genres where demand can be sustained and there is little competition e.g. old TV shows.
- The service has reviewed its marketing strategy and set more realistic levels of rentals both in terms of volume and value. The service increased income budgets from other merchandising to offset the loss of income from AV issues, but is also now falling short on this. Issues and income achieved in 2009-10 were below target, partly due to the impact on loans in the first quarter as the new computer system was being rolled-out, and visitor numbers declined; as customers stayed away, wary that things may go wrong with the new system. The position was exacerbated further by half day closures, the unavailability of the web catalogue and the facility to renew items, which resulted in a loss of income as DVD's could not be renewed.
- The service is currently working on an exit strategy for the audio visual rental service, in acknowledgment of the continual decline in demand and that merchandising income is no longer sufficient to plug the gap. It is expected that the outcomes of this will be reflected in the 2011-14 MTP.
- The actual number of rentals includes those from visits to lending libraries, postal loans and reference materials.
- To enable better comparison of AV issues and income data, the actual income reported for the previous quarter is changed from the figure previously reported, to reflect the late banking of income which has taken place during the current quarter but relates to rentals issued within the previous quarter. The number of rentals reported previously remains unchanged. It is likely that this adjustment will be required in each report.