

To: **Communities Policy Overview Committee – 22nd September 2008**

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

Subject: **Financial Monitoring 2008/09**

Classification: **Unrestricted**

Summary:

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

FOR INFORMATION

1. Background

1.1 Policy Overview Committees consider the draft Medium Term Financial Plan at their November and January meetings. To enable informed discussion, three reports will be presented to the Committee on a regular basis:

a) Budget Monitoring reports

A detailed quarterly budget monitoring report is presented to Cabinet, usually in September, December and March, and a draft final outturn report in June. A report for each directorate is annexed to the summary report, and the annex for the Communities directorate will be presented to this Committee at the meetings following those Cabinet meetings. This will help inform this POC about current trends, pressures and management actions in advance of the next year's budget setting.

We are trying to address the gaps between these quarterly reports to Cabinet and the timing of POC meetings but this will have to be treated as a corporate issue and cannot be easily be resolved by individual POCs. Timing is not an issue for this POC as the first quarter's budget monitoring was reported to Cabinet on 15th September 2008

b) Performance data

This will be reported to this Committee twice a year in January and June

c) Outturn report

Effectively an amalgam of the above two, the outturn report will summarise both the financial and performance information for the whole of the preceding year. The outturn report for 2007/08 was reported as agenda item B2 to this committee meeting.

- 1.2 In the context of this information, the POCs will be in a position to question and comment on the future budget and medium term proposals, as they will be asked to do at the November and January meetings.

2 Quarterly monitoring report

- 2.1 Attached is the monitoring report for the first quarter in 2008/09 for Communities directorate. The main points (including any issues identified in subsequent exception reports) are highlighted below. The table has been amended to show net variance as an amount and percentage.

2.2 Revenue

- a. Members should note that a budget plan has been agreed with the Adult Education (AE) Service to deliver a balanced budget. To achieve this position the AE service has had to make further reductions in overheads and set managers increased targets for student numbers on individual courses to make courses financially viable. The service has been able to freeze fees for existing courses at the same level as 2007/08 and has introduced a wider range of premium courses where students pay the full cost of the courses with no LSC subsidy. At this stage it is too early to identify whether we are going to achieve to achieve the enrolments necessary to achieve the budget plan but we have identified a robust contingency plan to ensure the service can respond to variations from the plan without running up deficits.
- b. Despite the injection of £200k through the medium term plan to cover the increase in mortuary fees and £60k from the £5.111m contingency fund for economic circumstances the Coroners service is still forecasting an overspend of £227k. We are continuing to work with other local authorities and the Local Government Association to lobby for changes to the funding/organisation of the Coroners service so that we are in a position to bring expenditure under more control.
- c. The Youth Offending Service is forecasting a small over spend even after taking management action to freeze posts. The County Youth Justice Board has recommended that we should not approach partners for additional funds to close the gap and that the service needs to make further savings to balance the budget. At this stage we have not agreed specific actions to bring the budget back into balance.
- d. The Library service has faced diminishing income from the rental of audio visual resources due to increased availability of alternative sources. This trend is continuing despite libraries repositioning themselves in the market to focus on more specialised productions. The service has been able to maintain income through other marketing other products in libraries e.g. the sale of jute bags. Nonetheless, this is a limited market and the service will need to continue to earn income from the 6.9m visitors to Kent libraries. One such source is the

recently launched Kent on Canvas website where customers can purchase from a wide selection of images held by KCC.

2.3 Capital

- a. The first capital monitoring report is being considered by Cabinet on 13th October and will subsequently be reported to this Committee

3 Recommendations

- 3.1 Members of the POC are asked to NOTE the projected outturn figures for the directorate for 2008/09 based on the first quarterly monitoring report to Cabinet.

*Amanda Honey
Managing Director*

Contact

*Dave Shipton
Head of Finance & Asset Management
Tel: 01622 696136*

Appendix: Communities Directorate Summary January 07-08 Full Monitoring Report

Appendix One

COMMUNITIES DIRECTORATE SUMMARY JULY 2008-09 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 a number of technical adjustments to budget; a virement of £0.750m from the Finance portfolio to reflect the agreed recovery plan to balance the Adult Education budget; the roll forward of £0.873m Adult Education overspend from 2007-08, as agreed by Cabinet on 16 June 2008, and an allocation of £0.148m from the contingency set aside from the 2007-08 rolled forward underspend for the impact of the current economic situation as agreed by Cabinet on 4 August.
- The inclusion of a number of 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 2 to the executive summary.

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

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Communities portfolio							
Turner Contemporary	1,016	-200	816			0	
Kent Drug & Alcohol Action Team	15,399	-13,414	1,985			0	
Youth Offending Service	6,417	-2,639	3,779	100	-28	72	Net pressure after making staffing and other savings
Youth Services	12,678	-5,207	7,471	451	-451	0	unbudgeted expenditure & income for connexions and various other minor over/underspends
Adult Education	13,472	-13,845	-373			0	
Arts Development	1,305	-15	1,290			0	
Libraries, Information & Archives	25,594	-3,210	22,384			0	
Sports, Leisure & Olympics	1,414	-334	1,080			0	
Key Training	4,001	-3,865	136			0	
Kent Community Safety Partnership	4,379	-275	4,104			0	
Contact Centre	4,756	-1,986	2,770	-72	72	0	Shortfall on income & reduced expenditure on

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Coroners	2,394	-384	2,010	227		227	Continuation of 2007-08 pressures on Mortuary Fees, pathology costs and long inquests
Emergency Planning	736	-142	594			0	
Kent Scientific Services	1,628	-1,655	-27			0	
Registration	4,321	-2,855	1,466			0	
Trading Standards	4,515	-340	4,175			0	
Policy & Resources	1,369	-77	1,292			0	
Business Development Team	203	0	203			0	
Strategic Management	985	0	985			0	
Centrally Managed directorate budgets	255	-1,135	-880			0	
Total Communities controllable	106,836	-51,576	55,260	706	-407	299	
Assumed Management Action				-299		-299	
Forecast after Mgmt Action				407	-407	0	

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

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

1.1.3.1 Adult Education

The adult education service has made significant progress to address the deficits it has incurred in previous years arising from a combination of reductions in funding from the Learning and Skills Council in 2005/06 and 2006/07, and lower than anticipated enrolments in 2007/08. The service has now agreed a budget plan to ensure expenditure does not exceed income in 2008/09 and to repay the £373k in year deficit made during 2007/08. To achieve this, the AE service will capitalise expenditure on the Education Business System which will be funded from a capital receipt from the sale of a redundant AE centre. This position is after the £750k virement from Finance portfolio to reflect the agreed recovery plan.

1.1.3.2 Libraries, Information and Archives

Income from the rental of audio visual materials in libraries has declined in recent years and the service has been unable to meet its income budgets. The service has explored other merchandising opportunities and this year is forecasting that it can make sufficient from these e.g. the sale of jute bags, to meet income targets in the budget. However, there are additional costs associated with merchandising new products meaning the service has to make savings on staff costs through managing vacant posts and other expenditure budgets to ensure the overall budget is in balance.

1.1.3.3 Youth Service

The budget assumed that that the contract with Connexions to provide advisory services to young people would come to an end at the end of 2007/08, but we have now negotiated an extension until the end of September and this may be extended further.

1.1.3.4 Contact Centre

Income for Consumer Direct South East declined in 2007/08 from its peak in 2006/07 as a result of reduced call volumes. In the main this has been attributed to a reduction in national advertising of the service. CDSE is making some savings on staffing through managing vacancies and is planning a further draw down from reserves of £70k to cover the anticipated £125k shortfall in income in 2008/09.

1.1.3.5 Coroners

Despite providing an additional £200k into the budget in 2008/09 the Coroner's service continues to be overspent. The demands placed on Coroners to investigate deaths are increasingly resulting in more long inquests and thus additional expenses for the Coroners and other costs associated with conducting inquests. Coroners are also having to incur additional expense for pathology fees (both as a consequence of investigating more cases and due to higher charges) and for mortuary attendants. KCC has very little influence over the work of the Coroners and therefore little control over expenditure which is governed by the claims from Coroners themselves.

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CMY	AE rolled forward deficit from 2007-08 due to lower than expected enrolments and restructure costs.	+373	CMY	Transfer of expenditure for Education Business System within AE to capital programme	-373
CMY	Youth expenditure on connexions covered by increased income	+271	CMY	Youth external contributions for Connexions	-271
CMY	Consumer Direct reduced income due to declining call volumes	+125	CMY	Consumer Direct SE staff savings and draw down from reserves to cover pressure from declining call volumes	-125
CMY	Coroners long inquests payments	+120	CMY	Libraries & Archives Staff underspends to cover costs of stamps and merchandise.	-109
CMY	Coroners Pathology Fees & Mortuary Attendants	+117			
CMY	Libraries & Archives Purchase of stamps & merchandise	+100			
		+1,106			-878

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

1.1.4.1 The Adult Education Service has developed a financial recovery plan to address previous years' deficits and to ensure that in future it can respond more quickly to changes in income. Particular actions include:

- a review of terms and conditions for sessional lecturers so that their hours can be reduced without the individual having the right to redundancy benefits
- a reduction in fixed overheads through staff savings on management and administration
- significant progress in setting local managers increased targets for student numbers on individual courses to make courses financially viable
- review of course fees, freezing fees at 2007/08 levels for existing courses, and introducing a wider range of premium courses where the fees paid by students cover the full cost of courses
- transfer expenditure on Education Business System to the capital programme, to be funded by a combination of revenue contribution and proceeds from sale of redundant AE centre

These actions will resolve the deficit accrued in 2007/08 due to lower than expected enrolments and restructure costs.

1.1.4.2 The Youth Offending Service has agreed to hold 8 posts vacant throughout the year in order to keep within budget. The service has also transferred £25k of expenditure on parenting to external funding and has reduced forecast expenditure on remand fostering by £50k. This still leaves the service with a forecast overspend of £72k which at this stage it has not agreed specific actions to offset. Nonetheless the County Youth Justice Board has agreed that further savings should be made to reduce the overspend to nil as it would be inappropriate to approach partners for additional contributions at this stage in the year.

1.1.4.3 The Arts Development Unit has completed a major staff restructuring to deliver the efficiency saving and staffing reductions assumed in the budget.

1.1.4.4 The Registration Service has increased charges for non statutory services by an average of approximately 45% in order to deliver the increased income agreed through medium term financial plan. At this stage this appears to have minimal impact on take-up of services.

1.1.4.5 Community Safety has ceased grants to Crime and Disorder Reduction Partnerships for community safety projects. This was taken as a saving in the 2008-11 MTP. This has not been well received by some partnerships although KCC remains committed that our priority for supporting crime and disorder reductions is through the warden service.

1.1.5 **Implications for MTP:**

The ongoing pressures faced by the Coroners Service and the full year impact of the recent fuel and electricity price rises remain the main additional medium term financial pressures for the portfolio. Coroners are being expected to investigate more cases leading to additional mortuary and specialist fees. Where these cases result in a long inquest Coroners can claim additional expenses.

1.1.6 Details of re-phasing of revenue projects:

N/A

1.1.7 Details of proposals for residual variance:

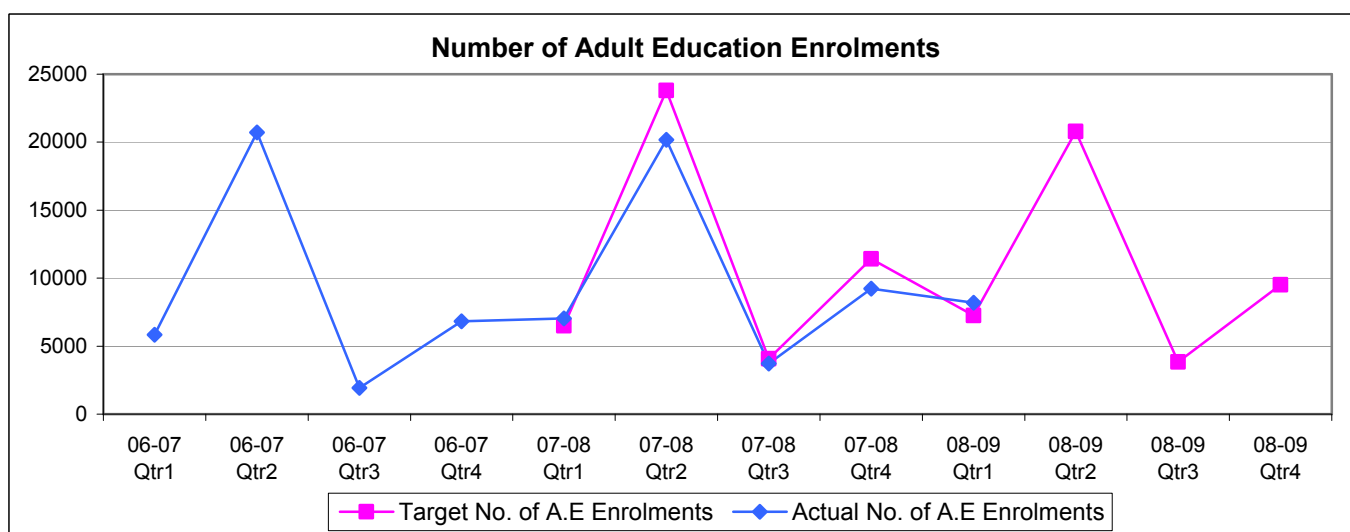
The position for the Youth Offending Service has been reported to the County Youth Justice Board. The board recommended that partners should not be asked for additional contributions and that further savings need to be found on staff and other budgets within the service. Final details of these savings have yet to be agreed with the head of service to include in this monitoring report.

Compensatory savings elsewhere within the Coroners budget are unlikely unless demands on the service reduce. We are working with the individual Coroners to identify the underlying reasons for different patterns of investigations but this is unlikely to result in significant savings. We are working with other local authorities to lobby the Local Government Association for additional government funding to resolve the situation but in the meantime we will be looking to identify savings in other services to offset the Coroners overspend. In the first instance we will look to make further savings on staffing budgets through holding posts vacant. If sufficient savings cannot be made as a result of staff turnover we will look to reduce spending on non essential non staffing budgets along the same lines achieved in 2007/08.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Number of Adult Education Enrolments:

	Financial Year				
	2006-07	2007-08		2008-09	
	A.E Enrolments	Target	A.E Enrolments	Target	A.E Enrolments
Q1 07-08	5,849	6,501	7,030	7,241	8,202
Q2 07-08	20,713	23,803	20,183	20,788	
Q3 07-08	1,925	4,071	3,727	3,839	
Q4 07-08	6,829	11,416	9,230	9,507	
TOTAL	35,316	45,791	40,173	48,205	8,202



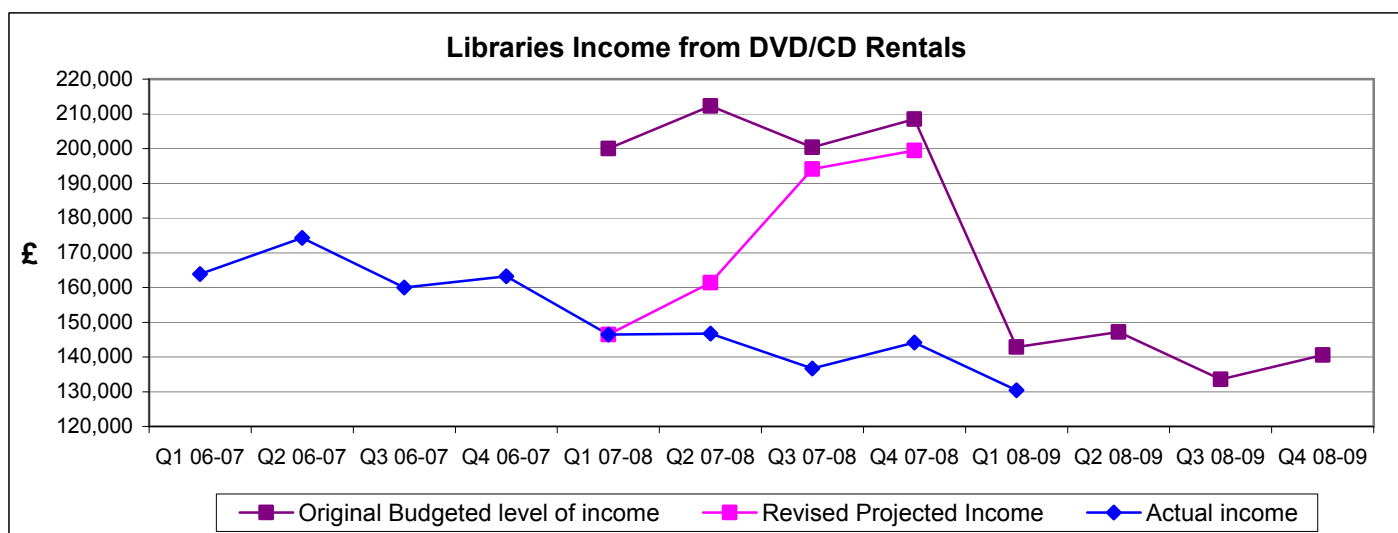
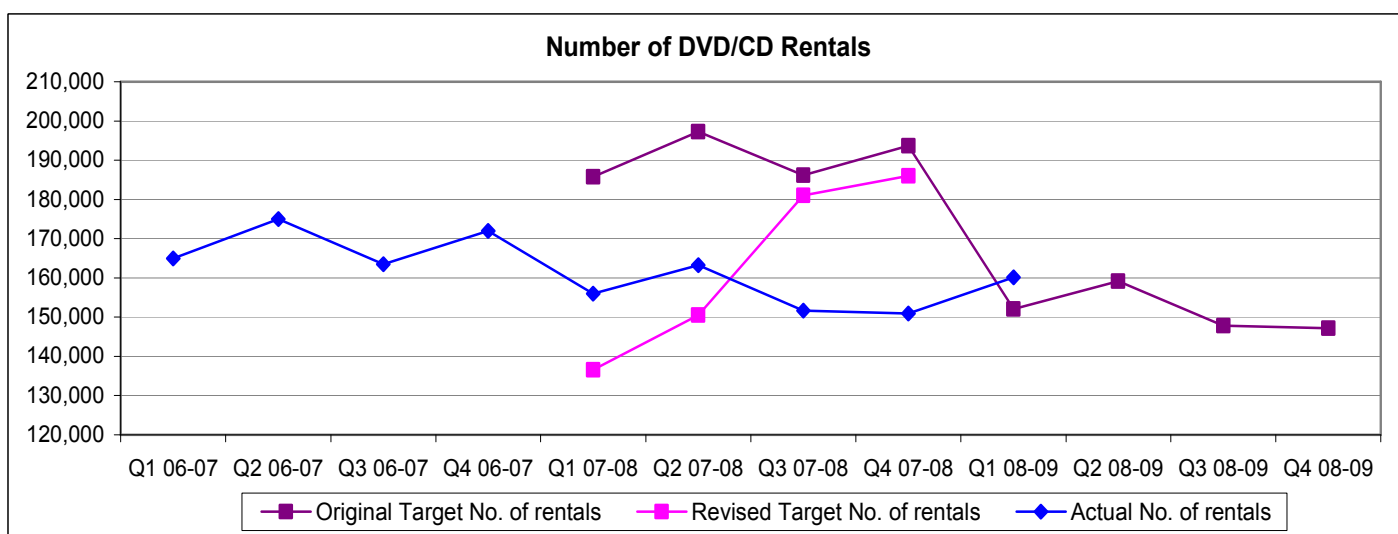
Comments:

- 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.
- 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 AE service reduced expenditure on course provision in 2007-08 as a result of lower than anticipated enrolments, however a residual pressure remained on the AE budget which was largely as a result of a reduction in tuition fee income due to the reduced enrolments, hence a rolled forward overspend of £0.373m into 2008-09.
- The target numbers of enrolments for 2008-09 reported in the outturn report to Cabinet on 16 June were indicative as they still needed to be negotiated and agreed with the LSC. The indicative figures were based on estimates used for curriculum plans to set the 2008-09 budget. The target numbers now reflect the figures agreed with the LSC, the overall total remains the same as previously reported but the profile across the four quarters has changed.

- The target enrolments relate to courses starting in the stated periods i.e. April to June, July to September, October to December, January to March. The actual enrolments similarly relate to courses starting in those periods. In some instances students enrol for courses after they have started. This means that the actual enrolments may be different from those previously reported. This is especially the case in the autumn when significant numbers may enrol in October for courses starting in September.

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

	2006-07		2007-08						2008-09			
	No of rentals	Income (£)	No of rentals			Income (£)			No of rentals		Income (£)	
	actual	actual	Budgeted target	revised target	actual	budget	revised projected income	actual	Budgeted target	actual	Budget	actual
April–Jun	164,943	163,872	185,800	136,556	155,958	200,000	146,437	146,437	152,059	160,162	142,865	130,379
July–Sep	174,975	174,247	197,300	150,500	163,230	212,300	161,390	146,690	159,149		147,232	
Oct–Dec	163,470	160,027	186,200	181,000	151,650	200,400	194,096	136,698	147,859		133,505	
Jan–Mar	171,979	163,269	193,700	186,000	150,929	208,500	199,458	144,136	147,156		140,533	
TOTAL	675,367	661,415	763,000	654,056	621,767	821,200	701,381	573,961	606,223	160,162	564,135	130,379



Comments:

- Target figures for 2006/07 have not been shown as this data was not presented in previous monitoring reports
- 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. Demand for DVDs has remained reasonably stable. Demand for spoken word materials has increased but these do not attract a loan charge as they replace the core service (the printed word) for people with a visual impairment.

- Targets and income budgets set for 2008-09 are based on a continued decline. The service has increased income from other merchandising to offset the loss of income from AV issues.
- The actual number of rentals includes those from visits to lending libraries, postal loans and reference materials.