

To: Communities Policy Overview Committee

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

Subject: **Communities Budget Monitoring 2007/08**

Classification: Unrestricted

FOR INFORMATION

1. Introduction

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

2. Background

- 2.1 Policy Overview Committees consider the draft Medium Term Financial Plan at their November and January meetings. To enable a more 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 resolved by individual POCs. There is no gap with this quarter's report which was considered by Cabinet on 17th March.

b) Performance data

This will be reported to this Committee twice a year in January and July, the first report being in January 2008

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

- 2.2 Armed with the above, the POCs will be in a stronger 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.

3 Quarterly monitoring report

3.1 Attached is the monitoring report for the third quarter for Communities directorate. The main points are highlighted below.

3.2 Revenue

- a. The position for the Adult Education service has remained the same as the last quarter with the service unable to implement plans to repay the £500k loan that was made available in 2006/07 and an in year deficit of expenditure exceeding income of £330k due to unexpected decline in enrolments and the services inability to reduce costs in line with the reduced tuition fee income and additional costs associated with staff restructuring and premises reorganisation. We are developing a plan on the options to repay the accumulated deficit of £830k in future years and the changes the service needs to make in order that it can be more responsive to variations in income in future. Inevitably this will mean the service has to take a more business like approach which would impact on the employment of permanent staff, where courses can be delivered and the fees paid by students.

We have agreed to bring a paper to a future POC on the adult education service and the changes we are considering to make the service more responsive and options on future fee policy.

- b. The budget for the Coroners shows a reduced forecast overspend of £206k compared to £300k in the last report. The reduced overspend is due renegotiated contract with Maidstone and Tunbridge Wells NHS Trust for post mortems, and additional income from Mid Kent and Medway NHS Trust and Medway Council. These reduced overspends/additional income have been partially offset by a higher than anticipated pay award for Coroners which worked out at 10.775% adding an additional £40k pressure to the budget

Due to the nature of Coroner's work much of the pressure is unavoidable and KCC cannot directly influence their work. We have identified an additional £200k to add to the Coroner's base budget in 2008/09. This should bring the budget back into balance although we are still vulnerable if there are any long or major inquests as these add significantly to costs and are unpredictable. We have initiated a series of regular meetings with the 4 Kent Coroners to ensure they are more aware of the financial consequences to KCC arising from their investigations.

- c. We have completed the restructuring of the Cultural Development unit. This restructuring is being driven by KCC's need to make the unit more strategic rather than in response to budget issues and will not address the forecast overspend of £140k which mainly arises from loss of income from EU grants and trading activity through Kent Superior Pictures based in Dover. The new structure will ensure that the unit can deliver its more strategic role without any change to the overall net budget which has reductions in both expenditure and

income. We are negotiating with a local school to transfer Kent Superior Pictures.

- d. The Library service has faced diminishing income from the rental of audio visual resources due to increased availability of alternative sources. The service has undertaken a review of its marketing strategy and has repositioned itself to recover some of the lost income although it will not be able to fully achieve the planned budget resulting in a forecast overspend of £120k. The service reviewed the expenditure budgets for AV purchases and other consumables and non staffing budgets to offset this forecast loss of income. This will not affect spending through the book fund which remains a priority to be sustained and where possible increased. The service has also made a significant contribution of £100k towards the directorate target to generate £500k of savings on non essential non staffing budgets to offset the forecast overspends in Coroners, Cultural Development and YOS.
- e. There are a number of budgets that are held centrally which are not devolved to individual services to manage. This includes day to day revenue building maintenance, directorate wide events and initiatives, internal recharges to Adult Education, rollovers from previous years and income from Dedicated Schools Grant (DSG). We are planning to cover the deficit rollover and a number of other one off issues that have arisen during the year from reviewing reserves.
- f. Since the last quarter the Senior Management Team agreed to set all services a target to slow down spending on non essential non staffing budgets by 37% for the remainder of the year. If all units achieved this target it would generate a £500k saving to offset the forecast overspends on Coroners, Cultural Development and YOS. Services have responded well and identified £388k of savings which could be achieved without impacting on front line services. This has enabled the directorate to report a balanced position other than the issues for Adult Education (which we intend to roll forward and manage through generating surpluses in future years) and the costs of mediation and litigation on the original Turner Contemporary project (which we intend to recover as part of the final settlement).

3.3 Capital

- a. Although the capital programme shows a significant under spend in 2007/08 (forecast spend of £4.818m against an original budget of £23.661m) the vast majority of this represents slippage into future years rather than under spending. Most of the slippage is on projects that are still in the planning stage and the revised spending forecast represent a more realistic assessment of when building works can commence. These changes have now been reflected in the revised capital programme published in 2008/11 Medium Term Financial Plan. This revised capital programme now represents a much more realistic timescale for capital projects and funding needed for those projects. Since the MTP was published there has been some minor slippage on remaining projects but none in excess of £250k.

4 Recommendations

- 4.1 Members of the POC are asked to note the projected outturn figures for the directorate as at the first quarter

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

**COMMUNITIES DIRECTORATE SUMMARY
JANUARY 2007-08 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.

- 1.1.2 **Table 1** on the next page 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	885	-82	803	234	-234	0	Increased grant from Arts Council and expenditure on activities
Kent Drug & Alcohol Action Team	15,165	-13,438	1,727	976	-1,004	-28	Increased income from NTA and expenditure on Stonehouse PFI
Youth Offending Service	5,613	-1,889	3,724	1,017	-927	90	Additional income from prevention grant & partners & associated expenditure
Adult Education	12,667	-13,213	-546	1,097	-267	830	Non delivery of surplus, additional grant and contract income with associated expenditure, and loss of tuition fee income
Cultural Development	1,404	-225	1,179	38	102	140	Ongoing impact of the loss of EU grants which have supported unit budget since restructuring in 2003/04
Libraries, Information & Archives	26,069	-2,787	23,282	-152	-98	-250	Directorate savings & book fund purchases funded from developers contributions.
Dover Discovery Centre	383	-383	0				
Sports, Leisure & Olympics	1,128	-312	816	1,180	-1,203	-23	External grants and directorate savings.
Youth Services	9,092	-1,570	7,522	-23		-23	Directorate savings
Key Training	4,000	-3,865	135	7	-134	-127	Bonuses on European Social Fund projects
Kent Community Safety Partnership	4,706	-134	4,572	-86	75	-11	Directorate savings
Contact Centre	4,877	-1,921	2,956	-299	266	-33	income shortfall due to reduced CDSE activity & directorate savings
Coroners	2,089	-322	1,767	255	-49	206	Mortuary & specialist fees, pay award & income from Medway
Emergency Planning	753	-172	581	-41	30	-11	Directorate savings

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Kent Scientific Services	1,575	-1,578	-3	-81	36	-45	Directorate savings
Registration	4,242	-2,452	1,790	123	-188	-65	Accommodation expenditure & additional fee income
Trading Standards	4,432	-485	3,947	64	-93	-29	Directorate savings
Policy & Resources	1,456	-97	1,359	2	-8	-6	Directorate savings
Centrally Managed directorate budgets	75	-1,738	-1,663	-418	633	215	Deficit rollover from 06-07, unachieved vacancy savings, DSG and draw down from reserves
Total Communities controllable	100,611	-46,663	53,948	3,893	-3,063	830	
Original Turner Contemporary				300		300	
Total	100,611	-46,663	53,948	4,193	-3,063	1,130	

1.1.3 Major Reasons for Variance:

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 Turner Contemporary – The latest forecast gross expenditure and income on Turner Contemporary are £234k more than the cash limit. The additional income includes £200k secured from the Arts Council to support activities on Turner Contemporary. The additional expenditure relates to these activities.

1.1.3.2 Kent Drug and Alcohol Action Team – The latest forecast gross expenditure is £976k more than the cash limit and income is £1004k more than cash limit giving a net under spend of £28k. The net under spend represents the service's contribution from slowing down expenditure on non essential non staffing budgets as part of the directorate's response to over spends in other services within the directorate.

The main reason for the variation in expenditure and income is £900k received from the National Treatment Agency to support the Stonehouse PFI project which provides 16 in patient de-toxification beds in a dedicated facility in Dartford.

1.1.3.3 Youth Offending Service – The latest forecast gross expenditure on YOS is £1.017m more than the cash limit and income is £927k more than cash limit giving a net overspend of £90k. Earlier forecasts identified that the net pressure was due to anticipated placement of offenders in secure accommodation following decisions by the courts. As the year has progressed there have been fewer placements in secure accommodation than we had forecast and this pressure has been resolved. Nonetheless, decisions by courts remain an unavoidable pressure for the service requiring a contingency in future year's budgets. However, a net £90k overspend is still being reported as since the last quarter's report we have identified unbudgeted office accommodation charges that have to be paid.

The main reason for the variation in expenditure and income is £566k Prevention Grant secured from the Youth Justice Board that was not included in the original budget. The remainder of the variances arise from expenditure on the head office and area teams and specific projects, which is offset by increased contributions from

partners and funding for specific projects that were not included when the original budget was set. The staff element is £300k as when budgets have been set in the past the element of staff costs funded from partners has not been included as partner's additional contributions had not been finalised in time.

1.1.3.4 Adult Education – The latest forecast gross expenditure on the AE service is £1,097k more than cash limit, income is £267k more than the cash limit giving a net over spend of £830k which can be attributed to the difficulty the service has faced to deliver the challenging target to generate a £500k surplus in 2007/08 to fully repay the loan from Finance portfolio used to cover the deficit in 2006/07, the significant loss of tuition fee income due to lower than anticipated take-up of courses which cannot be fully offset by reducing expenditure on course provision, and the additional costs associated with restructuring and premises reorganisation. All the other variances represent matching income and expenditure and have no impact on the net costs.

The major reasons for the variances are by and large as previously reported and include:

- *Immigration Service* – The budget included the removal of the previous contract for the prisons service which came to end in July 2006 and transferred to the voluntary sector. Following a review the service has retained the provision of education services to the Immigration Service effective from April 2007. The revised forecast includes planned income of £381k and expenditure of £340k under this contract.
- *Business Development* – since the budget was agreed the AE service has adopted a new strategy towards business development and has employed a business development manager with a remit to generate more than twice as much income (£260k) than the annual salary and running costs (£120k).
- *LSC Formula Grants* – The service has received £230k more in its final settlement from the LSC for Adult and Community Learning (ACL) and Further Education (FE) than expected when the budget was set. Some of this additional funding has to be spent on particular activities e.g. £161k additional guided learning hours for Family Language, Literacy and Numeracy (FLLN) and Family Learning (FL) programmes. The service is facing the loss of Information and Guidance grant and clawback on LSC grants for 2005/06 and 2006/07 which collectively reduce grant income by £117k.
- *Tuition Fees* – The budget included proposed changes to the fee and concession structures which would have increased total fee income by £133k but these have not been fully implemented as they were deemed not necessary in light of the other changes in income and expenditure. The budget also included an increase in the yield from tuition fees due to increased enrolments and charges. We are forecasting a further shortfall on tuition fees of £568k due to lower than anticipated take-up of courses in September. Enrolments in January are also slightly lower than planned but the impact is minimal as the majority of enrolments happen at the start of the academic year in September.
- *Staff Restructure & Redundancies* – The restructuring of the service in response to reductions in LSC funding has resulted in significant redundancies in 2006/07 and 2007/08. It was agreed that up to £240k would be funded from a corporate reserve. In 2007/08 the service is estimating redundancy costs of £176k of which only £95k can be funded out of the remainder of the £240k available leaving a net pressure of £81k. There is also a pressure of £15k resulting from delays in implementing the new arrangements resulting in an overall net pressure in 2007/08 of £96k.

- *Projects* – these include a number of projects that were not finalised at the time the budget was set that attract external funding increasing income (£161k) and expenditure (£104k).
- *Neighbourhood Learning and SIP* – The original budget included contributions of £135k towards the cost of these programmes which we no longer expect to receive. There has been a one-off contribution from the roll forward of Finance Portfolio under spend from 2006/07 towards the deficit carried forward from the 2006/07 programme but the service has to cover the ongoing cost of the programme within its overall income from 2007/08 and beyond without receiving these additional contributions.

1.1.3.5 Cultural Development Unit – The latest forecast spending is £38k more than cash limit, income is £102k less than cash limit, giving a net overspend of £140k. We had previously identified a shortfall of £100k on the Arts Unit budget due to the loss of income from EU grants. This will be addressed through a staff restructuring which will take effect in 2008/09. It was agreed to exclude the small team that produces audio visual resources for schools on a trading basis from the restructuring even though it was identified that the team is not fully recovering its costs from sales of audio visual materials to schools. The additional £40k overspend reflects this deficit on trading activities. We are seeking to outsource this venture and we have had some encouraging expressions of interest.

1.1.3.6 Libraries and Archives – The latest forecast spending is £152k less than the cash limit, income is £98k more than the cash limit giving a net under spend of £250k. The main contributing factor to the under spend is £100k savings being achieved by slowing down expenditure on non essential non staffing budgets as part of the directorate's response to over spends in other services within Communities.

The service has faced diminishing income from the rental of audio visual materials. The service undertook a thorough review and concluded that they could significantly increase issues if they focussed on the more specialist areas, offered loans for longer periods and reduced the cost of loans. This review resulted in a revised income projection of £701k against a budget of £821k. Although the graph and statistics in section 2.3 indicate we are falling short of this revised projection, the income for quarter 3 is incomplete as a number of districts missed the deadline for banking December income over the Christmas period which meant it was not included in January reports. This income has now been banked and will be reflected in February reports. The service is confident they will still deliver the revised income projection resulting in £120k overspend. This will be offset by a combination of additional income from other sources not included in the original budget and a further reduction in spending on consumables. The income forecast also includes £60k of developer contributions which will be used to fund the cost of new library stock purchases in response to housing developments.

1.1.3.7 Sports, Leisure and Olympics – The latest forecast spending is £1.180m more than the cash limit and income £1.203m leaving a net under spend of £23k representing the unit's contribution from slowing down expenditure on non essential non staffing budgets as part of the directorate's response to over spends elsewhere within Communities.

The main sources of the additional income are grants from Sport England £300k, Regional Sports Board (RSB) of £250k, and the balance from a range of other bodies. Additional expenditure includes £113k on community sports coaches and £250k on staff and running costs associated with RSB grants.

1.1.3.8 KEY Training – The service has secured an additional £127k grant from the European Social Fund which was not included in the original income budgets. This relates to bonuses received on closure of ESF funded projects through the LSC where expenditure has already been incurred resulting in a net under spend in 2007/08.

1.1.3.9 Contact Centre – The latest forecast expenditure is £299k less than the cash limit and a shortfall in income of £266k leaving a net under spend of £33k representing the unit's contribution from slowing down expenditure on non essential non staffing budgets as part of the directorate's response to over spends elsewhere within Communities.

The main reason for the reduced income is due to lower than anticipated activity for Consumer Direct South East (CDSE), as demonstrated by the graph and statistics in section 2.1. This service is provided under a contract with Trading Standards South East Ltd (TSSL) which receives grant from the Office for Fair Trading. Under the contract CDSE receives funding according to the number of calls received. The income received is £249k less than budgeted. The service has made some savings on staff and other running costs but to achieve a balanced budget is drawing down £172k from reserves established to cover trading fluctuations.

1.1.3.10 Coroners Service – The latest forecast spending is £255k more than the cash limit, income is £49k more than cash limit giving a net overspend of £206k. The single major reason for this over spend is the increased cost of mortuary fees (£107k). This pressure arises from a number of factors including more referrals by doctors following the Shipman report, above inflation fees being charged by NHS hospital trusts for post mortems, and the cost of the transfer of bodies from Maidstone to Medway following the closure of the mortuary at Maidstone hospital. We have renegotiated these fees reducing the pressure from earlier forecasts. The service is also facing a pressure of £60k for other specialist fees due to increased referrals.

The Coroners pay award for 2007-08 (finally settled in November 2007) worked out to a 10.775% increase. This quarter's forecast includes the impact of the award which results in a £40k additional pressure on staff costs. We have negotiated an increase in contributions from Medway Council to reflect their share of the pressures and intend to draw up a more formal agreement to cover inflationary and demand increases. This will generate an extra £49k income.

1.1.3.11 Registration Service – The latest forecast spending is £123k more than the cash limit and income £188k leaving a net under spend of £65k.

The main reason for the additional spending is £126k on premises as a result of property acquisitions/lease renewals in previous years not reflected in the budget. The service is also spending £67k on the new Ceremonies and Registration Appointment system (CARA) that was not included in the budget and is saving on planned expenditure on enhancements to records storage facilities at the Tunbridge Wells office of £70k which needs to be included in the modernisation of assets programme in the capital budget for 2008/09.

The additional £188k income arises from a higher yield from charges for wedding and citizenship ceremonies than budgeted.

1.1.3.12 Centrally Managed Budgets – The centrally retained budget includes day to day buildings maintenance, income from DSG and recharges to AE, deficit rollovers on Coroners and Policy from 2006/07 and other issues that arise during the year. The deficits rolled forward amount to £221k and a number of one-off issues of £82k have arisen. To balance these we have undertaken a review of all the reserves and have identified £303k in reserves that could be drawn down if other savings cannot be achieved.

The Dedicated Schools Grant includes the allocation of £562k of income for services provided to schools in Libraries, Community Safety, Youth Service and Contact Centre which can be funded from the grant. The total income budget identified through the MTP is £782k. We have investigated our ability to charge individual schools for services but concluded this is not feasible. This leaves a residual pressure of £220k on the central budget which we have resolved from under spends in other services within Communities.

1.1.3.13 Mediation and Litigation on Original Turner Gallery – The directorate is forecasting expenditure in 2007/08 of £300k on legal and other professional fees related to the claim against the architects and their professional advisers responsible for the original design of the Turner Gallery in Margate. The basis of KCC's claim is that the architect and their advisors were negligent in substantially under estimating the costs of constructing a steel structure to be based in the sea. If we are successful the £300k costs involved in preparing our case would be recovered but it is unlikely this will now be resolved this year.

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CMY	KDAAT Costs associated with Stonehouse PFI supported by additional NTA funding	+900	CMY	KDAAT NTA income for Stonehouse PFI	-900
CMY	AE loss of Tuition Fees	+568	CMY	YOS Prevention Grant Income	-566
CMY	YOS Prevention Grant Expenditure	+566	CMY	AE Income for Immigration Contract	-381
CMY	AE Immigration Contract Expenditure covered by increased income	+340	CMY	Central draw down from reserves	-303
CMY	Expenditure on mediation and litigation on original Turner Gallery	+300	CMY	Sports - Grant income from Sports England	-300
CMY	YOS share of staff costs funded from Partner contributions	+300	CMY	Increased partner contributions for YOS	-300
CMY	Sports - RSB activity expenditure supported by income	+250	CMY	AE Business Development Income	-260
CMY	CDSE income shortfall due to reduced calls	+249	CMY	Sports - RSB income to support activities	-250
CMY	Rolled forward deficits form 2006/07	+221	CMY	Additional LSC AE Formula Grants	-230
CMY	Services chargeable to Dedicated Schools Grant	+220	CMY	Turner ACE Grants to support activities	-200

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CMY	Expenditure on Turner Contemporary Activities supported by ACE Grant	+200	CMY	Registration Fees from weddings and citizenship ceremonies	-188
CMY	Increased guided learning hours for Family and Lifelong Learning in AE	+161	CMY	CDSE draw-down from reserves	-172
CMY	Neighbourhood Learning & SIP	+135	CMY	AE Project grants	-161
CMY	AE fee and concessions policy revisions not implemented	+133	CMY	Key Training bonuses on European Social Fund grant	-127
CMY	Registration premises leases	+126	CMY	Libraries & Archives savings from reduced expenditure on non staffing budgets	-100
CMY	AE Business Development Expenditure covered by increased income	+120			
CMY	Libraries & Archives underachievement of AV income	+120			
CMY	AE loss of Information & guidance grant and clawback of LSC grants from 2005-06 and 2006-07	+117			
CMY	Sports - project expenditure on community sports coaches	+113			
CMY	Coroners Mortuary fees	+107			
CMY	AE project expenditure covered by increased income	+104			
CMY	Arts unit reduction in grant income	+100			
		+5,450			-4,438

1.1.4 Actions required to achieve this position:

We have reviewed the YOS budget and tackled a number of issues relating to staffing and premises budgets, and income from partners. We have identified some unbudgeted expenditure for accommodation recharges which can be covered by under spends in other services within Communities. The Youth Offending Service will make provisions for these recharges within 2008/09 budget through reductions elsewhere. The budget for secure accommodation for young offenders sentenced by courts remains the only area for outstanding concern although the 2008-11 MTP includes provision for a £100k contingency for this.

The Adult Education service has undertaken a major restructuring in response to a 16% reduction in LSC funding allocations and made changes to its tuition fee structure. This has resulted in the loss of nearly 70 permanent staff posts and a reduction in sessional tutor hours of over 30%. Some unforeseen one-off costs associated with the restructuring and loss of tuition fee income means the service cannot return to a balanced budget position this year and generate the necessary surplus to repay the £500k loan from the Finance portfolio allocated to cover previous year's overspends without resulting in irreparable damage to the service's reputation. Without the loss of tuition fee income due to lower than expected enrolments, the service would not have incurred the additional £330k deficit. The actions proposed to address the £500k and £330k are detailed in paragraph 1.1.7.

We have embarked on a restructuring of the Cultural Development unit. Consultation with staff and unions has taken place on the proposed structure. Four members of staff have opted for voluntary redundancy and we are currently

completing recruitment to the new structure affecting the remaining 9 members of staff at risk. The savings accruing from the restructuring are needed to deliver the current MTP and will not deliver any additional savings. The cost of voluntary redundancies will be funded from the workforce reduction fund.

We have reviewed all budgets to identified areas where services can slow down expenditure on non essential non staffing budgets. Actions plans have been agreed with divisional directors and Heads of Services and £388k of savings are being delivered to offset the significant overspends in Coroners, Cultural Development and YOS identified in previous monitoring returns. These savings will not have any impact on front line services. We have also reviewed balances held in reserves and will be using some of these to offset against overspends rolled forward from 2006-07 and unachieved staffing savings.

The budget for the Policy Unit has an underlying pressure of £300k. This mainly relates to £165k for the Asset Management Team, which when funding was disaggregated was funded from the capital programme, but latest advice from external auditors is that this can no longer be treated as capital expenditure. We have been able to contain this pressure during 2007-08 by a number of factors including revising the amount of overheads recharged to externally funded services, holding vacancies longer than planned and identifying other revenue expenditure which can be charged to capital.

1.1.5 Implications for MTP:

The pressures on Coroners and YOS for secure accommodation are imposed outside the direct control of the authority and are reflected in the MTP as additional pressures.

The restructuring of the Cultural Development Unit is also reflected in the MTP through reduced income and expenditure following restructuring. The cost of ongoing early retirement payments arising from this restructuring have also been included in the MTP.

The repayment of the £500k loan to cover the 2006/07 deficit on the AE service is proposed to be rolled forward and is reflected in the MTP as £250k surplus in each of 2008/09 and 2009/10. The additional pressure to restore the AE base budget to a net zero to offset the £500k taken out of the base in 2007/08 is also reflected.

The underlying pressure in the Policy Unit mainly relates to costs that can no longer be charged to capital. We will resolve this by identifying revenue expenditure on IT upgrades and other asset enhancements which can be charged to capital and transfer the revenue funding into the policy unit. We will report the implications for the capital programme once we have identified the upgrade element that is integral within existing IT contracts.

The unallocated vacancy saving will be delivered through a range of further efficiency savings to be reflected as budget adjustments during the year. During 2007/08 we have achieved £388k of in year efficiency savings through slowing down expenditure on non essential non staffing budgets. We intend to make these savings base budget savings although it was not possible to include firm proposals in the MTP.

1.1.6 Details of re-phasing of revenue projects:

N/A

1.1.7 Details & impact of proposals for residual variance:

We will be seeking to rollover the £830k accumulated deficit on the AE service. As detailed in paragraph 1.1.5 above, the £500k loan from the Finance portfolio is now planned to be repaid across 2008-09 and 2009-10. Plans to reduce costs in order to repay this are already in place through £100k reduction in management and administration costs, £105k additional income from reviewing concessions policies and £295k additional income from tuition fees and developing new markets. Plans for the remaining £330k which represents the 2007-08 in year deficit of expenditure against income are currently being developed as part of a fundamental review of the AE service. This review will look at reducing the proportion of AE costs that are fixed in the short term (principally staff and buildings) so that the service can be more responsive to changes in student numbers (and thus fee income) and LSC funding in future.

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.

Cash limits have been adjusted since the last full monitoring report to reflect:

	2007-08	2008-09	2009-10	Future Years
	£000s	£000s	£000s	£000s
▪ Re-phasing per 2008-11 MTP	-18,280	-3,095	+12,849	+5,894

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

	Prev Yrs Exp £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	Future Yrs £000s	TOTAL £000s
Communities						
Revised budget per Dec Cabinet	20,768	23,661	14,073	5,259	5,820	69,581
Adjustments:						
- re-phasing per 2008-11 MTP		-18,280	-3,095	12,849	5,894	-2,632
Revised Budget	20,768	5,381	10,978	18,108	11,714	66,949
Variance		-563	+499			-64
split:						
- real variance		-64			0	-64
- re-phasing		-499	+499		0	0
Real Variance		-64	0	0	0	-64
Re-phasing		-499	+499	0	0	0

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2007-08 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 planning 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 planning 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.

Now that the capital cash limits have been adjusted for the re-phasing which has been reflected in the 2008-11 MTP, there are no variances in excess of £250k.

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

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

1.2.4 Projects re-phasing by over £1m:

None

1.2.5 Projects with real variances, including resourcing implications:

- Mortuaries Refurbishment – The cost of work at Medway Maritime Hospital is now confirmed and will result in a saving of £64k this year.

The true underlying variance is therefore an underspend of £64k.

1.2.6 General Overview of capital programme:

(a) Risks

- Adult Education at Canterbury High School – we may need to make provision for a part of any potential overspend on this project (a) if the school will not contribute the additional £160k spent last year on the project, and/or (b) if there is an over spend attributable to the adult education facility.
- Edenbridge – if the planning approval is not forthcoming this project cannot proceed. If the costs of the facility are higher than expected they will have to be met from the capital receipt. However, it is possible the capital receipt may be insufficient, particularly as £1m has been agreed to meet CFE costs in which case we will have to make provision for any overspend.

(b) Details of action being taken to alleviate risks

- Adult Education at Canterbury High School – the school are taking legal action against their professional advisors to recover the overspend and further detailed work is in hand to identify how the additional costs should, if appropriate, be shared between the school and AE.
- Edenbridge – the proposals are being developed in close co-operation with Sevenoaks planners, planning advisors and property valuers.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

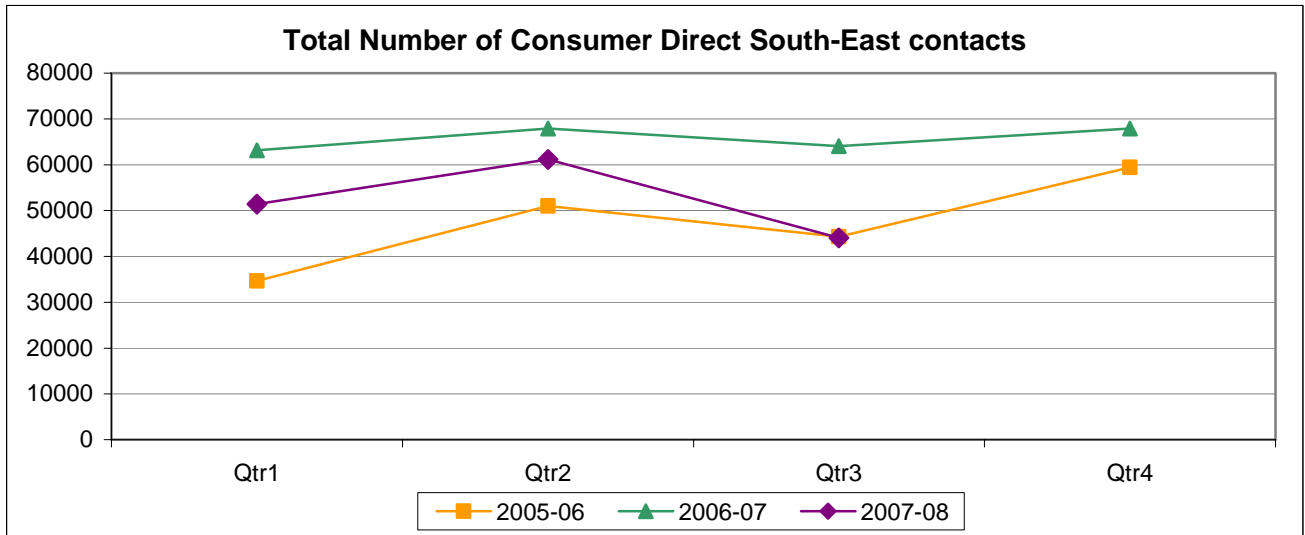
2.1 Number of Consumer Direct South-East contacts, by local authority area:

	2005-06	2006-07	2007-08				TOTAL	
	Total for the year	Total for the year	Qtr1	Qtr2	Qtr3	Qtr4		
			01/04/07 to 30/06/07	01/07/07 to 30/09/07	01/10/07 to 31/12/07	01/01/08 to 31/03/08		Total for the year
Bracknell Forest	715	330	209	271	188			
Brighton & Hove	7,116	5,834	987	899	662			
Buckinghamshire	9,006	4,012	614	708	690			
East Sussex	9,717	9,893	1,843	2,047	1,705			
Hampshire	19,105	12,520	2,237	2,167	1,554			
Isle of Wight	2,129	2,106	346	446	349			
Kent	29,074	21,500	3,571	4,028	3,115			
Medway	1,671	1,249	267	358	248			
Milton Keynes	1,037	671	85	91	101			
Oxfordshire			No immediate plans to switch					
Portsmouth	5,524	4,332	571	547	548			
Reading	2,582	2,952	534	564	536			
Royal Borough of Windsor & Maidenhead ²	809		Callers to RBWM are asked to redial CDSE direct					
Slough	1,826	1,717	346	380	288			
Southampton	4,680	3,780	24	374	454			
Surrey	21,660	19,278	2,846	3,480	2,808			
West Berkshire	1,503	1,831	278	261	179			
West Sussex ³		2,334	1,441	1,257	991			
Wokingham	758	648	176	170	171			
Main English Landline ^{*1}	60,248	127,064	26,852	33,479	20,998			
Main English Mobile ^{*1}	7,712	25,073	5,398	6,677	5,520			
Calls handled for other regions	2,532	6,373	407	63	432			
Call-backs handled for other regions		1,017	0	407	56			
E-Mails		8,546	2,405	2,496	2,448			
2007-08 TOTAL			51,437	61,170	44,041			
2006-07 TOTAL by Qtr		263,060	63,185	67,865	64,080	67,930		
2005-06 TOTAL by Qtr	189,404		34,616	51,015	44,334	59,439		

*1 – These are calls received directly on the 0845 number which, although known to be from one of the local authorities in the CDSE area, cannot be identified by individual local authority.

*2 – since 01/01/06 callers to RBWM Trading Standards are asked to redial CDSE direct

*3 – since January 2007, West Sussex calls and e-mails have been diverted to CDSE.



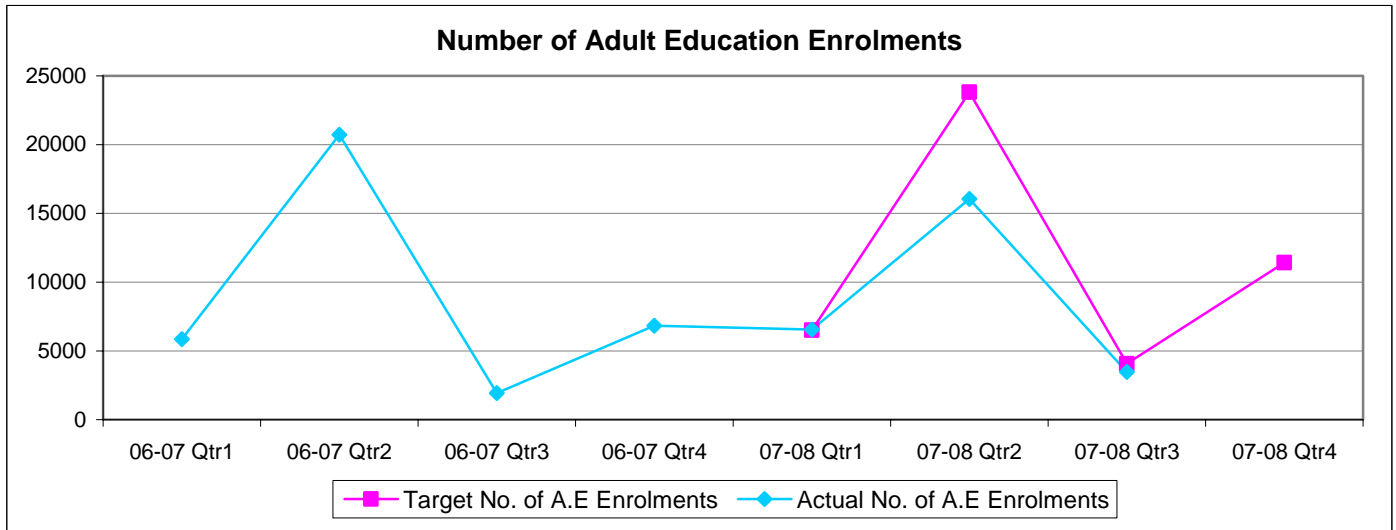
Comments

- Consumer Direct South East is funded according to the number of calls it receives. When it was established a reserve of £172k was set up to cover trading deficits. The impact of reduced call volumes means all this reserve needs to be drawn down in the current year.
- We are negotiating with Trading Standards South East Ltd (TSSL) and with partner authorities the extent to which they will cover potential trading deficits on CDSE in future. We are also working on decreasing the time taken to respond to calls

2.2 Number of Adult Education Enrolments:

	Financial Year		
	2006-07	2007-08	
	A.E Enrolments	Target	A.E Enrolments
April – June	5,849	6,501	6,567
July – Sept	20,713	23,803	16,052
Oct – Dec	1,925	4,071	3,473
Jan - March	6,829	11,416	
TOTAL	35,316	45,791	22,619

In previous years we have shown the number of Adult Education learners. This year we have revised the data to show the number of enrolments as this gives a better picture, as some learners enrol on more than one course. Enrolments is a better indicator of income levels than student numbers as both LSC Further Education (FE) formula grants and tuition fees are based on enrolments.



Comments:

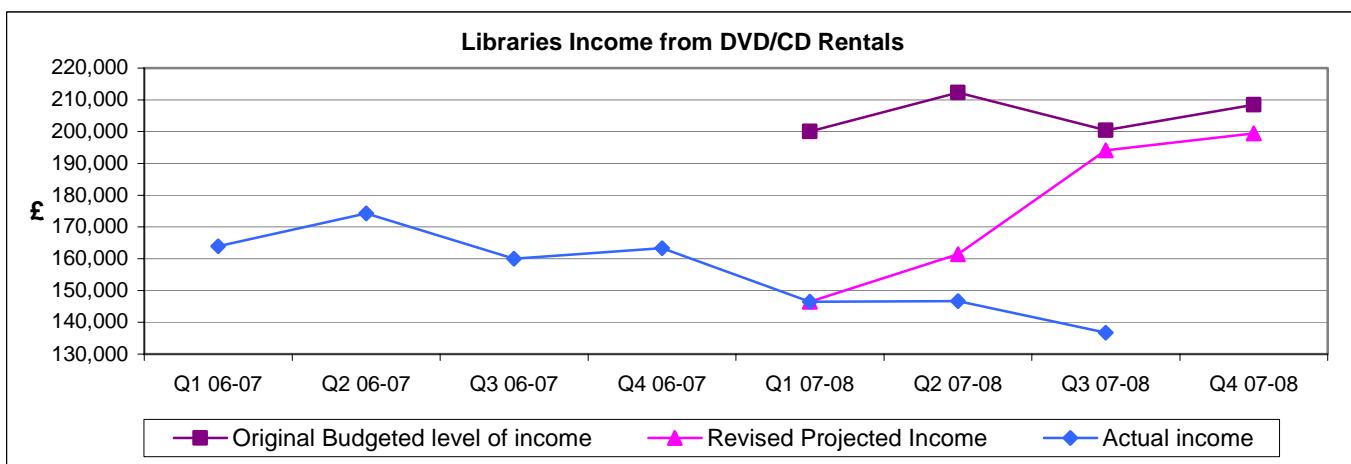
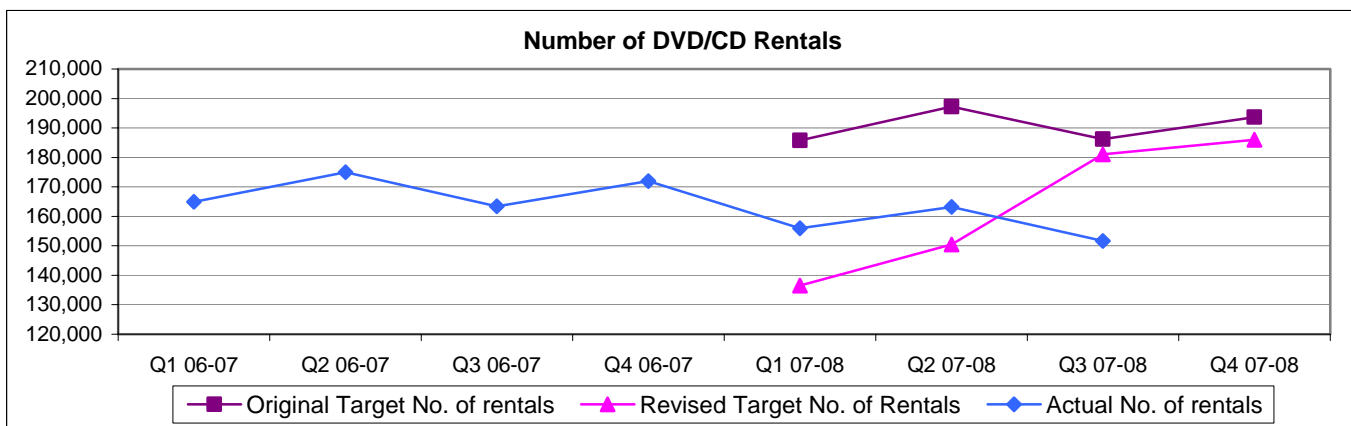
- The LSC formula grants depend partly on enrolments to courses. Students taking courses leading to a qualification are funded via Further Education (FE) grant based upon the course type and qualification. However, students taking non-vocational courses not leading to a formal qualification are funded 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 AE service has reduced expenditure on course provision as a result of lower than anticipated enrolments, however there remains a residual pressure on the AE budget which is largely as a result of a reduction in tuition fee income due to the reduced enrolments.

2.3 Number of Library Audio Visual rentals together with income raised:

	2006-07		2007-08					
	No of rentals	Income (£)	No of rentals			Income (£)		
	actual	Actual	Budgeted target	revised target	actual	budget	revised projected income	actual
April – June	164,943	163,872	185,800	136,556	155,958	200,000	146,437	146,437
July – Sept	174,975	174,247	197,300	150,500	163,230	212,300	161,390	146,690
Oct – Dec	163,470	160,027	186,200	181,000	151,650	200,400	194,096	136,698
Jan – March	171,979	163,269	193,700	186,000		208,500	199,458	
TOTAL	675,367	661,415	763,000	654,056	470,838	821,200	701,381	429,825



Comments:

- Target figures for 2006/07 have not been shown as this data was not presented in monitoring reports last year
- 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 spoken word materials and DVDs has remained.
- Research undertaken by the service 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 has increased income from other sources not included in the original budget and reduced expenditure on consumables to offset the estimated loss of £120k income.
- There was an increase in the rentals in quarter 2 but the income did not increase due to the reduced cost of rentals, as detailed in section 1.1.3.6 of this annex. Although rentals appear to have declined in quarter 3 this is partly due to incomplete data from some districts due to the Christmas break and missed deadlines for returns. A compensatory increase should be seen in the final quarter's data.
- In previous reports the actual number of rentals only included those from visits to lending libraries, the rentals now also include postal loans and reference materials.