

To: Communities Policy Overview Committee – 12th November 2008
From: Mike Hill, Cabinet Member and Amanda Honey, Managing Director
Subject: **Financial Monitoring Report: Community Services 2008/09**
Classification: Unrestricted

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

Recommendations: 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, and subsequent exception report, to Cabinet.

FOR INFORMATION AND COMMENT

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 (POCs) consider the draft Medium Term Financial Plan at their November and January meetings. To enable a more informed discussion, three reports are 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 section for each directorate forms part of this report and is presented to this Committee at the next available POC meeting. These reports are intended to inform members about current trends, pressures and management actions in advance of the following year's budget setting.

The timing of these quarterly reports to Cabinet and of subsequent POC meetings leads on occasion to considerable gaps but this has to be treated as a corporate issue and cannot be easily resolved by individual POCs. As an example, there has not been a full Cabinet budget monitoring report since the last meeting of this POC and thus the annex to this report is the same as was presented to the POC meeting on 22nd September. An exception report was however made to Cabinet on 13th October and details of this are included in section 3 below. The next full quarterly report for Cabinet is due on 1st December and will be reported to this POC in January. .

b) Performance Monitoring reports

These are reported to this Committee twice a year in January and July.

c) Unit level outturn reports

Effectively an amalgam of the above two, the outturn reports summarise financial and performance information at unit level for the whole of the preceding year. The first of these, the outturn report for 2007/08, was reported to the September POC meeting.

- 2.2 In light of the information provided in these reports, Members are in a stronger position to question and comment on the future budget and medium term proposals, as they will be asked to do at this and the January meeting.

3 Quarterly monitoring report

- 3.1 Attached is the monitoring report for the first quarter in 2008/09 for Communities directorate as reported to the September POC. The table has been amended to show net variance as an amount and percentage as requested by Members.

3.2 Revenue

The latest forecast outturn for Communities is an overspend of £365k, as reported in the October exception report to Cabinet. The main issues, and details of the £365k, are set out below.

Adult Education

- a. As reported in September a budget recovery plan has been agreed with, and implemented by, the Adult Education Service to deliver a balanced budget. Early analysis of enrolments for 2008/09 academic year indicates a small reduction compared to planned numbers and this is the subject of a separate report under item B6 on this agenda. The impact on the budget is limited and the Service has been able to amend spending plans in response to ensure that overall expenditure does not exceed income. One of the objectives of the recovery plan was to ensure the Service was able to be more responsive to changes in income and at this stage this seems to have been achieved. A full analysis of the impact of enrolments will be included in the next quarter's monitoring to be reported to Cabinet on 1st December.

Coroners

- b. The October exception report identified an increase in the forecast overspend on the Coroners Service by £66k taking it from £227k to £293k. This was due to further pressure arising from long inquests and analytical tests principally in the Mid Kent and Medway district. There are four Coroner's districts in Kent and the position remains that the authority can do very little to direct the work of the Coroners and therefore control expenditure. The four Coroners are part-time and are paid according to the number of cases referred to them with additional payments for long inquests. The Coroners conduct investigations and determine whether post mortems and other analytical tests are needed in order to determine the cause of death and we continuing to work with other local

authorities and the Local Government Association to lobby for changes to the funding/organisation of the Service.

Youth Offending Service

- c. The Youth Offending Service is still forecasting an overspend of £72k even after taking management action through managing vacancies and better use of joint funding arrangements. The County Youth Justice Board did not accept a recommendation that we should approach partners for additional funds to close the gap and therefore we need to work with the Service to agree a strategy for further savings to balance the budget. It is important that this partnership service is funded equitably by all partners and that the Communities portfolio as the host does not end up covering the financial consequences of other partner's decisions. We intend to report the outcome of discussions with the Service to balance the budget in the next quarter's monitoring to be reported to Cabinet on 1st December.

Contact Centre

- d. This Service has now transferred to the Chief Executive's Department and will be reported under the Corporate Support and External Affairs Portfolio in future.

3.3 Capital

- a. The authority's capital programme has been reviewed as a result of the current economic situation and the impact this had on property prices and our ability to raise capital receipts. As a result the County Council agreed to establish a Property Enterprise Fund (PEF2) to sustain as much of the capital programme as possible. The result of the review is that planned expenditure has been deferred into later years on a number of projects and in a few cases the total cost of projects has been reduced or projects cancelled altogether. The impact for Communities is set out in table 1.

Table 1	2008/09 £000	2009/10 £000	2010/11 £000	Later Years £000	Total £000
Schemes deferred within MTP					
Tunbridge Wells Library		-600	600		0
Ashford GatewayPlus	-846	846			0
Edenbridge Community Centre	-918	918			0
Kent History Centre	-3,060	-540	3,200	400	0
Library Modernisation Programme	-219	219			0
Gravesend Library	-690	103	587		0
Turner Contemporary	157	508	-886	221	0
Sub Total	-5,576	1,454	3,501	621	0
Schemes deferred beyond MTP					
Cheeseman's Green Library		-350		350	0

Schemes deleted or reduced cost					
Southborough Hub (deleted)		-3,050			-3,050
Tunbridge Wells Library (reduced)		-200			-200
Grants to Village Halls (reduced)	-87	-100	-100	-200	-487
Sub Total	-87	-3,350	-100	-200	-3,737
Total	-5,663	-2,246	3,401	771	-3,737
Revised Cash Limit	10,678	29,576	10,555	6,291	57,100

4 Recommendations

- 4.1 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, and subsequent exception report, to Cabinet.

Amanda Honey
Managing Director

Contact

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

Appendix: Communities Directorate Summary July 2008-09 Full Monitoring Report

Appendix 1

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:

Table 1

Budget Book Heading	Cash Limit			Variance			Net Variance as % of Gross Exp	Comment
	G	I	N	G	I	N		
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s		
Communities portfolio								
Turner Contemporary	1,016	-200	816					
Kent Drug & Alcohol Action Team	15,399	-13,414	1,984					
Youth Offending Service	6,417	-2,639	3,779	100	-28	72	1.1	
Adult Education	13,472	-13,845	-373					Pressures arises from the roll forward of 2007-08 overspends
Cultural Development	1,305	-15	1,290					
Libraries, Information & Archives	25,594	-3,210	22,385					
Sports, Leisure & Olympics	1,414	-334	1,080					
Youth Services	12,678	-5,207	7,471	451	-451			
Key Training	4,001	-3,865	137					
Kent Community Safety Partnership	4,379	-275	4,104					

Table 1

Budget Book Heading	Cash Limit			Variance			Net Variance as % of Gross Exp	Comment
	G	I	N	G	I	N		
Contact Centre	£'000s 4,756	£'000s -1,986	£'000s 2,770	£'000s -72	£'000s 72	£'000s		
Coroners	2,394	-384	2,010	227		227	9.5	Continuation of 2007-08 pressures on Mortuary Fees, pathology costs and long inquests
Emergency Planning	736	-142	594					
Kent Scientific Services	1,628	-1,655	-28					
Registration	4,321	-2,855	1,466					
Trading Standards	4,515	-340	4,175					
Policy & Resources	1,369	-77	1,292					
Business Development Team	203		203					
Strategic Management	985		985					
Centrally Managed directorate budgets	255	-1,135	-880					
Total Communities controllable	106,836	-51,576	55,260	706	-407	299	0.3	
Assumed Management Action				-299		-299		
Forecast after Mgmt Action				407	-407			

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:

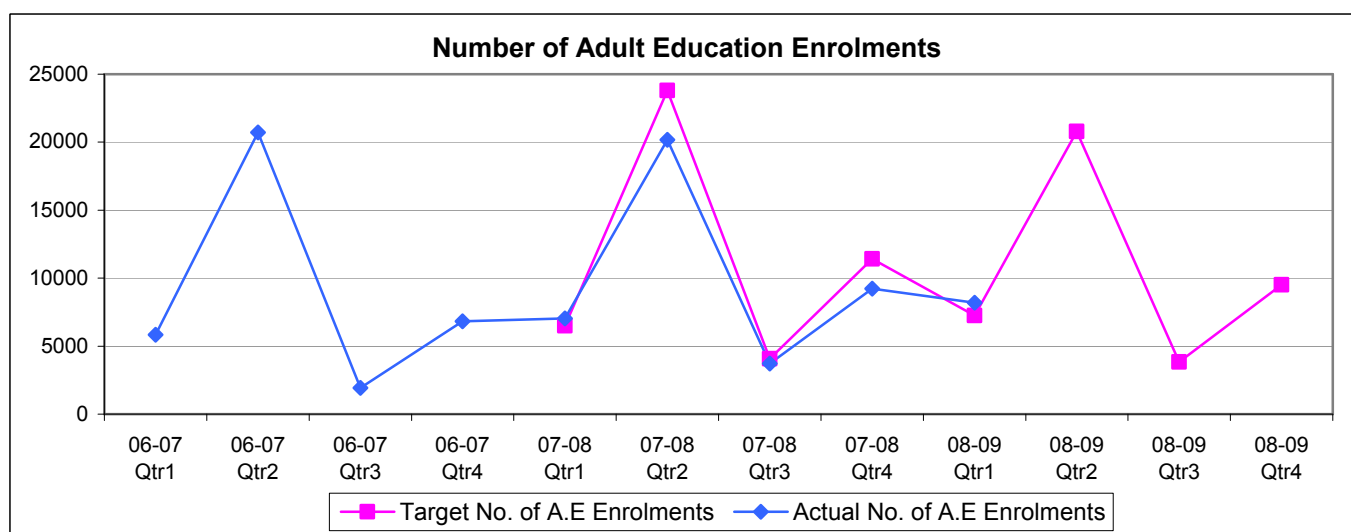
The position for the Youth Offending Service has been reported to the County Youth Justice Board. The board recommended that partners should not be asked for additional contributions and that further savings need to be found on staff and other budgets within the service. Final details of these savings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



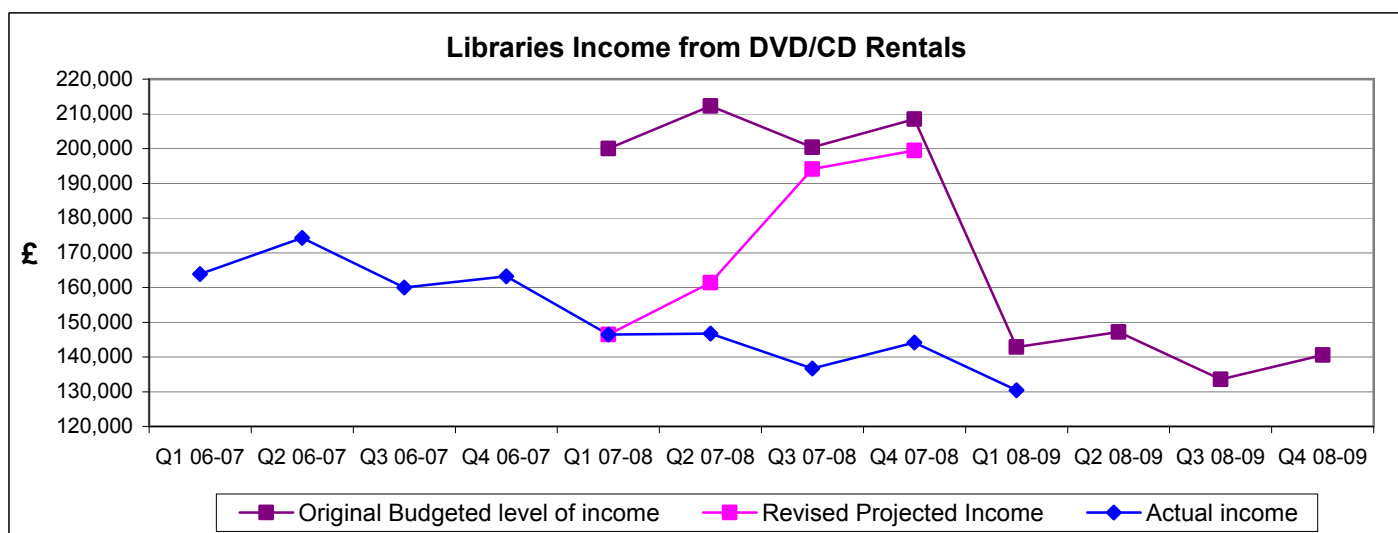
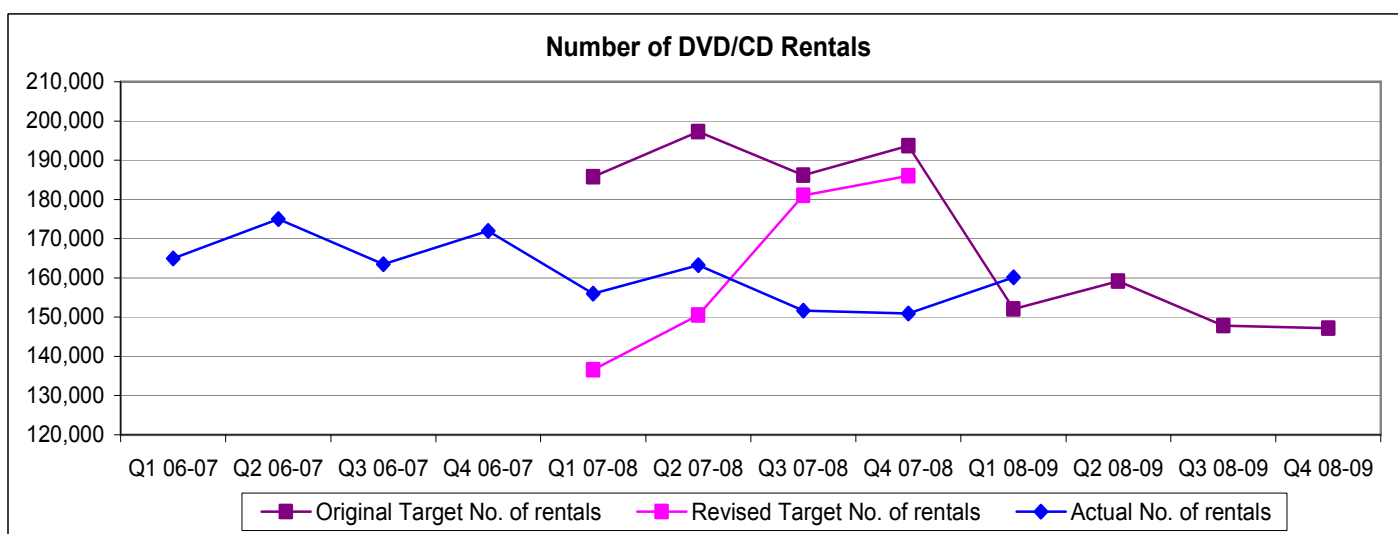
Comments:

- 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.