

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 report 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

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 second quarter for Communities directorate. The main points are highlighted below.

3.2 Revenue

- a. The position for the Adult Education service has deteriorated since the last quarter. Previously we had been reporting that the service had addressed the in-year position following significant reductions in LSC funding but had been unable to implement plans to repay the £500k loan that was made available in 2006/07 to cover the unresolved deficit. Enrolments for the academic year starting in September 2007 were lower than we had planned with a consequential reduction in tuition fee income of £568k.

The service has been unable to fully reduce spending in line with this reduced take-up of courses resulting in a forecast overspend of £330k for the remainder of this financial year to add to the £500k that cannot be repaid from previous years. We are currently developing an action plan how the accumulated deficit of £830k can be repaid over the period of the forthcoming MTP 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.

- b. The budget for the Coroners continues to show a forecast overspend of £300k due to the increased number of post mortems and increased costs for use of mortuaries from hospital trusts. The pay award for Coroners was finally agreed in November but this left insufficient time to assess the full impact for the December Cabinet report. We are negotiating with hospital trusts to ensure that new contracts limit annual uplifts to cover inflation only and that service developments and building work improvements are agreed with us before they are undertaken. We are also negotiating with Medway Council to ensure they fund their share of the pressures.

Due to the nature of Coroner's work much of this pressure is unavoidable and KCC cannot directly influence their work. We have identified an additional £200k in the forthcoming Medium Term Financial Plan 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 nearly 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 £165k which mainly arises from loss of income. The new structure will ensure that the unit can deliver its more strategic role within the existing MTP without any change to the overall net budget.

- d. We have been able to reduce the forecast overspend for the Youth Offending Service through a number of management actions. The budget is still at risk from decisions by the courts on the placement of offenders on court ordered remand where the service may have to incur significant transport and accommodation costs. We have identified the requirement for additional funding in the forthcoming Medium Term Financial Plan to address this risk.
- e. The library service has faced diminishing income from the rental of CDs and DVDs 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 CDs, DVDs and other consumables and non staffing budgets to offset this forecast loss of income. This will not affect spending through the book fund.

3.3 Capital

- a. Although the capital programme shows a significant under spend in 2007/08 (forecast spend of £6.051m against a budget of £23.661m) the vast majority of this represents slippage into future years rather than under spending on projects. 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. Details of the individual projects are set out in appendix from the Cabinet report.

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 October 07-08 Full Monitoring Report

**COMMUNITIES DIRECTORATE SUMMARY
OCTOBER 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 two pages 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			0	
Kent Drug & Alcohol Action Team	15,220	-13,438	1,782			0	
Youth Offending Service	5,610	-1,889	3,721	1,019	-949	70	Cash limit incorrectly reflects balance of expenditure and income. Net overspend is mainly due to increased number of young people placed in secure accommodation or on remand
Adult Education	12,667	-13,213	-546	1,307	-477	830	Income from LSC has increased due to higher than anticipated formula grant, immigration contract, business development & a number of other smaller grants. This increase has been largely offset by clawback of grants for previous years, not implementing changes to concessions policy & failure to meet tuition fee income targets. Increased spending is in part due to increased ringfenced income & partly due to unanticipated costs for staff restructuring & additional premises costs

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Cultural Development	1,404	-225	1,179	22	143	165	Ongoing impact of the loss of EU grants which have supported unit budget since restructuring in 2003/04
Libraries, Information & Archives	25,713	-2,787	22,926	-120	120	0	Revised target for income from AV issues offset by a reduction in spending on consumables and non staffing
Dover Discovery Centre	383	-383	0			0	
Sports, Leisure & Olympics	1,127	-312	815			0	
Youth Services	9,169	-1,570	7,599			0	
Key Training	3,865	-3,865	0			0	
Kent Community Safety Partnership	4,703	-159	4,544			0	
Contact Centre	4,877	-1,947	2,930			0	
Coroners	2,077	-333	1,744	300		300	Continuation of pressures which arose during 2006/07 after the MTP had been set
Emergency Planning	752	-165	587			0	
Kent Scientific Services	1,575	-1,587	-12			0	
Registration	4,237	-2,475	1,762			0	
Trading Standards	4,432	-399	4,033			0	
Policy & Resources	1,443	-97	1,346			0	
Centrally Managed directorate budgets	67	-1,738	-1,671			0	
Total Communities controllable	100,205	-46,664	53,541	2,528	-1,163	1,365	
Assumed Management Action				-535		-535	
Forecast after Mgmt Action				1,993	-1,163	830	

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 Youth Offending Service – The latest forecast gross expenditure on YOS is £1.019m more than the cash limit and income is £949k more than cash limit giving a net pressure of £70k, which is mainly attributable to £163k of pressures on the budget for secure accommodation and transport for offenders on court ordered remand. The number sentenced by courts is increasing and offenders are being placed outside the county more frequently. The service has secured additional prevention

grant from the Youth Justice Board that was not included in the budget which provides £566k income and £532k direct expenditure. The net difference of £34k income contributes towards the service's overheads which accounts for the remainder of the variance including an additional £124k on staffing. The remainder of increase in income is due to increased contributions from partners and support for specific projects that were not included when the original budget was set (each additional contribution is less than £100k and not shown in table 2).

1.1.3.2 Adult Education – The latest forecast gross expenditure on the AE is £1,307k more than cash limit, income is £477k more than the cash limit giving a net pressure 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 used to cover the deficit in 2006/07, the significant loss of tuition fee income due to lower than anticipated take-up of courses and the additional costs associated with restructuring and premises reorganisation. All the other variances reflect both income and expenditure and have no impact on the net costs. The major reasons for the variances are:

- *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 £373k and expenditure of £336k under this contract.
- *Business Development* – since the budget was agreed the AE service has agreed 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. Since the last quarter's monitoring the service is forecasting an increased shortfall on tuition fees of £568k due to lower than anticipated take-up of courses.
- *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.

- 1.1.3.3 Coroners Service – The latest forecast spending is £300k more than budget. The single major reason for this overspend is the increased cost of mortuary fees (£142k). 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.
- 1.1.3.4 Cultural Development Unit – We had previously identified a shortfall of £100k on the Arts Unit budget due to the loss of income from EU grants. This is being addressed through a staff restructuring. 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 increased overspend to £165k reflects this deficit on trading activities. We are seeking to outsource the venture and we have had some encouraging expressions of interest.
- 1.1.3.5 Libraries and Archives – The service has faced diminishing income from the rental of CDs and DVDs. The service undertook a thorough review and concluded that they could significantly increase issue if they focused on the more specialist areas, offered loans for longer periods and reduced the cost of loans. This would deliver a revised income projection of £701k against a budget based on historical trends of £821k and actual income in 2006/07 of £661k. The £120k overspend against the budget will be covered by reductions in spending on consumables and other non staffing budgets. Indications from the second quarter are that there has been an increase in issues although we are anticipating a more marked increase in the third and fourth quarters.

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CMY	AE loss of Tuition Fees	+568	CMY	YOS Prevention Grant Income	-566
CMY	YOS Prevention Grant Expenditure covered by increased income	+532	CMY	AE Income for Immigration Contract	-373
CMY	AE Immigration Contract Expenditure covered by increased income	+336	CMY	AE Business Development Income	-260
CMY	YOS Secure Accommodation	+163	CMY	Additional LSC AE Formula Grants	-230
CMY	Increased guided learning hours for Family and Lifelong Learning in AE covered by increased income	+161	CMY	AE Project grants	-161
CMY	Coroners Mortuary Fees	+142	CMY	Libraries and Archives savings from reduced expenditure on consumables and other non pay headings.	-120
CMY	Neighbourhood Learning & SIP	+135			
CMY	AE fee and concessions policy revisions not implemented	+133			
CMY	YOS Staffing	+124			
CMY	AE Business Development Expenditure covered by increased income	+120			
CMY	Libraries & Archives underachievement of AV income covered by savings on non pay headings	+120			
CMY	AE Loss of Information and guidance grant amd clawback of LSC grants from 2005/06 and 2006/07	+117			
CMY	AE Project expenditure covered by increased income	+104			
CMY	Arts Unit reduction in grant income	+100			
		+2,855			-1,710

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. The budget for secure accommodation for young offenders sentenced by courts remains the only area for concern.

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. 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 to cover previous years overspends without resulting in irreparable damage to the service's reputation.

We have embarked on a restructuring of the Cultural Development unit. Consultation with staff and unions has taken place on the proposed structure. The

savings accruing from the restructuring are needed to deliver the current MTFP and will not deliver any additional savings.

We are pursuing central government as to whether any additional grant support will be available to address the pressures faced by the Coroners service. The service is part of the judicial system and Coroners do not report to KCC and merely claim expenses and charge the costs of post mortems and specialist fees to KCC. We have embarked on discussions with the Coroners about different spending patterns in each of the 4 districts in Kent.

1.1.5 Implications for MTFP:

The pressures on Coroners and YOS for secure accommodation are imposed outside the direct control of the authority and will be reflected in the MTFP. The restructuring of the Cultural Development Unit will also be reflected in the MTFP. Some of the issues for AE service are one-off relating to 2007/08, others affect the base budget on an ongoing basis and will be reflected in MTFP submission including options to cover the £830k proposed rollover of the deficit on the AE service.

1.1.6 Details of re-phasing of revenue projects:

N/A

1.1.7 Details of proposals for residual variance:

The directorate is reviewing the forecast over spends and looking at other budgets where savings might be possible to offset the over spends. The directorate is also reviewing the amounts held in reserve as a possible source of off-setting some of the additional one-off costs in 2007/08. It is planned to take-up the issue of over spending on the Coroners service with the government. We are also exploring the opportunity to use developer contributions to fund the purchase of new library books currently funded from revenue budget and to defer expenditure on sports grants. It is planned this action will achieve £535k of savings leaving an overspend of £830k relating to AE. We will be reflecting this rolled forward overspend in the MTFP submission.

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 |
| | £000s |
| ▪ Virement of Small Community Capital Grant budget from Policy & Performance portfolio in respect of Herne Bay Youth & Community Centre | 5 |

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 Sept Cabinet	22,119	23,656	14,073	5,259	5,820	70,926
Additions:						
- virement of SCCG budget		5				5
Revised Budget	22,119	23,661	14,073	5,259	5,820	70,931
Variance		-17,610	+2,363	+10,952	+3,434	-861
split:						
- real variance		-1,281	+220	+200	0	-861
- re-phasing		-16,329	+2,143	+10,752	+3,434	-0
Real Variance		-1,281	+220	+200	0	-861
Re-phasing		-16,329	+2,143	+10,752	+3,434	-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 initial 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 initial 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.

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

Portfolio	Project	real/ phasing	Project Status			
			Rolling Programme	Approval to Spend	Approval to Plan	Initial Planning Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
			+0	+0	+0	+0
Underspends/Projects behind schedule						
CMY	Turner Contemporary	Phasing			-8,310	
CMY	The Hub Southborough	Phasing Real				-3,025 -200
CMY	Community Facilities - Edenbridge	Phasing			-1,465	
CMY	Library Campus Gravesend	Phasing			-1,439	
CMY	Ashford Learning & Information Centre	Phasing Real			-888 -104	
CMY	Herne Bay Youth Centre	Phasing Real		-465 -90		
CMY	Big Lottery Fund - PE & Sport	Real Phasing		-443 -59		
CMY	Village Halls & Com Ctrs - Grants	Real Phasing	-300 -53			
CMY	Tun Wells Library, Museum & Gallery	Phasing			-250	
			-353	-1,057	-12,456	-3,225
			-353	-1,057	-12,456	-3,225

1.2.4 Projects re-phasing by over £1m:

1.2.4.1 Turner Contemporary – slippage £8.310 million

This scheme is to build an art gallery in Margate which will play a key role in the economic regeneration of the area. There has been slippage of over £8.310 million (48% of the total value of the scheme) since the budget was published. The project is still scheduled to be completed by 2010 within the £17.4m budget allocated and thus the slippage simply represents movement between years and not a delay on completion or additional cost. The published budget was based on early discussions with architects before we had received their initial outline and concept design reports (RIBA stage A/B).

We have now completed detailed designs for the project (RIBA Stage D). The outline planning stage (RIBA Stage C) slipped by three months from the original project plan. We are currently planning that the tender process (RIBA Stage G/H) will commence in May 2008 with site works commencing in October 2008. This time frame enables the project to achieve its planned completion in 2010. It is not

uncommon that the planning stages for an architectural building of the type envisaged can take more than 2 years.

Running in parallel with the project is the de-dualling of Fort Hill. This has to be completed before work on the construction of the gallery can commence.

We are planning that we will receive £11m in external funding towards the cost of the project from partners. This will reduce the level of prudential borrowing reflected in the published budget by £0.75m. However, it is unlikely that the external funding will be confirmed until 2008/09.

Revised phasing of the scheme is now as follows:

Turner Contemporary

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	340	9,517	6,803	740	-	17,400
Forecast	340	1,207	2,915	10,004	2,934	17,400
Variance	-	-8,310	-3,888	9,264	2,934	-
FUNDING						
Budget:						
prudential	340	6,037	373	400	-	7,150
external	-	3,480	6,430	340	-	10,250
TOTAL	340	9,517	6,803	740	-	17,400
Forecast:						
prudential	340	957	1,217	3,429	457	6,400
external	-	250	1,698	6,575	2,477	11,000
TOTAL	340	1,207	2,915	10,004	2,934	17,400
Variance	-	-8,310	-3,888	9,264	2,934	-

1.2.4.2 Community Facilities, Edenbridge – slippage £1.465 million

This project aims to provide a new community facility following the closure of Eden Valley School some years ago. The current buildings are managed by the Youth Service and provide some community use. The new building will be funded from a small housing development on site, the size of which is restricted because of it being located in the Green Belt.

Planning approval for the proposals is now being sought and the community centre will cost approximately £2m, with £180k coming from Kent Adult Social Services. There are a number of other partners, including the Baptist Church, necessary to secure the planning approval and as a consequence the size of the community building has had to increase and this is reflected in a rise in the cost from £1.6m to £1.820m.

The potential capital receipts are estimated to be £3-4m of which CFE are to receive £1m towards the cost they incurred in providing the necessary school places in Sevenoaks at the time of closure, therefore there should be sufficient capital receipt to cover the forecast increased costs of the project.

The risks associated with the project are that planning approval may not be given, the cost of the community facility will rise and the capital value of the housing development will be less than that predicted.

The table below identifies that based on current forecasts we will need to borrow £100k in 2007-08 to be repaid from the capital receipt in 2008-09. If this temporary borrowing cannot be covered by slippage elsewhere within the Communities capital programme, then there will be additional revenue costs associated with this temporary borrowing which the directorate will need to cover.

Community Facilities, Edenbridge

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	35	1,565				1,600
Forecast	35	100	1,685			1,820
Variance	-	-1,465	1,685	-	-	220
FUNDING						
Budget:						
prudential		-34				-34
developer conts	19					19
capital receipts	16	1,599				1,615
						-
TOTAL	35	1,565	-	-	-	1,600
Forecast:						
prudential		100	-100			-
developer conts	19					19
capital receipts	16		1,785			1,801
						-
TOTAL	35	100	1,685	-	-	1,820
Variance	-	-1,465	1,685	-	-	220

1.2.4.3 Library Campus Gravesend – slippage £1.439 million

This library is the highest priority for the library service for major maintenance, refurbishment and expansion as a significant hub in Kent Thameside. It is a Grade II listed building, the annexe of which is in danger of collapsing into the street. A Big Lottery bid made in March this year was unsuccessful. It would have provided additional funds (£2m) to add to the £2.5m capital budget to complete the scheme.

A number of options are now being assessed, including partnerships with a range of other service providers, including Gateway, Adult Education and Gravesham BC. At this stage the project has been rephased to reflect the delayed scheme and the profile will be subject to further amendment once details have been worked up.

At this stage we have not had to incur any additional premises costs such as the hire of temporary buildings or any other significant revenue costs associated with the slippage of the project. We are keeping the main library building open and have simply closed off the upper floors of the annexe building, which was used as staff accommodation and storage and was not used by the public.

Information & Library Campus, Gravesend

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	3	1,539	958			2,500
Forecast	3	100	1,400	997		2,500
Variance	-	-1,439	442	997	-	-
FUNDING						
Budget:						
prudential	3	1,539	958			2,500
						-
TOTAL	3	1,539	958	-	-	2,500
Forecast:						
prudential	3	100	1,400	997		2,500
						-
TOTAL	3	100	1,400	997	-	2,500
Variance	-	-1,439	442	997	-	-

1.2.5 Projects with real variances, including resourcing implications:

- Village Halls and Community Centre Capital Grants – an under spend of £300k rolled forward from previous years, of which £200k will be vired to Herne Bay Youth Centre project and £100k vired to the Petra Barge project.
- Adult Education, Canterbury High School – additional £15k adding to the overall overspend being discussed with the school. This expenditure could be covered from developer contributions if it is not recovered from the school.
- Big Lottery Fund – PE and Sport – The overall programme is coming to an end next year. It has been possible to add a further project at Tenterden Junior School as a result of BLF agreement to switch unspent monies elsewhere as a result of unexpected developer contributions. There is a net reduction in spend against the approved budget overall of £443k with £502k in 2007-8 (and slippage of £59k into 2008-9) as a consequence of expenditure being met from existing school and DDA budgets. There are no net resources available through this process, as it is in effect a duplication of resources reflected in the budget.

- Green Spaces – This lottery funded programme is complete and the unspent grant (£16k) will be returned.
- Spaces for Sport and the Arts - This lottery funded programme is complete and the unspent grant (£43k) will be returned.
- Herne Bay Youth Centre – the overall project cost is now expected to be £915k, however, £200k relates to the Children's Centre which is included in the CFE budget and so £715k is forecast within Communities against a budget of £805k. The funding package has also changed from the original budget with less Youth Capital grant and lower development contributions being available. Consequently, this reduced funding by £330k, but an additional £200k will be vired from Village Halls grants and £40k Members Grants have been promised. The expenditure in 2007-8 will be reduced by £400k with £310k re-phasing into 2008-09.
- Mortuaries Refurbishment – The original plan included contributions to works at Ashford and Maidstone hospitals. Whilst those at Ashford have proceeded, it was not possible to secure refurbished facilities at Maidstone and consequently new plans have been agreed with Medway Maritime Hospital but with a saving of £86k. It is proposed that this saving be used to help fund the cost of refurbishment at the Earlscliffe centre for the Registration Service (see below) and a virement will be requested. This project is funded by prudential borrowing.
- Community Facility Edenbridge – Planning approval is now being sought for the whole site, with the community centre expected to cost approximately £2m, £180k of which is planned from Kent Adult Social Services. There are a number of other partners including the Baptist Church necessary to secure the planning approval and as a consequence the size of the community building has had to increase and this is reflected in a rise in the cost from £1.6m. This additional cost of £220k will be met from the capital receipt.
- The Hub Southborough – This project remains in the initial planning stage. It is intended to dispose of the library and Ridgeway Centre in order to realise a net £700k capital receipt. However, in order to support the Tunbridge Wells library project (see below) it is proposed that £200k of the capital receipt available is vired from this project. This would be accomplished through a lower specification/less space etc and a reduction in the revised project budget of £0.2m to £3.05m.
- Ashford Library Learning & Information Centre – Options for this project are being finalised and will be brought forward as soon as possible. In the meantime the cost plan and funding package reflecting in the capital budget includes gross capital receipts and these have been reduced by £104k to take account of disposal costs.
- Tunbridge Wells Library – In order to support and strengthen a new HLF lottery bid jointly with TWBC in March 2008 it is intended to increase the KCC share of the project from £600k to £800k out of a total cost of £3.6m. This would be funded from viring £200k capital receipts from the Southborough Hub project (see above).
- Dover Discovery Centre Car Park – These plans have become extremely complex and have been overtaken by the emerging regeneration programme for the Western Docks and town centre and may come forward later as part of a comprehensive programme of works. The £200k scheme and the directorate funded prudential borrowing has been abandoned.
- Earlscliffe Centre – plans to refurbish this building for the Registration Service are advancing, in order to provide continuity of service pending their move into the new Ashford Library in 2010. It will be vacated by Adult Education by Christmas and the works are likely to cost at least £86k, which could be

accommodated by the saving on the mortuaries refurbishment – a virement will be requested.

After allowing for these funding issues the true underlying variance is nil.

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 reduce 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

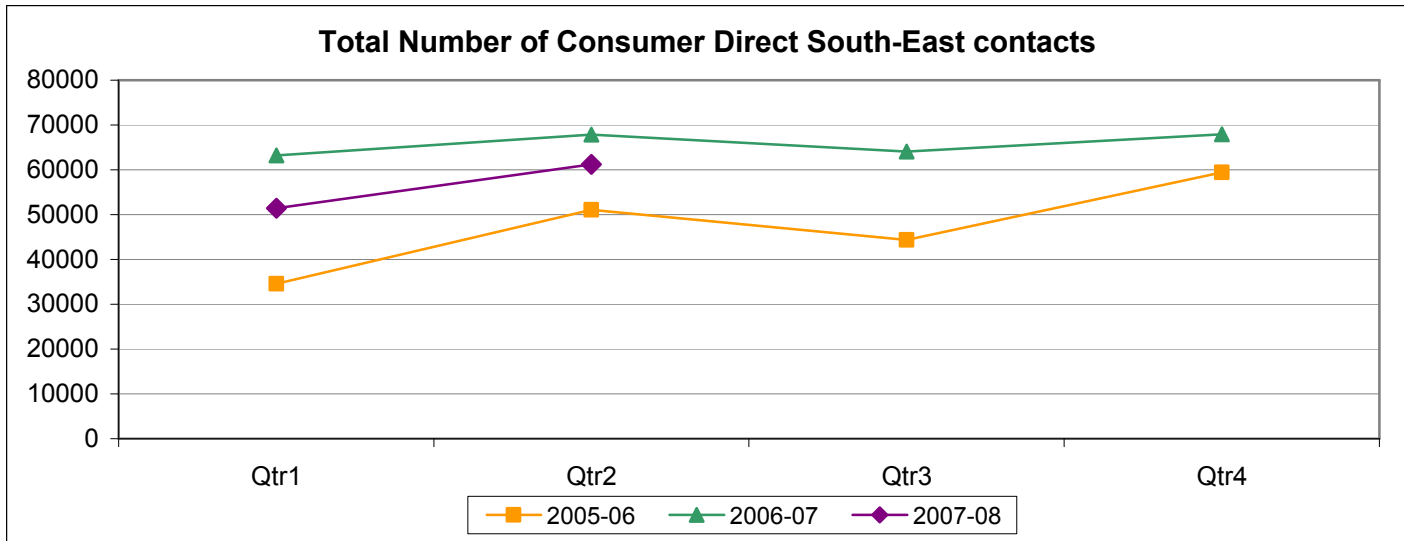
2.1 Number of Consumer Direct South-East contacts, by local authority area:

	2005-06	2006-07	2007-08				TOTAL
			Qtr1	Qtr2	Qtr3	Qtr4	
	<i>Total for the year</i>	<i>Total for the year</i>	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	<i>Total for the year</i>
Bracknell Forest	715	330	209	271			
Brighton & Hove	7,116	5,834	987	899			
Buckinghamshire	9,006	4,012	614	708			
East Sussex	9,717	9,893	1,843	2,047			
Hampshire	19,105	12,520	2,237	2,167			
Isle of Wight	2,129	2,106	346	446			
Kent	29,074	21,500	3,571	4,028			
Medway	1,671	1,249	267	358			
Milton Keynes	1,037	671	85	91			
Oxfordshire			No immediate plans to switch				
Portsmouth	5,524	4,332	571	547			
Reading	2,582	2,952	534	564			
Royal Borough of Windsor & Maidenhead ²	809		Callers to RBWM are asked to redial CDSE direct				
Slough	1,826	1,717	346	380			
Southampton	4,680	3,780	24	374			
Surrey	21,660	19,278	2,846	3,480			
West Berkshire	1,503	1,831	278	261			
West Sussex ³		2,334	1,441	1,257			
Wokingham	758	648	176	170			
Main English Landline ^{*1}	60,248	127,064	26,852	33,479			
Main English Mobile ^{*1}	7,712	25,073	5,398	6,677			
Calls handled for other regions	2,532	6,373	407	63			
Call-backs handled for other regions		1,017	0	407			
E-Mails		8,546	2,405	2,496			
2007-08 TOTAL			51,437	61,170			
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.



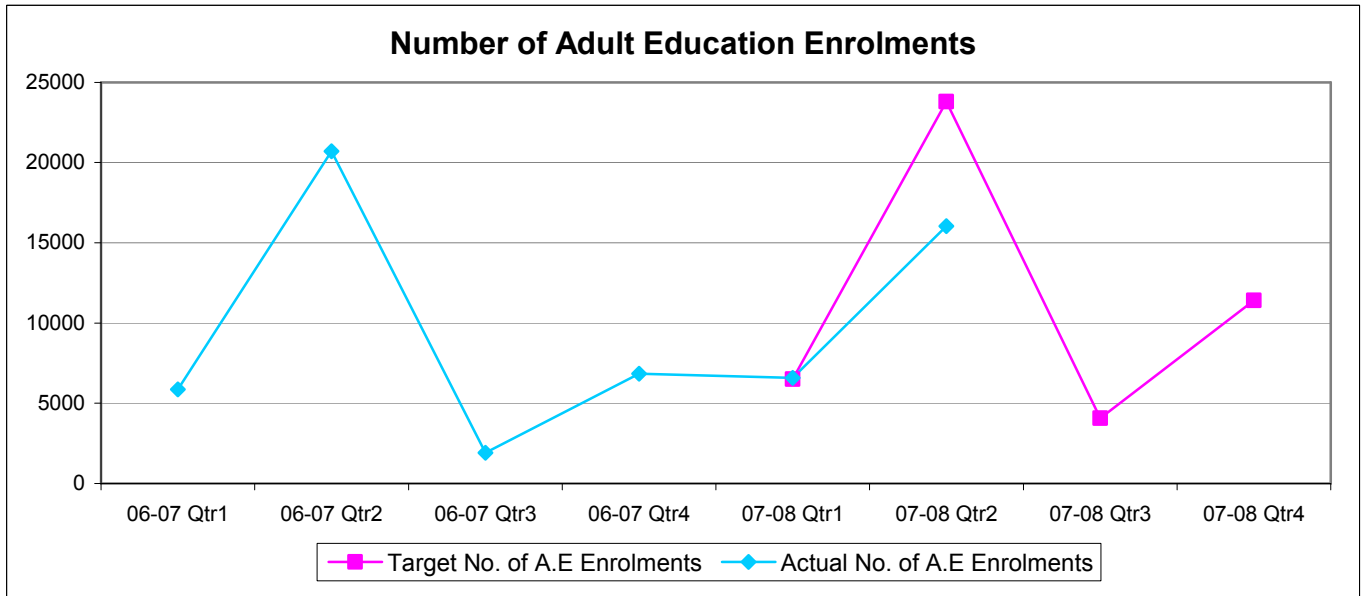
Comments

- Consumer Direct South East is funded according to the number of calls it receives. When it was established a reserve of £172k was established to cover trading deficits. Should call volumes not increase for the remainder of the year it is estimated the service will need to draw down £55k from the reserve as a result of lower than anticipated call volumes.

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	
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:

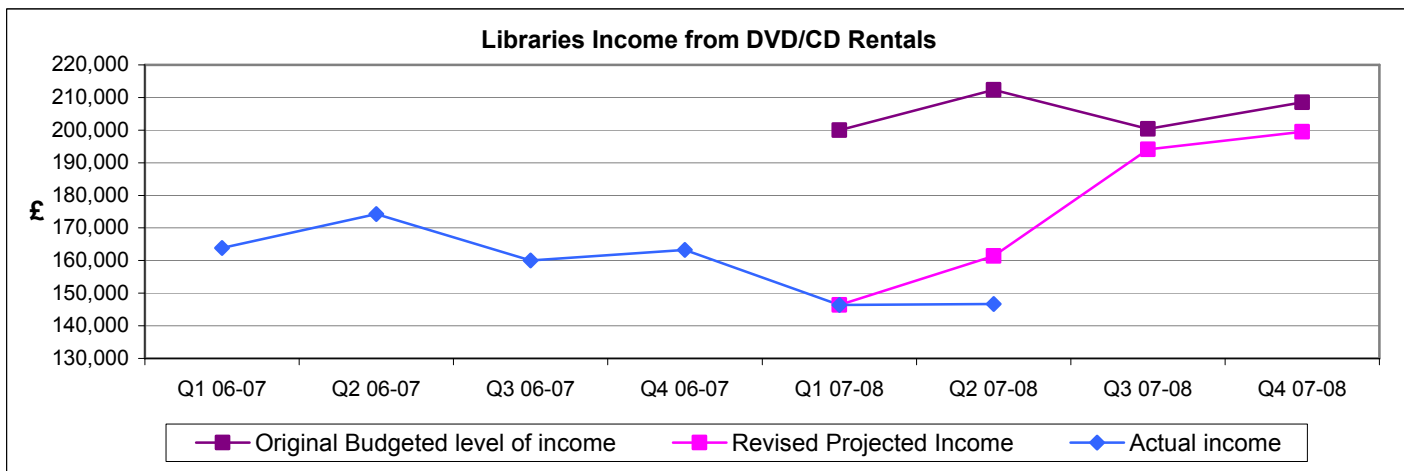
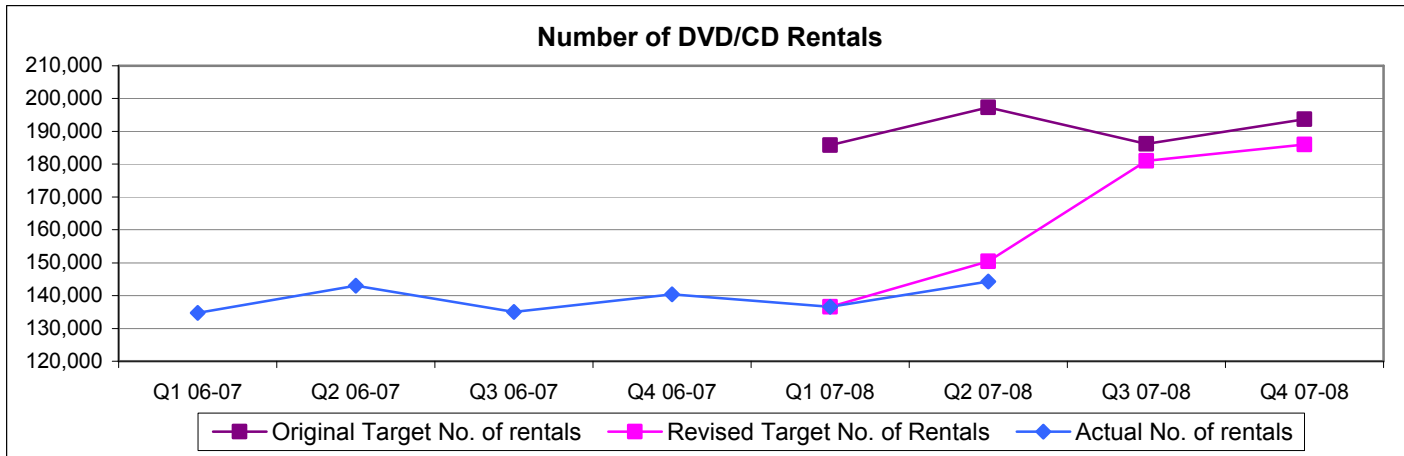
- The LSC formula grants depend partly on enrolments to courses. Students taking courses leading to a qualification are funded via Further Education (FE) grant based upon the course type and qualification. However, students taking non-vocational courses not leading to a formal qualification are funded 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 DVD/CD 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	134,736	163,872	185,800	136,556	136,566	200,000	146,437	146,437
July – Sept	143,023	174,247	197,300	150,500	144,331	212,300	161,390	146,690
Oct – Dec	135,010	160,027	186,200	181,000		200,400	194,096	
Jan – March	140,419	163,269	193,700	186,000		208,500	199,458	
TOTAL	553,188	661,415	763,000	654,056	303,516	821,200	701,381	293,127



Comments:

- Target figures for 2006/07 have not been shown as this data was not presented in monitoring reports last year
- Rentals of 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 reduced expenditure on consumables and other non-pay headings to offset the estimated loss of £120k income.
- There has been an increase in the rentals in quarter 2 but the income has not increased due to the reduced cost of rentals, as detailed in section 1.1.3.5 of this annex. It is expected that rentals will increase further in quarters 3 & 4 as a result of the reduced rental cost and increased loan periods.