

# COMMUNITIES DIRECTORATE SUMMARY JULY 2007-08 FULL MONITORING REPORT

B2 Appendix 1

## 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.
- This quarter cash limits have been adjusted to reflect a number of technical adjustments to budget, including the apportionment of -£0.120m of the e-recruitment saving from the Corporate Support portfolio and £0.005m of the provision for Kent Scheme revision from the Finance portfolio and the addition of £0.127m of roll forward from 2006-07, as agreed by Cabinet on 16 July 2007.

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

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Communities portfolio</b>							
Turner Contemporary	885	-82	803			0	
Kent Drug & Alcohol Action Team	15,219	-13,438	1,781			0	
Youth Offending Service	5,472	-1,889	3,583	1,129	-949	180	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	1,662	-1,162	500	Increased income is due to higher than anticipated formula grant from LSC and additional grants. Increased spending is in part due to increased ringfenced income and partly due to unanticipated costs for staff restructuring, premises rationalisation and
Cultural Development	1,404	-225	1,179		100	100	Ongoing impact of the loss of EU grants which have supported unit budget since restructuring in 2003/04
Libraries, Information & Archives	25,708	-2,787	22,921			0	
Sports, Leisure & Olympics	1,127	-312	815			0	
Youth Services	9,151	-1,570	7,581			0	
Key Training	3,865	-3,865	0			0	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
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	276		276	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	4,431	-399	4,032			0	
Policy & Resources	1,543	-97	1,446			0	
Centrally Managed directorate budgets	67	-1,641	-1,574			0	
<b>Total Communities controllable</b>	<b>99,760</b>	<b>-46,184</b>	<b>53,576</b>	<b>3,067</b>	<b>-2,011</b>	<b>1,056</b>	

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

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

1.1.3.1 Youth Offending Service – The latest forecast gross expenditure on YOS is £1.129m more than the cash limit and income is £949k more than cash limit giving a net pressure of £180k, 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 £1.662m more than cash limit, income is £1.1.62m more than the cash limit giving a net pressure of £500k, which is due to one-off costs associated with staff restructuring and premises rationalisation that were not allowed for in the budget and the potential loss of £200k income on tuition fees due to lower than anticipated take-up resulting from families being worse off due to recent interest rate increases. 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.

- *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 this change the service has identified concerns that it will not meet the revised budgeted level of tuition fees by a further £200k due to the impact on family budgets of recent interest rate increases and price rises for energy meaning some families can no longer afford to join courses. This potential further loss of £200k income is included in the overall net pressure of £500k.
- *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. The service has also identified other pressures resulting from the restructuring including delays in implementing the new arrangements and the cost of transferring staff to employee services. The total pressure from staff restructuring and redundancies is £174k which is included in the overall £500k net pressure.
- *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.
- *Premises* – The service is undertaking a rationalisation of premises including developments in Folkestone, Maidstone, Snodland and Canterbury/Whitstable. The service is facing a number of one-off costs in 2007/08, totalling £126k, in relation to this programme, which is included in the overall £500k net pressures.

1.1.3.3 Coroners Service – The latest forecast spending is £276k 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 Arts Unit – The pressure of £100k is due to a reduction in INTERREG grants which we were unaware of at the time of setting the budget.

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CMY	YOS Prevention Grant Expenditure covered by increased income	+532	CMY	YOS Prevention Grant Income	-566
CMY	AE Immigration Contract Expenditure covered by increased income	+336	CMY	AE Income for Immigration Contract	-373
CMY	AE loss of Tuition Fees	+200	CMY	AE Business Development Income	-260
CMY	AE staff restructuring	+174	CMY	Additional LSC AE Formula Grants	-230
CMY	YOS Secure Accommodation	+163	CMY	AE Project grants	-161
CMY	Increased guided learning hours for Family and Lifelong Learning in AE covered by increased income	+161			
CMY	Coroners Mortuary Fees	+142			
CMY	Neighbourhood Learning & SIP	+135			
CMY	AE fee and concessions policy revisions covered by increased income	+133			
CMY	AE Premises Costs	+126			
CMY	YOS staffing	+124			
CMY	AE Business Development Expenditure covered by increased income	+120			
CMY	AE Project expenditure covered by increased income	+104			
CMY	Arts Unit reduction in grant income	+100			
		+2,550			-1,590

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

We are in the process of reviewing the budget for YOS. A paper is currently being prepared to report to the Youth Justice board in September to agree a strategy to bring the budget back into balance and to address pressures. The net budget pressure has been reduced from earlier estimates. As a result the base budget for 2008/09 will need to be reviewed to ensure that it includes up to date estimates for all sources of income and all expenditure headings to ensure gross and income budgets are correct and expenditure is not netted off.

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 anticipated loss of tuition fee income means the service cannot return to a balanced budget position this year and repay the £500k loan from the Finance portfolio to cover previous years overspends without resulting in irreparable damage to the service's reputation. Other ways of financing this within the directorate are currently being investigated.

**1.1.5 Implications for MTFP:**

The pressures on Coroners and YOS for secure accommodation are imposed outside the direct control of the authority.

**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.

## 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 this quarter to reflect:

	2007-08 £000s	2008-09 £000s	2009-10 £000s
▪ Roll forward of the re-phasing from 2006-07	2,138		
▪ Ramsgate Library, an increase in the element of 'betterment' not covered by the insurance policy, reflecting a number of enhancements required to meet current building standards (funded by £80k external funding, £123k capital receipt from the sale of Newington Library and £46k revenue contribution)			249

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
<b>Communities</b>						
- per budget	21,627	21,518	14,073	5,010	5,820	68,048
- roll forward		2,138				2,138
- Ramsgate Library				249		249
						0
<b>Revised Budget</b>	<b>21,627</b>	<b>23,656</b>	<b>14,073</b>	<b>5,259</b>	<b>5,820</b>	<b>70,435</b>
Variance		-10,687	-778	6,886	4,417	-162
<b>split:</b>						
- real variance		-162				-162
- re-phasing		-10,525	-778	+6,886	+4,417	-0
<b>Real Variance</b>		<b>-162</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-162</b>
<b>Re-phasing</b>		<b>-10,525</b>	<b>-778</b>	<b>+6,886</b>	<b>+4,417</b>	<b>-0</b>

### 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
<b>Overspends/Projects ahead of schedule</b>						
			<b>+0</b>	<b>+0</b>	<b>+0</b>	<b>+0</b>
<b>Underspends/Projects behind schedule</b>						
CMY	Turner Contemporary	Phasing			-6,539	
CMY	The Hub Southborough	Phasing			-3,225	
CMY	Herne Bay Youth Centre	Phasing		-310		
	Herne Bay Youth Centre	Real		-90		
CMY	Village Halls & Com Ctrs - Grants	Real	-200			
	Village Halls & Com Ctrs - Grants	Phasing	-76			
			<b>-276</b>	<b>-400</b>	<b>-9,764</b>	<b>-0</b>
			<b>-276</b>	<b>-400</b>	<b>-9,764</b>	<b>+0</b>

#### 1.2.4 Projects re-phasing by over £1m:

##### 1.2.4.1 Turner Contemporary – slippage £6.5 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 £6.5 million (37% 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 are now drawing to the end of the outline planning of the gallery (RIBA stage C) and are about to embark on the detailed planning (RIBA stage D). The outline planning stage has slipped by 3 months from the original project plan and the tender process (RIBA stage G/H) will commence in May 2008 with site works commencing in September 2008. This shortened time frame should get the project back on schedule for completion in spring 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 early in the new year.

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
<b>BUDGET &amp; FORECAST</b>						
Budget	374	9,483	6,803	740	-	17,400
Forecast	374	2,944	2,109	7,556	4,417	17,400
Variance	-	-6,539	-4,694	6,816	4,417	-
<b>FUNDING</b>						
<b>Budget:</b>						
prudential	374	6,003	373	400	-	7,150
external	-	3,480	6,430	340	-	10,250
TOTAL	374	9,483	6,803	740	-	17,400
<b>Forecast:</b>						
prudential	374	1,249	342	4,431	4	6,400
external		1,695	1,767	3,125	4,413	11,000
TOTAL	374	2,944	2,109	7,556	4,417	17,400
<b>Variance</b>	<b>-</b>	<b>-6,539</b>	<b>-4,694</b>	<b>6,816</b>	<b>4,417</b>	<b>-</b>

### 1.2.4.2 The Hub, Southborough – slippage £3.2 million

This scheme is designed to deliver joint service improvements and cost efficiencies with Southborough Town Council. It has slipped by £3.2 million representing 99% of the total value of the scheme. It has been delayed in the planning process due to prolonged discussions with the Co-op who own the adjoining site and have now come forward with an offer to buy land owned by the Town Council (over which KCC has a claw back covenant).

It is not yet clear when the project will be able to start or indeed be completed. Further discussions are underway with both the Town and Borough councils to reach agreement on the way forward. The service implications of this delay are that the existing library will continue to operate and be maintained to ensure continuity of service.

There are no financial implications because it's an in and out scheme funded by the capital receipt from the Co-op, the library and the Ridgeway Centre. Revised phasing of the scheme is now as shown as follows until more detailed information is available:

## The Hub, Southborough

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>BUDGET &amp; FORECAST</b>						
Budget		3,250				3,250
Forecast		25	3,225			3,250
Variance	-	-3,225	3,225	-	-	-
<b>FUNDING</b>						
<b>Budget:</b>						
capital receipt		3,250				3,250
						-
TOTAL	-	3,250	-	-	-	3,250
<b>Forecast:</b>						
capital receipt		25	3,225			3,250
						-
TOTAL	-	25	3,225	-	-	3,250
<b>Variance</b>	-	<b>-3,225</b>	<b>3,225</b>	-	-	-

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

- Sevenoaks Kaleidoscope - overspend of £20k to be met from external funding and development contributions.
- BLF – PE and Sport – additional spend of £108k to be met from development contributions of £66k and external funding of £42k.
- Village Halls and Community Centre Capital Grants – an under spend of £200k will be vired to Herne Bay Youth Centre project.
- Herne Bay Youth Centre – the overall project cost is now expected to be £910k, however, £200k relates to the Children’s Centre which is included in the CFE budget and so £710k is forecast within Communities against a budget of £800k. 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.

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.

#### (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.

## 2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

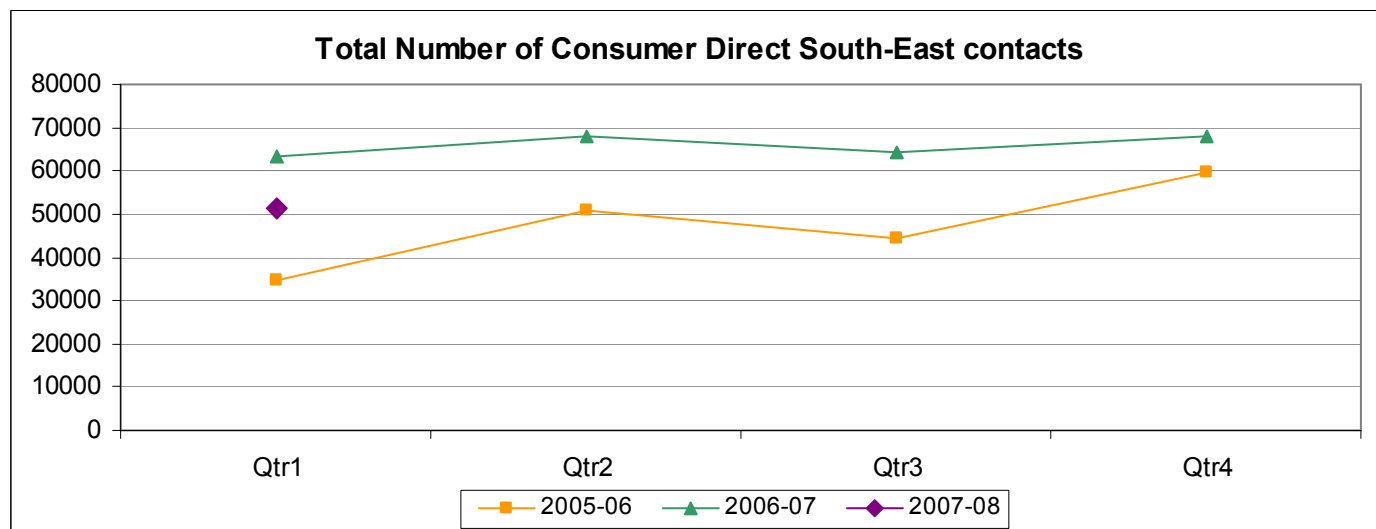
### 2.1 Number of Consumer Direct South-East contacts, by local authority area:

	2005-06	2006-07	2007-08				TOTAL
			Qtr1	Qtr2	Qtr3	Qtr4	
	Total for the year	Total for the year	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				
Brighton & Hove	7,116	5,834	987				
Buckinghamshire	9,006	4,012	614				
East Sussex	9,717	9,893	1,843				
Hampshire	19,105	12,520	2,237				
Isle of Wight	2,129	2,106	346				
Kent	29,074	21,500	3,571				
Medway	1,671	1,249	267				
Milton Keynes	1,037	671	85				
Oxfordshire			No immediate plans to switch				
Portsmouth	5,524	4,332	571				
Reading	2,582	2,952	534				
Royal Borough of Windsor & Maidenhead <sup>2</sup>	809		Callers to RBWM are asked to redial CDSE direct				
Slough	1,826	1,717	346				
Southampton	4,680	3,780	24				
Surrey	21,660	19,278	2,846				
West Berkshire	1,503	1,831	278				
West Sussex <sup>3</sup>		2,334	1,441				
Wokingham	758	648	176				
Main English Landline <sup>*1</sup>	60,248	127,064	26,852				
Main English Mobile <sup>*1</sup>	7,712	25,073	5,398				
Calls handled for other regions	2,532	6,373	407				
Call-backs handled for other regions		1,017	0				
E-Mails		8,546	2,405				
<b>2007-08 TOTAL</b>			<b>51,437</b>				
<b>2006-07 TOTAL by Qtr</b>		<b>263,060</b>	<b>63,185</b>	<b>67,865</b>	<b>64,080</b>	<b>67,930</b>	
<b>2005-06 TOTAL by Qtr</b>	<b>189,404</b>		<b>34,616</b>	<b>51,015</b>	<b>44,334</b>	<b>59,439</b>	

\*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

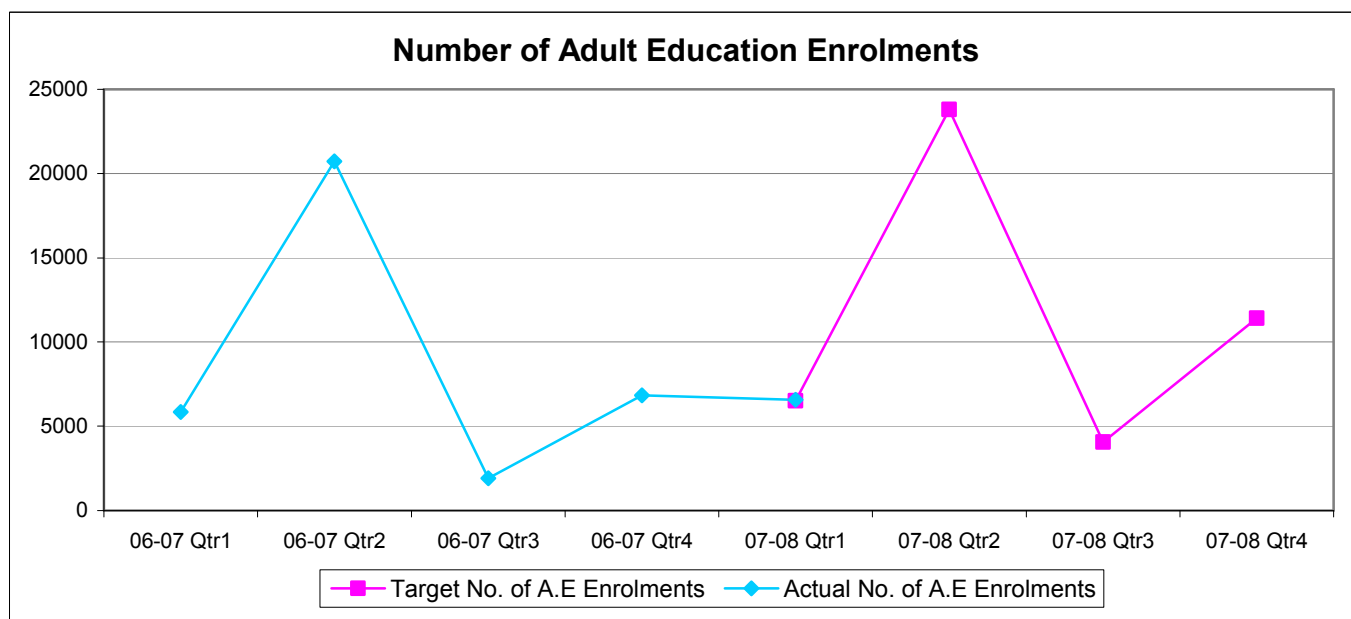
\*3 – since January 2007, West Sussex calls and e-mails have been diverted to CDSE.



## 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	
Oct – Dec	1,925	4,071	
Jan - March	6,829	11,416	
<b>TOTAL</b>	<b>35,316</b>	<b>45,791</b>	<b>6,567</b>

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.



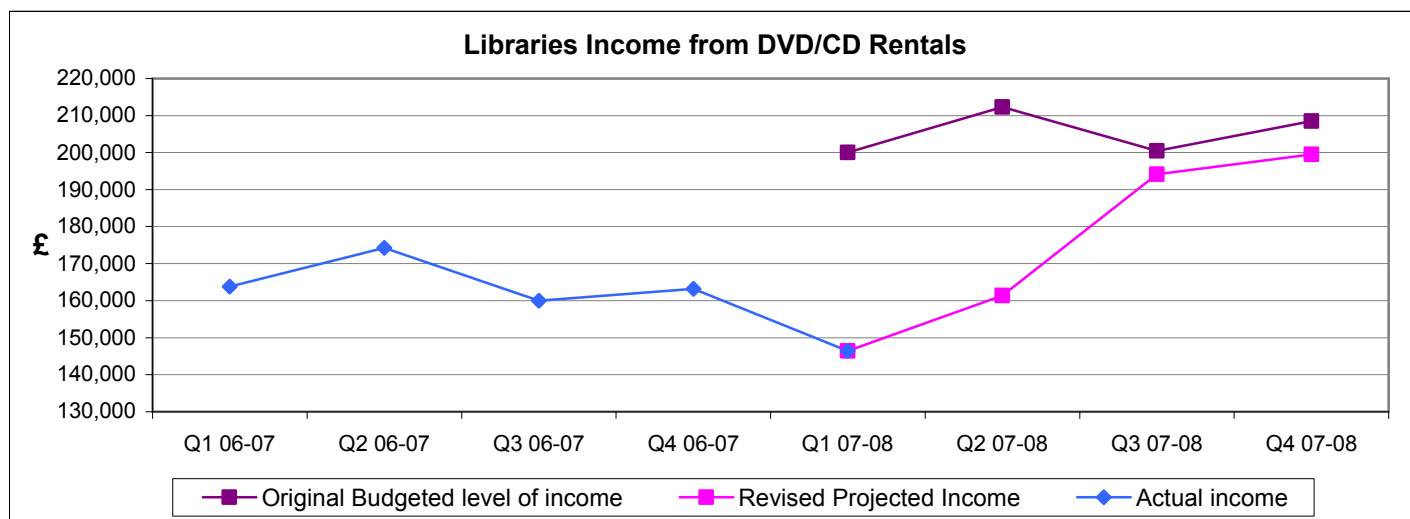
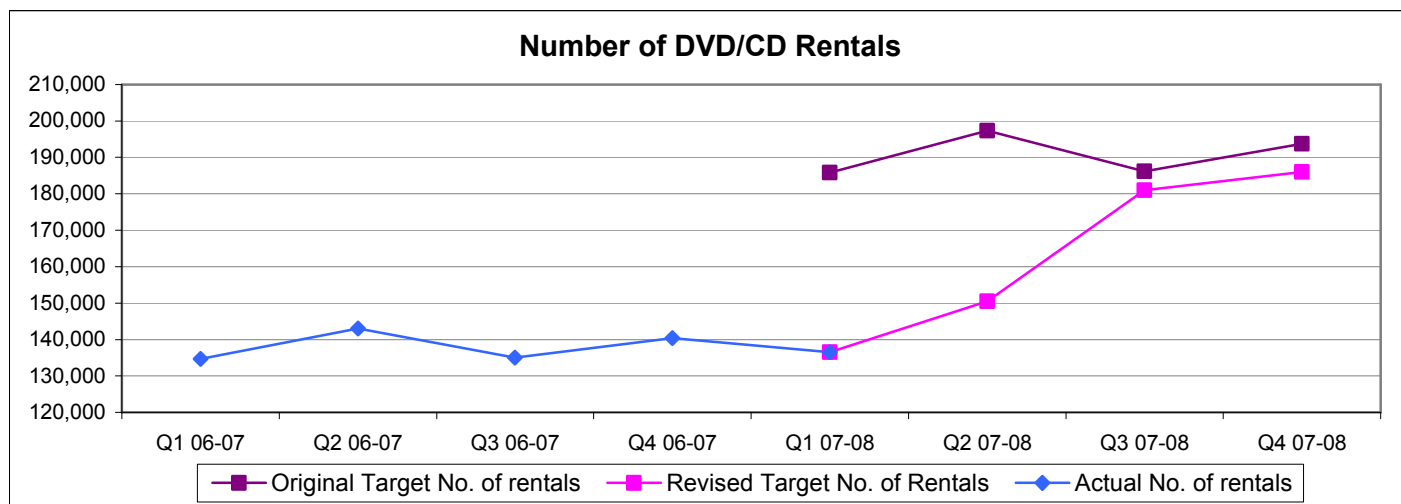
### Comments:

- 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.

## 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		212,300	161,390	
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	
<b>TOTAL</b>	<b>553,188</b>	<b>661,415</b>	<b>763,000</b>	<b>654,056</b>	<b>136,566</b>	<b>821,200</b>	<b>701,381</b>	<b>146,437</b>



### 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 is looking to get income from other sources or, as a last resort, make compensatory expenditure savings to offset the estimated loss of £120k income.