

**By:** Mike Hill, Cabinet Member, Customer & Communities  
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**To:** Communities Cabinet Committee

**Date:** 17 January 2013

**SUBJECT:** **Customer & Communities Directorate & Portfolio Financial Monitoring 2012/13**

**Classification:** Unrestricted

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**Summary:** Members of the Cabinet Committee are asked to note the second quarter's full budget monitoring report for 2012/13, which was reported to Cabinet on 3 December 2012.

## **FOR INFORMATION**

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### **1. Introduction**

- 1.1 This is a regular report to this Committee on the forecast outturn for Customer & Communities Directorate & Portfolio.

### **2. Background**

- 2.1 A detailed quarterly monitoring report is presented to Cabinet, usually in September, December and March and a draft final outturn report in either June or July. These reports outline the full financial position for each portfolio and will be reported to Cabinet Committees after they have been considered by Cabinet.

In the intervening months an exception report is made to Cabinet outlining any significant variations from the quarterly report. The second quarter's monitoring report is attached.

### **3. Customer & Communities Portfolio 2012/13 Financial Forecast - Revenue**

- 3.1 A forecast underspend of -£1.42m is contained within this quarter 2 full monitoring report. The increased underspend (of -£0.86m) from the -£0.56m variance reported at the November meeting is primarily attributable to the following:

- Registration -£0.17m resulting from not appointing to business critical posts until the restructure of the new Libraries, Registration and Archive group is complete. This underspend will be offset in the following month(s) by anticipated ICT costs in relation to upgrading to less antiquated licences and software.
- Youth Offending Service -£0.18m resulting from not appointing to business critical posts pending the completion of the restructure within the new Integrated Youth Services group and in anticipation of Youth Justice board settlement.
- Trading Standards -£0.20m resulting from not appointing to business critical posts pending the completion of the restructure within the new regulatory

services group, extending vacancies where possible and through additional income.

- Community Wardens -£0.13m resulting from extended vacancy management.

3.2 There are no exceptional revenue changes to confirm since the quarter 2 full monitoring report as the next exception report will not be presented to Cabinet until 23<sup>rd</sup> January 2013.

#### **4. Customer & Communities Portfolio 2012/13 Financial Forecast - Capital**

4.1 The +£0.357m movement (fully funded so not a net pressure to the authority) contained within this quarter 2 full monitoring report can be explained as follows:

- Revenue funded projects totalling +£0.23m, of which +£0.14m relates to the acquisition of new youth vehicles in line with the transformation strategy.
- An invest to save prudential project totalling +£0.128m, which is the capital contribution to the Dartford & Gravesham NHS Trust that will increase the dedicated space for post mortem provision and will lower revenue costs.

4.2 There are no exceptional capital changes to confirm since the quarter 2 full monitoring report as the next exception report will not be presented to Cabinet until 23<sup>rd</sup> January 2013.

#### **5. Recommendations**

5.1 Members of the Customer & Communities Cabinet Committee are asked to note the revenue and capital forecast variances from budget for 2012/13 for the Customer & Communities Portfolio based on the second quarter's full monitoring to Cabinet.

#### **Background Documents**

N/A

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# **CUSTOMER & COMMUNITIES DIRECTORATE SUMMARY SEPTEMBER 2012-13 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 for the A-Z service analysis have been adjusted since the quarter 1 monitoring report to reflect a number of technical adjustments to budget including the centralisation of training budgets and room hire budgets.
  - The inclusion of a number of 100% grants (i.e. grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 1 of the executive summary.

1.1.2 **Table 1** below details the revenue position by A-Z budget:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Customer &amp; Communities portfolio</b>							
C&C Strategic Management & Directorate Support Budgets	9,805	-3,975	5,830	-38	-1	-39	
<u>Other Services for Adults &amp; Older People:</u>							
- Drug & Alcohol Services	15,981	-14,609	1,372	0	0	0	
- Supporting People	25,609	0	25,609	0	0	0	
	41,590	-14,609	26,981	0	0	0	
<u>Children's Services Education &amp; Personal:</u>							
- Youth Service	8,663	-2,154	6,509	0	0	0	
- Youth Offending Service	5,581	-2,410	3,171	-218	37	-181	Staffing vacancies & reduced mileage & subsistence
	14,244	-4,564	9,680	-218	37	-181	
<u>Community Services:</u>							
- Archive Service (incl Museum Development)	757	-187	570	2	-24	-22	
- Arts Development (incl Turner Contemporary)	1,744	-103	1,641	15	-12	3	
- Big Society Fund	1,000	0	1,000	0	0	0	
- Community Learning Services	15,002	-15,355	-353	-37	37	0	
- Community Safety	1,203	-226	977	-10	-1	-11	
- Community Wardens	2,888	0	2,888	-134	0	-134	Reduced costs from vacancy management
- Contact Centre & Consumer Direct	5,605	-1,859	3,746	-446	446	0	CDSE - reduced staff nos & associated income levels. Impact of cost cutting exercise against non staffing
- Gateways	2,754	-635	2,119	-163	39	-124	Reduction in agency costs and rephasing of Gateways opening
- Library Services	16,176	-2,151	14,025	34	-78	-44	Increased fees & charges income
- Sports Development	2,603	-1,620	983	-37	-4	-41	staffing underspend

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Supporting Independence & Supported Employment	1,371	-484	887	-228	62	-166	KSE - reduced staff costs. Loss of income from reduced number of referrals from Job Centre Plus
	51,103	-22,620	28,483	-1,004	465	-539	
<u>Environment:</u>							
- Country Parks	1,504	-932	572	-9	9	0	
- Countryside Access (incl PROW)	2,884	-1,023	1,861	0	0	0	
	4,388	-1,955	2,433	-9	9	0	
<u>Local Democracy:</u>							
- Community Engagement	720	0	720	42	3	45	
- Member Grants	1,266	0	1,266	0	0	0	
	1,986	0	1,986	42	3	45	
<u>Regulatory Services:</u>							
- Coroners	2,982	-475	2,507	13	0	13	
- Emergency Planning	852	-199	653	-63	-8	-71	
- Registration	2,743	-3,135	-392	-172	0	-172	staffing vacancies
- Trading Standards	4,053	-735	3,318	-201	-2	-203	Reduced costs from vacancy management
	10,630	-4,544	6,086	-423	-10	-433	
<b>Total controllable</b>	<b>133,746</b>	<b>-52,267</b>	<b>81,479</b>	<b>-1,650</b>	<b>503</b>	<b>-1,147</b>	
<b>Assumed Management Action</b>						<b>0</b>	
<b>Forecast after Mgmt Action</b>				<b>-1,650</b>	<b>503</b>	<b>-1,147</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:

#### **Customer & Communities portfolio:**

##### 1.1.3.1 **Children's Services – Education & Personal:**

###### a. **Youth Offending Service: Gross -£218k, Income +£37k, Net -£181k**

The notification for the 2013-14 funding from Youth Justice Board is yet to be finalised and in the anticipation of a reduction, based on intelligence received to date, the service is holding a number of vacancies with a gross staffing underspend of £140k being reported.

In addition there is an associated underspend of -£70k from the reduction in mileage, subsistence and expenses claims.

There are other small gross variances of -£8k.

### 1.1.3.2 **Community Services:**

a. Community Wardens: Gross -£134k, Income nil, Net -£134k

There continue to be vacancies within this service including six wardens, a management post and an administration officer. These account for the current forecast gross underspend of -£134k. The budget includes a built in vacancy management target, otherwise the projected underspend would be in excess of this.

b. Contact Centre & Consumer Direct: Gross -£446k, Income +£446k, Net nil

There has been a reduction in Consumer Direct call volumes and as income for this contract is calculated on a price per call basis; this has led to a reduction in income of +£446k. However this is offset by a £369k gross underspend on staffing as a result of reduced staff numbers in line with the reduction in call volumes. A cost cutting exercise has also been undertaken in order to offset this income shortfall and further gross savings of £77k are forecast from this exercise.

c. Gateways: Gross -£163k, Income +£39k, Net -£124k

As previously reported, the main contributor to the gross underspend is the re-phasing and change in specification of two multi agency Gateways. Swanley and Herne Bay Gateways are not now expected to open until 2013-14, with Herne Bay on a reduced scale from original plans. This has resulted in a one off underspend of -£159k as there will be no running costs in this financial year.

There are other small variances totalling -£4k on gross and +£39k on income.

d. Supporting Independence & Supported Employment: Gross -£228k, Income +£62k, Net -£166k

The gross variance of -£228k mainly relates to a reduction in staffing within Kent Supported Employment (KSE) which has been achieved through improved performance, as well as reduced activity. The forecast income shortfall of +£62k is also within KSE and relates to the Department for Work & Pensions funded Work Programme contract where referrals are below the anticipated demand and as a consequence there is a reduction in income.

### 1.1.3.3 **Regulatory Services:**

a. Registration Gross -£172k, Income Nil, Net -£172k

The Registration Service is predicting a -£172k underspend of which the majority (-£165k) relates to staffing, as vacancies are being held pending a restructure of the Registration Service following the integration with the Libraries and Archive services. However, there are some emerging pressures within the Libraries, Registration & Archives integrated service which need further investigation that are likely to offset this position and a further update will be provided in the next report.

b. Trading Standards (including Kent Scientific Services): Gross - £201k, Income -£2k, Net -£203k

The combined service is forecasting an underspend on staffing of -£156k as there are a number of vacant posts being held whilst a restructure and review is underway. This, together with a number of smaller underspends on non staffing budgets, accounts for the gross variance of -£201k

The income variance was +£87k at quarter 1 but this pressure has been reduced through an improved forecast of income for Kent Scientific Services, together with an additional -£28k of income from Olympic Delivery Authority for Trading Standards. These two combined result in an income variance of -£2k.

**Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER**  
(shading denotes that a pressure has an offsetting saving, which is directly related, or vice versa)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
C&C	Contact Centre & Consumer Direct: reduction in income linked to reduced call volumes for Consumer Direct	+446	C&C	Contact Centre & Consumer Direct: reduced staff numbers in line with reduced call volumes for Consumer Direct	-369
			C&C	Supported Independence & Supported Employment: staffing underspend within Kent Supported Employment	-228
			C&C	Registration Service: staffing savings pending restructure of service	-165
			C&C	Gateways: re-phasing of opening and change in specification of Swanley and Herne Bay gateways	-159
			C&C	Trading Standards: staff vacancy savings pending restructure of service	-156
			C&C	Youth Offending Service: staff vacancy savings pending notification of future year funding levels from Youth Justice Board	-140
			C&C	Community Wardens: staff vacancies	-134
		+446			-1,351

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

*E.g. Management Action achieved to date including vacancy freeze, changes to assessment criteria etc. This section should provide details of the management action already achieved, reflected in the net position before assumed management action reported in table 1.*

The directorate is delivering a significant underspend in order to contribute towards the authority's current and future year funding demands and this is being achieved by accelerating future year's savings, wherever possible, and by holding vacancies wherever this can be done without impacting on front line service delivery and only appointing to business critical posts, which results in savings on both staffing and the associated non-staffing costs.

#### 1.1.5 Implications for MTFP:

As part of the budget consultation – which ended early November – the directorate outlined proposals to achieve new savings of just under £1.8m, as well as the full year effect of savings implemented (and consulted upon) last year of just over £4.3m.

A number of the underspends reported in the sections above are where vacancies are being held in anticipation of county council approving the savings in February 2013 and to try and minimise the impact of enforced redundancies, wherever



possible, but only where the impact on front line delivery has been negligible or been fully mitigated.

In addition to anticipated savings that need to be delivered in 2013/14, there is still the unknown quantum of funding allocations for future years which may well yet impact on future year budgets e.g. provisional or final grant settlements for 2013/14 may not yet be known for a few months but any changes in assumptions will be included within future monitoring reports.

#### 1.1.6 Details of re-phasing of revenue projects:

Towards the end of 2011/12, £1m from the Big Society budget was provided to the Kent Community Foundation for a loan fund to award loans to social enterprises that are perhaps unable to secure loans through other routes. A further £2m was set aside for further donations of £1m in each of 2012/13 and 2013/14. KCC reserves the right not to make the further donations to the fund if the market appetite is not evident and each year an Annual Report is to be presented to KCC in order for them to assess the market conditions. This report will be presented to Cabinet in relation to current level of demand and this will be the basis of the decision for further investment. It is currently forecast that a further £1m will be donated in 2012/13 but Members will be updated of any changes to that assumption in future reports. Take up has been slower than anticipated but it is hoped that targeted marketing will improve this position.

#### 1.1.7 Details of proposals for residual variance: *[e.g. roll forward proposals; mgmt action outstanding]*

None

### 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.

1.2.2 The Customer and Communities portfolio has an approved budget of £13.551m (see table 1 below). The forecast outturn against this budget is £13.908m, giving a variance of +£0.357m. After adjustments for funded variances and reductions in funding, the revised variance contras to nil (see table 3).

1.2.3 Tables 1 to 3 summaries the portfolio's approved budget and forecast.

1.2.4 Table 1 – Revised approved budget

	£m	
Approved budget last reported to Cabinet	13.501	
Approvals made from last Cabinet meeting	0.050	Public Rights of Way
Revised approved budget	13.551	

### 1.2.5 Table 2 – Funded variances

Scheme	Amount £m	Reason
<b>Cabinet to approve cash limit changes</b>		
Dartford & Gravesham NHS Trust Capital Contribution	0.128	*Funding required this year in order for contract to commence 1st April 2013
<b>No cash limit changes to be made</b>		
Youth Vehicles	0.141	To be funded from Revenue
Public Rights of Way	0.063	To be funded from Revenue
Tonbridge Youth Facility	0.025	To be funded from Revenue
<b>Total</b>	<b>0.357</b>	

\*Cabinet is asked to approve a change in cash limit to reflect a contribution of £128k to Dartford & Gravesham NHS Trust towards the overall cost of extending their premises. The Trust is commissioned to provide post mortem services on behalf of the authority and currently has insufficient capacity to accommodate the increased caseload, something the planned works aim to mitigate. The overall works are due to be completed in time for the new contract to commence in April 2013 and therefore funding is required in the current financial year.

### 1.2.6 Table 3 – Summary of Variance

	Amount £m
<b>Unfunded variance</b>	<b>0.000</b>
Funded variance (from table 2)	0.128
Variance to be funded from revenue (from table 2)	0.229
<b>Rephasing (beyond 2012-15)</b>	<b>0.000</b>
<b>Total variance</b>	<b>0.357</b>

### Main reasons for variance

- 1.2.7 Table 4 below details each scheme indicating all variances and the status of the scheme. Each scheme with a Red or Amber status will be explained including what is being done to get the scheme back to budget/on time.

Table 4									
Scheme Name	Total Cost £m	Previous Spend £m	2012-15 Approved Budget £m	Later Years Approved Budget £m	2012-15 Forecast Spend £m	Later Years Forecast Spend £m	2012-15 Variance £m	Total Project Variance £m	Status Red / Green / Amber
	(a) = b+c+d	(b)	(c )	(d)	(e)	(f)	(g) = (e-c)	(h)= (b+e+f-a)	
Rolling Programme									
Public Rights of Way - Structural Maintenance	2.422	0.000	2.422	0.000	2.485	0.000	0.063	0.063	
Country Park Access & Development	0.510	0.000	0.510	0.000	0.510	0.000	0.000	0.000	
Small Community Projects	2.510	0.000	1.510	1.000	1.510	1.000	0.000	0.000	
Library Modernisation Programme	3.113	0.295	1.898	0.920	1.898	0.920	0.000	0.000	
Modernisation of Assets	0.727	0.000	0.457	0.270	0.598	0.270	0.141	0.141	
Public Sports Facilities Improvement - Capital Grants	0.500	0.000	0.300	0.200	0.300	0.200	0.000	0.000	
Village Halls & Community Centres - Capital Grants	1.111	0.000	0.711	0.400	0.711	0.400	0.000	0.000	
Individual Projects									
The Beaney, Canterbury	3.620	3.365	0.255	0.000	0.255	0.000	0.000	0.000	
Turner Contemporary	17.400	17.400	0.000	0.000	0.000	0.000	0.000	0.000	
Gateways	7.052	4.824	2.228	0.000	2.228	0.000	0.000	0.000	
Ashford Gateway Plus	7.606	7.539	0.067	0.000	0.067	0.000	0.000	0.000	
Grant to Cobtree Trust	0.100	0.043	0.057	0.000	0.057	0.000	0.000	0.000	
Tunbridge Wells Library	0.469	0.028	0.441	0.000	0.441	0.000	0.000	0.000	Phasing
Kent History & Library Centre	10.981	10.625	0.356	0.000	0.356	0.000	0.000	0.000	
Gravesend Library	2.500	2.404	0.096	0.000	0.096	0.000	0.000	0.000	
Libraries Invest to Save	1.730	1.528	0.202	0.000	0.202	0.000	0.000	0.000	
New Community Facilities at Edenbridge	1.009	0.337	0.672	0.000	0.672	0.000	0.000	0.000	Phasing
Web Platform	1.139	0.810	0.329	0.000	0.329	0.000	0.000	0.000	
Youth Service Reconfiguration	0.058	0.000	0.058	0.000	0.083	0.000	0.025	0.025	
CLS service re-provision	0.482	0.000	0.482	0.000	0.482	0.000	0.000	0.000	
New Library & Community Centre Cheeseman's Green	0.350	0.000	0.350	0.000	0.350	0.000	0.000	0.000	
Gateway phase 2 completion	0.150	0.000	0.150	0.000	0.150	0.000	0.000	0.000	
Dartford & Gravesham NHS Trust Capital Contribution	0.000	0.000	0.000	0.000	0.128	0.000	0.128	0.128	
TOTAL CUSTOMER & COMMUNITIES	65.539	49.198	13.551	2.790	13.908	2.790	0.357	0.357	

1.2.8 Status:

Green – Projects on time and budget

Amber – Projects either delayed or over budget

Red – Projects both delayed and over budget

1.2.9 Assignment of Green/Amber/Red Status

1.2.10 Projects with variances to budget will only show as amber if the variance is unfunded, i.e. there is no additional grant, external or other funding available to fund.

1.2.11 Projects are deemed to be delayed if the forecast completion date is later than what is in the current project plan.

**Amber Projects – variances to cost/delivery date and why.**

1.2.10 **Tunbridge Wells Library (Rephasing)** - Practical completion is now likely to occur in the next financial year - thus the Amber status - and this is due to a combination of issues including protracted procurement and contractual processes. Also, as this is a listed building there is a potential risk that once work commences, issues could be encountered which may increase the scope and costs of works. The project however contains a contingency and as part of the procurement process, this has been increased slightly in an attempt to mitigate any such risks.

1.2.11 **Edenbridge Community Centre – no change from prior month (rephasing)** - The contractor has submitted an extension of time request in relation to the construction of the Edenbridge Centre and the associated housing development. The impact of this is that the opening of the centre has moved from October 2012 to January 2013. The fixed price Design and Build contract means that there are no financial risks to KCC in relation to the build or this claim but as the estimated completion date has been elongated, an AMBER status has been applied.

**Key issues and Risks**

1.2.12 Public Rights of Way - The Countryside Access Programme includes a number of surfacing schemes which can involve access across difficult terrain or along unsurfaced rights of way. Some of the access can be weather dependent with landowners refusing access in poor weather conditions hence there is a potential risk that projects are not completed as scheduled.

1.2.13 The Beaney – As reported in the prior month's monitoring, the Viridor bid for £133k external funding was unsuccessful. The funding gap is now going to be met from the Modernisation of Assets budget within Corporate Landlord. There is also the risk that there will be additional costs outside of the fixed price contract but these will be reported when there is more certainty over the quantum.

1.2.14 Library Modernisation – Within the cash limit, funds have been set aside for the Library element of the Herne Bay and Swanley Gateways, therefore this budget is intrinsically linked to that programme (see below). Funds may also be required at Folkestone, for the library element of Edenbridge Community Centre and some Modernisation costs at Tunbridge Wells. This project is linked to the Future Libraries Strategy and some re-phasing may therefore ensue over the coming months as these various projects proceed.

1.2.15 Gateways – The Gateway programme was to be delivered over a number of years and anticipated opening dates were scheduled. However, due to the number of agencies involved, differing funding requirements and planning approval processes, there is an inherent risk around timing, funding and future delivery. Business cases are presented for each gateway and these considerations will be updated as part of future monitoring reports.

1.2.16 Ramsgate Library – The refurbishment is almost complete and there is a small risk that the residual budget is insufficient to meet the costs of the final snagging works. Conversely, if a surplus is delivered then this may need to be returned to the Administrator.

The outstanding defects liability was costed by the Quantity Surveyor and formed part of the settlement negotiations. The programme of work has been tendered and will be monitored against the funds available.

1.2.17 Web Platform – It was reported previously that there was no rolling programme to fund improvements/enhancements to kent.gov once this fixed term project expires. As opposed to updating the current system, a project is now underway – in conjunction with the Customer Service ‘Channel Shift’ strategy – to replace the current web platform in order to increase its functionality and improve the user experience, as the current system will be unsupported come March 2013 and has insufficient capacity to fully enable channel shift.

There is a risk that this recycled budget is insufficient to fully fund the replacement. Such additional capital expenditure and associated revenue costs will be included in future iterations of this report or in the 2013/14 budget and Medium Term Financial Plan that will be approved by County Council in February 2013.

1.2.18 Youth Service Vehicles – the Youth Service are purchasing 3 replacement vehicles which are to be funded from revenue. The service is replenishing their fleet in anticipation of the new youth transformation launch in January 2013 where the expectation is that there will be at least one vehicle per district. This investment, along with the existing renewals programme, will achieve that outcome.

1.2.19 Post mortem facility contribution - as this is a capital contribution to a non KCC project, there is a risk that the overall cost, specification and timing is not in line with expectation and that is outside of the control of the authority. This will be mitigated by regular dialogue with the Trust to ensure that the new contract can commence in April 2013 as planned.

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

N/A