

To: Communities Policy Overview & Scrutiny Committee – 11th November 2009

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

Subject: **Financial Monitoring Report: Community Services 2009/10**

Classification: Unrestricted

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

FOR INFORMATION

1. Introduction

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

2. Background

- 2.1 Policy Overview & Scrutiny Committees (POSCs) consider the draft Medium Term Financial Plan at their November and January meetings. To enable a more informed discussion, three reports are presented to the Committee on a regular basis:

a) Budget Monitoring reports

A detailed quarterly budget monitoring report is presented to Cabinet, usually in September, December and March, and a draft final outturn report in June. A section of the Cabinet Report relates to each directorate which is then presented to this Committee at the next available POSC meeting. These reports are intended to inform members about current trends, pressures and management actions in advance of the following year's budget setting.

The timing of these quarterly reports to Cabinet, and of subsequent POSC meetings, leads on occasion to considerable gaps but this has to be treated as a corporate issue and cannot be easily resolved by individual POSCs.

As an example, there has not been a full Cabinet budget monitoring report since the last meeting of this POSC and thus the annex to this report is the same as was presented to the POSC meeting in September.

An exception report was however made to Cabinet on 12th October and details of this are included in section 3 below. The next full quarterly report for Cabinet is due in December and will be reported to this POSC in January 2010.

b) Performance Monitoring reports

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

c) Unit level outturn reports

Effectively an amalgam of the above two, the outturn reports summarise financial and performance information at unit level for the whole of the preceding year. The first of these, the outturn report for 2008/09, was reported to the July POSC meeting.

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

3 Quarterly monitoring report

- 3.1 Attached is the monitoring report for the first quarter in 2009/10 for the Communities directorate, as reported to the September POSC. The table has been amended to show net variance as an amount and percentage as requested by Members.

3.2 Revenue

The latest forecast outturn for Communities – based on August's outturn - is a net overspend of £0.085m, as reported in the October exception report to Cabinet.

The gross pressure on this portfolio has reduced by £0.104m this month from £0.189m to £0.085m, also the net pressure. The main movements are:

- -£0.100m following the virement from the Finance portfolio, as agreed by Cabinet in September, to fund our contribution towards the construction programme at Maidstone Museum.
- -£0.085m Coroners – a reduction in the pressure from £0.277m to £0.192m which is partly due to management action to mitigate the previously reported pressure surrounding toxicology fees.
- +£0.041m Trading Standards – a reduction in the underspend from £0.076m to £0.035m following a revision to the forecast for fees chargeable to reflect the continued ability of customers to self verify liquid fuel measurements which has presented a pressure in excess of what has been reported previously.

- +£0.040m Turner Contemporary – the service has identified two small pressures this month in relation to their premises and staffing budgets. The service is reviewing various options to mitigate this pressure.

A review is underway with regard to current commitments, revenue expenditure that could potentially be transferred to the capital programme and also the services ability to generate more income with a view to mitigating this position by the end of the financial year.

The main components of the net overspend of £0.085m are set out below:

Adult Education and KEY Training: - £0.142m

- a. As reported in September, an underspend of £0.160m was forecast in respect of staff pay within the Adult Education service, with an off-setting adverse variance of £0.018m within the KEY Training service.

Coroners: + £0.192m

- b. The October exception report identified a reduction in the forecast overspend on the Coroners Service, from £0.277m to £0.192m.

The pressure from prior years has continued into the present year with further pressure arising from long inquests and analytical tests, principally in the Mid Kent and Medway district.

There are four Coroner's districts in Kent and the position remains that the authority can do very little to direct the work of the Coroners and therefore control expenditure as the Government control the Coroners Service.

The four Coroners are part-time, with their salary established and based upon an estimate of the number of cases referred to them, with additional payments due for long inquests (hearing and preparation time), as well as additional payments for premises.

The Coroners conduct investigations and determine whether post mortems and other analytical tests are needed in order to determine the cause of death.

We are continuing to work with other local authorities and the Local Government Association to lobby for changes to the funding/organisation of the Service but in the meantime, we are actively monitoring costs and exploring all avenues in order to secure or generate additional income to mitigate this pressure.

Kent Scientific Services: + £0.050m

- c. A pressure has arisen in relation to the service's current inability to meet the income targets established within the previous MTP process for generating income from internal sources.

The service is committed to meeting this target, although the future income targets will look to focus on generating additional external income as and when other local authority laboratories are forced to close, which has been the trend in recent years.

Trading Standards: - £0.035m

- d. The service is forecasting an underspend for the year, as vacancies are being held prior to a planned recruitment in the coming year. This underspend has been offset by a forecast reduction for generating income as a change in legislation now permits the self verification of liquid fuel measurements which the service provided a certificate for in prior periods.

Turner Contemporary: + £0.040m

- e. A new pressure arose this month in relation to Turner's staffing and premises budget. Every effort is being made to formulate management action to mitigate this.

3.3 Capital

The authority's capital programme has been reviewed as a result of the current economic situation and of the impact this had on property prices and our ability to raise capital receipts.

The result of the ongoing review is that certain planned expenditure has been deferred into later years on a number of projects due to declining receipts, lower land transfer values or increased tendered prices. However there has been much progress made on a number of our projects, which will be shared with POSC in January 2010 when certain outcomes are more certain.

The forecast for the portfolio has moved by -£2.409m since last month, partly attributable to re-phasing and partly due to additional costs identified concerning our projects. The main movements are detailed below:

- Ashford Gateway Plus (-£0.501m): Re-phasing of £0.501m from 2009/10. Due to various enhancements to the design, additional costs to KCC of £1.623m have been identified although the majority of this funding has been secured from various partners involved.
- Grove Green (-£0.175m): Re-phasing into 2010/11. This project is subject to ongoing review and with minimal costs likely to be incurred this year.
- The Beaney (-£1.219m): Re-phasing into 2010/11 and 2011/12. The budget has been adjusted to reflected delay to the start on site from August 2009 to February/March 2010 due to archaeological problems

- Kent Library & History Centre: Additional costs in 2010-11 and 2011-12 totalling £1.332m have been identified by the developers. This combined with the lower land value for James Whatman Way has identified a pressure of £2.562m. A report on how this funding shortfall will be resolved is being prepared and Members will be kept informed of the options/proposals.

4 Recommendations

- 4.1 Members of the POSC are asked to note the projected outturn figures for the directorate for 2009/10 based on the first quarterly monitoring report, presented to POSC in September, and the subsequent exceptions reported to Cabinet in October.

Amanda Honey
Managing Director

Contact

Kevin Tilson
Head of Finance & Asset Management
Tel: 01622 696136

Appendix: Communities Directorate Summary July 2009-10 Full Monitoring Report

**COMMUNITIES DIRECTORATE SUMMARY
JULY 2009-10 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 budget was set to reflect the new portfolio structure, a number of technical adjustments to budget and the roll forward of £0.017m from 2008-09, as agreed by Cabinet on 13 July 2009.
- 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 2 of the executive summary.

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

Table 1

Budget Book Heading	Cash Limit			Variance			Variance	Comment
	G	I	N	G	I	N	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	%	
Turner Contemporary	1,122	-332	790	0	0	0	0%	
Kent Drug & Alcohol Action Team	17,193	-14,904	2,289	-57	57	0	0%	
Youth Offending Service	6,813	-2,986	3,827	0	0	0	0%	
Youth Services	12,964	-5,829	7,135	334	-334	0	0%	Unbudgeted one-off income - and resulting expenditure - mostly concerning Contactpoint (£111k) and ToGoGo (£152k) projects.
Adult Education (incl KEY)	17,319	-17,530	-211	70	-211	-142	-1%	Net variance relates to £160k vacancy management within AE and £19k deficit on KEY that cannot be mitigated in year. Additional LSC & ESF income for Response to Redundancy/ Skills Development & associated costs
Arts Unit	1,407	-91	1,316	0	0	0	0%	
Libraries, Archives & Museums	23,337	-2,861	20,476	-189	189	0	0%	Underachievement of AV & merchandising income targets and further forecast reductions given declining demand, offset by increased income from prisons. Gross variance relates to extended vacancy management/ freeze in order to deliver balanced budget.

Table 1

Budget Book Heading	Cash Limit			Variance			Variance	Comment
	G	I	N	G	I	N	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	%	
Sports, Leisure & Olympics	2,486	-1,287	1,199	177	-177	0	0%	Additional income from partner agencies to fund new projects, with associated spend on contracts with private/public sectors
Supporting Independence	1,616	0	1,616	0	0	0	0%	
Kent Community Safety Partnership	4,203	-283	3,920	-32	32	0	0%	
Coroners	2,421	-384	2,037	277	0	277	10%	Continuation of 2008-09 pressures on Mortuary fees/long inquests, Pathology costs and new pressure regarding body removal, toxicology & histology
Emergency Planning	807	-168	639	0	0	0	0%	
Kent Scientific Services	1,327	-752	575	0	50	50	4%	Unachievable internal income target
Registration	4,224	-3,140	1,084	-14	14	0	0%	
Trading Standards	3,820	-340	3,480	-90	14	-76	-2%	Extended vacancy management policy to contribute to divisional overspends, with view to appoint to posts in 2010-11. Reduced fees due to self verification of liquid fuel measurements
Policy & Resources	1,349	-77	1,272	-14	14	0	0%	
Business Development & Support	650	-220	430	0	0	0	0%	
Strategic Management	997	0	997	0	0	0	0%	
Centrally Managed directorate budgets	811	-1,320	-509	100	0	100	11%	Contribution to Maidstone Museum, in relation to joint working projects and capital cost of extension
Support Services purchased from CED	4,109	0	4,109	-21	0	-21	-1%	Reduced charge for KPSN
Total Communities cont	108,975	-52,504	56,471	541	-352	189		
Assumed Management Action				-100	0	-100		£100k virement requested from Finance portfolio regarding funding for Maidstone Museum pressure

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 Service: £334k Gross and -£344k Income

The Youth Service has received one-off funding of £152k from CFE with regard to the ToGoGo projects and the redevelopment of its website, (the ongoing annual maintenance costs are funded and included within the existing budget). Gross expenditure has also increased accordingly in line with the planned expenditure on the ToGoGo project.

In addition the Youth Service has received an additional one-off contribution of £111k from DCSF in relation to increased expenditure on its Contactpoint project, with the resulting increase in gross expenditure. Other variances on gross and income are below £100k.

1.1.3.2 Adult Education incl. KEY: -£142k net (+£70k gross, -£211k income)

a) KEY Training: £19k Net pressure (+£191k gross, -£172k income)

The KEY training service has made progress with regard to addressing the 2008-09 overspend and has managed all base pressures, as well as making a small contribution to the rolled forward deficit. Part of the 2008-09 deficit was caused by a timing delay in relation to the Entry to Employment programme where costs were incurred in 2008-09 but that income was not received until the first quarter of 2009-10 due to LSC changing their profile of payments mid year.

The remainder of the deficit in 2008-09 was caused by LSC changing to a demand led approach when allocating funding for Apprenticeships and when the maximum contract values were quantified late in the year, this led to reduced income but left little scope for the service to reduce expenditure levels to address the income shortfall in such a short timeframe when certain commitments were already in place.

A management action plan has been drafted to address the underlying 2008-09 overspend and will be delivered over a two year period. Following the overspending last year, the service has been reviewed and has profiled its gross and income budgets, which now include a monthly contribution to reserves based on 5% of annual income target. This reserve is to provide for possible under achievement of performance indicators that are linked to external funding. There is also a monthly contribution to reserves of £7.5k to mitigate any potential future funding changes. However, these contributions, will not be made until KEY is able to deliver a balanced budget.

Although this service is currently forecasting a net pressure of £19k, within this is a gross and income variance of +£191k and -£172k respectively. The main reason for this is additional income of £172k from LSC and ESF (European Social Fund) in relation to new contracts for Response to Redundancy and Skills Development, but there are also matching additional costs of £172k in relation to servicing these new contracts.

b) Adult Education: £160k Net underspend (-£121k gross, -£39k income)

A saving is forecast of £160k in relation to vacancy management of support staff. This strategy was developed in order to provide capacity to make annual contributions to a reserve to meet planned renewals of plant and equipment rather than meet the full cost of these renewals from the annual budget in the year in which they occur.

As the Communities portfolio as a whole is currently forecasting a net pressure, this contribution will not be made until a balanced position is reported.

The £160k gross saving is partially offset by £39k pressures in relation to IT replacement needs in the Skills Plus Centre and an increase in contracts with the private sector.

The income variance of -£39k is due to forecast growth in income with regard to tuition fees. Fees carried forward from the 2008-09 financial year for courses in the 2008-09 academic year (to Aug 09) have exceeded plans and whilst enrolments are lower than expected for the first quarter of 2009-10, they are expected to increase in the second quarter, which is the busiest period for enrolments.

1.1.3.3 Libraries: -£189k Gross and £189k Income

Libraries are forecasting a reduction in their Audio Visual (AV) income streams of £125k (which is supported by the activity indicators in section 2.2) and a shortfall in their merchandising income of £100k. This is partially offset by increased income from access services, which includes prisons. The service has made a compensating saving on gross expenditure through vacancy management in order to balance their budget.

1.1.3.4 Sports, Leisure and Olympics: £177k Gross and -£177k Income

Additional one-off income of £177k was received in relation to the Active Sports programme with both the grant and income from internal clients increasing. Contracts with the private and voluntary sectors have increased accordingly and are the reason for the variance on gross expenditure.

1.1.3.5 Coroners: +£277k Gross

The service continues to experience pressures arising from pathology and Mortuary costs despite providing an additional £150k into the budget in 2009-10. Increased costs arising from the re-tender of the body removal contract are estimated at £70k during 2009-10, and full year costs of £100k will impact in 2010-11.

There is also a pressure on Histology, Toxicology and Mortuary costs arising from increased activity, as more deaths are being investigated, currently forecast at £152k. The pressure is being exacerbated because one of the coroners has opted to use a private sector provider instead of Kent Scientific Services, thus attracting increased costs.

The Head of Service will be meeting with Coroners in an attempt to agree a solution, but Coroners are governed by central government and not the Communities directorate, which makes this budget very difficult to control.

1.1.3.6 Centrally Managed Budgets: +£100k Gross

The Council was approached by Maidstone Borough Council to contribute towards the construction programme at Maidstone Museum and a £100k contribution has been agreed. This is currently showing as an overspend within Communities Centrally Managed budgets, but **Cabinet is asked to approve a virement** from the underspending within the Finance portfolio (as reported in annex 6) to cover this cost. This is currently shown as management action in table 1 and in section 1.1.7.2 below.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER
(shading denotes that a pressure/saving has an offsetting entry which is directly related)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CMY	Additional contracts entered into with private and voluntary sectors in relation to Active Sports programme.	+177	CMY	Libraries: staff savings to mitigate reduced income from AV issues and merchandising.	-189
CMY	Additional staff costs and contracts with private sector to service the new contracts commissioned by LSC and ESF within Key Training.	+172	CMY	Additional non recurring funding received from external and internal sources in relation to Active Sports programme.	-177
CMY	Coroners: Mortuary, Histology and Toxicology fees that are not governed by CMY	+152	CMY	New funding secured from LSC with regard to Response to Redundancy contract and from ESF with regard to Skills Development within KEY Training	-172
CMY	Youth: increased expenditure on ToGoGo project and website covered by contribution from CFE	+152	CMY	Adult Education support staff savings.	-160
CMY	Reduced forecast in relation to Libraries' Audio Visual income streams due to declining demand and alternative sources of supply.	+125	CMY	Youth: Contribution from CFE towards ToGoGo project and revamp of website.	-152
CMY	Youth: increased expenditure on Contactpoint covered by increase in funding from DCSF.	+111	CMY	Youth: Additional one-off funding from DCSF towards additional Contactpoint expenditure.	-111
CMY	Libraries: shortfall in merchandising income	+100			
CMY	Contribution to Construction programme at Maidstone Museum	+100			
		+1,089			-961

1.1.4 Actions required to achieve this position:

In order to mitigate the underlying rolled forward deficit on KEY Training from 2008-09 of £454k, the Directorate has reviewed the structure of the service and that of Adult Education in order to achieve synergies and better working practices. A thorough review was undertaken concerning staffing levels and premises costs given the reduction in funding available and a management action plan was enacted which will result in a £199k net saving in year, with the full year effect being £534k. This

removes the base pressure facing KEY Training and the service is on schedule to present a balanced position by the end of 2010-11.

1.1.5 Implications for MTP:

The on-going pressures faced by the Coroners Service and the impact of the full year effect of the body removal contract, are medium term financial pressures for the portfolio. Rising costs concerning mortuary fees, increases in the number of long inquests being held and increased fees for pathology, toxicology and histology all present a base pressure for the Directorate.

Other pressures for the Directorate relate to their property portfolio as there is deemed to be inflationary pressures on energy, premises and other property related expenses.

1.1.6 Details of re-phasing of revenue projects:

N/A

1.1.7 Details of proposals for residual variance:

1.1.7.1 Both KEY Training and Adult Education reviewed their structures in an attempt to address the previous year's deficit in KEY so that the service is able to respond more quickly to changes in LSC funding levels. Part of this review included regular annual contributions to reserves as a % of the annual income target of £172.5k and £160k for KEY and Adult Education respectively.

As Communities is currently forecasting a net pressure (mainly in relation to Coroners), these contributions will not start this year as was hoped, but will be factored into the budgets from 2010-11 onwards.

1.1.7.2 The directorate is awaiting approval from Cabinet to a virement from the Finance portfolio to mitigate the £100k commitment relating to Maidstone Museum. This is currently shown as management action in table 1.

1.1.7.3 The directorate will continue to monitor management action on a regular basis and will implement a moratorium on non essential expenditure across the directorate should the position not improve within a reasonable timescale.

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.

The capital cash limits have been adjusted since last reported to Cabinet on 13th July 2009, as detailed in section 4.1.

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

	Prev Yrs Exp £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	Future Yrs £000s	TOTAL £000s
Community Services Portfolio						
Budget	35,341	28,556	11,933	3,282	5,670	84,782
Adjustments:						
- roll forward	-4,099	1,959	2,140			0
- Outturn and pre-outturn changes	-7,674					-7,674
- Ramsgate Library						0
- Dover Big Screen						0
- Renewal of Library ICT						0
-						0
Revised Budget	23,568	30,515	14,073	3,282	5,670	77,108
Variance		-6,316	+8,434	+816	0	+2,934
split:						
- real variance		-21	2,555	400	0	+2,934
- re-phasing		-6,295	5,879	416	0	-0
Real Variance	0	-21	2,555	400	0	2,934
Re-phasing	0	-6,295	5,879	416	0	-0

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2009-10 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- projects at preliminary stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary 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						
CMY	Ramsgate Library	real		+369		
CMY	Moderisation of Assets	phasing	+385			
			+385	+369	+0	+0
Underspends/Projects behind schedule						
CMY	Ashford Gateway Plus	phasing		-3,521		
CMY	Turner	phasing		-1,171		
CMY	Gravesend Library	phasing			-1,000	
CMY	Contribution to Marlowe Theatre	phasing			-1,000	
CMY	Tunbridge Wells Library	real		-391		
			-0	-5,083	-2,000	-0
			+385	-4,714	-2,000	+0

1.2.4 Projects re-phasing by over £1m:

1.2.4.1 Ashford Gateway Plus; -£3.521 million

The latest project cost forecast is based on revisions to the project and its funding both of which have been under negotiation with Ashford's Future and HCA for some months. Assuming the planning application is made this month re-phasing of £3.521m is being reported. The estimated opening date is early 2011 and the total cost of the scheme is now estimated at £7.566m. The Funding of the project has been affected by the economic downturn particularly regarding the expected capital receipts from Associate House and the affordability of prudential revenue borrowing. However, the support from GAF3 that has been noted in previous reports is expected to be £1.95m and this will be partly matched by other KCC monies, details of which will be set out when Approval to Spend is sought.

The revised scheme is as follows:

	Prior Years	2009-10	2010-11	2011-12	Future Years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget*	327	4,661	355			5,343
Forecast*	327	1,140	5,499			6,966
Variance	-	-3,521	5,144	-	-	1,623
* excludes £600k funded by KASS and Gateway						
FUNDING						
Budget:						
prudential		1,000				1,000
prudential/revenue		763	355			1,118
developer cont		157				157
grant						-
capital receipts	327	506				833
general cap receipt		1,000				1,000
PEF2		1,235				1,235
						-
Unfunded						-
TOTAL	327	4,661	355	-	-	5,343
Forecast:						
prudential		634	366			1,000
prudential/revenue			660			660
developer cont			157			157
grant			1,958			1,958
capital receipts	327	506				833
general cap receipt			1,000			1,000
PEF2			650			650
						-
Unfunded			708			708
TOTAL	327	1,140	5,499	-	-	6,966
Variance	-	-3,521	5,144	-	-	1,623

1.2.4.2 Turner Contemporary; -£1.171 million

The latest forecast is based on the estimated schedule of payments from the contractor. £1.171m represents 6.7% of the total value of the scheme, however, despite this the project is still on schedule to be completed in 2010 with an official opening in spring 2011.

Revised phasing of the scheme is now as follows:

Project: Turner Contemporary

	Prior Years	2009-10	2010-11	2011-12	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	2,892	10,512	3,774	222		17,400
Forecast	2,892	9,341	5,167	0		17,400
Variance	0	-1,171	+1,393	-222	0	0
FUNDING						
Budget:						
prudential	2,642	7,962	-2,086	-2,118		6,400
other external	250	2,550	5,860	2,340		11,000
TOTAL	2,892	10,512	3,774	222	0	17,400
Forecast:						
prudential	2,642	7,112	-1,733	-1,048	-573	6,400
other external	250	2,229	6,900	1,048	573	11,000
TOTAL	2,892	9,341	5,167	0	0	17,400
Variance	0	-1,171	+1,393	-222	0	0

1.2.4.3 Gravesend Library; -£1.0 million

There have been a number of issues to resolve with design/listed building consent to this project as the library is a Grade II listed building leading to delays of £1.0m (40% of the project cost). These issues have now been resolved and a planning application is expected to be submitted this month, with the project costs being contained within the overall project budget. It is anticipated that work could start on site in January 2010 with the building reopening Spring 2011.

	Prior Years	2009-10	2010-11	2011-12	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	37	1,700	763			2,500
Forecast	37	700	1,125	638		2,500
Variance	-	- 1,000	362	638	-	-
FUNDING						
Budget:						
prudential	37	1,700	763			2,500
						-
TOTAL	37	1,700	763	-	-	2,500
Forecast:						
prudential	37	700	1,125	638		2,500
						-
TOTAL	37	700	1,125	638	-	2,500
Variance	-	- 1,000	362	638	-	-

1.2.4.4 Contribution to The Marlowe Theatre; -£1.0 million

Agreement as to the draw down of this grant has yet to be finalised with Canterbury City Council. The project is underway in Canterbury and this funding will be matched to the cash flow requirements of the project. At present it seems likely that only half the grant will be required in 2009-10. There are no financial implications because it is a City Council project.

	Prior Years	2009-10	2010-11	2011-12	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget		2,000				2,000
Forecast		1,000	1,000			2,000
Variance	-	- 1,000	1,000	-	-	-
FUNDING						
Budget:						
capital receipts		2,000				2,000
						-
TOTAL	-	2,000	-	-	-	2,000
Forecast:						
capital receipts		1,000	1,000			2,000
						-
TOTAL	-	1,000	1,000	-	-	2,000
Variance	-	- 1,000	1,000	-	-	-

1.2.5 Projects with real variances, including resourcing implications:

- (a) Canterbury High School Adult Education facilities – ‘under spend’ of £30k expected from the final negotiations with the school on the share of costs to be borne by Communities in 2009-10.
- (b) BLF Physical Education & Sport Programme – ‘under spend’ of £20k arising at the end of the programme in 2009-10. This could result in grant being returned to Big Lottery, this has yet to be confirmed.
- (c) Herne Bay Youth & Children’s Centre – ‘over spend’ of £6k in 2009-10 arising from the need to remedy a problem with the air circulation system. This should be funded from developer contributions.
- (d) Ramsgate Library Betterment – ‘over spend’ £369k overall in 2009-10 as a result of delays during construction, some design changes and additional fees as a result of the higher overall cost. There has also been an extension of time claim by the contractor, which has now been settled. The final cost could be slightly lower, but we await confirmation from the QS of the final fee costs. This extra cost will be funded £36k from CFE and the balance from savings in the Modernisation of Assets budget and the Tunbridge Wells project.
- (e) Dover Big Screen – ‘over spend’ of £45k in 2009-10 arising from the additional costs of piling and archaeology. This cost will be funded from savings elsewhere in the programme.
- (f) Tunbridge Wells Library – saving £391k in 2009-10 with the necessary works trimmed back to meet DDA requirements for the library and AEC, with Tunbridge Wells BC making an appropriate contribution. The saving will be used to fund the over spend at Ramsgate Library.
- (g) The Beaney – is forecasting an overspend over the life of the project of £429k arising in 2010-11 and 2011-12. This has been identified from the additional cost of acquiring Kingsbridge Villas and the detailed pre-tender estimate recently completed. Further value engineering has been undertaken pending the results of the tendering process. The additional costs will be funded from the forecast underspend on the Modernisation of assets programme.
- (h) Modernisation of Assets – Under spends of £250k in 2010/11 and £179k in 2011/12 from DDA may be needed in the following 2 years to contribute to the disable access costs of the Beaney project.
- (i) Kent History Centre – the revised proposals have an additional cost of £1.332m in 2010-11 and 2011-12. However, the reduced land value at James Whatman Way means additional funding totalling £2.562m will be required, this is shown as unfunded at this stage. Proposals for closing this gap will be brought forward as part of the MTP process.
- (j) Ashford Gateway Plus – higher cost against the original budget of £1.623m in 2010/11. The project has been revised as a result of negotiations with Ashford’s Future and HCA.

This has resulted in plans now costed at £7.566m with additional funding from GAF3 of £1.95m likely to be approved.

1.2.6 General Overview of capital programme:

(a) Risks

- Ramsgate – financial cost of the extension of time agreement now being assessed but is likely to be less than the £200k previously estimated cost.
- Ashford Gateway Plus – GAF3 funding and final agreement to the proposed design requires sign off from Ashford's Future Board in September. If this is not agreed the project proposal cannot be delivered.
- Turner Contemporary – The profile of funding from ACE has altered in line with the project spend profile. The effect is to change further the upfront funding from £3.75m over 2 years to £3.354m over 3 years.
- Tunbridge Wells – there is a possibility that the costs of the proposals may rise as the AEC and library are listed buildings.
- The Beaney – The project cost forecast is £0.858m above the agreed budget with the KCC share of £0.429m. The £0.4m external funding requirement underwritten by KCC if not achieved will add to the extra resources required. The archaeology works have yet to begin and there is the potential for additional cost and delay.
- Kent Library & History Centre - if project does not proceed KCC would be liable for site survey, design and planning expenses incurred by Bouygues (currently being quantified).

(b) Details of action being taken to alleviate risks

- Ramsgate – financial assessment being completed by the QS and a final cost figure is expected very shortly.
- Ashford Gateway Plus – agreement in principle has been reached with the partners on both design and funding and Approval to Spend will be requested in September.
- Turner – the funding agreement is in place with ACE and SEEDA and we are expecting to claim the remaining £2.9m of external funding required for the project from the Turner Contemporary Arts Trust during 2010-11.
- Tunbridge Wells – the plans will be tendered shortly and the detailed works carefully reviewed to minimise costs.
- The Beaney – The additional costs of £0.429m are factored in to the overall Directorate budget. Work is now in hand with Canterbury City Council to develop and implement a funding strategy. The findings from the initial archaeological investigations have been factored into the project.

- Kent Library & History Centre – new proposals have been carefully assessed and contract negotiations are proceeding with Bouygues. It is expected this will be signed off when Approval to Spend has been secured.

1.2.7 **Project Re-Phasing**

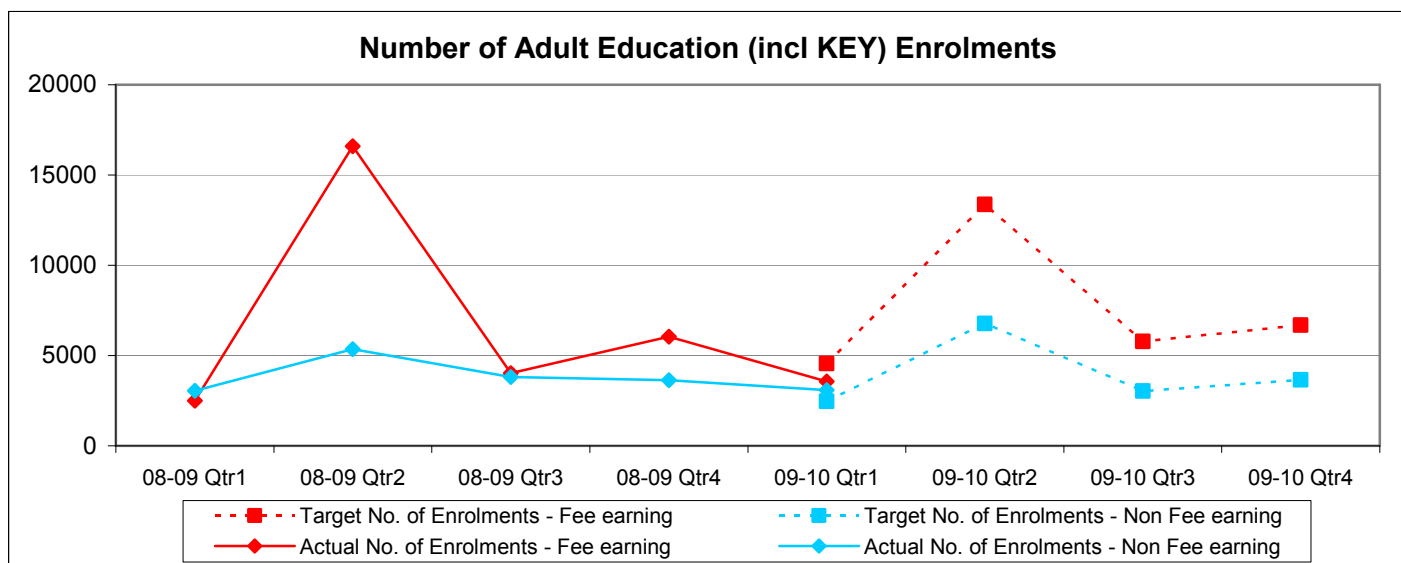
It is proposed that a cash limit change be recommended for the following projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m can be requested but the full extent of the rephasing will have to be shown. The possible re-phasing is detailed in the table below.

	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	
Modernisation of Assets					
Amended total cash limits	+1,653	+2,400	+1,900	+3,800	+9,753
re-phasing	+385	-385			0
Revised project phasing	+2,038	+2,015	+1,900	+3,800	+9,753
Ashford Gateway Plus					
Amended total cash limits	+4,661	+355			+5,016
re-phasing	-3,521	+3,521			0
Revised project phasing	+1,140	+3,876	0	0	+5,016
Gravesend Library					
Amended total cash limits	+1,700	+763			+2,463
re-phasing	-1,000	+362	+638		0
Revised project phasing	+700	+1,125	+638	0	+2,463
Contribution to Marlowe Theatre					
Amended total cash limits	+2,000				+2,000
re-phasing	-1,000	+1,000			0
Revised project phasing	+1,000	+1,000	0	0	+2,000
Turner Contemporary					
Amended total cash limits	+10,512	+3,774	+222		+14,508
re-phasing	-1,171	+1,393	-222		0
Revised project phasing	+9,341	+5,167	0	0	+14,508
Total re-phasing >£100k	-6,307	+5,891	+416	0	0
Other re-phased Projects below £100k					
re-phasing	+12	-12			0
Revised phasing	+12	-12	0	0	0
TOTAL RE-PHASING	-6,295	+5,879	+416	0	0

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Number of Adult Education & KEY enrolments:

	2008-09			2009-10					
	ACTUALS			TARGET			ACTUALS		
	Fee earning	Non fee earning	TOTAL	Fee earning	Non fee earning	TOTAL	Fee earning	Non fee earning	TOTAL
Apr - Jun	2,496	3,049	5,545	4,560	2,456	7,016	3,572	3,087	6,659
Jul - Sept	16,590	5,360	21,950	13,377	6,774	20,151			
Oct - Dec	4,024	3,816	7,840	5,776	3,029	8,805			
Jan - Mar	6,039	3,639	9,678	6,689	3,651	10,340			
TOTAL	29,149	15,864	45,013	30,402	15,910	46,312	3,572	3,087	6,659



Comments:

- The LSC grants depend partly on enrolments to courses and are subject to a contract agreement with LSC. Students taking courses leading to a qualification are funded via Further Education (FE) grant based upon the course type and qualification. However, students taking non-vocational courses not leading to a formal qualification are funded via a block allocation not related to enrolments, referred to as Adult and Community Learning Grant (ACL) grant. Student enrolments are gathered via a census at three points during the academic year.

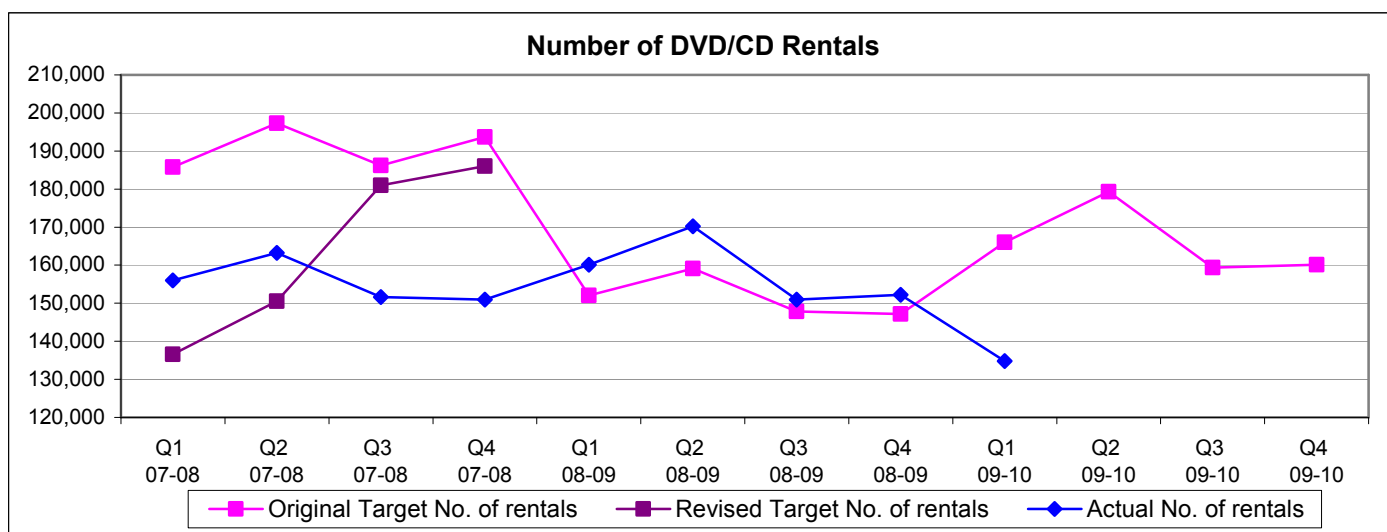
Students pay a fee to contribute towards costs of tuition and examinations. There is a concession on ACL tuition fees for those aged under 19, those in receipt of benefits and those over 60. FE courses are free for those aged under 19 or in receipt of benefits undertaking Basic Skills or Skills for Life Courses.

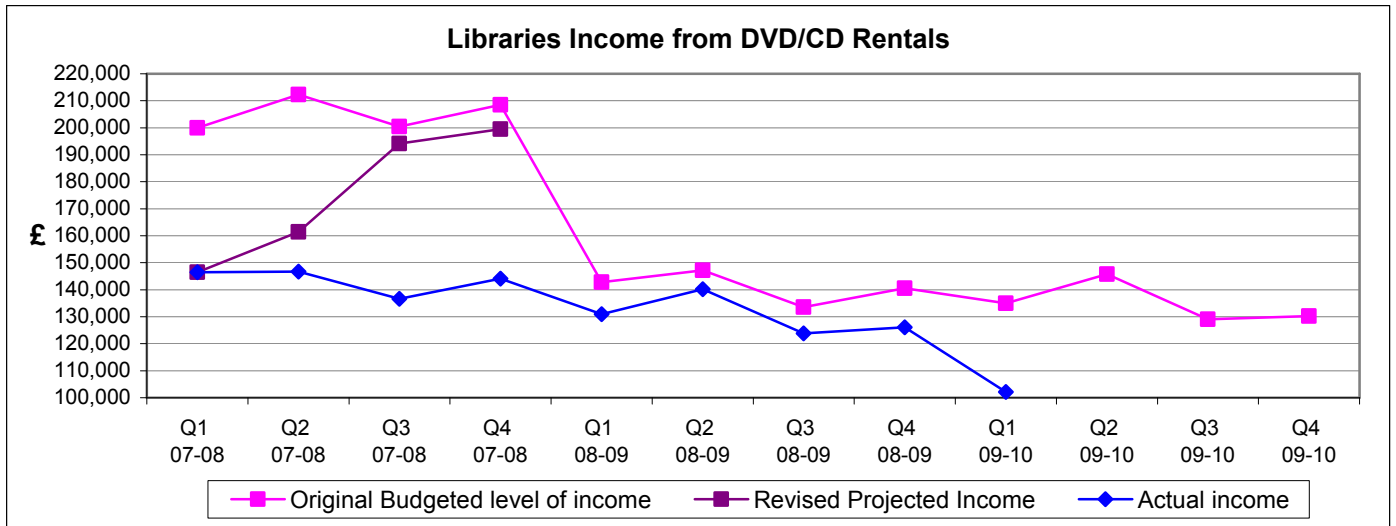
- The enrolment figures reported this year represent actual enrolments in the quarter rather than enrolments for courses started during the quarter, which is what has previously been reported. This should resolve the issue of previous quarter's figures constantly changing. The figures also now include KEY training enrolments as well as Adult Education enrolments.
- The actual enrolment figures for the year to date are below initial expectations but this is expected to correct itself in quarter two, which is the busiest enrolment period. Should enrolments not increase then the need for budgeted sessional staff will be reviewed to ensure that costs are controlled in line with any projected decline in income.

2.2 Number of Library DVD/CD rentals together with income generated:

	2007-08						2008-09			
	No of rentals			Income (£)			No of rentals		Income (£)	
	Budgeted target	revised target	actual	budget	revised projected income	actual	Budgeted target	actual	Budget	actual
April–Jun	185,800	136,556	155,958	200,000	146,437	146,437	152,059	160,162	142,865	130,920
July–Sep	197,300	150,500	163,230	212,300	161,390	146,690	159,149	170,180	147,232	140,163
Oct–Dec	186,200	181,000	151,650	200,400	194,096	136,698	147,859	150,968	133,505	123,812
Jan–Mar	193,700	186,000	150,929	208,500	199,458	144,136	147,156	152,249	140,533	126,058
TOTAL	763,000	654,056	621,767	821,200	701,381	573,961	606,223	633,559	564,135	520,953

	2009-10			
	No of rentals		Income (£)	
	Budgeted target	actual	Budget	actual
April–Jun	166,000	134,781	135,000	102,152
July–Sep	179,300		145,800	
Oct–Dec	159,400		129,000	
Jan–Mar	160,100		130,200	
TOTAL	664,800	134,781	540,000	102,152





Comments:

- Rentals of audio visual materials (especially videos and CDs) continue to decline as videos become more obsolete and alternative sources for music become more widely available, which has resulted in the forecast reduction in AV income of £125k as identified in tables 1 & 2 and paragraph 1.1.3.3. Demand for spoken word materials and DVDs has remained reasonably stable.
- Research undertaken by the service in order to mitigate this actual and forecast decline, 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 reduced expenditure on consumables in 2007-08 to offset the estimated loss of £120k income from the original budget.
- The roll out of the revised strategy in 2007-08 was not as successful as the research indicated and we fell just over 30,000 issues short of the revised target. The service was able to generate additional income from other merchandising in libraries not included in the original or revised budget to offset the £127k shortfall against the revised income budget for 2007-08.
- Targets and income budgets set for 2008-09 were based on a continued decline but these were increased slightly for 2009-10. The service increased income budgets from other merchandising to offset the loss of income from AV issues.
- The actual number of rentals includes those from visits to lending libraries, postal loans and reference materials.