

To: Communities Policy Overview & Scrutiny Committee – 12th January 2010

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 AND BACKGROUND

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

a) Budget Monitoring reports

Detailed quarterly budget monitoring reports are presented to Cabinet during the year, normally 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 at the next round of POSC meetings. These reports inform members about current trends, pressures and management actions in advance of the following year's budget setting.

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

The second quarter's full monitoring report, for the period ended October 2009, was presented to Cabinet on 30th November and has been included in the annex to this report.

This is the first time that this report has been shared with this Committee, due to the timing issues referred to above. An exception report for November's monitoring will be presented to Cabinet on 11th January 2010 and an oral update will be provided to this Committee on the 12th January 2010.

b) Performance monitoring reports

These are reported to the POSCs twice a year, in January and July. Reference item B4 on this agenda.

c) Unit level outturn reports

Effectively an amalgam of the above two, the annual outturn report in July summarises 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 on 7th July 2009.

2. QUARTERLY MONITORING REPORT

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

2.2 Revenue

The previous forecast outturn for Communities – based on August's outturn - was a net overspend of £0.085m, as reported to Cabinet on 12th October 2009.

The outturn for September and October's monitoring, as reported to Cabinet on 30th November 2009, showed a gross pressure of £0.033m, offset by associated management action. A balanced outturn was therefore presented for the directorate.

The main movements were:

- -£0.040m Turner Contemporary - the service has been able to review its commitments and reduce these in order to present a balanced position.
- -£0.077m Arts - additional one-off funding has been received and £0.050m of this has been retained in order to mitigate the pressures on other units. A post has also become vacant and will not be reappointed to in the current year.
- +£0.69m Adult Education & KEY Training - the services continue to forecast an underspend for the year, although the net underspend has reduced from £0.140m to £0.071m. Redundancy costs of £0.030m and £0.030m of fees relating to an Ofsted inspection were incurred unexpectedly in the period and account for the change.
- -£0.033m Supporting Independence Programme - the above reconciles the primary variances to the prior month's £0.085m overspend. These movements mean that the gross pressure now facing the directorate is £0.033m and Supporting Independence Programme has delivered savings to this amount in order to balance the overall directorate budget.

The main components of the net overspend of £0.033m are set out below:

Adult Education and KEY Training: - £0.71m underspend

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. This has since been reduced by the £0.069m movement in October 2009 as noted above.

Coroners: + £0.186m overspend

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. The August exception report identified a reduction in the forecast overspend on the Coroners Service, from £0.277m to £0.192m and a small movement occurred in the period ended October.

The four Coroners in Kent 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 position remains that the authority can do very little to direct the work of the Coroners and therefore control expenditure and 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.

In the meantime, costs are being actively monitored and all avenues are being explored to secure or generate additional income to mitigate the pressure.

Kent Scientific Services: + £0.35m overspend

A pressure has arisen in relation to the service's current inability to meet the income targets of £0.050m that were established within the previous MTP process for generating income from internal sources.

The service is committed to meeting the target, although in future will 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.

The service was forecasting an increased level of income of £0.015m in September but this figure has since reduced due to declining demand in the current climate.

Trading Standards: - £0.018m underspend

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, and charged, for in prior periods.

Arts (including Folkestone Forward): - £0.077m underspend

The Arts unit received additional one-off funding in the period and has retained £0.050m to offset directorate overspends. This is in addition to managing its vacancies and not reappointing to certain roles in the year. This aggregates to a £0.103m underspend for the unit, which is offset by a £0.026m overspend on the Folkestone Forward project. The service is currently exploring opportunities to generate income to present a balanced position by the year end.

2.3 **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.

The previous forecast for the portfolio showed a movement on budget of -£2.409m, partly attributable to re-phasing and partly due to additional costs. The current period shows a variance of - £0.759m, split between re-phasing adjustments of -£0.780m and actual variance on cost of £0.021m.

The main movements are detailed below:

- Ashford Gateway Plus (-£0.242m): Re-phasing into 2010/11. The design enhancements that were previously reported have led to a slight deferral of the expenditure into the final year of the project. The cost of the project is unchanged.
- Library Modernisation Programme (-£0.200m): Re-phasing into 2010/11. One of the significant modernisation projects has been delayed, with minimal costs likely to be incurred this year, as the tenders for the project are in excess of expectation. The specification is to be revisited with a view to maintaining the original budget, the consequence of which is re-phasing into the coming financial year.
- Gravesend Library (-£0.342m): Re-phasing into 2010/11 and 2011/12. The budget has been adjusted to reflect the delay in finalising the design specification and other planning issues. The planning application was determined on 17 November 2009.

3 RECOMMENDATION

- 3.1 Members of the POSC are asked to note the projected 2009/10 outturn figures for the portfolio, based on the outturn included within the second quarterly monitoring report, as presented to Cabinet on 30th November 2009.

Amanda Honey
Managing Director

Contact:

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

COMMUNITIES DIRECTORATE SUMMARY OCTOBER 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 last full monitoring report to reflect the a number of technical adjustments to budget including the transfer of Supporting People from KASS and the virement of £0.1m from the Finance portfolio to fund our contribution towards the construction programme at Maidstone Museum as agreed by Cabinet in September.
- The inclusion of new 100% grants (i.e. grants which fully fund the additional costs) awarded since the last full monitoring report. 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	On Gross	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	%	
Communities portfolio								
Turner Contemporary	1,122	-332	790	7	-7	0	0%	
KDATT	17,392	-15,103	2,289	57	-57	0	0%	
Youth Offending Service	7,244	-3,417	3,827	0	0	0	0%	
Youth Services	13,586	-6,451	7,135	23	-23	0	0%	
Adult Education (incl KEY)	17,427	-17,638	-211	-117	45	-72	0%	Net variance relates to an underspend of £91k within AE and a £19k deficit on KEY that cannot be mitigated in year.

Table 1

Budget Book Heading	Cash Limit			Variance			Variance	Comment
	G	I	N	G	I	N	On Gross	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	%	
Communities portfolio								
Sports, Leisure & Olympics	2,697	-1,498	1,199	39	-39	0	0%	
Supporting Independence	1,616	0	1,616	0	0	0	0%	
Supporting People	33,034	-32,175	859	0	0	0	0%	
Kent Community Safety Partnership	4,393	-473	3,920	12	-12	0	0%	
Coroners	2,421	-384	2,037	186	0	186	8%	Continuation of 2008-09 pressures on Mortuary fees/long inquests, Pathology costs and new pressure regarding body removal, toxicology, histology and deputy coroner cover.
Emergency Planning	817	-168	649	0	0	0	0%	
Kent Scientific Services	1,327	-752	575	78	-43	35	3%	Unachievable internal income target, partly mitigated by management action.
Registration	4,224	-3,140	1,084	-84	84	0	0%	Reduced spend on premises and running costs, due a reduction in fees income
Trading Standards	3,821	-340	3,481	-46	28	-18	0%	Extended vacancy management policy to contribute to divisional overspends, offset by reduced anticipated fees due to self verification of liquid fuel measurements. The underspend has reduced since the previous quarter due to a revised allocation of central overheads.
Policy & Resources	1,388	-76	1,312	0	0	0	0%	
Business Development & Support	650	-220	430	0	0	0	0%	
Strategic Management	957	0	957	0	0	0	0%	
Centrally Managed directorate budgets	954	-1,363	-409	300	-300	0	0%	dilapidations costs to be met by contribution from CFE & recharges to other Communities Service budgets
Support Services purchased from CED	4,109	0	4,109	-21	0	-21	-1%	Reduced charge for KPSN
Total Communities controll	143,912	-86,482	57,430	409	-376	33		
Assumed Management Action				-33	0	-33		

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 individual forecast revenue variances over £100k.

Each of these variances is explained further below:

1.1.3.1 Adult Education incl. KEY: -£72k net (-£117k gross, +£45k income)

a) *KEY Training: £19k Net pressure (-£28k gross, +£47k 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 significant contribution to the rolled forward deficit from 2008-09 of £211k, with only a £19k net pressure forecast.

The origin of the 2008-09 deficit was detailed in the prior quarter's full monitoring report. To date, there have been no significant changes to the profile of payments from the LSC and where income targets have not been met, expenditure has been reduced accordingly to prevent a further pressure arising.

Although this service is currently forecasting a net pressure of £19k, within this is a gross variance of -£28k and an income variance of +£47k. The gross variance has reduced from the +£191k in the previous report as a result of savings on staff, whereby management action commenced earlier than was scheduled, which has been partially offset by a £25k increase in internal recharges. Staff savings have been achieved as a result of the restructuring of the service and by some staff leaving a month earlier than planned.

Further changes made to the Entry 2 Employment contract, which has moved from being a guaranteed income profile to being contingent and linked to learner numbers, has resulted in an income shortfall and explains the £47k variance.

A management action plan was drafted to address the underlying 2008-09 overspend and was to be delivered over a two year period and is well on the way to achieving this target, all things remaining equal.

b) *Adult Education: -£91k Net underspend (-£89k gross, -£2k income)*

A management plan was enacted to hold vacancies to the value of £252k, with a view to making annual contributions to build a reserve to meet planned renewals of plant and equipment, rather than to meet the full cost of these renewals from the annual budget in the year in which they occur which places undue pressure on the service during that time.

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 current forecast gross underspend of £89k consists of the £252k saving from vacancy management offset by the following pressures:

- £39k in relation to IT replacement needs in the Skills Plus Centre and an increase in contracts with the private sector;
- £86k additional costs in relation to an allocation to the Ofsted inspection nominee to update teaching resources, increase staff training and replace furniture and equipment in readiness for the forthcoming Ofsted inspection.
- £38k has also been set aside to fast track much needed maintenance improvements of the service's premises portfolio.

1.1.3.2 Libraries: +£35k Gross and -£35k Income

The service has made savings on gross expenditure, mainly through vacancy management (-£161k), and on premises costs, which have been achieved by the re-tendering of the cleaning contract (-£63k) and from one-off rate rebates for the Tunbridge Wells and Sevenoaks Libraries of (-£100k) and reduced spend on Third party payments to Canterbury City Council in respect of shared running costs of the Beaney (-£11k).

This is being offset by the service's contribution of £175k towards directorate wide savings targets and unexpected costs that had been held centrally such as Church Street dilapidations, an overspend on energy costs of £70k, and other costs totalling £125k which include such items as a £40k revenue contribution to capital projects, £26k additional expenditure relating to Prison IT system and £26k increased internal recharge to the district offices relating to merchandising.

Libraries are forecasting a reduction in their Audio Visual (AV) income streams of £70k (supported by the activity indicators in section 2.2 and a shortfall in their merchandising income of £74k. The Archives service is also forecasting a shortfall in income of £6k from work done on parish surveys and an underachievement on the income target set for the Centre for Kentish Studies shop.

This is being offset by increased income from access services (including prisons) (-£47k), additional rent from Thanet District Council (-£44k) and an increase in internal income of £94k.

1.1.3.3 Coroners: +£186k Gross and Net

The service continues to experience pressures, despite providing an additional £150k (£100k for long inquests, £50k pay) into the budget in 2009-10.

The main pressures arise from Pathology and Mortuary costs of £85k. There is also a pressure on Histology (child death post mortem referrals), Toxicology and Mortuary costs arising from increased activity, as more deaths are being investigated, currently forecast as a pressure of £67k. This 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 and procedures (Toxicology) are being undertaken to try and mitigate this behaviour.

Increased costs arising from the re-tender of the body removal contract are estimated at £70k during 2009-10, with the full year effect being £100k that will impact in 2010-11.

The Head of Service has met 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.

It should also be noted that a further pressure could arise due to payments made to deputy coroners due to the enforced absence of one coroner, outside of the annual leave allowance. The deputy coroner is required to cover for the day to day operational tasks that the coroner is no longer able to undertake during more intensive inquests (see 1.1.5). The outcome, when known, will then be reflected in a future monitoring report, but shows the constant pressure that the service faces in order to try to balance this budget.

To date no definitive solution has been formulated although the service is committed to monitoring all of its budget lines in order to mitigate these pressures as far as practical given the limited level of authority that we have to govern the coroners.

1.1.3.4 Supporting People

A balanced position is forecast for this service, but commitments are in place that will result in gross expenditure being close to £2.69m in excess of the agreed cash limit. However these costs will be met by a draw down from the existing Supporting People earmarked reserve, as part of a planned programme of expenditure approved by the Supporting People Commissioning Body, and therefore a balanced position is forecast.

1.1.3.5 Centrally Managed Budgets: £300k Gross and £300k Income

The Directorate experienced an unexpected dilapidations notice in relation to one of its properties at a total cost in the region of £300k. It has been agreed that £169k of the cost of these works will be met by CFE due to their period of occupation, with the remainder to be funded from contributions from the various services within Communities.

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	Supporting People	+2,690	CMY	Drawdown from Supporting People reserve	-2,690
CMY	Central budgets: Unexpected dilapidation claim.	+300	CMY	Central Budgets: contribution from CFE & recharges to services within Communities of dilapidations cost	-300
CMY	Libraries: contribution towards directorate wide savings targets & other centrally held costs	+175	CMY	Adult Education: Support staff savings.	-252
CMY	Coroners: Mortuary, Histology, Pathology, long inquest and Toxicology fees that are not governed by CMY	+152	CMY	Libraries: staff savings to mitigate reduced income from AV issues and merchandising.	-161
CMY	Libraries: Reduced forecast in relation to Libraries' Audio Visual income streams due to declining demand and alternative sources of supply. Shortfall in merchandising income	+144	CMY	Libraries: one off rates rebates	-100
		+3,461			-3,503

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, reinforced by the net pressure reported of only £19k, based on current assumptions surrounding income targets and profiles.

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, increased fees for pathology, toxicology and histology all present a base pressure for the Directorate.

A further pressure that is yet to be quantified is the current year issue of the increasing length of the number of long inquests. A long inquest is deemed as such if the time a coroner attends the court exceeds one day (or five hours) and in the past it was the volume of long inquests that caused the additional costs.

In the current year, two inquests are forecast for periods of four and five weeks and therefore the length of these two long inquests has essentially committed a significant part of the long inquests budget for the year. The impact of extensive long inquests also requires the use - and cost - of deputy coroners to cover the operational day to day tasks that the coroners otherwise would do at the end of the day but are unable to do so for longer inquests, as not only are the coroners required to attend court but they are required to prepare and read for the following days hearing.

Until the full extent of the commitments for the current and future years are quantified by the coroners, then the impact on monitoring and the MTP cannot be accurately forecast, but it was felt that this continuing pressure, albeit for different reasons, should be highlighted at the earliest convenience.

Other pressures for the Directorate relate to their property portfolio as there is deemed to be inflationary pressures on energy, premises, rates 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 be made in the current year as was hoped, as the Directorate must first present a balanced budget, but will be included in the budgets from 2010-11 onwards.

1.1.7.2 The Directorate expects to deliver a balanced budget by the end of the year by applying management action as appropriate. The specifics of which, are still to be agreed by the Directorate Management Team, but if necessary, 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 12th October 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	23,568	24,208	19,964	3,698	5,670	77,108
Adjustments:						
- re-phasing agreed at Oct Cabinet		-2,408	1,786	622		0
-						0
Revised Budget	23,568	21,800	21,750	4,320	5,670	77,108
Variance		-759	+2,450	+1,285	0	+2,976
split:						
- real variance		21	1,663	1,292	0	+2,976
- re-phasing		-780	787	-7	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;
- have received approval to spend and are underway;
- are only at the approval to plan stage and
- are at the 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, in excess of £250k, 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		+333		
			+0	+333	+0	+0
Underspends/Projects behind schedule						
CMY	Gravesend Library	Phasing			-342	
CMY	Tunbridge Wells Library	Real			-298	
			-0	-0	-640	-0
			+0	+333	-640	+0

1.2.4 Projects re-phasing by over £1m:

None

1.2.5 Projects with real variances, including resourcing implications:

Modernisation of Assets -£0.429m (-£0.250m in 2009/10 and -£0.179m in 2010/11)

Underspend from DDA may be needed in 2010-11 and 2011-12 to contribute to the disabled access costs of the Beaney project. Scheduled DDA works will be delayed accordingly and will be reinstated if the tender process reduces the current forecast overspend.

Canterbury High School Adult Education facilities -£0.03m (in 2009/10)

Underspend expected from the final negotiations with the school regarding the share of costs to be borne by Communities in 2009-10.

BLF Physical Education & Sport Programme -£0.083m (in 2009/10)

Grant may have to be returned to the Big Lottery Fund if the St Gregory's School project is finally cancelled. If it cannot be cancelled an additional grant of £14k will be sought from BLF, which would otherwise be a pressure on the programme.

Renewal of Library ICT System -£0.028m (in 2009/10)

Underspend with costs now forecast lower than expected. Project due for completion in November 2009.

Herne Bay Youth & Children's Centre +£0.009m (in 2009/10)

Overspend as despite the project completing in 2008-09, there were additional costs arising from the need to remedy a problem with the air circulation system and some late payments for computer equipment. This should be funded from developer contributions.

Ramsgate Library Betterment +0.333m (in 2009/10)

Overspend 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, however, the contractor is now in administration and the final costs cannot yet be confirmed. This extra cost will be funded from savings on the Tunbridge Wells project.

Ashford Gateway Plus +£1.623m (+£0.731m in 2010/11 and +£0.892m in 2011/12).

The total project cost is now £7.566m. The additional funding of £1.95m from GAF3 has now been approved and compensates for the increased cost of the design changes.

Dover Big Screen +£0.055m (in 2009/10)

Overspend arising from the additional costs of piling and archaeology. This cost will be funded from savings elsewhere in the programme and additional funding from the revenue budgets with the Arts Unit and EH&W.

Tunbridge Wells Library -£0.298m (in 2009/10),

Savings expected with the necessary works trimmed back to meet DDA requirements for the library and AEC. Tunbridge Wells BC are also making a contribution of £0.109m; with the overall saving (£0.407m) to be used to fund the over spend at Ramsgate Library.

The Beaney +£0.429m (+£0.250m in 2010/11 and +£0.179m in 2011/12).

This has been identified from the additional cost of acquiring Kingsbridge Villas and the detailed pre-tender estimate. Further value engineering has been undertaken pending the results of the tendering process. The additional costs will be funded from within the Modernisation of assets programme if the tender price cannot be reduced. See Modernisation of Assets comments above.

Kent History Centre +£1.332m (+£0.932m in 2010/11 and +£0.400m in 2011/12)

The revised proposals have an additional cost. However, the reduced land value at James Whatman Way means additional funding totalling £2.562m will be required. The borrowing costs will be met by the service once the project is operational and savings can be delivered from rationalisation of premises.

After allowing for these funding issues the true underlying variance is -£0.057m in 2009/10.

1.2.6 General Overview of capital programme:

(a) Risks

Ramsgate – the financial costs to the project of the contractor being in administration are still being determined. Retention monies are held, but it is not yet known if they will be sufficient.

Ashford Gateway Plus – planning approval is now being sought, but any further delays and variances from the cost plan could impact on the deliverability of the project.

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 £2.841m over 3 years.

Tunbridge Wells – there is a possibility that the anticipated costs of the proposals may yet rise due the AEC and library being listed buildings. Any such additional costs will be managed within the overall CMY capital programme.

The Beaney – The project pre-tender estimate is some £858k above the agreed budget with the KCC share being £429k. 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 Bourges (currently being quantified). However planning permission has now been granted (see below).

(b) Details of action being taken to alleviate risks

Ramsgate – financial assessment being completed by the QS and a meeting with the Administrator is to take place in early November. A final cost figure is expected shortly afterwards.

Ashford Gateway Plus – agreement has been reached with the partners regarding both the design and funding. A report is being prepared advising members of the revised spending profile.

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 achieve the forecast cost profile.

The Beaney – The additional costs of £429k are factored in to the overall Directorate budget. However, analysis of the tenders is now underway and initial indications suggest the building works costs could be below the pre-tender estimate; however a more detailed review is being completed. The findings from the initial archaeological investigations have been factored into the project. Work is now in hand with Canterbury City Council to develop and implement a funding strategy.

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. Planning approval has been granted for James Whatman Way and outline permission for Springfield. A report is being prepared and members will be kept informed of the options/proposals.

1.2.7 Project Re-Phasing

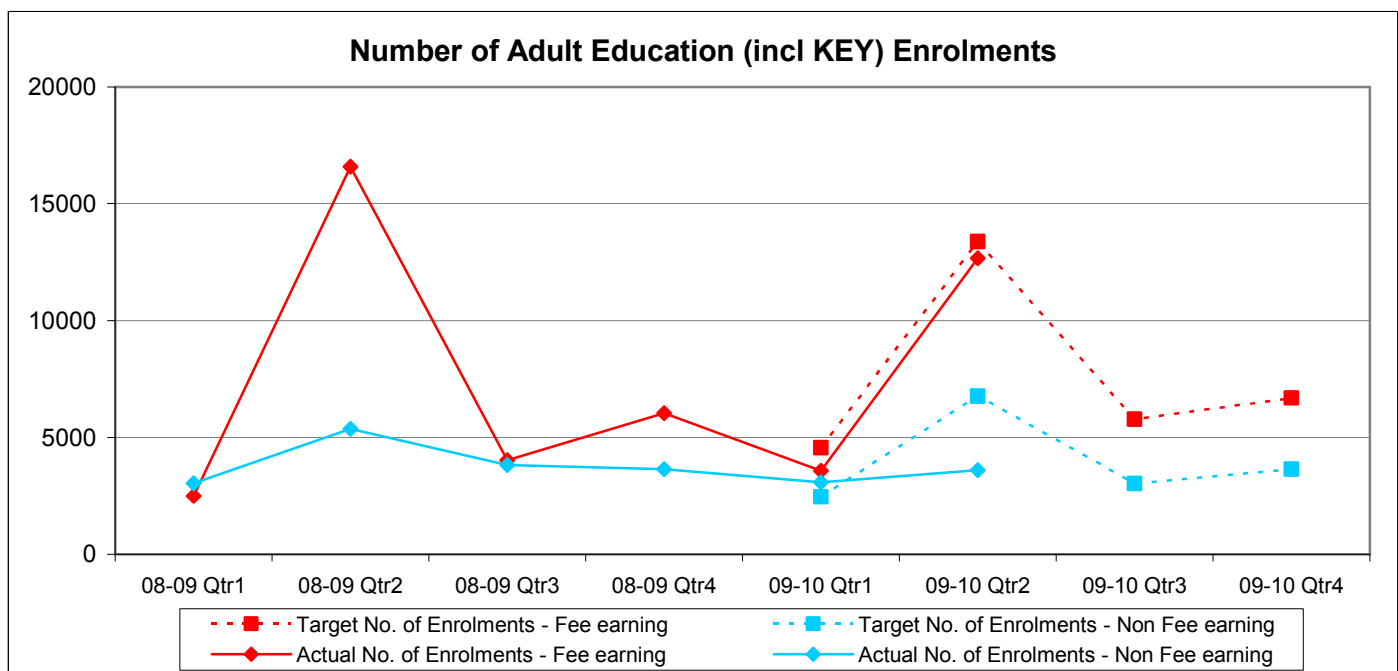
Cash Limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the re-phasing will be shown. The possible re-phasing is detailed in the table below.

	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	
Library Modernisation Programme					
Amended total cash limits	+932	+460	+460	+920	+2,772
re-phasing	-200	+200			0
Revised project phasing	+732	+660	+460	+920	+2,772
Ashford Gateway Plus					
Amended total cash limits	+639	+4,377			+5,016
re-phasing	-242	+242			0
Revised project phasing	+397	+4,619	0	0	+5,016
Gravesend Library					
Amended total cash limits	+700	+1,125	+638		+2,463
re-phasing	-342	+349	-7		0
Revised project phasing	+358	+1,474	+631	0	+2,463
Total re-phasing >£100k	-784	+791	-7	0	0
Other re-phased Projects below £100k					
re-phasing	+4	-4			0
Revised phasing	+4	-4	0	0	0
TOTAL RE-PHASING	-780	+787	-7	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	12,667	3,598	16,265
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	16,239	6,685	22,924



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.

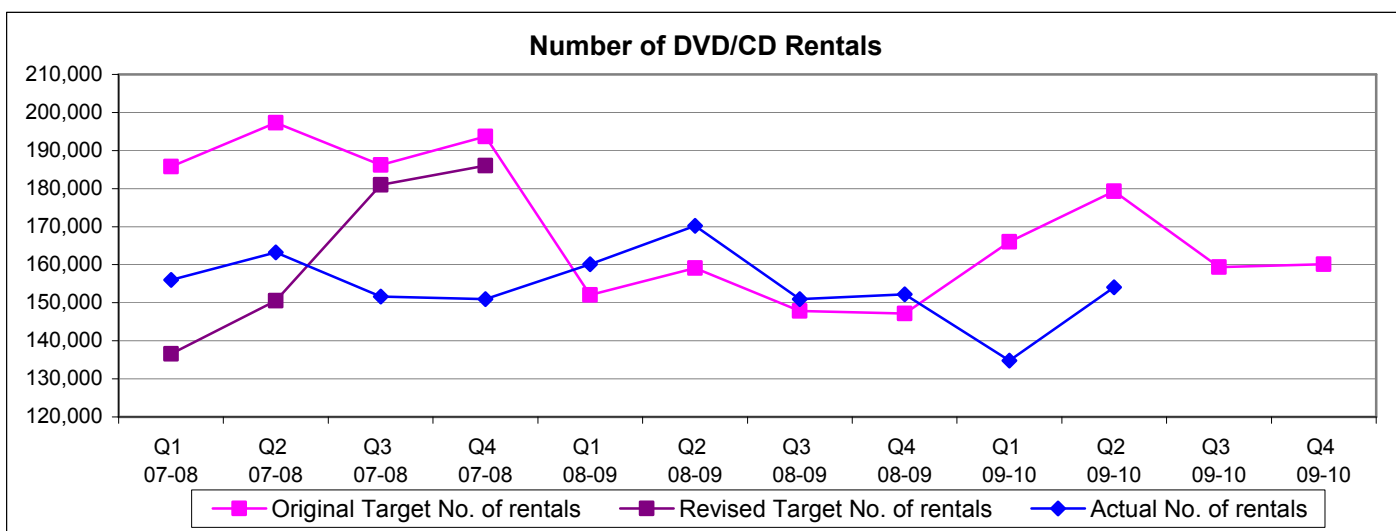
- The enrolment figures reported this year represent actual enrolments in the quarter rather than enrolments for courses started during the quarter, which is what has previously been reported. This should resolve the issue of previous quarter's figures constantly changing. The figures also now include KEY training enrolments as well as Adult Education enrolments.

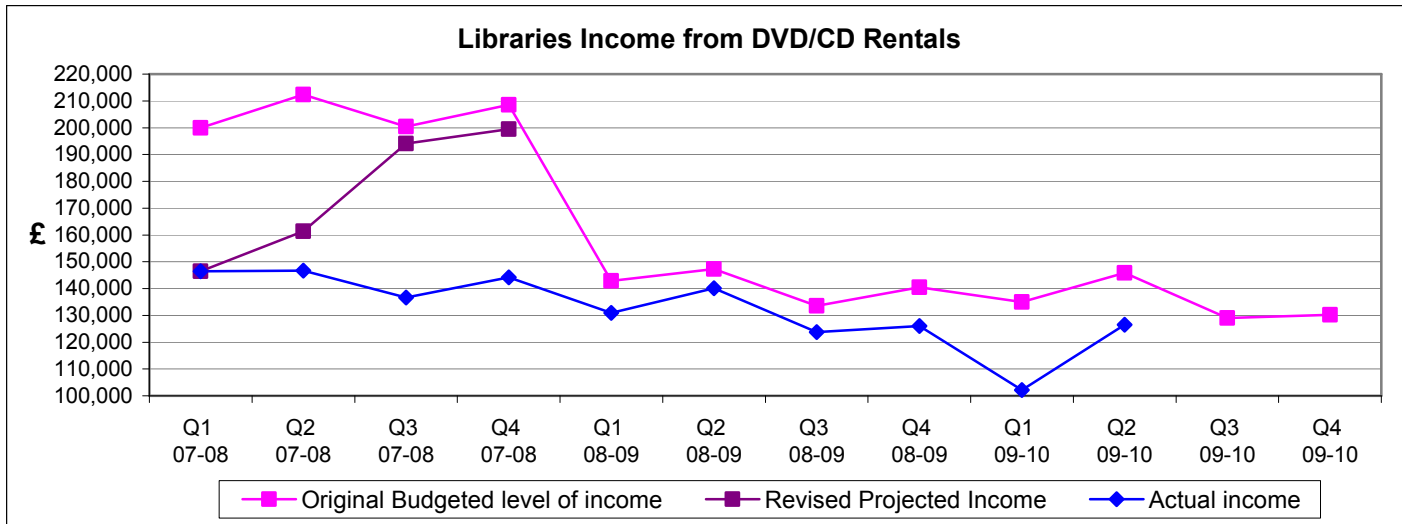
- The actual enrolment figures for the year to date are below initial expectations. An improvement had been expected for quarter two, but student numbers are still below the target. To mitigate against the decrease in student numbers, the use of sessional staff will be reviewed and costs controlled in line with a 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	103,135
July–Sep	179,300	154,044	145,800	126,494
Oct–Dec	159,400		129,000	
Jan–Mar	160,100		130,200	
TOTAL	664,800	288,825	540,000	229,629





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 £70k as identified in tables 1 & 2 and paragraph 1.1.3.2.

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. Issues in 2008-09 exceeded the target but income fell short, due to an increase in the spoken word issues for which no fees are charged and this trend has continued in 09-10. The correlation between issues and income is subject to an ongoing review and mitigating action will be taken accordingly.
- The actual number of rentals includes those from visits to lending libraries, postal loans and reference materials.
- To enable better comparison of AV issues and income data, the actual income reported for quarter 1 of 2009-10 has been changed from the £102,152 previously reported, to reflect the late banking of income which has taken place during the second quarter but relates to rentals issued within the first quarter, the number of

rentals reported previously remains unchanged. It is likely that a similar adjustment will be required in each report.