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Date: 21 June 2011

Dear Member

REGENERATION AND ECONOMIC DEVELOPMENT POLICY OVERVIEW AND SCRUTINY COMMITTEE - FRIDAY, 24 JUNE 2011

I am now able to enclose, for consideration at next Friday, 24 June 2011 meeting of the Regeneration and Economic Development Policy Overview and Scrutiny Committee, the following report that was unavailable when the agenda was printed.

Agenda No	Item
B8	<u>End of Year Budget Outturn Report 2010/2011 (To Follow) (1 - 8)</u>

Yours sincerely

Peter Sass
Head of Democratic Services

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By: Kevin Lynes, Cabinet Member for Regeneration & Economic Development
David Cockburn, BSS Corporate Director

To: Regeneration and Economic Development Policy Overview & Scrutiny Committee – 24 June 2011

Subject: **2011/12 Budget Savings**

Classification: Unrestricted

Summary: This report sets out the process we have been through to ensure the delivery of the 2011/12 budget savings allocated to the services overseen by this POSC.

1. Introduction

- 1.1 This is a one-off report setting out the detail behind the 2011/12 budget savings allocated to the services overseen by this POSC.
- 1.2 The scale of the savings to be made in 2011/12 is unprecedented and we have put additional processes in place to monitor their delivery.
- 1.3 The delivery of the £95m of savings will be a major factor in delivering the 2011/12 budget on target. However, our overall net budget for 2011/12 is £908m and it is crucial that we ensure that the whole budget is delivered on target.
- 1.4 The 2011/12 budget is not all about savings. There is a substantial reorganisation under way, which will change the way we run our business. Our new structure will enable us to effectively deliver front line services in the most efficient way, and ensure we can adapt and prosper in what is sure to be a difficult financial climate. We have a clear vision for the future shape of the Authority, as evidenced in Bold Steps for Kent, and in future years of budget setting we will seek to ensure that we can deliver our vision for Kent.

2. Background

- 2.1 The 2011/12 budget approved by County Council on 17th February included £95m of savings. This is some three or four times larger than the savings requirement we have been used to in recent budget rounds, and is an unprecedented amount of savings for this Authority. We are doing this with minimal disruption to front line services.

- 2.2 The savings that the Authority will be required to make in the next few years will also be extremely tough, and we have therefore set up a rigorous process to monitor the delivery of the £95m savings, and we will follow this process again in future years, if necessary.
- 2.3 At the point when the budget was approved by County Council, as is usual at this point in the process some detail about how these savings would be made was missing. This was partly due to the impact of the County Council restructure, and partly due to a change in responsibilities for some services at Director level.
- 2.4 The process began with each saving line in the MTFP being allocated to responsible managers. As the MTFP is presented in the old structure, we had to ensure that savings were correctly split and allocated to the correct responsible managers where a saving in the old structure split across two Directorates in the new structure. In addition to this, where people had left the organisation it was important that their successor, or a suitable alternative officer, was made aware of the savings that had been agreed.
- 2.5 In March responsible managers were asked to 'RAG rate' each of their savings according to the following guidelines:
- Red – detailed plans not yet finalised and/or delivery not totally within our control
 - Amber – anything that is between 'Green' and 'Red'
 - Green – delivery of savings has already started
- 2.6 Subsequently 'Blue' has been added to this rating for savings that are already delivered and 'in the bag'. The 'BRAG rating' of savings has been an iterative process, and responsible managers provided several updates.
- 2.7 The current totals for the 'BRAG rating' is:
- | | |
|-------|--------|
| Blue | £32.4m |
| Green | £29.1m |
| Amber | £28.4m |
| Red | £4.8m |
- 2.8 For savings in excess of £200k over the two years in the MTFP the responsible managers completed a Project Initiation Document (PID).
- 2.9 We set the threshold at £200k to ensure that we covered as much of the £95m of savings as possible, but with the emphasis being on the larger savings which would have the biggest impact if they were not delivered. There are around 250 savings lines in total, and around 100 PIDs have been created. The PIDs cover £92m of the £95m.

- 2.10 The PIDs identify how it is intended that the saving will be achieved and the key milestones which need to be met in order to deliver the saving as planned. This will enable us to monitor progress throughout the year to ensure that we are on target to deliver the planned savings and where plans have slipped what remedial action needs to be taken to ensure we stay within budget. It will also enable the necessary support for many of these savings, from HR and Communications in particular, to plan their workload accordingly.
- 2.11 The first PIDs were returned in March. A PID surgery was held by Corporate Finance on 6th April to discuss some of the savings with the responsible manager and the Directorate's Finance Business Partner (formerly the Head of Finance in each Directorate). Savings that were discussed at this surgery were those where there was some uncertainty over the deliverability of the saving from reading the contents of the PID. The PID surgery gave assurance over the deliverability of many of the savings discussed and revised PIDs have been submitted for the most of the savings discussed at the surgery. There were some savings discussed at the PID surgery which remained 'red rated'.
- 2.12 As set out in paragraph 2.7, there is currently a total of £4.8m of 'red rated' savings across the Authority. The Corporate Management Team has agreed to continue to pursue £2.6m through the original means, and have asked the responsible Directorates to work up alternative savings for the remaining £2.2m.

3. Savings for services covered by this Committee

- 3.1 The £355k saving identified from staffing reductions on regeneration projects has been rated green. We are well on target to deliver this saving as posts have been held vacant during 2010/11 and reality much of the saving has already been delivered.
- 3.2 The £625k saving on regeneration project activity is also now rated green. This saving is on target to be delivered through further non-replacement of vacancies or stopping activity where it does not meet fully with our current economic development strategy. For the regeneration activity that is considered appropriate to continue, alternative sources of funding will be sought in order to deliver the base budget reduction. At this stage we consider the target to be fully deliverable.
- 3.3 The remaining savings are below the PID threshold but have already been delivered or are on target to be delivered.
- 3.4 The Corporate Director and/or Directorate's Finance Business Partner will give a presentation at the meeting on the progress against each saving covered by this Policy Overview and Scrutiny Committee.

- 3.5 To date the focus of attention has been on the £95m savings in the 2011/12 budget. It is important that we now shift the focus to monitoring the overall 2011/12 budget of £908m and ensure we deliver this on target. Therefore, from now on monitoring the delivery of savings will be picked up as part of the routine budget monitoring process and reports.

4. Recommendations

- 4.1 The Regeneration and Economic Development Policy Overview and Scrutiny Committee is asked to note the progress against the delivery of the savings covered by the Committee

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BY: Kevin Lynes, Cabinet Member for Regeneration and Economic Development
David Cockburn, BSS Corporate Director

TO: Regeneration and Economic Development Policy Overview & Scrutiny Committee – 24 June 2011

SUBJECT: Regeneration and Economic Development Portfolio Financial Outturn 2010/11

Classification: Unrestricted

Summary:

This report summarises the 2010/11 financial outturn for each of the service units within the Regeneration and Economic Development Portfolio. Previously outturn reports to POSCs have included performance outcome information but this is now covered in the separate Core Monitoring report

FOR INFORMATION

1. Introduction:

- 1.1 In the March/April cycle of meetings POSCs received a report setting out the latest forecast outturn for the 2010/11 financial year as reported to Cabinet based on the position as at the end of the third quarter. Third quarter performance monitoring against unit business plans was also covered at the same meetings in the Core Monitoring report.
- 1.2 This is the second year we have been able to bring the final outturn reports to the July round of POSC meetings. It is important that committees receive timely information on actual costs in advance of considering options for future years' budgets during the autumn. This report includes the final outturn for each of the service units within the Regeneration and Economic Development Portfolio in the same format as reported throughout the year in monitoring reports together with an explanation of any significant variances from the third quarter's monitoring. We are not in a position to report the outturn in the A to Z Service format used for the 2011/12 Budget Book as financial reporting for 2010/11 was not set up to produce information in this format.
- 1.3 At its meeting on 26th May Scrutiny Board considered how POSCs can be more engaged in the budget planning process. Scrutiny Board recommended that each POSC should establish an Informal Member Group of up to 5 members which should meet between July and October in order to report back to the November POSC meeting on options for the forthcoming budget. The 2010/11 outturn report was

identified as one of the core pieces of information that IMGs will need for these series of meetings.

2. Regeneration and Economic Development Portfolio 2010/11 Financial Outturn- Revenue

2.1 The provisional revenue outturn was reported to Cabinet on 20th June together with recommendations on rollover for committed projects and contributions to reserves for uncommitted under spends. The overall position for the Regeneration and Economic Development Portfolio was an under spend of £103K.

2.2 Table 1 sets out the original budget, final approved cash limit and spending for each service unit within the Regeneration and Economic Development Portfolio. The changes between the original budget and final approved cash limit are all within KCC’s “virement” rules as set out in Financial Regulations.

Table 1	Original Budget	Approved Cash Limit	Final Outturn	Variance from Cash Limit
Service Unit	£000s (Net)	£000s (Net)	£000s (Net)	£000s (net)
Supporting Business	1878.0	1878.0	1626.0	-252.0
Growth Areas	1059.0	1228.0	1260.1	32.1
Kent wide & Strategic Projects	2630.0	3211.0	3325.6	114.6
Research & Intelligence	217.0	342.0	355.5	13.5
Kent Film Office	110.0	110.0	110.1	0.1
Resources	467.0	467.0	455.3	-11.7
Total	6361.0	7236.0	7132.6	-103.4

2.3 This represents a movement of a net £4.4k compared to the third quarter’s monitoring. However, within this there are movements within individual projects which require further explanation. The significant variations include the following:

Supporting Business

1. INTERREG Projects – There has been slippage amounting to £80k due to tendering for cross border studies together with a need to re-tender because of insufficient response (grant funding rules) and £20k due to the delayed implementation of a ‘Customer service training course for Kent’ because of a national tourism industry debate. This slippage mainly affects KCC’s contribution which is provided by the grant relating to staff time. We use KCC staff time as the match-funding to secure the grant income. The consequential slipped spend in future years is funded from reserves.
2. Rural Backing Kent Business - £20k slippage due to delayed implementation in order to secure greater partnership engagement. Alternative funding arrangements are being sought.

3. Kent Rural Delivery Framework - £20k slippage due to delayed implementation to fit in with wider strategy/local economic assessment timetable. Alternative funding arrangements are being sought.
4. Backing Kent Business - £50k . Delayed discussions with consultants about setting up a business support programme as a partnership activity.

Kent Wide & Strategic Projects

A number of additional activities were undertaken. £25k Investment Fund advice: Thames Gateway delivery obstacles & intervention. £20k final year contribution to economic development and housing partnerships. £15k contributions towards 'Local investment plans' activities.

- 2.4 The first exception monitoring for 2011/12 will be reported to Cabinet on 18th July and the full monitoring as at the first quarter is scheduled to be reported on 19th September. The timing of this Cabinet means reports to the September round of POSCs may have to be despatched late in order to include the latest position considered by Cabinet.
- 2.5 The balance of the uncommitted under spend (£2.128m) for the County Council was transferred to the Economic Downturn reserve in accordance with the recommendation agreed by Cabinet.

**3. Regeneration and Economic Development Portfolio 2010/11
Financial Outturn – Capital**

- 3.1 Table 3 identifies the planned and actual spend on all capital projects in 2010/11 and the total approved and forecast spending over the lifetime of these projects.

Table 3		2010/11 Spend				Total Scheme Cost		
		Original Budget £000s	Approved Cash Limit £000s	Final Outturn £000s	Variance from Cash Limit £000s	Approved Cash Limit £000s	Forecast Spending £000s	Variance from Cash Limit £000s
Rolling Programmes								
Schemes with Approval to Spend								
	Kent Thameside Regeneration Partnership-Major Works (was Kent Thameside Major Works Delivery Board)	480	402	402	0	3,880	3,802	-78
	Kent Empty Properties Initiative	1,800	1,737	1,737	0	6,625	6,625	0
	Eurokent Road (East Kent)	625	10	8	-2	6,610	6,610	0
	Gravesend Old town Hall		79	71	-8	2,304	2,301	-3
	Swale Parklands	450	330	411	81	975	975	0
	Dover Priory		522	434	-88	1,657	1,604	-53
	Dover Seachange	750	1,705	1,697	-8	2,224	2,224	0

Appendix 1

Margate Eastern Seafront	850	850	880	30	850	936	86
Rendezvous Site - Margate			75	75		75	75
Total	4,955	5,635	5,715	80	25,125	25,152	27
Schemes with Approval to Plan							
Capital Regeneration Fund					12,044	12,044	0
Housing for Older People		18	18	0	18	18	0
Margate Housing					10,000	10,000	0
Total		18	18	0	22,062	22,062	0

3.2 The movements from the original budget and the approved cash limit have been reported in monitoring during the year and the cash limits were changed when the capital programme in 2011/13 Medium Term Financial Plan was approved in February. The variance from approved cash limit represents the latest actual spending for 2010/11 (and forecast spending for future years) since the capital programme was published and includes the following significant issues:

1. Dover Priory Station Approach Road £53k. Reduction of contingency as project is nearing completion.
2. Rendezvous Site, Margate £75k. Public realm works for Turner Harbour View was originally included in revenue budget but the actual work carried out falls within definition of capital expenditure funded by revenue contribution.
3. Margate Eastern Seafront £86k. Final works over budget funded grant.

3.3 These variances will be included in the budget monitoring reports to Cabinet in July and September together with any other issues affecting capital projects which have arisen during 2011/12.

4. Recommendations

- 4.1 Members of the Regeneration and Economic Development Portfolio are asked to:
- a) NOTE the revenue and capital financial outturn for 2010/11 including rollovers for committed projects and changes to capital programme
 - b) NOTE the potential impact of variations since the 2011/12 budget was approved
 - c) PROVIDE any comments and guidance to IMG members on potential impact for 2012/13 and future years' budgets

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