

To: Environment Highways and Waste (EHW) Policy Overview & Scrutiny Committee – 5 July 2011

By: Bryan Sweetland, Cabinet Member, EHW
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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 KCC-wide savings totals for each of the 'BRAG ratings' 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 total savings for 2011-12 for the services covered by this Committee is £11.212m.
- 3.2 The savings fall currently under the following "BRAG" categories:

Red	£0m
Amber	£0.250m
Green	£8.097m
Blue (delivered)	£2.865m

- 3.3 PIDs have been developed for £10.190m. Savings targets that are below the PID threshold have already been delivered or are on target to be delivered.
- 3.4 There is one amber saving, a review of third party recycling (£0.25m), which is commented upon below and also one saving that has just turned from amber to green – the highways restructure / contract procurement (£4.161m) – also explained below.

- 3.5 We have recently changed the highways saving from amber to green as is it is largely delivered now. The major element of the required service efficiencies will be delivered through the implementation of the new highway maintenance contract which has now been signed and will commence in September 2011. Highways is also nearing completion on its major staffing restructure, which will bring significant staff efficiencies and result in a new approach to highway safety inspections, assessment surveys and customer service and combining activities such as Sustainable Transport and Road Safety.
- 3.6 Other efficiencies are also being secured across all areas of highways business including; revisiting and improving contractual arrangements for traffic and works management systems; improved maintenance capability using more up to date asset inventories, the upkeep of which will now be done through business as usual; reduction in assessment / condition surveys; reductions in energy consumption for streetlights and traffic signals and signs; rationalisation of vegetation control; further reductions in use of term consultancy and the full year-effect of the route optimisation for drainage that commenced in 2010-11 and the continuation of this process through street lighting and highway inspection.
- 3.7 The Waste Service is reviewing the third party recycling credits scheme because the cost of this discretionary function in Kent is very large compared to other waste disposal authorities, and it is believed that the current administration arrangements of the scheme has led to inequalities across Kent. The existing administration arrangements are being reviewed to achieve a consistent and equitable approach, with clear accountability for public expenditure.
- 3.8 Both of these areas have met their project milestones to date and it is expected that both will fully deliver their target savings.
- 3.9 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 EHW 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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