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To: Corporate Policy Overview and Scrutiny Committee
6th July 2011

Subject: **2011/12 Budget Savings**

Summary: This report sets out the process we have been through to ensure the delivery of the 2011/12 budget savings.

FOR INFORMATION

1. Introduction

- 1.1 This is a one-off report setting out the savings the Authority has to make in order to deliver the 2011/12 budget. We are presenting the overall position for KCC to Corporate Policy Overview and Scrutiny Committee (POSC) as well as details of the services specifically reporting to this POSC.
- 1.2 The scale of the savings included in the 2011/12 budget (£95m) 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.
- 1.3 Delivering the savings that the Authority will be required to make over the next few years will be extremely tough. 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.
- 1.4 Although the delivery of the £95m of savings will be a major factor in delivering the 2011/12 budget on target, our overall net budget for 2011/12 is £909m and it is crucial that we ensure that the whole budget is delivered on target.

- 1.5 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 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.
- 2.2 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.
- 2.3 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
- 2.4 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.
- 2.5 For savings in excess of £200k over the two years in the MTFP the responsible managers completed a Project Initiation Document (PID).
- 2.6 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.

- 2.7 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.
- 2.8 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.
- 2.9 There were some savings discussed at the PID surgery which remained 'red rated'. 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. Progress towards delivering the £95m

- 3.1 Directorates are reporting to their respective POSCs on the progress towards the delivery of the savings covered by each individual POSC. We have not repeated this detail to the Corporate POSC.
- 3.2 The overall progress towards the £95m is encouraging. The current totals for the 'BRAG rating' is:
- | | |
|-------|--------|
| Blue | £32.4m |
| Green | £29.1m |
| Amber | £28.4m |
| Red | £4.8m |
- 3.3 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 £909m 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. Savings for services covered by this Committee

4.1 The total amount of savings falling specifically under the Business Strategy and Support (BSS) Directorate is £22.6m. The current totals for the BSS Directorate-specific savings is:

Blue	£14.4m
Green	£5.5m
Amber	£2.7m
Red	£nil

4.2 The vast majority of the 'Blue-rated' savings is for the release of reserves and roll-forward of the 2010/11 underspend.

4.3 'Green rated' savings that are well on-course for delivery/the savings have already started include: Total Place, savings on overall net debt costs including re-financing, increased income levels in Governance & Law, and HR efficiency savings.

4.4 The savings currently rated as 'Amber' include the multi-agency network unification and internal efficiency and demand savings in ISG, as well as a number of staffing savings across the Directorate. Clear plans are in place for their delivery of all these savings in 2011/12 and there is no cause for concern.

4.5 The Head of Financial Strategy will give a presentation at the meeting on the progress against each saving covered by this Policy Overview and Scrutiny Committee.

4.6 In addition to the above BSS Directorate-specific savings, there are seven additional Authority-wide savings totalling £10.3m. Approximately half of this is for the reduction in employer's pension contribution, which took effect from 1st April 2011. We remain on-track for the delivery of the rest of the £10.3m Authority-wide savings and have no cause for concern.

5. Recommendations

5.1 The Corporate Policy Overview and Scrutiny Committee is asked to note the progress against the delivery of the savings.

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