

**By:** Mike Hill, Cabinet Member for Community Services and Amanda Honey, Corporate Director, Customer & Communities

**To:** Customer & Communities Policy Overview & Scrutiny Committee

**Date:** 8<sup>th</sup> July 2011

**Subject:** 2011/12 Budget Savings

**Classification:** Unrestricted

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**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.

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## **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 17<sup>th</sup> 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 6<sup>th</sup> 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 Savings targets for the old directorate (Communities) within the MTFP 2011/13 amounted to **£15.6m** (gross), with £7.5m to be achieved in 11/12 and a further £8.1m to be achieved in 12/13.
- 3.2 The £15.6m can be further analysed into income generation of £0.4m, efficiency savings of £6.4m and policy options of £8.8m.
- 3.3 As alluded to in 2.09 and subsequent sections, a number of PIDs were drafted in relation to **£13.27m** of the gross savings that the directorate was tasked with delivering, detailed as follows:

-	£1.89m	Review of back office & management
-	£1.45m	Libraries: Radio Frequency Identification
-	£7.00m	Supporting People: Service review
-	£0.50m	Youth/YOS: Management review
-	£1.68m	Youth: Review of the model of delivery
-	£0.50m	Trading Standards: Service review

- £0.25m CLS: Changes to prices and concessions

Of the above, **£5.05m** is profiled in the MTFP for delivery in 2011/12.

- 3.4 In addition to the MTFP savings for the Communities Directorate, the creation of the Customer and Communities Directorate also led to the transfer of a number of units, as well as the transfer of a number of savings targets and options.

A number of PIDs were prepared for these savings - **totalling £3.1m** - and can be analysed as follows:

- £2.00m Communications: Staff and activity review
- £0.84m Contact Kent: Integration of similar functions
- £0.20m Kent Children's Trust
- £0.06m Management review (part of a larger saving)

Of the above, **£2.16m** is profiled in the MTFP for delivery in 2011/12.

- 3.5 The gross savings (covered by PIDs) for the Customer & Communities Directorate is therefore **£16.37m** (£13.27m + £3.1m).

In aggregate, the new directorate has gross savings of **£18.1m** to deliver over the 2011-13 MTFP period, of which **90%** are covered by the PID process, with a further £1.74m (10%) below the £200k threshold.

- 3.6 Of the above options, only two of them are currently presenting a potential pressure for the directorate in 11/12 (See below).

**Communications (£2m)** – consultation is in progress, with a view to achieving a fit for purpose structure by 1 September 2011. This staffing review will achieve savings in the region of £1m, with half of this expected to be delivered in 2011/12, with the full year effect in 2012/13.

A further £1m needs to be delivered, and as the profile for delivery of the £2m saving was £1.5m in 2011/12 and £0.5m 2012/13, a further £1m needs to be found in 11/12 if no overspend is to be reported.

This will require some base reductions around activity, as well as some one-off initiatives to ensure a balanced budget is met.

The authority wide restructure led to the creation of the Communications, Consultation and Community Engagement division (CCCE), with all staffing and running costs for the department centralised.

The activity budgets remain within the directorates, not this central function, and therefore the remaining £1m of saving is to be delivered through reduced activity in the units, under the instruction and watchful eye of the CCCE division. Guidelines are currently being devised in this respect.

**Contact Kent (£0.84m)** – a significant amount of the saving was predicated on the integration of three services into the Contact Centre, with management, staffing and overhead savings to be achieved through the aggregation, co-deliver and ultimately the co-location of three communication channels.

The business model is currently being reviewed due to a significant increase in call volumes – and therefore a drop in key performance indicators – in relation to all services that the Contact Centre support.

The service is therefore trying to maximise the saving that is delivered in 2011/12 and this will be communicated via the monitoring process throughout the year.

3.7 The remaining options are progressing at differing timescales but, at this moment in time, the 2011/12 elements of the savings are all deemed deliverable and therefore do not present a pressure in the current year.

- The review of back office and management is largely complete, with the 11/12 savings already achieved.
- The Radio Frequency Identification (RFID) technology roll-out (“self service”) is underway and the 11/12 element is on line to be delivered.
- Supporting People reserves are to be used in the current year to achieve the 11/12 element of the savings and to enable a smooth transition to the changes that will be in place at the beginning of 12/13.
- The integration of the Youth Service and the Youth Offending Service has already occurred and an Integrated Head of Service has been appointed so again, the 11/12 element of the savings has been delivered.
- The Youth Service’s review of delivery is currently pre consultation but the 11/12 element of the saving (£100k) has already been delivered through the deletion of a post and vacancy management.
- Trading Standards had held a number of vacancies in 2010/11, in anticipation of the impending policy review, and these posts have been deleted. This saving is expected to over-deliver the profile stated within the MTFP and was brought forward to mitigate some income

generation targets that cannot be fully delivered in the current year.

- Community Learning and Skills have implemented, or are in consultation prior to potentially implementing, a number of proposals that will contribute to the savings targets, with the 11/12 element of the savings deemed achievable as they only represent £50k of the total savings of £250k.

3.8 The Corporate Director and the 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.

3.9 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 Customer & Communities 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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