To: Customer and Communities Policy Overview and Scrutiny Committee

By: Mike Hill, Cabinet Member for Customer and Communities Services
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Subject: Financial Monitoring 2011/12

Classification: Unrestricted

For Information and Comment

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1. **Introduction**

1.1 This is a regular report to this Committee on the forecast outturn against budget for the Customer and Communities portfolio.

2. Background

2.1 Policy Overview and Scrutiny Committees (POSCs) consider priorities for the Medium Term Plan (MTP) at their November meetings and the draft MTP and annual budget at their January meetings. To inform discussion, three reports are presented to the Committee on a regular basis:

a) Budget Monitoring reports

A quarterly budget monitoring report is presented to Cabinet, usually in September, December and March and the Customer and Communities' annex to those reports is on the agenda of this Committee at the next available meeting. This keeps Members informed about current trends, pressures and management actions in advance of budget setting.

The approved A-Z of budgets have be realigned for the first quarter's budget monitoring to reflect the new portfolio responsibilities and new directorate structures to give a new starting point for the year

b) Performance reports

Reports are also brought to POSCs throughout the year advising Members of performance against national indicators, KCC priorities, operational business activity and any external inspection reports.

c) Outturn report

The outturn report in July summarises financial and performance information for the preceding year.

3 Quarterly monitoring report

3.1 Attached as an annexe to this report - for the first time in 2011/12 for the members of this POSC - is the full monitoring report for the first quarter of 2011/12 in relation to the Customer and Communities portfolio.

The salient issues from this report are highlighted and summarised below.

3.2 Revenue

3.2.1 At the July POSC, members were orally updated on progress against 2011/12 savings targets and the current monitoring position.

A balanced position was to be delivered as part of the Exception monitoring report, however it was confirmed that two of the savings targets (Communications and the Contact Centre) were not progressing as expected, with the quantum to be confirmed in the full quarterly monitoring report.

3.2.1.1 The quarterly monitoring report shows the directorate is forecasting a net overspend – for the first time in recent years – of £0.8m, which comprises pressures/overspends of £1.25m and part compensating underspends of £0.45m

3.2.2 The main components of the net overspend of £0.8m are outlined below:

Shortfall against, and/or acceleration of, 2011/12 MTFP savings:

- Contact Centre +£0.64m

  The service was to deliver £406k of savings in the current year, with solutions to half of these being met for 11/12. Management action is being devised in order fully mitigate this pressure but the ability to deliver the savings has been affected by grant reductions which has reduced the funding base for some of the services delivered by the Contact Centre.

  In addition to the pressure above, the service has also experienced a significant increase (in the region of 20%) of call volumes, which is primarily due to the current economic climate.

  This has meant that the service has been unable to respond to its required answer rate of 80% of calls within 20 seconds (“80/20”). In order to achieve this performance indicator, an estimated 24 FTE would need to be employed at a full year cost of £600k (part year effect £450k).

  Therefore the £450k part year effect of call volume pressure, as well as the £200k pressure in relation to savings targets not progressing as expected, comprises the £640k projected overspend.

  Avenues are being explored with regard to funding the additional resource required, as well as relaxing the performance indicators.

- Communications, Media Relations and Engagement +£0.60m

  The service was allocated a savings target of £2m, of which £1.5m is to be achieved in 11/12. A staff restructure is due to deliver a six month effect saving of £0.5m (full year effect in 12/13) and a further £0.5m has been identified through reducing activity. The remaining £0.5m has yet to be delivered.

  In addition to this, at the point of building the budget, income targets were set in the region of £200k and it is prudently being assumed that these will nto be met with all units, authorities and partners curtailing non essential spend where appropriate.

  Vacancies have been extended for the first part of the year and have contributed in the region of £100k of underspends. The combination of the £500k savings pressure, the £200k income target and the £100k vacancy management comprises the £600k projected overspend.

  Management action is still being devised in relation to reducing activity spend further, however as the activity budgets remained in the units following the centralisation of the communications function, this has been difficult to extract as units are already curtailing such spend in order to meet their own reductions in funding which were not expected when the £2m saving was approved.

- Trading Standards ("TS") -£0.14m

  The service was to deliver savings profiled £250k in 11/12 and £250k in 12/13, with a significant part of the 12/13 savings being delivered early to part-compensate for other savings targets not progressing as expected.

- Kent Scientific Services ("KSS") +£0.05m

  The service had anticipated being able to deliver additional income generation opportunities but, given the current economic climate, customers are actually reducing their sample sizes.

Prudent management of vacancies and curtailing non essential spend:

- Kent Supported Employment ("KSE") -£0.21m

  Following the cessation of a contract, staff vacancies are being extended until the replacement contract is at full capacity. It is expected that posts will be held vacant until the new contract is fully operational and this is expected to generate an underspend in the region of £200k.

The above components account for a net pressure of £940k, with a number of other services within the directorate contributing forecast underspends to bring the net pressure down towards the forecast net overspend of £800k.

3.3 Capital

3.3.1 The first quarter's full monitoring forecast in relation to the capital programme shows real variances of £1.64m and re-phasing variances of £1.26m when compared to the approved budget.

3.3.2 The real variance of £1.64m primarily consists of an accounting adjustment which makes it appear as though there is a reduction in spend on the Edenbridge project of £1.74m. In reality however, the spend is reducing by this figure but income is also being reduced so this adjustment merely represents a netting off of income and expenditure as the monies from the sale of land are being held in an ESKROW account and will be drawn down by the developer as the building progresses.

3.3.3 The re-phasing variance of £1.26m primarily relates to a delay to the roll out of a number of the gateway projects, with the anticipated spend in 2011/12 being moved into 2012/13.

3.4 Saving Plans

Project implementation documents (PIDs) have been drafted by each service that has a saving within the Medium Term Financial Plan but require a consistency review to ensure that they provide a standalone guide as to how and when the saving will be delivered.

A summary report, aggregating the PIDs was drafted and was shared with this committee at the July meeting and progress against these PIDs are now included as part of the financial monitoring process and have been referred to in the narrative above.

4 Recommendations

4.1 Members of the POSC are asked to note the projected outturn figures for the directorate for 2011/12 based on the latest monitoring report to Cabinet.

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Appendix:
The Customer and Communities annex to the 2011/12 quarter one budget monitoring report, as reported to Cabinet in September 2011.