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To: Governance and Audit Committee - 25 September 2012

Subject: **Update on savings programme**

Classification: Unrestricted

Summary: This report sets out the progress on delivering savings in 2012/13.

FOR ASSURANCE

INTRODUCTION

1. The savings agenda provides both the backdrop to how KCC will develop over the next few years and presents a delivery challenge to the organisation. A report on the budget process to this Committee in June 2011 set out the approach by which savings were developed and monitored, namely:
 - a. the allocation of savings to named Officers;
 - b. the preparation of Project Initiation Documents (PIDs);
 - c. "RAG"¹ rating of the savings and resultant management action;
 - d. Reporting via the Council's well developed revenue budget monitoring processes.

BACKGROUND

2. The success of the savings programme (some £95 Million against a 2011/12 net budget of £909 Million) is evident in the final outturn for 2011/12, which witnessed a revenue underspend of £8.242 Million. It should be noted that many of the PIDS covered multiple financial years, reflecting the effort needed to change business operations while still delivering essential services.

2012/13 Position

3. The MTFP saving target for 2012/13 is £100 Million. The process described above has largely been replicated, including the requirement for all savings over £200k to have a PID. The PID Surgery approach undertaken for 2011/12 was not repeated but

¹ "Red, Amber, Green"

a similar challenge exercise was carried out through the Budget Programme Board. There are currently around 70 PIDs, many of which were established in 2011/12.

- The last report to this Committee on savings progress stressed the importance of monitoring the overall budget to ensure that we deliver against the agreed bottom line target. Consequently progress against savings is now best reflected in the recent Quarter One report to Cabinet on September 17th:

2012-13 REVENUE MONITORING

Portfolio	Budget	Gross Variance	Proposed Management Action	Net Variance
	£k	£k	£k	£k
Education, Learning & Skills	+61,641	+325	-325	0
Specialist Children's Services	+154,358	+5,295	0	+5,295
Adult Social Care & Public Health	+337,025	-3,474	0	-3,474
Environment, Highways & Waste	+155,294	-2,228	0	-2,228
Customer & Communities	+82,199	-462	0	-462
Regeneration & Economic Development	+3,670	0	0	0
Finance & Business Support	+63,567	-3,699	0	-3,699
Business Strategy, Performance & Health Reform	+56,262	+1,020	-946	+74
Democracy & Partnerships	+7,547	-74	0	-74
TOTAL (excl Schools)	+921,563	-3,297	-1,271	-4,568
<i>Schools (ELS portfolio)</i>	<i>0</i>	<i>+1,902</i>	<i>0</i>	<i>+1,902</i>
TOTAL	+921,563	-1,395	-1,271	-2,666

- This shows that the non-schools projected outturn for March 2013 is an underspend of approximately £4.6 Million. From this it is clear that the savings agenda in Specialist Children's Services is currently "Red" although it should be noted that there are a series of management actions in place to address the situation.
- The above also shows that there are significant underspends projected in some Portfolios. Where these do not relate to PIDs – for example waste tonnage or capital financing costs – an exercise is underway to "right size" the 2012/13 budget in order to help reduce future years' savings targets.

SUMMARY

- Members are requested to note the report for Assurance.

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