AGENDA

CABINET

Monday, 16th July, 2007, at 10.00 am	Ask for:	**Karen Mannering / Geoff Mills**
Darent Room, Sessions House, County Hall, Maidstone	Telephone	**(01622) 694367/ 694289**

Tea/Coffee will be available 15 minutes before the meeting.

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

1. Minutes of the Meeting held on 18 June 2007 (Pages 1 - 4)
2. Declaration of Interests by Member in Items on the Agenda for this meeting
3. Revenue and Capital Budget Monitoring Exception Report (Pages 5 - 12)
4. Roll Forward of 2006-07 Revenue Underspend (Pages 13 - 24)
5. Connexions Transition (Pages 25 - 34)
6. The Bridge Development, Dartford (Pages 35 - 38)
7. IiP - Presentation by Kevin Newman
8. Cabinet Scrutiny and Policy Overview (Pages 39 - 42)
9. International Rail Services at Ashford International Station (Pages 43 - 58)

EXEMPT ITEMS

(At the time of preparing the agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public)

Peter Gilroy
Chief Executive
Friday, 6 July 2007

Please note that any background documents referred to in the accompanying papers maybe inspected by arrangement with the officer responsible for preparing the relevant report.

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KENT COUNTY COUNCIL

CABINET

MINUTES of a meeting of the Cabinet held at Sessions House, County Hall, Maidstone on Monday 18 June 2007.

PRESENT: Mr A J King (in the Chair), Mr N J D Chard, Mr K A Ferrin, Mr G K Gibbens, Mr R W Gough, Mr M Hill, Mr K G Lynes, Dr T R Robinson and Mr J D Simmonds.

OFFICERS: Mr P Gilroy, Chief Executive; Mr G Badman, Managing Director for Children, Families and Education; Ms A Honey, Managing Director, Communities; Mr O Mills, Managing Director for Adult Social Services; Ms L McMullan, Director of Finance; Meradin Peachey, Director of Public Health, and Mr P Raine, Managing Director for Regeneration and Environment.

UNRESTRICTED ITEMS

Mr Pete Raine

Before the commencement of business, the Cabinet placed on record its appreciation and thanks to Pete Raine for his services to the County Council and the people of Kent.

1. Minutes of the Meeting held on 14 May 2007

The Minutes of the meeting held on 14 May 2007 were agreed as a true record.

2. Revenue and Capital Budget Outturn 2006-07; 2006-07 Re-phasing of Performance Reward Grant; 2006-07 Final Monitoring of Key Activity Indicators; 2006-07 Final Monitoring of Prudential Indicators, and Impact of 2006-07 Revenue Budget Outturn on Reserves.

(Item 2 - Report by Mr Nick Chard, Cabinet Member for Finance and Lynda McMullan, Director of Finance)

(1) The report detailed the provisional revenue and capital budget outturn for 2006 - 07 and detailed where revenue projects had been re-scheduled and/or were committed and where there was under or over spending. Also set out in Appendix 1 of the report were details of the re-phasing of projects funded from Performance Reward Grant. Appendix 2 of the report detailed the final monitoring of key activity indicators for 2006 - 07.The report also provided the year-end prudential indicators and detailed the impact on reserves.

(2) Mr Chard said that for the seventh consecutive year the Council had been able to demonstrate sound financial management by containing its revenue expenditure within the budgeted level and he placed on record his thanks to his fellow Members, and also to Officers, for the part they had played in that achievement. Mr Chard said that the budget for 2007-08 would be challenging and that budget planning had been made more difficult now that CSR '07 had been delayed until the Autumn. Mr Chard then said that the £7.740m underspend on the current budget would be transferred to the rolling budget reserve, pending a decision by Cabinet at its meeting in July as to its use. It was intended that, consistent with previous practice, Directorates would roll forward both their underspends and their overspends into 2007-08. Mr Chard also said that the 2007-08 Capital Programme would be revised to reflect the re-phasing and other variations of the 2006-07 Capital Programme. The details of the changes that would need to be made would be included in the first quarters' monitoring report of the 2007-08 budget to be reported to Cabinet at its meeting on 17 September 2007.

(3) During discussion Mr Gilroy said that KCC was leading on co-ordinating some work on behalf of other "floor" authorities likely to be most affected by CSR '07 and would be submitting a paper to the Local Government Association on this.

In addition it was likely that the Government grant regarding community safety budgets would be reduced, and that was likely to have significant implications as to the ability of local authorities to meet performance targets, and there was also likely implications for staff. This was a matter which the County Council would be taking up directly with the Government.

(4) Cabinet then agreed to:-

(a) note the provisional outturn position for 2006 – 07;
(b) the transfer of the 2006 - 07 revenue budget underspending to the rolling budget reserve, pending a decision by Cabinet at its meeting in July as to its use;
(c) note the re-phasing of projects funded from Performance Reward Grant as summarised in Appendix 1 of the Cabinet report;
(d) note the final monitoring of the key activity indicators for 2006 - 07 as detailed in Appendix 2 to the Cabinet report;
(e) note the final monitoring of the prudential indicators for 2006 - 07 as detailed in Appendix 3 to the Cabinet report;
(f) note the impact of the 2006 - 07 provisional revenue budget outturn on reserves as detailed in Section 3.5 of the Cabinet report; and
(g) note that the 2007 - 08 Capital Programme would be adjusted to reflect the re-phasing and other variances of the 2006 - 07 Capital Programme.

3. Statement of Assurance and Internal Control 2006 - 07
(Item 3 - Report by Lynda McMullan, Director of Finance)

(1) The Accounts and Audit Regulations 2003 required that a Statement of Assurance and Internal Control, signed by the Chief Executive and the Leader (or his delegated representative) was included within the County Council's 2006 - 07 final accounts. The Statement confirmed that, during that year, effective corporate governance arrangements and internal controls were in place, both in terms of business and financial risks. The Statement also showed areas where controls needed to be strengthened and where action was being taken. The arrangements in place to ensure effective corporate governance and control functioned well during 2006-07. Where risks had been appropriately identified, controls had been or would be put in place during 2007-08.

(2) Cabinet noted that the responsibility for signing the Statement of Assurance and Internal Control had been delegated to the Deputy Leader in the absence of the Leader and endorsed the Statement for inclusion in the County Council's accounts for 2006 - 07.

4. Consideration of Draft KCC Annual Plan 2007-08 and Process for Publishing the Final Annual Plan
(Item 4 - Report by Mr Paul Carter, Leader of the Council and Mr Peter Gilroy, Chief Executive)

(1) Mr Gilroy said that the Annual Plan reflected the Business Plans and priorities of the County Council and acted as a bridge between the County Council's strategic objectives and corporate priorities and its service and financial plans. The Annual Plan was also a central part of the County Council's Performance Management Process bringing together performance information and comparing KCC with other authorities.

(2) During the course of discussion Mr Lynes said that he would have liked the Plan to have said more on how the County Council's vision and priorities meshed with that of its partners. Mr Gilroy said that the County Council was taking a leading role in developing and enhancing partnership arrangements and the Annual Plan referred to significant partnership developments such as the

Kent Commitment, and had a number of cross references to other strategic documents. He would however look at what more could be done to emphasise this partnership work.

(3) Following further discussion Cabinet:-

(a) noted the arrangements for publishing the KCC Annual Plan 2007 - 08; and
(b) endorsed the KCC Annual Plan 2007 - 08 for recommendation to the County Council on 21 June 2007.

5. Kent Waste Partnership - Joint Waste Management Committee Constitution
(Item 5 - Report by Mr Keith Ferrin, Cabinet Member for Environment, Highways and Waste and Mr Pete Raine, Managing Director of Environment and Regeneration)

(1) Kent Waste Partnership was the new name for the "umbrella" body replacing the Kent Waste Forum. It had been identified as an exemplar of excellent partnership working and was now moving to a further stage in its development. A key function of the Waste Management Committee would be to approve and implement Annual Action Plans to deliver the Kent Joint Municipal Waste Management Strategy as agreed by the County Council in December 2006.

(2) During the course of discussion both Mr King and Mr Ferrin spoke about the importance which the County Council attached to developing, in collaboration with the Kent Districts, strategies aimed at achieving higher levels of recycling rates, coupled with cost effectiveness and value for money.

(3) Cabinet:-

(a) agreed the adoption of the Constitution for the Kent Waste Partnership as detailed in Appendix 1 of the Cabinet report; and
(b) agreed that KCC should continue as a partner with the Cabinet Member for Environment, Highways and Waste remaining as the Council's representative on the Kent Waste Partnership.

6. Closure of Alderden House, Deal and Plans for Re-provision
(Item 6 - Report by Dr Tony Robinson, Cabinet Member for Children and Family Services and Liz Totman, Head of Specialist Children's Services)

(1) The report sought permission to take forward proposals as detailed in the Cabinet report for the closure of Alderden House, Deal and its re-provision through an expanded Enhanced Fostering Scheme.

(2) Dr Robinson said that there were currently four children aged between 9 - 11 resident at Alderden House and it had been estimated that this group of children would complete their planned programmes of care by around September/October 2007. It was anticipated that the children currently placed at Alderden House would, as part of their care plans, transfer to the care of long term foster carers. Any potential closure would not become operational until satisfactory transition plans had been completed for all children. All children would receive continuing support once they had left Alderden House. Dr Robinson said that there had been a formal consultation process which had lasted some ten weeks, this consultation had involved all interested parties, including children affected, staff, trade unions, political representatives etc., in line with Directorate procedures. Dr Robinson said that in all some eighteen letters of representation had been received and he gave a brief analysis of these. Dr Robinson also spoke about the transition plans for the children and said that these would be thought through very carefully and that the new

Enhanced Fostering Scheme would provide the necessary support to foster carers and schools where these children were likely to be placed. With regard to the staff at Alderden House, Dr Robinson said that it was expected that a number would be able to be redeployed, either as part of the support structure for the alternative scheme or through other KCC services. Proposals on redeployment and potential redundancy had been made clear to members of staff and the Personnel Department was currently exploring options including redeployment into the new service, alternative employment in Adult Social Services, schools and the respite service.

(4) Dr Robinson said that if Alderden House remained open only some seven children would benefit as opposed to some one hundred through the reinvestment of revenue savings into an enhanced fostering service. In addition the Enhanced Fostering Service would deliver significantly improved outcomes for children and earlier intervention would ensure that children who were showing signs of attachment disorder would receive the right care and support. Overall it was therefore difficult to justify the continuation of the service that could be delivered in other ways which was more effective both in terms of improving the outcomes for the children with attachment disorders and providing better value for money. Mr Badman said that the proposals would enhance provision for these young people and would be in their best interests.

(5) Cabinet then agreed to the closure of Alderden House, Deal, and its re-provision through an Enhanced Fostering Service as detailed in the Cabinet report.

7. KCC Public Health Smokefree Action

(Item 7 - Report by Mr Graham Gibbens, Cabinet Member for Public Health and Meradin Peachey, Director of Public Health)

(1) Mr Gibbens said that the report identified the requirements of the smoking legislation coming into force on 1 July 2007 and the action that KCC needed to take in order to implement the legislation. All KCC buildings would be smokefree and all possible encouragement would be given to staff to enable them to give up smoking should they choose to do so.

(2) Cabinet noted the implementation of the smokefree legislation consultation; and that the new legislation requirements had to be observed from 1 July 2007.

8. Cabinet Scrutiny and Policy Overview

(Item 8 - Report by Mr Peter Gilroy, Chief Executive)

The report provided a summary of the outcomes and progress on matters arising from the meeting of the Cabinet Scrutiny Committee held on 23 May 2007. The report also set out the work programme for Select Committee Topic Reviews as agreed by the Policy Overview Co-ordinating Committee and provided an update on the current status of each Topic Review.

To: CABINET – 16 July 2007

By: Nick Chard, Cabinet Member – Finance

Lynda McMullan, Director of Finance

REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT

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1. Introduction

1.1 This is the first exception report for 2007-08, which identifies a number of significant pressures that will need to be managed during the year if we are to have a balanced revenue position by year end.

A summary of the forecast revenue pressures, excluding schools, is shown in **table 1** below:

Portfolio	**Forecast Variance £m**	**Pressure/Saving**
Education & School Improvement	+1.300	Costs previously charged to capital but latest external audit advice is that these may need to be charged to revenue.
Children & Family Services	+0.870	SEN Home to School Transport
Kent Adult Social Services	+4.042	Demographic pressures
Environment, Highways & Waste	+0.600	Budgeted in-year management action plan still to be developed
Regeneration & Supporting Independence	+0.030	Unfunded post in Change & Development
Communities	+0.543	Youth Offending Service – increased demand for secure accommodation, transport & escort costs and reduced staff turnover expected compared to budget assumption, and Arts Unit – reduced EU grant income
Public Health	0	
Corporate Support	0	
Policy & Performance	0	
Finance	-1.009	Debt re-structuring savings and increased interest.
Total (excl Asylum)	**+6.376**	
Asylum	+2.730	Same grant rules and unit costs as 2006-07 assumed, giving a pressure of £3.852m, offset by £1.122m balance in Asylum Reserve.
Total (incl Asylum)	**+9.106**	

1.2 The £9.106m pressure shown in table 1 above is before the implementation of management action. Directorates are currently working to identify options to reduce these pressures with the intention of delivering a balanced budget position (excluding Asylum) by 31 March 2008.

2. 2007-08 REVENUE MONITORING POSITION BY DIRECTORATE & PORTFOLIO

2.1 *Children, Families & Education Directorate:*

Most of the 2006-07 major budget pressures have been addressed in the medium term plan but there are some difficult savings for the directorate to achieve this year. This is especially true with the high level of staff savings which total just under £3m.

There are significant pressures on this year's budget, as identified below, and the directorate is potentially looking at a budget pressure of £2.170m, assuming all savings targets other than SEN transport (see section 1.2.1.2 below) are achieved. If there is no permanent resolution to these pressures in 2007-08 then they will become issues for future years, but as far as 2007-08 is concerned the directorate is starting work to identify options that will enable them to deliver a balanced budget by March 2008.

2.1.1 **Education & School Improvement portfolio:**

The external auditors have raised a number of issues relating to costs historically charged to the capital programme that they now believe should be charged to revenue. Any expectation that we should make these changes in the current year would result in a budget pressure of up to £1.3m, which we could only manage with reductions in service, if compensatory switching of funds from revenue to capital cannot be found. We are highlighting this issue at this early stage but appreciate the external auditors may have a different view after they have completed their audit later this month.

We received notification of the final DSG settlement for 2007-08 on 7 June. The final DSG allocation is £751.848m, which is £7.6m lower than the DSG figure contained within the 2007-08 published Budget Book. Of this, £2.4m of the movement relates to the shortfall in DSG funding from 2006-07. Although the funding has reduced for this, the expenditure commitment had already been adjusted for within the CFE spending plans, and therefore this reduction has no impact. The DfES has also adjusted their final allocation by £5.0m for three secondary schools in Maidstone that are transferring to academy status on 1 September 2007. When the original estimate of DSG was calculated, the decision to transfer to academy status had not been taken. Finally the DfES has reduced the DSG by £0.2m following a data cleansing exercise to remove dual registered pupils within and between Local Authorities. This is consistent with previous years and was anticipated. After taking into consideration the above adjustments, our final estimate was only £51k different from the final DfES settlement figure.

2.1.2 **Children & Family Services portfolio:**

The current MTFP assumes a saving of £0.870m on SEN Transport, much of which we were expected to deliver from purchase cards and similar efficiency savings. Whilst a detailed response is still being prepared for the Leader, the outcome of the parental survey and other work we have done has indicated that this saving is unlikely to be achieved (unless alternatives are identified through work with Commercial Services) without significant policy changes to reduce costs, which cannot be implemented in the current financial year. We are working with colleagues in Commercial Services to try to identify alternative ways of delivering this saving and the outcome of this work is due in a few weeks. Connected to this issue, for the basis of the monitoring, we are assuming that Commercial Services are able to limit the price increase on all types of home to school transport to 5%, as per the budget assumption.

2.1.3 **Asylum:**

The Asylum budget is forecast to have a funding shortfall of £3.852m for the 2007-08 financial year. This is due to £3.352m of direct spending and £0.5m of indirect spending. The estimates assume that the Home Office and DfES use the same grant rules and unit costs as for 2006-07, but guidance has not been issued yet and therefore forecasts may alter if grant criteria change. There is also the issue of the 2006-07 outstanding grant income from our two Special Circumstances Bids, £1.5m from the Home Office and £1.6m from the DfES. Additionally, there is still £0.7m outstanding from the DfES for the 2005-06 Special Circumstances Bid. As reported to Cabinet in June, we have assumed that we will be successful in receiving part of this income and the balance has been met from the corporate asylum reserve. If elements of these expected grants are challenged and we receive less income than we have assumed from these special circumstances bids, then the forecast will increase from the current estimate of £3.852m. Officers are in the process of arranging meetings with the DfES and Home Office to take these issues forward.

Further details, including details of the grants outstanding, are provided in appendix 1.

2.2 Kent Adult Social Services:

The initial forecasts indicate a pressure of £4.042m. It should be noted that detailed forecasts are currently being worked on, in order that next months report is more firmly based. Over the forthcoming weeks the KASS SMT will be working to ensure that they have management action plans in place to reduce the pressure in order to achieve a balanced budget position by the end of the financial year. Also, a Sub-Group has been established, with a specific brief to develop and propose management actions and to ensure that best practice is implemented consistently across all districts.

The main reasons for the £4.042m pressure are detailed below:

2.2.1 Older People +£1.555m – In spite of the continuing problems with the implementation of SWIFT, the client activity system, the directorate can now evidence that there was real demographic pressure in respect of Services for Older People during 2006-07. The forecast position reflects the full year effect of this. KASS staff are currently looking at activity for the first two months of the year to see if this growth represents an ongoing trend.

2.2.2 Learning Disability +£3.150m – Analysis of the outturn for 2006-07 has demonstrated that demographic pressures were greater than anticipated, particularly on residential care. The current forecast includes clients known to be coming into residential placements during the year ahead.

2.2.3 Physical Disability +£0.732m – This principally results from growth in direct payments with no corresponding reduction in other services.

2.2.4 Assessment & Related -£0.049m – This is underspending against staffing budgets. This forecast assumes delivery of £0.4m of budgeted savings from the modernisation of Assessment & Related Services.

2.2.5 Mental Health +£0.160m – pressure against residential care.

2.2.6 Specialist Services +£0.060m – the full year effect of increasing energy costs

2.2.7 Other Services -£1.566m – The result of management action to curtail expenditure on support services in order to offset the pressures elsewhere within the portfolio, as detailed above. This is consistent with the policy adopted in previous years.

2.3 *Environment & Regeneration Directorate:*

2.3.1 **Environment, Highways & Waste portfolio:**

- A £0.6m pressure is reported which is because the budgeted in-year management action plan of one-off actions is still to be developed.

- In addition to this, there will be emergency costs resulting from the substantial flooding in the Dover/Folkestone area on the night of 19 June, which washed away an entire section of road. Initial estimates suggest this could be in the region of £0.2m to £0.3m, of which some costs will be capital and some revenue. It is currently assumed that the costs will be met from the Emergency Conditions Reserve, which has a balance of £0.813m. These costs are not identified as a pressure in table 1 above, until a more robust estimate of the works required is known and therefore whether there will be any residual costs over and above the funding available from the Emergency Conditions Reserve. An update will be provided next month.

2.3.2 **Regeneration & Supporting Independence portfolio**:

A small pressure of £0.030m is forecast due to a half-year unfunded post within Change & Development.

2.4 Communities:

2.4.1 Arts Unit +£0.100m – This is due to a reduction in EU grant income. The newly appointed Head of Service will be looking at ways of managing this overspend within the Unit.

2.4.2 Youth Offending Service (YOS) +£0.443m – This is largely due to:

- Pressure on secure accommodation for young offenders. Placements are made by the Youth Justice System and the service has no control on where offenders are placed. The number of offenders placed in secure accommodation under a court order increased from 6 to 13 between 2005-06 and 2006-07.
- There have been a number of cases recently where young people have been on remand for long periods of time pending the outcome of their case. This has created a pressure of £0.170m mainly due to the number of offenders placed outside Kent resulting in significant transport costs and escort costs.

These pressures only came to light late in 2006-07, after the MTFP was finalised.

- Difficulty delivering the saving in the budget for managing vacancies (£0.182m), as there are currently no vacancies within the service. Savings on staffing have been possible in previous years as the service was building up capacity, but the service is now fully staffed and so savings will be more difficult to achieve. The saving assumes a historical level of turnover, if turnover remains at this historical level, then this saving will be achieved, but early indications suggest this is not the case.

Communities finance staff are working closely with the new director of service to quantify the extent to which these pressures can be avoided and the actions that can be taken to deliver savings and an action plan will be agreed.

2.4.3 Coroners Service – the service faced unexpected pressures during 2006-07. Some of these were identified during the year e.g. increased demand for toxicology tests, but others did not materialise until late in the year e.g. increased mortuary fees from hospitals. These pressures are expected to continue into 2007-08. As with YOS, Communities staff are currently working on a detailed action plan to quantify the extent of unavoidable pressures.

2.4.4 Adult Education – a plan has been agreed to bring in year spending into balance with the income generated, however the budget assumes that the service will make a surplus of £0.5m in order to repay the loan from the Finance portfolio provided in 2006-07. In each of the last two years the Adult Education service has overspent by around £0.8m per annum, exhausting the reserve built up in previous years and running up a deficit. This is in spite of over £2m of cuts in spending in 2006-07 and a further reduction in expenditure of £0.7m in 2007-08, together with planned increases in tuition fee income of £0.9m. The service plans to start delivering a surplus in 2008-09. In the interim, plans are in place to defer expenditure in other Communities budgets from 2007-08 into 2008-09 in order to repay the £0.5m loan and then, in 2008-09, these deferred payments will be funded from the surplus generated by Adult Education. If it is not possible to defer payments for the full £0.5m, Adult Education will need to roll forward an overspend into 2008-09.

2.4.5 Contact Centre – the Contact Centre underspent in 2006-07, mainly due to delays in appointing staff. One option to offset any unresolved pressures in other units would be to further delay appointments within the Contact Centre.

2.5 *Chief Executives Directorate and Financing Items budgets:*

2.5.1 **Corporate Support portfolio:**
Although the portfolio is currently forecast to breakeven, this excludes the Home Computing Initiative which, due to the accounting treatment, will require an overspend of £0.258m to roll forward into 2008-09 to be met from staff salary deductions.

2.5.2 **Public Health portfolio and Policy & Performance portfolio:**
Both are currently forecast to breakeven

2.5.3 **Finance portfolio:**
A £1.009m underspend is forecast mainly as a result of savings made following some debt restructuring and increased interest receipts as a result of cash balances and an increase in base rates.

3. 2007-08 CAPITAL MONITORING POSITION BY DIRECTORATE

Although the capital monitoring returns from directorates show significant variances from budget, most of this will be resolved once the roll forward of the capital re-phasing from 2006-07 is added to the cash limits. This will be done for the first full monitoring return of the year, to be reported to Cabinet in September. There are, however, a few issues which are not related to the re-phasing and these are detailed below:

3.1 Education & School Improvement portfolio:

- -£2.046m - The Castle Hill freshstart project (formerly George Spurgeon) will re-phase into 2008-09. The project has only recently reached the approval to spend stage with confirmation of the start and completion dates. As a result a more robust phasing of the project is now available.
- -£0.407m – The Slade Primary Modernisation project has been removed from the current programme. This project may proceed as part of the 2008/9/10 Modernisation Programme.
- +£0.250m due to costs of developing the amalgamation projects at Swanscombe Infants/Sweyne Juniors and Oakfield Infants/Oakfield Juniors to a stage where they can proceed promptly in 2008-09.
- The Phoenix Community Primary School was added to the modernisation programme towards the end of 2006-07, after the 2007-10 budget process was finalised. This project will be funded by removing other modernisation projects from the planned 2006/7/8 programme, including Brockhill, Cage Green, Clarendon Grammar School, Hartsdown Technology College, Montgomery School, New Line Learning – Old Borough, Abbey School, and St Stephen's Tonbridge. These projects may proceed as part of the 2008/9/10 Modernisation Programme.

3.2 Kent Adult Social Services portfolio:

- -£2.583m - The Dartford Social and Healthcare Centre will re-phase into 2008-09 due to delays in planning permission.
- +£0.150m - An overspend on Broadmeadow will be funded from revenue provision.

3.3 Communities portfolio:

- There has been some re-phasing of the Turner Contemporary project compared to the published budget. The published budget was based on early discussions with the architects at stage A of the RIBA process. We are now drawing to the end of stage C and are about to embark on stage D. Stage C will see firmer proposals on the final design although details of the timing will still not be finalised. Stage D will include detailed work plans when we will have a much clearer view of the phasing of costs. The Stage D report is due to be published in November. **The overall project is still on target to be completed in 2010 and the design construction and fitting out of the gallery building will be within the £17.4m budget**.
- The capital programme assumes grants of £4.1m from the Arts Council and £4m from SEEDA as contribution to the capital construction of the gallery. To date these amounts have not been approved and we are currently developing the necessary business plans and statement of case to support the applications. The timescale for applications is by early autumn. We are able to draw down up to £250k as advance grant from the Arts Council up to the end of August.

The forecast revised phasing of the project is shown below:

	2006-07	**2007-08**	2008-09	2009-10	2010-11	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
Gallery Building						
Published budget	977	8,880	6,803	740		17,400
Latest forecast	370	2,944	2,109	7,556	4,421	17,400
Re-phasing	-607	**-5,936**	-4,694	+6,816	+4,421	0

3.4 Finance portfolio:

- Commercial Services are likely to spend significantly less than planned on the renewal of vehicles due to a continuation of the trend adopted last year of leasing vehicles rather than purchasing outright. Also, they are deferring the renewal of 30-40 vehicles for 6-12 months. The reduction in capital costs, estimated to be in excess of £1m, will be matched by a reduced contribution to their Renewals Fund.

4. RECOMMENDATIONS

4.1 Cabinet Members are asked to note the initial forecast revenue and capital budget monitoring position for 2007-08.

ASYLUM POSITION

The table below shows the amount that we are currently owed by the Home Office and the DfES in relation to asylum. The 2005-06 Home Office Special Circumstances bid has been agreed, subject to audit.

	2005-06		2006-07		**TOTAL**
	General Grant Rules	SC Bid	General Grant Rules	SC Bid	
	£m	£m	£m	£m	£m
Home Office	2.031	1.018	2.980	1.527	**7.556**
DfES	0.025	0.692	2.309	1.646	**4.672**
TOTAL	**2.056**	**1.710**	**5.289**	**3.173**	**12.228**

There is increasing concern amongst local authorities about expenditure and legal obligations to destitute people from abroad who, as a result of their immigration status have no recourse to public funds. The Immigration and Asylum Act 1999 ended access to housing benefit and social security. The result of this is local authorities often having to step in to provide support for ‘destitute plus’ (assessed as having a need for care and attention that is over and above the mere lack of accommodation and subsistence) people who have community care needs, or in order not to contravene Article 3 and/or 8 of the Human Rights Act. Local Authorities are not funded to provide this support and are currently lobbying central government for funding. Unfortunately, however, there is a lack of comprehensive data to evidence spend in this regard. This is a national problem and, given the location of Kent, is an area of growing concern.

KASS is currently supporting 11 adults who have presented in Kent as ‘destitute plus’, on average each is receiving £45 per week, and they are supported in bed and breakfast accommodation or shared houses, also funded by the Directorate. The Directorate, in line with other local authorities is supporting an increasing number of cases, with 3 new cases in Ashford this year 2 of which originate from Millbank (previously a receiving unit).

KASS is currently supporting a total of 11 people with no recourse to public funds, the forecasted total cost 2007/08 is £74159.14

KCC continues to press for repayment of asylum costs both independently and in partnership with other asylum authorities from within the South East and across the country. Meetings are actively being sought with key Ministers in the new Government, building on contacts with previous Ministers and senior officials within the spending departments and within the Treasury. Concerted and constructive action will continue, and be stepped up significantly on the return of Parliament in the Autumn, should a satisfactory outcome not be secured beforehand. Corporate Finance and CFE recently hosted a Treasury visit to view the asylum service and see the operation at Appledore plus discuss the funding issues.

KCC is also taking a major strategic role in terms of asylum and immigration policy to support its case for reform. The Leader and Chief Executive have established a grouping of key asylum authorities to develop a constructive and joint case to Government in relation to the support of Unaccompanied Minors. The first professional paper produced by this cross-party group was submitted to the Home Office in response to the recent UASC consultation and joint Ministerial meetings are being sought in the Autumn.

In addition, the Cabinet Member for Children and Family Services now chairs the South East Strategic Partnership on Migration, sitting on the national LGA Taskforce. Following the re-organisation of the Borders and Immigration Agency, the Chief Executive has also now been appointed to the National Migration Group, feeding directly into the Migration Impacts Board chaired by Ministers, both positions offering significant opportunities to influence and shape future asylum and migration policy.

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To: CABINET – 16 July 2007

By: Nick Chard, Cabinet Member – Finance

Lynda McMullan, Director of Finance

ROLL FORWARD OF 2006-07 REVENUE UNDERSPEND

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1. ROLL FORWARD OF 2006-07 REVENUE UNDERSPEND

1.1 As reported to Cabinet on 18 June, the provisional revenue budget underspend for 2006-07, excluding schools, was £7.740m. The draft accounts were presented to Governance & Audit Committee on 29 June, however the final outturn position could still change during the final stages of the external audit, which is due to complete with the final accounts being signed off by the external auditors on 23 July.

1.2 Directorates have submitted proposals for the roll forward of the £7.740m underspend into 2007-08, which Cabinet is asked to agree. These proposals are detailed in Appendix 1 and have been split between projects which have been re-scheduled and are committed – this is simply a matter of rolling budgets forward in line with expected delivery, and bids that focus upon achieving key priorities and service improvements, together with the roll forward of overspends from 2006-07 (the majority of which is in respect of Adult Social Services, which was anticipated and allowed for at the time of setting the 2007-08 budget).

2. RECOMMENDATIONS

2.2 Cabinet Members are asked to approve the requests for roll forward from 2006-07 as detailed in Appendix 1.

2006-07 REVENUE ROLL FORWARD PROPOSALS

1. Summary of revenue roll forwards:

	Provisional Outturn Variance	Committed/ re-phasing	Overspends	Bids	transfers to/from	TOTAL
	£k	£k	£k	£k	£k	£k
Children, Families & Education (excluding schools delegated)	-1,132	748		384		0
Adult Social Services	1,001		-1,001			0
Environment, Highways & Waste	-2,386	760		1,526	100	0
Regeneration & Supporting Independence	-498	558		40	-100	0
Communities	627	259	-367	85	-604	0
Corporate Support & Health	-65	-389		416	38	0
Policy & Performance	199	-145	-25		-29	0
Finance	-5,486	855		845	595	-3,191
	-7,740	2,646	-1,393	3,296	0	-3,191
Highways bid				3,191		3,191
	-7,740	2,646	-1,393	6,487	0	0

2. Children Families & Education:

		£k
Provisional outturn:	ES&I portfolio	-2,342
	C&FS portfolio	-600
	unallocated schools budget	-622
	DSG shortfall	2,432
		-1,132

Committed roll forwards:

		£k
E&SI	Re-phasing of ICT Broadband connectivity project - this is funded 50% from Standards Fund. This roll forward represents the 50% match funding element. The Standards Fund grant is approved for the period April 06 to August 07, therefore this project must complete by 31 Aug 07 or we will lose the grant.	748
		748

Bids:

Childrens Workforce Development training — 384

Both the Children's Act and Every Child Matters requires a range of staff to undertake specific training on Children's Workforce Development. This is a critical issue for the Directorate, particularly with the forthcoming JAR.
This relates to Core Competency Training required under the Children's Act which we were not able to fund in the MTFP.
The directorate has a desperate need for this money for the work they need to do to support:
a) Early Years:
We have over 800 EY settings and 1800 childminders. We have been given a target to get the qualification standards of the people working in these roles up to a much higher standard over the next 2-3 years. There is a requirement to have at least one person of graduate level qualification in each of the settings...that alone will have huge cost but we also need to raise the level for the remaining staff to at least level 2. On initial analysis Kent is very much behind other LAs who have developed their EY provision and staff qualifications over many years

b) Multi Agency Training:
In order to move to trust-like arrangements across the county there is a huge need for joint multi agency training across the county so that everyone is working together to meet the Every Child matters outcomes. This involves several thousand staff in KCC alone, but also requires us to support Health Service colleagues at the same time

384

TOTAL Committed and Bids — **1,132**

3. Kent Adult Social Services:

	£k
Provisional outturn:	**1,001**
This overspending position is consistent with what was assumed would roll forward into 2007-08 when the 2007-10 MTFP was set.	
Committed roll forwards:	
Roll forward of pressure from 2006-07 as assumed in the 2007-10 MTFP	-1,001
	-1,001

4. **Environment, Highways & Waste:**

		£k
Provisional outturn:	EH&W portfolio	-2,386
	transfer to R&SI portfolio	100
		-2,286

Committed roll forwards:

	£k
▪ Tour de France	400
▪ Waste Minimisation planned savings to support 2007-08 2007-08 budget predicated on this planned underspend rolling forward	200
▪ Civic Amenity Site Drainage Work Re-phasing of revenue contribution to capital. Environment Agency requirement	50
▪ Pollution Control Works Re-phasing of revenue contribution to capital. Environment Agency requirement. Chilmington, North Farm, Church Marshes	110
	760

Bids:

	£k
▪ Road Safety Activity £150k for PSA Targets and £150k for Interactive Signs	300
▪ Congestion Reducing Measures Brought forward works in Canterbury	419
▪ Replacement of missing & damaged Road Signs & Markings Includes maintenance of road signs & markings, with associated data capture	200
▪ WPEG Grant unused in 2006-07 Support to Districts for collecting more materials, and to the development of a Kent wide procurement strategy for delivering sustainable waste management solutions.	100
▪ Drainage & safety works at Dartford Heath CA site KCC tenancy is expected to run for a further two years. EA requirement.	50
▪ Whitfield Transfer Station - Improvements to operation Provision of bulk-bays to replace freighter provision. Increased operational efficiency.	50
▪ Staff support for Bio fuels project Needed to support delivery of a T2010 Target	30
▪ CTRL (Domestic Services) Impact Study Work with SE Railway to gauge transport impacts of new services starting in Dec 2009. Gaps include potential effects on business and commercial development location preferences which this study will address	100
▪ Promote Green Initiatives (reduce carbon foot-print) A competition to be established	50
▪ Project Management for replacement of Midas Financial Monitoring System Re-phasing. Software now 17 years old. Technical support ceases during 2008. A key financial monitoring system for the Directorate.	40
▪ Free Transport: 11 -16 year olds - pilots Take up in experimental areas has exceeded anticipated volume.	187
	1,526

TOTAL Committed and Bids	**2,286**

5. **Regeneration & Supporting Independence:**

		£k
Provisional outturn:	R&SI portfolio	-498
	transfer from EH&W portfolio	-100
		-598

Committed roll forwards:

▪ Support to Smithsonian Festival Further development of the Virginia 400th celebration	100
▪ Land restoration works at Shaw Grange Re-phasing due to planning decision impact. Legal obligation.	270
▪ External support to enable completion of Waste Local Development Framework Re-phasing as vacant post has led to some delay in delivery of the Framework	60
▪ Legal and consultancy costs for planning appeal cases Unavoidable costs to defend against planning appeals which are not budgeted for	128
	558

Bids:

▪ Household (New Communities) Study An appraisal of the degree to which new communities in Kent achieve objectives for sustainable development.	40
	40

TOTAL Committed and Bids	**598**

6. Communities:

		£k
Provisional outturn:	Communities portfolio	627
	transfer from Finance portfolio for final settlement costs of original Turner Contemporary project	-604
		23

Committed roll forwards:

▪ Re-phasing of revenue contribution to Margate Library capital project funded from the 2005-06 second homes money	139
▪ Re-phasing of revenue contribution to Herne Bay Youth & Community centre capital project funded from the 2005-06 second homes money	120
▪ Adult Education roll forward of overspend	-146
▪ Coroners Roll forward of overspend. Since this is a quasi judicial service that is not controlled by KCC, previously significant overspends have been met from corporate reserves	-133
▪ Policy & Resources Roll forward of overspend in respect of the change in accounting treatment for the Service Development Team, which can no longer be charged to capital	-88
	-108

Bids:

▪ Contact Centre £85k underspend on the contract with Trading Standards South East Ltd (TSSEL) for Consumer Direct South East to be paid into reserve to cover future deficits. Under the terms of the contract KCC could initially claim actual costs incurred including the notional rent for the building. In 2005/06 the rent was paid into a reserve to cover future deficits when the contract changed where TSSEL would pay KCC an amount per call. In 2006/07 the amount received per call has exceeded the cost of running the service. We would like to add this surplus to the reserve by agreeing rollover (payment into the reserve is not possible without rollover as it would add to overspend). The contract with TSSEL is for five years and has no provision for inflation or protection if call number decline. The reserve would cover these eventualities.	85
	85

TOTAL Committed and Bids	**-23**

7. Corporate Support & Health portfolio:

		£k
Provisional outturn:	CS&H portfolio	-65
	transfer to Finance portfolio	9
	transfer to P&P portfolio	29
		-27

Committed roll forwards:

- Home Computing Initiative — -560

  This is a technical adjustment requiring the roll forward of an overspend resulting from the net cost of the revenue contribution to meet the capital costs of equipment purchased for employees under the Home Computing Initiative. The costs are being met by employee contributions (salary sacrifice payments) but these are being made over a 3 years period, hence the need to roll forward the balance as an overspend to be met from future years' contributions.
- Pay Management System (PMS) — 60

  Linked to the 3 year project for Reward Strategy, this will fund the further developments in the PMS. This is a critical stage in the project to further enhance the TCP process, which will enable efficiencies in terms of reducing administration and management time in the delivery of TCP.
- E-Government European grant funding — 71

  re-phasing of the match funding for the Interreg 3 Cross Border one-stop shops project, which is part funded by Interreg European Grant. If the project is not completed, we would need to repay some of the grant funding.
- Strategic Development Unit - Kent Film Office — 40

  In 2006-07 the Kent Film Office was awarded £80k by the Kent Regeneration Fund to support the development of Kent as major venue and location for film and television to benefit the Kent economy. The £40k represents the unspent balance of the award that will be used to continue the development into 2007-08.

-389

Bids:

- Members Development Programme — 50

  Re-phasing. The development framework has not yet been finalised. When completed there should be a clearer idea of the role of members, development needs and commitment to the IDeA charter. The development of members pervades the KLOE for the Corporate CPA assessment so evidence of investment is crucial
- Oracle Learning Management System — 25

  To support further systems development on the Oracle Learning Management system providing the opportunity to bring in employee/manager self service.

- Payroll 27

  £18K would be used for the digital scanning of the back-log of employee documents onto the Electronic Data Management System. This will allow access to personnel documents on-line, making it available to specified users and reducing the burden of document retrieval. This will also reduce the on-going storage issue, restricting further spend on archiving for those files that could be stored on-line.

  £9K would be utilised to achieve further enhancements in the second stages of implementing the Recruitment Management System. Managers will benefit from system (Oracle) access to talent pools, interview scheduling, short-listing features, electronic interview packs, all within a workflow environment.

- Comprehensive Performance Assessment 100

  KCC's corporate assessment inspection will be undertaken from 28 Jan to 8 Feb 2008. The score will be critical in determining whether KCC retain's its Four Star status in 2008/09 (the last year of CPA). The £100k is a provision to cover i) temporary increase in staff to manage the self evaluation and inspection planning and preparation processes, ii) the use of various forms of communication to inform staff, members and partners of the corporate assessment process as well as holding various seminars and forums, iii) the potential engaging of an external view to independently check our assessment of areas of strengths and risks/weaknesses against the KLOE and help us to address any areas of weakness.

- Public Health 150

  This will be used to fund additional support and promotional activity within the Kent Department of Public Health. This will enhance the role of the new department to ensure the successful promotion of public health among Kent's residents to encourage healthy living and healthy lives.

- Computerised Committee Management System 25

  To invest in a computerised Committee Management system for the Democratic Services Unit. This has many applications including streamlining the way in which agenda, reports and minutes are produced and published (both on the website and in print), a work management system to assist with efficient production of reports, and email alerts to enable Members, officers and the public to receive relevant information speedily.

  The Committee Management System will facilitate the delivery of targeted savings within Democratic Services, including savings in paper, printing and postage costs plus savings in officer time (not only in Democratic Services Unit but also across the Directorates who all have staff) who support the democratic process. There will also be significant improvements to the way that Members and officers receive information to support them in the decision making processes, ensuring that it is digestible relevant and timely.

  The proposal for the Committee Management System was reported to the ICT Board chaired by the Chief Executive on 30 January and received the Board's, and the Chief Executive's, full support.

- Localism Agenda — 19

  The Localism Agenda in Kent is currently being developed in line with the needs of the Kent Commitment, Lyons Review and Local Government Bill, and firm decisions on the way forward will be taken by Kent Leaders and KCC Cabinet later in Summer 2007. In view of the continuing development work on Joint Local Boards and Neighbourhood Forums and the work of the KCC Informal Member Group the use of the 2006/07 Local Boards underspend of £19k would help to resource the anticipated additional work.
- Strategic Development Unit Initiatives — 20

  A roll forward of the underspend on SDU's 2006-07 initiatives budget is requested to provide additional resources in 2007-08 to support its key role in establishing new and innovative ways of communicating with the public.

416

TOTAL Committed and Bids — **27**

8. <u>Policy & Performance portfolio:</u>

		£k
Provisional outturn:	P&P portfolio	199
	transfer from CS&H portfolio	-29
		170

Committed roll forwards:

- Kent Works — -150

  Higher than expected set-up costs in 2006-07 to be rolled forward to met from the 2007-08 budget allocation
- International Affairs Unit — -25

  Roll forward of overspend
- Performance Management Software — 5

  To allow for the installation of the Corporate Performance Management Software to be completed and to provide some training to users within directorates

-170

9. Finance portfolio:

		£k
Provisional outturn:	Finance portfolio	-5,486
	transfer to Communities portfolio in respect of the final settlement costs of the original Turner Contemporary project	604
	transfer from Corporate Support & Health portfolio	-9
		-4,891

Committed roll forwards:	
▪ Communications	350
▪ Member Community Grants Grants which have been committed in 06-07 for projects internal to KCC, but the work was not completed by 31 March	38
▪ Second Homes Projects internal to KCC, agreed by Local Boards to be funded by 2005-06 second homes money, which were not complete by 31 March plus a Thanet project which has only recently obtained formal approval.	300
▪ Local Priorities Grants to District Councils for Local Priorities from 2006-07 second homes money, which have been requested to roll forward to 2007-08	95
▪ Local Scheme spending recommended by Local Boards Grants which have been committed in 06-07 for projects internal to KCC, but the work was not completed by 31 March	24
▪ IT Audit £40k is the balance of a rolling programme of IT audits, providing bought-in resources to cover the current absence of in-house expertise. IT audits are a necessary tool to provide a level of assurance around the risks of our increased use and dependence on IT. £8k will be used to complete the improvement and implementation of the audit tool "TeamMate", which is a necessary ingredient in the modernisation of the Internal Audit service.	48
	855
Bids:	
▪ Museum of Kent Life	50
▪ Second Homes residual funding yet to be allocated to specific projects (£37k for Maidstone highways projects and £3k for projects in Thanet)	40
▪ Neighbourhood Learning Programme	100
▪ Teenage Pregnancy Project	90
▪ Sponsorship of the Lieutenancy of Kent Celebration of Youth Achievement event	5
▪ Contribution to "Margate's Big Event" - land and air festival, a major tourist event for East Kent	10
▪ De-dualling of Fort Hill Road, Margate	550
	845
TOTAL Committed and Bids	**1,700**
UNALLOCATED	**-3,191**

10. Highways Maintenance & Other Needs:

The following represents a bid for the unallocated roll forward within the Finance portfolio.

		£k
Bids:		
	▪ Pothole Filling programme (including raising sunken manhole covers), Patching, and Road Edge Repairs, where appropriate. Improve public perception of the quality of Kent roads. Will assist reducing number of highway related insurance claims [1,398 in 2006-07] and % of minor roads in need of maintenance (BVPI 224b - currently 19%, compared to the national average of 15%).	1,900
	▪ Repairs to Damaged Pavements in Residential Areas Damage caused by tree roots, vehicle parking or over-running [in addition to the £2m budget specifically for high use footways]	600
	▪ Improve Response Times to Reported Highway Defects Objective is to find and fix reported highway defects faster, thereby improving customer satisfaction and reducing repeat calls to Contact Centre. To be achieved by increased deployment of Response Units.	691
		3,191

By: Dr Tony Robinson, Cabinet Member for Children and Family Services
John Simmonds, Cabinet Member for Education and School Improvement
Joanna Wainwright, Director - Commissioning (Specialist Services)

To: Cabinet - 16 July 2007

Subject: CONNEXIONS TRANSITION

Classification: Unrestricted

Summary: This paper provides context for the decisions that must be made by KCC about Connexions Transition by the end of September. It seeks Cabinet's guidance to inform the planning work. Options for change are presented with the purpose of generating closer alignment in future with KCC's LAA targets and objectives including 2010 targets, 14-24 work and its developing IYS Strategy.

Introduction

1. (1) Connexions provides information, advice, guidance and access to personal development opportunities for young people. Its aims include ensuring young people make a smooth transition to adulthood and working life. Connexions must co-operate with the local authority as a "relevant partner" within the Children Act 2004. The funding for Connexions partnerships goes directly to every local authority area by April 2008. Further details about Connexions are in Appendix 1.

(2) Performance of Connexions services contributes to the Children and Young People's Plan, Annual Performance Assessments and Joint Area Reviews. Targets for Connexions performance are a part of the Kent Agreement Public Service Agreements. The Connexions service in Kent is successful, with most targets met every year since its inception - see Appendix 2.

(3) Funding for Connexions comes to KCC in April 2008. Decisions about the delivery of Connexions, including detail of the implications for staff and the specification for services must be made by KCC and made available to the Connexions Board of Directors and GOSE by the end of September.

Factors impacting on transition

2. (1) KCC has the responsibility and accountability to develop a strategy for, plan and commission integrated youth support (IYS) services. IYS will include the delivery of Information, Advice and Guidance, (IAG) Targeted Youth Support (TYS), and Positive Activities for Young People (PAYP) as well as Connexions.

(2) GOSE expects that strong links be made between Connexions arrangements and YOS, DAAT and the spectrum of 14-19 arrangements. This means that the Connexions transition together with IYS/TYS developments provides the opportunity for KCC and the Kent Children's Trust to lead change and improvement and advance integrated service development and processes. GOSE advice on good practice for transition (based on the experience of those Local Authorities that have already gone through it) recommend the setting up of a Strategic Group for transition. See Appendix 3 for agreed Terms of Reference and representation on this Group.

(3) The national specification for services that **must** be provided by organisations in receipt of Connexions funding allows little leeway in changing the offer to young people. The specification is designed to support the achievement of Connexions targets that pass to the Local Authority together with the funding.

(4) The existing annual Connexions Business Plan is agreed by the Board of Directors (including young Directors). The Connexions ethos is heavily biased towards the direct engagement of young people in service planning and delivery. Young people in Kent are favourably disposed towards existing arrangements.

Risks

3. (1) A detailed risk analysis and evaluation with identification of mitigating next steps has been undertaken for the Strategic Group. Main headings include:

(a) Human Resource Risks:-
- TUPE, Pensions and remuneration
- Staff retention and morale – impact on service performance
- Management capacity

(b) Financial Resources:-
- Budget allocation across Local Authority Areas
- Financial control
- Financial Commitments, Liabilities and Cut-offs

(c) Physical Resources:-
- Buildings and Premises, Furniture, Fittings, IT Equipment and ICT Communications/networking

(d) Information Resources:-
- Client Information System
- Information Sharing
- Financial Information

(e) Procurement, Commissioning and Contracting Risks:-
- Procurement and Commissioning Frameworks
- Contracting arrangements

(f) Strategic, Stakeholder and operational risks:-
- Stakeholder involvement and relationship management

(g) Critical Incident Risks:-
- Critical Incidents

(h) Political and Policy Risks:-
- Future Connexions Funding

(2) A further meeting of the Strategic Group will take place after this Cabinet meeting. Miss Ann Allen will be the Member representative at this meeting.

Broad issues for the future

4. (1) As the Connexions Partnership attains charitable status, it could continue to provide services to Kent and/or Medway at the same level or otherwise as determined by award of contract. New services could be provided to KCC or other purchasers provided that they were consistent with its charitable purpose.

(2) Many Connexions Partnerships across the country contract with private companies to deliver service. Businesses that provide Connexions are generally companies operating for profit. The experience of Connexions in Kent showed that the cessation of contractual arrangements with the then private provider released significant funding to the Partnership that was directed into frontline service delivery.

(3) Since Connexions is a company registered at Companies House, its Directors must act in the best interests of the Company and to exercise due diligence. The Company is funded predominantly through national grant. There is no provision for year on year roll-over. Consequently from April 2008 the Company has no funds unless contracts are made with it by Kent, Medway or other parties. Once funding transfers to KCC, KCC also inherits responsibilities for delivering **all** targets including NEETS. Should the Company be wound up, some limited funding is available nationally for redundancy payments (in the first year only). It is considered unlikely that the Director's Connexions Board would consider a single year contract with KCC to be viable in these circumstances. This is based on the experience of other Connexions partnerships in authorities that received funding in April 2007.

Short term options

5. These do not include a full tender process. The scale of Connexions in Kent, the requirement on the Board of Directors for due diligence and the requirements on KCC in respect of procurement processes, mean that a full tendering process could not be achieved within the required timescale. Options then are:

(a) Direct delivery of services by KCC, which would involve accepting TUPE transfer of staff and their associated pension issues by September.

(b) Negotiated change with the Connexions Board to result in progressive change to aspects of service from 2008 combined with a new business plan/specification for later years to align Connexions activities more closely with KCC's objectives. This would include greater emphasis on quality careers advice for all 13-19 year olds. Initial legal advice suggests that KCC could offer the Board a two-year contract as preferred supplier without going out to tender. However, market testing is essential to ensure value for money and should be planned in the short term for development in the medium term.

Medium and longer term options

6. These include (subject to further legal and financial advice):-

- Full or partial market testing of existing services
- Changes to the specification in regard to functions or focus on groups of young people.
- Direct delivery for some service elements. (In some authorities Connexions delivers youth service functions and in others the reverse is under consideration.)
- Development of Connexions as a Community interest company.
- An extension of locality based commissioning arrangements/delivery. Initially, however, this would also require TUPE of staff and pensions considerations.

How decisions will be made

7. (1) It is expected by GOSE that the Strategic Group develops the joint remit, progresses it, and reports regularly to the responsible bodies. A timetable was initially developed that anticipated Cabinet consideration in June. Progress is being checked regularly by GOSE and this monitoring and links with the Joint Area Review.

(2) Financial details and workforce, liability and asset transfer will be recommended by the Strategic Group, for determination by the appropriate decision-making body or bodies. The Strategic Group will also advise on the risk analysis and avoidance strategy and maintenance of service delivery. GOSE "health checks" will assess this work.

(3) Cabinet, the Lead Member and Director of Children's Services clearly have a critical role in taking decisions. While the Children's Trust may not have a role in formal decision making, or accountability it has the potential to influence positively the likelihood of successful transition. The location of decision making and accountability is likely to require further legal advice for security. This is underway.

(4) Decision making in respect of the Connexions Partnership is vested in the Chief Executive and Directors of the Board (Trustees once charitable status is achieved). The Partnership is not obliged to provide services to KCC and KCC is not obliged to contract with Connexions. For KCC, it is assumed that legal responsibility lies with the Council since the duty of cooperation is with the Local Authority and funding is taken into the Local Area Agreement pool held by the Local Authority.

(5) Decisions on the commissioning arrangements would appear to be clearly in the hands of the (new) budget holder i.e. the Local Authority, since Connexions itself becomes a provider. However, this does not preclude discussion between commissioner and provider except during the procurement process. The Chief Executive of Connexions understands and accepts the need for change and considers it to be feasible to achieve this over a two-year period (without prejudice to any future Connexions Board decision).

Conclusions and Recommendation

8. (1) The transfer of Connexions funding to the Local Authority enables closer alignment over time with KCC's objectives and in particular those of the Children's Trust. Planning for this alignment will be welcomed and in the medium term will undoubtedly support the attainment of better outcomes by children and young people.

(2) However, the degree of change possible in the short term is limited by the stringent nationally required specification for the service, the uncertainty about future funding and “fit” with other national initiatives. A tendering process could not be completed in time to achieve national deadlines.

(3) For the immediate future then, there is mutual dependence between KCC and the Connexions Service. From April, Connexions will be reliant on receiving funding to continue. While other funding may be brought into the service from sources other than the LAA, this will have to be derived from partnering agreements or won. KCC needs a reliable supplier to deliver essential services to support young people and its inherited associated targets, such as NEETs, and would be unlikely to find other single source providers. This situation will change over time as the market develops.

(4) The Connexions service is reliant on the continued confidence of its staff in the organisation. Considerable concern has existed for some time among Connexions staff about their job security and staff are already leaving in anticipation. A Communication Strategy has been agreed by the Strategic Group.

(5) In consequence of the above, to enable the national deadline to be met, **it is recommended that Cabinet AGREES** that the transition process undertaken by the Strategic Group:

(a) focuses on sustaining existing provision in the short term in the interest of achieving key objectives and targets;

(b) plans for market testing of services in the medium and longer term to ensure close alignment with KCC’s priorities, the IYS Strategy and the Children and Young People’s Plan;

(c) that either:-

(i) the relationship with Connexions becomes that of preferred supplier with an offer made of a two year contract from April 2008. This offer to allow change in the first year within existing staffing as may be agreed and with further planned graduated change in line with KCC’s overall policy objectives (see 6(b) above) during the second year; or

(ii) that KCC assumes direct delivery of Connexions Services.

Joanna Wainwright
Director, Commissioning (Specialist Services)
Children, Families and Education
Tel: (01622) 69**6595**
7 June 2007

Background Papers:

None

Appendix 1

Details about Connexions and the requirements for the transition process

1. Kent and Medway Connexions Partnership employs nearly 350 staff across Kent and Medway with a grant of £13.75m for both authorities. Kent's share is £11.53m. 50 more staff are employed through sub-contracts and work with the voluntary and community sector. The Community Chest funding for Voluntary and Community organisations is £562k with a maximum of £30k to any one organisation. There is some apparent overlap between this funding and KCC funding to the same organisations.

2. About half of Connexions work is IAG related. Provisional allocations for Connexions funding for 2008 to 2011 will be announced in late 2007 and confirmed in March 2008. Medway Local Authority is developing its own transition plan. The transfer of funding to the "Local Area Agreement pool" allows services to be delivered differently in line with local needs, priorities, and preferences.

3. Some Kent services are delivered via contract with the Local Authority, others are under contract to private and voluntary organisations. It is reported that commissioning services in some authorities that received grant in 2007 has delivered efficiencies and reconfiguration of services. In Kent, Connexions took over the private careers service in August 2004 and became a largely direct delivery 'not for profit' organisation. Savings realised from this enabled the employment of further Personal Advisers.

4. The Partnership is expected to achieve charitable status in the near future at which point, Trustees will be required rather than Directors. Charitable status restricts the percentage of Trustees from the Local Authority to 20% of the Board. It would be unlikely that Council Members could join the new Board (due to potential conflict of interest).

5. Transition must begin rapidly to allow planning for any necessary procurement and/or TUPE processes in the medium term. GOSE is using a rigorous Health Check process for Integrated Youth Support of which Connexions Transition is part. Notice of the precise nature of change envisaged for April 2008 must be given to Connexions and GOSE by September.

6. As recommended by GOSE, a Strategic Group is drawing up a transition plan for the purposes of:-

    - ensuring continuity of service, however it may be delivered;
    - determining the means by which the Local Authority plans to make the services available; and
    - Identifying any necessary realignment of services to achieve better outcomes.

7. The Children's Trust Board has considered a report on these issues and the Connexions Board is fully aware that the Strategic Group has met and consequently is expecting to discuss progress on this issue at its June meeting. In future, as a provider, the Board will expect to negotiate any contract offered.

8. The Local Authority has secured grant of £80K from GOSE to support transition. This funding will to be used for consultancy (e.g. legal advice) and consultation with service users and partners.

Appendix 2

Targets

Targets for Connexions Partnerships were negotiated on a Partnership basis. In many cases, there were no specific targets beyond 2004. The Partnership had a statutory accountability for NEETs and Not Known targets for the Partnership area (including Medway) for Kent and for Medway. These targets were all achieved.

Other progress is identified through a detailed report on the Business Plan which is available on request.

NEETS/Not Knowns 16-18[1]

- PSA2 NEETs target (Kent) achieved 5.64% (target 5.75%)
- Partnership NEETs achieved 5.44% (target 5.70%)
- PSA2 Not Knowns target (Kent) achieved 5.2% (no reporting target)
- Partnership Not Knowns target achieved 5.17%% (target 5.2%)

Workforce Skills

- Increase work-based learning NVQ successes. This has not yet reported for the full year but is on target. 2758 for 2005/2006 and 1401 for the first 6 months of 2006/07 LSC)

Teenage Parenthood (Kent Teenage Pregnancy Unit)

- Reduce under-18 conception (PCTs).
  Figures show this has reduced by 9.7% between 1998 and 2005
- Increase number of 16-19 year old mothers who are EET (PCTs).
  There remain no reliable data. 840 known to Kent TP unit but under 300 will allow Connexions to record this status.

Substance Abuse

- Increase the number of drug offenders entering treatment through the criminal justice system (PCTs and DAAT). Innovative DISP (drug intervention and support programme) and ASP programmes (alcohol) offering counselling and leading to the police not taking legal action.
- Increase number of young people misusing substances who receive intensive programmes of treatment and care (PCTs and DAAT) Substantial increase to 2,857 in February 2007

Evaluation of Connexions Contribution to Strategic Plans

This has been undertaken against the Children and Young people's Plan, 14-19 Action Plan and the Local Public Service Agreement (LPSA2). The Management Information System conforms to CCIS compliance and will work towards an integrated management system with KCC with reference to ContactPoint and CAF.

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[1] NEETs achievement is in line with the Kent LAA for November 2008

Appendix 3

KENT CONNEXIONS TRANSITION STRATEGIC GROUP

These draft terms of reference refer to the short -term process for Connexions Transition and will be reviewed in the light of the longer-term development of Integrated Youth Support in Kent

1. Develop a vision for Connexions Transition that supports the strategy to be developed for Integrated Youth Support in Kent, including the delivery of IAG, Positive Activities, and Targeted Youth Support.

2. Develop and ensure the implementation of a transition plan for the future delivery arrangements for Connexions as part of the wider plan for Integrated Youth Support.

3. Secure the engagement of key stakeholders (including young people) in developing the vision and transition plan.

4. Undertake a risk assessment of the impact of proposed options.

5. Develop a commissioning strategy in the light of emerging local Children's Trust arrangements.

6. Develop and ensure the implementation of a workforce strategy (to include TUPE, pensions, pay and conditions etc. where relevant)

7. Develop and ensure the implementation of a financial plan (to include where appropriate liabilities, transfer of assets).

8. Ensure clear and frequent communication with stakeholders in the transition process.

Membership

Mary Gordon	Independent Chair – Connexions Kent and Medway Board of Directors
Gordon Bernard	Chief Executive - Connexions
Joanna Wainwright	Chair
Barry Clout	Voluntary Sector representative
TBA	Senior HR Officer-Connexions
Richard Hallett	Senior Finance Officer - KCC
TBA	Senior HR Officer - KCC
John Case	GOSE representative
Nigel Baker	Head of Youth Service – KCC
Helen Jones	Project Manager – KCC
Angela Slaven	Director for YOS & KDAAT - KCC
TBA	Adult Social Services representative -KCC
TBA	14-24 representative - KCC

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BY: John Simmonds - Cabinet Member for Education & School Improvement
Graham Badman - Managing Director for Children, Families & Education
Roger Gough - Cabinet Member for Regeneration & Supporting Independence
Robert Hardy - Acting Managing Director for Environment & Regeneration

TO: Cabinet – 16 July 2007

SUBJECT: THE BRIDGE DEVELOPMENT DARTFORD

Classification: Unrestricted

Summary: Kent County Council (KCC) is developing an innovative new Cross-Directorate Learning Campus to form part of The Bridge Development. This report seeks agreement to proceeding with the Development.

Background

1. (1) The Bridge Development is a partnership between Dartford Borough Council (the landowners) and Pro Logis Developments Ltd (the developers). It will transform a 264 acre brownfield site (formerly the site of Dartford's Joyce Green Hospital and Little Brook Lakes), into an advanced sustainable community.

[2] KCC is a partner to the existing signed Section 106 Agreement between Dartford District Council, ProLogis Developments Ltd and Kent County Council. This was signed in October 2003. During early 2006 all the parties involved (KCC, DDC, ProLogis and Taylor Wimpey UK Ltd) agreed that the most appropriate way to deliver the community infrastructure would be within a hub on one site. This has resulted in the negotiation of a S106 Variation which has been agreed in principle. The finer details are being ironed out and finalised and will be signed off shortly. Taylor Wimpey UK Ltd will also be a partner to the 106 Variation.

[3] An inter-Directorate Team of KCC officers, led by Vicky Thistlewood in Regeneration and Economy has been working for some time on the design of the Learning Campus which forms part of the Bridge Development. This is a completely new approach and brings together all Directorates willingly to deliver an integrated County Council facility. The Campus includes:

- A new Primary School and nursery (phased development, eventually 2FE, but built in one "hit" with the unused 2nd FE being leased to Taylor Wimpey UK Ltd until required for the school)
- Facilities for Health
- Facilities for Adult Education
- Multi-Agency Social Care Facility for CFE
- Adult Social Service Community Resource Centre
- Community meeting room
- Youth Centre
- Library and Archives Access point
- Facilities for the Police

- Café

(3) A report was submitted to the School Organisation Advisory Board on 7 September 2006, requesting a Public Notice be issued to allow the new school to open. This request was agreed. A subsequent variation to the original Public Notice on 20 February 2007, altered the date of the opening to September 2009, to which there were no objections.

[4] KCC is working in partnership with Dartford Borough Council and the Developers to provide a truly integrated community facility, which is iconic, aspirational, eco friendly and creates a sense of place. It will play a pivotal role in creating a community that does not yet exist. This is KCC's first "School of the Future", bringing together a whole host of community facilities under one roof. Space is shared to maximise its use. It is intended that one facilities management team will look after the whole building. The design work has now reached RIBA Stage C.

[5] The cross-Directorate approach to the development at The Bridge is a fore-runner for other key developments e.g., Eastern Quarry etc., and has set the standard for both cross-Directorate working and partnership working.

Financial Implications

2. (1) The County Council has secured a developers contribution which, with index linking, equates to approximately £8.5m to meet the capital cost of this innovative development. Indications from all of the Directorates involved are that, with the possible exception of the new school, the available funding should be sufficient to deliver all of the facilities. In the case of the primary school, our existing primary brief is above the statutory minimum and the developer is unwilling to fund.

(2) In the event that the primary school element of the project costs in excess of notional funding, the addition will be met from within the Education and School Improvement Capital Budget. At that time any required variation to that Capital Programme will be addressed through the appropriate approvals process.

(3) The developer (Taylor Wimpey UK Ltd) have elected not to build the facility but to make the funding available to KCC. They are, however, the developers of the residential element. This transfers the risk of any budget over-run to the County Council, but does put us in control of the schemes development and delivery with Corporate Property managing the scheme on the Authority's behalf.

(4) In the event of any potential over-run the Directorates involved will either have to scale down their requirements, or produce additional funding. Any such variations will be addressed through the appropriate approvals process.

[5] For simplicity purposes it is proposed that this scheme , in totality, is added to the Education and School Improvement Capital Programme rather than being split across all the portfolios involved.

(6) Any revenue budget implications will be contained within the revenue budgets of the appropriate Directorates.

Recommendation

3. Cabinet is asked TO:

(a) APPROVE the continuing development of The Bridge Development;
(b) AGREE to this scheme, valued at £8.5m, at this point in time, being formally added into the Education and School Improvement Capital Programme and to be shown as being fully funded by Developer Contributions. In the event that the contribution is at a different level, the programme being amended accordingly. This will be incorporated into the September Monitoring report;
(c) GIVE approval to spend and authority to negotiate and enter such agreements as are necessary to give effect to the scheme to the Director, Resources (CFE) and the Head of Corporate Property, in consultation with the other Managing Directors and Cabinet Members, subject to the Director of Finance and Cabinet Member for Finance being satisfied with all the financial arrangements, both Revenue and Capital;
(d) NOTE that new Bridge Primary School will open in September 2009.

SIMON WEBB
Area Education Officer
Dartford & Gravesham
7003 5110

Background Documents:

School Organisation Advisory Board Report – 7 September 2006
Directorate files

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REPORT TO: **CABINET - 16 July 2007**

BY: **PETER GILROY CHIEF EXECUTIVE**

CABINET SCRUTINY AND POLICY OVERVIEW
Standing Report to July 2007

Summary

1. The report provides a summary (in Table 1) of outcomes and progress on matters arising from the most recent Cabinet Scrutiny Committee (CSC) meeting held on 27 June 2007.
2. The work programme for Select Committee Topic Reviews was reviewed and agreed by Policy Overview Co-ordinating Committee at its most recent meeting held on 7 June 2007. The agreed programme and current status of each topic review are shown in Table 2.

Recommendations

3. To note
   (i) progress on actions and outcomes of the meeting of Cabinet Scrutiny Committee held on 227 June 2007 as set out in Table 1,
   (ii) the present programme and status of Select Committee Topic Reviews.

Background Documents: None
Contact Officer: John Wale 01622 694006

Cabinet 16 June 2007 **Table 1** **ACTIONS FOR CABINET/DIRECTORATES FROM CABINET SCRUTINY COMMITTEE 27 June 2007**	
Item/Issue	**Actions and Outcomes from Cabinet Scrutiny Committee**
A2 Minutes of Cabinet Scrutiny Committee 23 May 2007.	The minutes were agreed.
A3 Informal Member Group on Budgetary issues – 14 June 2007	The minutes were noted.
A4 Cabinet Scrutiny Committee: Standing Report to June 2007	Report was noted. Mr Wale explained the changes made to the Select Committee Topic Review Programme following the meeting of POCC on 7 June 2007.
D1 Decision in Forward Plan: 07/00990 **Children's Centres- Round Two – Next Six Sites Particularly Mongeham, Deal)**	Mr J D Simmonds, Cabinet Member for Education and School Improvement; Dr I Craig, Director of Operations; and Mrs A Gamby,Head of Early Years/Childcare; and Mrs J Smith, Project Manager, Children's Centres, attended for this item. There was extensive questioning and discussion of: • Strategy for Provision of Children's Centres and Criteria for Site Selection • Processes for Phases 1, 2 and 3 for Kent Children's Centres • Capital Funding • Revenue Funding and Services Provided • Consultation on site selection • Selection of the Mongeham (Deal) site • Selection of other sites-Grove Park Sittingbourne, Cliftonville West, Hythe, and White Oak Swanley. **Following discussion, Members of the Committee decided to take no further action.** **They thanked Officers and the Cabinet Member for attending and for offering to provide the following information to the Committee:** **(a) Details of representations made for the Children's Centre to be located on the South Deal Site;** **(b) Details of old and new remits of Hythe Excellence/Children's Centre** **(c) The flow chart on the process for identifying \children's Centre Sites to include publication of the proposal in KCC's Forward Plan.**

Cabinet: 16 July 2007
Table 2

Select Committee Topic Reviews:
Programme agreed at Policy Overview Co-ordinating Committee 7 June 2007

Policy Overview Committee/ Topic Review/**Chair**	**Current Topic Review status and other topics agreed for the period July 2007 to July 2008 ***
Children Families and Education :	
PSHE-Children's Health: **Chair Ms CJ CRIBBON**	Inaugural meeting of the Select Committee was held on 5 October. Hearings and visits were held during November. The Select Committee report was accepted by Cabinet on 16 April 2007, and will be debated at full County Council on 24 July 2007. (Research Officer: Gaetano Romagnuolo)
Developing the Creative Curriculum	**POCC agreed that this should remain in the work programme for 2008.***
Primary School Attainment	**POCC agreed that this issue was being dealt with through a cross-party mechanism. It was therefore removed at the request of CFE POC.**
Young People's Spiritual, Moral, Social and Cultural Development#	**# POCC suggested this topic could also be combined with aspects of Consultation and Participation with Children and Young People (Student Voice), and with Provision of Activities for Young People.** **In the work programme for 2008.**
Vulnerable Children	**POCC recommended this Topic Review should commence in Autumn 2007.**
Corporate: Accessing Democracy	**POCC recommended that this review should commence in Autumn 2007*** **Preliminary discussions have been held to assess how this work will compliment the work of the "Going Local" Informal Member Group.**

Communities Student Voice –Consultation and Participation with Young People# Provision of Activities for Young People#	 **#See above; dates to be agreed.** **See above; dates to be agreed.**
Communities Alcohol Misuse **Chairman:** **MR J FULLARTON**	 Inaugural meeting held on 16 May 2007; Terms of Reference Agreed, Hearings will be held mid June to the end of July. The Select Committee will report to Cabinet on 3 December 2007.
Adult Services Carers in Kent: **MR L CHRISTIE** Transitional Arrangements for Young People: **MR A BOWLES**	 Inaugural meeting of the Select Committee was held on 5 June 2007. Hearing sessions are due to be held in July/August 2007, with a report to Cabinet in December 2007. Select Committee hearings commenced in October 2006 and were completed in December 2006. The Select Committee report was accepted by Cabinet on 14 May 2007. Cabinet agreed that Mr K Lynes and Dr T Robinson establish an Informal Member Group (to include a representative of the Select Committee) to consider how the recommendations may be taken forward. (Research Officer: Susan Frampton).
Environment and Regeneration Impact of Supermarkets, Out of Town Shopping Malls and Retail Parks on Businesses in Kent **Flood Risk**	 After debate, POCC considered that this topic should be removed from the current work programme. **POCC agreed that this topic review should proceed as soon as possible with the objective of completing it by September 2007.**

jhw/sc 27June 2007:
** Subject to formal agreement by Chairman and Spokespersons of POCC of Minutes of Meeting held 7 June 2007.*

By:	Alex King, Deputy Leader and Cabinet Member for Policy and Performance Roger Gough, Cabinet Member for Regeneration and Supporting Independence
To:	Cabinet – 16 July 2007
Subject:	International Rail Services at Ashford International Station
Date:	16/07/2007
Classification:	Unrestricted

Summary This report updates Cabinet on latest developments concerning the future of international rail services at Ashford International Passenger station

For decision

1. Eurostar's plan to end direct train services from Ashford International Station to Brussels in November 2007 was first debated in Cabinet on 16 October 2006. Since knowing of Eurostar's intentions, the County Council has played a major role in campaigning to retain the Ashford – Brussels service and has worked with passengers, the business sector, public sector bodies, MPs and MEPs to question Eurostar and Government on the decision. A number of initiatives have been taken to make the case for the retention of services and details of the more recent actions are set out below.

Passengers

2. On 6 July, a petition was presented to Downing Street by local campaigner Mrs Edith Robson, accompanied by Damian Green MP, Euro-MPs Peter Skinner and Sharon Bowles, other passengers and two rail lobby groups, Railfuture and Marshlink. The petition numbers over 15,000 signatures. In April 2007, a copy of the same petition with 8,000 signatures was presented to Eurostar by Edith Robson, MPs Damien Green, Gwyn Prosser, Roger Gale and Michael Fallon; KCC Members Roger Gough and Derek Symth; and Paul Clokie from Ashford Borough Council.

UK Parliament

3. Rail Minister Tom Harris, following a meeting with Damian Green MP, Gwyn Prosser MP and Hastings MP Michael Foster on 11 June, wrote to Eurostar to put forward the proposal to test the Ashford to Brussels market over a six-month period after the opening of Ebbsfleet. We are not aware that a response has yet been received by the Minister.

European Union

4. Kent County Council, Ashford Borough Council and the South East England Development Agency attended a meeting at the European Commission in Brussels on 4 July. This meeting brought together Eurostar, London and Continental Railways, Mrs Edith Robson, passenger groups, local authorities

from northern France and rail operators and infrastructure managers from the UK, France and Belgium. The full list of organisations involved is attached in Annex 1

5. The aim of the Commission was to allow all parties to state their position and explore possibilities to bring these positions together. Kent County Council, Ashford Borough Council and the South East England Development Agency submitted a joint background document (included in Annex 2) and Eurostar made a formal presentation to the meeting. Clarification was sought on a number of points and a frank exchange of positions ensued.

6. The meeting resulted in:

   a. A summary by the Chairman with suggestions for next steps. (See Annex 3)
   b. A commitment by all organisations present to further talks and proposal by the Commission to host a follow-up meeting in Brussels at the end of 2008 where progress could be monitored.
   c. A common, Kent – Nord-Pas de Calais position on the future of international services to Calais and Ashford International Stations. No objection was noted to this position at the meeting and the formal position will now be finalised and provided in due course to all organisations invited to the 4 July meeting.
   d. Some clarification of certain aspects of the overall financial situation of Eurostar UK, London and Continental Railways the contractual obligations of both organisations to the Department for Transport.

Recommendation

It is recommended that Cabinet:

1. Welcomes the commitment to continued dialogue by all parties that attended the 4 July meeting in Brussels
2. Continues to works in partnership with passengers and passenger organisations, MPs, MEPs, District Councils, SEEDA, French local and regional Government, and all other relevant stakeholders to press for retention of an appropriate service between Ashford and Brussels
3. Seeks further clarification from Eurostar, London and Continental Railways and the Department for Transport on the operating costs of Ashford International Station and the financial and contractual obligations of the companies involved in building and operating the Channel Tunnel Rail Link and Ashford International Station
4. Continues to support the development of international high-speed rail services in Kent in so far as they are consistent with passenger aspirations, the economic and social needs of the growth areas, their catchment areas and the principles of sustainable development.

Contact Officers:
Mick Sutch 01622 221612; Dafydd Pugh: 0032 2504 0750

Annex 1: Attendance at EC Meeting 4 July
Organisation
European Commission
DG Regional Policy
DG Energy & Transport
Operators
Eurostar
SNCF
SNCB
Rail Infrastructure
UK - London and Continental Railways
FR - Réseau Ferré de France
Kent
Kent County Council
Ashford Borough Council
South East England Development Agency
Nord-Pas de Calais Region
Conseil régional du Nord-Pas de Calais
Conseil général du Nord
Conseil général du Pas de Calais
Communauté d'agglomération du Calaisis
Préfecture de la région Nord-Pas de Calais
Syndicat Mixte de la Côte d'Opale
Lille Métropole Communauté Urbaine
Passengers
Mrs Edith Robson
European Passengers' Federation
UK - Passenger Focus

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Annex 2

Meeting with European Commission, 4 July 2007: Submission by Kent County Council, Ashford Borough Council & South East England Development Agency (abridged)

Future Eurostar services from Ashford International Station

Kent County Council, Ashford Borough Council and the South East England Development Agency support the development of high-speed rail but are opposed to Eurostar's plan to end direct train services from Ashford International Station to Brussels in November 2007. The proposal has also attracted widespread criticism from passengers, local businesses, other local organizations and politicians.

While welcoming the level of service proposed for Ebbsfleet, our concerns remain that the proposals are fundamentally inconsistent with the designation of Ashford as a housing growth area – where 30,000 new homes are expected to be built before 2031 - as well as the wider regeneration agenda for east Kent and the coastal towns.

With the shared aim of looking for possible ways forward, this paper sets out Eurostar's proposals, discussions to date with Eurostar on these proposals and our current differences.

1. The issue: Eurostar's proposals for Ashford

Eurostar unveiled its proposed stopping patterns on 12th September 2006. As from 19th November 2007, the number of trains stopping at Ashford would be cut significantly. The 12 trains currently linking Ashford and Paris daily would fall to three each way. Trains between Ashford and Lille/Brussels – currently 10 daily services in total – would be stopped altogether. Seasonal trains from Ashford to the French Alps and Avignon would continue as well as the daily Disneyland Paris service. This train would make an additional stop at Lille to allow passengers travelling to Brussels to make a connection.

Eurostar explained that it needed to balance non-stop and stopping services and that its proposals were based on detailed research into likely catchment areas following the completion of the Channel Tunnel Rail Link. Eurostar put forward that its new intermediate station, Ebbsfleet, (located in north Kent) would be more accessible than Ashford and would have a catchment area of 10 million people. According to Eurostar, 2/3 of Ashford's current passengers would find Ebbsfleet more convenient and it would also attract traffic away from short-haul flights because of its close proximity to the London orbital motorway, the M25. The stopping pattern Eurostar put forward for Ebbsfleet was 7 daily London-Paris services each way and 5 daily London – Brussels services at Ebbsfleet.

2. Initial Reaction & local attempts to address the issue

At the time of Eurostar's announcement, a number of organisations registered their immediate concern with Eurostar over the proposals for Ashford and sought clarification on the data and assumptions used to justify the changes. Between Mid October and late November 2006, 3 meetings took place between Eurostar and a local consortium of MPs, councils (Kent County Council, Ashford and Shepway District Councils) and the South East England Development Agency. Eurostar provided a "commercially confidential" summary of their research and agreed to share further data on the basis of questions and answer exchanges between officers. Data provided included existing passenger flows and future forecasts, explanations of catchment area methodology, travel time calculations and calculations on future passenger demand by route. At this stage, Eurostar also claimed that additional stops from Ashford to Brussels were uneconomic and put a figure on the cost of stopping at Ashford for a year. This was not broken down. At the second meeting, Eurostar added an additional consideration in stating that 3 services to a station are the minimum requirement to justify stopping there.

The local authority consortium raised a number of concerns of the data analysis, including the travel time calculations used, future passenger demand forecasts and the impact of real-life scenarios on Eurostar's modelling (e.g. ongoing roadworks in north Kent and on the M25). Based on their own analysis of Eurostar data, the local authority consortium put forward a proposal to retain one daily return service from Ashford to Brussels. However, discussions failed to bridge the differences remaining on the residual market potential of Ashford to Brussels services.

3. Residual differences between Eurostar's analysis and the local authority consortium's analysis

Based on negotiations to date, the specific points of disagreement around Ashford International station relate to:

Size of market / catchment area for Ashford post-opening of Ebbsfleet:

- Based on Eurostar's own data and assumptions of demand attrition, we believe a viable market remains for a single daily service to Brussels from Ashford. This is based on the current concentration of demand at certain times of day.
- We also believe real-life factors (direction of travel, congestion, roadworks) have not been factored into Eurostar's demand modelling. The impact of these elements will make demand for Ashford higher than the figures modelled.
- We believe it difficult to accurately assess the post-Ebbsfleet demand for Ashford to Brussels services if all direct Brussels services are withdrawn. The retention of a minimum level of service, particularly during the 2-year roadwork programme affecting approaches to Ebbsfleet (M25/A2), would allow for a more accurate assessment.

Impact on Ashford growth area and east Kent regeneration

- Ashford (along with Thames Gateway) has been selected by the government as one of four designated "growth areas" for housing in south-east England. Combined with London, the aim for these growth areas is to sustainably provide 200,000 additional homes above previously planned levels by 2016.

- Ashford's strategic location and role as a gateway to Europe were key factors in its selection as a growth area. It is essential that Ashford attracts jobs to go with the 30,000 extra homes planned before 2031 and Eurostar's proposals are inconsistent with this objective. The retention of international train services to destinations across north west Europe is as important in attracting investors as the introduction of high-speed domestic train services to London.

Sensitivity of Eurostar market analysis to real-life information

- Eurostar's trip-time (home-station) analysis excluded morning rush-hour data, the time of day when demand for Ashford to Brussels services is at its peak.
- Other real-life factors (Direction of travel, congestion / Roadworks) do not appear to have been factored in to Eurostar's analysis.

Financial cost of stopping at Ashford

- Eurostar have put a cost on stopping one Brussels train at Ashford in each direction for one year. The inference is that Ashford to Brussels services are unprofitable. However, the cost has not been substantiated with a breakdown.

Eurostar's long-term commitment to Ashford

- Despite Eurostar's stated intention to continue running a residual level of service to Ashford during the next 5 years – this corresponds to Eurostar's longest planning scenarios – the small number of services poses short-term risks to the viability of businesses at the station and leaves huge doubts over the long-term future of Eurostar at Ashford.

4. Wider problems identified during the discussions over the issue of Eurostar's withdrawal of Brussels services

Our discussions with Eurostar have unveiled more fundamental issues. These include:

How to reconcile public investment and policy aims with commercial interest and operational decisions when these interests collide

- High-speed rail lines require substantial public investment and this investment is usually provided on a calculation of the wider benefits to society. (E.g. the trans-European networks have to contribute to the economic and social cohesion of the EU) In the case of the CTRL, based on passenger numbers alone, the House of Commons Public Accounts Committee has concluded that line is unjustified and requires regeneration benefits to make the project value for money.
- Ashford station was included in the Channel Tunnel Act as vital to offsetting any negative impacts from the tunnel and for capturing longer–term employment gains. However, Eurostar's operational decisions, for the time being, are based on maximising cash flow to pay for the high-speed line.

The difficulty to come to a shared assessment of the market when there is a lack of independent data collection / analysis

- The data on which Eurostar has made its analysis remains commercially confidential and is not open to independent scrutiny.

Inadequate stakeholder dialogue (Operators / local authorities)

- The current commercial priorities of operators and the goals of economic and social cohesion need not be incompatible. However, the Ashford issues show that the current engagements between operators and local stakeholders are not satisfactory.

- ➢ There is therefore a need for a new, systematic, stakeholder dialogue involving rail operators, local authorities and other stakeholders to ensure respective needs are understood and to build coherence between operator's business plans and local development plans

5. Root causes of problems identified

A summary of the contractual situation for the UK, in so far as we understand it, is outlined in annex two. We would, however, welcome further explanation of these contractual requirements, as they are important for understanding the context in which operational decisions have been made.

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Annex 2a: Background to the Channel Tunnel Rail Link

In 1987, the Channel Tunnel Act allowed for the building of the Channel Tunnel. It also brought forward the possibility of developing an intermediate station at Ashford that was seen as vital to offsetting any negative impacts from the tunnel and for capturing longer–term employment gains. The station was developed through a private finance initiative scheme and opened in 1996.

Through rail services between the UK, France and Belgium pre-dated Ashford station by 2 years. The services were operated under agreements signed in the early 1990s between the SNCF and SNCB, the national rail operators in France and Belgium, and European Passenger Services Ltd, a subsidiary of the (then) British Railways Board. These agreements set out how costs and revenues were to be distributed. In 1999, Eurostar consortium members agreed to set up a new company, Eurostar Group Ltd, to provide an integrated structure for commercial and operational policy.

In 1996, a contract to build own and operate a high-speed link from London to the Channel Tunnel was awarded to a private consortium, London and Continental Railways. The route of the line was chosen to maximize regeneration benefits in north Kent, east London and around Kings Cross and the contract included the possibility to develop stations at Stratford (London) and Ebbsfleet (north Kent). As part of the deal, EPSL was also awarded debt free to LCR. The intention was that Eurostar passenger revenues would help pay for building the link. However, passenger revenues fell substantially short of forecasts and LCR and government had to agree a restructuring of the project in 1998. The construction project was divided into 2 sections and government gained significant powers over LCR. Section 1 opened in 2003 and section 2 will open on 14th November 2007.

Annex 2b: Obligations arising from the development of International Rail Services in the UK

A series of obligations, whether by law or through contract, have resulted from the infrastructure put in place to support international rail services between the UK, France and Belgium as well as the services themselves.

Key Legislation

The legal requirements relating to the construction and operation of the Channel Tunnel and the Channel Tunnel Rail Link are covered by:

- Treaty of Canterbury 1986: the British and French governments undertake to allow the construction and operation of a Channel Tunnel by a private concession-holder. An inter-governmental commission was set up to supervise all matters relating to construction and operation.
- The Channel Tunnel Act (1987): this confirmed the right to develop an international passenger station at Ashford. It also required the development of plans to consider how destinations beyond London were to be served.
- The Channel Tunnel Rail Link Act (1996): this confirmed a slightly different role for UK rail regulatory structures over the Channel Tunnel Rail Link. In particular, the International Rail Regulator (whose functions now belong to the UK Office of Rail Regulation) was to carry out its functions in a manner as not to impede the performance of any development agreement.

Other regulatory requirements for international operators are set out in various rail specific pieces of legislation (Railways Act 1993, Railway Regulations 2005 and so on)

Key contractual agreements: government and developers

Contractual agreements between government and the developers of the Channel Tunnel and the Channel Tunnel Rail Link are set out in:

- The Channel Tunnel Concession Agreement of 14th March 1986 between Eurotunnel and the United Kingdom and French governments
- The 1987 Channel Tunnel Usage Agreement (also referred to as the Railways Usage Contract) with Eurotunnel
- The Development Agreement of February 1996 signed with London and Continental Railways for the building and operation of CTRL
- The 1998 and 2001/2002 restructuring of the above development agreement

Eurostar

At the beginning of the 1990s, SNCF and SNCB, the national rail operators in France and Belgium, and European Passenger Services Ltd, a subsidiary of the (then) British Railways Board, signed a series of agreements setting out, inter alia, how costs and revenues were to be distributed amongst themselves.
Subsequent contractual agreements affecting Eurostar include:

- A management contract granted to Inter-Regional Capital Railways to manage Eurostar UK between 1998 and 2010.
- The creation in 1999 of "Eurostar Group Ltd", a single company under English law that takes responsibility for the commercial and operational policy (e.g. timetabling) of Eurostar, following approval from the board. The board, made up of representatives of the three railway companies, the shareholding companies and non-executives, takes decisions by majority voting.

Ashford International Passenger Station

- This was built in the early 1990s under a Private Finance Initiative contract by John Laing. The construction was funded, through lease finance arrangements, by J.V. Estates, a subsidiary of Barclays Bank. .
- Various cost estimates have been given for the station: we believe terminal construction cost £40 million. In the UK Department for Transport resource accounts, a guarantee of £60 million has been included in respect of Eurostar's lease obligations.
- As far as we understand, Eurostar are the freehold owner but signed a lease contract with JV Estates to pay back the cost of building the station over a 26-year period. The rent is not fixed but relates to the number of passengers using the station. However, there is a minimum annual threshold to be met.
- In 2000, JV Estates allowed another company, Ashford LP, to take an underlease and we are not sure whether this agreement meant lease repayments were transferred also to this company.
- The necessary upgrades to track and signalling around Ashford were financed separately through public budgets and amounted to several million pounds.

Chronology of key obligations

The following section sets out, in so far as we know, the obligations arising from the legislation and contractual arrangements specifically related to use of the Channel Tunnel and Channel Tunnel Rail Link previously described.

The 1986 Treaty and Concession Agreement

- Originally lasting 55 years, The 1986 Concession Agreement was extended in 1998 and now runs until 2086.
- As a result of the supervisory provisions required, a safety authority was set up to advise the inter-governmental commission. The Channel Tunnel Safety Authority considers the impact of relevant European legislation. Decisions on the level of safety clearance for trains and rolling stock to use the Channel Tunnel ultimately rest with the Inter-governmental Commission.

The 1987 Channel Tunnel Usage Agreement

- This contract-which defines the arrangements for the operation of both rail passenger and rail freight services through the channel tunnel - runs to 2052. It can only be renegotiated by mutual consent of all the signatories: i.e. the British Railways Board, Eurotunnel and SNCF.
- Under the agreement, SNCF and BRB agreed to purchase half the rail capacity of the tunnel through until 2052 (no further breakdown was given of how freight and passenger capacity was to be split). The Railways are obliged to pay fixed annual charges towards the costs of Eurotunnel and variable charges

depending on the number of passengers travelling on Eurostar. The variable charges are determined using a toll formula, and adjustments can be made if certain volume thresholds are exceeded.

- When British Rail was privatised, BRB signed a contract with Eurostar to delegate certain responsibilities under the Channel Tunnel Usage Agreement.
- Although the UK government was required to provide sufficient infrastructure for international services to operate, there was no obligation to build a high-speed link. Instead, government had to ensure that a journey time between London and Paris of between 2h55 and 3h05 is possible. (As a result, however, £1.5 billion of improvements were made to existing infrastructure. [source NAO Report: Channel Tunnel Rail Link 2001])

Early 1990s: agreements signed between European Passenger Services, SNCF and SNCB:

- These agreements covered the costs and revenue sharing mechanisms for the Eurostar operation.
- For costs, it was agreed that all costs of Eurostar operations are to be borne in their entirety by the country through which Eurostar is travelling at any given time
- For revenues, the agreement was to divide revenues according to an agreed scale. A recent question in the Belgian parliament revealed that, on a Lille to Brussels journey, SNCB received 76% of the net ticket value.

1996 Development Agreement signed between the UK government and London and Continental Railways (LCR)

- This was a PFI contract (design, build, own and operate) granted with a 999 year lease on the completed line
- Under the contract, LCR was given ownership of two government companies: European Passenger Services Ltd (UK arm of Eurostar); Union Railways Ltd (project company working up the proposals for the link). With European Passenger Services came for free the UK-owned rolling stock and Waterloo International Station
- A government direct grant for building the link, worth approx. 1.8billion pounds in 1995 prices. This included a capital grant, a deferred grant and the purchase of 17 years worth of domestic rail capacity on the completed link.
- Land and buildings around Stratford and Kings Cross granted to LCR

1998: restructuring of the development agreement

- The line concession is reduced to 90 years (until 2086)
- Government takes a special share in LCR, gaining substantial powers over LCR corporate policy (though in practice declines to exercise them)
- The then UK rail infrastructure manager, Railtrack, is brought into the project and agrees to buy the link on completion. Government guarantees track access charging revenues from Eurostar UK to Railtrack.
- The construction risk and revenue risks were separated by the contracting out of the management of Eurostar UK

  in 2006, National Statistics reclasses LCR as a public corporation, backdated to the time of restructuring, on the basis of government powers gained

1998 / 1999: Management contract for Eurostar UK (EUKL)

- Inter-capital Regional Railways - a consortium of SNCF, National Express Group, SNCB and British Airways - in return for a management fee, take on the risks and rewards of operating Eurostar up until 2010.
- the contract includes a performance regime designed to maximise cash flow.

2001/2002/2003: restructuring of the development agreement

- These restructurings were prompted by Railtrack's unwillingness to exercise its option to purchase section 2 of the rail link. LCR and Government picked up new risks for any cost overruns beyond £600 million. Fresh arrangements involving deferred investment grants from Government were also made to replace bank loan guarantees provided by Railtrack.
- Following Railtrack's demise in 2002, their successor as UK infrastructure Manager, Network Rail, comes in to the project. Instead of buying CTRL on completion, they are contracted to manage the infrastructure on behalf of LCR. Ownership will transfer instead to London and Continental Stations and property, a subsidiary of LCR, on completion.

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Annex 3: Chairman's summary of the 4th July meeting in Brussels

We agree:

- **We have a common interest in a performing and viable rail service, thus increasing the size of the market for rail compared to more polluting means of transport;**
- **We need to consider the overall package of services offered to the regions concerned, including links to the regular rail networks through intermediate stations;**
- **We welcome the connections made between high speed services through 'railteam';**
- **We understand that the Eurostar group is a private company and works on a commercial basis. We also understand that otimising cash-flow is a contractual obligation in the UK;**
- **With respect to the London-Brussels and London-Paris services;**
    - **We take note of the explanations given by Eurostar;**
    - **We welcome the increase in overall services (33%) to the Kent area;**
    - **We note that there is no regulatory obligation for Eurostar to stop at any of the intermediate stations;**
    - **We acknowledge that the change of services will have serious consequences for some of the travellers presently using Ashford station for their journey to Brussels**

We agree to disagree

- **On some of the statistical information provided;**
- **On the viability of having at least one of the London-Brussels trains stop in Ashford;**
- **On the effect the new service schedule will have on the choices made by Eurostar customers**

I suggest:

- **The various parties continue their dialogue;**
- **We meet again in November 2008 in the same format as today in order to assess the developments and benchmark against expectations from each side;**
- **Where compatible with commercial confidentiality the parties operate in a transparent way in establishing their methodology for measuring and evaluating past and anticipated passenger flows**

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