CABINET SCRUTINY COMMITTEE

MINUTES of a meeting of the Cabinet Scrutiny Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Tuesday, 10 February 2009.

PRESENT: Dr M R Eddy (Chairman), Mr D Smyth (Vice-Chairman), Ms S J Carey, Mr G Cowan, Mrs T Dean, Mr R W Gough, Mr C Hart, Mrs S V Hohler, Mr E E C Hotson, Mr R E King, Mrs J Law, Mr M J Northey, Mr J E Scholes, Mr J D Simmonds and Mr R Truelove

ALSO PRESENT: Mr N J D Chard

IN ATTENDANCE: Ms L McMullan (Director of Finance), Mr A Wood (Head of Financial Management), Mr P Sass (Head of Democratic Services and Local Leadership) and Mrs A Taylor (Research Officer to Cabinet Scrutiny Committee)

UNRESTRICTED ITEMS

126. Minutes - 21 January 2009
(Item. A3)

The minutes of the meeting on 21st January 2009 were confirmed as a correct record.

127. Minutes - 26 January 2009
(Item. A4)

Mr Cowan referred to the Committee's previous request for further information on the Chief Officers' bonuses; Mr Sass agreed to follow this up.

The minutes of the meeting on 26 January 2009 were approved as a correct record.

128. Follow-up Items from Cabinet Scrutiny Committee
(Item. A5)

Mr Truelove referred to the answer given on the "Freedom Pass" and stated that it clarified his comments at the previous meeting; that there are young people who live in Kent who are excluded from the scheme because they do not attend a school within Kent County Council's administrative area. It was not intended as a bus to school it was to allow young people the freedom to travel. Mr Truelove stated that it was a deliberate policy to create a disincentive for young people to choose to go to schools outside of Kent's administrative area. It was accepted that it was a very good scheme but it was immoral to apply the scheme to young people in Kent but not to those who attend schools outside of Kent's administrative area despite the fact that their parents pay council tax to Kent County Council.

Dr Eddy queried whether there might be human rights issues relating to the scheme on the basis that if you're within one jurisdiction you should be entitled to all the rights available within that jurisdiction. It was suggested that the Monitoring Officer be consulted over the legalities of the scheme.

Mr Cowan stated that the Freedom bus pass was not solely about going to school in Kent, it was a 7 day freedom pass for young people who live in Kent.

Mr King explained that as he understood the Freedom Pass was available to young people who were in Kent, not specifically related to travel to and from school. He requested that it be clarified by Mr Ferrin.

Mr Northey expressed his view that it was a brilliant scheme, in his opinion it was a not human rights issue, he asked that the Committee look, with Mr Ferrin's assistance, how far it may be possible to extend it.

Mrs Dean agreed that it was a brilliant and wonderful scheme but it was clearly possible to improve in the light of experience. One of the reasons it was proposed by the Select Committee was for the added advantage to young people for out of school activities and to enjoy the right to visit facilities around Kent during the evenings. Mrs Dean asked that the Committee request that Mr Ferrin provide a complete and accurate minute relating to the policy, including whether we are funding children that live outside Kent but who attend school within it. Once the Committee had received the policy Members could then have an informed debate.

RESOLVED that:

(1) A letter be sent to Mr Ferrin, Cabinet Member for Environment, Highways and Waste in the names of the Chairman and Spokespersons of the Committee drawing his attention to the following concerns:

   a. The eligibility under the scheme of children who live within the administrative county of Kent but who travel outside of the area to attend school;

   b. The possible adverse impact on the lawful rights of a number of young people to travel freely, together with details of the number of young people affected by what the Committee believes is an anomaly within the current scheme;

   c. An assessment of the degree to which the scheme is promoted across Kent and the takeup of the scheme particularly in areas of relative deprivation;

(2) Mr Ferrin be asked to formally respond to these concerns and to advise if and when the 'Freedom Pass' scheme is to be reviewed and how any review will be carried out;

(3) Draw Mr Ferrin's attention to the fact that, subject to his formal response to this letter the Chairman and Spokespersons of this Committee will consider whether to place an item on the next Committee agenda so that a full debate on the subject can take place.

129. Informal Member Group on Budgetary Issues - 30 January 2009
(Item. A6)

Mr Smyth explained that the Committee had previously requested more detail about "clawback" arrangements, the Budget IMG had followed that up and a report would come back to the Budget IMG at the next meeting.

RESOLVED that:

The notes of the Budget IMG held on 30 January 2009 be agreed.

130. Consideration of Price Waterhouse Coopers' Report - Kent County Council Review of Treasury Management Procedures
(Item. E1)

The Chairman explained that a list of questions had been produced in advance of the meeting and submitted to Price Waterhouse Coopers (PWC) and he was grateful to Mr Simmonds for producing the bulk of the questions.

Mr Williams, the representative from PWC explained that the scope of the work undertaken by PWC covered three areas; there was a need to check the compliance of all the outstanding investments – to ensure that there was nothing else at risk, the sequence of events leading to the appointment of Butlers, and any observations on the way the treasury management framework was operated.

PWC looked at 423 deposits dating back to October 2006, £50 million was trapped in Icelandic deposits, £3 million of which was deposited after advice from Butlers. PWC noticed that the counterparty lists were generally updated in a timely manner but there were some examples where the lists had not been updated immediately. Some deposits were made to two building societies, Cheshire and Derbyshire, after advice had been given to remove them from the list and one investment was made where the counterparty limit was breached by £5million for four days. Mr Williams stated that he had found a general lack of evidence of review, or of documented evidence, however generally there had been improvements in the standards of documentation since 2006. Mr Williams stated that regarding the appointment of Butlers, the procurement procedures were not fully followed, in his opinion a risk assessment of what was being procured rather than the value of what was being procured would have been more beneficial. Mr Williams described his experience of some authorities using a zero budget for returns on investments to ensure that security was a priority – he explained that that was something that the Treasury Policy Group (TPG) considered and he recommended that the TPG should meet more regularly and that procedures could be more comprehensively documented.

Mr Simmonds asked about the role that Members should play in the treasury management process; he also added that there was nothing in PWC's evidence that showed that the desire for return had outweighed the core principles of prudence with regard to the weighting of the authorities invested in. Mr Simmonds referred back to the PWC report stating that there were indications in March 2008 about the status of the Icelandic banks, he asked about the status and the source of that information. Mr Simmonds also asked about country exposure and whether, in the opinion of Mr Williams, Butlers or the Treasury Policy Group considered this.

Mr Williams gave three examples of sources of information about the status of the Icelandic banks, The Economist on 17 May 2008, The Daily Telegraph in April 2008 and the Sunday Telegraph in March 2008 in which there was an article 'Iceland shows cracks'. In terms of country exposure and whether more than 25% of the portfolio is invested in one country, no evidence was found during that period where that limit had been breached. Mr Williams queried whether Members might look at the level of 25% and whether it was too high? In his opinion a concentration rate of 25% in one institution was too high.

Mr Simmonds asked about the Fitch downgrading, and whether, if the lowest common denominator theory was applied, KCC would have looked at Iceland with the level of downgrading in the Fitch report. Mr Williams explained that the lowest common denominator theory was that if one of the three moves down then action should be taken and if it was below a particular level no more deposits would be made. Mr Williams added that one of the issues was regarding long term deposits and the penalties applied to extract money before the end of the term.

Mr Gough referred to pages 5 and 9 of the PWC report; institutions being caught unprepared and credit risk generally being considered to be low. Mr Gough stated that rating agencies tended to give a 'snapshot' based approach, PWC recommended to KCC that it should look more widely than just credit rating agencies and Mr Gough asked whether Mr Williams had any thoughts about the way in which he envisaged KCC doing this? Mr Williams stated that a lot of thought would have to be put into what could be improved in terms of monitoring and scanning future events, he recommended some new thinking about how things could be done across all sectors.

Mr Northey stated that it was important to look at the future and asked about the role of Members in treasury management, he asked Mr Williams whether he had any advice about how Members might keep themselves better informed on a monthly basis? Mr Northey also asked about the balance between return and safety, KCC had previously benefitted from an additional £6million a year from its prudent investments and there was a balance of risk, he asked whether Mr Williams had any advice on the best balance between risk and safety? Mr Williams referred to an article in The Times about banking which summarised how things could be improved; experience, good data, good debate and challenge, good governance and monitoring. He stated that PWC had, in the report, made some recommendations about the treasury policy groups and that it should meet more regularly, it should have a clear role, based upon a clearly articulated risk appetite. Mr Williams stated that it was also important to look at the risks and benefits of using treasury advisers, to ensure that accountability and responsibility of the various third parties were clearly understood and documented. Also suggested was a broader set of key performance indicators which also covered activities such as all emails referring to changes in ratings are processed immediately. Mr Williams stated that many of PWCs corporate clients focussed on security above return, and some did not budget for a return.

Mr Northey asked if there was any more specific advice Mr Williams could give the Committee regarding the role of Members? Mr Williams stated that Members needed to debate the level of risk the Council was prepared to take before considering the return and whether there was enough emphasis on security.

Mr Smyth followed up Mr Northey's point about risk against benefit and acknowledged that the Council had been very successful up until now; he asked Mr Williams whether, as discussed earlier, it was be best practice to make the budget zero? Mr Williams said he was unable to comment on whether it was best practice, his advice was to consider the appetite of the Council and let the return follow on from that. He stated that there were obligations to budget for a return, but it was important to consider the 'drivers'.

Mr Smyth asked about credit agencies, and them providing a 'snapshot', he asked Mr Williams whether he took the view that Butlers should have given advice to the Council of a more predictive nature? Mr Williams confirmed that the 'snapshot' could be either the current situation or the outlook element of what the situation was predicted to be. Mr Williams stated that PWC had not looked at how Butlers were running their operation, PWC's scope was to look at how the Council responded to the input received from Butlers. Mr Williams stated that there did appear to be a misunderstanding about what constituted 'advice'.

Mrs Dean referred to Mr William's comments on the process used by KCC to procure the service of the consultant, that a paper trail was lacking regarding why Butlers were chosen, and that perhaps 'we got what we paid for'. The contract for Butlers was £20k for most that was a minimal amount of money for services which were delivering returns and the responsibility mentioned previously. Mr Williams was asked whether he felt that the choice of Butlers may have been determined by price rather than quality, was there evidence that KCC drew up the specification too tightly. Mr Williams confirmed that he wasn't saying that it was just driven by money or even primarily driven by money; to many people £20k was a lot of money, but in this context it was not. Mr Williams stated that the procurement started off in a thorough and detailed way with districts being involved in the process, he referred to the tender document which contained a list of 11 requirements and principle responsibilities, not all of which ended up in the final contract. The final contract was, as far as Mr Williams could tell, a standard Butlers' document tailored to the individual authority.

Mrs Dean asked Mr Williams whether it was his view that Butlers could have given the Council a more comprehensive service. Mr Williams stated that the Committee should discuss that with Butlers.

Mrs Dean also asked about the 'email' that was not read; she asked whether the method that Butlers used to pass on their advice to the County Council was the one that they normally employed? Mr Williams confirmed that his understanding was that it was the normal way; however some authorities had an email inbox that a number of staff could access rather than being reliant on one individual. Mrs Dean referred to page 7 of the PWC report which stated that 'if the necessary reviews took place there is no evidence of it'; it then went on to say, 'we understand from management that an informal review occurs for all investments over 365 days before investments are placed'. Mrs Dean asked whether that implied that there wasn't an evidence trail for that either? Mr Williams confirmed that that was what he had been told. Mrs Dean referred to the internal audit report of 2006, several of the recommendations of the audit had not been implemented and the internal audit follow up report had not been finalised, she asked Mr Williams whether it was his view that any of those recommendations were sufficiently important to have been followed up immediately or whether he agreed with the management response which referred to them as technical issues? Mr Williams' colleague confirmed that at the time the issues were seen as relatively minor controls and the report was given a substantial assurance – which was not seen as worrying. At the time the work was undertaken these were not seen as particularly high risk failings, the controls were in place and they were not seen as sufficiently severe to increase the strength of the audit finding. Mrs Dean referred to the investments made despite the fact that the credit rating agencies had changed, specifically Derbyshire and Cheshire building societies, and asked whether it was Mr Williams' view that what the County Council did in any way endangered the return due on those investments by not updating the counterparty list. Mr Williams stated that the point he was making was that it was vital to respond to the information in a timely manner. Referring to the newspaper articles mentioned earlier, Mrs Dean asked whether there was any authoritative financial institution that was giving that advice, Mr Williams stated that he was not aware of any but there may well have been some. Regarding outsourcing and having an external service provider, Mrs Dean stated that the response from KCC's management was that this was not proposed at the moment but instead to put in place a new specialist post, Mrs Dean asked Mr Williams whether he had a view about having an external service provider, in particular in relation to the standard of individuals concerned and the training needs. If those training needs were met would it still be the view of PWC that KCC should have an external adviser? Mr Williams confirmed that the point was about considering the prospect of an external adviser, PWC think that it would be beneficial for the current members of the team to have some treasury training, recruitment of a highly specialised treasury expert might be difficult.

Mr Scholes stated that since September 2007 the superannuation fund had been stockpiling cash because it was better than investing it, he was concerned that the superannuation committee had received glowing reports with minor amendments, but PWC had discovered problems in their recent review. Mr Scholes asked whether the Council had not been specifying enough with PWC or have things been missed? Mr Williams stated that PWC were asked to do a piece or work according to the instructions, he was unable to comment on previous audits. Mr Scholes wanted more assurance for the superannuation fund to minimise future problems. Mr Williams stated that the superannuation fund should have its own view regarding the assurance it wants.

Mr Simmonds clarified that his understanding of the credit rating agencies was that it was their job to evaluate major investments on a full time basis, there was something wrong if they were not monitoring what was going on on a continual basis. Mr Simmonds stated that he did not think it was a misunderstanding about the 'advice' received from Butlers, previous agenda for the Treasury Group and Butlers included an evaluation of counterparties. Mr Williams confirmed that he had seen an example agenda which did have counterparties on; he couldn't confirm that it stated an evaluation; the notes of those meeting were just action points rather than notes of discussion. The contract stated that they gave advice but in respect of counterparties selected by the Council. Mr Simmonds stated that as a responsible authority KCC had got to have some objectives for an expected return from investments, putting in an expected level of income was not unreasonable, Mr Williams responded by saying that it should be in accordance with the returns you would expect to get and in line with current circumstances and not personal gain.

Mr Truelove asked about the role of Members, and questioned whether, with £3million at risk an email to a member of staff was 'the norm'. He considered it extraordinary that the relationship between the Council and Butlers was such that these issues were not raised in the meeting earlier that week. Mr Williams said that with the benefit of hindsight the process of emailing staff could be improved and this would be picked up by the Finance Department. Mr Williams also referred to the speed at which ratings could change and the resulting lack of trust between institutions.

Mr Smyth raised the issue of in-house or external treasury advice, he asked Mr Williams whether he was saying that if KCC employed someone to do this function they wouldn't have the knowledge that an external agency would have. Would it be preferable to be external, or was there scope to have an internal employee who would have access to external agencies. Mr Williams responded by saying the Council had to consider how it wanted to provide the service, he suggested the Council determined what it was it was trying to do in terms of risk vs return, revisit the tender document and update it, and consider whether the actions would be best performed in-house or externally.

The Chairman clarified that the Council had procured £20k worth of services, with potential £2billion at risk. He asked whether it would be sensible for the Council to look at a combination of the cost of the contract and the amount of money at risk when monitoring or scrutinising the contract. Mr Williams agreed with the Chairman, procurement should factor in risks and what contingencies were in place should suppliers fail.

RESOLVED that:

(1) The Committee thanked the PWC representatives for their attendance at the meeting and for answering Members' questions;

(2) The Committee thanked PWC for their report on the review of treasury management procedures within KCC and the Committee looks forward to receiving details of KCC's action plan that has been put in place to address the recommendations in the report.

131. Treasury Management written answers to the Committee's questions from Butlers
(Item. E2)

Mr Scholes opened this item by stating that it was obvious that there had been a heavy involvement of lawyers in Butlers' responses. Mr Smyth supported Mr Scholes view, the Committee had not been told very much and paraphrasing the responses Butlers were the 'postman' in the process which Mr Smyth disagreed with.

Mr Gough stated that what was missing from Butlers' document was their role in credit risk advice.

Mrs Dean asked whether the Committee would have the opportunity to hear the views of the Finance Department on Butlers' responses, some of the points made by Butlers needed to be clarified, particularly the claim that emailing staff was the normal method of communication.

Ms McMullan agreed to provide as many answers as possible at this stage to the Committee.

Mrs Dean queried the process used by Butlers to advise the Council that there had been a change in the credit rating agency, i.e. an email sent to an individual whom Butlers were instructed to communicate with. Mrs Dean queried whether that was factually correct and whether that was the normal method of communication between Butlers and the County Council. Ms McMullan confirmed that what she hadn't been able to find the original document which clarified to whom emails should go to on that basis, the relationship with Butlers went back a number of years; Mr Vickers might be in a better position to answer that point. The relationship with Butlers seemed to be that information was emailed to the treasury member of staff, but Mr Vickers was on the telephone to Butlers on an almost daily basis.

Mr Simmonds raised the issue of the meeting with Butlers which took place a day before the email was sent, he queried why there was such a change over 24hours, that was a key issue.

Ms McMullan confirmed that there was evidence that the quarterly meetings with Butlers included reviewing where the Council was in terms of its policy and strategy, and also on the agenda every time was those organisations on the counterparty list. The expectation around the advice was to be told whether there were any issues around those organisations on the counterparty list, there was no debate around any Icelandic banks either at the meeting in late September or in previous meetings.

Mr Hotson asked Mr Chard where the Cabinet was in taking those issues forward, it was clear that systems were going to have to be reviewed in house, clear notes of meetings for example, were essential. There should be Member involvement in approving, or not approving, the recommendations made by Cabinet on this issue. Mr Chard responded by saying that he welcomed the engagement of the Council with PWC, most of the recommendations of the PWC report had been implemented and there was an Economic Management Group meeting on Thursday. The PWC report highlighted outsourcing or skilling up in-house, there was also a third option which was to ensure that internal staff were adequately trained, with extra external advice – that option would be shared with the cross party Economic Management Group (EMG) as a way forward. Treasury Management was a big issue for the Council and it was right that advice was taken from external sources such as the PWC report and debated it in the cross party EMG. Mr Chard's personal view was that internal staff should be adequately trained and extra expertise brought in to ensure that KCC could continue this low risk strategy that the Council has had up until now.

Mrs Dean, as a member of the EMG, questioned its status, the status of its recommendations and explained that it needed to be formalised with clear terms of reference and a clear agenda. Mrs Dean also raised the issue of member training for those on the group, and she hoped that those discussions could take place on a cross party basis either before or at the next meeting.

Mr Chard stated that the EMG had been set up for the right reasons, in terms of getting a cross party consensus and debate about how to do treasury management, and to ensure that members of the group understood the risk and reward elements. The EMG had been helpful; they had made observations and comments which had been followed up. Mr Chard's understanding of the designation was that it was an informal member group that would make recommendations to the Leader of the Council. Mrs Dean confirmed that she did not disagree with the setting up of the group, just that it needed to be formalised, for instance there could be clear overlaps with Audit and Governance.

Mrs Dean asked a question in relation to the management comments on the PWC report that 'while the report suggests a consideration of additional outsourcing of the treasury function, instead a new specialist post will be created….' This seemed to contradict Mr Chard's earlier comments. Ms McMullan agreed with Mrs Dean's comments on the EMG, and further discussion needed to be had on how it was moved forward, taking into consideration the Budget IMG (Informal Member Group) and Audit and Governance and that would form a major item on the agenda for Thursday's meeting. In terms of the PWC recommendations, the management response was written in December, and further research had now been undertaken on options and alternative sources of advice. A detailed OJEC (Official Journal of the European Community) process was undertaken to procure the external specialist treasury advisers. Mrs Dean confirmed that she was pleased that the status of the EMG was to be tightened up. Regarding the procurement of the contract it was apparent that the original specification was not carried through to the final tender. Ms McMullan explained that she did not recall PWC questioning the Finance department on that sequence of events, and it was not her wish to answer for Mr Vickers. Ms McMullan's understanding was that a thorough process had been followed; working with Districts, but within the options available to councils it was a case of 'getting what you're given'. In part of Butlers' responses they were indicating that they were now able to give some additional information and that was something that the Council would look at.

Mr Smyth commented on the EMG not having any particular status, there had been a suggestion that this might be a function of the Budget IMG – if that were to be the way forward thought would have to be given to managing the business of that IMG which was expanding. Mr Smyth wanted to assure Mrs Dean that thought was being given to the function of the EMG.

Mr Gough stated that his understanding from Butlers' responses was that they didn't give credit risk assessments beyond acting as an aggregator for what was out there already. Ms McMullan agreed with Mr Gough, and referred to the previous point of what constituted 'advice'.

Mr Simmonds expressed his view that the Budget IMG might form a useful basis for the EMG, it should be formalised. He commented that it was important to correct the record that there was an effective Treasury Management function before these events. Mr Simmonds referred to the report on Ireland from Butlers which indicates that they did do specific reports.

The Chairman reminded the Committee that Butlers were not present at the meeting to defend themselves.

Mrs Dean expressed her amazement that an authority such as KCC which is making huge investments ends up paying an organisation £20k for advice on treasury management, and subsequently the Council was being told by PWC that it was not requiring enough of the advisers, but the Council was saying that there was not an organisation that could offer the advice required. Mrs Dean stated that many people who were in the position of advising commercial institutions about how to invest had withdrawn from Local Authority (LA) advice contracts because LAs were reluctant to pay enough for the advice.

Ms McMullan commented that while it was a small contract in cost terms a full OJEC process was undertaken to procure the contract. There was no magicr answer, there was always going to be risk. There was a gap in the market and there were hopes that more organisations would come into the market. Mr Chard added that there was a wide cross section of organisations at creditor meetings. 122 Local Authorities had been caught in Iceland, including the Audit Commission, private sector and the banks.

RESOLVED that:

(1) The Committee thanked Butlers for the written information in response to its questions but expresses extreme disappointment that Butlers refused two opportunities to be present at the Committee meeting to respond to the further questions that members wanted to ask arising from their consideration of the written answers.
(2) The Committee ask the Cabinet to carry out an urgent review of the status of the Economic Management Group in terms of the Council's constitution. In particular the Committee would ask the following issues to be addressed:

    a. whether the group should become a formal committee or sub committee of the Council and if so under which Committee it should sit.
    b. the proposed terms of reference for the body and in particular whether it is proposed that the body will have any formal decision making powers and if so within what parameters
    c. that the issue of membership of the Committee and member training be considered and acted upon
    d. that the body should not seek to duplicate the role of the Governance and Audit Committee.

(3) That the Director of Finance be asked to confirm the revisions to the procedure in relation to the receipt of emails from Butlers.

132. Medium Term Plan 2009-12 (incorporating Budget and Council Tax Setting for 2009/10) - update
(Item. C1)

The Chairman opened this item by explaining that the budget had been scrutinised on an individual portfolio basis by the Policy Overview Committees (POCs), it was the intention of the Cabinet Scrutiny Committee to look at the budget as it related to the whole Council.

Mr Smyth began by commenting on the revision to the Council tax increase and the additional money from rescheduling investments. There were enormous pressures facing the authority and government settlements for the future were assumed to be tight. Bearing in mind the pressure on the Council Mr Smyth asked why a reduction in Council tax was proposed as a short term measure rather than investing some of the money to relieve future pressures?

Mr Chard responded by saying that each year for the past 6 or 7 years, those tax payers on a fixed income had found it progressively harder to pay Council Tax. In the current economic circumstances it was felt that the Council should support those who were finding it more difficult to afford the Council Tax. It was right for the Council to pass on the savings to Council Tax payers in Kent. It was a judgement call for the Council to make when the report was debated on the 19 February. Mr Smyth explained that he was commenting on using the money to ease the strain on budgets in the future. Mr Chard confirmed that it was right for the Council to allocate sufficient resources to its services; having made this 'extra money' for the Council it should be passed on to the Council Tax payers.

Mr Truelove commented on the regeneration strategy and stated that because of the economic downturn it was a critical agenda, he asked Mr Chard what he saw as the critical challenges for the budget in delivery of the strategy. Mr Chard responded by commenting on the increase in the budget for regeneration. Regeneration involved partners and was not just about throwing money, it was important to have resources but also the political will of the Council and partners to ensure that regeneration happened.

Mr Northey commented on the further £100m of LAGBI funding and whether there was any further information on what Kent's share was, and what the Council could do with the money.

Ms McMullan confirmed that figures had been received from the Government and that Kent County Council would have around an additional £750k. Discussions were underway to determine how that money would be targeted in relation to the regeneration strategy. This was a one off sum of money budgeted for in the current year, there had been an expectation that it wouldn't be received and it would increase the current years' underspend.

The Chairman asked about the £95k spent on 'international development' in the Children, Families and Education (CFE) department. Mr Chard confirmed that it was shown in CFE Policy and Performance. The Chairman commented that under Corporate Support and External Affairs there was an International Affairs Group which provided strategic direction for international activities as well as maximising E.U funding. The Chairman also referred to a previous discussion about the meaning of 'strategic management', and what difference there was in the definition of strategic management in the budget document. Mr Wood explained that in using a common definition for strategic management meant that the remaining costs were dispersed elsewhere. Ms McMullan asked whether it was expected that all directorates had that standardisation for all areas. In response to a question on standardisation from the Chairman Ms McMullan confirmed that it would be looked at and would be brought back to the Budget IMG for discussion.

Referring to the Local Children's Services Partnerships (LCSPs) the Chairman asked about the savings that could be made by moving from 23 LCSPs to 12 – to reflect the districts. Ms McMullan agreed to do some further research and come back to the Committee. The Chairman referred to the synergy that could be found between LCSPs, District Councils and Crime and Disorder Reduction Partnerships (CDRPs).

Mr Chard expressed his view that it was necessary to look at the clusters as communities. Mrs Law explained the situation in Canterbury and that there would be cost savings if the clusters could be streamlined with the District's boundaries. Mr Hart described instances where partners had to go to multiple meetings to meet the cluster arrangements. Mr Chard stated that it was a debate to have with the new managing director and the schools.

Mr Smyth asked a question about the dedicated schools grant, were KCC in a position to say how much of the grant could be retained centrally? Ms McMullan agreed to come back to the Committee with the answer.

The Cabinet Scrutiny Committee thanked Mr Chard, Ms McMullan and Mr Wood for their attendance at the meeting and for answering Members' questions.