CABINET SCRUTINY COMMITTEE

Tuesday, 10th February, 2009

10.00 am

Darent Room

Kent County Council

AGENDA

CABINET SCRUTINY COMMITTEE

Tuesday, 10 February 2009 at 10.00 am		Ask for:	**Peter Sass**
Darent Room, Sessions House, County Hall, Maidstone		Telephone	**01622 694002**

UNRESTRICTED ITEMS

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

Item No

A. COMMITTEE BUSINESS

A1 Substitutes

A2 Declarations of Interests by Members in Items on the Agenda for this Meeting

A3 Minutes - 21 January 2009 (Pages 1 - 4)

A4 Minutes - 26 January 2009 (Pages 5 - 12)

A5 Follow-up Items from Cabinet Scrutiny Committee (Pages 13 - 22)

A6 Informal Member Group on Budgetary Issues - 30 January 2009 (to follow)

B. CABINET/CABINET MEMBER DECISIONS AT VARIANCE TO APPROVED BUDGET OR POLICY FRAMEWORK

No items.

C. CABINET DECISIONS

C1 Medium Term Plan 2009-12 (incorporating Budget and Council Tax Setting for 2009/10) - update (Pages 23 - 52)

(Members are requested to bring their copy of the draft Budget and Medium Term Plan circulated on 7 January 2009).

Mr Chard, Ms McMullan and Mr Wood have been invited to answer Members questions on this item.

D. CABINET MEMBER DECISIONS

No items.

E. OFFICER AND COUNCIL COMMITTEE DECISIONS

E1 Consideration of Price Waterhouse Coopers' Report - Kent County Council Review of Treasury Management Procedures (Pages 53 - 66)

*(Representative from Price Waterhouse Coopers will attend at **10.30am**).*

E2 Treasury Management written answers to the Committee's questions from Butlers (Pages 67 - 100)

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 Sass
Head of Democratic Services and Local Leadership
(01622) 694002

Monday, 2 February 2009

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.

KENT COUNTY COUNCIL

CABINET SCRUTINY COMMITTEE

MINUTES of a meeting of the Cabinet Scrutiny Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Wednesday, 21 January 2009.

PRESENT: Dr M R Eddy (Chairman), Mr D Smyth (Vice-Chairman), Ms S J Carey, Mr A R Chell, 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

IN ATTENDANCE: Mr P Sass (Head of Democratic Services and Local Leadership) and Mrs A Taylor (Research Officer to Cabinet Scrutiny Committee)

UNRESTRICTED ITEMS

116. Declarations of interest

Mrs Dean declared a personal interest in item A7 – paragraph 31 (e) (Communication and Media Business Plan IMG), as she was the Chairperson of the organisation referred to in West Malling.

Mrs Hohler declared a personal interest in item E1 and, in particular the article referred to in "The Independent" on Monday 19 January, as she was a personal friend of Michael Spencer, Conservative Party treasurer.

117. Minutes - 10 December 2008
(Item. A3)

RESOLVED that the minutes of the meeting held on 10 December 2008 be approved and the Chairman be authorised to sign them as a correct record.

118. Action Taken on Committee's Recommendations
(Item. A4)

RESOLVED That the action taken by the Cabinet on the Committee's recommendations from its meeting on 10 December 2008, be noted.

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

The Committee was advised that the covering report for this item, together with information relating to the Sevenoaks Academy, was circulated separately.

In relation to the Kent 2010 Action Plans, Mrs Dean stated that the information supplied in relation to target 35 (work with bus and train providers and lobby government to improve public transport services in Kent), was out of date, adding that the number of complaints she was receiving was still high, particularly in relation to the cost of rail fares and the availability of rail services to central London early in the morning.

Mr Sass undertook to contact the relevant officers (Mick Sutch and David Hall) for a more up to date report, addressing Mrs Dean's concerns.

In relation to a further question on Building Schools for the Future (BSF), detailed on the final page of the covering report, Mr Hart asked whether KCC's contribution of £24.5m for Wave 3 included the value of relevant property assets that will be put back into the pot following the completion of the wave. Mr Sass undertook to seek further information on this point.

RESOLVED That the report on follow up items be noted.

120. Informal Member Group on Budgetary Issues - 8 January 2009
(Item. A6)

In relation to a question from Mr Smyth on behalf of Mrs Dean about the savings associated with the introduction of Kent TV, Mr Sass confirmed that he would continue to liaise with the Chief Executive's office in relation to a formal response to Mrs Dean's questions.

In relation to the discussion on S.106 agreements, Mrs Dean expressed the view that the proposed clawback arrangements for the Ashford Newtown site (item 5 on page 19) could apply equally to other sites due to the ongoing effect of the economic downturn and suggested that the general principles of the clawback mechanism should be considered by this Committee. Members agreed that the Budget IMG was asked to consider whether there should be an agreed set of guiding principles for such arrangements, which could be recommended to the Cabinet for approval.

In relation to the specimen business plans (pages 21 to 38), Dr Eddy asked on page 37 to whom was the target date of delivery/completion reported to, i.e. how would Members become aware that a particular project, development or key action had been completed? Mr Smyth undertook to raise this matter with Andy Wood and the Budget IMG.

RESOLVED That the notes of the Budget IMG held on 8 January 2009 be agreed

121. Communication and Media Business Plan Informal Member Group - 19 January 2009
(Item. A7)

The Chairman stated that the details of translation services and their costs be provided for all Members of the Committee, rather than just Mr Daley (paragraph 31 (f)).

Mr Chell asked if the improvements to the KCC website referred to in paragraph 13, also included KNet, as in his opinion, parts of KNet were cumbersome to use. Mrs Dean stated that, during a meeting of the Strategic Communications Group the previous day, it was stated that the resources allocated for the website refresh would include improvements to KNet. She added that mention was also made about the role of the Head of Communications and Media Centre in policing any new or amended publications and the work being done to collate information about events taking place across the County. The Chairman stated that he was pleased that there was all-party representation on the Strategic Communications Group and asked if all Members could receive regular copies of the list of events.

RESOLVED That the notes of the Informal Member Group on Communications and Media Centre held on 19 January 2009 be agreed.

122. KCC's Treasury Management Policies
(Item. E1)

Mr Sass reported that, despite being requested to do so, Butlers had not provided answers to the Committee’s written questions for consideration and discussion at this meeting. A response had been received from Butlers stating that, “due to the extensive nature of the questions posed we have not been in a position to finalise our response in the short time available. Therefore we will not be able to get the responses to the questions to you prior to the Cabinet Scrutiny Committee meeting. However, we will endeavour the get the responses to you as soon as possible”

Dr Eddy referred to an article in “The Independent” on Monday 19 January, copies of which had been tabled for Committee Members.

Members agreed that there was little to be achieved if no answers had been forthcoming from Butlers and Mrs Dean suggested that the Committee should express its disappointment that it could not exercise its important scrutiny role in relation to this matter. Mrs Dean also referred to the House of Commons Communities and Local Government Select Committee on local authority investments and referred in particular to the evidence given by an independent consultant called Howard Knight, who had made reference to Kent County Council. Members agreed that it was important to obtain a full transcript of the relevant parts of the Select Committee debate and seek the comments of KCC officers accordingly.

The Committee discussed the next steps with regard to the questions that Butlers had been asked to respond to.

RESOLVED That:

(1) a letter should be sent to Butlers in the name of the Chairman and Spokespersons of the Committee, stating that the Committee was pleased to note that Butlers would endeavour to get the responses to us as soon as possible and adding that Members would appreciate receiving answers to their questions prior to the Committee’s next meeting on Monday 26 January; and

(2) a full transcript of relevant parts of the House of Commons Select Committee on local authority investments be provided for relevant Officers in the Finance service to comment on at the appropriate time.

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KENT COUNTY COUNCIL

CABINET SCRUTINY COMMITTEE

MINUTES of a meeting of the Cabinet Scrutiny Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Monday, 26 January 2009.

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

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

123. Apologies and Substitutes

Mr Sass reported apologies from Mr R King, substituted by Mr R Tolputt and apologies from Mr Hotson.

124. Budget 2009/10 and Medium Term Financial Plan 2009-12

(Item. 3)

The Committee considered the Cabinet's proposed 2009/10 budget and Medium Term Financial Plan for 2009-12 and welcomed Mr N J D Chard, Cabinet Member for Finance, Ms L McMullan, Director of Finance and Mr A Wood, Head of Financial Management to the meeting.

Mr Smyth began the debate by congratulating the Finance Service for ensuring that the budget papers were produced a fortnight earlier than they had been in previous years, giving Members greater opportunity to read and digest the papers.

Referring to the press release that accompanied the publication of the budget papers, Mr Smyth asked Mr Chard to comment on the statement of the Leader of the Council that ways would be investigated to reduce the proposed increase in the Council Tax to below 2.85%. Mr Smyth also asked if the level of 2.85% was sustainable for 2010/11, stating that on two occasions in the past, the first year of a new 4-year Council term had involved a much higher increase in Council Tax than the immediately preceding year. Mr Chard stated that the proposed increase in Council Tax was highly commendable, given the Government's grant settlement for KCC and the spending pressures being faced by the authority. He acknowledged that the affordability of Council Tax payments was never more important than in the current economic climate and every opportunity would be taken to trim budgets further without affecting service delivery. With regard to the sustainability of the increase in Council Tax, Mr Chard commented that it was important to maintain stability, but warned that there was no absolute guarantee that grant levels would be maintained for 2010/11 given the unprecedented economic outlook and that further cost pressures might also impact on the level of the Council Tax 2010/11.

In response to a question from Mr Truelove on the impact of investments in Icelandic banks (page 25 of the MTP, paragraph 3.28), Ms McMullan stated that there was no impact in terms of the loss of capital or interest, as a claim had been submitted for the principal plus interest. She added that the DCLG had confirmed that there would be no bottom line impact on either the 2008/09 accounts or the 2009/10 council tax. In response to a further question from Mr Truelove about the impact of any future loss, Ms McMullan referred Members to page 46 of the Budget Book, stating that any future loss would be reflected under "interest on cash balances". Slightly later in the meeting, but relating to this particular issue, Mr Simmonds reminded Members that it was just such events for which KCC held reserves and the prudence of this policy was now clear to see.

Mr Smyth referred to a statement made by David Cameron MP earlier this month at a press conference, at which he said that if there was a Parliamentary Election in April 2009 and the Conservative party came to power, he would issue an instruction to all of his Ministers that their departments' budget increases would be restricted to 1% in real terms, rather than 2%. Mr Smyth stated that this was much more severe than the current Government's decisions on public spending and he asked Mr Chard to comment on how a cut in grant of that order would be managed. Mr Chard stated that, in such a situation, he could not comment on what the full implications would be, although he added that the present Government's decisions on regional variations in grant levels had affected Kent adversely, commenting that KCC would have received some £2.6m extra if we had been given the average grant for County Councils. Mr Chard also commented on the existing four-block model, which was an unhelpful way of calculating grant for KCC.

Mr Simmonds asked whether the Council was benefiting from lower interest rates on borrowing and sought information about the future cost of pensions. Ms McMullan stated that borrowing money over a short term was relatively cheap but more expensive over a longer term. She added that it was important to examine KCC's borrowing strategy and it would be beneficial to restructure some old debt, although this would be difficult to achieve. She also stated that KCC was not encountering any problems borrowing money, but close attention was being focused on the ability of suppliers to borrow money. With regard to pensions, Ms McMullan stated that it was a very difficult market at the moment and that the authority was looking carefully at the right time to go back into the equities market. She added that the next actuarial review of the pension fund in 2011/12 was bound to be affected by the current economic situation. Mr Chard commented on the proposed Local Government Bank, which could help the public sector greatly if there was sufficient political will to achieve it, adding that he had attended a meeting at the Local Government Association the previous week to discuss the initiative.

Mr Scholes stated that there was an informal meeting of the Superannuation Fund Committee later in the week, to discuss the investment situation. He added that the actuarial valuation would not affect budgets until 2011/12, but careful financial planning would be needed to address the impact of any recommendation by the actuary as to the level of the employers' contribution.

Mrs Dean asked how KCC's proposed level of Council Tax compared against other Councils and asked Mr Chard whether he thought that KCC had done well with Government funding over the last 12 years. Mr Chard stated that, out of 34 County Councils, KCC's proposed Band D Council Tax was the 12th lowest. He added that KCC was a leading innovator, which provided good value for money to residents. He also stated that KCC had received less grant this year than many other County Councils, but had still managed to propose a reasonable level of Council Tax increase.

Mrs Dean raised a further question about the targets each Directorate had for vacancy management. She stated that these were totally untargeted savings, as one could not predict where the vacancies might occur and Members had expressed concern about this approach in the past. She added that, from her calculations, the amount of money to be saved as a result of vacancy management had increased by £1.2m over the previous year. Mr Wood stated that the additional figure for vacancy management across all Directorates was less than 1% (about 0.3%) of the total salaries budget, when staff turnover was between 8% and 10% at any one time. He added that Mrs Dean was correct to say that it couldn't be predicted where the vacancies would arise, but that any statutory posts would not be left unfilled. He also stated the saving had been calculated on the basis of leaving other posts vacant for one month before being filled. In response to a further question from Mrs Dean about the increase in the vacancy management target in financial terms compared to last year, Mr Wood stated that a note was being prepared by the Director of Personnel and Development, which would be sent to Members.

Mrs Dean asked for the details of the "undefined" savings that each Directorate was being asked to make in next year's budget. Mr Wood stated that the undefined savings related to around 0.5% of adjusted controllable spend and was likely to come from procurement, such as mobile phones etc. He added that this information would be provided to Members as soon as it was available. He also confirmed that the total of the undefined savings of £1.8m included £600,000 on corporate support costs and that none of the Directorates had indicated that they couldn't achieve their element of the total saving.

Referring to page 57 of the MTP, Mrs Dean asked for an explanation of why it was being proposed to convert safety base spend to grant, as a revenue saving. Ms McMullan stated that the there would be no diminution in the quantum of safety work carried out; this was essentially a change in financing from revenue to capital.

Mrs Dean stated that the amount of money being spent on highways maintenance was proposed to be increased by £23m, of which some £15m would be spent in 2009/10 and she asked for an explanation as to why the increase had been made and why this year. Mr Chard stated that increasing the amount of money spent on highways maintenance was one of the Cabinet's four key priorities for next year's budget; the others being adult social care (because of demographics), children's social care and the freedom pass. In this respect, it was a policy decision of the Cabinet. Ms McMullan confirmed that an additional £5m had also been added to the current year's highways maintenance budget.

Mrs Dean asked if the agreed recommendations of Select Committees had been calculated and properly funded in the budget. Mr Chard confirmed that the revenue implications and any capital implications were being worked on by officers and a note would be provided in due course, setting out how these recommendations were reflected in the budget proposals.

Mrs Dean asked about the extension of the Kent TV pilot into a third year and asked for confirmation of where the additional cost of £400,000 was reflected in the budget. Mr Chard confirmed that no formal decision had been taken as yet to extend Kent TV into a third pilot year when the current contract expired in August 2009. He added that it was the Leader's wish for Kent TV to be embraced by other public sector organisations in Kent, but that further discussions and negotiations were required. Mr Wood confirmed that, if the pilot was not extended into a third year, the cost of that extension would come out of the total cost of the Strategic Development Unit (£2,517,000) listed on page 41 of the budget book.

Miss Carey asked whether the resources allocated by central government were sufficient given the needs of KCC's services. Mr Chard stated that KCC never seemed to have an appropriate amount of resources given the cost pressures being faced by the authority, He referred to the gap between cost pressures and savings/income generation, as detailed on page 47 of the MTP, adding that KCC had done less well than the average grant settlement for County Councils.

Mr Hart stated that the Freedom Pass did not appear to have a high profile in his Division and more widely, apart from the promotion of the scheme that he had done himself and he asked what arrangements were in place to promote the scheme across Kent, particularly to parents, rather than just in schools. Mr Hart added that he was concerned that the apparent lack of promotion of the scheme had affected the level of take-up, particularly in poorer areas. Slightly later in the meeting, Mr Truelove asked for confirmation as to the eligibility criteria for the Freedom Pass, stating that it was not a free service to <u>all</u> 11-16 year olds, because a number travelled to schools outside of the administrative County of Kent where they couldn't use the pass, but lived in KCC's area. Referring to Mr Hart's question, Mr Chard stated the Freedom Pass had been an outstanding success, adding that a sum of £3.8m had been committed to the roll-out of the scheme and that there would be more promotion of the scheme via the Communications and Media Centre. On the points raised by Mr Truelove, Mr Chard stated that it was only possible to use the Pass within KCC's area, rather than for free travel anywhere in the Country, but he undertook to pass on Mr Truelove's concerns to Mr Ferrin and also clarify the rules on eligibility for Members of the Committee. Mr Hart mentioned former County Councillor John Law's long held view that the Freedom Pass should be as widely available as possible. Mrs Law echoed her late husband's commitment to the scheme and its ongoing success.

Mr Scholes referred to the restructuring of long term debt and whether comment could be made about the achievability of this and the quantum of savings that the Council could realise. Ms McMullan stated that new rules were introduced last year that made the cost-benefit analysis of achieving savings by restructuring long term debt more difficult. She added that in previous years, KCC had made savings of several millions of pounds by restructuring debt, but she was unable to give details about the level of savings that could be achieved now, because of the new rules and the fines imposed on Councils for doing this. In response to a further question from Mr Scholes on this issue, Mr Chard confirmed that central Government had been lobbied by KCC on the impact of the new rules. He added that, if the Local Government Bank became a reality, there would be no longer a need for the fines and all local authorities would be able to take the opportunity of restructuring long term debt and achieve significant savings. Mr Chard stated that he would be taking this initiative forward as much as he could, as would the Leader.

Mr Cowan asked if the proposed pay award for staff of 1% was designed as a way of keeping the increase in Council Tax as low as possible. Mr Chard stated that he thought 1% was fair and reasonable in the circumstances of inflation coming down. In response to a further question from Mr Cowan about Chief Officer bonuses, Ms McMullan stated that she would ask the Director of Personnel and Development, Ms Beer, to prepare a note about how the bonus scheme worked and send it to Committee Members.

Referring to page 86 of the MTP, Mr Gough asked whether any further information was available about the growing need for KASS to step in to assist former self-funders, as a result of the impact of the ongoing economic situation. Ms McMullan stated that the level of secured debt amongst this group of clients had been going up over the last 2 months or so, although this money would eventually be repaid. She added that the Managing Director of Adult Social Services was working with her staff to monitor the situation closely. If and when people in this client group ran out of capital, advice would be given to ensure that they were claiming the maximum in terms of benefits. Ms McMullan also stated that it was too early to say what the financial impact would be on KCC, but that further information would be provided to Members as soon as it became available. It was also agreed that it would be useful to have a new indicator relating to this in next year's quarterly budget monitoring reports.

In response to a question from Dr Eddy, Mr Chard confirmed that 1% of KCC's salary bill was £3.7m and that 1% on the Council Tax was approximately £5.6m.

Referring to paragraph 3.13 on page 23 of the MTP, Dr Eddy asked for clarification as to where the additional sum of £1.5m Children's Social Services was shown in the budget. Mr Chard referred Members to page 53 of the MTP, where the £1.5m was shown, but added that the Committee might find it useful to receive a paper in due course setting out exactly what the additional investment being made in Children's Services meant in terms of service organisation and delivery. Dr Eddy agreed that Mr Chard's offer would be most useful to help the Committee's understanding in this area.

Referring to page 16 of the Budget Book, Dr Eddy asked for a breakdown of the international development costs in CFE, which were included as part of Management Information. Dr Eddy also asked for further information in relation to the cost of the Managing Director's office and Democratic Services in CFE (page 14 of the Budget Book), which was proposed to increase from £1.966m to £2.531m and how this differentiated from the Strategic Management costs for CFE, for which there was a specific definition this year. Mr Chard stated that this information would be supplied.

Dr Eddy referred to the Chief Executive's communication to all staff on 7 January in relation to the 1% pay rise, which indicated that the ongoing economic situation meant that a restraint on pay was appropriate and that this was the best way to avoid compulsory redundancies. Dr Eddy also referred to a further communication to staff on 16 January about leadership development programmes, some of which cost many hundreds of pounds, which was introduced with the words "There may be a credit crunch, but in local government, it's business as usual". He asked Mr

Chard to comment on the extremes of those two statements. Mr Chard stated that the 1% pay offer was appropriate in the current circumstances, but that it was also important to maintain the investment in training and development for the ongoing and lasting future success of the organisation.

In response to a question from Mr Chell, Mr Chard undertook to check the proposed KCC pension increase that will take effect from April 2009 and confirm the information to Members of the Committee.

RESOLVED that:

1. Mr Chard, Ms McMullan and Mr Wood be thanked for attending the meeting and answering Members' questions;

2. The Committee express its thanks and appreciation to Financial Services for ensuring that the budget papers were published as early as possible after Christmas, giving Members more time than in previous years to consider the information; and

3. The Cabinet be asked to ensure that the agreed budget remains flexible to take account of the possible changing circumstances as a result of the continued global economic situation

125. Questions to Butlers

Mr Sass advised that written answers to the Committee’s questions were e-mailed at approximately 9.30am that day and that Butlers had requested their answers remain private and confidential. Advice had been obtained from the Director of Law and Governance and Monitoring Officer that there was nothing in the content of the answers, or the circumstances in which they were requested or provided, that prevented them being disclosed publicly and, therefore, subject to the Committee’s agreement to consider an urgent item, the answers could be discussed at today’s meeting. However, it was the Monitoring Officer’s preference that the matter should be deferred to the Committee’s next meeting and that Butlers be put on notice to the fact that their answers would be discussed publicly at that meeting, so that if they wanted to lodge a legal objection, they would have time to do so.

The Chairman stated that the Monitoring Officer’s preferred solution was more appropriate in the circumstances.

Mr Simmonds expressed the view that a deferral was also appropriate, but asked that the Committee agree to keep the answers confidential until after the debate on 10 February.

Mrs Dean was of the strong view that the Committee should debate the answers provided by Butlers today in public, noting that the Monitoring Officer had sanctioned that action, subject to the Committee’s agreement to consider an urgent item.

Other Members spoke in favour of a deferral, together with the need to reflect on the answers provided by Butlers before deciding whether to make them public. A suggestion was also made that, with a deferral of the matter, Butlers might accept a further invitation to attend the Committee's next meeting to expand upon their answers and provide further information.

After further discussion, it was:

RESOLVED that:

(1) Butlers be thanked for the information provided and informed that it is the Committee's intention to meet and consider the information at its next meeting on 10 February in public;

(2) Butlers be invited to attend that meeting and KCC Officers be invited to comment on the written responses provided by Butlers;

(3) The information provided by Butlers should remain confidential until the Committee has had chance to consider the responses to the questions raised at their next meeting on 10 February.

Mrs Dean asked for it to be recorded that she did not agree with the proposal to keep the answers confidential until the meeting on 10 February, on the grounds that the Director of Law and Governance had advised that the information could be discussed in public at today's meeting.

Mr Simmonds asked for advice as to whether Mrs Dean would be bound by the Committee's decision to keep the answers confidential. Mr Sass responded that he would seek urgent advice from the Director of Law and Governance and advise Mrs Dean accordingly and document that advice in the Committee's minutes.

(Following the meeting, the advice of the Director of Law and Governance was obtained with regard to Mrs Dean's position, which was that she was not bound by the Committee's decision on the grounds that the information had not been given to Mrs Dean in confidence and due to the content of the information and the circumstances in which it had been requested and provided, KCC would have to disclose the information under the Local Government (Access to Information) Act and the Freedom of Information Act in any event.)

<u>NOTE: Following the meeting, further discussions were held between the Director of Law and Governance, the Head of Democratic Services and Local Leadership and the Chairman and Spokespersons of the Committee, whereupon an alternative course of action was considered to be more appropriate. This alternative course of action was as follows:</u>

(1) Butlers be thanked for the information provided and informed that it is the Committee's intention to meet and consider the information at its next meeting on 10 February in public;

(2) Butlers be invited to attend that meeting and KCC Officers be invited to comment on the written responses provided by Butlers; and

(3) The information provided by Butlers should remain <u>confidential until the Committee's agenda is published for the meeting on 10 February</u>, <u>assuming no legal objections are received from Butlers.</u>

(This alternative course of action was communicated in writing to Butlers on 27 January)

By: Peter Sass - Head of Democratic Services and Local Leadership

To: Cabinet Scrutiny Committee – 10 February 2009

Subject: Follow up items from Cabinet Scrutiny Committee

Classification: Unrestricted

Summary: This report sets out the items which the Cabinet Scrutiny Committee has raised previously for follow up

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Introduction

1. This is a rolling schedule of information requested previously by the Cabinet Scrutiny Committee.

2. If the information supplied is satisfactory it will be removed following the meeting, but if the Committee should find the information to be unsatisfactory it will remain on the schedule with a request for further information.

Recommendation

3. That the Cabinet Scrutiny Committee notes the responses to the issues raised previously.

Contact: Peter Sass
peter.sass@kent.gov.uk

01622 694002

Background Information: *Nil*

	Issue	Response
10.12.08	Highways Business Plan IMG 02.12.08 - A list of gully schedules be supplied to all Members after the elections - The informal briefing on EDF given to Members by KHS Technical Services be repeated in the spring	
22.10.08	IMG on Managing Motorways and Trunk Roads in Kent: - Further advice be requested from Officers and the Cabinet Member when the results of the bidding process were known - Officers and the Cabinet Member report back to the Cabinet Scrutiny Committee, including information on possible BVPIs, a year after the contract has commenced.	Document detailing changes to original contract circulated to Members of CSC 13.11.08.
21.01.09 – Kent 2010 Action Plan Target 35	Concerns in relation to Target 35: *Work with bus and train providers and lobby government to improve public transport services in Kent.* The report was out of date Members were still receiving a high level of complaints, particularly in relation to the cost of rail fares and the availability of rail services to central London early in the morning.	Update document from KHS attached.
21.01.09 - BSF	*As the County Council has only committed to Wave 3 of the BSF Programme, we can only be certain of the amount we are putting into this Wave, which was £24.5m (approximately 10% of the Waves Capital spend).* Whether KCC's contribution of £24.5m for Wave 3 included the value of relevant property assets that would	The KCC contribution of £24.5m in respect of Wave 3 will be realised by the disposal of property assets. It does not all come from properties related to Wave 3 schools.

	be put back into the pot following completion of the Wave?	
21.01.09 – Communications and Media	Members to receive regular copies of the list of events produced by the Communications and Media Team.	Information requested
21.01.09	Comms & Media Business Plan - Chief Executive's offer to give Members the opportunity to visit the IBM research facility in Hampshire - Chief Executive's offer to hold a seminar for Members on the 'Future of Communication' - Chief Executive's offer to give members of the IMG the opportunity to view the presentation on Access Kent - Chief Executive's offer that the two pilot schemes in Swale and West Malling should be presented to Members - Further details of translation services and their cost be provided to all Members of the Cabinet Scrutiny Committee - Briefing note on the report on the ways in which we consult with the public being prepared by Robert Hardy - Communications toolkit to be circulated electronically to all Members - Communications protocol in relation to the promotion of Council Services be circulated to all Members - Monitoring information relating to positive, neutral	Information requested Access Kent project being presented to Members of Corporate POC in March – other Members would be welcome to attend.

	and negative press coverage is circulated to all Members through the Members' Information Bulletin	
26.10.09	Mr Ferrin to provide further information on the rules of the "Freedom Pass" particularly for 11 – 16 year olds who do not go to a KCC school but live in the administrative County of Kent.	All 11-16 year olds living and attending any school in Kent (KCC or otherwise) are eligible for a Freedom pass. Any child residing in Kent but attending school outside the County is not eligible.
26.10.09	Ms Beer to provide a note of COG bonuses and provide information on Calculation / impact of vacancy management savings.	Information requested
26.10.09	Further information on the increase to KCC pensions - 'by what rate will KCC pensions increase on 1 April' and is this linked to some index eg RPI'	This number is provided to us by the Treasury and it is normally the RPI from September to September. If this is adopted the increase would be 5%. We have yet to be formally notified.
26.10.09	Further information on the £1,500,000 in the budget (MTP pg 53) allocated to Additional Support to Children's Social Services	The intention is that this additional funding will be used to enhance the number of front line social workers and their necessary support staff. The exact implementation of this will be informed by the outcome of the review into Children's Safeguarding which has been commissioned by the Chief Executive.
26.10.09	further information on the cost of international development for 2009/10 (Budget Book page 16) (webcast 01:26:25)	This budget has transferred to policy and performance (vulnerable children) and is currently being managed by the head of this service. The budget for 2009/10 remains at the same level as 2008/09, i.e. £96k
26.10.09	Further information on the £1,966,000 rising to £2,531,000 (Budget Book pg 14) 'CFE Managing Director's Office and Democratic Services'	The increase of £565k from 2008-09 is entirely due to the Facilities Management budgets being devolved to service directorates from Chief Executives Department for the first time in 2009-10.

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Target 35: Work with bus and train providers and lobby government to improve public transport services in Kent		
Lead Cabinet Members: Keith Ferrin/Kevin Lynes	**Lead Managing Director:** Mike Austerbury/David Cockburn	**Lead Officers:** Mick Sutch/David Hall

Status: On course

List the partners with whom we are working to deliver this target:

Southeastern Trains
Eurostar
Network Rail
Arriva
Stagecoach
Other bus operators
District Councils

Progress to date on delivering this Towards 2010 target:

Service quality on Southeastern trains has continued to improve since taking over the franchise in April 2006:

- Latest punctuality figures from the Office of Rail Regulation show the Moving Annual Average (up to the first quarter of 2008/09) show 92.3% of trains arriving within five minutes of timetable up from 88.7% reported last January
- Complaints have continued to fall – currently at 13 complaints per 100,000 passenger journeys

High Speed Domestic Services using CTRL (High Speed 1) will start in December 2009 and the peak and off-peak specification are now available on Southeastern's website. The start of these services will coincide with a complete overhaul of rail services between Kent and London.

There will be an overall increase in trains to London in the three hour peak period with 47 stations in Kent having more services and 14 having a reduction. All the major towns in Kent will have more services to London in the peak, except for Maidstone which has the same number as now. The increases are not confined to those stations which will have the high speed services at the end of the year - Sevenoaks will have nine more trains in the peak.

There was particular concern that peak services to the City (Cannon Street) would be significantly cut at stations which will have the new CTRL services, but the reductions have been limited to no more than one in the three hour period and in some cases services to Charing Cross have been increase enabling passengers to change at London Bridge for Cannon Street. Cuts in Victoria services have also been reduced to no more than two trains (from nine to seven at Faversham and Sittingbourne).

In the off-peak, 17 stations will have an increase in services to London, with nine suffering a reduction. Maidstone East and West Malling will lose the hourly fast service to Cannon Street.

A Select Committee on Rail Passenger Services has been set up by KCC to investigate the benefits of improvements to journey times and services to London and the long-term contribution to the regeneration of Kent, although there are concerns that proposed fare increases could reduce the beneficial effects. We have also commissioned a study on the implications of CTRL DS on business locations to maximize the opportunities for companies wishing to locate in Kent.

The new high speed rail services with dramatically reduced journey times will help regenerate parts of east and north Kent by making access to London more attractive. However, the success of these services will also depend on the fares charged on these trains. Already fares in Kent and East Sussex are rising faster than elsewhere in the country and are likely to continue to increase faster for the next two years. On top of these increases, there will be a premium added to existing fares for the high speed services. These have yet to be finally announced and it is unknown whether there will be different rates in the peak periods from the off-peak. The latest published premium fares suggested that the premiums would be 10 – 30% higher than existing fares and the County Council has commissioned a survey to gauge rail travelers' reaction to such fares.

Eurostar services from Ebbsfleet started in November 2007 with seven trains a day to and from Paris and five to and from Brussels, via Lille. At the same time services from Ashford International Passenger Station were cut from 11 trains per day to four, with no direct service to and from Brussels. However, extensive lobbying by KCC and its partners has resulted in Eurostar reconsidering and they are to restore a direct Ashford to Brussels service from 23 February 2009, when the Channel Tunnel is fully repaired after the fire in September.

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Kent is on track for continued growth in bus passenger journeys from 44.8m in 2004/05 to 48.6m in 2006/07, contributing to our excellent CPA rating. Bus patronage figures compiled for 2007/08 are 51.6m, an increase of 6.17% on 2006/07 figures. This has been one of KCC's key performance indicators (BVPI 102) and contributes towards our CPA rating.

Quality Bus Partnerships are improving reliability and quality with half the total bus fleet in Kent now being easy access, low floor entry. KCC continues to work with bus companies on innovative schemes such as the Punctuality Improvement Partnership pilot on the Thanet Loop and the Kings Hill/West Malling station shuttle as well as Fastrack and Smartlink which helped KCC win the Transport Authority of the Year Award at the UK Bus Awards in November 2007 together with the Innovation and Infrastructure Awards for Fastrack.

Innovative schemes are being developed including using franchise arrangements to generate a revenue scheme to fund further Fastrack type schemes including Smartlink at Ashford and a potential Dover Expressway linking an aerial tramway proposal between the harbour and the castle. A special grant scheme is under development to offer up to £1m of capital grants to Kent bus operators to stimulate private sector matching. The first Kent Kickstart scheme in 2009/10 is likely to include ten new buses and other improvements in Ashford, partnering with Stagecoach.

KCC also works to encourage integration with operators to encourage joint ticketing and being able to purchase bus tickets before boarding buses through the "plus bus" scheme, which is now available at 26 main railway stations in Kent. A KCC bid to Government to participate in a National Rail Station Travel Plan was successful and received approval in June 2008. The pilot will be undertaken for the Ashford Station and is aimed at improving integration and enhancing station access. KCC will work with operators to introduce smart card technology in 2008/09.

Following a successful launch of the Kent Freedom Pass (see Towards 2010 target 30), meetings have been held with bus operators to ensure they are on board. From June 2008, the scheme has been extended to cover schools in Maidstone, Malling, Shepway and Dover. To date, 1,774 passes have been issued in these new areas in addition to the 5,200 passes in the original pilot areas. However a bid to the Government's Pathfinder Programme, which included the extension of the scheme from ages 16 to 19, was unsuccessful.

Around 200 KCC supported bus services have been sustained with no cuts and we anticipate being able to achieve this for the next financial year within budget following a successful re-tendering exercise on contracts now due for renewal.

Following lobbying in November 2007, additional grant was made available to Kent to cover the introduction of new national concessionary travel scheme for elderly and disabled people, and Government confirmed additional special grant so all district authorities, bar Tunbridge Wells, will have sufficient funding for the scheme. KCC is supporting the scheme, underwriting the cost of the scheme's

9am start time.   Kent has also lobbied Government over the new Transport Bill – Putting Passengers First - seeking to strengthen partnership working.

Work planned between now and 2010:

- The peak period specification for train services from December 2009 will be announced in the autumn. There is a need to ensure that appropriate levels of service are provided from all Kent stations, particularly that current rail links to the City (Cannon Street and Blackfriars) are maintained.
- A study into the forecast effects of the CTRL DS on passenger flows at key stations, on business locations in Kent and the potential for parkways stations at Minster and Westenhanger will be carried out during 2008.
- Quality Bus Partnerships are being developed for new areas of the county including Dover working with Stagecoach and Tunbridge Wells working with Arriva. A Punctuality Improvement Partnership is under development for Thanet with Stagecoach, focusing on the Westwood Cross area.
- KCC is working with South Eastern and Railtrack to improve interchange at 13 stations in Kent during 2008/2009 and with bus operators for a further roll-out of the Plus Bus rail ticket add on for unlimited bus travel as part of a rail journey.
- Expansion of Fastrack is planned, together with the introduction/expansion of off-bus ticketing machines at bus stops. Work is in hand to deliver Smartlink for Ashford, beginning with a Park & Ride site at the Warren from 2009. KCC is supporting Maidstone with the development of a new Park & Ride site at Langley Park Farm in 2009. Delivery of a new Park & Ride service for Tunbridge Wells is also in hand.
- Work on the Kent Regeneration Strategy will incorporate a comprehensive travel plan covering strategic infrastructure provision such as rail freight and a Lower Thames Crossing.

Measurable indicators:

None – This Towards 2010 target has been formally agreed as having an ‘aspirational’ status and progress is measured via qualitative means.

Monitoring completed by: Mick Sutch/David Hall   **Date:** **xx** January 2009

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By: Paul Carter, Leader of the Council

Nick Chard, Cabinet Member for Finance

Peter Gilroy, Chief Executive

Lynda McMullan, Director of Finance

To: Cabinet - 2 February 2009

Subject: Medium Term Plan 2009-12 (Incorporating the Budget and Council Tax Setting for 2009-10) – Update

Classification: Unrestricted

Summary: This report updates the Draft Medium Term Plan 2009-12, published on 7 January 2009, with more recent information. The new information consists of:

- The final Local Government Finance Settlement figures announced by central Government on 21 January 2009.

- The final tax bases agreed by the Kent District Councils as at 31 January 2009. The final information needed to complete this was not received until 29 January 2009, which is why this report was not available prior to the meeting.

- The final surplus or deficits announced on the District Councils' Collection Funds as at 31 January 2009.

- A draft summary of the outcomes of debate on the Medium Term Plan and Draft Revenue and Capital Budgets for 2009-10 following discussion at the following 2009 meetings, as shown as Appendix B:
  - Communities Policy Overview Committee on 13 January;
  - Corporate Policy Overview Committee 14 January;
  - Adult Social Services Policy Overview Committee on 15 January;
  - Children, Families and Education Policy Overview Committee on 16 January;
  - Environment and Regeneration Policy Overview Committee on 20 January;
  - Cabinet Scrutiny Committee on 26 January;

- Business Consultation Forum on 27 January 2009.

- In addition there will be a Formal Budget Consultation meeting with Trade Union and Professional Body Association representatives on 11 February 2009.

Introduction

1. Kent County Council published its Medium Term Plan 2009-12 (incorporating the Budget and Council Tax Setting for 2009-10) for consultation on 7 January 2009, in line with the agreed process.

2. However, there were three main areas of potential change which are now dealt with in this update:

   (1) Central Government announced the Final Settlement on 21 January, which replaces the information received at Provisional Settlement on 26 November. This provides KCC with the final Formula Grant figure for 2009-10, and a provisional figure for 2010-11. Figures are unchanged from the Provisional Settlement.

   (2) District Councils are obliged by legislation to calculate and notify their preceptors of their tax base by 31 January. KCC's calculation of council tax depends upon the number of Band D equivalent properties (or "taxbase") within its area.

   (3) District Councils must also calculate and notify their preceptors of any surplus or deficit on their Collection Funds. This amount is shared on a pro rata basis between all preceptors and must be used when calculating the Council's overall budget and council tax requirement.

Consultation

3. KCC carried out extensive consultation on the "Vision for Kent". This has helped to identify service priorities and has been a key influence in setting out the key targets for action for "Towards 2010". The latest Annual Report (covering 2007-08) was presented to County Council on 19 June 2008. The annual budget process provides formally for consultation with the public, trade unions, the Business community, opposition Members and professional organisations.

4. This year, one public consultation workshop was run on 13 September 2008. This all day event invited a representative sample of resident council tax payers to consider spending issues facing the county and possible council tax increases for the forthcoming year. Participants were invited to set their own level of council tax within a budget model. Formal feedback has been received from market research firm MORI on KCC's study of public attitudes to expenditure priorities and Council Tax levels. A summary of the main report is attached at Appendix A.

5. The Policy Overview Committees considered the budget proposals during the week beginning 13 January 2009. Feedback from the Policy Overview Committees was reported to Cabinet Scrutiny on 26 January, where overall budget strategy was considered. A summary of comments made is provided in Appendix B.

6. A meeting with business leaders took place on 27 January. The minutes from that meeting are attached at Appendix C to this report. A meeting with the staff representatives will take place on 11 February.

Final Settlement

7. The Final Local Government Finance Settlement was announced by central Government on Thursday 21 January. Figures are unchanged from the position reported to Cabinet on 12 January 2009.

8. Details of the Final Settlement for KCC, as compared to the Provisional Settlement are as follows:

TABLE 1 – CHANGE IN SETTLEMENT 2009-10			
Component	**Provisional Settlement 2009-10 £m**	**Final Settlement 2009-10 £m**	**Change from Provisional Settlement £m**
Relative Needs	276.5	276.5	0.000
Relative Resource	-170.6	-170.6	0.000
Central Allocation	171.4	171.4	0.000
Floor Damping	-10.1	-10.1	0.000
External Funding	267.2	267.2	0.000
Like-for-like cash change	+ 3.2%	+ 3.2%	

Component	**Provisional Forecast 2010-11 £m**
Relative Needs	284.4
Relative Resource	-176.4
Central Allocation	179.5
Floor Damping	-11.8
External Funding	275.7
Like-for-like cash change	+ 3.2%

9. It should be noted that the headline increase in grant for 2009-10 is 3.2%, which is above the floor funded minimum. The headline figure for 2009-10 falls to 2.0% when the ending of the Local Authority Business Growth Incentive scheme (LABGI) grant is taken into account.

10. Details of the release of a further £100 million of LABGI money, to help local authorities respond flexibly to the effects of the economic downturn in their area are expected to be announced in Parliament on 3 February.

Surplus / Deficit on Collection Funds

11. District Councils must calculate any surplus or deficit on their collection funds. These most frequently arise when the District Council over or under performs against its projected level of tax collection. This amount is shared on a pro rata basis between all preceptors and affects the council tax calculation.

12. Information now received from the districts indicates an overall surplus from their Collection Funds, of which KCC's share in 2009-10 is £0.230m. This surplus compares to last year's deficit of £0.245m. It must be borne in mind that these

are annual, one-off figures and both surpluses and deficits can and do arise on the Collection Funds. Nevertheless, there have been some significant deficits and discussion is being pursued with the Kent Finance Officers to clarify the underlying reasons for this and the late notification of the particular problems.

Tax Base

13. KCC's calculation of council tax depends upon the number of equivalent Band D properties (or "taxbase") within its area. District councils are obliged by legislation to notify its preceptors of this figure by 31 January. The final figure was received on 29 January 2009.

14. The actual figure notified by District Councils is 540,114.82. The taxbase includes the impact of the additional taxation capacity from the districts' discretion to reduce the discount granted on empty properties. Overall this means the tax base is 0.8% higher in 2009-10 than in 2008-09, but 0.2% less than the growth included in the budget proposals released on 7 January. This equates to a reduction in our tax income of £1.135m.

Band D equivalents	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
Ashford	43,206.80	43,736.00	44,533.00	44,555.50	44,707.10
Canterbury	50,186.00	50,603.00	50,904.00	51,275.00	51,540.00
Dartford	32,117.49	32,434.30	32,874.94	33,507.59	34,098.03
Dover	38,771.34	39,030.59	39,483.81	39,795.66	39,810.15
Gravesham	33,953.37	34,134.99	34,765.31	34,957.82	35,489.01
Maidstone	56,304.70	56,754.80	57,738.10	58,514.80	59,057.60
Sevenoaks	48,697.76	48,914.04	49,187.56	49,705.82	50,021.05
Shepway	38,890.06	38,965.06	39,125.37	39,373.38	39,344.82
Swale	44,403.95	45,148.28	45,772.01	46,379.34	46,798.58
Thanet	44,533.82	45,261.76	45,600.57	46,179.22	46,452.65
Tonbridge & Malling	45,356.60	46,071.78	46,709.13	47,350.82	47,951.43
Tunbridge Wells	43,092.19	43,646.73	43,854.52	44,262.76	44,844.40
Total	519,514.08	524,701.33	530,548.32	535,857.71	540,114.82
% increase	1.3	1.0	1.1	1.0	0.8

Debt Restructuring

15. Since the draft budget was released on 7 January, we have been able to take advantage of the low short-term borrowing costs, by restructuring relatively expensive debt. This has saved over £3m from the 2009-10 capital financing budget.

Conclusion

16. In summary, the following changes have been made since the draft Medium Term Plan was published on 7 January 2009:
    - Final Grant Settlement for 2009-10;
    - Tax Base notification by districts;
    - Overall tax surplus from district Collection Funds payable to KCC;
    - Debt restructuring has taken place.

17. The policy proposals are unchanged from those published on 7 January, when the KCC element of the council tax increase for 2009-10 was 2.85%. The changes included in this report reduce our funding requirement through council tax by a net £2.187m, made up as follows:

	£m
Further debt restructuring	- 3.169
Collection Fund surplus	- 0.230
Lower than expected taxbase	+ 1.135
Additional Second Homes Grant	+ 0.077
Reduction in funding requirement	**- 2.187**

18. This saving will be passed on to the Kent residents by way of a reduction in the proposed council tax. This means that the 2.85% increase announced on 7 January can be reduced to 2.44%.

19. The revised calculation of the proposed Council Tax for 2009-10 is as follows:

TABLE 5 - CALCULATION OF COUNCIL TAX	
	£000
Budget Requirement 2008-09	857,018
Spending increase (net of adjustments)	29,452
Budget requirement 2009-10	886,470
Financed from:	
Formula Grant / Area Based Grant	- 331,936
Council Tax collection surplus	- 230
Precept requirement from Council Tax	554,304
Divided by final tax base (Band D equivalent)	540,114.82
Basic Amount	
Tax rate for Band D property 2009-10	1,026.27
Tax rate for Band D property 2008-09	1,001.79
Increase	£24.48
	+ 2.44%

20. The final position on the Children, Families and Education Directorate in relation to the estimated Dedicated Schools Grant (DSG) will be subject to the recommendations from the Schools Forum. The recommendations on this need to be delegated to the Cabinet Member for Operations, Resources and Skills (CFE). Final DSG should be known in June 2009.

Recommendations

> Members are reminded that Section 106 of the Local Government Finance Act 1992 applies to any meeting where consideration is given to matters relating to, or which might affect, the calculation of Council Tax.
>
> Any Member of a Local Authority who has <u>not</u> paid Council Tax for at least two months, even if there is an arrangement to pay off the arrears, must declare the fact that he/she is in arrears and must <u>not</u> cast their vote on anything related to KCC's Budget or Council Tax.

21. Cabinet are asked to endorse the following proposals for submission to County Council on 19 February 2009:

(1) the Revenue Budget proposals for 2009-10. Cabinet is asked to note the proposed change to the capital financing and local priorities budgets, note the changes to the council tax base and endorse the resulting change to the council tax;

(2) the budget requirement of £886.5m before deducting Area Based Grant;

(3) a total requirement from Council Tax of £554.3m to be raised through precept to meet the 2009-10 budget requirement;

(4) a Council Tax as set out below, for the listed property bands;

Council Tax Band	A	B	C	D	E	F	G	H
£	684.18	798.21	912.24	1,026.27	1,254.33	1,482.39	1,710.45	2,052.54

being a 2.44% increase over 2008-09;

(5) the Capital Investment proposals, together with the necessary use of borrowing, revenue, grants, capital receipts, renewals and other earmarked capital funds and external subject to approval to spend arrangements;

(6) the Prudential Indicators as set out in Appendix D of the Medium Term Plan 2009-12.

22. Cabinet is also asked to endorse the revenue and capital proposals for each of the ten portfolios of the County Council, as set out in the draft Budget Book and Medium Term Plan, as adjusted for the above changes, and recommend them to County Council. A revised Budget Book and Medium Term Plan reflecting the changes in this report will be produced for County Council on 19 February.

23. Cabinet is asked to agree that the final recommendations in relation to the School Budgets and the Dedicated Schools Grant be delegated to the Cabinet Member for Operations, Resources and Skills (CFE).

<u>Officer Contact:</u>
Lynda McMullan – Director of Finance Extension 4550
Andy Wood – Head of Financial Management Extension 4622

Background documents:
- *Impact of Current Economic Situation on the Council - Cabinet 4 August 2008;*
- *Autumn Budget Statement - Cabinet 15 September 2008;*
- *Effect of the downturn in the economy on Corporate Services - Corporate Policy Overview Committee 14 November 2008;*
- *Provisional Local Government Finance Settlement 2009-11 - 26 November 2008;*
- *Preparing the County Council for Future Challenges - County Council 11 December 2008;*
- *Local Government Provisional Finance Settlement - Cabinet 12 January 2009;*
- *KCC consultation response to Provisional LG Finance Settlement - 6 January 2009;*
- *Draft budget 2009-10 and Draft Medium Term Plan 2009-12 - launched 7 January 2009 and considered by Policy Overview Committees between 13 and 20 January 2008, and Cabinet Scrutiny Committee 26 January 2009;*
- *Final Local Government Finance Settlement 2009-10 and Provisional Settlement 2009-11 - 21 January 2009.*

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Appendix A

Budget and Council Tax Consultations in Kent 2008/09

Summary of Public Consultation Workshop:

Ipsos MORI
Social Research Institute

Kent County Council
Budget Consultation Workshop

Executive Summary

September 2008

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Background

- The workshop provided Kent County Council (KCC) with some valuable insights into the priorities of Kent's residents. It involved a day long discussion and deliberation of the priorities of 60 residents from East and West Kent and their consequent views on the current 2008/09 and prospective 2009/10 levels of council tax. The participants were asked to think about their individual priorities before the workshop, as part of the pre-task exercise, and then encouraged to place them in the context of their priorities for the county as whole throughout the day. As the deliberations evolved during the small group work the participants sometimes unanimously agreed, but sometimes were required to vote to reach a conclusion. As some noted at the end of the day; many of the decisions they were being asked to consider were important and ones which would have negative consequences if taken badly, therefore often proving difficult.

Key findings

- The workshop confirmed many of the themes identified by previous research for KCC by Ipsos MORI and others. Kent is generally well-liked by its residents; it is attractive, and with good transport links. But there is also a very strong sense that the County faces many threats. These centre on the growing population, which cannot be sustained by existing infrastructure / facilities.

- Roads are a powerful symbol of this – both in regards maintenance and capacity – and they also tap into local unease about the presence of foreigners, whether transitory or permanent. Crime, education, health, social services and employment are also major issues.

- As found in previous years, Kent's residents display a typically vague understanding of local government structure, and the division of responsibilities between county and district. Policing, motorways, housing and local planning are all often supposed (wrongly) to fall under the County's jurisdiction although education is correctly seen as one of KCC's main areas.

- The sources of council funding and division of spending are also not well understood, and people are generally unaware of the legislative constraints on budgets.

- Despite this, people know what they want. Among those areas for which KCC is responsible, education is a key priority, along with road maintenance, community safety and social services. Further, public transport is deemed to be in particular need of improvement, e.g. buses' operating hours.

- Initially, most people, especially older participants, deemed council tax to be "too high" – but as the various council responsibilities were discussed, people's views softened somewhat. Evidence of service quality, value for money and improvement are key here. By the time of the main budget exercise people were quite cautious in allocating either additional funds or savings – and as a result the totals agreed were, often well, within the limit set of a 2% discretionary increase (on top of the unavoidable 3% already built in – giving a 5% total increase). The range of total increases agreed upon across the six groups varied from 3.8% to 4.99%. The table below summarises the increases agreed by each group, more detail is provided in the appendices.

Group	**18-44, East**	**18-44, West**	**45+, East**	**45+, West**	**Mixed**	**Mixed**
Increase £	£4,300,000	£5,500,000	£8,600,000	£10,700,000	£8,700,000	£7,700,000
Increase %	0.80%	1.02%	1.60%	1.99%	1.62%	1.43%
Total Increase	3.8%	4.02%	4.6%	4.99%	4.62%	4.43%

- In principle, people favour those areas that represent a long-term investment in the future, such as core education and training, importantly areas where improvements can be seen as a result of additional or maintained funding. In contrast, road maintenance, although crucial, was viewed as a bottomless pit by some.

- It is felt that false economies in short-term savings should be avoided, as should the funding of areas where the benefit is ill-defined or 'non-deserving' groups are the focus (e.g. The Freedom Pass and Children's University).

Decisions

- Of the four broad areas under consideration; Children, Families & Education; Adult Services; Environment & Regeneration; and Communities, the first two initially garnered the most support overall – but with very different priorities among younger and older people (who favoured the 'children' and 'adult' categories respectively).

- Areas that proved to have a broad popular appeal *across* age groups /regions included Reading Recovery Teachers, Schools Sports Equipment (though less so The 2012 Olympics specifically), Occupational Therapists, Healthcare & Wellbeing Scheme, Apprenticeship Scheme and a Recycling / Processing Facility.

- Less popular (or less appropriate for KCC funding) were Partnership with Parents, Kent Children's University and the 11-16 year olds' 'Freedom Pass'. Any notion of restricting the eligibility for social care was also rejected. Participants also questioned the benefits of additional funds for road maintenance (though equally did not want to see this *cut),* the acceptance without negotiation of inflationary costs from travel & other contract providers, and any cuts in library budgets or in revenues from fees.

- The idea of Participatory Budgeting was well-received by some, but the threat of recession (and that some of the recipients were deemed less important – e.g. the arts) worked against this stream of extra funding. More positively, some felt it would provide 'a legacy', and would bring the community together. Indeed, some felt it was a sufficiently good idea to work with existing (but re-allocated) funds, rather than requiring new money.

Implications

- The concerns articulated by residents mirror those identified by Ipsos MORI qualitative research in past years which also found a widely held perception that change was happening too quickly in Kent. People keep returning to a common desire to see better management of development and progress to hold on to the County's "green", scenic attributes.

- These findings highlight the importance of managing residents' expectations about what KCC, and other local authorities, can do given different remits and constraints (including central government policy). While surveys for KCC have found the majority of residents correctly identifying the services KCC is responsible for, there is considerable confusion about who is responsible for some of the key issues of concern including tackling crime, providing affordable housing and managing traffic congestion.

- Consequently, there will be merit in continuing efforts to communicate what KCC is responsible for and what it is doing when it comes to several key areas of concern especially crime, housing, traffic congestion and facilities for the young.

- When taking forward decisions and communications about the 2009-10 budget it will be important to reflect not just on the decisions residents reached, but also the principles which underpinned such decisions. These include the desire on the part of residents to:

  –target areas where *improvements* can be achieved / ‘felt’;

  –target areas where quality / value for money can be achieved;

  –‘invest in the future’ (e.g. education / training for the young);

  –avoid false economies (e.g. short-term cessation of road maintenance);

  –maximise benefits for the number or spread of beneficiaries (highlighted by the 45+ Eastern group);

  –acknowledge ‘duties’ (not just legislative, but moral – e.g. elderly care);

  –‘give-and-take’ with necessary trade-offs between different funding areas [these usually occurred *within* broad groupings rather than between them – e.g. Handy Vans vs Home Safe Vans].

- The workshop also highlighted the necessity to spell-out exactly what some policies and initiatives entail in practical terms – we found that residents’ opinions and priorities did change as they were given more information and, for example, evidence of impact could swing these.

- It will also be important to be mindful of the changing economic backdrop and remember that most of those residents receiving news about Council Tax levels for 2009-10 will be instinctively resistant to anything that increases their outgoings.

Ben Marshall

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Kirstin McLarty

John Leaman

Appendix B

By: Head of Democratic Services & Local Leadership

To: Cabinet – 2 February 2009

Subject: **MEDIUM TERM FINANCIAL PLAN 2009-12**
BUDGET 2009/10 COMMENTS FROM POLICY OVERVIEW AND CABINET SCRUTINY COMMITTEES

Classification: Unrestricted

Introduction

1. The Policy Overview Committees and the Cabinet Scrutiny Committee considered the budgets that related to their current areas of responsibility. This report provides a summary of the comments on the Draft Medium Term Financial Plan 2009-12 and Draft Budget for 2009/10 made at the following meetings:

Communities Policy Overview Committee – 13 January 2009 (Annex 1)

Corporate Policy Overview Committee – 14 January 2009 (Annex 2)

Adult Services Policy Overview Committee – 15 January 2009 (Annex 3)

Children, Families and Education Policy Overview Committee – 16 January 2009 (Annex 4)

Environment and Regeneration Policy Overview Committee – 20 January 2009 - (Annex 5)

Cabinet Scrutiny Committee – 26 January 2009 (Annex 6) - To follow

Peter Sass
(01622) 694002
Email: peter.sass@kent.gov.uk

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Annex 1

Communities POC – 13 January 2009

Budget 2009/10 and Medium Term Financial Plan (MTP) 2009/12
(Item B5)

(1) The Committee considered the Communities Directorate's Draft Budget proposals set out in the Draft Budget 2009-10 and the Draft Medium Term Financial Plan 2009-2012 and also the report which was circulated specifically relating to the key areas of these documents for Communities.

(2) Mr Hill, Ms Honey and Mr Shipton introduced the MTP, the Revenue Budget and Capital Budget for the Communities Directorate. Mr Hill and Officers answered questions from Members about the following issues:-

(a) Inflation

(3) In response to a question from Mr Northey on how far the inflation figures had been built into the budget and what strategies there were to deal with variations in the rate of inflation, Mr Shipton explained that contracts for rent, cleaning etc relating to the cost of running buildings include an annual indexation and therefore it was easier to predict the rate of inflation on the contracts. However, the area of greatest risk was the cost of electricity, as the Council had not entered into any long term contracts for energy provision, and a figure of 20% for inflation had been built into the budget for this. This represents prudent provision for what was the most volatile cost in recent months (with estimated increases in excess of 40% earlier in the year) and he was confident that they would be able to cope with any other variables.

(b) Contact Centre re-charges

(4) In response to a question from Mr Chell, Mr Shipton confirmed that there would not be any charge to the Directorate for the services provided by the Contact Centre as these costs were covered corporately and have not been included in the corporate budget delegated to service directorates.

(c) Personnel Services – charges

(5) In response to a question from Mr Chell, Mr Shipton explained that the cost to the Directorate for Personnel Services would be based on the number of requests that the Directorate made to them and the support given.

(d) Use of kent.gov to advertise vacancies

(6) Mr Shipton confirmed that KCC only used kent.gov to advertise its vacancies. Evidence had shown that this was the most effective way of recruiting staff.

(e) Adult Education - income

(7) In response to a question regarding the vulnerability of the market- related income from Adult Education, Mr Shipton explained that there was a contingency plan that identified potential risks and action which could be taken in the event of these risks coming to fruition. Adult Education had a very detailed financial plan.

(f) Staff reductions

(8) In response to a question from Mrs Rowbotham, Mr Shipton stated that regarding the management restructuring and staff efficiency savings, one post had been identified in the MTP, which was subject to consultation, and a reduction of one post in the central support team. He explained that if an officer took early retirement then the portfolio would pick up the retirement cost until the officer reached normal retirement age. This might be an issue with the proposed restructuring of Registration Services. Ms Honey confirmed that there would be a confidential up date on this restructuring at the next briefing for Dr Eddy and Mrs Dean.

(g) Vacancy Management

(9) Mr Shipton explained that a flexible approach was taken to vacancy management, there was local discretion and that savings were adjusted according to actual turnover of staff during the year.

(h) Homesafe Van funding

(10) In response to a question from Mrs Rowbotham, Mr Shipton explained that the funding for the Homesafe Van, which had previously come out of the Communities Directorate budget would now be funded from the Supporting People programme within the Adult Social Services budget as this was more appropriate. He confirmed that the Directorate would continue to look at all possible sources of government funding for their services but it was important to have an exit strategy for any such funding should it come to an end.

(i) Review of essential user's car allowance.

(11) In response to a question from Mr Rowe, Mr Shipton explained that officers were contracted as car users but whether they were an essential or casual car user would depend on the number of miles travelled in a year and was not a contractual condition. Where staff were not going to reach the required mileage to qualify as an essential user it was important to give them adequate notice that they would be re-classified as a causal user.

(j) Grants to village halls

(12) Mr King emphasised the importance of investing in community infrastructure, i.e. village halls, which were a good way of stimulating community activities and stated that he would like to see more flexibility in this budget in future.

(13) Officers and the Cabinet Member were congratulated by Members on the budget that had been produced for Community Services, which safeguarded frontline services and achieved savings and were in line with the Committee’s views, as expressed at the last POC.

RESOLVED that that the Budget 2009-10 and Medium Term Plan 2009 to 2012 for the Community Services Portfolio, along with the responses made to the questions from Members, be noted.

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Annex 2

Corporate POC – 14 January 2009

Budget 2009/10 and Medium Term Financial Plan 2009/12
(Item B2)

(1) The Committee considered the Chief Executives Departments (CED) Draft Budget proposals set out in the Draft Budget 2009-10 and the Draft Medium Term Financial Plan 2009-2012 and also the report which was circulated specifically relating to the key areas of these documents for this Department.

(2) Mr Chard, Mrs McMullan and Mr Wood introduced the MTP and the Revenue Budget and Capital Budget for the Chief Executives Department then answered questions from Members about the following issues:-

(a) Bridging loans to other portfolios

(3) In response to a question from Mr Gough, Mr Wood gave an explanation of the way that the bridging loans to other portfolios was reflected in the MTP.

(b) Policy and Performance – savings

(4) In response to a question from Mr Gough, Mr Cockburn explained that the base budget of the Policy Unit was the staff costs. Mr Gilroy stated that the way that the policy unit would be re-structured would mean that there were only a few officers in the core who were permanent, and the rest would come in when required from the Directorates. Also it was hoped that there would be private sector and government secondments in and out of the Policy Unit.

(c) IMG on MTP

(5) Members were pleased to see how many of the suggestions made by Members of the IMG on MTP had been taken up in the draft budget

(d) Pay

(6) In response to a question from Mr Smyth it was confirmed that the budgeted figure for the staff cost of living increase in 2010/11 was 2%

(e) Prices in contracts

(7) Mr Wood explained that the figure in the budget for 2009/10 price increases was based on the best current estimate. In response to a question Mr Wood said that there was provision for a particular rent review which was due for renewal in 2010/11 and the assumption had been made that there would be a modest increase.

(8) Mr Gilroy identified particular cost pressures in social care and special needs education transport, although these do not directly impact on the CED.

(f) Delegated of Corporate Budgets

(9) In response to a question from Mr Smyth on what would happen if it was not possible to reach a unanimous decision on a delivery of a specific support service, Mr Wood explained that there are protocols set-out which detail how this would be resolved. One of the objectives in delegating the budget was to improve the quality and cost of services provided, through good discussion and negotiation with service directorates. It was not good value for money for one directorate to opt out and have services supplied separately hence the need for unanimous agreement to fundamentally change service delivery/provider.

(g*) Vacancy Management*

(10) Mrs Dean asked what the figure for vacancy management for each portfolio was based on. As Mrs Beer was not present at this point in the meeting it was agreed that a written response would be provided by Mrs Beer.

(h) Unspecified savings

(11) Mrs Dean asked whether the information on the headings which were currently showing as "unspecified savings" would be available by the time that the County Council considered the budget and set the Council Tax. Ms McMullan and Mr Wood stated that working was continuing to ensure that as much of the unspecified savings would be identified by the time that the draft budget was published for County Council, including those within the CED.

(i) Public Health

(12) Mr Burgess mentioned the importance of the public health agenda for the people of Kent. Mr Marsh reminded Members of the benefits to be gained from this for the people of Kent, KCC and its partners.

(j) Small Businesses

(13) In response to a question from Mr Burgess on the way that KCC supports small businesses, Mr Gilroy gave the example of the Commercial Services' Lease Car service which ordered all its cars from Kent distributors. There were a lot of other services that KCC sub-contracted to small businesses in the County.

(14) RESOLVED that that the Budget 2009-10 and Medium Term Plan 2009 to 2012 for the Corporate Services Portfolio along with the responses made to the questions from Members be noted.

Annex 3

Adult Social Services POC – 15 January 2009

Budget 2009/10 and Medium Term Financial Plan 2009/12
(Item B3)

(Mr N J D Chard, Cabinet Member for Finance, was present for this item along with Mr M J Angell, Lead Member for Adult Social Services, Mrs T Dean and Mr D Smyth)

(Miss M Goldsmith, Directorate Finance Manager, was in attendance for this item)

(1) Miss Goldsmith introduced the report and referred to the special Informal Member Group (IMG) on the Medium Term Plan which had been convened at the POC's November meeting and met on 20 November 2008. The notes of the IMG had been agreed earlier in the meeting as an accurate record, and the discussion which took place at the IMG was acknowledged as being most helpful.

(2) In response to a question from Mr Christie, Miss Goldsmith confirmed that the increase in pay and prices shown for 2009 had taken account of the proposed 1% pay increase for staff.

(3) In response to a question from Mr Christie, Mr Leidecker clarified that £500,000 savings shown against Extra Care Sheltered Housing (ECSH) was an estimate based on the number of clients who, it was predicted, would opt to go into ECSH instead of residential care, as ECSH was the less expensive of the two options. Mr Leidecker added, however, that the modelling used to estimate patterns was complicated and adjustments between Budget headings (particularly for older persons' services) would always be made as the year progressed.

(4) Responding to a similar question from Mrs Newell and Mr Christie, Mr Leidecker and Miss Goldsmith explained the way in which various services' budget headings related to each other, and how a change in one would cause a change in another as clients moved from using one service to using another. For example, a decrease in Domiciliary Care spending under both the physical disability and mental health headings corresponded in each case to an increase in spending on Direct Payments. In preparing the Budget, KASS officers looked at trends in service take-up and used these to predict the demand in the coming year.

(5) Responding to a question from Mr Maddison about bad debt, Miss Goldsmith explained that the Directorate's level of debt was monitored monthly and a bad debt provision existed to accommodate the level of debt that would potentially not be paid. The provision is adjusted for on a monthly basis.

(6) Mr Mills confirmed to Mrs Newell that, under the new national framework, an increase in grant had been made to PCTs to cover Continuing Care. KASS had shown a saving under the Continuing Care heading as it was expected that a saving could be made, but Mr Mills emphasised that patterns were very difficult to predict as not all Continuing Care clients were funded by KASS and some were self-funders.

(7) The Chairman thanked Miss Goldsmith, Mr Mills and Mr Leidecker for their explanations and responses to Members' questions and said that Members needed to achieve an understanding of the budget setting process and issues in order to fulfil their role of scrutinising and challenging each Directorate's budgeting and spending.

(8) RESOLVED that the information contained in the Budget report and the Medium Term Financial Plan for Kent Adult Social Services, and given in response to questions put by Members, be noted, with thanks.

Annex 4

Children, Families and Education POC – 16 January 2009

Budget 2009/10 and Medium Term Financial Plan 2009/12
(Item B2)

(1) The Committee considered the Children, Families and Education Directorates Draft Budget proposals set out in the Draft Budget 2009-10 and the Draft Medium Term Financial Plan 2009-2012 and also the report which specifically relating to the key areas of these documents for this Directorate. Mr Dance and Officers answered questions from Members about the following issues:-

(a) LAC (Looked after Children) and Personal Education Allowances

(2) In response to a question from Mrs Angell on the funding shortfall to required to fully satisfy the commitments in the LAC pledge, Mr Abbott explained that when the funding was announced by government, £100m was to be allocated nationally, KCC estimated that it would receive £2m and the pledge was funding on that basis with some additional KCC funding. However, the grant received was £700K, therefore increased additional funding was allocated in the budget so that KCC could fulfil the pledge. Mr Abbott undertook to provide Mrs Angell with details of the additional funding.

(b) Income to be generated by C, F & E units

(3) In response to a question from Mrs Angell, Mr Abbott stated that the £402K was what two units believed could be raised as income through charging schools.

(c) Freedom Pass

(4) Mr Abbott explained that the Directorate did not receive an income from the Freedom Pass but in the budget there were savings, which should be generated from a reduction in the number of season tickets that the Directorate needed to purchase, the savings were based on the figures from the pilots and discussion with Commercial Services and E & R.

(d) Practical Cooking Spaces in schools

(4) In response to a question from Mrs Angell, Mr Ward stated that there were seven Kent schools which would receive a grant of £300k each for this purpose. He undertook to supply Members with the details of which schools would receive this grant.

(e) Special Schools – major investment deferred

(5) Mrs Angell expressed concern about the delay that would be caused by the decision to defer major investment in six special schools where work had not

commenced and for this work to be funded from Building Schools for the Future (BSF). Mr Dance explained that this decision had been the taken to make best use of existing capital resources. This had been discussed with the relevant Head Teachers. Work was being done to support the individual schools to find building that they could use in the interim. He emphasised that rolling out the special schools review was his highest priority.

(6) In response to a request from Mrs Dean, Mr Dance agreed to visit West Malling Primary School and look at the accommodation for pupils.

(7) In response to a question from Mrs Dean, Mr Ward confirmed that the Special Units did not automatically fall with BSF, however, some secondary school units would be picked up under BSF.

(8) Mr Ward undertook to let Members have a list of the six special schools concerned.

(f) Corporate Loan (MTP – page 50)

(9) In response to a question from Mr Gough, Mr Abbott explained that the Corporate Loan was a means of smoothing cash flow in the MTP by the use of a small corporate loan.

(10) RESOLVED that that the Budget 2009-10 and Medium Term Plan 2009 to 2012 for the Children, Families and Education portfolios along with the responses made to the questions from Members be noted.

Annex 5

Environment and Regeneration POC – 20 January 2009

Budget 2009/10 and Medium Term Financial Plan 2009/12
(Item B3)

(Mr N J D Chard, Cabinet Member for Finance, was present for this item, along with Mr R L H Long, Lead Member for Regeneration and Supporting Independence, Mrs T Dean and Mr D Smyth)

(1) Mr Austerberry introduced the Environment, Highways and Waste part of the Budget, highlighting the key elements in respect of proposed capital investment, and those impacting on the revenue budget. He emphasised that next year's budgets were being set against a very volatile economic climate and that the work of the Environment, Highways and Waste teams was very susceptible to changes in fluctuating oil prices. Nevertheless significantly increased sums had been found to direct towards front-line highways maintenance, and investment provided towards greater energy efficiency of the street lighting stock. Mr Austerberry, Mr Hallett and Mr Ferrin answered a number of questions from Members.

(2) Responding to a question from Mr Daley, Mr Hallett explained that income shown as coming from recyclables came from waste streams such as textiles and metals, which were still able to generate income. The market for paper and plastics was currently less buoyant and therefore the ability to generate income was more limited. Achieving the income targets would therefore need to be watched closely next year.

(3) Mr Hallett explained to Mr Muckle how changes in the Highways Maintenance Budget in the Committee report related to headings in the Budget document, as resources redirected from service units had been shown centrally this year. Mr Ferrin added that there had been a big redirection of funding this year. He gave the example of capitalising buses, of which the IMG had not been in favour but which had freed up very useful revenue which could be diverted to Highways Maintenance.

(4) Mr Parker welcomed the extra investment in vegetation control and asked about the budget for the maintenance and replacement of street trees. Mr Hallett explained that £870,000 had been allocated in the 2008/09 Budget for inspection and maintenance of street trees – *NOTE Mr Hallett has clarified this figure with KHS and he should have quoted £720k. The difference is a management fee from Jacobs, which covered more than just tree maintenance. This non-tree maintenance management charge should have been removed from the figure quoted.* Mr Ferrin added that no funding had been identified for replacing street trees, although some would certainly be needed. It was difficult, however, to identify how much would be needed.

(5) Mr Daley welcomed the investment in the maintenance of street trees and said he was pleased to see the street scene being taken seriously. He asked about the progress of a survey of street trees which he had been advised a while back was being

carried out. Mr Ferrin reassured him that the survey was continuing. There were surveys currently ongoing on several things; for example, street lighting, and he highlighted the complexity of undertaking such surveys. For example, in the case of street lighting, it is necessary to identify the location of each light, to determine who is responsible for it (11,000 lights across Kent were not KCC's responsibility) and the type of lamp it used.

(6) Mr King welcomed the increase in the Highways Maintenance Budget. He then referred to recommendations made by the Flood Risk Select Committee and asked where in the Budget these would be covered. Mr Ferrin explained that much discussion had gone on since the Select Committee had published its report a year ago about what would be covered by the duties of the dedicated Flood Risk Officer post proposed by the Select Committee and from where the budget for it would be drawn. The post could be placed in Environment, Highways and Waste or in Emergency Planning. A major flood risk consultation by the Environment Agency was due to start in April 2009 and the outcome of this would also need to be taken into account when setting the job specification for the new post. Mr King commented that budget provision would have to be made regardless of where the post was to be placed.

(7) Mr Hallett then introduced the Regeneration part of the Budget and highlighted key changes in the way in which the Budget headings had been presented this year. He pointed out where savings made had allowed investment in other areas, for example, in apprentices, transport strategies, and the Supporting Kent Business project.

(8) In response to a question, Mr Hallett advised Mr Manning that funding planned to be allocated in respect of the Open Golf Championship at Sandwich would now appear in the budget for the 2010/11 financial year.

RESOLVED that the information contained in the Revenue and Capital Budget report and the Medium Term Financial Plan for Environment and Regeneration, and given in response to questions put by Members, be noted, along with the issues raised by the IMG and the portfolio holders' written responses to them, which were appended to the Budget report.

Appendix C

KENT COUNTY COUNCIL

BUSINESS CONSULTATION FORUM

Notes of a meeting of the Business Consultation Forum held at Sessions House, County Hall, Maidstone on Tuesday, 27 January 2009.

PRESENT:

KCC: Mr K G Lynes (in the Chair) and Mr A J King, MBE.

BUSINESS COMMUNITY: Philip Acock, Fourayes Farm Ltd; Geraldine Allinson, Kent Messenger; Paul Anderson, Sustaina Limited; Terry Beer, Denne Group Ltd; Tim Bentley, Kent Ambassador; Sam Booth, Lightmaker Group Ltd; Nigel Bradbury, Biddingtons Technical Plastics; Neil Brooks-Johnson, Lloyds TSB Bank Plc; Anna-Marie Buss, Bussroot Ltd; Miranda Chapman, Pillory Barn Creative; Scott Davis, Lightmaker Group Ltd; Hugh Edelanu, H.E Group Ltd; Tim Garbutt, Surin Restaurant; Sir Brandon Gough, Kent Ambassador; Ben Green, Denne Construction; Phil Haynes, ComputerTel Ltd; Richard Hill, Hadlow College; David Holmes, Shepherd Neame Ltd; Steve Howell, Jacobs; Simon Hume-Kendall, Lamberhurst Holdings Ltd; Graham Jones, Whitehead Monckton; Stephen Kingsman, Denne Group Ltd; Tim le Lean. Year One; Alex Ledger, Clydesdale Bank; Ian Legg, HSBC Bank Plc; Mark Lumsden-Taylor, Hadlow College; Cliff Malone, Jacobs; Tracey Manley, Thames Gateway (Kent) Chamber of Commerce; Richard Maylam, Richard Maylam Land Services; Andrew Metcalf, Maxim PR & Marketing; Allan Mowatt, The Kent Foundation; Jo Nolan, Screen South; Simon Redman, Kent Police; Nick Rowell, Kent Invicta Chamber of Commerce; Paul Sabin, Kent Ambassador; Elisabeth Sigurdardottir, All Seasons Care Services; Neil Smith, Safehands Community Carers; Tony Stevenson, Stevenson Brothers; David Stone, All Seasons Care Services; Trevor Sturgess, Kent Messenger; Sally Taylor, Safehands Community Carers; Tracy Wainwright, Ramada Hotel & Resort Maidstone; Darryl Watts, Oil Drum Limited; Pam Watts, SWEEEEP; Darren Welch, Denne Construction; and Morag Welham, Kent Messenger.

OTHER MEMBERS PRESENT: Mrs T Dean, Mr R L H Long and Mr D Smyth.

KCC OFFICERS: Lynda McMullan, Director of Finance; Andy Wood, Head of Financial Management; Allison Campbell-Smith, Programme Manager; Karen Mannering, Democratic Services Officer; Clive Bainbridge, Director of Community Safety & Regulatory Services; Theresa Bruton, Interim Head of Regeneration Projects; Janet Gale, Business Support Assistant; and Jim McKenzie, Economic Development Manager.

1. Introduction

Mr Lynes welcomed everyone to the meeting. Kent County Council published its Medium Term Plan 2009-12 (Incorporating the Budget and Council Tax Setting for 2009-10) for consultation on 7 January 2009, in line with the agreed process. Copies had been circulated prior to the meeting.

2. **Medium Term Plan 2000-12 (Incorporating the Budget and Council Tax Setting for 2009-10) - Update**

(1) Mr Wood gave a presentation on the budget proposals for 2009/10.

(2) The presentation included references to KCC Budget Summary; World and UK Economy; Inflation Outlook – Bank of England; National pressures and risks; Government Grant; Revenue and Capital budget; pressures and savings; Council tax proposals; where the money came from; how the Council Tax was split; KCC's ranking on current level of Council Tax; Business rates; Business rates adjustments; supplementary business rates; and Local Authority Business Growth Incentive Scheme.

(3) There followed a question and answer session including aspects of the LABGI Scheme; sustainability; allocation of primary school capital programme; rural roads maintenance; tourism; Homesafe; and Backing Kent Campaign.

3. Mr Lynes thanked all those present for attending the meeting and for their feedback. He stated that any further questions/queries would be welcomed and could be e-mailed to either himself or Nick Chard, using the KCC address.

He drew attention to the leaflet circulated at the meeting relating to the Kent Excellence in Business Awards, which was a new awards scheme that had been set up to recognise and reward excellence in business within the Kent and Medway region.

CABINET SCRUTINY COMMITTEE – 10 February 2009

Report Title:	Consideration of Price Waterhouse Coopers' report – Kent County Council Review of Treasury Management Procedures (report attached)
Purpose of Consideration:	To discuss the PWC report of Treasury Management Procedures with a representative from PWC who will be attending the meeting
Possible Decisions:	The Committee may either:- (a) comment to the Chief Executive and the relevant Managing Director; (b) report to the Council; (c) refer any issues arising from its debate for consideration by a Policy Overview Committee or the Cabinet.
Previous Consideration:	This is the first time the Cabinet Scrutiny Committee has considered the PWC report.

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PricewaterhouseCoopers

Kent County Council

Review of Treasury management procedures

December 15th 2008

Embargoed until noon, Tuesday 16th December 2008

Table of contents

1. Introduction

As governed by the terms of our engagement letter dated 12 November 2008, we have performed a review of Kent County Council's (KCC's) compliance with defined treasury management policies, the adequacy of those policies, and of the general health of the Council's treasury management framework as of October 2008, following the collapse of a number of Icelandic Banks which held deposits from KCC.

During early October 2008, at the time of the collapse of the Icelandic Banks, KCC had £50.m deposited with the Icelandic institutions.

By way of context, at the 15th of October 2008, KCC had £472m on deposit with 34 counterparties including 3 Icelandic Banks. At the most recent formal Balance Sheet date of 31st March 2008, the Pension Fund had £2.2bn in assets and KCC £3.0bn. In comparison with that total asset base of the two entities, ie £5.2bn, the £472m is 7.7% and the £50m is 0.96%.

Kent County Council's investment strategy

Kent County Council has a combined revenue and capital budget of over £2.5 billion. The Council also administers the Kent County Council Pension Fund of £2.2 billion. KCC receives income from many sources but the largest income streams are government revenue support grants, council tax income received by the District Councils and non-domestic rates; these sums are often received in advance of the days on which expenditure is incurred and it is this money which is put on deposit. Nearly all of the funds deposited represent working capital - money held for short periods before payments are made to staff or suppliers. Due to the size of the total budget these sums can at times be very large. By forecasting its cash flow needs throughout the year, KCC is able to take longer-term positions on some of its deposits.

As a deliberate investment decision of the pension fund, with equity markets struggling across the globe, the pension fund holds cash rather than allocating cash to external investment managers for investment in equities.
Through a number of statutes and professional codes, the government sets the high-level guidelines for how cash can be invested. This guidance includes the Local Government Act 2003 (and its Investment Guidance), the Statutory Instrument 3146 2003, the CIPFA Prudential Code for Capital Finance in Local Authorities and the CIPFA Code of Practice for Treasury Management in the Public Services. KCC has a risk-averse strategy of using only cash deposits, for periods from a few days to five years, with highly rated counterparties. Although the high-level treasury strategy allows for deposits in equities or property, no such investments have been made. KCC policy is to use a diverse range of counterparties, all of which should be highly rated by the rating agencies. The income received on these deposits is used directly to reduce the net expenditure of the Council and reduce council taxes. Historically, the process has managed billions of pounds of deposits and £2.6 billion alone in the last 12 months.

Kent County Council's treasury operations

Kent County Council's treasury function is undertaken within the Investment and Treasury Team of circa. 5 people. The Treasury accountant has been in post 6 years and reports to the Group Accountant (Investments & Treasury) who is line managed by the Head of Financial Service. The treasury team is responsible for the management of credit risk as well as the daily cash management which includes looking after the investment and funding needs of the Council. Over the last 2 years, KCC has made more than 400 individual investments in money markets and almost 200 deposits of less than £1m in call accounts. The current operations at KCC comprise a manual process and require the use of an Access database, various Excel workbooks and a paper deal diary, with most authorisations and review on paper.

In any organisation, the investment process normally includes decisions around the type of investment to be held (e.g. certificates of deposit, cash, equities), suitable counterparties, return on investment and the best period for the investment. This investment process is inherently risky and requires specialist skills, particularly if the volume is significant.

In that context KCC contracted with Butlers for the provision of "Treasury Consultancy Services" in 2006. In terms of the signed contract with Butlers dated 17th May 2006, the services to be supplied to KCC by Butlers include, but are not restricted to, the following:

- In respect of Treasury Management Policy and Strategy *"Butlers will assist with the annual treasury management strategy report and stewardship statement together with any changes in the Treasury Policy document."*
- In respect of Investment Policy and the Period of Investment *"In conjunction with our interest rate forecasts we will provide advice on the period of investment."*
- In respect of counterparties *"Where funds are invested externally, advice will incorporate an initial assessment and constant review of the credit rating of counterparties selected by the Council. Monthly summaries of credit ratings will be supplied. Advice will also be provided immediately of any changes to these ratings."*
- In respect of Investment Strategy *"Regular strategy review meetings will be held each year."*

The current economic climate

The recent and current catastrophe in the global economy has given rise to a number of significant challenges to Treasury Departments. With well known financial institutions such as Lehman Brothers in bankruptcy and other well known institutions nationalised (Northern Rock, Bradford & Bingley, etc.), safe investment options have diminished in recent months. Local governments have always needed to balance a fiduciary duty to protect earmarked tax and grant revenue with an opposing objective to achieve fair investment returns.

News reports as early as February 2008 suggested that well known financial institutions, for example HBOS and RBS, were looking towards alternative measures to raise further capital to strengthen their balance sheets. A number of UK banks and building societies experienced significant losses as a direct result of the sub prime crisis.

The Icelandic rescue followed similar actions in the US and the UK, whereby a number of long-standing and well-known financial institutions have been either saved by expensive government rescue packages, bought out by other financial institutions, or simply allowed to collapse, such as in the case of Lehman Brothers. This chain of events has led to widespread fear about the state of even the most blue-chip institutions in the banking and financial sectors. The Icelandic banks were no different from the UK banks in these respects and reports as early as March 2008 indicated that they were also struggling. In October 2008 the Icelandic government was forced to nationalise its third largest bank, Glitnir, in a €600m rescue, without which Glitnir would have collapsed. Before the credit crunch, Icelandic financial institutions were known for providing good returns to investors and were largely viewed by the market as safe investment options due to the nation's stable economy and its banks' foreign investments diversified loan portfolios.

The developments in the global financial sector in September and October 2008 are highly unusual and various institutions in the private and public sector were caught unprepared to deal with the after effects of the events. Credit risk, or the risk that your counterparty will default, was always considered as low because it is either unlikely to occur or not to have a significant impact on an institution. Hindsight has shown that in today's global economic climate, credit risk should now always be considered high risk and therefore requires additional focus.

In order to safeguard local governments' assets from loss on a grand scale, it is imperative that councils such as KCC maintain robust internal controls over their management of the Treasury function. The circumstances also suggest a greater need for predictive and trend information and a need to act with greater agility and speed as market conditions change. The recent events have highlighted the need to reassess the risks the Council is exposed to as well as reconsidering the way these risks are managed.

2. Scope of work performed

Following the reports by the UK media of British Councils' trapped investments and deposits in Icelandic financial institutions, we have been engaged by KCC to review the compliance of the Council's investment transactions initiated since 1 October 2006, and all investments that were entered into before then that are still outstanding, with the Treasury Manual.

We have also been asked to determine what the sequence of events was that led to the appointment of Butlers as a Treasury Consultant and understand if KCC acted on the information received from Butlers.

We have also prepared an analysis of our observations and recommendations with respect to the Council's current Treasury management framework and controls in place relevant to the framework needed going forward

3. Summary of our findings

Our work included looking at 423 deposits in money markets and 190 call deposits mainly entered into since 1 October 2006.

At the time of the collapse of the Icelandic Banks, KCC had £50.m deposited with the Icelandic institutions.

Counterparty	Amount	No of Deals
Heritable Bank	£ 18,350,000	6
Landsbanki Islands	£ 17,000,000	4
Glitnir	£ 15,000,000	3
	£ 50,350,000	

It is worth noting that many Public and Private Sector organisations were in the same situation. KCC was by no means alone. We understand that KCC is currently evaluating various options in an attempt to recover the money it had deposited in Icelandic Financial institutions.

Of this £50m, £3m had been deposited after receiving advice from Butlers that the respective counterparty be removed from the counterparty lists. A human error resulted in an email containing the information not being read and processed in time. The email was received at 3pm on 30 September suggesting that Heritable Bank be removed from the counterparty list. It was not actioned until after a deal with Heritable Bank was executed. The remaining £47m had been deposited or contracted earlier, when the respective counterparties were on the KCC counterparties list and were in accordance with the advice KCC received from Butlers.

Updating of approved counterparties and counterparty limits

We found that the Council generally considered the information received from Butlers in a timely manner, although we noted several emails received from Butlers with warnings about specific banks, for which the Council's approved counterparties and limits were not updated for some time. We understand from management that counterparty lists are reviewed as part of regular meetings with Butlers and notes of the matters discussed are produced. We understand from the notes we have seen and from discussions with the KCC personnel involved, that these meetings did not identify any of the counterparties that should not have been on the counterparty list.

We have noted that a small number of deposits in Building Societies were made after Butlers suggested that these counterparties be removed from the list. We understand there is currently £12m still outstanding with these Building Societies. (Cheshire and Derbyshire). The Cheshire Building Society is expected to complete a merger with Nationwide on 15th December 2008. The Derbyshire Building Society has already completed a merger with Nationwide.

KCC held a regular meeting with Butlers on 29 September 2008 where the agenda included credit ratings as an item. An individual at KCC received an e-mail on 30 September at 3pm to inform him of the downgrade of Heritable Bank. A £3m deposit in Heritable Bank, made on 1 October 2008, may have been avoided if they had been removed from the counterparty list as suggested by Butlers on 30 September 2008.

We recommend that counterparty information is sent to a number of people in the treasury function to ensure timely updating and review of counterparty lists. We would also recommend that a regular review of the counterparty list occurs internally as the responsibility for maintaining the counterparty listing remains with management. We further recommend that the review of the counterparty lists in the regular update meetings with Butlers be more fully documented in the notes with the lists attached to the notes with evidence of Butlers' review and agreement.

Adherence to authorised counterparty limits

We identified one investment where the counterparty limit as per the counterparty list was breached by £5m for a period of 4 days while KCC was expecting the maturity of a deposit. We understand from Management that the decision to breach the limit in this isolated case was discussed and approved although there is no written evidence or documentation of that approval.

We recommend that counterparty limits are adhered to at all times and where decisions are made to breach limits for a period, authorisation of this is filed.

Review of treasury transactions

A finding from our review relates to a lack of evidence of senior Treasury team members' review of transactions but it should be noted that the operation and documentation of this control would not have directly prevented the money being deposited with the Icelandic Banks. The Council's Treasury Management Manual requires senior authorisation for the requests for payment release of all investment transactions with maturity periods in excess of six months. For approximately half of these investments, we found that if this review took place, it was not documented and evidenced. We understand from management that an informal review occurs for all investments over 365 days before investments are placed.

The Manual also requires for the review and sign-off of the daily transaction reports onto which all investments are to be logged. We noted that there is consistently no evidence of this review of these reports throughout 2006, 2007 and 2008.

Although this review would not have directly prevented any of the shortcomings noted, it may have resulted in additional discussion around some of the deposits. We recommend that the policies and procedures regarding review and evidence of sign-off are updated to reflect the current needs, and implemented.

Internal audit review of treasury function

The Internal Audit report issued in September 2006 included several recommendations to improve the Council's Treasury management process. A follow up review was performed by Internal Audit in 2008 to determine whether the Council had implemented the recommendations raised in 2006.

We noted that the Internal Audit's follow up report has not yet been finalised. A number of the recommendations made in 2006 are still not implemented by management and management comments on the 2008 points are still outstanding.

We recommend that all of the recommendations of the original Internal Audit review are implemented. Consideration should be given to including the Treasury function on the Internal Audit Plan at regular intervals.

Maintenance of documentation

Generally, we found improvements in the maintenance of investment documentation and evidence of review of investment documentation since 2006, particularly with respect to money market deposits. We found some cases where insufficient information exists to support deposits, counterparty lists and evidence of review.

We recommend that all supporting information is maintained for deposits made.

Appointment of Butlers

In 2006, KCC in coordination with other district councils decided to procure for a framework contract for Investment and Debt management advice. The tender process was done through the Official Journal of the European Union although strictly speaking it needn't have been owing to the relatively low cost.

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KCC appointed Butlers for Treasury consultancy services. The cost of the annual contract was not significant and therefore the contract was negotiated by Finance. The Council followed its bidding and tender procedures with respect to obtaining adequate bids, tenders and quotes. KCC attended evaluation meetings with other district councils. A paper setting out the basis of the decision was produced by Finance at the time but was not filed with the other documents retained by procurement.

Going forward, we recommend that KCC performs a risk assessment of services required and that where high risk services are involved the key evidence is retained, for the purposes of evidence and scrutiny, within the procurement function to support the selection process, irrespective of the cost of the service.

4. Recommendations to improve the current control environment

Investment strategy and KPI's

KCC's investment strategy mainly focuses on diversification and limiting investments to a selection of instruments. We have noted in the Medium Term Plan for 2008/9 that management will 'favour quality counterparties when placing funds, even if this involve yield sacrifice'. In addition we noted 'treasury management activity will provide for £9 million of interest earned, which supports the overall revenue budget.'

There is a requirement that KCC has a budget for all facets of its operations, including Treasury. Whilst the use of such budgets or targets could give rise to a situation whereby return on investment is seen as more important than risk management, there are procedures in place to mitigate against that situation arising, for example, return on investment not being considered in the performance evaluation of key personnel and the involvement of the Treasury Policy Group.,

We note the requirement to have budgets in this area.

We recommend that the Treasury Policy Group consider the overall adequacy of the safeguards in place that ensure that the balance of the focus of investments between return and risk management is appropriate.

We also noted that in line with the CIPFA Code (as per the Medium Term Plan), KCC measures the performance of their treasury activities by benchmarking interest rates received against the 7 day London Inter-Bank Bid (LIBID) rate as well as CIPFA benchmarking which benchmark 90 local authorities to each other. This type of benchmarking as a tool to measure performance is more common in a treasury function where the objective is to maximise return.

Financial performance is monitored and reported on a regular basis through budget monitoring as well as the quarterly activity report to the Treasury Policy Group. We understand that the efficiency of operations is not monitored or measured. This would normally include the monitoring of breaches, errors within the process etc.

We recommend that the Council develop a set of financial and non-financial key performance indicators that reflect the objectives of the treasury function. These KPIs should focus on the areas of identification, monitoring and management of risk.

Policies and procedures

The Treasury Management Manual currently acts as both the policy document and procedure manual for the Treasury function.

The procedure manual does not currently include the end to end process for transactions and consequently operations rely heavily on the knowledge of key employees.

We recommend that in the light of recent events the Manual is reviewed and updated as and when processes change, in line with the documentation standards applicable to all processes. We also recommend that the policy is improved to provide more detail on the end to end process and the management of credit risk.

In determining a suitable policy we recommend that KCC considers using other information for example credit default swap rates in addition to credit ratings to monitor the suitability of the counterparties. We also recommend that KCC consider how different banks within the same group should be treated during the management of credit risk.

We further recommend the use of predictive and trend information, like outlook reports, to provide any indications of potential issues with counterparties.

Automating the treasury process

As mentioned above, the current treasury process is quite manual and relies on a number of databases, spreadsheets and workbooks. A manual process and excessive use of spreadsheets increases the risk of error during operations.

We recommend that KCC considers the implementation of a treasury management system (TMS) to assist them with cash management and the daily treasury operations. A treasury system would not only make the process more efficient but will also improve the controls in the treasury area.

Process improvements

There are a number of areas in the current process where improvements can be made to improve the overall efficiency but also strengthening the current control environment. These improvements include timely follow up of counterparty confirmations, more frequent bank reconciliations and improved cashflow forecasting.

We have noted that payment details are currently held in Excel and manually entered into the banking system. There is a chance that human error or fraud could result in payments going astray. In our experience, bank systems offer a secure environment in which to store sensitive master data such as bank details. Bank details can be saved as templates with controls to prevent unauthorised amendment.

We recommend that Treasury review the storage of bank details in an Excel format and consider using templates which restrict the amendment of details.

Monitoring and review of treasury activities

The Treasury Policy Group (TPG) is a very useful forum which meets quarterly to discuss treasury issues, potential instruments, treasury strategy, debt monitoring, and quarterly activity reports.

We recommend that the TPG meet monthly, given the volatility in the markets. We also recommend that KCC develop a monthly Treasury activity reporting pack for circulation to senior management and discussion at the TPG.

We also recommend a Management Review of treasury operational activities on a regular basis.

Skills within the treasury team

Although KCC rely upon Butlers for expert Treasury input, the treasury employees have a good knowledge regarding the operations of KCC treasury and appeared to have an understanding of the risks that KCC faced and KCC's role in managing them. However, currently, no person in the treasury department has any specialist treasury qualifications.

We recommend that the Council review the training needs of the department and consider sending staff on appropriate courses to

broaden their approach to risk management and increase their knowledge of treasury.

The use of treasury advisors

KCC is responsible for the management of the funds within the council as well as the KCC pension scheme and the Kent Police Authority. KCC uses treasury consultants to advise and provide them with information to assist them in the management of the investment portfolio. Butlers have been used in recent years as Treasury Consultants.

We recommend that in light of recent events, KCC performs a needs based assessment to consider what quantitative and qualitative information they will require to maintain the investment management internally. We also recommend that KCC performs a cost/benefit analysis to determine if it would be efficient to outsource part or all of the fund management to an external service provider.

5. Management's comments

The current global economic conditions are unprecedented and the report explains the volatile nature of a whole range of financial institutions over the last months. Speculation has been rife and in this period of uncertainty reliance was placed upon recommended best practice - that is to diversify risk across approximately 30 organisations meeting a high ratings level in terms of security.

Like most other councils, Kent County Council does not directly employ specialist treasury staff. This expertise is provided through a specialist treasury advice organisation called Butlers. This role is particularly vital when markets are in such turmoil. We are surprised and disappointed that despite meeting with senior managers on the 29th September, the advisers did not raise any concerns about the situation in Iceland and a subsequent email on 30th September notifying the council of the latest situation was sent to a junior member of staff. Nevertheless, with the exception of this last communication problem, this report shows that the Icelandic Banks were on the Council's Counterparty List when deposits were made or contracted with them and that the Counterparty List was in accordance with the external advice provided.

Kent County Council is already working closely with other councils across the country to share available knowledge. In addition, this report notes that recommended practice would include the use of specific market information which is not currently provided by Butlers. Overall, the Council is concluding that to ensure that the best information is available when decisions are taken, reliance cannot be placed externally. So, while the report suggests a consideration of additional outsourcing of the treasury function, instead a new specialist post will be created within the function to "insource" at least part of this analysis.

Looking ahead, "money in the bank" can no longer be deemed safe. The report notes that KCC already had a risk-averse strategy and did not engage in any "high risk" investments in equities and property. Had part of our deposits been exposed to these permitted areas, losses of up to 30% could reasonably have been expected over the last year.

Immediately following the situation in Iceland all new and maturing monies have been deposited in the Government's "Debt Management Office". While this is a low risk option, there is clearly an equally low rate of interest paid on deposits. Subject to Budget County Council it is likely that the Council will as a matter of strategy severely limit future deposits to a small number of highly rated institutions, with a commensurate reduction in expected interest. As a direct consequence each institution will see a higher level of our money deposited, in direct contradiction of the existing best practice recommendations. We anticipate that such a change in strategy will cost KCC up to £6-7M per year.

Another option may be for councils across the country to consider creating a "local government bank". This option is now being actively pursued, as not only would it provide a safe option for deposits, it would equally provide much needed liquidity in the UK markets.

It is noted that there have been a small number of technical breaches identified during this review and these are to be regretted. Management action is already in place to deal with these issues.

The remaining detailed recommendations about process and procedure are welcomed, reflecting good practice.

By: Dr M R Eddy, Chairman of the Cabinet Scrutiny Committee
Mr P Sass, Head of Democratic Services and Localism

For: Cabinet Scrutiny Committee – 10 February 2009

Subject: Treasury Management

Classification: Unrestricted.

Summary: This report updates Members on the Committee's consideration of KCC's Treasury Management to date since the collapse of the Icelandic banks.

Background

1. On 22nd October 2008 Members of the Cabinet Scrutiny Committee considered an urgent Cabinet report, entitled Treasury Management, which updated Members on developments related to the Icelandic banks. (The minutes of that meeting are attached for information at Appendix 1)

2. A representative from Butlers was also invited to the meeting but declined to attend based on the fact that the PWC had not been completed and their attendance would be more useful at a later date.

3. Following the publication of the PWC report (which formed the previous item on today's Cabinet Scrutiny agenda) the Cabinet Scrutiny Committee invited Butlers to attend their meeting on 21 January. Butlers declined the invitation but offered to respond to written questions. A set of 21 questions was sent to Butlers and a response was received on 26 January. The questions and the response given by Butlers are attached at Appendix 2.

4. The Cabinet Scrutiny Committee decided to consider Butlers response to the set of questions at their meeting on 10 February, Butlers were invited to attend this meeting.

5. KCC Officers were given the opportunity to comment on the responses given by Butlers to the questions posed by the Cabinet Scrutiny Committee.

Possible Decisions

The Cabinet Scrutiny Committee may either:-

a. comment to the Chief Executive and the relevant Managing Director;
b. report to the Council;
c. refer any issues arising from its debate for consideration by a Policy Overview Committee or the Cabinet.

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Extract from the minutes of the Cabinet Scrutiny Committee on 22 October 2008

93. KCC's Treasury Management Policies

(Item. F3)

The Chairman welcomed Mr N J D Chard, Cabinet Member for Finance, Ms L McMullan, Director of Finance and Mr N Vickers, Head of Financial Management, to the meeting.

Mr Smyth began the debate by asking how decisions on investments were made within KCC. Specifically, he wanted to know more about the role of the Treasury Policy Group (TPG) in terms of deciding where to invest money. Ms McMullan stated that the overall framework for the management of local authority investments is contained within guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The overall strategy for investments is determined by the full Council each year and contained within the Medium Term Plan. Once the treasury strategy is approved, the Council uses a counter party list, which is based on the ratings provided to the authority on the various banks and other financial institutions. The Treasury Policy Group (TPG) meets on a quarterly basis to discuss the counter party list and decide where the Council should be investing its money and on what terms. Ms McMullan confirmed that officers had delegated authority to make investments, particularly as some investment decisions needed to be made quickly.

In response to a further question from Mr Smyth, Mr Chard stated that there was a clear structure to investments based on the ratings of the relevant institutions. He stressed that KCC does not get direct access to the information held by the 3 ratings agency; only the interpretation of this information by the Council’s advisers, Butlers.

Mr Northey asked what the Council does when things go wrong. Specifically, he asked what the latest information was about the future of the Icelandic banks and what the likelihood was of KCC receiving a full refund of its invested money and over what timescale. Secondly, he asked what plans KCC had for the future to safeguard other investments if something else unexpected happened. Mr Chard stated that KCC had been very open and transparent about its investments from a very early stage, unlike some of the other 122 local authority investors in Iceland and that certainty was given about KCC’s liquidity and continued ability to pay for its services, salaries, pensions and contractors. He also stated that the Governor of the Bank of England had been quoted in “The Times” to say that the an “extraordinary and unimaginable series of events” had led to the current situation and that “not since the 1st World War has our banking system been so close to collapse.” He added that all new investments were being made with the Debt Management Office, which whilst completely safe, attracted a much lower rate of interest, which will have an impact on the County Council in terms of it being able to limit council tax increases.

Ms McMullan confirmed that KCC had some £18.35m invested in the Heritable Bank and she referred to the joint release by the LGA and the Administrator, which stated that the assets and liabilities of the Heritable Bank were about the same and that the next step was to set up a Working Party to begin the process of ensuring that investments were returned to local authorities as soon as possible. She stated that the LGA was leading on this work, supported by a small number of key local authorities including KCC and that good news was expected fairly swiftly. The remainder of KCC's Icelandic investments were with Glitner and Landsbanki, but that there was no further information at the moment about the timescale or process for the return of these investments.

Ms McMullan confirmed that a full review of KCC's remaining investments had been undertaken; this was particularly important given the fact that maturity dates for some investments would necessitate a decision on re-investment and as other money became available for investment. She stated that the use of the Debt Management Office was the only appropriate option at this stage, but that she did not consider that this was a sustainable position. She added that the cross-party Economic Management Group would have a key role to play in helping to decide on the future investment strategy and that a meeting request had gone out for 3 November.

Mr Northey asked for further information about how long KCC was likely to hold its investments with the Debt Management Office and whether anyone knew what the situation was with regard to the 2 Iceland banks. Mr Chard stated that he would prefer to leave the discussion on how long KCC was likely to use the Debt Management Office until after the meeting of the Economic Management Group on 3 November. Mr Chard added that the situation with regard to the 2 Icelandic banks was a difficult one, but when the Bank of Credit and Commerce International collapsed in 1991, some 90% of all investments were eventually returned to depositors.

Mr Christie asked when the TPG met prior to 9 October. Ms McMullan stated that the group last met at the end of July 2008, but that information was often shared electronically amongst the group members, particularly if urgent decisions had to be made. Mr Christie then referred to the article in the "Local Government Chronicle", which stated that local authorities had been warned some 7 months ago about the potential risks of investing in Iceland. He also asked whether Mr Chard wanted to clarify the comment attributed to him that the government had asked KCC to make these investments. Finally, Mr Christie asked Mr Chard to provide further information about why KCC actually needed to invest the money in the first place, if there was no effect on services, salaries or pensions.

Mr Chard responded by saying that about one third of local authorities (123 out of 388) had investments or deposits with Icelandic banks totalling approximately £1bn. The figure of 123 was made up of approximately half of County Councils, one third of London Boroughs and one quarter of District Councils but did not include charities, universities, Transport for London and the Audit Commission. With regard to the comments attributed to him, Mr Chard stated that he had checked the tape of the interview he had done with Meridian and gave an assurance that at no time had he ever said or implied that the Government had asked KCC to deposit money with Icelandic banks. He stated that he had said that the Government expected local authorities to spread their risks and adhere to the CIPFA guidelines on investments, which KCC had done, with assistance from its advisers and the information from the ratings agencies.

With regard to the £50m invested, Mr Chard stated that this was working capital and reserves, which the Council was perfectly entitled to put on deposit, within the guidelines, in order to earn interest and help offset unnecessary increases in the levels of Council Tax. He added that KCC had received some £56m the previous day from its precept and £13m today in the form of Dedicated Schools Grant money, which did not need to be paid out either today or tomorrow, nor was it needed for immediate cash flow and so would be invested.

Mrs Dean expressed her disappointment that Butlers were not present but asked for further information about what their role actually was. Mr Simmonds interjected to say that such a discussion at this stage, prior to the consideration of the PWC report, was premature and could prejudice further discussions. He asked for legal advice about the nature of the line of questioning Mrs Dean was seeking to pursue. Mrs Dean stated that she was not seeking to examine the quality of the advice from Butlers, only their role. In doing so, she stated that she had searched a number of relevant websites recently, where Butlers had described their services as providing information not advice. She added that having clarity on the role of Butlers in KCC's investment decisions was crucial, given the fact that the Government had stated that they could not guarantee the deposits of local authorities because they were informed investors and received professional advice from companies like Butlers. Mr Wild advised the Committee that Mrs Dean's questions were appropriate at this stage, if all she was seeking to do was to clarify the role of companies such as Butlers. He added that it was appropriate for this Committee to look at the general picture first, not the specifics, in advance of the various investigations being undertaken elsewhere.

Ms McMullan read extracts from KCC's contract with Butlers, which stated that in terms of investment policy "advice would be given with regards to the implications of investing funds internally. In conjunction with our interest rate forecast, we will provide advice on the period of investment". On credit ratings, the contract stated that "where funds are invested externally, advice would incorporate an initial assessment and constant review of the credit rating and counter-party list selected by the Council. Monthly summaries of credit ratings will be supplied. Advice will also be provided immediately of any changes to these ratings".

Mrs Dean then asked what PWC had been asked to do in terms of their investigation and report: were PWC expressing an opinion on the Council's Treasury Management policies or giving an opinion as to whether KCC had abided by the rules on investments? Ms McMullan stated the PWC had been asked to look at this matter in two stages; firstly, whether KCC had followed existing processes and, secondly, how could those processes be improved for the future. She added that the PWC report had been commissioned as soon as possible after the Icelandic situation came to light.

Mrs Dean stated that she had received information that approximately half of the KCC money invested in Iceland did not mature until between February and August next year and she asked when Butlers first advised KCC that there was a potential problem with the Icelandic banks and what action was taken. Ms McMullan stated that the advice came through from Butlers on 30 September and at that stage, KCC was unable to get its money out. Mrs Dean stated that the credit ratings of banks and other financial institutions was information that was readily available, but what was more important was how the ratings were interpreted and what action was taken having considered those interpretations. She asked, therefore, when KCC was advised as to the reasons for the ratings on the Icelandic banks and why they had changed. Ms McMullan stated that the last meeting KCC held with Butlers was 29 September and she re-read one of the extracts from KCC's contract with Butlers with regard to their role in providing advice (referred to above).

Mr Harrison asked what KCC would do with the £50m if it was to be returned tomorrow. He also asked for further information on the membership of the Economic Management Group Mr Chard stated that the only option for investment at the present time was the Debt Management Office, because it was safe but he reiterated his previous comment that the interest earned on that money would be very low, which would affect the Council's finances adversely. He added that the membership of the Economic Management Group would include the Members of the cross-party IMG on budgetary issues, the Chairman of the Superannuation Fund Committee (Mr Scholes), the Chief Executive, Ms McMullan and himself. With regard to the proposed meeting on 3 November, the notification stated that, if those Members could not attend personally, substitutes would be accepted.

Mr Chell referred to recent Government legislation that had affected access to potential lower interest rates on borrowing, which meant that KCC would no longer be able to transfer or reschedule loans to preferential lower interest rates. He stated that this matter had been raised at the Audit Committee recently. He asked what this legislation would cost the tax payers of Kent. Mr Chard that the question from Mr Chell was outside the remit of the Icelandic situation and that he would provide a written answer in due course.

Mr Hotson asked what the political make up was of the 122 other local authorities that had Icelandic investments and also asked Mr Chard to comment on the benefits to Council taxpayers in Kent over, say, the last 10 years of the Council's approach to investments. Mr Chard stated that the make up of the 122 local authorities was right across the political spectrum and that, whilst the relevant details could be made available to Members, he stressed that he did not view the matter as a party political one.

Mr Truelove asked Mr Chard to confirm which Members of KCC were accountable in deciding that the money should be invested in Iceland. Mr Chard stated that all Members of the Council had a responsibility for the treasury management policies of the Council, but that beyond that, he was unwilling to comment further until the PWC report had been published.

Mr Scholes stated that, as Chairman of the Superannuation Fund Committee, he could reassure pensioners that the amount of money being paid into the pension fund exceeded the amount that had to be paid out, because of a decision in May 2007 to store cash rather than invest. He added that this had resulted in the accumulation of £16m in cash, which was now held in Iceland. He added that, by not investing £150m, the fund had made an additional £60m.

Mr Simmonds asked whether consideration would now be given in the future to country exposure and also what the net difference was between the Debt Management Office rates of interest and what could be achieved in the market and the effect of this on the Council Tax payer. Ms McMullan stated that country exposure would be one of the issues examined going forward. She also stated that, if all maturing and new money was invested in the Debt Management Office, the difference in interest rates would be between 60% and 70% less than the market. If KCC sustained that position moving forward, the estimated effect on KCC's finances would be in the region of £6m per year, which equated to just over 1% on the Council Tax.

Referring to the Local Government Chronicle, the Chairman stated that the rating of Landsbanki had been reassessed from “A” to “BBB” on 30 September. He asked what information had been available on the ratings for the other 2 Icelandic banks where KCC had investments. Ms McMullan stated that the PWC report would include a full chronology of events, including the dates on which ratings information was made available to KCC and the dates that investments in Iceland were made.

Mrs Dean referred to the suggestion from the Leader to the government of a new way of investing, which would involve local authorities placing all of their investments with British banks. She asked what discussions had taken place about that suggestion before it was made formally to the Government. Mrs Dean also asked for an explanation as to why the Superannuation Fund Committee had decided some time ago to retain cash rather than invest, when other parts of the Council had decided to retain investments. In response, Mr Vickers stated that it was the policy of the Superannuation Fund Committee not to hold cash but to be fully invested, either in equities, property or Government bonds. He added that the long standing policy was different to other parts of KCC because of the different nature of the liabilities. The decision in mid-2007 to hold cash was due to the expectations and predictions of other forms of investment, notably property. He reiterated that the decision to hold cash had resulted in additional income over that period of £60m.

With regard to the Leader’s suggestion that local authority investments should be held in British banks, Mr Chard stated that he was not aware what discussions the Leader might or might not have had with other Members. He added that he as aware of the idea and that it merited further debate.

Mr Christie asked what information the TPG had available about the extent of the Icelandic liabilities when deciding to invest in Icelandic banks, adding that one report had suggested the liabilities were 9 times the size of that country’s GDP. Mr Chard stated that KCC’s investment decisions were made in accordance with the treasury management policies and with the assistance of the Council’s advisors.

The Chairman asked for confirmation of where the PWC report will go formally, once it is produced. Specifically, the Chairman asked whether the PWC report would be made public. Mr Chard stated that he would be very happy for the report to be made public, subject to the advice from the Council’s Monitoring Officer on aspects of commercial confidentiality and any possible future litigation. Mr Scholes confirmed that he had already asked for the PWC report to be reported to the Superannuation Fund Committee.

Mrs Dean asked whether the Treasury Management Strategy was a public document and whether it would be discussed at the Economic Management Group, as she considered it to be a confusing document. Mr Chard stated that it would be discussed by the group and would also feature in the PWC report.

RESOLVED: That (1) Our Committee notes the ongoing preparation of the report by PWC into KCC’s Treasury Management policies and asks that this report is made available for scrutiny by our Committee as soon as it is available;

(2) We ask that a copy of the contract between KCC and Butlers be provided to Members of the Committee on a confidential basis;

(3) We welcome the addition of Members of the Budget IMG to the membership of the Economic Management Group, set up and chaired by the Leader of the Council; and

(4) We expect Butlers to attend a meeting of our Committee at an appropriate stage in the future, following the completion of the PWC report.

BUTLERS

26 January 2009

The Chairman of the Cabinet Scrutiny Committee
Kent County Council
Sessions House
County Hall
MAIDSTONE
ME14 1XQ

Dear Dr Eddy

Questions to Butlers

I am sorry we have not been able to respond sooner to the questions that were e-mailed to me on Friday, 16 January 2009. By way of explanation, I was not in the office on that day and was not in a position to read my e-mails until the Saturday. You will be aware that on the Monday the Independent published an article which we considered to be defamatory. I am pleased to inform you that the Independent published a retraction and apology in relation to the article in Saturday's paper.

In addition, market volatility last week has offered up opportunities for our clients and it was paramount that these were discussed with our 145 clients. Indeed, we have been working with the Officers of the Council over the last few days and I am pleased to report that a major debt restructuring exercise has been undertaken which will save the Council £2.8m in debt charges over the next 12 months.

I attach our responses to the questions which I trust you will find satisfactory. I have also provided an organogram of our group structure, as mentioned, together with a schedule showing the training days to which Officers at Kent have been invited since 2006.

I can assure you that we take our responsibilities very seriously and we have enjoyed a good working relationship with the Council since 2003 when we were first appointed. We believe it has been a successful relationship which, working together, has resulted in total savings of approximately £31m being effected during this time.

Butlers
2 Broadgate, London EC2M 7UR Telephone: 020 7000 5900 Fax: 020 7000 5912

www.butlerasset.com

BUTLERS

It is unfortunate that the unprecedented turmoil in the financial markets has resulted in the collapse of the Icelandic banks and we will do all we can to work with you during this difficult period.

Yours sincerely

Irene Silvester
On behalf of Butlers

Butlers
2 Broadgate, London EC2M 7UR Telephone: 020 7000 5900 Fax: 020 7000 5912

www.butlerasset.com

Responses to Kent Cabinet Scrutiny Committee questions

Cabinet Scrutiny Committee – Questions for Butlers January 2009

1. **Could you supply us with an explanation of Butlers' group structure; the name of your parent company and other companies in the related field?**

   Butlers is an independently managed division of ICAP Securities Limited (registered in England & Wales under company number 5000777) which is part of the ICAP Group. ICAP is authorised and regulated by the Financial Services Authority. A group organogram is enclosed for your information.

2. **Could you supply us with an explanation of Butlers' physical structure; how many FTE staff do you employ; what are the main areas of expertise / qualifications of your employees engaged in providing treasury management services to local authorities?**

   Butlers employs twelve full time staff and three consultants. Five members of the Butlers staff are CIPFA qualified. All members of the Butlers staff are FSA registered. Butlers' client managers have a broad knowledge across key areas including debt management, credit ratings and investments and capital finance.

3. **To what extent does Butlers' work in advising local authorities involve interfacing with other divisions of the ICAP group of companies, including in relation to credit risk?**

   Butlers is an independently managed division of ICAP. There are strict "Chinese Walls" in place between any departments who may be perceived as having a potential conflict of interest.

4. **How many authorities do you act for? How is your advice tailored to ensure that it is relevant to each particular client?**

   Butlers acts for 145 local authority clients. Butlers' service is tailored to the individual needs and the financial situation of each client. The core of Butlers' services is in providing local authorities with capital and finance accounting guidance, strategic treasury management advice, assisting in the development of budget forecasting and advising on interest rate trends over time.

   Each client's differing positions are given due consideration to ensure individual aims are met having regard to the client's objectives, strategy, current financial circumstances, assets and liabilities.

   As an ancillary service, Butlers is licensed to pass on information published by the three major Ratings Agencies, based on requests from its clients. This service saves its local authority clients from having to subscribe for Rating Agency information themselves.

5. **How many of the local authorities that Butlers advises had money invested in Icelandic banks at the time of their collapse? Did any of the authorities you act for withdraw funds from the Icelandic banks prior to their collapse? If so, was such action taken on the advice of Butlers?**

   More than 50 of Butlers local authority clients have money invested in Icelandic banks.

   The investments in Icelandic banks were term deposits which cannot be broken before the maturity date. Butlers is not aware of any clients withdrawing money prior to its maturity date. Once a deposit is made it is a legally binding commitment.

6. **When were the Icelandic banking institutions removed from Butlers' approved counterparty lists?**

   Butlers does not maintain an approved counterparty list. Butlers does not recommend any particular investment counterparties. It also does not provide assessments of bank creditworthiness beyond an initial assessment of its clients' chosen risk parameters in its approved Annual Investment Strategy (in terms of credit rating) and thereafter the provision of up to date information from the major credit rating agencies. Some local authorities included criteria which permitted investment in Icelandic banks and others did not. As such the Icelandic banking institutions were removed from client lists depending on their individual criteria. Further details of the system are in question 11.

   Butlers also sends monthly updated counterparty lists to Kent County Council. Weekly summaries of rating changes are also provided in the Weekly Investment Monitor.

7. **Could you supply us with a list of the credit rating agencies used by Butlers?**

   Butlers supplies information from the three main credit rating agencies, Fitch Ratings Ltd, Moody's Investor Services and Standard and Poor's.

8. **What is the nature of the relationship between Butlers and the credit rating agencies? Do the credit rating agencies pay you to recommend them to clients and, if so, on what basis?**

   Butlers is licensed by the three main credit rating agencies to distribute its ratings. The credit rating agencies do not pay Butlers a fee. Butlers pays a license fee to the credit rating agencies.

The use of credit ratings agencies by local authorities is endorsed by government guidelines. Part of the definition of a Specified Investment (as defined in the Guidance on Local Government Investments issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003) is that the investment is made with a body or in an investment scheme which has been awarded a high credit rating by a credit rating agency. Credit rating agency is defined as one of the following three companies: Standard and Poor's; Moody's Investors Services Ltd; Fitch Ratings Ltd. The guidance goes on to say that, as part of its Annual Investment Strategy, each local authority should specify how "high credit rating" is to be defined and how often credit ratings are to be monitored.

9. **When were you first aware of the risks to the Icelandic banks? To what extent, if any, does Butlers monitor market data such as credit insurance rates in assessing the credit risk of particular counterparties?**

Please see the response to question 6.

Butlers provides information on the credit ratings as supplied from the three major and internationally recognised credit rating agencies. A credit rating is an independent assessment of the risk associated with investing with a particular counterparty. A timeline showing changes to the credit ratings of Icelandic banks is attached.

10. **What other information sources, in addition to the credit rating agencies, does Butlers refer to in analysing and measuring counterparty risk and how is such information incorporated into the advice provided to local authorities? How, if at all, does Butlers prioritise information received from the various sources?**

Please see the response to question 9.

Butlers also provides a Weekly Investment Monitor which contains generic market intelligence. We also provide a Quarterly Economic Bulletin and an Annual Review of economic and market related issues, we attach an article dealing with counterparty issues from January 2008.

11. **Please give a detailed explanation of how the Butlers' counterparty service and database system works. In what way is the database system more than simply a system which filters publicly available ratings published by the three credit rating agencies?**

Credit ratings are provided by a direct link to all three of the major credit rating agencies. These include short and long term ratings, individual/financial strength ratings and support ratings. If a rating agency makes a change to its rating, whether that is a negative/positive rating watch or an actual rating change, the system is updated and a notification is sent by email to the local authority informing them of any change relevant to their counterparty list. This includes identifying how the change impacts on their list, i.e. whether in accordance with its Annual Investment Strategy a counterparty should be removed entirely from the counterparty list, or whether there should be a change in the permitted duration of any investment with that counterparty or the monetary limits accredited to an investment with that institution.

The system adopted by Butlers is able to set criteria upon which information is then provided to local authorities based on:

- Credit ratings
- Time limits
- Money limits
- Building society asset size
- Individual institution names
- Country / Country group

A regular list of all counterparties that meet the council's investment credit rating criteria is sent. The council can decide whether this is daily, weekly, or monthly.

Butlers encourages its local authority clients to adopt its 'lowest common denominator' ("LCD") approach to credit ratings, whereby all investment counterparty limits default to the lowest equivalent rating produced by any of the three credit rating agencies. A notification is sent to that local authority detailing that the credit rating has changed and the change to the list.

We also provide, within the Weekly Investment Monitor, a summary of the rating changes in the past week.

It should be noted that publicly available information will not necessarily include all ratings available via the Butlers system. For example, Fitch will only show Short and Long Term ratings. In addition, the use of Butlers system will give notifications of changes which are received via direct feeds from the agency. This is significantly more robust than having a manual system whereby constant vigilance of all three agency websites by officers would be needed.

12. What factors other than the specific agency credit ratings do you consider would be potentially relevant to the Council's consideration of counterparty risk? Have you at any time suggested to the Council any other additional methods it should use to help manage counterparty risk?"

LCD (Lowest Common Denominator) – this is something which has been recommended to all clients for some time. Butlers will notify and identify if a counterparty is on rating watch. Local authorities can also include group limits.

Please refer to the information provided in Question 10.

Kent County Council under market rules is a professional client. It is understood that Kent County Council has a treasury policy group which meets to discuss treasury issues, potential instruments, treasury strategy, debt monitoring, and quarterly activity reports.

Butlers offers free seminars to its clients. Butlers does not offer investment advice on any particular institution.

13. **What is involved in the "constant review" process that you provide to the Council in respect of the credit ratings of counterparties? How frequent are credit risks associated with particular counterparties reviewed and how are the results of such assessments communicated to the Council? How do you determine which investments are prioritised for review?**

Butlers provided immediate notification via email of any changes to the credit ratings which affect the institutions on a local authority's counterparty list, as detailed in the response to question 6 and 11.

The information is provided to a KCC Officer. This is in accordance with the instructions received by Butlers from Kent County Council.

14. **Having met with senior Kent County Council staff the day before the collapse of the Icelandic banks, when and how did you become aware of the risk of continuing to invest in Icelandic banks, when did you notify the Council of this, and why was an email alert about the risks to Council investments sent only to a junior member of staff?**

Kent County Council was notified of the change to the credit rating for Heritable Bank on 30 September 2008, when the change occurred. The e-mail was sent to a KCC Officer to whom Butlers were instructed to send notifications.

The meeting on 29 September 2008 discussed the review of Kent County Council's investment parameters for the 2009/2010 Annual Investment Strategy. There was no discussion of individual counterparties (because Butlers does not give advice on specific counterparties so there is never any discussion of such matters at our meetings).

15. **Has Butlers (or any other member of the ICAP group of companies) received any form of commission or had any other financial relationship or arrangement with any of the Icelandic banks?**

Butlers is independently managed and is completely segregated from ICAP's broking business. ICAP is FSA regulated and this segregation is required by FSA rules. Butlers plays no part in and derives no economic benefit from advising which broker its customers should arrange their deposits through.

We understand the commission rates earned by ICAP's brokerage business are standardised. Of the 144 Butlers customers at the relevant time, less than one-sixth used ICAP for execution with Icelandic banks for the period 1 January to 30 September 2008.

16. Can you define Butler's attitude to country exposure, do you carry out an analysis of country exposure as well as bank risk?

Fitch offer a separate support rating which assesses the willingness and ability of outside support for those organisations. Sovereign ratings can have a direct impact on individual counterparty ratings. An organisation domiciled in a particular country will likely have some exposure to that country, as such a weak sovereign rating will likely be reflected in the ratings of a particular counterparty. As such, a major concern over a sovereign would be expected to be highlighted in this rating category – i.e. if a country was deemed to be unable to help out its financial sector then this should be reflected through the Support rating. Kent County Council received details of the Fitch support ratings.

17. Generally does the Council follow the advice given by you? To what extent do you feel that you have a responsibility to ensure that the Council has acted upon the advice you have given?

Butlers does not monitor the investment activity of its local authority clients. Nor does Butlers give advice on which counterparties investments should be made with. As such, we cannot verify that rating/investment information (via Weekly Investment Monitor) has been acted upon. Decision making will always rest with the each local authority.

18. Reports have stated that during March 2008 there were clear indications of a struggling economy in Iceland, were these reports well founded and what advice was given to the Council on that basis? What steps did you take to ensure the Council acted on any advice you gave?

It is wrong to suggest that the events that occurred in Iceland were apparent and predictable. Local authorities find themselves in the same position in relation to Icelandic banks as many international banks and bondholders, UK banks and building societies, charities and housing associations. Many of these sophisticated institutions have their own comprehensive credit risk departments. The recent events were extraordinary and the speed and severity of the developments created an unprecedented situation.

Credit rating agencies provide an independent assessment of the risk associated with investing with a particular counterparty. They are well resourced to take into account all the relevant factors, including any necessarily subjective views reported in the financial press, and adopt an impartial analytical view.

Butlers understands that a review of the regulation of the credit rating agencies is being undertaken on a European level.

19. **The contract between KCC and Butlers states that "Regular forecasts of PWLB rates and imminent changes will be given to the Council, with particular regard to the agreed underlying strategy. Continuous updates on market conditions and trends affected by economic, fiscal and political factors will also be provided". In light of that statement what advice was given to the Council about the economic situation in Iceland?**

The economic advice highlighted above relates to the background research undertaken to assist in developing forecasts for UK interest rates and the impact this will have upon the Council's strategies.

20. **The contract between KCC and Butlers also states that "Places at our regular seminars and training days will be made available to the Council free of charge". How many training days have been arranged for the Council? How many staff have attended?**

The regular seminars and training days referred to in the contract relate to our regional seminars and training days which are held at various venues in London including our offices. These are normally held at 3 – 6 monthly intervals. The seminars are available to all clients. Kent County Council staff have, in the past, attended these.

A schedule of seminars and attendees from Kent County Council is attached.

21. **A report has recently been published on the economic situation in Ireland; was any consideration given to a report on Iceland's financial situation over the past year?**

What is the report? We can then check whether anything similar was produced for Iceland. Please see the responses to the above previous questions.

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Investment / Counterparty Issues

2007 was unprecedented in terms of money market activity. Starting with the surprise Bank of England rate hike in January and ending with a full blown credit crunch the like of which has never been witnessed. Circumstances such as these make all investors re-evaluate their methodology and systems and Local Authorities should be no different.

We examine below two key aspects of investment - counterparty risk and investment methodology. These are central to client investment strategies for the coming year(s). We outline our present thinking on how clients should approach them, given what has happened in 2007 and what our assumptions are for 2008 and beyond. The key points and our recommendations are summarised below:

- The premium seen in money market rates in the second half of 2007 will likely continue into 2008. Key to this might be the financial institution results due in late February.
- The yield spread between investments offered by differently rated institutions has also widened – a clear indication that risk appreciation has resumed a much greater role in market activity. This will also continue through 2008.
- The basic tenets of Local Authority Investment Guidance are Security 1st, Liquidity 2nd and Yield, although important, 3rd.
- Clients may need to adjust their strategies to further reflect this.
- Adopting a lowest common denominator approach to choosing counterparties and applying relevant limits is important.
- Consider restricting investments in “A” rated organisations to just one year.
- Consider widening the gap between money limits offered to unrated/lower rated organisations and those with stronger ratings (long term AA- or better).
- Analysis of cash flow and balance sheet will help to focus on the nature of investment funds.
- Look to use AAA-rated Money Market Funds – security and liquidity are excellent and yields are now much improved versus other short term investments such as bank call accounts.
- Longer-dated Money Market Funds could also be used alongside term deposits for periods out to one year.
- Investments beyond one year have evolved markedly in recent years. However, interest rate as well as default risk needs to be considered.
- Alternative forms of investment via external fund managers may also prove to be attractive.

Counterparty Risk

Background

Events in the latter stages of 2007 saw a significant re-pricing of risk. The most obvious example of was the massive widening in the gap between money market rates and official rates. The following table charts the movement of the spread (3m LIBOR less Bank Rate) through the year:

Period	Average Spread
January – August 2007	34bps
August	67bps
September	90bps
October	52bps
November	66bps
December (to 7th)	98bps

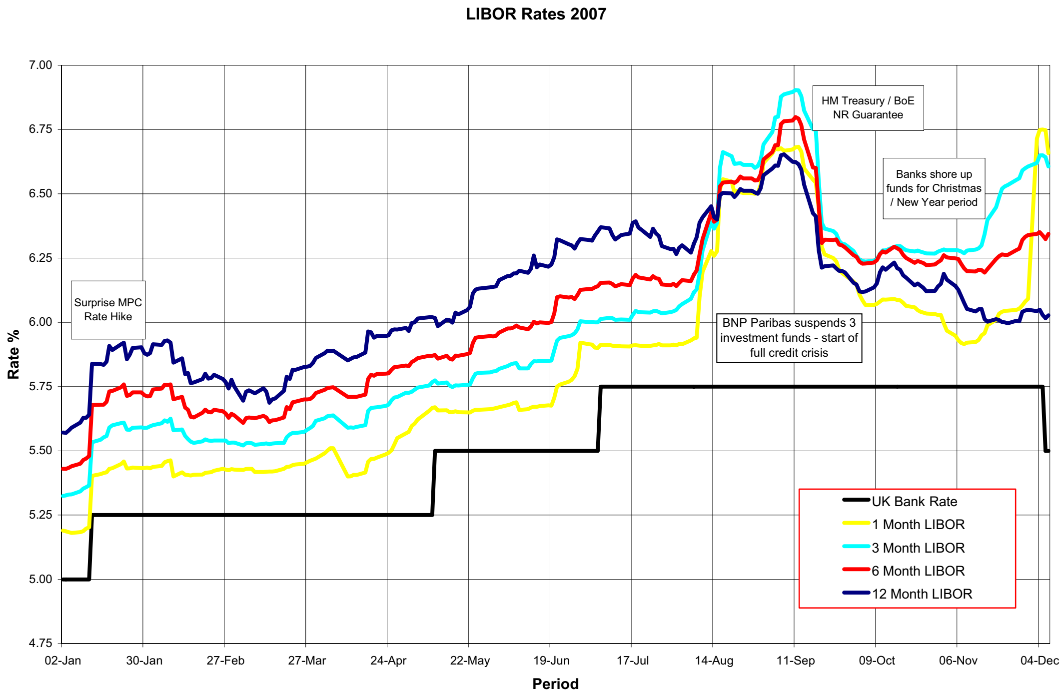
The upward spike in December was partly a result of the cut in Bank Rate by the Monetary Policy Committee, but the level was already at 90bps before the MPC moved. Investors were desperate for cash to tide them over the Christmas and New Year period and this great need hit rates for periods of one to three-months hard.

The major question is what will occur in 2008? Will the wide margin in short dates continue and if so, for how long? The key to this may well lie in the 2007 results for financial institutions - both UK and overseas - due in late February. Until such time, market mistrust will almost certainly ensure a significant premium on short dated money rates.

The mistrust stems from two fundamental problems. The first is concern over direct/indirect exposure to US subprime debt and the second is concern over the wider impact of the credit crunch.

The extent of any exposure of UK organisations to US subprime debt is small when compared with overall assets. It therefore follows that the likelihood of defaults occurring purely because of this is low. Investors in marketable securities (such as corporate bonds) are more concerned because the prices of the assets they hold can rise and fall. Organisations tainted by US subprime debt exposure have seen their securities fall in value and this has led to underperformance.

The impact of the credit crunch is much more widespread and potentially much more damaging. We have seen this already in terms of Northern Rock whose future is still uncertain. The credit crunch itself has two main strands. First, is the general distrust which is making counterparties reluctant to trade with each other. The second is that major banks who have issued guarantees/credit lines to structured investment vehicles (SIVs) are hoarding cash in case these are called upon. This twin effect has seen a marked tightening of liquidity and a steep increase in money market rates in the second half of 2007, as seen in the chart below.



The chart shows that sterling money rates did ease back following the issuance of the HM Treasury guarantee for Northern Rock. Rates were also helped by the Bank of England reiterating that its role of Lender of Last Resort was open to other organisations that were facing similar short term liquidity difficulties. Injections of cash into money markets by the European Central Bank and US Federal Reserve also dampened yields. However, for sterling rates out to 3 months, the easing proved short-lived. These rates surged higher on the back of the need for counterparties to secure funds over the Christmas and New Year period – when funds are traditionally scarce.

The other, perhaps less noticeable impact, has been the widening of the spread between investment rates offered by “A” and “AA” (or better) organisations. In the 12 month area the highest rates (c.6.20%) are coming from “A” rated small banks or building societies while rates from “AA” names for similar amounts have remained below 6%. This is a clear indication that risk appreciation has heightened. Although we expect the liquidity premium in market rates to evaporate during 2008, this risk-related wider nature of the spread will almost certainly continue.

The Future

If this spread is to remain in place, what does it mean in terms of Local authority investment? First and foremost, it needs to be said that there has always been risk attached to any investment, it is just the case that the appreciation, indeed understanding, of this risk has been muted in recent years.

It must also be understood that Councils’ counterparty criteria only allows them to deal with a relatively small number of highly rated institutions - typically around 100. To put this in context, Fitch rates around 3,500 financial organisations, Moody’s and Standard & Poors around 12,000 corporate issuers (including financial organisations).

In the main, Local Authorities investments are directed to fixed term deposits, or some derivation thereof. As such, the biggest risk is that of default, rather than a change in price as with marketable securities. The credit crunch has heightened the chance of a default, but the nature and strength of counterparties that Councils can deal with significantly reduces the chance of them being affected.

The following table from Moody's provides a history of the default rates of corporate issuers (including financial organisations) for the period 1982 – 2005 on investments out to 5 years. This reaffirms our view that the statures of the organisations used by councils are such that the likelihood of a substantial loss through their use, although not nil, is remote. There is always risk with any investment, but the robust Strategy employed by Councils reduces this to, what we would deem, acceptable levels.

Cohort Rating	Year 1	Year 2	Year 3 (Percent)	Year 4	Year 5
Aaa	0.000	0.000	0.000	0.000	0.004
Aa	0.000	0.001	0.018	0.038	0.080
A	0.007	0.033	0.090	0.159	0.227
Baa	0.108	0.313	0.572	0.902	1.241
Ba	0.767	2.173	3.925	5.623	7.042
B	3.605	8.059	12.119	15.590	18.612
Caa-C	14.427	22.966	29.530	34.112	37.701
Investment Grade	0.041	0.111	0.257	0.470	0.766
Speculative Grade	3.246	6.709	13.019	18.903	26.965
All Corporates	1.078	0.445	2.475	4.358	6.974

Nevertheless, there are still actions that can and should be taken to minimise risk further.

The first of these is to adopt a Lowest Common Denominator (LCD) approach to both choosing counterparties and applying limits to them. Traditionally, Local Authorities have either relied on just one credit rating agency, or used a counterparty whose limits from one agency have met their minimum requirements.

Up to 2007, this approach did not present a significant issue as the three major rating agencies differed little in the level of ratings they applied to organisations. However, following the introduction of the Moody's Joint Default Analysis (completed May 2007) the spread between ratings from each agency has widened. This is shown in the following table which compares similarly defined ratings (with each rating level equating to 1pt) from each of the three rating agencies we use:

	Short Term			Long Term			Individual / FSR
	Fitch - Moody's	S&P - Moody's	Fitch - S&P	Fitch - Moody's	S&P - Moody's	Fitch - S&P	Fitch - Moody's
Old Ratings	-0.12	-0.38	0.20	-0.15	-0.53	0.27	0.44
New Ratings	-0.19	-0.40	0.19	-1.17	-1.57	0.23	0.70
Change	0.07	0.03	0.01	1.01	1.04	0.04	-0.26

This greater spread in ratings was caused by a change in Moody's rating methodology rather than a change in organisations affected. As such, clients using the traditional method of counterparty selection and limit application may have found new organisations added to their list, or limits raised without the counterparties themselves showing any improvement.

The LCD method would negate these potential Moody's-related changes by only using or applying appropriate limits to counterparties where all their ratings meet a particular level, not just those from one agency.

The other major reason for switching to an LCD approach is risk assessment. Ratings are a statement of opinion and not a guarantee. There will, therefore, be some differences in opinion between the agencies over organisations. This may be due to fundamental reasons or merely because a recent detailed assessment by one agency may lead to it changing ratings ahead of moves by other agencies. Added to this is the current turmoil which is affecting financial institutions. The credit crunch has reaffirmed the need to adhere to the basic tenets of Local authority investment which are Security first, Liquidity second and Yield third. The use of an LCD approach will reinforce a council's risk appreciation.

The second area to consider is which counterparties clients should contemplate using when investing for periods beyond one year. Until now, most clients with this ability have used institutions with a minimum long term rating of "A-". In August we suggested that clients should restrict investments to just short term periods. We have relaxed our position on this as more details on counterparty situations have emerged. We now recommend that clients can invest for beyond one year, but should only do so with institutions that have a long term rating of "AA-" or better. We appreciate that this will restrict the number of counterparties that can be dealt with. However, given the current financial uncertainty, coupled with the prime local authority investment criteria of security, we believe that this is the most appropriate strategy. We will continue to review circumstances and inform clients if we believe it is appropriate to relax this strategy.

There are two approaches to adopting such a strategy. This first is formally through the Annual Investment Strategy and the second is informally through day-to-day practice. In the future we will likely lower the limit back to minimum "A-" rating. If clients make a formal change to their Strategy then they will need to go back to Full Council to get this reversed. However, if they just use the limit on an informal basis, then no return to Full Council will be needed.

The third aspect of counterparty risk to review is monetary limits. Clients usually assign higher limits to better rated organisations. We would suggest that under the current circumstances the spread between limits for different strength counterparties is widened. This can be achieved by lowering limits for unrated or "A" rated institutions and raising those for "AA" counterparties. Security is and always will be the primary concern for investing and the change is designed to reinforce this tenet in overall strategies. Evidently, access to large, highly rated organisations is often restricted in terms of deal size. However, investments such as call accounts and callable deposits, as opposed to traditional term deposits with certain "AA" institutions, do provide some access. The other benefit of introducing this change is that it will ensure greater spread of funds among different institutions, especially with unrated or "A" rated counterparties. The credit crunch has seen a number of building societies return to using money markets for funds as opposed to direct lending or borrowing in the capital markets. This increase in the number of useable counterparties should alleviate any major difficulties with placing funds in the money market in the months ahead, especially when the amount of money available is reduced by natural cash flow run-down. The use of Money Market Funds which offer high security, liquidity and now yield will also lessen difficulties.

These are the main issues that need to address at the present time. However, if you have individual concerns then please do not hesitate to contact me.

Investment Methodology

The recommendations and advice given on counterparty risk have a part to play in how Local authority funds are invested. The increased level of risk assessment does have a downside in terms of potential overall return. As a result, we need to address how funds are invested to ensure that the best performance can be achieved.

The starting point is the nature of the cash balances, looking from the perspective of liquidity, cash flow and core funds. An analysis of the balance sheet will assist in identifying the make up of the cash balances at year end. A medium term cash flow can be compiled using the information identified in the analysis of the balance sheet. In broad terms, this should assist the Council in looking at the longevity of the cash balances.

Ideally the Council should be looking to split the cash balances into the following:

- Liquid funds – those cash balances required for day to day cash flow requirements
- Cash flow – those funds that can be invested up to 364 days
- Core funds – those funds that are not required in the short term and can be invested strategically

The Council's historical daily cash flow records will assist in identifying how much cash the Council needs to keep liquid. The records will show the fluctuations in daily cash balances and the highs will form the level of balances required for liquidity purposes.

The analysis of the balance sheet will identify reserves and balances that make up the cash balances. Profiling the reserves and balances (Medium Term Financial Strategy will assist in this) will identify cash balances that are available longer term – core funds.

The cash balances required for cash flow purposes will be the difference between core funds and liquidity funds.

Due to the nature of forecasting cash balances the Council should err on the side of caution, this means it should build in a level of comfort when setting its levels.

Using this analysis we suggest that clients should be able to approximately split their funds into three different pools:

Pool 1 - Liquidity

The first pool will be funds where liquidity is the foremost concern. Clients will often keep some portion of their funds invested on a short term basis through the markets or by using call account funds operated by large banks. When conducting this type of investment in the future we would recommend clients look at the alternative of using Money Market Funds. Since their permission for English and Welsh authorities in 2002, many clients have shied away from their use on grounds of lacklustre performance. However, in the circumstances likely to prevail in 2008, the performance could well be much better than that available in bank, rate-related call accounts. The nature of the funds has allowed them to benefit from the high rates of return available in money markets and this, allied to their inherent security (AAA rated) and liquidity, make them an attractive proposition.

We have been in discussion with a company within the ICAP group that has created an online system for trading in these AAA-rated funds. The system (www.mytreasury.com) is due for formal launch in February 2008 and will provide clients with direct access to all the major fund providers. The system has other significant advantages: minimum transaction sizes are much reduced; trade administration is automated; access to data on the performance of all participating managers (the vast majority of major names) is available. Transparency and ease of access allow clients to make more informed decisions as to which funds best suit their needs.

The use of Money Market Funds in place of individual bank deposits will provide two further enhancements. First, it will increase the overall credit strength of portfolios. Second, sweeping surplus funds into these pooled vehicles will free-up the availability of other counterparties for investment over other periods.

Pool 2 – Cash Flow

The second part of investment methodology concerns funds which are available for investment for up to one year. Their longer-term nature will likely mean that in normal circumstances the use of those instrument types outlined above will not be appropriate. As such, the bulk of these investments will be made via simple fixed term deposits.

We have discussed the Local authority requirement with a number of external fund managers to see what options they might be able to provide. The primary focus was once again trying to improve overall security of funds. The following summarises the responses.

One manager suggested that it could provide a Certificate of Deposit (CD) pool which would be restricted to exposure to only the highest rated (F1+ or equivalent) counterparties. The benefit in terms of counterparty risk would be sizeable for some authorities. However, it did suggest that for such a pool to be viable a sizeable level of funds would be required. Given the variations in the amount of cash local authorities have at different stages of the year, maintenance of an investment pool of acceptable size may prove difficult.

Another manager suggested that a number of (neighbouring) authorities might consider pooling resources in order to deal in sizes large enough to attract offers from higher rated counterparties. However, the logistics of this and the legal requirements could well make this impractical.

Other managers suggested that pooled investment products they already manage could be suitable for this type of money. The products are similar to Money Market Funds but, rather than targeting a short-dated benchmark such as overnight or the 7 day rate, they are benchmarked against 1 or 3 month LIBOR. The longer-term nature of the funds would make them more suitable for this type of money and, like MMF liquidity funds, their use would enhance the overall security of investments. Their use as part of a number of investments would also help reduce the problems that could arise from the adoption of reduced limits for lower-rated counterparties.

Of all the suggestions, we believe that the MMF option is the most suitable. These would not be a direct replacement for all investments of a cash flow nature. Instead, they would form part of the overall balanced investment approach.

One issue that needs to be addressed is valuation. The funds have an "accumulating" status rather than being quoted with a stable net asset value (as with the standard high liquidity MMFs). This means that, rather than the value of each unit remaining at £1 and all returns being distributed, income and any movement in capital value is reflected in the price of each unit. The potential problem is that any movement in price is deemed to be unrealised until the asset is sold. The SoRP 2007 states that any unrealised gains (or losses) have to be held on the balance sheet until they are realised rather than being taken straight to the I&E account at year end. One possible solution is to sell the units ahead of year end. However, this is not ideal and it is hoped that, as with other accounting issues arising from SoRP 2007 the difficulty will be resolved in due course.

Pool 3 – Long Term Investing

The final part of the investment portfolio is for those funds available for investment beyond one year. In the past, external fund managers were employed to invest this type of money. However, poor performances in recent years have reduced their attractiveness and this, along with the sharp increase in long-term deposit rates to seemingly attractive levels, encouraged many Councils to take funds back in-house and invest them through money markets.

Long term money market investments have evolved substantially in recent years. The main change has been the increased use of callable deposits in their various different guises. The major attraction of these is the ability to invest with large "AA" rated organisations in sizes from as little as £3m. Performance of many of these types of deposit has also been attractive, especially when compared with standard deposits of a similar length.

These types of deposit will likely to evolve further to meet the changing demands of Local Authorities. However, clients need to be fully aware of the potential interest rate risk associated with some of these products. Exotic structures that seem to offer high returns will often have provisions attached to them, which if exercised, could severely undermine performance. Although the primary concern, risk of default is not the only issue that needs to be taken into account when investing.

One of the principal problems for external fund managers in recent years is that their segregated approach only really allowed them to outperform a short-dated cash benchmark when yields were falling. Unfortunately in recent times market yields were either flat or rising. This meant the ability for any local authority external fund manager to outperform a cash benchmark was limited.

The managers have approached this issue by looking at alternative methods for investing. The prime route they are now looking to use is pooled investment vehicles. Changes to UCITS (Undertakings for Collective Investment in Transferable Securities) regulation in early 2007 have allowed these funds to "go "short" of markets. They can now take positions that are designed to enhance returns in an environment where yields are rising (prices are falling). In theory, these funds should be able to produce above-cash returns in all market environments, a significant advantage over the traditional method of investing.

However, these funds are in their infancy and without a track record behind them it is difficult unreservedly to recommend their use by clients. In time, assuming they achieve their expected returns, they will likely become a favourable avenue for investment. At the present this is not the case.

Conclusion

We do appreciate that some of the changes outlined above will not be suitable for all clients. Nevertheless, the general theme of risk minimisation has to be central to all investment strategies. Current market uncertainty has made this even more important. Some of the changes will obviously restrict investment activity but others should help to lessen any practical difficulties.

Yield is important and something that Members and Officers will almost exclusively focus upon. However, it has to come with a commensurate and manageable level of risk. 2007 has not suddenly made all financial institutions less safe for investments, but it has been a stark reminder that there is no such thing as a risk free investment. International markets are responding to this and we firmly believe that our clients should do likewise.

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Structure Chart

Showing ownership of ICAP Securities Limited
Registered in England Co. No: 500777
Within the ICAP PLC Group of Companies

ICAP plc
(formerly called Garban-Intercapital plc)
Co. No: 3611426
Public Listed Company on London Stock Exchange

ICAP Group Holdings Limited
Registered in England
Co. No: 3604417

ICAP Investments (Nederland) BV
Registered with the Chamber of Commerce in Amsterdam
File No: 33.207821

ICAP Broking Holdings (Europe) Limited
Registered in England
Co. No: 2512589

ICAP Europe Limited
Registered in England
Co. No: 2512915

ICAP Securities Holdings (Europe) Limited
Registered in England
Co. No: 628910

ICAP Securities Limited
(formerly called Garban Securities Ltd)
Registered in England
Co. No: 500777

BUTLERS
A division of ICAP Securities, 5th Floor, 2 Broadgate,
London EC2M 7UR

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Date	Landsbanki			Glitnir			Heritable			KS&F (off from 09/05/08)		
	Fitch	Moody's	S&P	Fitch	Moody's	S&P	Fitch	Moody's	S&P	Fitch	Moody's	S&P
01/01/07	F1 / A / B/C / 2	P-1 / A2 / C	NR	F1 / A / B/C / 2	P-1 / A1 / C+	A-2 / A-	F1 / A / C / 1	NR	NR	F1 / A / B/C / 3	NR	NR
06/02/07	F1 / A / B/C / 2	P-1 / A2 / C	NR	F1 / A / B/C / 2	P-1 / A1 / **C**	A-2 / A-	F1 / A / C / 1	NR	NR	F1 / A / B/C / 3	NR	NR
25/02/07	F1 / A / B/C / 2	P-1 / **Aaa** / C	NR	F1 / A / B/C / 2	P-1 / **Aaa** / C	A-2 / A-	F1 / A / C / 1	NR	NR	F1 / A / B/C / 3	NR	NR
04/04/07	F1 / A / B/C / 2	P-1 / **Aaa (-ve)** / C	NR	F1 / A / B/C / 2	P-1 / **Aaa (-ve)** / C	A-2 / A-	F1 / A / C / 1	NR	NR	F1 / A / B/C / 3	NR	NR
12/04/07	F1 / A / B/C / 2	P-1 / **Aa3** / C	NR	F1 / A / B/C / 2	P-1 / **Aa3** / C	A-2 / A-	F1 / A / C / 1	NR	NR	F1 / A / B/C / 3	NR	NR
04/07/07	F1 / A / B/C / 2	P-1 / Aa3 / C	NR	F1 / A / B/C / 2	P-1 / Aa3 / C	A-2 / A-	F1 / A / C / 1	NR	NR	F1 / A / B/C / **2**	NR	NR
30/01/08	F1 / A / B/C / 2	P-1 / **Aa3 (-ve)** / **C (-ve)**	NR	F1 / A / B/C / 2	P-1 / **Aa3 (-ve)** / **C (-ve)**	A-2 / A-	F1 / A / C / 1	NR	NR	F1 / A / B/C / 2	NR	NR
28/02/08	F1 / A / B/C / 2	P-1 / **A2** / **C-**	NR	F1 / A / B/C / 2	P-1 / **A2** / **C-**	A-2 / A-	F1 / A / C / 1	NR	NR	F1 / A / B/C / 2	NR	NR
01/04/08	**F1 (-ve)** / **A (-ve)** / **B/C (-ve)** / 2	P-1 / **A2** / **C-**	NR	**F1 (-ve)** / **A (-ve)** / **B/C (-ve)** / 2	P-1 / **A2** / **C-**	A-2 / A-	**F1 (-ve)** / **A (-ve)** / C / 1	NR	NR	**F1 (-ve)** / **A (-ve)** / **B/C (-ve)** / 2	NR	NR
21/04/08	F1 (-ve) / A (-ve) / B/C (-ve) / 2	P-1 / A2 / C-	NR	F1 (-ve) / A (-ve) / B/C (-ve) / 2	P-1 / A2 / C-	A-2 / **BBB+**	F1 / A / C / 1	NR	NR	F1 (-ve) / A (-ve) / B/C (-ve) / 2	NR	NR
09/05/08	**F1** / **A** / **B/C** / 2	P-1 / A2 / C-	NR	**F2** / **A-** / **B/C** / 2	P-1 / A2 / C-	A-2 / BBB+	**F1** / **A** / C / 1	NR	NR	**F2** / **A-** / **B/C** / 2	NR	NR
29/09/08	F1 / A / B/C / 2	P-1 / A2 / C-	NR	F2 / A- / B/C / 2	P-1 / A2 / C-	**A-3** / **BBB**	F1 / A / C / 1	NR	NR	F2 / A- / B/C / 2	NR	NR
30/09/08	**F3 (-ve)** / **BBB (-ve)** / **C (-ve)** / **2 (-ve)**	P-1 / A2 / C-	NR	**F3 (-ve)** / **BBB- (-ve)** / **F (-ve)** / 2	P-1 / A2 / **D**	A-3 / BBB	**F3 (-ve)** / **BBB (-ve)** / **C (-ve)** / **2 (-ve)**	NR	NR	**F3 (-ve)** / **BBB (-ve)** / **C (-ve)** / **2 (-ve)**	NR	NR

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Butlers Seminar and Training Days

Seminars 2006

26 Jan 2006 – SORP Seminar
City of London Club
Attendees: Cath Head & Jane Gibbons

30 Mar 2006 – London Seminar
Salters Hall
No Attendee from Kent but x2 from Kent Fire Brigade

07 September 2006 – London Seminar
Salters Hall
Attendee: Geoff Hall

Seminars 2007

27 Mar 2007 – London Seminar
Salters Hall
No Attendee

02 Oct 2007 – London Seminar
City of London Club
Attendee: Geoff Hall

21 Nov 2008 – SORP Seminar
The Oval
Attendee: Geoff Hall

Seminars 2008

08 Apr 08 – London Seminar
Salters Hall
No Attendee

21 Oct 08 – London Seminar
Salters Hall
No Attendee

Training 2006

Basics
06 April
14 September
19 October

Advanced
20 September
02 November

Training 2007

Basics
19 April
26 June
07 November

Training 2008

Basics
16 April
05 November

Training 2009

Basics
21 January

There have been no attendees to any training days from Kent.