



AGENDA

CABINET SCRUTINY COMMITTEE

Wednesday, 23rd July, 2008, at 10.00 am
Darent Room - Sessions House, County
Hall, Maidstone

Ask for: **Peter Sass**
Telephone **(01622) 694002**

Refreshments will be available from 9.45 am.

Timing of items as shown below is approximate and subject to change.

County Councillors who are not Members of the Committee but who wish to ask questions at the meeting are asked to notify the Chairman of their questions in advance.

UNRESTRICTED ITEMS

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

A. COMMITTEE BUSINESS

- A1 Substitutes
- A2 Declarations of Interests by Members in Items on the Agenda for this Meeting
- A3 Minutes - 21 May 2008 (Pages 1 - 6)
- A4 Action Taken on Committee's Recommendations (Pages 7 - 10)
- A5 Informal Member Group on Budgetary Issues
 - a) 11 June 2008 (Pages 11 - 14)
 - b) 10 July 2008 (Pages 15 - 18)
- A6 Notes of an Informal Meeting Regarding Street Lighting Repairs - 25 June 2008 (Pages 19 - 22)

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

No items.

C. CABINET DECISIONS

- C1 Revenue and Capital Budget Monitoring Exception Report; Impact of Current Economic Situation on the Council; and Roll Forward of Remaining 2007/08 Underspend (Pages 23 - 38)

Mr N J D Chard, Cabinet Member for Finance, Mr C T Wells, Cabinet Member for Children, Families and Educational Achievement, Ms L McMullan, Director of Finance and Mr K Abbott, Director Finance and Corporate Services, will attend this meeting from 10:15 am to 11:00 am to answer Members' questions on this item.

C2 Working Neighbourhood Fund for Thanet (Pages 39 - 50)

Mr C T Wells, Cabinet Member for Children, Families and Educational Achievement and Mr C MacLean, Head of Community Planning, will attend the meeting from 11:00 am to 11:30 am to answer Members' questions on this item.

D. CABINET MEMBER DECISIONS

No other Cabinet decisions have been proposed for call in but any Member of the Committee is entitled to propose discussion and or/postponement of any decision taken by the Cabinet at its last meeting.

(Members who wish to exercise their right under this item are asked to notify the Head of Democratic Services and Local Leadership of the decision concerned in advance.)

E. OFFICER AND COUNCIL COMMITTEE DECISIONS

No Officer or Council Committee decisions have been proposed for call in but the Committee may resolve to consider any decision taken since its last meeting by an Officer or Council Committee exercising functions delegated to it by the Council.

(Members who wish to propose that the Committee should consider any Officer or Council Committee decision are asked to inform the Head of Democratic Services and Local Leadership of the decision concerned in advance.)

F. EXEMPT ITEMS

Please note that the meeting is likely NOT to be open to the public for item F2

F1 Motion to Exclude the Press and Public

That under Section 100A of the Local Government Act 1972 the public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act.

F2 Contract Involving KCC in the Management of Motorways and Trunk Roads in Kent, Surrey and Sussex (Cabinet Member decision) (Pages 51 - 94)

Mr K A Ferrin, Cabinet Member for Environment, Highways and Waste and Mr G Mee, Director Kent Highway Services, will attend the meeting from 11:30 am to 12:30 pm to answer Members' questions on this item.

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

Tuesday, 15 July 2008

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.

21 May 2008

KENT COUNTY COUNCIL

CABINET SCRUTINY COMMITTEE

MINUTES of the meeting of the Cabinet Scrutiny Committee held at Sessions House, County Hall, Maidstone on Wednesday, 21 May 2008.

PRESENT: Dr M R Eddy (Chairman), Mr D Smyth (Vice-Chairman), Mr A H T Bowles, Miss S J Carey, Mr B R Cope, Mr G Cowan, Mr C Hart, Mr G A Horne MBE, Mr E E C Hotson, Mr C J Law, Mr M J Northey, Mr R J E Parker (for Mr R Truelove), Mr J D Simmonds, Mrs P A V Stockell (for Mr R E King) and Mr M J Vye (for Mrs T Dean).

APOLOGIES: Mr A R Bassam and Mr J E Scholes

ALSO PRESENT: Mr J R Bullock MBE (for Item 72 – Kent Concessionary Travel Scheme)

IN ATTENDANCE: Mr P Sass, Head of Democratic Services and Local Leadership.

UNRESTRICTED ITEMS**67. Declarations of Interest**

(1) Mr Vye declared a personal interest in Item 72 (Kent Concessionary Travel Scheme), as he was a recipient of a concessionary travel pass.

(2) Miss Carey, Dr Eddy, Mr Cowan, Mr Hart and Mr Vye declared personal interests in Item 73 (Joint Working Arrangements with the four East Kent District Councils), as being elected Members of one of the four District authorities concerned.

68. Minutes – 23 April 2008
(Item A3)

(1) The Committee was pleased to note the thanks expressed by the trustees of the Allington Baptist Church for the Committee's willingness to hear their point of view (in relation to the proposed disposal of the Leafy Lane site off the A20) and for the Committee's findings.

(2) RESOLVED that the Minutes of the meeting held on 23 April 2008 are correctly recorded and that they be signed by the Chairman.

69. Action taken on Committee's Recommendations
(Item A4)

RESOLVED that the action taken on the Committee's recommendations be noted.

70. Informal Member Group on Budgetary Issues – 7 May 2008
(Item A5)

(1) The Committee noted that the Corporate Policy Overview Committee and the Informal Member Group on Budgetary Issues had been asked to monitor the activities of Commercial Services in relation to the objectives and targets contained within their business plan, together with issues relating to customer satisfaction and value for money.

(2) Mr Sass undertook to supply copies of the papers submitted to the May meeting of the Informal Member Group on Budgetary Issues to all Members of the Cabinet Scrutiny Committee relating to Commercial Services and the definition of strategic management.

(3) RESOLVED that the notes of the Informal Member Group on Budgetary Issues, held on 7 May 2008, be noted and the recommendations to Governance and Audit Committee on the Commercial Services item be endorsed.

71. Wingfield Bank, Northfleet – Declaration of Land Surplus to Highways Requirements
(Item C1)

(1) The Committee welcomed Mr K A Ferrin, Cabinet Member for Environment, Highways and Waste; Mr G Mee, Director of Kent Highways Services; Mr J Farmer, Regeneration and Projects Manager, Environment and Regeneration; Mr M Austerberry, Director of Property; and Mr Colin Meredith (Northfleet Action Group), to the meeting.

(2) At the invitation of the Chairman, Mr Meredith began his presentation by describing briefly the development history of the area, during which he expressed regret at the gradual loss over the years of natural open space for local people to enjoy. He asked that the Council should do all in its power to ensure that such a local amenity area was provided for residents.

(3) In response to Mr Meredith's opening remarks and a number of questions and comments from Members, Mr Ferrin stated that the only decision he was proposing to take was whether the land in question was surplus to highways requirements. He added that he was not being asked to decide on the future use of the land, which was ultimately a planning matter for determination by Gravesham Borough Council. Mr Ferrin also stated that, if the land in question was to be used as a local amenity area in the future, it would still have to be declared surplus to highways requirements to enable that to happen.

(4) In response to a question from Mr Parker, Mr Ferrin stated that, once the decision to declare the land surplus to highways requirements was confirmed, the matter would be passed to the Property Group to deal with. It was noted that the report to the Cabinet Member seeking approval of this decision made reference to the fact that the proposed developer of the site either side of the existing highways land had expressed an interest in purchasing the land. Mr Mee confirmed that, once surplus, the land in question would be disposed of via Property Group.

(5) In response to a question from the Chairman about possible alternative uses of the land in question, the Director of Property stated that the existing highways land bisects two other areas of land privately owned by the same person, who is also the

proposed developer of the land and who wishes to purchase and incorporate into the development, the existing highways land. Accordingly, the land in question is only surplus to highways requirements in relation to the proposed development. In commercial terms, it is likely that the developer would be willing to pay a reasonable price for the land, and the Council had held discussions in this context. However, the future utilisation of the land in question could not be settled without a formal declaration that it was surplus to highways requirements and carrying out consultation.

(6) Mr Parker expressed his gratitude that the opportunity for the land being utilised for other purposes than being incorporated into the proposed development was not totally lost.

(7) Mr Meredith presented a petition to the Chairman from local residents about the future utilisation of the land in question, which the Chairman thanked him for.

(8) RESOLVED that:-

- (a) Mr Ferrin, Mr Mee, Mr Farmer, Mr Austerberry and Mr Meredith be thanked for attending the meeting to answer Members' questions;
- (b) the Committee supports the decision of the Cabinet Member for Environment, Highways and Waste, that the land at Wingfield Bank, Northfleet, should be declared surplus to highways requirements;
- (c) the Chairman of the Committee will write to the Cabinet Member for Finance enclosing a copy of the petition presented to him by Mr Colin Meredith of the Northfleet Action Group, and ask him to advise the petitioners what the process will be now in terms of the disposal of this land, including the proposed consultation process.

72. Kent Concessionary Travel Scheme for the Over 60's and People with Disabilities
(Item D2)

(1) The Committee welcomed Mr K A Ferrin, Cabinet Member for Environment, Highways and Waste and Mr James Cook, Public Transport Team Leader, Kent Highways Services, to the meeting.

(2) With the permission of the Chairman, Mr Bullock addressed the Committee. Mr Bullock stated that he regretted the way in which this decision had been taken, particularly in relation to the lack of prior consultation with District and Borough Councils. He also mentioned that the initial report to the Cabinet contained a recommendation that was to note, so anyone reading the Cabinet report would not have known that such a decision was going to be made. Mr Bullock did, however, refer to a letter sent subsequent to the Cabinet meeting by the Leader to District and Borough Leaders, expressing regret for the lack of advanced notice of the decision.

(3) In response to a number of questions from Mr Bullock, Mr Ferrin stated that the Cabinet had decided to act when it did following a large number of enquiries from concerned elderly and disabled residents, some of whom said that they had been advised by District and Borough Council officers to contact KCC. Mr Ferrin stated

that, ideally, the decision would not have been made without prior consultation with District and Borough Councils but the decisive action taken by the Cabinet was done to help allay residents' concerns.

(4) Mr Simmonds stated that the Cabinet's decision to provide financial support for a 9.00 am start could hamper the negotiations between District/Borough Councils and the Government in relation to the under-funding of the national scheme. Mr Ferrin responded that he had no wish to hamper negotiations and would liaise with District Council colleagues and the bus companies about the best way of implementing the earlier start time for the scheme. Mr Ferrin also stated that he would decide on the most appropriate way to distribute the additional £120,000 after consulting with District and Borough Councils. He also confirmed that the £120,000 was an estimate of the additional cost for the remainder of the current financial year and that the Cabinet was committed to covering the entire cost of the 9.00am start, whatever those costs happened to be.

(5) In response to a question from Mrs Stockell about funding for future years, Mr Ferrin stated that the Cabinet was committed to funding the earlier scheme start in future years and will be considering the position for 2009/10 onwards as part of the budget setting process, which would commence in the autumn of this year.

(6) In response to a question from Mr Bullock, Mr Ferrin stated that he did not accept that the financial information in the report was inaccurate; he said that the information was provided by the Council's consultants and that some of the District and Borough Councils might have a different interpretation of the position.

(7) In response to a question from Mr Law, Mr Ferrin accepted that more work needed to be undertaken with the bus companies to market their services.

(8) RESOLVED that:-

- (a) Mr Ferrin and Mr Cook be thanked for attending the meeting to answer Members questions;
- (b) the Committee welcomes the Cabinet's initiative to allow pass holders to travel free between 9.00 am and 9.30 am;
- (c) the Committee would support active consultation commencing as soon as possible with District and Borough Council Leaders with regard to the proposed implementation of the Cabinet's decision;
- (d) the Committee agrees to reconsider the matter when any significant changes are proposed to the national scheme.

73. Joint Working Arrangements with Canterbury City Council, Dover District Council, Shepway District Council and Thanet District Council
(Item D1)

(1) The Committee welcomed Mr P B Carter, Leader of the Council, and Mr G Wild, Director of Law and Governance to the meeting for this item.

(2) The Chairman began by asking the Leader to state what the proposed joint arrangements would add apart from a further tier of local government in Kent. Mr Carter responded that, by working more closely together, local residents in Kent would benefit from services that were better planned, procured and targeted and that opportunities existed for greater efficiencies to be found without affecting the quality of services for local people. The Chairman also asked the Leader to comment on the distinction between the proposed joint working arrangements and a number of existing joint working arrangements, such as the local joint transport boards and the Local Strategic Partnership. The Leader responded that both of these bodies had important roles to play that were quite distinct from each other and from the proposed joint working arrangements between KCC and the four East Kent Districts.

(3) In response to a question from Mr Horne, the Leader confirmed that there was nothing to prevent the Joint Committees from seeking to co-opt representatives from other agencies, such as health, fire and the police, if it was relevant to their deliberations.

(4) In response to a question from Mr Smyth about the proposed scrutiny arrangements, the Leader confirmed that all five authorities would appoint Members to the Joint Scrutiny Committee even if the subject under discussion only pertained to two or three of the five authorities. He also stated that, in time, the Joint Scrutiny Committee would be able to develop pre-decision and policy overview roles.

At approximately 1.00 pm, the Committee adjourned for a 30 minute break, whereupon the Leader had to depart for another engagement. Mr Wild returned to the meeting at 1.30 pm to continue answering Members' questions.

(5) In response to a question from Mr Hart, Mr Wild stated that Shepway District Council was already involved in delivering services jointly with Dover District Council and that it was appropriate for Shepway District Council to be involved in the joint arrangements.

(6) In response to a question from Mr Parker, Mr Wild confirmed that each authority would bear its own costs for participating in the joint arrangements, including the scrutiny aspects. With regard to joint working per se, Mr Wild confirmed that the approval of the Joint Committee was not required for any new jointly-delivered or procured services.

(7) RESOLVED that:-

- (a) Mr Carter and Mr Wild be thanked for attending the meeting to answer Members' questions;
- (b) the Committee notes the current position and asks the Leader to keep the Committee updated with regard to the development of the Joint Working arrangements in the four East Kent District Councils.

This page is intentionally left blank

By: Head of Democratic Services and Local Leadership

To: Cabinet Scrutiny Committee – 23 July 2008

Subject: Response from Cabinet to the decisions from Cabinet Scrutiny Committee on 21 May 2008

Classification: Unrestricted

Summary: This report sets out the response from the Cabinet meeting on 16 June to decisions from the last Cabinet Scrutiny Committee meeting on 21 May 2008.

Introduction

1. It was reported at the meeting of this Committee on 23 April 2008 that the Leader had agreed that the decisions from Cabinet Scrutiny Committee would be reported to the following meeting of the Cabinet for a response.
2. The decisions from the meeting of the Cabinet Scrutiny Committee on 21 May 2008 were reported to the Cabinet meeting on 16 June 2008 and the response from Cabinet is set out in the table attached as an Appendix to this report.

Recommendation

3. That responses from Cabinet to the decision made at the meeting of Cabinet Scrutiny Committee on 21 May be noted.

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

01622 694002

Background Information: *Nil*

Title	Purpose of Consideration	Decisions	
Wingfield Bank, Northfleet – declaration of land surplus to highways requirements	To question the Cabinet Member for Environment, Highways and Waste, the Director and Kent Highways Services, the Regeneration and Project Manager and the Director of Property in relation to the way in which this transaction has been handled	<ol style="list-style-type: none"> 1. That the Cabinet Scrutiny Committee supports the decision of the Cabinet Member for Environment, Highways and Waste, that the land at Wingfield Bank, Northfleet, should be declared surplus to highways requirements. 2. The Chairman of the Cabinet Scrutiny Committee will write to the Cabinet Member for Finance, Mr N J C Chard, enclosing a copy of the petition presented to him by Mr Colin Meredith of the Northfleet Action Group, and asking Mr Chard to advise the petitioners what the process will be now in terms of the disposal of this land, including the proposed consultation process. 	<p>The Cabinet noted the Cabinet Scrutiny Committee's endorsement of the Cabinet Member's decision to declare the land surplus to highways requirements.</p> <p>The Cabinet noted that Mr Chard had met with the local Member, Mr Parker, and officers and now that the consultation period had started he had offered to meet on site with local people including the local Member.</p>
Kent Concessionary Travel Scheme for the over 60's and people with disabilities	To explore the reasons for the Cabinet's decision in this matter and, in particular, certain alleged inaccuracies in the report and whether the decision was made with the benefit of prior consultation with District and Borough Councils	<ol style="list-style-type: none"> 1. That the Cabinet's initiative to allow pass holders to travel free between 9:00 am and 9:30 am be welcomed. 2. That the Committee expresses regret that the decision was made without the benefit of prior consultation with District and Borough Councils. 	The Cabinet noted the decisions of the Cabinet Scrutiny Committee and that negotiations and discussions with the District and Borough Leaders and Chief Executives were ongoing with a view to achieving a successful outcome for all concerned.

Title	Purpose of Consideration	Decisions	
		<p>3. That the Committee would support active consultation commencing as soon as possible with District and Borough Council Leaders with regard to the proposed implementation of the Cabinet's decision.</p> <p>4. That the Committee agrees to reconsider the matter when any significant changes are proposed to the national scheme.</p>	
<p>Joint Working Arrangements with Canterbury City Council, Dover District Council, Shepway District Council and Thanet District Council</p>	<p>To question the Leader of the Council and the Director of Law and Governance about how these proposals related to the County Council's proposals for enhanced two-tier working and how the arrangements will work in practice, in relation to other decision-making and deliberative structures, e.g. local boards and/or neighbourhood forums, the LSP, JTB's etc.</p>	<p>1. That the Committee notes the current position and asks the Leader to keep this Committee updated with regard to the development of the Joint Working arrangements in the four East Kent District Councils.</p>	<p>The Cabinet noted the decision of the Cabinet Scrutiny Committee and confirmed that an update on the Joint Working Arrangements with the four East Kent District Councils will be reported to the Corporate Policy Overview Committee at the end of the first year of operation and at appropriate intervals thereafter.</p>

NOTES of a meeting of the Cabinet Scrutiny Committee's Informal Member Group on Budgetary Issues held on Wednesday 11 June 2008.

PRESENT: Mr D Smyth (Chairman), Mr C J Law and Mrs Dean.

ALSO PRESENT: Mr N J C Chard, Cabinet Member for Finance

OFFICERS: Ms L McMullan, Director of Finance; Mr A Wood, Head of Financial Management; Mr R Fitzgerald, Performance Monitoring Officer (for Item 2); Mrs Cath Head, Chief Accountant (for item 4) and Mr P Sass, Head of Democratic Services and Local Leadership

1. Notes of Previous Meeting held on 7 May 2008

(Item 1)

KCC Companies

It was noted that Ms McMullan had circulated the latest version of the draft report to Governance and Audit Committee to IMG Members, for their comments. Members were asked to give any comments they had to Ms McMullan by the end of the week, following which she would circulate the final version early the following week.

Definition of Strategic Management

It was noted that the revised version of the report on the basis of option 2 would be presented to the IMG at its next meeting in July.

Direct Payments

PS was asked to ensure that the update report on direct payments was on the agenda for the next meeting and that Mr Lynes was invited to attend.

The notes of the last meeting were received.

2. Provisional BVPI Outturn Data 2007/08

(Item 2)

(1) Mr Fitzgerald confirmed a small number of changes to existing data/missing data as follows:

- Page 2.2: the percentage of young people leaving care aged 16 or over with at least one GSCE at Grade A* to G or a GNVQ (BV 50) – the target for 2008/09 is **70%**
- Page 2.3: the ratio of the percentage of young people who were once looked after, who were engaged in education, training or employment at the age of 19, to the percentage rate of all young people (BV 161) – the 2007/08 actual figure was **0.69** and the target for 2008/09 is **0.75**.
- Page 2.10: the percentage of pedestrian crossings with facilities for disabled people, as a proportion of all crossings in the local authority area (BV 165) – the actual performance for 2007/08 was confirmed as **25%**. In this regard, it was noted that the Auditor had decided that some of the Council's data in relation to dropped kerbs was unreliable, hence the much lower outturn figure compared to the target.

- (2) It was noted that this was the last BVPI monitoring report, prior to the introduction of the New National Indicator (NNI) set. This IMG would continue to see monitoring reports for the NNI but that, beyond this, Members would appreciate continuing to see some of the corporate health indicators, e.g. absence, which was outside the NNI.
- (3) In relation to the number of Kent Apprenticeships taken on by KCC, Mrs Dean expressed the view that these should be compared to the MOSAIC data for Kent, to ensure that the apprenticeships were being shared proportionately between the main MOSAIC groups. Mr Fitzgerald undertook to forward this request to the relevant officer in the CFE Directorate.
- (4) In response to a question from Mrs Dean in relation to the performance information on youth services (page 2.8), Mr Fitzgerald agreed to circulate the definitions of “recorded” and “accredited” outcomes.
- (5) In relation to the percentage of the total tonnage of household waste arisings that have been used to recover heat, power and other energy sources (BV 82d i), it was noted that the target for 2008/09 had been calculated on the basis of the Allington incinerator working effectively.
- (6) Mrs Dean stated that, with regard to the average time taken to repair a street lighting fault (BV 215b), she intended to add the item to the next agenda for the Cabinet Scrutiny Committee, subject to Dr Eddy’s views. Members noted that the relatively poor performance of EDF in this regard had skewed the Council’s overall performance on this Indicator.
- (7) Members agreed to note the report.

3. Revenue & Capital Budget Outturn 2007/08 *(Item 3)*

- (1) Ms McMullan introduced the report and advised Members that the costs relating to Asylum had been treated as a debtor, rather than as an overspend. She also added that overall position with schools funding was disappointing, given that the schools were saying throughout the year that up to £15m would have to be drawn down from reserves, when in fact, the eventual outturn position was an increase in reserves. It was noted that a review was underway into school reserves and that it was possible to claw back money, as long as it was redistributed to schools.
- (2) Mr Chard stated that he was very pleased that this was the 8th consecutive year that the Council had contained its revenue expenditure within the budgeted level, but was disappointed with the increase in school reserves. He added that the Cabinet would be considering the allocation of the remaining underspend at its July meeting, following an assessment of the impact of the current economic conditions, including fuel prices.
- (2) In response to a question from Mrs Dean on the costs of the independent sector residential care and the fostering service (paragraph 3.2.4.2), Ms McMullan stated that the virement had not yet happened as the overall budgets for these services had proved accurate, despite some of the separate budget lines within these budgets being imbalanced.

- (3) In response to a question from Mrs Dean on the Capital Outturn budget, Ms McMullan confirmed that the Building Care Capacity Project had been aborted because a suitable site could not be found. Mr Chard stated that the project might be examined again in the future.
- (4) In response to a question from Mrs Dean, Mr Chard confirmed that the underspend on emergency building maintenance (paragraph 3.7.5 on page 9) would roll forward to the current year.
- (5) In relation to the monitoring of key activities (appendix 3), Ms McMullan confirmed that work was currently being done to ensure that each key activity was accompanied by an analysis of the specific budget for 2008/09. It was noted that this was particularly important for the effective monitoring of demand-led budgets.
- (6) In relation to the number of Looked After Children (page 23), Mr Law expressed his concern about the hidden costs of Look After Children who were living in Kent but placed there by other Councils. Mr Chard agreed that there were hidden costs to the Council, in relation to social care.
- (7) In response to a question on delayed transfer of care (paragraph 2.1.2 on page 29), Ms McMullan undertook to confirm the basis of calculation of this indicator, e.g. per 1000 population or some other denominator.
- (8) In relation to the number of insurance claims related to highways, (paragraph 3.3 on page 37), Mr Law stated that he intended to raise the matter at the Environment and Regeneration POC.
- (9) The contents of the report were noted and Members congratulated the Finance service for bringing the budget in within the budgeted level.

4. Draft Statements of Accounts 2006/07

(Item 4)

- (1) The Chairman stated that, in view of the time the meeting had already taken, there was no time left to have a proper discussion on the draft Statement of Accounts and suggested that the matter be deferred. Mrs Head stated that the report was due to be the Governance and Audit Committee at the end of June but that pre-scrutiny of the statement was important in terms of effective governance. Accordingly, it was agreed that Members should e-mail any questions they had on the Statement to Mrs Head in advance of the Governance and Audit Committee meeting.
- (2) Members also expressed their congratulations to the Finance service for producing the statement in June for the third year running.

5. Date of next meeting

10 July 2008 – 9.00am.

This page is intentionally left blank

NOTES of a meeting of the Cabinet Scrutiny Committee's Informal Member Group on Budgetary Issues held on Thursday 10 July 2008.

PRESENT: Mr D Smyth (Chairman), Mr C J Law and Mrs Dean.

ALSO PRESENT: Mr N J C Chard, Cabinet Member for Finance

OFFICERS: Ms L McMullan, Director of Finance; Mr A Wood, Head of Financial Management and Mr P Sass, Head of Democratic Services and Local Leadership

1. Notes of Previous Meeting held on 11 June 2008

(Item 1)

Insurance Claims related to Highways

Ms McMullan agreed to circulate details of the cost to the Council of insurance claims in relation to highways and the trend of such costs in recent years. It was noted that, with regard to self insured risks, the cost was in excess of £1m per annum. It was also noted that, whilst the Council's costs in this area had grown steadily, they were not as high as other comparative Councils.

Kent Top Temps

In response to a number of comments from Mrs Dean, Ms McMullan undertook to investigate when KCC officers were advised that Kent Top Temps (KTT) had been awarded Master Vendor status and what advice had been given to officers about the utilisation of KTT before such status was awarded.

The notes of the last meeting were approved.

2. Revenue and Capital Budget Monitoring Exception Report and Roll Forward of 2007/08 Revenue Underspend

(Item 2)

- (1) Mr Chard commented that this was the first exception report for 2008/09, and as such, an overspend situation was forecasted, which was quite normal at this stage of the year, prior to any management action being implemented. He added that an announcement on asylum costs was expected shortly. He also stated that the Council was in a good position with regard to the current economic climate because of sound financial management in previous years and was one of the first authorities to be taking decisive action in this regard.
- (2) In response to a question from Mrs Dean, Ms McMullan confirmed that, in paragraph 2.1.3, the projected underspend on grants to voluntary organisations of £1.863m was being dealt with as a virement in 2008/09 and a base adjustment in the 2009-12 MTP.
- (3) In response to a question from Mr Smyth, Mr Chard confirmed that the dedicated schools grant had now been settled and the Council had received approximately £1m more than expected. Ms McMullan agreed to send a note round to Members with the relevant details.

- (4) In response to a question from Mr Law on domiciliary care costs (paragraph 2.2.1.3 on page 4), Mr Chard stated that the projected overspend was attributable to an increase in the projected number of clients, not because the budget decision to increase charges in the current year hadn't been implemented.
- (5) With regard to the renewal of the electricity costs (paragraph 2.3 on page 5), Mr Wood stated that he would include details of how the LASER electricity supply contract worked in the Cabinet report on 4 August.
- (6) With regard to paragraph 2.1 on page 2, Ms McMullan undertook to provide a briefing note to Members on the costs of home to college transport, as Mrs Dean's assertion was that there was a relatively large overspend compared to the client base.
- (7) Members agreed to consider the current situation with regard to school reserves at a future meeting and were keen to be assured that there were clear plans in place by schools to address the matter. It was accepted that it would be unfair to penalise schools for good financial management, but nevertheless, the presence of such high levels of reserves could not be supported indefinitely and Members were keen to be assured that the situation was being addressed.
- (8) Mrs Dean asked for and was given further details about the contingency under the control of the Managing Director of Adult Social Services, which was included within Other Services for Older People, as shown on page 36 of the Budget Book.
- (9) Members asked whether the current economic situation and, in particular, the downturn in the construction industry could benefit the Council's capital programme in relation to cheaper labour costs. Ms McMullan stated that she was asking for further information on this but any savings were likely to be marginal.
- (10) In response to a question from Mr Smyth, Mr Chard stated that options were currently being considered to smooth the costs of the Corporate Property Unit (paragraph 2.5.1 on page 6), which were previously capitalised.
- (11) Mr Law stated that the KCC site at Aylesford, which previously housed Baptie and Ringway could be used as a permanent site for a depot by improving the access, which could have advantages to KCC of low cost and little time delay for implementation. Mr Chard stated that Mr Ferrin was examining a number of options for the location of the highways depot, now that Wrotham was no longer an option.
- (12) Members agreed to note the report.

3. Budget Book Classification of Strategic Management *(Item 3)*

- (1) The report from Mr Wood showed how strategic management costs would look using option 2 from the report on 7 May.
- (2) Members commended Mr Wood on the report and agreed to recommend to the Cabinet Scrutiny Committee that this presentation of strategic management costs be endorsed.

4. 2008/09 Reporting Timetable, proposals for activity monitoring and proposed revisions to the format of detailed monitoring reports
(Item 4)

- (1) Members noted that each Policy Overview Committee was now receiving a regular financial monitoring report. On this basis, Members stated that they would not continue to receive Directorate-specific reports but would reserve the right to request information on specific areas of performance. It was also suggested that the relevant Policy Overview Committee Chairman and the relevant Finance Head be invited to this IMG in respect of any future consideration of a specific area of performance.
- (2) With reference to an earlier discussion, Members agreed to consider the issue of school reserves at the October meeting of the IMG. Ms McMullan stated that a paper would be prepared in good time prior to the meeting by Keith Abbot and it was suggested that Members of the IMG should e-mail their questions in advance of the meeting to Keith, to enable a focused discussion to take place at the meeting.
- (3) With regard to the proposed Activity report, Mr Wood confirmed that the text highlighted in green were proposed deletions from the proposed activities. Mrs Dean stated that information on Delayed Transfer of Care should continue to be reported to the Policy Overview Committee, if it was removed from the quarterly exception report to Cabinet.
- (4) In response to a question from Mrs Dean, it was suggested that the IMG could look at Looked After Children as a specific report in the autumn, say November. The report would include out of County children and the indirect costs of supporting Looked After Children.
- (5) In view of the number of changes to the timetable and specific issues for further reports, Members agreed to look at this report again on 11 September.

5. Dates of future meetings

31 July 2008 – 2.00pm (additional meeting)

11 September – 9.00am

9 October – 9.00am

27 November – 9.00am

This page is intentionally left blank

Informal Member meeting regarding street lighting repairs

25 June 2008 – 10:00 am

Present: Mr K Ferrin, Mr J Law, Mr R Parker, Mr I Chittenden and Mr G Horne.

Also Present: Mr N Bateman (Head of Technical Services) and Mr P Sass (Head of Democratic Services and Local Leadership).

Street Lighting repairs

1. The background to this informal meeting originated from the Budget IMG's consideration of the Provisional Outturn BVPI data for 2007/08 at its meeting on 11 June 2008. The IMG was advised that the average time to repair a street lighting fault, where response time is under the control of a Distribution Network Operator (DNO) (in Kent's case, EDF) had increased from 39 days in 2006/07 to 53 days in 2007/08. Instead of calling the matter in for formal scrutiny via the Cabinet Scrutiny Committee, the Chairman and Spokespersons of the Committee agreed to hold an informal meeting with a representative of each of the political groups, to which Mr Ferrin and relevant Officers attended. This meeting took place on 25 June 2008. Members were encourage to e-mail their questions to officers in advance of the informal meeting, to ensure that the information supplied was both relevant and useful.
2. At the informal meeting, the following documents were considered:
 - a. A briefing note prepared by the Head of Technical Services, which contained responses to the questions raised in advance of the meeting by Members
 - b. Comparative performance information for the last 3 years for streetlights under KCC control and those under the control of a Domain Network Operator (DNO), i.e. EDF
 - c. Detailed monthly performance information for 2008 by District/Borough, giving details about the number of faults raised; those completed and those outstanding at the end of each month
 - d. A document from the Office of the Gas and Electricity Markets (ofgem), detailing the regulator's enforcement powers
3. The key points made during the discussion at the informal meeting were as follows:
 - a. Detailed work was currently being tackled to review and improve the inventory information that KCC held about street lighting columns within Kent; not just their location, but also power supply details and the type of lamp used. It was noted that this would be essential to complete as soon as possible and would help to speed up repairs as less time would be taken in

future trying to find out whose responsibility a particular streetlight was to repair and which type it was. Unfortunately, it was noted that, due to resource constraints, it was likely to take a further 15 months to complete the detailed inventory work in respect of the 110,000 or so street lights in the County

- b. Work was also underway to review the process for dealing with complaints and seek to remove the non-value added stages in handling specific complaints.
- c. Mr Bateman commented on the excellent working relationships that he has developed and will continue to develop at Director level within EDF, which is beginning to have a positive impact on the performance figures for repairs to EDF streetlights.
- d. It was noted that street lighting performance was monitored on a monthly basis and a report submitted to the Alliance Board to take the necessary actions to rectify problems. Mr Ferrin stated that he was happy to support the submission of these reports to the Highways Advisory Board, together with a monthly performance report to Members of the Highways Advisory Board for information. It was also suggested that a regular report be made to the Environment and Regeneration Policy Overview Committee; Mr Ferrin also supported this suggestion.
- e. Mr Ferrin reported that EDF were working hard to introduce a new control system and had demonstrated an improvement in their performance between March and May this year. EDF were increasing their staffing resources to better respond to repair requests. It was also noted that, from 1 July 2008, EDF was introducing a new shift pattern, which would double the daytime resource available for all repairs. Some 50 additional staff would be phased in, working as mates for the skilled jointers and acting as the safety and security resource for work on the live systems. It was noted that there was no financial impact to KCC of these additional staff being employed by EDF.
- f. There was a discussion about the Service Level Agreement (SLA) between EDF and the regulator Ofgem, which was currently being negotiated. Mr Bateman agreed to provide further details to Members of the regulator's powers in the event of EDF failing to perform to the standards set out in the SLA.
- g. There was a discussion about 5 core cable systems and Mr Ferrin advised Members that KCC was a long way from having the resources to be able to replace street light wiring.
- h. Finally, Mr Bateman advised Members that his officers were exploring a number of other technologies, including LED lighting, which should increase the average amount of time a street light can operate without repair from 3 to 10 years, which in the longer term will reduce the number of repairs being tackled each year. Efficiency would also be improved greatly.

4. Summary of agreed action:

- a. Monthly performance information to be submitted to Members of the Highways Advisory Board, for information
- b. Performance reports to be added to the agenda of the Highways Advisory Board
- c. Mr Bateman to supply details of the powers of the regulator Ofgem with regard to the Service Level Agreement between EDF and Ofgem
- d. Members agreed that a further meeting should take place in the autumn to consider the progress made, particularly by EDF.

Peter Sass
15/07/08

CABINET SCRUTINY COMMITTEE – 23 July 2008

Report Title: **Revenue and Capital Budget Monitoring Exception Report' Impact of economic situation on the Council; and roll forward of remaining 2007/08 underspend**

Documents Attached: Report to Cabinet, 14 July.

Purpose of Consideration: To question the Cabinet Member for Finance, the Cabinet Member for Children, Families and Educational Achievement, the Director of Finance and the Director, Finance and Corporate Services about the justification for the proposed virements contained in the recommendations to this report.

Possible Decisions: The Committee may either:-

- (a) make no comments; or
- (b) express comments but not require reconsideration of the matter; or
- (c) require implementation of the decision to be postponed pending reconsideration of the matter by the Cabinet in the light of the Committee's comments; or
- (d) require implementation of the decision to be postponed pending reconsideration of the matter by full Council.

Previous Consideration: None.

Background Documents: None.

To: CABINET – 14 July 2008

By: Nick Chard, Cabinet Member – Finance
Lynda McMullan, Director of Finance

- 1) Revenue & Capital Budget Monitoring Exception Report
- 2) Impact of Current Economic Situation on the Council
- 3) Roll Forward of Remaining 2007-08 Underspend

1. Introduction

- 1.1 This is the first exception report for 2008-09, which identifies a number of significant pressures that will need to be managed during the year if we are to have a balanced revenue position by year end. This report includes an analysis of the impact of the inflationary pressure on the economy and more specifically, KCC. Further details are provided in section 2.
- 1.2 There are a number of issues which we are facing in 2008-09 which are likely to affect the timing of delivery of our capital programme. Most relevant, is the impact of the falling land and property values, and how KCC can respond. This and other issues are considered in section 4.

2. 2008-09 REVENUE MONITORING POSITION BY DIRECTORATE & PORTFOLIO

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

Portfolio	Forecast Variance £m	Pressure/Saving
Operations, Resources & Skills	+0.995	Increasing cost of Home to School Transport contracts due to rising fuel prices
Children, Families & Educational Achievement	+3.064	Continuation of the pressures experienced in 2007-08 on Fostering and Independent Sector Residential Care, partially offset by underspends on Adoption and Grants to Voluntary Organisations. This reflects a continuation of the budget imbalance reported in the outturn report. Also, pressure on Sure Start grant funded projects and legal costs.
Kent Adult Social Services	+1.551	Demographic pressures & more complex needs
Environment, Highways & Waste	+1.000	Half year impact of increase in electricity prices on Street Lighting contract.
Regeneration & Supporting	0	

Portfolio	Forecast Variance £m	Pressure/Saving
Independence		
Communities	+0.206	Coroners Service – continuation of pressures experienced in 2007-08 ie costs of long inquests, pathology fees and mortuary attendants.
Public Health	0	
Corporate Support & External Affairs	0	Pressure on ISG services, looking to be managed through greater demand for chargeable services
Policy & Performance	0	
Finance	-0.054	Savings on debt charges due to the lower level of borrowing required in 2007-08 (-£1.302m) Reduction in LABGI income (+£0.461m) Continuation of the change in accounting treatment in 2007-08 of the indirect staffing costs of the Corporate Property Unit, which were previously capitalised (+£0.787m)
Total (excl Asylum)	+6.762	
Asylum	+5.000	Same grant rules and unit costs as 2007-08 assumed. Increasing number of referrals.
Total (incl Asylum)	+11.762	

1.2 The £11.762m pressure shown in table 1 above is before the implementation of management action. Directorates are currently working to identify options to reduce these pressures with the intention of delivering a balanced budget position (excluding Asylum) by 31 March 2009. Details of management action plans will be reported in the next monitoring report to Cabinet.

2.1 Children, Families & Education (CFE) Directorate:

2.1.1 Operations, Resources & Skills portfolio:

Within this portfolio, pressures have been identified on the Home to School Transport (HTST) budgets as a result of the impact of rising fuel prices, as follows:

- **+£0.480m Mainstream HTST**
- **+£0.481m SEN HTST**
- **+£0.034m Home to College Transport.**

2.1.2 Schools Delegated:

Schools' revenue reserves increased by 7.2% to £67.6m (excluding Unallocated Schools reserves of £11.7m) and capital reserves increased by 31.3% to £17.0m at the end of 2007-08 financial year. Back in October 2007, the DCSF consulted through the update on School Finance Regulations to introduce a retrospective 5% redistribution of schools' revenue reserves. In a statement at

the end of October 2007 to Local Authorities, Jim Knight, Minister for Schools confirmed that whilst he would not be introducing this proposal in the current CSR period he would continue to monitor the overall level of surplus balances. If the levels reported do not show a significant reduction then the DCSF will come forward with further action for the next CSR period.

The LA has consulted its Schools' Funding Forum regarding the levels of school reserves and agreed with them that we will challenge those schools who have had consistently high levels of revenue reserves over the past 5 years. A copy of the initial letter sent via email to all headteachers and chairs of governors is attached at Appendix 1 for information. Schools' with the highest levels of reserves will be required to explain why they are holding them at these levels and may be subject to recovery of some of their accumulated balances. Any reserves recovered will need to be re-distributed amongst Kent schools' (as per DCSF regulations) and we will discuss this with the Forum at the next meeting.

The first monitoring returns from schools are due in October and an update on the schools' forecast movement on their reserves during 2008-09 will be provided as soon as the information is available.

2.1.3 Children, Families & Educational Achievement portfolio:

A number of pressures have been identified within this portfolio, which largely reflects a continuation of the pressures experienced in 2007-08, as follows:

- **+£1.0m Advisory Service Kent (ASK) (Early Years)** – this pressure is on Sure Start grant funded projects in 2008-09. The total grant funding for 2008-09 (excluding Children's Centre funding) is at a similar level to last year, however the Directorate has additional targets for 2008-09 that the DCSF have now set, linked to the Outcomes, quality and inclusion strand of the grant, where our performance is subject to external monitoring and assessment against the National indicators. KCC is committed to containing spend within the totality of the grant and is therefore looking at balancing this pressure.
- **+£3.0m Independent Sector Residential Care** - In 2007-08 the independent sector residential care budget overspent by £3.158m. This overspend had been forecast throughout the year and the early indications are that the pressure on this service, due to increased demand and high cost placements, will continue into 2008-09. We are therefore forecasting a £3m overspend on this budget line at this early stage of the financial year.
- **+£0.792m Fostering** - In 2007-08 the fostering service budget overspent by £2.0m. Like independent sector residential care, this overspend had been forecast throughout last year. The latest monitoring suggests that the pressure on this budget line will continue into 2008-09 with a net overspend of £0.792m. This is made up of forecast overspends on County Fostering team of £0.400m, Independent Fostering Agencies of £1.236m and a forecast underspend on other fostering lines of £0.844m.

- **+£0.466m Other Services Support** – this represents a continuation of the pressure in 2007-08, which mainly relates to Legal Services charges.
- **-£1.863m Grants to Voluntary Organisations** - as in previous years, and as recently reported as part of the 2007-08 outturn, this budget has consistently underspent with the saving being used to offset the pressures elsewhere in Children's Social Services (Independent Sector Residential Care and County Fostering Team) and this situation continues into 2008-09 with an underspend of £1.863m forecast on the grants to voluntary organisations budget. This reflects the historic budget imbalance between the Children's Social Services budget lines, and not a reduction in the level of grants to be paid, which will be maintained at historic levels. This underspend needs to be secured to offset the pressures reported above, therefore ***Cabinet are requested to agree a virement of £1.863m from Grants to Voluntary Organisations to Independent Sector Residential Care (£1.463m) and County Fostering Team (£0.400m) for 2008-09, and a similar base adjustment in the 2009-12 MTP, to correct this underlying issue.***
- **-£0.331m Adoption** - The Adoption service as a whole is forecasting an underspend of £0.331m. Adoption allowances are forecast to underspend by £0.576m which is partly offset by an overspend on the County Adoption Team of £0.245m.

2.1.4 Asylum:

We are currently forecasting direct spend of £14m, with an additional £0.5m of indirect costs. Our current estimate of income is £9.5m, leaving a funding shortfall of £5.0m for the 2008-09 financial year. The income estimate assumes the same grant rules and unit costs as for 2007-08, as no grant rules have been issued for the current financial year and therefore forecasts may alter if grant criteria change.

It should be noted that the number of referrals in April (48) and May (49) have been much higher than the same period in all of the last four financial years, when they ranged from between 19 and 32.

All grants now fall under the Home Office, with the grant for 18+ Care Leavers having transferred from DCSF on 1st April 2008.

Work is continuing with officials from Home Office and DCSF to address the issues of under-funding in previous years, and establish a more robust method for the ongoing funding for these services.

2.1.5 Other CFE issues:

The CFE Directorate, as part of the 2008-11 MTP, has agreed savings of £6.1m across both portfolios that need to be achieved, as any shortfall will just add to the budget pressures identified above. Cabinet Members and SMT recognise how important it is that these savings are achieved and have set up a specific quarterly monitoring process looking at the progress managers are making in achieving these savings.

The Directorate is committed to the roll-out and development of Local Children's Services Partnerships arrangements. However there is no specific funding for this.

2.1.6 CFE Directorate Management Action:

Following the 2007-08 Outturn, the implications for 2008-09 and future years have been discussed in detail with both Cabinet Members and CFE SMT. Directors are currently reviewing their budgets with the task of coming back to Finance with information on what options they have for further savings. Clearly with the scale of overspend the Directorate is facing this year on the back of large and challenging MTP savings, these options are likely to have a negative impact on service delivery. Details of any savings options will be included in the next report to Cabinet and in the Directorates 2009-12 MTP submissions.

The CFE directorate has initiated a piece of work jointly with colleagues from Corporate Finance to review the Independent Sector Residential Care and Fostering budget lines.

CFE Finance are reviewing the School Finance regulations to explore what options we have to utilise some of the DSG (non-delegated) reserve, which represents the unspent DSG for central expenditure rolled forward from 2007-08.

2.2 Kent Adult Social Services:

The initial forecasts indicate a pressure of £1.551m. It should be noted that detailed forecasts are currently being worked on, in order that next months report is more firmly based. Over the forthcoming weeks, the KASS SMT will be working to ensure that management action plans are in place to reduce the pressure, in order to achieve a balanced position by the end of the financial year. This forecast pressure assumes that all savings identified within the Medium Term Plan will be achieved. Work is on-going with Areas to identify methods of accurately tracking progress against each saving on a monthly basis.

The main reasons for the £1.551m pressure are detailed below:

2.2.1 Older People -£0.802m – the main issues are:

2.2.1.1 -£0.334m Residential Care – April showed a reduction of 23 permanent placements from March, however initial estimates for May indicate this reduction has been offset with an increase, bringing the figure back up to the level in March. There are currently 2,894 placements compared with 3,034 at this time last year. The directorate will review the level of cash limit against this heading in light of the continued reduction in placements and the budget pressure against domiciliary care.

2.2.1.2 -£0.753m Nursing Care – this follows a further drop of six placements in April. As with residential care, if client numbers continue to fall there may be a need to review the level of cash limit and if necessary, request a virement.

2.2.1.3 +£0.725m Domiciliary Care – this budget remains very difficult to forecast with great accuracy at this early stage, as it is the most volatile activity line within the portfolio. Demographic pressures continue alongside extra demand for packages of care to keep people out of residential care.

2.2.1.4 -£0.530m Other Services – the Managing Director's Contingency of £0.512m has been released to offset the overall budget pressure.

2.2.2 **Learning Disability Care +£1.790m** – the main issues are:

2.2.2.1 +£1.052m Residential Care – this includes estimates of costs for clients known to be coming into residential placements during the year ahead. Alongside demographic growth within this client group, there is increasing pressure relating to new and existing clients whose needs are becoming more complex. This is particularly true for those clients coming through transition from childhood.

2.2.2.2 +£0.554m Domiciliary Care – as with Older People, this budget remains very volatile and difficult to estimate at this early stage. High cost packages of care are increasingly required to keep clients with more complex needs out of residential care.

2.2.3 **Physical Disability +£0.099m** – small underspends against most budget lines are off-setting much of the pressure on residential care, which is detailed below:

2.2.3.1 +£0.479m Residential Care – this results from similar pressures experienced within Learning Disability residential care. A detailed piece of work will be undertaken to look in further depth at this budget line.

2.2.4 **Assessment & Related +£0.696m** – As a result of this pressure there is currently a freeze on all non-essential posts. The cost of increments is not funded on the assumption that staff turnover will cover this cost, however there is some evidence, including from the staff survey, that the level of turnover is reduced on previous years, and this has impacted on the forecast.

Although there has been no increase in the number of staff within care management for a number of years, there is clear evidence of increase in the number of referrals made to the Directorate. Between 2004 and 2007 there was a 25% increase in referrals to care management, but more importantly the number of referrals leading to a formal assessment, and therefore potentially a service, increased from 78% to 88%.

The move towards more self directed support should mean less support is needed from professionals. There are also a number of initiatives to modernise the service, particularly through mobile technology. However, it should be recognised that as more clients remain within their own homes and receive more complex packages of care in a community setting, the support from care managers is higher than if they were in traditional residential placements.

2.3 Environment, Highways & Waste portfolio:

A £1.0m pressure is reported which reflects the indication that the renewal of Street Lighting electricity contracts in October 2008, will be more expensive

than budgeted. A Management Action Plan will be put in place to mitigate the effects of this price rise.

Waste Contracts are also affected by the rise in inflation indices by approximately £0.5m, although the lower start point for the year for waste tonnage as compared to the budget assumption is expected to offset these higher costs this year.

Increases in inflation indices generally are expected to hit all services, but particularly Highway Maintenance, Supported Bus Services, the Freedom Pass Scheme and Waste contracts. Precise impacts are not yet entirely clear, but will be closely monitored and reported during the year. The assumption in these projected outturn figures is that spend on highway maintenance will be contained within existing cash limit, and on that basis there would be a reduction in the amount of work delivered.

2.4 Communities:

A £0.206m pressure is reported which relates to a continuation of the pressures experienced in 2007-08 on the Coroners Service. This pressure is made up from the following:

- Long Inquests – costs associated with long inquests quadrupled between 2006-07 and 2007-08 and there is no indication, given the current trend that this activity is slowing down in 2008-09. We currently anticipate a pressure of £0.047m in 2008-09.
- Pathology Fees – costs of pathology fees are increasing due to increased activity from 2007-08, resulting in a forecast pressure of £0.072m in 2008-09, as current trends indicate no apparent slowdown in activity.
- Mortuary Attendants & Other Coroner related fees – there is a pressure of £0.087m which relates to a continuation of the increased activity experienced in 2007-08.

The additional £0.2m included in the 2008-09 budget received through the MTP was for the increased charges from PCT's for storing bodies, therefore there is no additional funding for any of the pressures highlighted above. Communities Finance staff will be working closely with the Coroners Unit to produce a detailed action plan to quantify and address the extent of the unavoidable pressures. If these pressures cannot be contained within the Coroners Service, the directorate will look to implement management action elsewhere across the directorate.

2.5 Chief Executives Directorate and Financing Items budgets:

2.5.1 Finance portfolio:

- +£0.787m Corporate Property Unit – this pressures reflects the impact in 2008-09 of the change in accounting treatment adopted at the year end of 2007-08 for the indirect staffing costs which were previously capitalised. This will be included as a pressure in the draft 2009-12 MTP but remains

unfunded for the current year. Options for compensating savings are being investigated.

- +£0.461m Local Authority Business Growth Incentives (LABGI) – The Government has reconsidered all aspects of the approach used to distribute the resources available for year 3 of this scheme. As a result, the best case scenario is that we will receive £0.461m less income than we previously expected. However, the Government has retained some funding to cover the potential outcomes of existing Judicial Reviews against the LABGI scheme. We have assumed that not all of this will be required and that we will receive a further distribution, but if this does not happen, or we receive less from this second distribution than we have assumed, then our loss of income compared to the budget assumption could increase up to a worst case scenario of £1.215m.
- -£1.302m Debt Charges and interest – this is a direct result of the lower level of borrowing required in 2007-08 due to the significant re-phasing on the capital budget, partially offset by a reduction in interest due to reductions in the base rate since the budget was set.

A change in the regulations around the Minimum Revenue Provision (MRP) (minimum repayment of outstanding debt) is currently being assessed to establish the impact on the revenue debt charges budget. There are several options and the current preferred method is to use the asset life as a means for calculating MRP for 2008-09 onwards, whereas previously it was a straight 4% of outstanding debt. The calculations are currently being worked through to establish what impact this change will have. The policy will be presented to Cabinet and full Council for approval during this financial year.

3. POTENTIAL INFLATION PRESSURES FACING KCC

- 3.1 KCC, like almost all other organisations and individuals, is facing significant additional inflation pressures due to much higher fuel and energy prices, generally rising inflation (both RPI and CPI) and the risk that the expectation of higher general inflation will feed through to higher costs both now and in the longer term.
- 3.2 The last year has seen some tumultuous increases in commodity prices and products derived from base commodities. Between May 2007 and 2008 the Office for National Statistics has estimated increases of:
- 84% for crude oil
 - 72% for Gas
 - 10% for electricity
 - 31% for metal ores and quarried/aggregate products
 - 21% for manufactured basic metal products (i.e. iron and steel)
 - 11% for imported iron and steel
 - 8% for fabricated metal (e.g. structural materials, forging, pressing of steel)
 - 13% for other manufactured mineral products (e.g. glass, cement, concrete etc.)

The impact is already being felt on portfolios as detailed in section 2 of this report.

3.3 As a consequence of the above increases, some of the issues facing us immediately are:

- A 10% increase in the cost of highway maintenance work.
- A 20% increase on energy costs, which impacts on street lighting and all buildings
- A 10% increase in fuel costs that impacts significantly on the budgets for;
 - Waste
 - Home to school transport
 - Public transport
 - Car allowances

The budgets for the above items of expenditure total some £185m.

- Pressure from impact of general economic situation, including fuel costs, on the renewal price of contracts

3.4 An approximate, worst case full year cost, can be priced. This could be as much as an additional full year £25m of pressures, of which £12m could be ascribed directly to the high cost of all fuels. To set this in context the full price inflation provision for 2008-09 after mitigation action taken by the Council was just £15.7m.

This means the impact is too large to expect this level of cost pressure to be wholly accommodated within existing individual portfolio cash limits in the current year, without impacting on service delivery.

3.5 The estimated impact of this in the current financial year is likely to be around £7m unless service delivery is substantially reduced. On this basis, the remaining underspend rolled-forward from 2007/08, of £5.111m, is recommended to be set-aside to part-compensate for this unavoidable pressure.

3.6 The medium term plan was set by county Council in February 2008. This included a number of assumptions, including an estimate of the likely impact of pay and prices increases over the medium term, including £22.7m for 2009-10.

3.7 Over the coming months, we will have to consider many options for responding to the additional inflationary pressure on the 2009-12 medium term plan. If the impact is as high as an additional £25m per year (see paragraph 3.4), there will be no easy options. Consequently it is entirely appropriate to fully consider the options as soon as possible.

4. 2008-09 CAPITAL MONITORING POSITION BY DIRECTORATE

Early indications of the major movements on the capital programme for 2008-09 are detailed below. It must be recognised that a significant element of the 2008-09 capital expenditure is planned to be funded from capital receipts (£69.222m).

Therefore, in the current economic climate there must be some doubt as to whether this level of capital receipts can be realised, which could result in the need to defer projects. This situation is being very closely monitored and options for dealing with a likely lower level of receipts are being considered. Once completed, a paper will be presented to Cabinet for decision.

4.1 Operations, Resources & Skills portfolio:

- +£2.631m Maintenance Programme 2008-09 – Current estimates indicate a £2.6m pressure on the maintenance budgets in this financial year. The maintenance budget for 2008-09 was reduced in the MTP following a reduction in the level of DCSF Modernisation funding, some of which is used to fund the Maintenance Programme. However the demands upon the maintenance budget remain at historic levels. This pressure is made up of 3 major elements:
 - +£1.2m Schools Access Initiative
 - +£0.8m Condition Programme
 - +£0.6m Planned Preventative Maintenance
- +£1.078m PFI Schools All Weather Pitch Provision – this relates to the provision of pitches at Hugh Christie School (£0.653m) and The North School, Ashford (£0.425m). The North School all weather pitch is an extra cost directly linked to the provision of the additional 8FE classroom block. (In addition to the £0.425m cost forecast for 2008-09, £0.270m was spent in 2007-08).
- The Academy Programme – the current MTP profile of expenditure needs revising and work is underway to both re-profile the Academy Programme and to reflect revised costs in line with additional government funding. A revised profile will be reported to Cabinet once this exercise is complete.

4.2 Kent Adult Social Services portfolio:

- +£0.417m Broadmeadow – mediation discussions with contractors have now been finalised and further negotiations are due to take place around how this pressure is to be funded.

4.3 Environment, Highways & Waste portfolio:

- -£1.0m East Kent Access Phase 2 - re-phasing into 2009-10 as Government final approval has still to be achieved. Land possession and start on site are now expected towards the end of the financial year.
- Re-shaping Kent Highways Services Accommodation – the budget for 2008-09 is £6.95m before the addition of roll forward from 2007-08, but there is potential for this scheme to significantly re-phase now that we are not going ahead with the Wrotham site. Different options for the Wrotham replacement are currently being considered. Although the budget allocation will be required for the potential purchase, design and development of a new site, until a final decision is made we will not know the impact on the current phasing of the project.

- Rushenden Link Road – the budget for 2008-09 is £12.6m, before the addition of roll forward from 2007-08, but it is likely that this project will significantly re-phase into future years. Due to the delays in SEEDA securing the land and satisfying the planning permission conditions, the contractor cannot hold the price to the original tender. SEEDA has not formally secured agreement from DCLG to the revised funding and spend profile. We will therefore need to re-tender and as a result the earliest start date is December 2008. The precise impact on the current phasing is difficult to quantify at this point in the process.

4.4 Regeneration & Supporting Independence portfolio:

- +£0.130m Kent Thameside Delivery Board – additional costs of the project are to be met by revenue contributions from partners.

4.5 Communities portfolio:

- Gravesend Library - we are clarifying with the conservation/planning officers what we can do with the 'toy shop' facade. We are also finalising who the partner services will be and therefore the overall space requirements. It is likely that there will be some re-phasing compared to the current budget provision, but the spending profile will only be confirmed by the QS when the detailed requirements have been agreed, which is currently expected to be in the late summer.

4.6 Corporate Support & External Affairs portfolio:

- KCC has recently signed a contract for the new Kent Public Services Network. It is likely that there will need to be a realignment of the capital/revenue budgets

4.7 Finance portfolio:

- An underspend of £0.787m on the Capitalisation of Works, which is due to the change in accounting treatment, adopted in 2007-08, of the indirect staffing costs of the Corporate Property Unit which were previously capitalised, but upon latest guidance, these costs must be charged to revenue.

4.8 **Risks and Options around Realising Capital Receipts in the Current Economic Climate:**

As highlighted in this report, the current national economic climate is impacting on our ability to realise capital receipts at the values previously estimated and assumed at the time of setting the budget. We need to consider our course of action in dealing with the impact of this. There are several options:

1. We defer, where possible, projects which are reliant on capital receipt funding. However, we do not know how long it will be before property values return to what they were and therefore whether it is realistic to defer projects for an indeterminable amount of time.

2. We go ahead with the projects but defer disposing of the assets until prices improve and therefore have to find alternative short term funding (although we don't know how long this will be).
3. We go ahead with the asset disposal, within reason, and projects will have to be scaled back to the lower level of resources available.
4. A mixture of the above.

A review of all capital receipts is currently underway. Once this is complete, it is proposed that the capital budget is recast to reflect the impact of the findings and a revised capital programme will be presented to Cabinet for approval.

5. ROLL FORWARD OF 2007-08 UNDERSPEND

- 5.1 The provisional revenue outturn for 2007-08 was an underspend of £7.889m excluding schools. At its meeting in June, Cabinet agreed the roll forward of £3.651m into 2008-09 relating to committed projects and the roll forward of the Adult Education overspend of £0.873m. In view of the potential inflation pressures facing KCC, as outlined in section 3 above, Cabinet is asked to agree that the residual underspend from 2007-08 of £5.111m is set-aside as a contingency against the current economic climate.

6. RECOMMENDATIONS

Cabinet is asked to:

- 6.1 **Note** the initial forecast revenue and capital budget monitoring position for 2008-09, and the potential impact of the inflationary pressures on the current and future years budgets.
- 6.2 **Agree** the revenue virement and base adjustment of £1.863m within the Children, Families & Educational Achievement portfolio as detailed in section 2.1.3 above. The grants to voluntary organisations budget has historically underspent with the saving being used to offset pressures elsewhere within Children's Social Services, therefore this adjustment will not affect the historic level of expenditure on grants to voluntary organisations, it will simply correct a base budget imbalance.
- 6.3 **Agree** that the remaining £5.111m of uncommitted 2007-08 revenue budget roll forward be set-aside as a contingency against the current economic climate.

Copy of Letter sent to all Headteachers and Chairs of Governors

Dear Colleague,

School Reserves

As the accounts for 2007-08 have now closed, this has given me the opportunity to review the overall schools' position in relation to revenue and capital balances. Schools' revenue reserves have increased by £4.5m to a total of £67.6m representing an increase of 7.2% on last year. Schools' capital reserves have increased by £4.2m to a total of £16.9m, representing an increase of 32.9% on last year. From the latest information I have the balances held by Kent schools as a percentage of their annual budget are now one of the highest in the south east and also above the national average.

As you will be aware there were proposals from the DCSF last year to impose a 5% retrospective redistribution of schools' surplus revenue balances in addition to the existing Balance Control Mechanism (BCM). Jim Knight (Minister for Schools) decided not to implement such a proposal but made it clear that if Local Authorities and schools' are not seen to be "managing the level of revenue balances over the next three years" then the DCSF will use its powers to implement further action.

If you have not yet submitted your three year plan, please ensure that this is returned immediately. As you are aware the DCSF required all authorities to introduce the Balance Control Mechanism in January 2007 and as part of that process the Statutory team are currently reviewing all three year plans alongside the analysis of year end reserves and where there is concern regarding the balances held, schools will be contacted individually within the next two weeks. It is clear that we will need some discussion with a number of schools about why they are holding large reserves and whether there is a case to claw back some of that for subsequent redistribution by the Schools' Funding Forum to other schools.

Please contact Janet Laffin, Principal Accountant, Statutory Team on (01622) 221694 if you have any queries.

Yours sincerely,

Keith Abbott
Director – Finance & Corporate Services

(Note - the figures quoted in the first paragraph of this letter for schools capital reserves differ to the figures quoted in the outturn report and in section 2.1.2 of this report as they exclude the capital reserves balances which relate to closed schools)

CABINET SCRUTINY COMMITTEE – 23 JULY 2008

Report Title: **Working Neighbourhood Fund for Thanet**

Document Attached: Presentation to Cabinet, 14 July 1008 and Department of Communities and Local Government press release dated 30 November 2007.

Purpose of Consideration: The Working Neighbourhoods Fund was announced as part of the provisional Local Government Finance settlement towards the end of last year and is designed as a new dedicated fund for local Councils and communities to develop more concentrated, concerted, community-led approaches to getting people in the most deprived areas of England back to work. It replaces the existing Neighbourhood Renewal Fund (NRF) and incorporates the Department of Work and Pensions Deprived Areas Fund (DAF).

Thanet did not previously qualify for NRF but has qualified for an allocation under the Working Neighbourhoods Fund and will receive £1,012,404m this year.

The purpose of the matter being considered at the Cabinet Scrutiny Committee is to discuss the proposals for the ongoing monitoring and impact of these important additional funds for Thanet.

Possible Decisions: As this presentation to Cabinet was simply for noting, the Committee may either:-

- (a) make no comments; or
- (b) make suggestions to the Cabinet about how this matter should be progressed.

Previous Consideration: None.

Background Documents: None.

Working Neighbourhood Fund for Thanet

**Chris Wells, Cabinet Member – Children’s Services
Paul Carter, Leader**

Kent County Council Cabinet (for information)
14th July 2008



Aims

New phase of targeting most deprived areas

**CLG’s vision of renewed focus on
worklessness – with step change in outcomes**

Partnership working to tackle work readiness



Funding Implications

£1.5bn nationally

Distinct element of Area Based Grant

Funding directed to Thanet District Council

£4.058m over 3 years (2008-2011)

Eligible for WNF Reward in 2010-2011



Key Objectives of the Strategy

Improve Thanet's overall economic performance by:

- * Reducing levels of worklessness and benefit dependency
- * Decreasing proportion of children in households without work
- * Adding value to mainstream programmes/ funding i.e. additional elements



Area of Focus

Delivery to be focused on the following groups:

Those of school leaving age and NEETS (not in Education, Employment or Training)

Those in school but at risk of not achieving

Those on out of work benefits – Priority Groups with Jobcentre Plus

Those within employment but have no qualifications or low skills



Performance Measures – KA2 Indicators

Economic Success

NI 152 – Reduction in working age people on out of work benefits (*Jobcentre Plus*)

NI 163 – Proportion of population 19+ qualified to at least Level 2 (*LSC*)

Learning for All

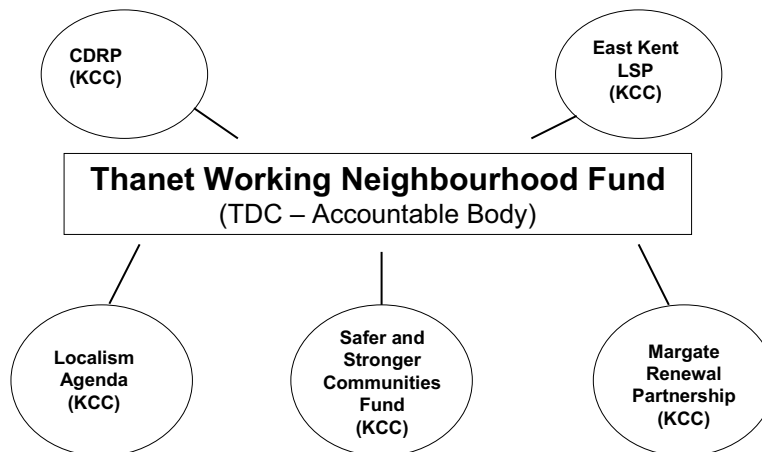
NI 177 – Reduce level of 16-18 year olds not in education, employment or training (NEETS) (*KCC*)

NI 161 – Adult learners achieving a Level 1 qualification in Literacy (*KCC*)

Also several DCSF targets e.g. GCSE/GNVQs and Looked After Children



The Growing Partnership Family



Capacity & expertise within KCC to deliver

Innovative approaches to reducing NEETs

Realistic progression routes in the locality

Provide inspirational activities for learners at risk of not achieving in school

Up-skilling those in employment with recognised qualifications



What we could deliver

Expansion of the Kent apprenticeship programme (16+) - 400 apprenticeship placements for Thanet's young people over 3 years

Pre-apprenticeship programme for young people (16+) with no qualifications

Employment and skills 'match' service for employees and employers

Work placement mentoring and 'fighting fund' e.g. equipment, transport costs

Short courses, incremental learning opportunities, skills framework



How would we deliver?

Core team of specialists could work with learners and employers directly at point of delivery.

This could include:

- **Careers guidance advisers**
- **Skills brokers**
- **Work place mentors**
- **Skills tutors and work-place assessors**
- **Financial and health advisers**



Next Steps

**Strategy to improve work readiness in
Thanet to be presented to TDC
Cabinet on 7th August 2008**

Working Neighbourhoods Fund - Blears/Hain

Published 30 November 2007

Communities Secretary Hazel Blears and Work and Pensions Secretary Peter Hain have today announced a new drive to turn around long term unemployment in the most disadvantaged communities.

While unemployment is at record lows, more needs to be done. Hazel Blears has outlined how councils and communities will have a new and invigorated role to play in tackling stubborn and persistent unemployment.

Communities and Local Government has established the first-ever dedicated fund for local councils and community organisations to use to address worklessness.

A new £1.5bn Working Neighbourhoods Fund will support councils and communities in developing more concentrated, concerted, community-led approaches to getting people in the most deprived areas of England back to work. This fund replaces the existing Neighbourhood Renewal Fund.

The new funding is part of a radical restructuring of the Government's approach to regenerating some of the country's most deprived areas. The Government is determined to break the cycle between worklessness and the lack of economic growth in certain parts of the country which risks leaving some communities behind.

Although nationwide unemployment rates have fallen in recent years, the Government wants to be more ambitious in tackling worklessness. Around one quarter (913,000) of all the people on benefits are concentrated in the most deprived places in England. These are the very places that need regenerating the most but unless aspirations and employment rates are raised, change will not happen.

Earlier this week the Prime Minister talked about the work that the Department for Work and Pensions are doing to "redefine Britain's welfare state for a wholly new world - to give people skills through transferring resources from welfare to education. Not leaving them dependent, reliant on benefits without the opportunity to improve their skills and prospects."

The Working Neighbourhoods Fund will support this ambition. Under the new plans local areas that successfully turn around long term unemployment will receive new financial rewards. The Working Neighbourhoods Fund will include at least a £50m package of incentives and rewards for councils that boost employment levels. These rewards could be used to fund community facilities or local projects. This "something for something" approach will drive councils and communities to really get to grips with worklessness and will reward those that do a good job.

All members of the community could benefit from the financial incentives that will be introduced. Getting people into work would become a shared concern with everyone having something to gain from rising employment in their area. This new injection of peer support and peer pressure will go hand in hand with innovative approaches

such as sending job advisors into libraries, community centres and schools to link up with those people who have been out of work for lengthy periods of time.

Tackling worklessness is one of the toughest challenges that Local authorities face but getting this right can lead to a transformation of both people and their communities. The Department will work with local councils and others to tackle the root causes of worklessness.

Details of the new Working Neighbourhood Fund are outlined in the publication Working Neighbourhoods Fund which is published today.

Communities Secretary Hazel Blears said:

"We need to be on the side of the decent hard working people keen to stand on their own two feet and improve their neighbourhood. This fund will empower them to make a real difference and encourage everyone to play their part.

"We need a new more aggressive community-led focus to tackling persistent worklessness with a greater role for councils and community organisations.

"Despite people living in better homes, with better health care and rising educational attainment, persistent worklessness continues to blight in too many communities.

"We need to rebalance our regeneration strategy and put a much sharper focus on tackling worklessness. This dedicated fund will help us concentrate on raising aspiration and driving economic growth with more support for local communities and councils."

Work and Pensions Secretary, Peter Hain said:

"We have made great progress over the last ten years achieving sustained high levels of employment. While we have made progress even in deprived areas, we now need to refocus our efforts on local pockets of worklessness.

"This is given even greater urgency by the concentrated disadvantage in these areas faced by ethnic minorities: this is unjust and economically inefficient as we prepare for an ageing workforce. We want to engage local communities to tailor support to the needs of an increasingly diverse workforce.

"The Working Neighbourhoods Fund creates the opportunity to do this. Joining funds together locally will create a dedicated flexible resource to stimulate community action on increasing employment."

In a tough financial climate, Government is focusing its efforts and resources where they can have the most impact. This new fund shows government commitment to tackling the worklessness issue.

Local areas will receive funding incentives if they are successful in driving down levels of worklessness. Councils working with communities will be encouraged to take a fresh look at the problems associated with this issue and find proactive solutions including innovative community schemes to break down the long term barriers to getting back to work. Examples could include:

Councils and third-sector/community organisations who set-up job advice and skills schemes in community settings like schools, post offices and libraries to meet targets could get reward payments. People getting access to local advice as well as through their local job centre is a real bonus - going into communities offering support on their doorsteps and challenging people to get back into work can be very effective.

Stepping up outreach schemes in council estates and providing a greater link between accessing social housing services and schemes to tackle worklessness. Social tenants represent about half of all workless households. Fewer than half (45 per cent) of social tenants of working age are in employment.

Councils and community organisations who develop 'in-work' community support and skill schemes to end the 'revolving door' or worklessness. People who have been out of work for a long period of time are more likely to fail to hold a job down. Simple support with time-keeping, teaching the importance of calling in sick rather than just not turning up, interview skills and ongoing encouragement as people enter back into work can ensure those people with poor employment histories turn the corner.

Councils who help residents access jobs in neighbouring areas by looking at the kind of transport available. Transport costs and lack of public transport are amongst reasons given by those on benefits as obstacles to work.

Notes to Editors

1. The total Working Neighbourhood Fund (WNF) which of £1.5bn will be allocated over the next three years with more than £450m in 2008-2009, and over £500m in 2009-2010 and 2010-2011. At least £50m will be available as a reward fund which will go to areas that have made good progress over the first two years on tackling worklessness and improving enterprise levels.

2. The Working Neighbourhood Fund replaces the current Neighbourhood Renewal Fund. In addition, after a transitional period DWP will be contributing from its Deprived Areas Fund all of the money which will be available to England over the three year period.

3. WNF will be focused on the most deprived areas on the country. The areas receiving funding will be announced shortly.

4. DAF funding will continue to be made available to tackle worklessness in deprived areas of Scotland and Wales but will be handled separately because of the different local government arrangements.

5. Funding to Local Authorities under WNF will be paid as part of the new Area Based Grant, which is a non-ring fenced general grant providing maximum flexibility to local authorities.

6. The Document *Working Neighbourhoods Fund* is available at <http://www.communities.gov.uk/publications/communities/workingneighbourhoods>

Media enquiries

Visit our [newsroom contacts page](#) for media enquiry contact details.

This page is intentionally left blank

CABINET SCRUTINY COMMITTEE – 23 July 2008

Report Title: **Contract involving KCC in the management of motorways and truck roads (Cabinet Member decision)**

Documents Attached: Report and appended business case to Cabinet Member for Environment, Highways and Waste, dated 25 June 2008.

Purpose of Consideration: To question the Cabinet Member for Environment, Highways and Waste and the Director of Kent Highways Services in relation to the proposals, with particular reference to ensuring that the proposals have a positive impact on the maintenance of Kent's roads.

Possible Decisions: The Committee may either:-

- (a) make no comments; or
- (b) express comments but not require reconsideration of the matter; or
- (c) require implementation of the decision to be postponed pending reconsideration of the matter by the Cabinet Member in the light of the Committee's comments; or
- (d) require implementation of the decision to be postponed pending reconsideration of the matter by full Council.

Previous Consideration: None.

Background Documents: None.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank