AGENDA

CABINET SCRUTINY COMMITTEE

Wednesday, 24th September, 2008, at 10.00 am	Ask for:	**Peter Sass**
Darent Room - Sessions House, County Hall, Maidstone	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.

Please note that this meeting will be webcast.

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 - 23 July 2008 (Pages 1 - 8)

A4 Action Taken on Committee's Recommendations (Pages 9 - 12)

A5 Informal Member Group on Budgetary Issues

a) 31 July 2008 (Pages 13 - 14)

b) 11 September 2008 (Pages 15 - 18)

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

No items.

C. CABINET DECISIONS

C1 Autumn Budget Statement (Pages 19 - 44)

Mr P B Carter, Leader of the Council; Mr N J D Chard, Cabinet Member for Finance; Mr P Gilroy, Chief Executive; and Ms L McMullan, Director of Finance, will attend the meeting from **10.15 am to 11.15 am** to answer Members' questions on this item.

C2 Revenue and Capital Budgets, Key Activity and Risk Monitoring (Pages 45 - 122)

Mr P B Carter, Leader of the Council; Mr N J D Chard, Cabinet Member for Finance; Mr P Gilroy, Chief Executive; and Ms L McMullan, Director of Finance, will attend the meeting from **11.15 am to 12.15 pm** to answer Members' questions on this item.

C3 Review of Specialist Unit and Designated Provision in Mainstream Schools - Update Lead School Implementation (Pages 123 - 144)

The Chairman and Spokespersons have agreed that there is no need for the attendance of any officer or Cabinet Member for this item.

D. CABINET MEMBER DECISIONS

D1 Outcome of Formal Consultation on the Modernisation of East Kent Informal Mental Health Day Services (Pages 145 - 156)

The Chairman and Spokespersons have agreed that there is no need for the attendance of any officer or Cabinet Member for this item.

E. OTHER CABINET 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 decisions 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.)

F. 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 decisions 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.)

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

Tuesday, 16 September 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.

KENT COUNTY COUNCIL

CABINET SCRUTINY COMMITTEE

MINUTES of the meeting of the Cabinet Scrutiny Committee held at Sessions House, County Hall, Maidstone on Wednesday, 23 July 2008.

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

APOLOGIES: Mr J E Scholes

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

UNRESTRICTED ITEMS

74. Declarations of Interest

(1) Mr C Hart declared a personal interest in Item 80 (Working Neighbourhood Fund for Thanet), as he is an elected Member of Thanet District Council.

75. Minutes – 21 May 2008
(Item A3)

(1) Mr Smyth stated that the draft report on the activities of Commercial Services, which had been discussed at the Informal Member Group on budgetary issues, had been agreed at the Governance and Audit Committee at its meeting on 30 June.

(2) With regard to the Committee's consideration of the item on the declaration of land surplus to requirements at Wingfield Bank, Northfleet, the Chairman stated that he had written to the Cabinet Member for Finance, as requested by the Committee and that contact had been made with the petitioners and the local Member by Mr Chard.

(3) RESOLVED that the Minutes of the meeting held on 21 May 2008 are correctly recorded and that they be signed by the Chairman.

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

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

77. Informal Member Group on Budgetary Issues – 11 June and 10 July 2008
(Item A5)

(1) With regard to the 2007/08 outturn figure for the percentage of pedestrian crossings with facilities for disabled people, as a proportion of all crossings in the local authority area (BV 165), Committee Members asked to be informed of the reasons why the Auditor had decided that some of the Council's data in relation to dropped kerbs was unreliable. Mr Sass undertook to obtain and supply this information to Members.

(2) With regard to the roll forward of the underspend on emergency building maintenance, Mr Smyth indicated that this had only happened because, fortuitously, not all of this budget had been required in 2007/08. He added that he was sure the Cabinet Member for Finance and the Director of Finance would not allow this particular budget to grow year on year as a result of any successive underspends being rolled forward and that the situation would be monitored closely by the IMG.

(3) In response to a question on school reserves, Mr Smyth stated that this matter was due to be reported to the IMG in the autumn. He stressed that it would be inappropriate to seek to penalise schools for sound financial management, although IMG Members would be keen to be assured that there were appropriate plans in place to utilise any significant reserves.

(4) Finally, Mr Smyth spoke briefly about the IMG's work on the definition of strategic management. The IMG had proposed Option 2 for the presentation of strategic management costs and he commended this to the Committee. Mr Sass undertook to circulate the relevant IMG report to all Members of the Committee for information.

(5) RESOLVED that the notes of meetings of the Informal Member Group on Budgetary Issues, held on 11 June and 10 July 2008, be noted and the recommendation to adopt option 2 for the definition of strategic management costs be endorsed.

78. Notes of an informal meeting regarding street lighting repairs – 25 June 2008
(Item A6)

(1) Mr Sass referred to paragraph 3a of the meeting notes, on page A6:2 and advised the Committee that the word "months" should be inserted after the figure "15" in the 8th line of this paragraph.

(2) With reference to paragraph 3g on page A6:2, Mr Law stated that a report from officers would be presented in due course about 5 core cable systems.

(3) The Committee agreed to receive the notes of the informal meeting on street lighting repairs.

79. Revenue and Capital Budget Monitoring Exception report; impact of the current economic situation on the Council; and roll forward of remaining 2007/08 underspend

(Item C1)

(1) The Committee welcomed 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 (CFE), to the meeting.

(2) In response to a question from Mr Smyth, Mr Abbott stated that the principal reason for the budget for grants to voluntary organisations being consistently underspent in recent years was that there was now better funding available from central Government for early years provision, which had meant fewer requests for specific grants. He added that this situation was now being addressed by the proposed virement and base budget adjustment. Mr Wells added that a concerted effort was being made to ensure that the budget was transparent, open and accurate. He also added that an inflationary factor of 2.5% had been applied to all voluntary sector grants, prior to the virement and base budget adjustment being made.

(3) Ms McMullan stated that, previously, financial reporting had focused on a higher level in the budget, which had meant that insufficient attention had been paid to individual budget lines. She added that this had been a difficult exercise to tackle, particularly given the dynamic nature of certain budgets, but that it was important to ensure that the expenditure was in the right place in the budget.

(4) In response to a question from Mr Cowan, Mr Wells stated that the availability of grants to voluntary organisations was marketed, but accepted that more could be done in this area.

(5) RESOLVED that:-

(a) Mr Chard, Mr Wells, Ms McMullan and Mr Abbott be thanked for attending the meeting to answer Members questions; and

(b) the Committee endorses the proposed virement and base budget adjustment within the Children, Families and Educational Achievement portfolio.

80. Working Neighbourhood Fund for Thanet
(Item C2)

(1) The Committee welcomed Mr P B Carter, Leader of the Council, Mr P Moore, Corporate Director, Thanet District Council (TDC) and Mr C Maclean, Head of Partnerships (interim) to the meeting for this item.

(2) The Committee noted that 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 community-led approaches to getting people back to work in the most deprived local areas of England. It replaced the existing Neighbourhood Renewal Fund (NRF) and incorporates the Department of Work and Pensions Deprived Areas Fund (DAF).

(3) Mr Carter began by stating that this was excellent news for the people of Thanet and that the funding would lay a foundation for effective partnership working to tackle work readiness and improve aspirations, particularly amongst some groups of young people in Thanet. Mr Moore echoed the introductory comments of the Leader, adding that TDC had committed a further £90,000 of Community Cohesion monies for each of the next three years, which would result in a total fund of just over £4.3m. Mr Moore added that the grant had already started to be paid by central Government, at a rate of £100,000 per month.

(4) Mr Moore stated that TDC's plans for the utilisation of the grant monies were at an early stage. However, there were some 12,000 people in Thanet in receipt of benefits, representing some 17% of the total population of Thanet. The figure of 12,000 comprised mainly incapacity benefit (approximately 6,000 claimants), job seekers (approximately 2,300 claimants) and lone parents (approximately 2,000 claimants). Mr Moore added that most of the claimants lived in one of the 7 or 8 most deprived electoral wards in the District, some of which were also amongst the most deprived wards in the Country. The Working Neighbourhood Fund represented a fantastic opportunity to address some of the challenges faced by claimants and other groups of people experiencing difficulties in gaining access to work, training or education.

(5) Mr Moore spoke about the likely key result areas that the WNF funding would tackle: Securing jobs; Signposting advice; Removing barriers to work; and promoting a culture of work. He gave brief details about the possible work streams in each of these areas.

(6) Mr Carter spoke about the generational change required being a tougher nut to crack. He added that raising the expectations of the 16-24 year old age group and the expansion of the apprenticeship scheme would be crucial success areas. With regard to the latter point, Mr Carter commented that he wanted to see the number of apprenticeships being offered within KCC treble in the future and that the Council's role in persuading other key public sector partners to expand their own apprenticeship schemes was also an important factor. Mr Carter stated that the aims of the strategy for the WNF needed to be clear, in terms of seeing a significant reduction in the number of young people aged 16 to 24 in receipt of benefits and a target of zero for people not in education, employment or training (NEET) by the end of the 3 year grant period.

(7) Mrs Rowbotham warned against too much of the grant money being soaked up in bureaucracy and administration costs. Mr Moore agreed with this point, adding that it would be important to prioritise the programme and do a small number of specific projects well rather than to try to tackle everything.

(8) Mr Daley suggested that, given the downturn in the construction industry, perhaps skilled but currently out of work people could turn their hand to teaching young people their professions, such as bricklaying, plumbing etc. Mr Carter stated that construction activity in Thanet over the coming years was looking quite good, with a number of BSF projects, the East Kent Access Road, phase 2, the Turner Contemporary and Kent International Airport. He agreed that Mr Daley's suggestion should be pursued.

(9) Mr Hibberd spoke about the importance of the Thanet Earth project to the rural community in Thanet in terms of supporting one of the area's primary industries.

(10) Mr Carter spoke about the work that KCC were doing that would complement the WNF strategy being developed by KCC. Specifically, he mentioned the KA2 targets on NEETs, the long-term unemployed and welfare reduction, which was being tackled through the Kent Partnership; and the expanded skills programmes, especially in the 14 to 16 year old age group. In response to a question from the Chairman, Mr Carter stated that he had asked the 14-24 Unit to consider how to add value to the existing work that would help supplement and support the work that would be tackled in Thanet through the WNF strategy and, in that regard, had written to the Leader and Chief Executive of Thanet District Council.

(11) Mr Moore stated that TDC could not deliver the entire agenda alone and that the WNF funding had to be seen as energizing the partnership organisations in Kent to tackle these challenging issues. He added that a draft strategy was being reported to TDC's Cabinet on 7 August.

(12) Mr Law stated that, whilst a great deal of effort needed to be made with the 14-24 age group, it was also important to look at literacy and numeracy skills at Key Stage 1 and 2. Mr Carter agreed that it was important to continue to focus on this, particularly at Primary School level. He also spoke about the increasing number of people leaving school without the basic entry level qualifications for Further Education colleges, which also needed addressing.

(13) Mr Hart stated that he represented one of the most deprived areas of Thanet, adding that it was the responsibility of all authorities and agencies to ensure that all of these challenges were achieved.

(14) RESOLVED that:-

- (a) Mr Carter, Mr Moore and Mr Maclean be thanked for attending the meeting to answer Members' questions;
- (b) the Committee welcomes the additional monies being invested in Thanet through the Working Neighbourhood Fund
- (c) the Committee is of the view that the key to the delivery of a successful programme is having clear objectives that are closely monitored to ensure ultimate success and asks, therefore, that regular progress reports are prepared and submitted to the relevant Policy Overview Committees, commenting on the impact of the WNF strategy and partner contributions

<u>At this stage in the meeting, the Chairman stated that he proposed to move item F2 (Contract involving KCC in the management of motorways and trunk roads in Kent Surrey and Sussex), from the exempt to the public side of the agenda, following comments made prior to the meeting by a number of Members that a discussion about the key principles in open session was desirable. Mr Sass advised that a public version of the report of the Managing Director Environment and Regeneration had been prepared, but that the business case that had also been circulated with the agenda papers remained exempt and should not be discussed in open session by</u>

Members. Mr Ferrin and Mr Mee confirmed that they were content to discuss the key principles of the proposed contract in open session.

81. Contract involving KCC in the management of motorways and trunk roads in Kent, Surrey and Sussex
(Item F1)

(1) The Committee welcomed Mr K A Ferrin MBE, Cabinet Member for Environment, Highways and Waste and Mr G Mee, Director, Kent Highways Services to the meeting.

(2) Mr Smyth began the discussion by asking the Cabinet Member to comment on whether he thought that KCC could take on a major contract of this kind, whilst continuing to improve and progress core highways activities for the benefit of the residents of Kent. Mr Ferrin responded that KCC was not proposing to take on a major contract, but was in fact proposing to be a minor partner in a joint venture with Jacobs and Ringway. He confirmed that the tenders for this contract were due to be submitted on 11 August and that, following detailed analysis by the Highways Agency, an announcement was expected in early 2009 about the preferred contractor, with a go live date of July 2009. He stated that the impact on KCC Highways staff would be minimal, with only three members of staff being involved directly in contract monitoring, should the Jacobs/Ringway bid be successful. He added that there were a number of opportunities for a more effective utilisation of KCC's existing depot infrastructure, which would result in synergies and efficiencies for both KCC and the Highways Agency, together with opportunities for savings on the bulk purchase of materials and a smarter deployment and routing of lorries for gritting and other maintenance duties. He assured the Committee that, in the event of the bid being successful, there would be adverse impact on any of KCC's existing highways services.

(3) In response to a question from Mr Daley, Mr Ferrin confirmed that, should the bid be successful, the three members of staff he referred to in his introductory comments were all high quality and valued members of staff, but not part of Mr Mee's senior management team for KHS.

(4) Mr Daley then asked Mr Ferrin to comment on the risk assessment contained in the business case that had been circulated as part of the agenda papers. At this point, the Chairman interjected and said that any discussion on the business case should only take place once the press and public had been excluded from the meeting. Mr Law then moved and Mr Northey seconded the resolution to exclude the press and public from the meeting.

82 Exclusion of the press and public

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

83. Contract involving KCC in the management of motorways and trunk roads in Kent, Surrey and Sussex

(The following text is an unrestricted minute of the discussion on an exempt report)

(1) In response to a question from Mr Daley, Mr Ferrin stated that there were a number of risks that had been identified in the business case as part of a risk register, which was part of the normal managerial processes for any pre-tender or pre-contract work. He added that, once identified, it was incumbent on the officers to suggest ways in which risks could be mitigated and controlled by analysing scores relating to the probability and impact of each risk and finding ways to reduce the scores.

(2) In response to further questions from Members, Mr Ferrin gave the names of the three KHS officers who would be involved directly in working on this contract, should the joint bid with Jacobs and Ringway be ultimately successful.

(3) The Chairman stated that there were a number of issues contained in the business plan that warranted further and more detailed discussion. He suggested that an Informal Member Group be convened to tease out and examine these issues further and that the IMG should report back to this Committee in due course. Mr Law asked for further information on the timing of the IMG, given the tender deadline and whether the detailed scrutiny activity being suggested on this matter was likely to take place before the Council was in a position of being committed to the contract with Jacobs and Ringway. Mr Ferrin advised that the tenders would be submitted on 11 August, following which there would be a detailed analysis of the submissions by the Highways Agency. Following this process, it was likely that a commitment would have to be given by the successful tenderer before the end of the calendar year. He added that the Council could decide, therefore, to withdraw from the process after the tender had been submitted, although the Council would have to pay its share of the tendering costs. The Chairman stated that the IMG should meet during August and possibly early September if required, so that a report back could be made to this Committee's next meeting on 24 September.

(4) RESOLVED: That:

(a) Mr Ferrin and Mr Mee be thanked for attending the meeting to answer Members' questions; and
(b) An Informal Member Group (1:1:1), be formed to discuss the matter in greater detail, with a report back being submitted to the Committee's next meeting in September 2008.

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By: Head of Democratic Services and Local Leadership

To: Cabinet Scrutiny Committee – 24 September 2008

Subject: Response from Cabinet to the decisions from Cabinet Scrutiny Committee on 23 July 2008

Classification: Unrestricted

Summary: This report sets out the response from the Cabinet meeting on 15 September to decisions from the last Cabinet Scrutiny Committee meeting on 23 July 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 23 July 2008 were reported to the Cabinet meeting on 15 September 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 23 July be noted.

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

01622 694002

Background Information: *Nil*

Title	Purpose of Consideration	Decisions	Response from Cabinet
Revenue and Capital Budget Monitoring Exception Report; impact of the current economic situation on the Council and roll forward of remaining 2007/08 underspend	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 (CFE) about the justification for the proposed virements in the recommendations to the report.	1. The Committee endorsed the proposed virements and base budget adjustment within the Children, Families and Educational Achievement portfolio.	Cabinet noted the Committee's decision
Working Neighbourhood Fund for Thanet	To discuss the proposals for the ongoing monitoring and impact of these important additional funds for Thanet	1. The Committee welcomes the additional monies being invested in Thanet through the Working Neighbourhood Fund. 2. The Committee is of the view that the key to the delivery of a successful programme is having clear objectives that are closely monitored to ensure ultimate success and asks, therefore, that regular progress reports are prepared and submitted to the relevant Policy Overview Committees, commenting on the impact of the WNF strategy and partner contributions.	Cabinet noted the Committee's decision

Title	Purpose of Consideration	Decisions	Response from Cabinet
Contract involving KCC in the management of motorways and trunk roads in Kent, Surrey and Sussex	To question the proposals, with particular reference to ensuring that the proposals have a positive impact on the maintenance of Kent's roads.	1. The Committee agreed that an Informal Member Group (1:1:1) be formed to discuss the matter in greater detail, with a report back being submitted to the Committee's next meeting in September 2008. (Note: The Committee did not require any reconsideration of the Cabinet Member's decision to form a joint venture company with Jacobs and Ringway, should the joint tender submission be successful)	Cabinet noted the Committee's decision

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NOTES of a meeting of the Cabinet Scrutiny Committee's Informal Member Group on Budgetary Issues held on Thursday 31 July 2008.

PRESENT: Mr D Smyth (Chairman), Miss S Carey and Mr I Chittenden.

ALSO PRESENT: Mr N J C Chard, Cabinet Member for Finance and Dr M R Eddy

OFFICERS: Ms L McMullan, Director of Finance and Mr P Sass, Head of Democratic Services and Local Leadership

1. Notes of Previous Meeting held on 10 July 2008
(Item 1)

The minutes of the meeting held on 10 July 2008 were noted. Mr Sass undertook to chase and supply responses to all of the outstanding questions raised by Members, as indicated in the Minutes.

2. Impact of the current economic situation on the Council
(Item 2)

(1) Mr Chard introduced the report, stating that the requests from Directorates for additional resources had not been accepted at face value and without challenge, but would continue to be monitored to ensure that they were realistic. He added that the Council's sound financial management in previous years had meant that the Council was in a fortunate position of being able to provide this additional support to its revenue budget, without needing to use reserves. He also stated that the proposed establishment of the second Property Enterprise Fund was an elegant way of maintaining capital investment during the current economic conditions. With regard to the BSF programme, Mr Chard stated that the Cabinet would continue to monitor the situation closely; waves 4 and 5 had not been agreed as yet, but wave 3 was affordable and should proceed. He added that the Council should take advantage of the BSF money available, but he would not support the Council having to subsidise previously agreed waves. Ms McMullan confirmed that wave 3 would be dealt with via the Property Enterprise Fund, as capital receipts were still required to fund the programme.

(2) In response to a question from Dr Eddy, Mr Chard stated that, whilst there were certain assumptions about service user numbers contained in the publicly available information on the budget, there was nothing as specific or potentially useful to suppliers as the information contained in the appendix to the report, which is why it was exempt.

(3) Referring to paragraph 4.1 on page 4 of the report, Mr Chittenden asked whether officers believed that the Economic Survey forecast for building tender price inflation of 6.3% over the next year was reasonable, given the downturn in the construction market and the inevitability of companies needing work to survive. Ms McMullan stated that the Council might get slightly lower prices on its tendered work and that tender prices are monitored. Mr Chard added that lower labour costs would have to balanced against higher materials costs.

(4) In response to a question from Mr Chittenden, Mr Chard confirmed that the additional £5.11m was the uncommitted roll forward from the 2007/08 revenue budget and not a utilisation of reserves.

(5) In response to a question from Miss Carey on the Adult Social Services portfolio, Ms McMullan confirmed that the estimated additional costs only related to unit costs; therefore any cost pressures caused by demographic factors would be in addition to those caused by the impact of the current economic situation.

(6) In response to a question from Mr Smyth on page 3 of the exempt appendix on waste management costs, Ms McMullan confirmed that officers were not predicting an incremental increase in costs in 2011/12 as certain contracts fall out.

(7) Mr Smyth asked for further clarification of the relationship between paragraphs 2.3.2 and 2.3.3 of the report in relation to the Comprehensive Spending Review. Ms McMullan stated that there had been a reduction of £4.7bn in spending assumptions nationally as a result of actions taken since CSR 07 was announced, which represented 1.2% of the total public spending of £397bn announced originally in CSR 07. She undertook to provide further details to Members.

(8) In response to a question from Mr Smyth on paragraph 3.3 of appendix 2, Ms McMullan stated that the prudential equalisation reserve was a separate reserve designed to smooth out the revenue implications of borrowing.

(9) Members agreed to note the report.

Notes of a meeting of the Cabinet Scrutiny Committee Informal Member Group on Budgetary Issues held on Thursday, 11 September 2008.

Present: Mr D Smyth (Chairman), Mrs T Dean and Mr J Simmonds.

Also Present: Mr N J C Chard, Cabinet Member for Finance, Mr G Gibbens, Cabinet Member for Adult Social Services.

OFFICERS: Miss M Goldsmith, Directorate Finance Manager (KASS), Mr O Mills, Managing Director, KASS, Ms L McMullan, Director of Finance, Mr S Leidecker, Director of Operations (KASS), Mr A Wood, Head of Financial Management, Mr N Smith, Head of Development Investment and Ms D Fitch, Assistant Democratic Services Manager (Policy Overview).

The Chairman welcomed Mr Simmonds to his first meeting of the IMG.

1. Notes of Previous Meeting held on 31 July 2008.
(Item 1)

The notes of the meeting held on 31 July 2008 were approved.

2. Responses to Previous Requests for Further Information

(1) The Committee received papers on Home to College Transport, Dedicated Schools Grant, Highways Claim Data and an additional paper on the Managed Service Events/Timescales for Establishing Kent Top Temps.

Home to College Transport

(2) Mrs Dean requested further information clarifying whether this was a statutory responsibility, how many people this service covered, whether it was advertised to parents and what the exceptions were to granting this.

Dedicated Schools Grant

(3) In response to a question from Mrs Dean, Ms McMullan undertook to provide confirmation as to whether the academies received the same per capita rate as LEA schools and also information on the discussions with Lord Adonis in relation to financial support for academies.

Kent Top Temps

(4) Ms McMullan at the request of Mrs Dean, confirmed that the mandate requiring County Council officers to seek temporary employees from Kent Top Temps was given on 2 May 2008.

(5) It was agreed that a paper would be brought to a future meeting of the Budget IMG clarifying the wording of the guidance given to officers in February 2008 regarding Kent Top Temps.

(6) The information supplied to Members was noted.

3. KASS Direct Payments
(Item 3)
(Mr Mills, Ms Goldsmith, Mr Leidecker and Mr Gibbens were present for this item)

(1) Mr Mills introduced the report which set the context for direct payments in Kent.

(2) Mr Smyth ask what proportion of Adult Social Services Clients were in receipt of a direct payment, Mr Mills estimated that approximately 10% of the client base were receiving a direct payment . Mr Leidecker explained that some clients received a mixture of part direct payment and part traditional services. It was pointed out that many clients still preferred the local authority to make arrangements for them rather than receiving a direct payment.

(3) Mr Leidecker informed Members that the Government had established 13 individual budget pilots which were due to report in the Autumn.

(4) Mrs Dean referred to the slow progress of getting people to move towards to direct payments and asked what officers felt was the most effective way of moving this forward. Mr Mills stated that there had always been an acknowledgement that there was a cultural aspect to this. However, Kent in comparison with other local authorities was in the top band for take up of direct payments. An important aspect in the take up of direct payments was encouragement via word of mouth. It was important to make the offer of a direct payment to clients and to paint a positive picture of how it could assist them. A key part of this was the Kent Card and a lot of work had been done with providers, including a conference which had been held earlier in the year with 400 providers to describe what the future was likely to be with personal budgets.

(5) Mr Simmonds asked whether how we ensured that direct payments were only used in appropriate cases and how vulnerable people were safeguarded when they were accessing their services via a direct payment.

(6) Mr Mills stated that overall research indicated that where people had a choice and control over their services, they were better able to support themselves to live independently. He reminded Members that in order to access a direct payment it was necessary to have a needs assessment and to meet the eligibility criteria. The Authority had a responsibility to review this regularly. He explained that there was a balance to be struck between safety and freedom of choice. Part of the local authority's responsibility was to see that that the individual was protected from financial and other abuse.

(7) In response to a question on the audit capacity to monitor those in receipt of director payments, Mr Mills explained that provided the recipient met the eligibility criteria of assessed needs they would have services arranged for them or be given the a direct payment so that they could make their own arrangements. The local authority had responsibility in relation to the quality of care and the outcome and therefore KASS continued to review and check how the money was used. Mr Leidecker stated the majority of Kent Adult Social Services clients had complex needs and were dependent on the services. They realised the implications of not arranging services to meet their needs if they were in the receipt of direct payment.

(8) Mrs Dean asked whether there had been occasions when it was necessary to intervene and Mr Leidecker replied that this had happened on rare occasions.

(9) In response to a question from Mr Smyth, Mr Mills reminded Members that there were other people who had assets or income which meant that they were self funders and in effect provided their own direct payment privately. There were risks for them in relation to direct payments in the same way as others. The local authority had a responsibility for safeguarding all adults in Kent including self funders.

(10) Mr Smyth referred to the competitive price that was gained through bulk purchase of services and asked whether direct payments reduced KASS's ability to bulk purchase services. Mr Mills stated that in relation to direct payments, the Authority did not pay any more for care than they would pay for the traditional service. Bulk buying savings were ensured by competitive tender and many people on direct payments were pleased with the services that they were able to purchase via KCC. He acknowledged that this was something that needed to be monitored carefully.

(11) Mr Mills referred to the Government's "resource allocation system" model where points were allocated in relation to a persons need and then money allocated to points. He stated that although this was a good idea there was little evidence at this stage of where across the country it was fully operational. The move to any new system for allocating resources would require a long transition period.

(12) Mr Leidecker stated that it was Government policy to use the power of consumers to drive up standards of providers. There was evidence that providers understood direct payments and that they knew that they may have to adapt services to accommodate them.

(13) In response to a question from Mrs Dean, Mr Leidecker stated that the Swift System had been stable for a number of months and there was a good dialogue taking place with ISG about the replacement system.

(14) Members agreed to note the report.

4. Local Area Agreement – Reward Scheme
(Item 6)
(Ms McMullan and Mr Wood were present for this item)

(1) A revised version of the report was circulated at the meeting. Mr Wood highlighted the main difference with the revised paper as being the change in language and on question 8, there was an additional point relating to PRG and the understanding when it was set up that as authorities met targets there would be a transfer of resources. There was no evidence that this had happened anywhere in the country. Ms McMullan stated that in order for PRG to be something worthwhile having, the area based grant should be wider, for example DSS and preventative health money should be involved in order to get incentives across the piece.

(2) Mrs Dean stated that there may be more success if Government was approached on individual projects. In relation to this, Ms McMullan suggested that could be targeted at firstly getting people off benefits and into work and secondly, the care of the elderly across the care and health service divide. It was important to get a Kent deal set out which made it clear that if we achieved our targets, there would be a collective gain.

(3) Mr Chard emphasised the importance of incentives within the PSA system to create a virtual circle. He identified one key issue with the current system as the silo mentality of Central Government departments. Mr Smyth stated that he remained to be convinced.

(4) The response circulated at the meeting was endorsed.

5. Impact of Housing Market on Development Contributions
(Mr N Smith was present for this item)

(1) Mr Smith presented a paper which outlined the current economic context of the housing market in relation to future provision of infrastructure and the financial implications for KCC service providers. In particular, Mr Smith asked the Committee to consider the issues around KCC contributions from the developers of Charter House, Ashford and Martello Lakes, Nickols Quarry, Hythe. He proposed a way forward in relation to both of these cases.

(3) Members agreed the following:-

(a) that Mr Smith be supported in the way that he proposed to ensure the best outcomes for KCC in relation to the two schemes;

(b) that the Cabinet Scrutiny Committee consider whether to set up an IMG either of Cabinet Scrutiny or request that one be set up of Corporate Policy Overview Committee to consider and give cross-party guidance on specific cases brought to it by the Head of Development Investment and that this IMG also invite the relevant Local Member(s) to attend when items are discussed.

5. 2008/09 Revised Reporting Timetable
(Item 7)

(1) Members noted the report.

6. Autumn Budget Statement and detailed monitoring report
(Items 4 & 5)

(1) It was agreed that consideration of these items would be deferred. It was suggested that these should be considered at the next meeting of the Cabinet Scrutiny Committee, if there was room on the agenda. If this was not possible then a special meeting of the Budget IMG would be called to consider these two reports.

CABINET SCRUTINY COMMITTEE – 24 September 2008

Report Title:	**Autumn Budget Statement**
Documents Attached:	Report to Cabinet, 15 September.
Purpose of Consideration:	To question the Leader of the Council, the Cabinet Member for Finance, the Chief Executive and the Director of Finance about the key conclusions arising from this report, with particular regard to the financial planning risks. At is meeting on 15 September, the Cabinet approved the recommendations contained in the 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.

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Report to Cabinet – 15 September 2008

By: Paul Carter, Leader of the Council
Nick Chard, Cabinet Member for Finance
Peter Gilroy, Chief Executive
Lynda McMullan, Director of Finance

AUTUMN BUDGET STATEMENT

Summary

This paper sets out the context, at both the national and local level, within which the County Council's medium term financial plan will be framed over the next three years.

There are three critical issues facing KCC and the rest of local government at the moment:

- the totality of resources between now and 2011 that are available at a national level for our services which were set out in the Comprehensive Spending Review 2007;

- how we balance increasing demands on our services due to demographic and wider socio-economic change, government imposition of new burdens, climate and environmental change, rising customer service expectations and indeed our own aspirations for continued innovation and improvement in services at a time of nationally and locally constrained resources;

- how we respond and react to the continuing to unfold "credit crunch" and the more recent rapidly escalating rises in inflation which are now way above the target set for the Bank of England by the government.

The key conclusions from this report are:

Resources:

- the current local government finance settlement is a three year settlement lasting to 2011;
- key driver of resources for local government in total is that set out in CSR 07;
- CSR07 assumptions were set before the implications of the global "credit crunch", the slowing of the world and UK economies, the rapid escalation in commodity prices (oil, petrol, diesel, gas, electricity etc.)and the spill over into inflation more generally;
- the levels of grant for 2009-10 and 2010-11 pre-announced last year, whilst viewed as significantly constrained last year, are now to be seen as even more severely constrained, falling well short of any accepted measure of inflation and thus are real terms cuts in funding;
- the Government's announcements, at the time of writing this report, on measures to help the housing market appear to be very modest and thus have no material affect on the outlook for the housing market, the overall economy or KCC's financial planning assumptions.

The items on which KCC and partners are most concerned are:

- the overall resources available to fund service pressures (particularly demographics in elderly and disability services) and inflation;
- regional disparities, in particular flowing from the Barnett formula and other regional comparisons;
- the funding of the Growth Agenda;
- the operation of the main funding formula and its inbuilt deficiencies which fail to adequately reflect Kent's unique features (and whether those will be adequately addressed in the next formula review in 2011-12);
- the operation of Dedicated Schools Grant and its inbuilt deficiencies in terms of resource allocation and the total quantum of funding;
- the burdens imposed upon us by government without adequate recompense in terms of additional funding;
- a continued failure by government to assure us that it will fully reimburse asylum costs

Recommendations

Cabinet are asked to note:

1. The key conclusions from this report as set out in the summary.

2. KCC has developed and strengthened its policy led budgeting yet further to ensure that it optimises the allocation of constrained resources to meet local priorities

3. The financial planning risks for KCC which are set out in paragraph 92 onwards of this report

4. The proposed Medium Term Planning key milestone dates set out in Appendix 1.

Background Documents: None

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Andy Wood, Head of Financial Management on 01622 694622
Ben Smith, Group Manager on 01622 694597

AUTUMN BUDGET STATEMENT

Introduction

1. This report is a key stage in medium term financial planning. It provides an opportunity to review both the national and local contextual issues that will shape our forward thinking for the next three years. It also gives direction to the necessary actions required to deliver the Council's policies and priorities and sets out the financial framework for the budget and medium term financial plan, which will be presented for formal agreement by Council next February.

2. In particular it looks at what resources will be available to local government from the national perspective and at how we will deliver the medium term plan in KCC within the context of the likely distribution of that total national resource to Kent over the medium term.

The Economy and Public Expenditure

3. The Budget 2008, announced on 12 March, is the most recently published document setting out the government's view of the national economic situation and the public finances. Featured, were the confirmed plans to remove the 10 pence starting rate of tax, and to cut the basic rate of income tax from 22 pence to 20 pence from April 2008 (subsequently followed by measures to try and alleviate the increased taxation for low earners that this removal of the 10p rate caused). The Chancellor affirmed that inflation was expected to be above the 2.0% target rate, with CPI falling back to 2.5% by the end of 2008 and returning to target in 2009 and beyond. The economy was expected to slow markedly with growth down from 3% in 2007 to 1.75% to 2.25% during 2008, rising to 2.25% to 2.75% in 2009 and 2.5% to 3.0% in 2010. The Chancellor will be presenting his pre-budget report in the autumn of 2008, which will provide updated forecasts of the public finances and will set the scene for the 2009 Budget.

4. It has to be said that those statements looked optimistic at the time and now look increasingly optimistic and indeed unattainable. Both the OECD and the IMF have issued recent reports pointing to a much more significant slow down in both the UK and world (especially developed) economies. The IMF report published in August for example has revised growth for the UK down to 1.4% in 2008 and 1.1% in 2009, both well below government projections. That same report noted accelerating inflation in the UK and predicted that the 2% target would be breached for an "extended period". It further went on to say that to rebalance government spending plans there would need to be sharp spending cuts or tax rises of up to 1% of GDP a year until 2013. Now the latest OECD forecast issued in September predicts growth of just 1.2% for 2008 and shrinkage in the economy for the latter two quarters of 2008-09, which meets the working definition of a recession, two quarters of negative growth.

5. The Bank of England's August Inflation Report takes a more cautious stance still on the outlook for economic growth for the UK. It assumes output is broadly flat (i.e. nil growth) for the next year with a recognition of risks on the downside that could mean a contraction in the overall economy

6. The Bank of England's Monetary Policy Committee held base rates at 5.0% in August 2008, following three separate 0.25% percentage cuts since their most recent peak in autumn 2007 at 5.75%. The Bank of England is facing a clear dilemma over future interest rates: rising and rapidly escalating consumer and retail prices well above the long run 2% target should result in a tightening of monetary policy and increases in interest rates but to

do that at a time when the economy has slowed significantly runs the risk of pushing the economy into recession.

7. The Bank of England therefore appears to be adopting a wait and see strategy hoping that the rapid escalation in prices primarily as a result of spikes in commodity prices and oil in particular will be short lived and that whilst in the short run that will mean much higher levels of inflation, these will partly self correct over the medium term as commodity prices stabilise and then tail off (as has happened with oil recently, down over 20% from its high reached in July)

8. We have also made some key assumptions on the outlook for the next Spending Review due in 2009 (SR09) and local government in particular so that we can look beyond the current financial settlement which runs to 2011.

9. The Institute for Fiscal Studies analysis of The Budget 2008 indicated that real terms cuts in forecast spending needed to grow from £4bn for the CSR07 period (3 yrs 2008-11) to £8bn for the next spending review, SR09 (2 yrs 2011-13). If we further assume the Chancellor permanently funds the whole £2.7bn per annum cost of the subsequently announced rebates to part compensate for the removal of the 10p starting rate of tax then that means £4.7bn needs to be taken out of public spending per annum to rebalance spending. That level of saving is equivalent to a 1.2% reduction per annum in real terms growth and given CSR 07 had broadly 2% real terms growth per annum that means headroom would be down to 0.8% real terms growth across the whole of the public sector.

10. At the time of writing this report the government has begun to announce measures to help the housing market.
    - A one year exemption from stamp duty for house sales up to £175,000 in value (then reverting back to the current £125,000 limit);
    - "Free" five year loans of up to 30% of a property's value for first time buyers of new homes in England;
    - Extension of powers for councils and housing associations to be able to pay off debt for homeowners who can no longer afford mortgage payments and then charge rent;
    - Shortening from 39 weeks to 13 weeks the period before Income Support for Mortgage Interest is paid;
    - Bringing forward spending from future years to encourage more social housing to be built.

11. The first measure is estimated to cost an extra £600 million and HM Treasury have not indicated how this will be funded. The remaining measures are all said to be a bringing forward of existing spending plans. Whilst this puts further spending pressure on the public finances it is a set of measures that, on top of the stamp duty holiday, will initially directly help perhaps just 16,000 households (with a further 10,000 helped to avoid repossession and 5,500 more social homes built earlier than planned. Whilst a helpful start, this has to be set in the context of the 24.4 million households in Great Britain, so the measures appear very modest.

12. The funding position is therefore bound to be tighter still. This position was all predicated on a 2008 Budget assuming growth of 2.5-3% by 2010. The International Monetary Fund thinks that UK growth more like an average of 1.25% for each of the next two years is more realistic. So that takes a further average 1.5% off long term trend growth. So that leaves minus 0.7% on average real terms growth and clearly, given spending priorities and

commitments by government to the NHS and education, that pain will not be passed on there to any significant level. Local government can therefore expect even less than that average, i.e. an even worse real terms settlement, perhaps around -2%.

13. If we assume CPI inflation in the longer run is kept to the 2% target and the GDP deflator (used for pricing government spending plans) is 2.5% by 2012-13 then that means there may be only +0.5% nominal cash per annum increases for local government in SR09. That's compared to the local government CSR 07 and 2008 grant settlement of a 3.5% increase in nominal cash terms on average (and in real terms +1% per annum).

14. In summary we can expect higher inflation, lower growth, worse public finances overall, a need for a reduction in public spending as a share of gross domestic product and probably pretty much standstill cash grants for local government which will of course be a real terms cut. No additional cash at a time of increasing demand on our services will undoubtedly mean difficult decisions lie ahead. We are assuming for KCC a cash grant increase of 1.3% in 2011-12. The reason this is higher than the expected average is that we currently pay into the damping mechanism for formula grant to the tune of nearly £12 million per annum and we would expect an element of this (assumed at 30%) to continue to unwind over time as damping is removed.

Inflation

15. Inflation is currently running at 4.4% (CPI August 2008). The trend in this figure is firmly upwards and in the short run it will continue to go higher still, primarily due to higher oil prices to work through and feed into consequential rises in the cost of road fuel, gas and electricity prices (whilst oil prices are now falling it will take time for that downward pressure to fully work through into the rest of the economy). The rate is significantly above the long run inflation target which is set at 2.0%. Similarly RPI, the inflation measure which is used for benefits indexation, is currently running at 5.0% (August 2008). The same pressures have affected RPI but there has been some downward pressure on the RPI from mortgage interest payments (excluded in CPI) which have been falling as the base rate has reduced but the benefit to consumers may be less marked because the "credit crunch" has affected the rates at which mortgage lenders are prepared to actually lend or indeed even lend at all. There will be some further downward pressure on the RPI from falling house prices (because a percentage of the average house value is used each month as a proxy for the cost of maintaining houses in their current condition). The interaction of lower interest rates and falling house prices could mean RPI and CPI cross over before the year is out (i.e. that CPI, the preferred measure, exceeds RPI, whereas we have got more used to the inverse).

16. Neither CPI or RPI may be the best rates to use when considering public sector inflation. One of the biggest difficulties in dealing with this area is to find any robust consistent method of measuring public sector inflation. The current methodology is derived from public sector outputs and has been revised many times by the Office for National statistics (ONS). The Chief Secretary to the Treasury has agreed in principle to develop a measure of public sector inflation but progress on its implementation has been slow and there has to be concern that part of the reason for delay is that if there is a measure available which demonstrably shows funding increases at a rate less than inflation that government will feel under pressure, and rightly so, to increase its funding for local government.

17. The Adam Smith Institute has previously set out an argument that shows that public sector inflation (PSI) has run at almost 5% per year since 1997. Our estimates, based on current budget data continue to be consistent with a local price inflation rate in excess of 5%.

18. We have, of course, already taken action to address some of the inflationary pressures following Cabinet on 4 August 2008. Additional inflation pressures for 2008-09 of £5.3 million were identified and we have broadly covered that pressure by allocating our £5.1 million contingency for inflation itself approved by Cabinet on 14 July (funded from the reported under spend on the 2007-08 budget). Nevertheless the inflationary pressures remain pronounced as identified in the report to Cabinet on 4 August: an additional £14.9 million in 2009-10 and a further £13.4 million between 2010 and 2012 which we are having to address as part of this budget and medium term planning round.

Government's Current Spending Plans

19. Comprehensive Spending Review 2007, published in October 2007, set out the government's spending plans for the period 2008-09 to 2010-11. This remains the prime source of funding information for local government.

20. The Budget 2008 highlighted the following:
    - Measures designed to tackle child poverty through increases in Child Benefit and reform of how Housing and Council Tax Benefit operates from October 2009;
    - Measures to tackle climate change including an ambition for all new public sector buildings to be zero carbon by 2018 and the publication of five year carbon budgets from 2009;
    - Voluntary and statutory arrangements with energy companies to help those facing fuel poverty;
    - For schools £200m of funding to be brought forward one year to 2011 to support the aim that no school should have fewer than 30 per cent of its pupils achieving 5 A*-C GCSEs, including English and Maths;
    - Funding to develop technology to underpin national road pricing schemes;
    - Measures to try and enhance the efficiency of PFI projects;
    - An announcement of the start of a review for the value for money framework post the CSR 07 period (i.e. from 2011 onwards) which will set out further public sector efficiencies and savings (amounts to be quantified in Budget 2009).

21. So we can expect some further pressure on local government spending and very little in the way of additional resources to help fund that spending.

Comprehensive Spending Review 2007 (CSR07)

22. On 9 October 2007, HM Treasury announced the second Comprehensive Spending Review, CSR 07 (the first being in 1997). It set out what the investments and reforms initiated to date have delivered and what further steps must be taken to ensure that Britain is equipped to meet the challenges of the decade ahead.

23. The efficiency target for local government was confirmed at 3% per annum. An additional £150m was made available for supporting the efficiency programme in local government.

24. CSR 07 set out arrangements for £5 billion of specific grants to be mainstreamed (i.e. re-badged) into formula grant and into the LAA area based grant over the three year period of the CSR. This has subsequently been reflected in the three year local government finance settlement 2008-11.

25. CSR 07 also confirmed there would be a third round of Performance Reward Grant but with the inference (and since confirmed) that the PRG available will be smaller than current

levels ("at a level that maintains incentives but recognises that partnerships are now much stronger").

26. CSR 07 also confirmed that the current LABGI scheme (worth £1 billion over three years) would cease and was to be replaced with a new scheme from 2009-10 with a national budget of just £50m rising to £100m in year 2.

27. Finally CSR 07 also set out the following statement on council tax. "This will provide the resources to enable local authorities to deliver improving services while maintaining the low council tax rises of recent years, and the government expects the overall increases in council tax to be well under 5 per cent in each of the next three years".

The 'Four Block' System

28. In 2006-07, settlements began adopting a new 'four block' system for formula grant, which means that total assumed spending and formula spending shares (FSS) no longer exist.

The four blocks of the model are as follows:

i. Relative Needs Block – worked out using the Relative Needs Formulae (RNF), this is the equivalent to FSS
ii. Relative Resource Amount – takes account of different capacity to raise income for council tax (a negative amount for KCC)
iii. Central Allocation Amount – allocated on a per capita basis
iv. Floor Damping Block – to ensure that all authorities receive the minimum grant increase

29. The four block system is less transparent than the previous FSS system, and it is harder to explain to key stakeholders. This is because it is no longer possible to easily find out the total the government is prepared to support through grant and how much of this is assumed to be financed by councils' own resources (i.e. council tax).

30. The underpinning formula will next be subjected to review in time for the 2011-12 settlement onwards. The current work schedule of the Settlement Working Group indicates that there will be changes to the highway maintenance, fire, police, environmental protective and cultural and capital financing formulae. There is also likely to be a review of area cost adjustment calculations and a discussion and debate on the availability and thus scope for inclusion or otherwise of 2011 Census data. We can expect formal consultation on any changes to begin in 2010.

Education Funding and Dedicated Schools Grant

31. The DfES (now the Department for Children, Schools and Families) launched its five-year strategy for Children and Learners in July 2004, which set out key reforms including guaranteed three-year budgets for every school from 2006, tied to the CSR cycle and geared to pupil numbers, with every school also guaranteed a minimum per pupil increase each year. The DfES introduced this funding mechanism in the form of Dedicated Schools Grant in 2006-07. Indicative funding was announced for 2006-07 and 2007-08. A consultation took place in early 2007 about potential changes to this funding system for the period 2008-11 and decisions on that were announced on 25 June 2007.

32. Those announcements meant that the risks that we identified with the DSG system when it was introduced will continue in the future. Decisions on schools budgets will still have to be

taken before DCSF announce the final DSG, due to lags in the DCSF systems for processing and verifying pupil data. Local decisions therefore have to be based on indicative allocations with a mechanism to deal with under and over allocations.

33. The announcements do not change the fact that the funding arrangements seem to be based on an assumption that there is a national “one size fits all” solution to the funding of schools. The new system leaves little room for changes to reflect local needs and priorities. It also assumes that at the point in time that these changes were introduced the local schools formula was “right”.

34. There are immense pressures from Government stated commitments and priorities and there is estimated to be an excess pressure on DSG funded services and no funding headroom to pay for this. The only option to close the gap other than cutting services would be to top up funding from council tax. But with funding pressures of our own it is wholly unacceptable to expect local taxpayers to top up a supposedly nationally funded schools service.

35. Given that there is also an expectation by Government that there will be further expansion of the Academies programme it is worth noting that each academy that opens takes further resource away from the DSG grant settlement for the authority which will impact on the funding of both CFE and CED.

36. The overall impact of these changes has meant that the supposed headroom that the authority has (which is the difference between overall DSG funding increases and the amounts that have to be passported to schools and schools spending under the funding guarantee) may well become negative.

37. The decisions about the future funding framework that were announced in June 2007 include some significant longer term changes in respect of funding for schools and early years. Subsequent announcements have made it clear that by 2010 all funding for 16-19 year old students in schools and FE Colleges will be removed from the LSC and (partially) returned to local authorities through a new grant that is separate to, but “aligned” with, the DSG. There will also be two new national funding bodies to replace the LSC in respect of schools and FE colleges. A DCSF/DIUIS consultation on a range of proposals as to how all this might work took place earlier this year and we understand that Ministers will be taking final decisions on this by October 2008. The DCSF clearly wish to retain a national formula for 16-19 funding and have raised the possibility of extending this to 14-16 in 2011/12. By April 2010 we have to have established a single local formula for all early years funding (maintained and PVI). By 2011-12 there should have been a wider review of the national methodology for DSG distribution to local authorities, from which a single formula for all should be announced. This could adversely affect Kent.

38. For KCC, there is a further particular concern in relation to the funding of those parts of the DSG that cover Early Years and non-delegated items such as spending on the Education Welfare Officers (EWOs), Attendance & Behaviour Services, Pupil Referral Units etc. As a first call the DSG must fund the nationally set minimum per pupil increases in schools (the minimum funding guarantee), which means that the resources available in the DSG for the other services such as these may be squeezed to unacceptable levels. This is particularly an issue in terms of the early years funding for the PVI sectors where the DCSF announcements have built up a degree of expectation about improved funding despite the fact that there are no indications about any extra money being made available in the DSG.

39. There are continuing worrying issues in relation to new responsibilities and pressures for schools. Schools are having to make efficiency savings in order to balance their budgets because of the impact of falling rolls. Alongside this there is the concern that there are no

national mechanisms in place to reflect significant local pressures on schools – such as the big price increases schools face when long-tem contracts for services such as energy, catering and cleaning come up for renewal – apart from squeezing that element of the DSG that funds other local authority services for schools and pupils. It was this failure to properly assess the costs that led to the national funding "crisis" in 2003 and this is already being reflected in the 3 year budget plans produced by schools in May/June 2008 which shows an increasing number expecting to move into a deficit position during the period 2008-11.

Forthcoming legislative change and consequential pressures on local government

40. There are, as ever, a number of proposed government bills, as set out in the draft legislative programme in May 2008, which will have direct or consequential affects on local government.

41. The Community Empowerment, Housing and Economic Regeneration Bill implements those elements of the recent Empowerment White Paper requiring primary legislation, implements the recommendations from the review of sub-national economic development and regeneration and extends the powers of the new social housing regulator. The bill provides increased opportunities for local communities to be involved in decision taking, including giving individuals the right of response to petitions.

42. The National Health Service Reform Bill takes forward the recommendations of the Darzi review of the NHS and includes measures for increasing accountability to local people.

43. The Policing and Crime Reduction Bill increases accountability in the police force and seeks to establish a public voice in decision making through directly elected representatives.

44. The Education and Skills Bill seeks to promote excellence in schools, modernises the apprenticeship system and transfers funding responsibility for delivering 16-18 education and training to local authorities.

45. The Business Rates Supplement Bill will give county councils and unitary authorities the power to levy a local supplement of up to 2p per pound of rateable value on the business rate and retain the proceeds for economic development subject to a majority vote by local businesses.

46. The Coroners and Death Certification Bill will create a national coroners service with minimum national standards but crucially there will remain a funding anomaly, as funding responsibility will remain with local authorities and the cost of the service will continue to be an issue (e.g. the costs of large scale inquests which are outside individual council control)

47. Other bills of relevance to local government include:

- Welfare Reform Bill
- Equality Bill
- Constitutional Renewal Bill
- Citizenship, Immigration and Borders Bill
- Marine and Costal Access Bill
- Heritage Protection Bill

National Spending Pressures

48. CSR 07 set out, as expected, a much tighter public spending round than we have seen for the past decade. That was predicated on assumptions made by the government at the time before the full impact of the "credit crunch" was known and before the rapid and accelerating increases in commodity prices which have begun to spill over into the wider measures of inflation. This has been coupled with noticeably slowing economic growth which will in turn affect future tax revenues for the government.

49. It is fair to say therefore that what was assumed at the time of CSR 07, and the basis for the spending plans to 2011, is already significantly out of date. What was already a significant tightening of expenditure is likely to become tighter still.

50. Particular additional challenges remain in funding and tackling climate change, growing fuel poverty, waste and its disposal, and increases in the old age dependency ratio and for the latter particularly how the long term funding for older people is to be put on a sustainable funding footing. Nevertheless there is very little, if any room, for manoeuvre by government to put any additional funding into these areas.

Local Government Pension Scheme

51. The regulatory framework for the new LGPS scheme came into effect from 1st April 2008.

52. To address the general trend of increased life expectancy (and therefore pensioners claiming their pension for longer), the new scheme aimed to make the LGPS more affordable and sustainable. Removing the 85 year rule, those who retire under 65 will receive slightly less, where those who retire later receive the full benefits. It is however, payable for a longer period for all involved, because of increased life expectancy, continuing the overall strain on the pension fund.

53. On average, employers pay in twice as much as employees do - meaning this will also be payable for longer. The Government wanted to ensure no additional costs were imposed on the taxpayer, so plans are to be in place by March 2009 to have a mechanism of sharing future costs pressures. The actuarial valuation of the new scheme will not be until 2010, and individual fund actuaries will set new employer contribution rates to take effect on 1 April 2011.

54. On balance, though, there appears to be some additional upward pressure on employer contribution rates to come, due to longevity, despite good investment performance.

Interaction of services with the NHS

55. There is a continued grey area between the NHS and local authorities in the responsibility for provision of some aspects of health and social care. The well documented and reported upon funding crises affecting aspects of the NHS are beginning to be felt by local authorities. KCC is no exception to this pattern.

56. The LGA last year published a report following a study of local authorities operating in areas where NHS trusts are in deficit. Returns were received from 55 of the 78 local authorities in those deficit areas. Of these, 67% indicated that the deficit had had an adverse effect on the authority. It demonstrates that trusts have adopted a number of cost-cutting measures that have impacted on councils, including:

- The withdrawal of funding from jointly funded projects
- A sharp increase in the referral of patients that would normally be cared for by the NHS

- Paying no more than one per cent inflation on existing joint contracts
- Closure of beds

57. Measures local authorities have adopted to cope with the cutbacks have included:

- Withdrawing services from people with lower-level care needs
- Increasing waiting times for social care assessments and services
- Outsourcing more services
- Transferring resources from other services – including leisure facilities and transport
- Using budget reserves
- Negotiating with – or taking legal action against – the NHS over the non-payment of bills

58. The Audit Commission has reviewed several aspects of the funding of the Health service, and published three reports, all of which have a bearing on this. The main themes identified were:

- The increasing severity of the deficits, and the concomitant difficulties of recovering from these
- The needs for appropriate skills, leadership and cultures to be developed within the NHS organisations
- The importance of a robust financial management framework to support radical service configurations, where these are deemed to be necessary

59. The position in Kent is that the Health economy experiences substantial and significant difference between East and West Kent Primary care trusts. The West Kent PCT is in financial deficit and the east Kent PCT in financial surplus and this has consequential knock on effects on their respective ability to offer broadly the same levels of support and care to Kent residents.

60. Managers are working carefully to ensure that the risks and uncertainties arising from the difficult financial environment do not impact on services or service users. The budgetary risk is also being carefully monitored; and where appropriate Health decisions are being challenged. There will continue to be risk for the council's social care services all the time that the Health economy locally is so stretched at a time when demographic trends mean that there will continue to be large scale funding pressures on funding elder care. However, it is also clear that there can be no resolution to this difficulty unless the council is constructively engaged.

61. In order for local Councils to take greater share of responsibility in public health and health services, central Government has abolished the Patient and Public Involvement Forums and the Commission for Patient and Public Involvement in Health. They have been replaced by the Local Involvement Networks (LINKs). The prime function will be to gather information and make the views of the public know about local health and social care services.

62. We are supplementing national provisions with our own stronger local accountability arrangements by setting up and funding Healthwatch.

Differences across the UK

63 It is also perhaps worth noting and contrasting the different funding levels that exist between England, Wales, Scotland and Northern Ireland at a time when the balance of funding is being reviewed. The Barnett Formula, which was introduced in the seventies, and has not been reviewed since, results in substantially more public spending in these

countries than in England. It is time that the formula was reviewed to see if it still accurately reflects relative needs.

Table 1 - Public expenditure by region/country

Country/Region	Spend £ per head of population 2007-08 plans
England	7,535
Of which South East	6,512
Scotland	9,179
Wales	8,577
Northern Ireland	9,789

(Source: HM Treasury: Public Expenditure Statistical Analysis, 2008 table 9.2)

64 The government expects council taxpayers in the South East, excluding London, to bear a much higher proportion of spending than in other regions, particularly in the North and Midlands. Table 2 shows that the proportion of spending borne by the council taxpayer is around 54% in the South East in 2007-08, but around 42% in the North East and under 40% in the East Midlands.

Table 2 – Funding, Grant and Council Tax in 2008-09

Region	Proportion of Budget Requirement met by council tax %	Grant increase %	Increase in Band D for all tiers %	Average council tax per dwelling £
Kent	**48.3**	**3.4**	**4.1**	**1,259.63**
South East	**54.2**	**2.5**	**4.4**	**1,309.20**
South West	55.1	4.1	4.5	1,208.87
Eastern	47.0	3.5	4.4	1,235.74
East Midlands	39.7	5.2	5.3	1,091.95
West Midlands	41.0	4.2	3.8	1,060.17
Yorkshire & Humber	45.0	4.2	3.9	998.67
North West	42.3	3.8	3.7	1,039.33
North East	42.0	3.2	3.5	1,004.20
London	41.6	2.3	2.7	1,198.89
England	44.4	3.5	4.0	1,145.79

Source: Communities 2008-09 Settlement data; CIPFA council tax statistics 2008-09

Capping

65 KCC and the LGA are both opposed to capping. Ministers have reiterated that the government is prepared to use its capping powers to protect council-tax payers from excessive increases where necessary.

66 Ministers have indicated that increases in excess of 5% will be subject to scrutiny and run the risk of capping.

67 For 2008-09 eight authorities were deemed to have set excessive council tax increases (defined as a budget requirement increase of 5% or more between 2007-08 and 2008-09 and a council tax increase of more than 5% in the same period).

68 Lincolnshire Police Authority was designated for capping. Three other police authorities were allowed to retain 2008-09 council tax increases but had restrictions imposed limiting future year increases to 3% for 2009-10 and 2010-11, a variant of being designated for capping. Three further police authorities and one unitary council, Portsmouth, had alternative notional budgets set for 2008-09 allowing them to keep 2008-09 budgets and council tax levels unchanged from those proposed but limiting their scope for future council tax increases.

Provisional settlement 2009-10 to 2010-11

69. Due to the CSR 07 announcement last autumn and the consequential three year provisional local government finance settlement we already know our provisional grant allocations for both 2009-10 and 2010-11.

70. It is assumed, as government intends, for these to be firm settlement figures but there will, as is usual, be a period of consultation on each year's actual settlement to enable representations to be made if material errors or omissions are discovered in the calculations.

71. Tables 3 and 4 set out are provisional settlement for 2009-10 and 2010-11.

Table 3 – Provisional Settlement for KCC 2009-10

	Adjusted Base 2008-09 £m	**Provisional Settlement 2009-10 £m**	**Increase for KCC £m**	**Increase for KCC %**
Relative Needs	n/a	276.5	n/a	n/a
Relative Resource	n/a	-170.6	n/a	n/a
Central Allocation	n/a	171.4	n/a	n/a
Floor Damping	n/a	-10.1	n/a	n/a
External Funding (Revenue Support Grant and NNDR)	258.9	267.2	8.3	3.2%*

* After adjusting for loss of LABGI grant, this falls to an effective 2.0% for 2009-10

Table 4 – Provisional Settlement for KCC 2010-11

	Adjusted Base 2009-10 £m	**Provisional Settlement 2010-11 £m**	**Increase for KCC £m**	**Increase for KCC %**
Relative Needs	n/a	284.4	n/a	n/a
Relative Resource	n/a	-176.4	n/a	n/a
Central Allocation	n/a	179.5	n/a	n/a
Floor Damping	n/a	-11.8	n/a	n/a
External Funding (Revenue Support Grant and NNDR)	267.1	275.7	8.7	3.2%

72. Table 5 sets out some examples of the settlements to show the wide disparity between regions and authorities.

Table 5 - Increase in Grant – Some Examples

	Increase in grant on like for like basis			
	2007-08	**2008-09**	**2009-10**	**2010-11**
England	3.8%	3.5%	2.8%	2.6%
East Midlands Region	4.5%	5.2%	3.9%	3.6%
South West Region	4.3%	4.1%	3.4%	3.3%
London	3.4%	2.3%	2.1%	2.0%
South East Region	**3.4%**	**2.5%**	**2.2%**	**2.2%**
Shire Counties (average)	3.8%	5.3%	4.2%	4.0%
Dorset	9.5%	10.9%	7.6%	7.1%
Norfolk	8.4%	8.7%	6.0%	5.3%
North Yorkshire	5.9%	6.3%	5.2%	5.2%
Kent	**2.7%**	**3.4%**	**3.2%**	**3.2%**
Sample Kent Districts:				
Swale	8.0%	1.7%	1.3%	1.1%
Canterbury	5.2%	2.9%	2.8%	2.5%
Thanet	2.9%	1.5%	1.1%	1.1%
All others	2.7%	1.0%-1.6%	0.5%-1.8%	0.5%-2.5%

KCC Input to the next Spending Review

73. KCC lobbied comprehensively ahead of CSR 07 and produced a document *Input into Comprehensive Spending Review 2007*, which provided information about the shortfall in funding that Kent suffers. This was submitted to HM Treasury on 26 May 2006.

74. We believe KCC has been under-resourced for some time and the next spending review in either 2009 or 2010 is the appropriate juncture for the Government to take stock of resource allocation.

75. Likely key issues for KCC for the next spending review are set out in Appendix 2.

Local Area Agreements and Local Public Service Agreement 2

76. The first Local Area Agreement between Kent County Council, working with the Kent Partnership and other local partners, and the Government concluded at the end of March 2008, although it will take some time to ratify and verify the performance achieved in some of the performance indicators. The agreement comprised a set of 18 outcomes which been developed and agreed by a very wide range of partners across Kent.

77. The Local Public Services Agreement 2 (LPSA2) was developed alongside the LAA and all of the LPSA 2 targets contribute to the LAA. The total amount available on successful conclusion of all targets in LPSA2 is in the region of £36 million for all Kent partners. We continue to estimate KCC and its partners are likely to receive in the order of £23 million based on our performance. £16 million of this is estimated to flow to KCC although a prudent 50% of this amount has already been built into our cash limits. Payment by way of performance reward grant will be made at the end of 2008-09 and the end of 2009-10.

78. We have recently concluded with government and partners negotiations for the second local area agreement. This focuses on 35 agreed indicators and a further series of statutory education indicators. This agreement is also subject to the payment of performance reward grant although the amounts potentially payable are around one fifth of those payable last time round. Any payments of PRG will be made in 2011-12 and 2012-13.

The Efficiency Agenda

79. Alongside CSR 2007, DCLG published a value for money plan for the CSR period. All public services have now been set a target of achieving at least 3% net cash-releasing value for money gains per annum over 2008-09 to 2010-11. This target excludes schools expenditure with a target of 1%. The rationale for a substantially lower efficiency requirement from schools has not been adequately explained by government, although with many schools having 80% plus of their budget committed to staffing, perhaps this is the reason.

80. The annual efficiency target for each of years 2008-11 is £28.2 million.

81. KCC has recently submitted its final Annual Efficiency Statement for the period covered by Spending Review 2004 and the Gershon Report. We have achieved just under £90 million of total cumulative efficiency gains, of which just over £74 million are cashable. KCC has the potential to carry forward its overachievement of efficiency gain for this review period to the new efficiency period spanning 2008-11. The amount that might be able to be carried forward is just over £22 million.

82. The drive for efficiencies and savings is not a new one for KCC. Savings in the published budgets of KCC amount to a cumulative £211.0 million between 2000-01 and 2008-09. Our actual level of efficiencies far exceeds even this value as services continually provide more/better services for the same price.

Comprehensive Performance Assessment

83. In February 2008, it was announced that the KCC had achieved the highest 4 star rating for its annual CPA for the sixth year running, and that its direction of travel is ‘improving strongly’.

84. Only one other county council was rated four star, judged to be ‘improving strongly’, and awarded the highest mark for both its use of resources and its corporate assessment. Of the two county councils we had the lowest Band D Council Tax.

85. Between 27 November 2007 and 9 May 2008 KCC has been subject to a new corporate assessment (the last being in 2002) which forms part of the overall CPA score. KCC has been awarded the highest possible score of 4 out of 4 for its Corporate Assessment having been assessed across five themes; ambition, prioritisation, capacity, performance management and achievement

86. The new Comprehensive Area Assessment will take place in 2009. This will encompass an Organisational Assessment (of KCC) scoring how well performance is managed and resources are utilised and an Area Assessment which looks at the prospects for future improvement in the whole of Kent as an area (i.e. taking into account what KCC and its partners do and plan to do).

Growth Agenda

87. KCC’s medium term planning needs to be seen in the context of Kent’s housing growth and consequent wider infrastructure and investment needs. This is set out in “What Price Growth”. The scale of development being sought by the Government will affect the whole of Kent and pose a huge financial challenge over the next 20 years. The Government has still not yet fully recognised the scale of the investment in local services required by its plans for housing development in the South East. Proposals currently progressing through Parliament for the Community Infrastructure Levy which will give local authorities a power,

but not obligation, to levy a charge relating to new developments having due regard to the scale and character of the development are at least a start but in providing for that levy to flow to lower tier councils fully fail to have due regard to the strategic capacity, delivery and indeed obligations of upper tier authorities such as KCC.

88. KCC has been working with partners to assess the investment contribution that will be needed in the wider public sector to meet the scale of the growth in the county. We have developed models to assist in this assessment of our investment needs and the revenue impact of that investment. It is this context that we will continue to be urging the government that data on population numbers should be projected where possible for growth areas, and that any time lags should be avoided if at all possible.

89. The County Council will work together with the Government and across the public sector to maximise funding streams from other investment sources such as PFI and PPP where these offer value for money, as well as exploring Kent retaining a proportion of the additional business rates generated by new commercial development.

90. KCC's decisions on our Medium Term Capital Programme must be weighed against the scale of the Government's continuing support for borrowing and grant funding, the new prudential borrowing regimes, and the County Council's total borrowing and our ability to service this through revenue funding.

91. Some specific service issues affect authorities such as KCC. The shortage of land in the South East affects waste management costs, through higher capital costs of new facilities for recycling and incineration, as well as landfill.

Financial Planning Risks

92. All our resourcing and spending assumptions are based on the Government's expressed views about levels of council tax, increases in government grant and funding for Kent schools.

93. This year whilst we have reasonable certainty over our funding levels for 2009-10 and 2010-11 we face considerable uncertainty over our spending pressures both for next year and the following few years. We have the following to take into account:

- The continuing impact of the credit crunch, including a potential reduction in client incomes and wealth and thus our ability to charge for services
- Substantial increases in inflation for the goods and services we purchase
- Greater potential demand for our services as the economy slows
- Continuing demographic trends (rising elderly population)
- On-going risk of not recovering costs of supporting Asylum Seekers
- The key individual service risks built into our risk registers.

94. There is uncertainty over the burdens that may be imposed upon local government by a number of new bills before parliament:

- Community Empowerment, Housing and Economic Regeneration Bill
- National Health Service Reform Bill
- Policing and Crime Reduction Bill
- Education and Skills Bill
- Business Rates Supplement Bill
- Welfare Reform Bill
- Equality Bill

- Constitutional Renewal Bill
- Citizenship, Immigration and Borders Bill
- Marine and Costal Access Bill
- Heritage Protection Bill
- Coroners and Death Certification Bill

95. There is a risk to the LABGI scheme. KCC has argued the current scheme is not operating as it should do. Other authorities, with specific issues, have gone further and sought judicial review of the government's operation of the scheme. On 31 July 2007, two councils won their judicial review that the government had not operated the scheme correctly. Government has reworked the LABGI scheme but held back £100 million of the reward earnt by local government in case there are further legal challenges to its operation of the existing scheme. We still await details of how the new, much smaller value, scheme will operate.

96. Our key assumptions on the budget and medium term plan for the County Council are therefore:

- 3.2% formula grant increase for each of the next two years (although net of LABGI losses this is worth an effective 2.0% in 2009-10) given the pre-announced provisional local government finance settlement;
- Approximately 1% reduction in cash terms each year for Area Based Grant on like for like basis as some initial start up grants cease (Area Based Grant will increase by approximately £32m in 2009-10 to allow for the transfer of Supporting People grant into ABG – but this is merely a transfer and not new money);
- Specific grants (which are increasingly primarily targeted at education and children's services and of course ring-fenced) increase as set out in the three year local government finance settlement (e.g. DSG headline increases of 3.4% for 2009-10, 4.1% for 2010-11, Sure Start, Early years and Childcare headline increases of 10.6% for 2009-10 and 13.9% for 2010-11);
- 5% maximum increase in council tax per annum given the threat of capping but equally a desire to keep actual council tax increases as low as practicable;
- Council Taxbase grows by 1% per annum;
- That there is no deterioration beyond that already provided for in the collection fund as the housing market stalls;
- A limit on pay having due regard to the Chancellor of the Exchequer's stipulation to all pay review bodes that public sector pay increases must be contained within a 2% limit;
- That specific grant changes and risks do not adversely move against us, but if they do and funding is directly reduced, we will have no option but to reduce services;
- That Dedicated Schools Grant is sufficient to meet all government promises on service extension and minimum funding guarantees;
- That costs of asylum seekers are fully met and reimbursed by government;
- That we have fully captured updated pressures on our services (pay, prices, demographics, demand, legislation, impact of "credit crunch");
- That we deliver significant efficiencies and savings in specific services and through a series of cross cutting reviews of services.

97. Taking these assumptions we anticipate that the overall budget position will be as follows

	2009-10	2010-11	2011-12
	£'000	£'000	£'000
Base budget	857,018	930,308	968,831
Base adjustments	38,534	48	17
Pressures (see Appendix 2)	85,598	73,730	62,635
Savings and Income Generation	-50,842	-35,255	-33,318
Budget Requirement	**930,308**	**968,831**	**998,165**

98. Cash limits for individual portfolios will be set having due regard to our policy priorities. Our priorities will have due regard to spending pressures, demographic change, legislative imposition and local choice. The indicative pressures summarised in appendix 3 will be scrutinised, in detail, very closely as we go through the budget process. There will inevitably be changes to this as that process develops.

99. Part of that iterative process will of course be involving, and informed by the work of, the Policy Overview Committees in both November and January and Cabinet Scrutiny Committee in January. It is intended as part of the November POC cycle to further strengthen and build upon the information that POCs receive to help them shape, influence and inform the discussion and debate of aligning resources to priorities. That will include for the first time some explicit activity costing so that POCs are able to see the trade-offs and linkages between outcomes, volumes of activity and levels of budget. Or put simply, ensuring that appropriate information is supplied that expresses, for example, the cost per additional elderly person needing residential care, the cost per extra km of road resurfaced, the cost per average library etc. so that there is a clear and explicit link on a "ready reckoner" basis between current activity volumes and proposed budget and how those budgets would change if activity volumes were to change or be redirected to other policy priorities.

100. The overall scale of the gap between what we would wish to spend and what we are likely to be able to afford, and the consequential savings target, is likely to be consistent with achieving at least the overall 3%, government imposed Gershon target over the medium term.

Reserves

101. The Director of Finance is required to consider the adequacy of the authority's reserves as part of the budget process. Our existing strategy is to take a view about the balance of risk on our medium term financial plans in order that we maintain sufficient levels of reserves to meet such risks. It is our view that with £25.8m of general reserves (at 31 March 2008) this is achieved but will be reviewed, as normal, during the budget process.

Appendix 1 – Timetable

Key Milestone Dates

What	***Who***	***When***
Autumn Budget Statement	Cabinet	15 September
Opportunity for Cabinet Scrutiny to consider Autumn Budget Statement	Cabinet Scrutiny Committee	24September
Public consultation on budget	Cabinet Member for finance, finance officers, MORI, district council representatives	13 September
Review of budget proposals and overall pressures, impacting upon the relevant directorates	Policy Overview Committees	6-18 November
Provisional Settlement – announcement by government and then analysis and interpretation for impact for KCC 2008-11	Financial Strategy Group – briefing for all members	Late November / early December (*timing not yet announced by government)*
Update on Provisional Settlement and review of corporate budget strategy (if announced - see above entry)	Cabinet	1 December
Chancellor of Exchequer Pre-Budget Report	Financial Strategy Group	December (*timing not yet announced by government)*
Budget proposals published and press conference	Cabinet	5 January
Review of budget proposals and overall pressures, impacting upon the relevant directorates	Policy Overview Committees	13-20 January
Final settlement for 2009-10	Cabinet	Late January/ early February (*timing not yet announced by government)*
Opportunity for Cabinet Scrutiny to consider proposed budget	Cabinet Scrutiny Committee	26 January
Cabinet recommends budget to Council	Cabinet	2 February
Council sets budget and precept	Council	19 February

Appendix 2– Key pressures

Demographics (inc. Elderly)	Rising elderly population nationally/locally More complex needs (and costs) across all ages Existing funding inadequate/ unsustainable Risk of increasing numbers of 'wealth depleters' triggering more and sooner LA funding if house prices drop significantly Social Care Funding Reform (who pays and when likely implemented? What happens in between) More investment in preventative care (e.g. Telecare, Telehealth) Aim has to be to enable more people to live at home (for both cost and personal fulfilment) Leading healthy, active, independent lives Ensuring the Census 2011 adequately captures the national and local changes to demographics
Young people	A desire to ensure every child to reach their full potential Tackling/eradicating child poverty Investment needed in preventative services to lift out of poverty, crime, truancy, engrained lifelong under-achievement etc. Inadequate funding for young people services outside of Dedicated Schools Grant Inadequate funding for the 10 year Child Care strategy 14-19 Agenda (cost of reform, service delivery etc.) Ensuring full reimbursement of cost of asylum seeking unaccompanied minors Non-sustainability of Dedicated Schools Grant in medium-term, funding barely pays for teacher pay award, rising numbers of schools in deficit etc. Sustainability or otherwise of Building Schools for the Future funding Inflation – transport costs for HTST, foster care
Environment	Continuing impact of EU Landfill Directive Landfill tax currently rising by £8 a tonne a year Need for the tax to be fully and transparently recycled (as was promised) Compounded by Landfill Allowance Scheme and £150 a tonne if landfill exceeds permit Affluence has grown waste volumes Supply shortage of alternative facilities means higher cost of procuring alternatives to deal with waste High fuel prices impact on transport costs of disposal Carbon Reduction Commitment £12 a tonne for permits A new cost burden on local authorities plus a need for full and transparent recycling of permit fees (as promised)

Transport	High fuel costs Impact on all users On bus subsidies (as fuel poverty inhibits car usage and increases demand for public transport) On concessionary fare scheme (extra demand, high cost of fuel pushes up operator prices, funding risks on proposed transfer from district to county level) Existing substantial road maintenance backlog Inflation on roads contracts currently high and likely to remain so Infrastructure investment needed especially in growth areas Volume of traffic through the county (especially HGV) as gateway to Europe
Community	Concerns over crime, disorder etc. The new Economic Development Obligation (Community Empowerment, Housing and Regeneration Bill) At a time of slowing economic activity nationally Reviving Coastal Towns Shortage of social housing, exacerbated by economic downturn (LGA 5 million people on waiting list by 2010?) Deprivation - Kent's mixed economy Growth - 2 of 4 national areas in Kent Sustainability - Climate change, water shortages, flooding
Cost Drivers	Geography - Gateway to Europe, proximity to London and effect on prices and wages Inflation - Outlook is higher for longer, puts funding pressure on all our services Pay - Consequential knock on pay awards and on sustainability of 2% target
Funding	Efficiency - Unsustainable to just assume 3% for everyone for ever, ignoring starting point for each council Bonfire of quangos - Allow us to do more locally, as efficiently as we already do and the public sector will save money – local government is the most efficient Formula Grant - We need transparency, stability, predictability, responsiveness to growth agenda etc. to be addressed in the next review of formula funding Ring fencing - End ring fencing, avoid double top ups for deprivation by currently targeting only to deprived areas Full funding - respect and follow the New Burdens Doctrine Barnett Formula - Scrap the formula and fund all according to relative need Business rates - Return to local control, Supplementary Business Rates, proper LABGI scheme Council Tax - Don't allow all unfunded burdens (shortfall in grants, cap on business rate increases) to unduly burden council taxpayers as already at limits of ability/willingness to pay Capping - Scrap universal capping

Pensions - As we predicted the new scheme does nothing to address affordability in long run of LGPS – we need proper thought out costed reforms
Credit crunch - Impact on ability to finance capital spend, on PFI schemes etc
Olympics - Impact on supply, inflation, infrastructure costs

Empowerment

Devolve - trust local government to do more
Burdens imposed by Community Empowerment, Housing and Regeneration Bill (potential right for public to redirect spending, force a debate etc.)
Freedom to trade - Greater clarification, there are powers and we use them but we are often challenged at cutting edge about what we are doing - clarify the position
More freedoms and flexibilities required

Appendix 3 – Indicative Pressures

	2009-10	2010-11	2011-12
	£'000	£'000	£'000
Existing pressures			
Pay	7,432	7,532	0
Prices	15,240	15,503	0
Government/Legislative	3,545	9,251	0
Demand/Demographic	8,217	7,739	0
Towards 2010	6,250	200	0
Schools Budget	23,442	28,938	0
Dedicated Schools Grant Increase	-27,930	-39,125	0
Service Strategies and Improvements	19,877	21,698	0
Sub-total	**56,073**	**51,736**	**0**
Major new pressures			
Pay – minor adjustments	53	69	0
Prices – reflecting higher fuel, food and general inflation	14,895	10,307	0
Government – Early Years pressures, Looked After Children Pledge, Common Assessment Framework, Children and Young Persons Bill	8,809	1,281	0
Demand –Early Years, Childrens Social Services, Adults Social Services	13,398	1,921	0
Schools block – net price pressures after taking account of DSG grant changes	601	1,489	0
Service Strategies and Improvements – local children's service partnerships, investments into Kent Highways services, 2012 preparations etc.	4,956	-858	0
Pay new year provision			7,733
Prices new year provision			26,246
Legislative new year provision			2,047
Demand new year provision			8,653
Towards 2010 new provision			200
Choice new provision			1,700
Schools Block new year provision			34,999
DSG new year provision			-35,728
Less new pressures shown that would otherwise fall on DSG - all pressures resisted	-13,187	-2,215	-3,215
Expected pressures to emerge - not yet fully identified		10,000	20,000
Total pressures	**85,598**	**73,730**	**62,635**

	2009-10	2010-11	2011-12
	£'000	£'000	£'000
Pressures by portfolio			
Operations, Resources and Skills	10,455	5,985	6,142
Children, Families and Educational Achievement	19,006	3,879	2,743
Less new pressures shown that would otherwise fall on DSG - all pressures resisted	-13,187	-2,215	-3,215
Adult Services	25,498	23,746	23,913
Environment, Highways and Waste	19,007	8,310	8,249
Regeneration and Supporting Independence	383	-40	69
Communities	2,327	1,889	1,512
Public Health	53	3	3
Corporate Support and External Affairs	1,682	2,211	2,592
Policy and Performance	227	185	138
Finance	2,063	1,761	489
Financing	18,084	18,016	0
Expected pressures to emerge - not yet fully identified		10,000	20,000
Total pressures	**85,598**	**73,730**	**62,635**

CABINET SCRUTINY COMMITTEE – 24 September 2008

Report Title:	**Revenue and Capital Budgets, Key Activity and Risk Monitoring**
Documents Attached:	Report to Cabinet, 15 September.
Purpose of Consideration:	To question the Leader of the Council, the Cabinet Member for Finance, the Chief Executive and the Director of Finance about the key conclusions arising from this report, with particular regard to the key activity and risk monitoring. At its meeting on 15 September, the Cabinet approved the recommendations contained in the 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.

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REPORT TO: **CABINET – 15 SEPTEMBER 2008**

SUBJECT: **REVENUE AND CAPITAL BUDGETS, KEY ACTIVITY AND RISK MONITORING**

BY: **NICK CHARD – CABINET MEMBER FOR FINANCE**
LYNDA McMULLAN – DIRECTOR OF FINANCE
MANAGING DIRECTORS

SUMMARY:

Members are asked to:

- **note the latest monitoring position on the revenue budget,**
- **agree the changes to revenue cash limits within the KASS portfolio to reflect realignment of budgets in line with changing trends of service provision**
- **note that a revised capital programme, to address the impact of the current economic situation, will be brought to Cabinet in October for decision**

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1. INTRODUCTION

1.1 This is the first full monitoring report to Cabinet for 2008-09.

1.2 The format of this report is:

- This summary report highlights only the most significant issues
- There are 6 reports, each one an annex to this summary, one for each directorate and one for Financing Items. Each of these reports is in a standard format for consistency, and each one is a stand-alone report for the relevant directorate.

2. OVERALL MONITORING POSITION

2.1 Revenue

The net projected variance against the combined portfolio revenue budgets is a pressure of £0.543m after management action (excluding Asylum). Section 3 of this report provides the detail, which is summarised in Table 1a below. Options for further management action within CFE are to be discussed at the CFE SMT in September in order to balance their budget by year end. If achieved this will reduce the position by a further £1.438m to an underspend of £0.895m (excluding Asylum).

Table 1a – Portfolio position – net revenue position **after** proposed management action

Portfolio	Budget	Gross Variance	Management Action	Net Variance
	£k	£k	£k	£k
O,R&S (CFE)	-813,418	+1,043	0	+1,043
CF&EA	+131,887	+2,645	-2,250	+395
Kent Adult Social Services	+325,420	+1,663	-1,663	0
E,H&W	+143,787	0	0	0
Regen & SI	+9,641	0	0	0
Communities	+55,260	+299	-299	0
Public Health	+1,401	0	0	0
Corporate Support	+24,385	-178	0	-178
Policy & Performance	+5,695	-59	-41	-100
Finance	+106,508	+134	-751	-617
TOTAL (excl Schools)	-9,434	+5,547	-5,004	+543
Asylum	0	+4,002	0	+4,002
TOTAL (excl Schools)	-9,434	+9,549	-5,004	+4,545
Schools	+874,685	0	0	0
TOTAL	+865,251	+9,549	-5,004	+4,545

2.2 **Capital**

2.2.1 As reported to Cabinet in August, it is proposed to recast the capital programme to reflect action to be taken to address the funding issues brought about by the current economic situation ie reduced capital receipts and potentially other capital funding, together with increased building tender price inflation which is likely to add an average of £6m per annum to the programme costs and £2.4m to the highways maintenance programme in 2008-09 alone. This is a major piece of work that has already made good progress, with a target to have the revised capital programme in draft by the end of September, to be reported back for decision by Cabinet in October. Further details of the proposed actions are provided in section 4 of this report. This report therefore does not include any details of the current position against the capital programme as this will all change as a result of this review.

3. REVENUE

3.1 **Virements/changes to budgets**

Directorate cash limits have been adjusted to include:

- the roll forward from 2007-08 of £2.790m, as approved by Cabinet on 16 June 2008; (This excludes the £12k deficit rolled forward on the Property Enterprise Fund, as this is treated in isolation to portfolio controllable budgets),
- the allocation of the £5.111m contingency set aside from the 2007-08 rolled forward underspend for the current economic situation, as agreed by Cabinet on 4 August 2008.
- The inclusion of a number of 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set or adjustments to the level of grant allocation assumed in the budget following confirmation from the awarding bodies. These are detailed in Appendix 2.

There have also been some virements as follows:

- Within Children, Families & Educational Achievement portfolio, the transfer of £1.863m from Grants to Voluntary Organisation to Independent Sector Residential Care (£1.463m) and County Fostering Team (£0.4m), as agreed by Cabinet on 14 July 2008.
- £0.250m from the underspending on debt charges within the Finance portfolio to the Regeneration Projects group within the Regeneration & Supporting Independence portfolio for the development of the A2 outdoor activity centre and park and ride as agreed by the relevant portfolio holders.
- £0.750m from the underspending on the debt charges budget within the Finance portfolio to the Communities portfolio to reflect the agreed recovery plan required to balance the Adult Education budget.

In addition, a detailed exercise to realign budgets within the Kent Adult Social Services portfolio has been undertaken. At the time the budget was set, best estimates were used to distribute the growth, savings and demography money provided in the 2008-11 MTP and to determine gross expenditure and income levels but a more accurate distribution is now reflected based on the 2007-08 outturn and continuing trends, including the changing trends in services away from residential care into community based care as part of the modernisation of services. Further details are provided in annex 2. Cabinet is asked to agree these changes.

All other changes to cash limits since the budget was set are considered “technical adjustments” ie where there is no change in policy, including allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.

3.2.1 **Table 1b** – Portfolio/Directorate position – gross revenue position **before** management action

			Directorate					
Portfolio	**Budget**	**Variance**	CFE	KASS	E&R	CMY	CED	FI
	£k	**£k**	£k	£k	£k	£k	£k	£k
O,R&S (CFE)	**-813,418**	**+1,043**	+1,043					
CF&EA	**+131,887**	**+2,645**	+2,645					
Kent Adult Social Services	**+325,420**	**+1,663**		+1,663				
E,H&W	**+143,787**	**0**			0			
Regen & SI	**+9,641**	**0**			0			
Communities	**+55,260**	**+299**				+299		
Public Health	**+1,401**	**0**						
Corporate Support	**+24,385**	**-178**					-178	0
Policy & Performance	**+5,695**	**-59**					-59	
Finance	**+106,508**	**+134**					+751	-617
SUB TOTAL (excl Schools)	**-9,434**	**+5,547**	+3,688	+1,663	0	+299	+514	-617
Asylum	**0**	**+4,002**	+4,002					
TOTAL (excl Schools)	**-9,434**	**+9,549**	+7,690	+1,663	0	+299	+514	-617
Schools	**+874,685**	**0**	0					
TOTAL	**+865,251**	**+9,549**	+7,690	+1,663	0	+299	+514	-617

3.2.3 **Table 1c** – Gross, Income, Net (GIN) position – revenue (**before** management action)

	CASH LIMIT			**VARIANCE**		
Portfolio	**Gross**	**Income**	**Net**	**Gross**	**Income**	**Net**
	£k	£k	£k	£k	£k	£k
O,R&S (CFE)	+140,271	-953,689	**-813,418**	+1,134	-91	**+1,043**
CF&EA	+219,330	-87,443	**+131,887**	+3,836	-1,191	**+2,645**
Kent Adult Social Services	+447,584	-122,164	**+325,420**	+2,237	-574	**+1,663**
E,H&W	+156,382	-12,595	**+143,787**	0	0	**0**
Regen & SI	+12,264	-2,623	**+9,641**	0	0	**0**
Communities	+106,836	-51,576	**+55,260**	+706	-407	**+299**
Public Health	+1,401	0	**+1,401**	0	0	**0**
Corporate Support	+39,485	-15,100	**+24,385**	+1,203	-1,381	**-178**
Policy & Performance	+12,519	-6,824	**+5,695**	+1,111	-1,170	**-59**
Finance	+175,464	-68,956	**+106,508**	-3,219	+3,353	**+134**
SUB TOTAL (excl Schools)	+1,311,536	-1,320,970	**-9,434**	+7,008	-1,461	**+5,547**
Asylum	+13,450	-13,450	**0**	0	+4,002	**+4,002**
TOTAL (excl Schools)	+1,324,986	-1,334,420	**-9,434**	+7,008	+2,541	**+9,549**
Schools	+955,202	-80,517	**+874,685**	0	0	**0**
TOTAL	+2,280,188	-1,414,937	**+865,251**	+7,008	+2,541	**+9,549**

A reconciliation of the above gross and income cash limits to the approved budget book is detailed in **Appendix 2.**

3.3 Table 2 below details all projected revenue variances over £100k, in size order. Supporting detail to each of these projected variances is provided in individual Directorate reports as follows:

Annex 1 **Children, Families & Education**
incl. Operations, Resources & Skills (CFE) and Children, Families & Educational Achievement portfolios
Annex 2 **Kent Adult Social Services**
Annex 3 **Environment & Regeneration**
incl. Environment, Highways & Waste & Regeneration & Supporting Independence portfolios
Annex 4 **Communities**
Annex 5 **Chief Executives**
incl. Public Health, Corporate Support & External Affairs, Policy & Performance and Finance portfolios
Annex 6 **Financing Items**
incl. elements of the Corporate Support & External Affairs and Finance portfolios

Table 2 - All Revenue Budget Variances over £100k in size order

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CFEA	Asylum - Shortfall in grant income (income)	+4,002	FIN	Savings on debt charges due to lower level of borrowing required in 2007-08 and less new borrowing in 2008-09 than anticipated, together with new borrowing arranged at lower interest rate than budgeted and increase in duration of short term lending	-3,064
CFEA	Independent Sector Residential Care - increase in demand and high cost placements (gross)	+2,184	CS	Information Systems income from additional services/projects	-1,780
CS	Information Systems costs of additional services/projects	+1,780	CFEA	Fostering Service - Non Independent Fostering Allowance lines (gross)	-1,317
EHW	Invest to save schemes within KHS to address MTP issues	+1,400	EHW	Diversion to landfill while Allington waste to energy plant off-line	-1,100
CFEA	Fostering Service - Independent fostering allowances (gross)	+1,366	CFEA	Family Support - Planned management action (gross)	-1,090
FIN	Reduction in LABGI income	+1,349	CFEA	Independent Sector Residential Care - placement funding from Joint Residential Assessment Panel (income)	-728
CFEA	Assessment and Related - Frontline staffing overspend (gross)	+1,260	KASS	Older People Residential gross - release of Deferred Payments Loan from DoH	-628
KASS	LD Residential gross - activity in excess of affordable level in independent sector placements	+1,130	KASS	Older People Nursing gross - release of Deferred Payments Loan from DoH	-628
KASS	PD Residential gross - activity in excess of affordable level in independent sector placements	+1,046	P&P	Legal income resulting from additional work (partially offset by increased costs)	-570
CFEA	ASK Early Years - additional Sure Start targets (gross)	+1,000	CFEA	Adoption Service - adoption allowances (gross)	-502
FIN	Lower interest receipts due to reduction in base rates since budget was set	+798	EHW	Reduced waste tonnage	-500
KASS	LD Residential gross - Preserved Rights reduced attrition	+789	KASS	MH Assessment & Related gross - vacancy management	-473
FIN	Change in accounting treatment of some staffing costs of Corporate Property Unit, previously charged to capital	+751	P&P	Legal services costs of disbursements recovered from clients	-450
KASS	All Adults Assessment & Related Gross - staffing pressures	+732	KASS	Older People Other Services - release of the balance of the Managing Director's contingency	-436
KASS	Older People Nursing gross - activity in excess of affordable level in independent sector placements	+716	CS	P&D vacant Learning Account Manager posts resulting in reduced courses and expenditure on course delivery	-410
CFEA	Other Services Support - Legal costs (gross)	+650	ORS	Personnel and Development - reduction in school staff redundancy costs (gross)	-398
ORS	Capital Strategy - closing schools revenue maintenance (gross)	+543	CMY	Transfer of expenditure for Education Business System within AE to capital programme	-373
ORS	Personnel and Development - pensions (gross)	+468	CFEA	Assessment and Related - additional income from Best project, training and Health	-353
P&P	Legal services cost of additional disbursements	+450	KASS	Policy, Performance & QA gross - vacancy management	-321

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CS	P&D vacant Learning Account Manager posts resulting in reduced income generation from courses	+430	KASS	LD Residential gross - Preserved Rights change in unit cost	-313
KASS	MH Residential gross - activity in excess of affordable level	+415	KASS	Resources gross - release of Supporting People reserve to fund PFI legal costs	-300
CMY	AE rolled forward deficit from 2007-08 due to lower than expected enrolments and restructure costs.	+373	KASS	Older People Domiciliary gross - reduction in hours in independent care	-292
P&P	Legal services cost of additional work (offset by increased income)	+370	KASS	PD Residential gross - additional income through additional activity	-285
FIN	Commercial Services - Shortfall in income from sponsorship of roundabouts	+300	CMY	Youth external contributions for Connexions	-271
KASS	Older People Residential gross - activity in excess of affordable level in independent sector placements	+294	KASS	LD Other Services - release of the balance of the Managing Director's contingency	-264
ORS	Capital Strategy - mobile classroom costs (gross)	+278	KASS	Older People Nursing income resulting from additional activity	-212
CMY	Youth expenditure on connexions covered by increased income	+271	KASS	LD Residential income - additional income resulting from additional activity	-203
CFEA	Adoption Service - County Adoption Team	+245	CS	Confirmed profile of Kent TV revenue spend to Aug09 (roll forward proposal)	-200
KASS	Resources income - write back of PFI debtor	+225	CFEA	Independent Day Care - lower take up of places	-198
EHW	Country parks	+200	KASS	LD Residential income resulting from additional Preserved Rights activity	-144
CFEA	Family Support - shortfall of partnership income (income)	+183	CFEA	Education Psychology - staffing vacancies (gross)	-125
KASS	LD Residential gross - pressure relating to change in unit cost of independent sector placements	+180	KASS	All Adults Assessment & Related one-off income from Health	-125
KASS	LD Residential gross - in house provision staffing	+176	CMY	Consumer Direct SE staff savings and draw down from reserves to cover pressure from declining call volumes	-125
KASS	Older People Residential gross - Preserved Rights reduced attrition	+149	CFEA	Fostering Service - additional income for training, placements etc (income)	-124
CMY	Consumer Direct reduced income due to declining call volumes	+125	CMY	Libraries & Archives Staff underspends to cover costs of stamps and	-109
KASS	LD Domiciliary gross - cost of Independent Living Scheme	+121	CFEA	Direct Payments - utilisation of Sure Start grant giving base budget underspend (gross)	-108
CMY	Coroners long inquests payments	+120	KASS	PD Residential gross - Preserved Rights increased attrition	-108
CFEA	Section 17 - increased support to clients (gross)	+119	KASS	Older People Nursing gross - Preserved Rights increased attrition	-103
ORS	Business Management - delay in administrative support saving (gross)	+118	CFEA	Leaving Care/16 plus - lower than anticipated take up of places (gross)	-101
P&P	Democratic Services delay in budgeted staff savings	+118			
KASS	Older People Residential gross - in house provision staffing costs	+117			
CMY	Coroners Pathology Fees & Mortuary Attendants	+117			
KASS	Older People Residential gross - pressure relating to change in unit cost in independent sector placements	+107			
KASS	Older People Domiciliary gross - pressure relating to change in unit cost in independent sector placements	+106			

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CMY	Libraries & Archives Purchase of stamps & merchandise	+100			
		+27,771			**-18,831**

3.4 **Key issues and risks**

3.4.1 In the Children, Families & Education directorate, the key issues by portfolio are:

3.4.1.1 **Operations, Resources & Skills portfolio:** Forecast excl Schools **+£1.043m**
This pressure is mainly due to increased pension costs resulting from early retirements due to school closures and amalgamations in previous years and the costs of boarding up closed schools and repairs required as a result of vandalism.

3.4.1.2 **Children, Families & Educational Achievement portfolio:** Forecast excl Asylum **+£2.645m**
This pressure is mainly a continuation of the pressures experienced in 2007-08 on independent sector residential care, independent fostering allowances and legal fees within Children's Social Services, together with pressure on Sure Start grant funded projects due to additional targets and an overspend on frontline staffing within Children's Social Services. These pressures are partially offset by savings elsewhere within the Children's Social Services budgets.

3.4.1.3 **Children, Families & Educational Achievement portfolio - Asylum:** Forecast **+£4.002m**
The forecast assumes the same grant rules and unit costs as 2007-08, which will give a shortfall in funding of £3.502m of direct costs and £0.5m of indirect costs. The Home Office has given an undertaking that no authority will be out of pocket in 2008-09 and the LGA has said that costs "directly attributable to the care of an individual" will be 100% reimbursed subject to audit. However we have yet to receive anything in writing clarifying what costs will be reimbursed, therefore we continue to report this pressure. Negotiations regarding previous year costs continue. The 2006-07 Home Office bid has been agreed at 100% but the position regarding bids outstanding with both the Home Office and DCSF for 2007-08 is less clear.
All of these pressures are detailed in Annex 1.

3.4.2 **Kent Adult Social Services portfolio:** Forecast **+£1.663m**
This pressure is mainly as a result of demographic and placement pressures, primarily within services for people with learning and physical disabilities. The impact of young adults transferring from Children's Services, many of whom have very complex needs and require a much higher level of support, continues to be felt. Alongside these so-called "transitional" placements are the increasing number of older learning disabled clients who are cared for at home by ageing parents who will begin to require more support.
Further details are provided in Annex 2.

3.4.3 In the Environment & Regeneration directorate, the key issues are:

3.4.3.1 **Environment, Highways & Waste portfolio:** Forecast **Breakeven**
Although the forecast is to breakeven, there is an underspend on waste due to lower waste tonnage than assumed in the budget and savings resulting from the Waste to Energy plant in Allington not working as expected leading to more waste going to landfill which is currently a cheaper means of disposal. It is proposed that these savings, after offsetting a small pressure on Country Parks, are invested in schemes to produce future savings within Kent Highways Services to assist with meeting the MTP inflation pressures.
Further details are provided in Annex 3.

3.4.4 **Communities portfolio:** Forecast **+£0.299m**
This pressure mainly relates to the Coroners service due to increased costs as a result of an increasing number of long inquests and increased pathology and mortuary costs.
Further details are provided in Annex 4.

3.4.5 In the Chief Executives directorate, the key issues by portfolio are:

3.4.5.1 **Corporate Support & External Affairs portfolio:** Forecast **-£0.178m**
This saving in largely due to a re-phasing of Kent TV expenditure through to August 2009.

3.4.5.2 **Finance portfolio:** Forecast **+£0.751m**
This pressure results from the continuation of the change in accounting treatment in 2007-08 of some staffing costs of the Corporate Property Unit, which were previously capitalised.

3.4.5.3 **Policy & Performance portfolio:** Forecast **-£0.059m**
An over recovery of income within Legal Services as a result of additional internal and external work is partially offset by a delay in achieving the staffing reductions assumed in the budget within Democratic Services.
Further details are provided in Annex 5.

3.4.6 On the Financing Items budgets, the key issues are:

3.4.6.1 **Finance portfolio:** Forecast **-£0.617m**
Savings on debt charges as a result of a lower level of borrowing required in 2007-08 and less new borrowing than anticipated so far in 2008-09 together with new borrowing arranged at better rates than budgeted, are largely offset by lower interest receipts due to a reduction in the base rates since the budget was set, a reduction in LABGI income and a shortfall in income from the sponsorship of roundabouts.
Further details are provided in Annex 6

3.4.7 Directorates have implemented management action plans which are expected to reduce the pressures from £9.549m to £4.545m including Asylum of +£4.002m, with residual pressures currently anticipated within the Operations, Resources & Skills and Children, Families & Educational Achievement portfolios. However further management action is currently being considered to address this. Details of these plans are provided in the annex reports. Progress against these management action plans will be closely monitored throughout the remainder of the financial year so that, if necessary, a decision on further action can be taken as soon as possible.

3.5 Implications for future years/MTP

3.5.1 The key issues and risks identified above will need to be addressed in directorate medium term plans (MTP) for 2009-12. Although these are forecast to be largely offset by management action this year, a lot of the management action is one-off or not sustainable for the longer term. The Directorates are currently trying to assess the medium term impact of these issues. There are other pressures which, although not hugely significant this year, will also need addressing in the MTP. These are detailed in the Annex reports.

4. CAPITAL

4.1 As highlighted in paragraph 2.2 above, this report does not include any capital monitoring due to the current review of the whole capital programme. This review has been necessary to address the funding shortfall arising as a result of the current economic situation and the impact this has had on property prices and our ability to realise capital receipts. The funding of the 2008-11 capital programme, is reliant upon capital receipts of some £186.802m. However, this level of receipts is not realisable in the short term, therefore we are reviewing the capital programme with a view to:

- Defer those capital projects, which are proving difficult to progress at the pace assumed in the capital programme or remove them from the programme altogether.
- Dispose of assets for which negotiations are already at an advanced stage and/or the sale proceeds are not substantially reduced from the value assumed in the MTP.
- Create a second Property Enterprise Fund (PEF2). The objective of PEF2 is to provide a temporary borrowing facility, capped at £85m, from which we can offer directorates an agreed value in recognition of the current or previous value of an asset that is assumed in the MTP. County Council agreed the creation of PEF2 on 4 September 2008.
- Absorb the additional inflationary costs as a result of the increase in the building tender price inflation since the budget was set, estimated at an average of £6m per year, by reducing budgets by an equivalent value.
- Reflect the £2.9m pressure in 2009-10 and £3m pressure in 2010-11 on the highways maintenance programme as a result of the increased inflation and absorb the £2.4m impact of this pressure in the current year, by reducing budgets elsewhere by an equivalent value.

A revised capital programme will be reported, for decision, to Cabinet in October, following the above review.

4.2 Implications for future years/MTP

4.2.1 Directorates are continuously addressing issues around their capital programmes, in particular, careful consideration is given to the funding of these projects to ensure that as far as possible capital receipts and external funding, or agreement to utilising PEF2 is in place before the project is contractually committed.

4.3 Impact on Treasury Management

4.3.1 The re-phasing of the capital programme from 2007-08, resulting in a lower level of borrowing required in the 2007-08 financial year, and the re-phasing on the capital programme likely to be required this year to address the capital receipts shortfall are major factors in the £2.266m underspend reported against the Interest on cash balances/debt charges budget within the Financing Items revenue budget. Further details are provided in Annex 6. This re-phasing will impact upon the phasing of the debt charges within the revenue budget and this will be reflected in the 2009-12 MTP.

4.4 Resourcing issues

4.4.1 There will always be an element of risk relating to funding streams which support the capital programme until all of that funding is "in the bank". As highlighted above there is a significant reduction in the level of capital receipts expected compared to when the budget was set as a result of the current economic situation. We are proposing to manage this in the short term via the creation of PEF2 and by deferring some capital projects. The current economic situation may also adversely impact the level of developer contributions we are able to attract to fund capital works as the number of new housing developments reduces and developers pull out of new developments. At this stage, there are no other significant risks to report.

4.5 Prudential Indicators

4.5.1 The latest monitoring of Prudential Indicators will be reported to Cabinet in October to reflect the impact of the revised capital programme.

5. RISK MANAGEMENT

We have recently conducted an Internal Audit of the Authority-wide risk management arrangements. Across directorates we found a high level of risk awareness, particularly in relation to operational risks. There was a general awareness of the Authority's risk management framework and adherence to its principles.

Taking into account the findings of internal audit and other external assessments, it is evident that risk is generally well managed throughout the Authority. There are however a number of initiatives that we will be focussing on over the next year to further improve the framework. These include:

- Refreshing and further communicating of the existing risk management guidance;
- Further use to be made of workshops when refreshing the risk register during business planning;
- Implementing protocols to ensure that formalised and agreed risk management arrangements are in place for the Authority's key strategic partnerships, including creating and regularly updating a partnership risk register;
- Better and more consistent articulation of specific risks, the source of the risk and potential consequences within risk registers.

6. BALANCE SHEET AND CONSOLIDATED REVENUE ACCOUNT

6.1 Impact on reserves

6.1.1 A copy of our balance sheet as at 31 March 2008 is provided at **appendix 1**. Highlighted are those items in the balance sheet that we provide a year-end forecast for as part of these quarterly budget monitoring reports, based upon the current forecast spend and activity for the year. The forecast for the three items highlighted are as follows:

Account	Projected balance at 31/3/09 £m	Balance at 31/3/08 £m
Earmarked Reserves	66.5	86.0
General Fund balance	25.8	25.8
Schools Reserves *	79.4	79.4

* Both the table above and section 2.3 of annex 1 include delegated schools reserves and unallocated schools budget.

6.1.2 The reduction of £19.5m in earmarked reserves is mainly due to the anticipated movements in the rolling budget, DSG, Supporting People and Consumer Direct reserves as reflected in the annex reports and the planned movements in reserves such as PRG, IT Asset Maintenance, Kingshill Smoothing, earmarked reserve to support the 2008-09 budget, insurance reserve and PFI equalisation reserves.

7. RECOMMENDATIONS

Cabinet is asked to:

7.1 Note the latest monitoring position on the revenue budget.

7.2 Note the intention to overspend the Kent Highways Services budget by £1.4m on invest to save schemes in order to produce future savings to assist with meeting the MTP inflation issues within the EH&W portfolio.

7.3 Note that a revised capital programme, to address the impact of the current economic situation, will be brought to Cabinet in October for decision.

7.4 Agree the realignment of budgets within the KASS portfolio as detailed in section 1.1.1 and 1.1.2 of annex 2.

Balance Sheet

The County Fund Balance Sheet shows the financial position of Kent County Council as a whole at the end of the year. Balances on all accounts are brought together and items that reflect internal transactions are eliminated.

		31 March 2008		31 March 2007 Restated	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets			3,629		4,732
Tangible fixed assets					
Operational assets					
Land and buildings		1,443,378		1,414,844	
Vehicles, plant and equipment		21,576		15,863	
Roads and other highways infrastructure		568,640		514,320	
Community assets		8,047		7,775	
Non-operational assets					
Investment property		6,588		6,584	
Assets under construction		256,871		237,813	
Surplus and non-operational property		81,737		95,423	
Total tangible assets			2,386,837		2,292,622
Total fixed assets			2,390,466		2,297,354
Long-term investments			134,547		115,000
Long-term debtors			56,533		59,736
Deferred premiums			0		20,990
PFI debtor			3,933		441
Total long-term assets			2,585,479		2,493,521
Current assets					
Stocks and work in progress		5,390		5,905	
Debtors		177,518		175,613	
Investments		264,121		153,059	
Total current assets			447,029		334,577
Current liabilities					
Temporary borrowing		-35		-38	
Creditors		-266,688		-260,119	
Cash balances overdrawn		-108,383		-27,957	
			-375,106		-288,114
Total assets less current liabilities (Net assets employed)			2,657,402		2,539,984
Long-term liabilities					
Long-term borrowing		-1,017,200		-952,365	
Deferred liabilities		-535		-957	
Deferred credit - Medway Council		-53,385		-55,609	
Provisions		-14,636		-13,786	
Government grant deferred account		-196,381		-174,435	
Liability related to defined benefit pensions schemes	- KCC	-564,100		-637,700	
	- DSO	-2,447		-2,487	
			-1,848,684		-1,837,339
Total assets less liabilities			808,718		702,645

Balance Sheet

Revaluation reserve		-72,530		0	
Capital adjustment account		-1,071,609		-1,126,217	
Financial instruments adjustment account		20,803		0	
Earmarked capital reserve		-52,436		-26,698	
Usable capital receipt reserve		-7,825		-7,942	
Pensions reserve	- KCC	564,100		637,700	
	- DSO	2,447		2,487	
Earmarked reserves		-86,015		-80,929	
General fund balance		-25,835		-25,835	
Schools reserves		-79,360		-74,376	
Surplus on trading accounts		-458		-835	
Total net worth			-808,718		-702,645

Reconciliation of Gross and Income Cash Limits in Table 1c to the Approved Budget Book

	Gross	Income	Net	
	£k	£k	£k	
Reconciliation:				
Cash Limits Per Budget Book	+2,235,840	-1,378,822	**+857,018**	
Subsequent changes:				
	+3,052	-262	+2,790	Roll Forwards as agreed at 16 June Cabinet (excluding PEF)
	+5,111		+5,111	Allocations from Contingency for Economic Situation set aside from roll forward
OR&S	+49		+49	Additional ABG for Education Health
CMY	+283		+283	Additional ABG for KDAAT
OR&S & CS	+487	-487	0	recharge of Schools Personnel Service
OR&S & P&P	-110	+110	0	tfr of budget rather than recharge for Kent Works
				Changes to grant/income allocations:
OR&S	+95	-95	0	Standards Fund - Playing for Success grant increase
OR&S	+210	-210	0	Standards Fund - Aimhigher 0708 Grant Increase
OR&S	+4	-4	0	Standards Fund - Every Child A Reader
OR&S	+440	-440	0	LSC grant adjustment
OR&S	+1,058	-1,058	0	Diploma Grant
OR&S	+20	-20	0	Standards Fund - Ethnic Minority Achievement
OR&S	+76	-76	0	Standards Fund - Every Child Counts
OR&S	+8,482	-8,482	0	unspent 2007-08 Standards Fund
OR&S	-1,295	+1,295	0	Standards Fund - Schools Development Grant Decrease
OR&S	-160	+160	0	Extended Schools Grant reduction
OR&S	-12	+12	0	Reduction in Ethnic Minorities & Achievement Standards Fund for Academies Adjustment
OR&S	-312	+312	0	SSG final allocation adjustment
OR&S	-10	+10	0	Reduction in Improving Schools Programme
CF&EA	+310	-310	0	Targeted Mental Health in Schools Pathfinder Grant
CF&EA	+317	-317	0	Standards Fund KS4 engagement programme
CF&EA	+210	-210	0	Every Child a Chance Academic year funding
CF&EA	+140	-140	0	Grant income for unspent 2007-08 Standards Fund
KASS	+57	-57	0	Increase for 2008/09 HIV/AIDS
KASS	+701	-701	0	LD Campus Closure Grant
KASS	+1,725	-1,725	0	Additional PCT funding to reduce Delayed Discharges
Finance	+12,102	-12,102	0	South East Improvement & Efficiency Partnership
CMY	+160	-160	0	Contactpoint for Data fee & Query full integration from GOSE
CMY	+1,098	-1,098	0	Regional Sports Board funding from Sport England

	Gross	Income	Net	
	£k	£k	£k	
				Technical Adjustments:
OR&S	-3,235	+3,235	0	Removal of incorrect income targets for accounting treatment of capital recharges
OR&S	+90	-90	0	Gross and income adjustment for Capital Projects conference
CF&EA	-94	+94	0	Income target adjustment for trainee psychologists
CF&EA	-1,197	+1,197	0	Removal of incorrect income targets for accounting treatment of capital recharges
CF&EA	+333	-333	0	Correction of income targets for Specialist Teaching Service
CF&EA	-212	+212	0	Correction of income targets for Children's social services
KASS	-1,710	+1,710	0	Revisions to growth/demography and savings allocations following Special Budget SMT and in light of 2007/08 out-turn
KASS	-1,307	+1,307	0	Other Gross and Income realignment
KASS	-1,858	+1,858	0	Adjustments to reflect changing trends and modernisation of services
CMY	+378	-378	0	Costs & income for Dover Discovery Centre omitted from budget
CMY	+344	-344	0	DSG incorrectly shown in budget as negative expenditure but should be income
CMY	-133	+133	0	Transfer of Kent Superior Pictures to Astor College
CMY	+63	-63	0	Revised income from Medway for Coroners Service
CMY	-154	+154	0	Realignment of gross & income budgets in the Youth Service
Corporate Support	-2,476	+2,476	0	Contribution from IT asset maintenance reserve, incorrectly shown as income in budget
Finance	-116	+116	0	South East Improvement & Efficiency Partnership
Finance	+20,419	-20,419	0	Debt Charges & Interest budget realignment
Finance	-2,400	+2,400	0	Contribution from earmarked reserves, incorrectly shown as income in budget
Finance	-1,000	+1,000	0	Income from Regeneration Fund (to come from reserve)
Finance	-1,851	+1,851	0	LABGI - some to come from reserves as received in previous years
Finance	+6,176	-6,176	0	PRG - income due but to be transferred to reserve if not allocated in year
Revised Budget per table 1c	+2,280,188	-1,414,937	**+865,251**	

CHILDREN, FAMILIES & EDUCATION DIRECTORATE SUMMARY JULY 2008-09 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered "technical adjustments" ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the budget was set to reflect a number of technical adjustments to budget; a virement within CF&EA portfolio of £1.863m from Grants to Voluntary Organisations to Independent Sector Residential Care (£1.463m) and Fostering (£0.4m), as approved by Cabinet on 14 July 2008 and an allocation of £0.249m from the contingency set aside from the 2007-08 rolled forward underspend for the impact of the current economic situation as agreed by Cabinet on 4 August.
- The inclusion of a number of 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 2 to the executive summary.

1.1.2 **Table 1** below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
OPERATIONS, RESOURCES AND SKILLS portfolio							
Delegated Budget:							
- Delegated Schools Budget	852,367	-80,517	771,850	0	0	0	
- Devolved Standards Fund	102,835	0	102,835	0	0	0	
- Targeted Standards Fund	0	0	0	0	0	0	
- Direct Financing for schools	0	0	0	0	0	0	
TOTAL DELEGATED	**955,202**	**-80,517**	**874,685**	**0**	**0**	**0**	
Non Delegated Budget:							
- Finance	3,810	-1,071	2,739	0	0	0	
- Awards	5,058	-827	4,231	89	-49	40	
- Grant income & contingency	4,384	-934,827	-930,443	0	0	0	
- Personnel & Development	16,007	-3,606	12,401	70	0	70	Redundancy costs for school staff underspend £398k, pensions overspend £468k
- Capital Strategy Unit	2,808	-242	2,566	821	-2	819	Revenue maintenance due to school closures and vandalism £543k, 3 new projects for mobile moves £278k
- BSF/ PFI and academies unit	450	0	450	83	0	83	
- Client Services	5,165	-3,471	1,694	11	0	11	
- Business Management	2,276	-143	2,133	118	0	118	Delay in achieving the full administrative staff saving in 2008/09 £118k
- ICT	7,630	-1,880	5,750	-16	-38	-54	
- Health & Safety	437	-8	429	6	0	6	
- Strategic Management	1,714	0	1,714	0	-2	-2	
- Extended Services	5,955	-350	5,605	0	0	0	
- Kent Music	858	0	858	0	0	0	
-14-24 unit	2,307	-202	2,105	0	0	0	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
- School Organisation	2,984	-66	2,918	-48	0	-48	
- Mainstream HTST	16,555	-484	16,071	0	0	0	
- Clusters	19,426	-263	19,163	0	0	0	
- AEN & Resources	15,981	-5,552	10,429	0	0	0	
- SEN Transport to Schools	15,483	0	15,483	0	0	0	
- Independent Sector Provision	10,983	-697	10,286	0	0	0	
TOTAL NON DELEGATED	**140,271**	**-953,689**	**-813,418**	**1,134**	**-91**	**1,043**	
OR&S Assumed Mgmt Action				**0**		**0**	
OR&S non delegated Forecast after Mgmt Action	**140,271**	**-953,689**	**-813,418**	**1,134**	**-91**	**1,043**	
Total OR&S incl schools delegated	**1,095,473**	**-1,034,206**	**61,267**	**1,134**	**-91**	**1,043**	
CHILDREN, FAMILIES AND EDUCATIONAL ACHIEVEMENT portfolio							
- Strategic Planning & Review	1,436	0	1,436	0	0	0	
- P & P (Vulnerable Children)	4,263	-395	3,868	0	0	0	
- Managing Directors Office & Democratic Services	2,070	0	2,070	0	0	0	
- Project Management (SPR)	113	0	113	0	0	0	
- Advisory Service Kent (ASK) Secondary Team	3,373	-160	3,213	65	0	65	
- ASK Primary Team	5,741	-360	5,381	55	0	55	
- ASK Early Years Team	5,756	-12	5,744	1,000	0	1,000	Additional targets linked to Outcomes, quality and inclusion strand of Sure Start overspend £1m
- ASK Improvement Partnerships	3,486	0	3,486	0	0	0	
- ASK Professional Development	5,080	-2,262	2,818	0	0	0	
- Early Years & Childcare	22,570	-154	22,416	0	0	0	
- Management Information	30,965	-35	30,930	0	-7	-7	
- International Development	195	-100	95	0	0	0	
- Educational Psychology Service	3,725	0	3,725	-125	0	-125	Psychologist vacancies £125k
- Attendance & Behaviour Service	17,208	-5,292	11,916	40	0	40	
- Minority Community Achievement	1,720	-96	1,624	0	0	0	
- Specialist Teaching Service	3,061	-590	2,471	0	0	0	
- Joint Commissioning	1,847	-310	1,537	0	0	0	
- Commissioning General	13,047	-614	12,433	0	0	0	
- Residential Care provided by KCC	2,261	-25	2,236	11.0	-11.0	0.0	
- Independent Sector res. care	5,119	-403	4,716	2,184.0	-728.0	1,456.0	Overspend due to increased demand and high cost placements. Increased income from joint funding arragements as agreed by JRAP
- Residential care - not looked after children	664	-7	657	22.0	-64.0	-42.0	
- KCC Family support	10,942	-960	9,982	-1,090.0	183.0	-907.0	Planned underspend to cover the pressures on Assessment & Related
- Family group conferencing	1,129	-241	888	12.0	-11.0	1.0	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
- Fostering service	23,403	-97	23,306	124.0	-124.0	0.0	Increase in independent fostering allowances £1,366k, overspend on County Fostering Team £75k, underspend on other fostering lines £1,317k. Additional income from placements, training and OLAs.
- Adoption service	5,988	-22	5,966	-257.0	-9.0	-266.0	Underspend on adoption allowances £502k, overspend on County Adoption Team £245k
- Independent Sector day care	920	0	920	-198.0	0.0	-198.0	Lower than anticipated number of clients
- Section 17	908	-5	903	119.0	5.0	124.0	Higher than anticipated number of clients, more expensive support
- Link placements	236	0	236	-10.0	0.0	-10.0	
- Grants to voluntary organisations	5,678	-266	5,412	9.0	-9.0	0.0	
- Direct payments	735	0	735	-108.0	-10.0	-118.0	Expenditure charged to new strand of the Sure Start Grant for Transforming Short Breaks for Disabled Children leading to a base underspend.
- Teenage pregnancy	706	0	706	6.0	-6.0	0.0	
- Leaving care/16+	3,413	0	3,413	-101.0	0.0	-101.0	Lower than anticipated take up of places
- Other services support	6,789	-824	5,965	818.0	-47.0	771.0	Legal overspend £650k, Out of Hours additional staff overspend due to transition £80k, other minor overspends £88k
- Assessment and related	19,077	-16	19,061	1,260.0	-353.0	907.0	Staffing overspend covered by planned underspend on Family Support
- Grant income & contingency	5,706	-74,197	-68,491	0.0	0.0	0.0	
Total C,F&EA	**219,330**	**-87,443**	**131,887**	**3,836**	**-1,191**	**2,645**	
CF&EA Assumed Mgmt Action				**-2,250**		**-2,250**	
CF&EA Forecast after Mgmt Action	**219,330**	**-87,443**	**131,887**	**1,586**	**-1,191**	**395**	
- Asylum Seekers	13,450	-13,450	0	0	4,002	4,002	
Total C,F&EA incl. Asylum	232,780	-100,893	131,887	3,836	2,811	6,647	
Total Delegated	955,202	-80,517	874,685	0	0	0	
Total Non Delegated (excl. Asylum)	**359,601**	**-1,041,132**	**-681,531**	**4,970**	**-1,282**	**3,688**	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
Total Directorate Controllable (excl. Asylum)	**1,314,803**	**-1,121,649**	**193,154**	**4,970**	**-1,282**	**3,688**	
Directorate Assumed mgmt action				**-2,250**		**-2,250**	
Total Directorate Controllable (excl. Asylum) after mgnt action	**1,314,803**	**-1,121,649**	**193,154**	**2,720**	**-1,282**	**1,438**	
Directorate Net Total (incl. Asylum) before mgmt action	**1,328,253**	**-1,135,099**	**193,154**	**4,970**	**2,720**	**7,690**	
Directorate Net Total (incl. Asylum) after mgmt action	**1,328,253**	**-1,135,099**	**193,154**	**2,720**	**2,720**	**5,440**	

1.1.3 **Major Reasons for Variance**:

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

<u>OR&S portfolio:</u>
There is a net pressure of £1,043k on this portfolio before the implementation of management action. The main variances are:

1.1.3.1 <u>Personnel and Development (Gross)</u>
The Personnel and Development Unit is forecasting an overspend on the pensions budget of £468k, the majority of which is due to previous years early retirements resulting from school closures and amalgamations. This pressure is largely offset by an underspend of £398k on the budget for redundancies of school staff which is due to a reduction in the number of school closures and amalgamations during the 2008-09 financial year.

1.1.3.2 <u>Capital Strategy Unit (Gross)</u>
The Capital Strategy Unit is projecting a £821k gross pressure. The budget for revenue maintenance of non operational sites is forecast to overspend by £543k due to the boarding up of closed schools and repairs caused by vandalism. The balance of the pressure is attributed to the costs of moving and hiring mobile classrooms in excess of the amount funded through the MTP 2008-11 (including 3 large projects) of £278k. This is consistent with spend in previous years.

1.1.3.3 <u>Business Management (Gross)</u>
The Business Management Unit is projecting a £118k gross pressure. One of the 2008-09 MTP savings related to administrative support. The unit concerned provides support to all directorates and following a consultation it was agreed that the unit would reduce in size rather than close. This has resulted in a reduction in the total to be saved against this heading and due to the consultation, a full years saving will not be generated in this financial year.

<u>CF&EA portfolio:</u>
There is a net pressure of £2,645k on this portfolio (excluding Asylum), before the implementation of management action. The main variances are:

1.1.3.4 <u>Advisory Service Kent – Early Years</u>
There is a pressure on the ASK Early Years unit of £1,000k on Sure Start funded projects. As declared in the last exception report the total grant funding for 2008-09 (excluding Childrens' 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 where our performance is subject to external monitoring and assessment against national indicators. KCC is committed to containing spend within the totality of the grant and is therefore looking at balancing this pressure.

1.1.3.5 Educational Psychology (Income)

A forecast underspend of £125k is due to staff vacancies.

1.1.3.6 Independent Sector Residential Care (Gross and Income)

A pressure of £2,184k is forecast due to an increase in demand and high cost placements which is consistent with the pressure experienced in 2007-08. This is partly offset by additional funding of £728k for placements following agreement from the Joint Residential Assessment Panel (JRAP) for this financial year.

1.1.3.7 KCC Family Support (Gross and Income)

The Family Support Unit is forecasting a gross underspend of £1,090k and an income overspend of £183k. The underspend is due to planned management action to balance the forecast overspend declared on Assessment and Related (see section 1.1.3.15). The overspend on income of £183k is due to a shortfall in income expected from partners and other sources.

1.1.3.8 Fostering Service (Gross and Income)

There is a gross pressure on this budget of £124k. The independent fostering allowances budget is forecasting an overspend of £1,366k. Based on the average weekly cost of £1,010 the 2008-09 budget of £1,502k can afford 1,487 weeks of independent foster care. The activity details in section 2.5.2 show actual client weeks as 736.59 for quarter 1, with a forecast of 2,789.41 weeks for the full financial year, which equates to a forecast spend of £2,868k. It should be noted that the actual number of client weeks is an estimate based on financial information only due to ongoing technical problems with the Integrated Childrens System (ICS). These figures will be subject to change once accurate information becomes available.

There is also a small overspend on the County Fostering team of £75k. Both of these overspends are largely offset by underspends of £1,317k on other fostering lines such as KCC fostering.

There is an income variance of £124k due to income received for training, placements and from OLAs for non Kent children being placed with KCC foster carers.

1.1.3.9 Adoption Service (Gross)

There is a forecast underspend on the Adoption Service of £257k. A forecast underspend on adoption allowances of £502k due to a new annual review of allowances is being partly offset by an overspend on the County Adoption Team of £245k due to the recruitment to posts to undertake the annual allowance reviews.

1.1.3.10 Independent Sector Day Care (Gross)

This is a preventative service managed in conjunction with Section 17 payments and the variances are inter-related. The forecast underspend of £198k is due to lower than anticipated number of clients receiving support under this line.

1.1.3.11 Section 17 (Gross)

This is a preventative service managed in conjunction with Independent Sector Day Care the variances are inter-related. The forecast overspend of £119k is due to higher than anticipated number of clients receiving more expensive support under this line.

1.1.3.12 Direct Payments (Gross)

There is a forecast underspend on this service of £108k. A new strand of the Sure Start Grant has been introduced in 2008/09 for Transforming Short Breaks for Disabled Children. Where possible, expenditure is being charged to the grant to ensure that it will be fully utilised leading to an underspend on the base budget for Direct Payments.

1.1.3.13 Leaving Care/16+ (Gross)

This is a client based service and current usage is below the anticipated level leading to an underspend of £101k. It should be noted that there are pressures on the other 16+ services which are overspent and are reported within the Independent residential lines and Fostering Service Lines.

1.1.3.14 Other Services Support (Gross)

The pressure on this budget continues and the gross overspend of £818k is mainly attributed to Legal Services which is forecast to overspend by £650k. The pressure on this budget has continued from 2007-08 and the Directorate will be reviewing this budget further with a view of identifying the ongoing base pressure in the 2009-12 MTP. There is a pressure on the Out of Hours budget of £80k as additional staff are required while the transition to the Call Centre takes place. There are other minor overspend on Facilities and the Business Planning Unit of £88k.

1.1.3.15 Assessment and Related (Gross and Income)

Assessment and Related is forecasting a gross overspend of £1,260k and an income underspend of £353k. The overspend is due to the filling of frontline posts and this is being offset by a planned underspend on the Family Support line (see 1.1.3.7).

The variance on income is due to income for the Best project £165k and Ready for Practice income and training money £147k with the balance being attributed to ad hoc money secured from Health and other sources.

1.1.3.16 **Asylum**

The Asylum Service is forecasting to have a funding shortfall of £4,002k for the 2008-09 financial year, £3,502k of direct costs and £500k of indirect costs. The number of referrals in Kent is running at its highest monthly level for this point in the financial year at almost 50 cases per month.

The forecast income is based on the 2007-08 rules and levels. The Home Office have given an undertaking that no authority would be out of pocket in 2008-09 but there has been no reference to levels of income in any correspondence. However the latest information from the LGA says that costs “directly attributed to the care of an individual” in the current year should be reimbursed at 100% subject to audit. Until we receive anything in writing from the Home Office clarifying what costs will be reimbursed, based on last years grant levels and rules, the authority will have a shortfall of £4m. The Home Office has also referred to a winding down of indirect costs in line with reducing numbers which should be achieved over two years, although at this stage it is not clear what costs they consider to be indirect. Also while nationally the number of Unaccompanied Asylum Seeking Children (UASCs) may be falling, the number of referrals in Kent remains significantly higher than our service was designed for.

We continue to lobby Central Government concerning outstanding grant income for previous years. Funding from the Home Office for outstanding income relating to 2006-07 has been confirmed at 100% (£2,430k) but the position regarding outstanding income for 2007-08 is less clear. The DCSF had offered 56% funding of the UASC Leaving Care shortfall amounting to £1,488k which leaves Kent with a £1,150k shortfall. However latest correspondence says that this is an estimate and the final amount will depend on how much other authorities bid for with additional funding capped at £16m. There is also lack of clarity in the latest letter from the Home Office regarding 2007-08 where 100% funding was expected but now a bidding process will take place and additional cash will be limited at £9m nationally.

Other Issues

1.1.3.17 Payments to PVI providers for the free entitlement for 3 and 4 year olds (DSG)

The latest forecast suggests an underspend of around £900k on payments to PVI providers for 3 and 4 year olds. This budget is funded entirely from DSG and therefore any surplus or deficit at the end of the year must be carried forward to the next financial year in accordance with the regulations, and cannot be used to offset over or underspends elsewhere in the directorate budget. Therefore, as any unspent Early Years funding has to be returned to schools, at year end any underspend will be transferred to the schools unallocated reserve for DSG and hence is not included in the overall directorate forecast in this report.

Delegated Schools Budgets

1.1.3.18 As reported in the last exception monitoring report, the Local Authority has consulted its Schools' Funding Forum regarding the levels of school reserves and agreed with them that we will challenge those school's who have had consistently high levels of revenue reserves over the past 5 years. On 3rd and 4th July, 31 schools attended meetings with representatives from the Forum, the Advisory Service and Finance. These schools were required to explain why they are holding reserves at these levels and how they impact on improving standards. The LA is in the process of recovering reserves from 10 schools with the possibility of this increasing to 18 schools. A formal appeals process has been established for September.

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 in October.

On 15th and 16th September the Local Authority will be seeing the next round of schools with high reserves.

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.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CFEA	Asylum - Shortfall in income (income)	+4,002	CFEA	Fostering Service - Non Independent Fostering Allowance lines (gross)	-1,317
CFEA	Independent Sector Residential Care - increase in demand and high cost placements (gross)	+2,184	CFEA	Family Support - Planned management action (gross)	-1,090
CFEA	Fostering Service - Independent fostering allowances (gross)	+1,366	CFEA	Independent Sector Residential Care - placement funding from Joint Residential Assessment Panel (income)	-728
CFEA	Assessment and Related - Frontline staffing overspend (gross)	+1,260	CFEA	Adoption Service - adoption allowances (gross)	-502
CFEA	ASK Early Years - additional Sure Start targets (gross)	+1,000	ORS	Personnel and Development - reduction in school staff redundancy costs (gross)	-398
CFEA	Other Services Support - Legal costs (gross)	+650	CFEA	Assessment and Related - additional income from Best project, training and Health	-353
ORS	Capital Strategy - closing schools revenue maintenance (gross)	+543	CFEA	Independent Day Care - lower take up of places	-198
ORS	Personnel and Development - pensions (gross)	+468	CFEA	Education Psychology - staffing vacancies (gross)	-125
ORS	Capital Strategy - mobile classroom costs (gross)	+278	CFEA	Fostering Service - additional income for training, placements etc (income)	-124
CFEA	Adoption Service - County Adoption Team	+245	CFEA	Direct Payments - utilisation of Sure Start grant giving base budget underspend (gross)	-108
CFEA	Family Support - shortfall of partnership income (income)	+183	CFEA	Leaving Care/16 plus - lower than anticipated take up of places (gross)	-101
CFEA	Section 17 - increased support to clients (gross)	+119			
ORS	Business Management - delay in administrative support saving (gross)	+118			
		+12,416			-5,044

1.1.4 **Actions required to achieve this position**:

N/A.

1.1.5 **Implications for MTP**:

Some of these ongoing pressures are being addressed through the 2009-12 MTP process, such as independent fostering allowances and independent sector residential care. We are expecting to manage the remaining pressures downwards on an ongoing and sustainable basis, however if this is not fully achieved we may need to address some of these issues within an already extremely difficult 2009-12 MTP.

1.1.6 **Details of re-phasing of revenue projects**:

None

1.1.7 **Details of proposals for residual variance**: *[eg roll forward proposals; mgmt action outstanding]*

The Directorate intends to balance the 2008-09 budget using the proposals listed below:

In the CF&EA portfolio:

- We anticipate that we will have some one-off Sure Start funding available for re-badging of base expenditure. The availability of the funding is, as in previous years, linked to the timing of the opening of Childrens Centres. This is likely to be the last year that the option will be available to us but we should be able to deliver £1,000k through this to offset the £1,000k pressure shown in 1.1.3.4.
- The directorate underspent its LAA grant in 2007-08 by £250k. LAA funding which is one off in nature will be used to offset part of the pressure.
- We will continue to look in detail at expenditure items in the Directorate – particularly Childrens Social Services – that we may be able to charge to the LA element of the DSG where we have some capacity. We have set a target of £1,000k.

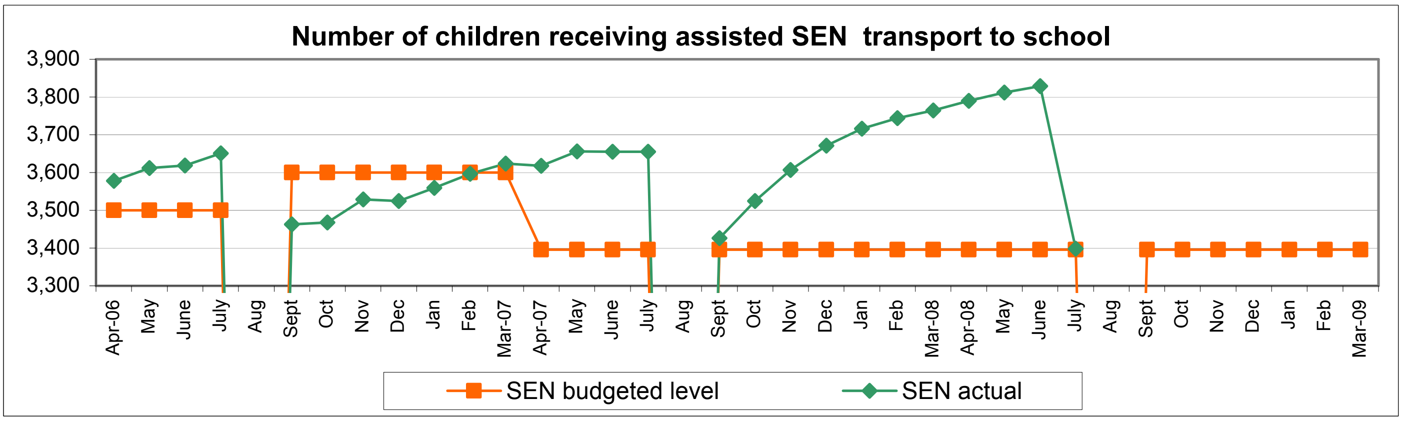
These management actions will cover £2,250k of the reported pressures and leaves the directorate with a residual overspend of £1,438k (excluding Asylum). Options to manage the residual overspend will be discussed at SMT in September and this could include a vacancy freeze. However at this stage the directorate expects to finish the financial year in a balanced position.

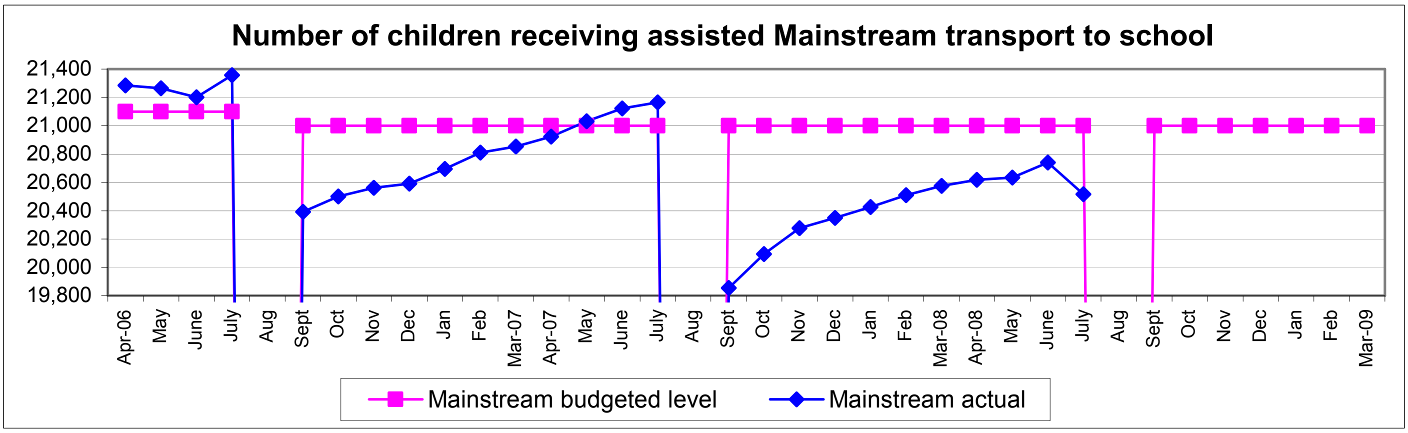
Although these measures will cover the majority of this year's overspend, there will still be an underlying pressure in the base budget, as most of the proposals listed above are using one-off monies. The directorate is looking to manage this pressure downwards on an ongoing and sustainable basis, however if this is not fully achieved we may need to address some of these issues within the 2009-12 MTP.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Numbers of children receiving assisted SEN and Mainstream transport to school:

	2006-07				2007-08				2008-09			
	SEN		Mainstream		SEN		Mainstream		SEN		Mainstream	
	Budgeted level	actual	Budgeted level	actual	Budgeted level	actual	Budgeted level	actual	Budgeted level	actual	Budgeted level	actual
April	3,500	3,578	21,100	21,285	3,396	3,618	21,000	20,923	3,396	3,790	21,000	20,618
May	3,500	3,612	21,100	21,264	3,396	3,656	21,000	21,032	3,396	3,812	21,000	20,635
June	3,500	3,619	21,100	21,202	3,396	3,655	21,000	21,121	3,396	3,829	21,000	20,741
July	3,500	3,651	21,100	21,358	3,396	3,655	21,000	21,164	3,396	3,398	21,000	20,516
Aug	0	0	0	0	0	0	0	0	0		0	
Sept	3,600	3,463	21,000	20,392	3,396	3,426	21,000	19,855	3,396		21,000	
Oct	3,600	3,468	21,000	20,501	3,396	3,525	21,000	20,093	3,396		21,000	
Nov	3,600	3,529	21,000	20,561	3,396	3,607	21,000	20,276	3,396		21,000	
Dec	3,600	3,525	21,000	20,591	3,396	3,671	21,000	20,349	3,396		21,000	
Jan	3,600	3,559	21,000	20,694	3,396	3,716	21,000	20,426	3,396		21,000	
Feb	3,600	3,597	21,000	20,810	3,396	3,744	21,000	20,509	3,396		21,000	
March	3,600	3,624	21,000	20,852	3,396	3,764	21,000	20,575	3,396		21,000	





Comments:

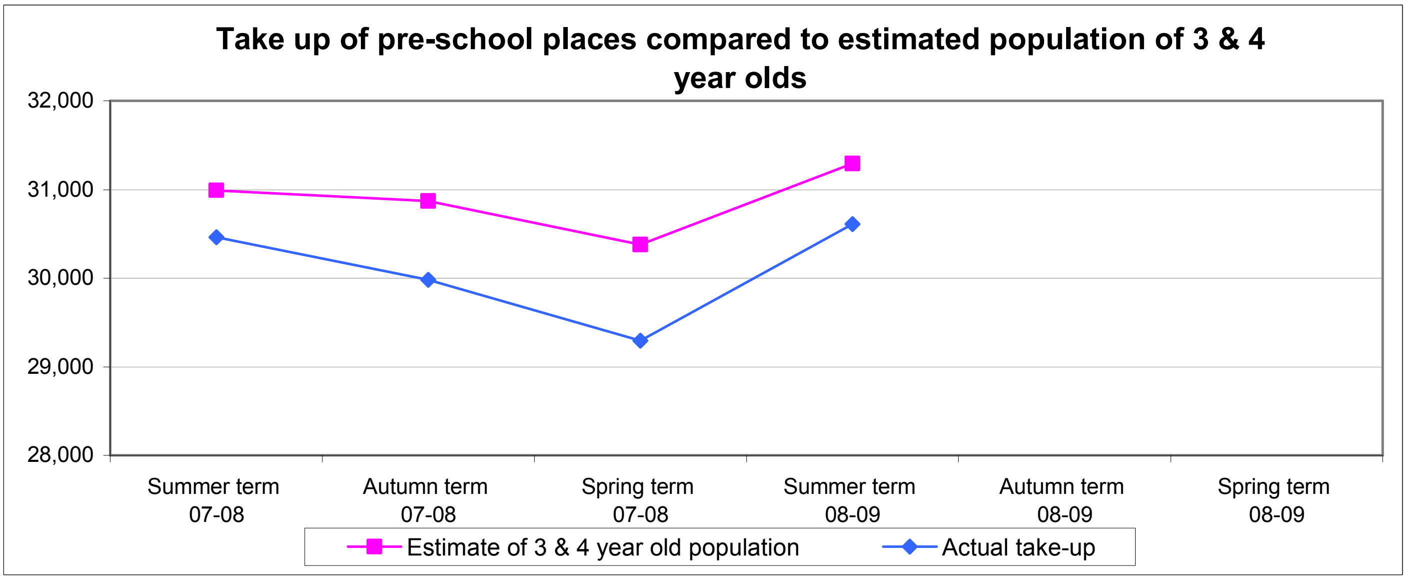
- **SEN HTST** – In 2007-08 there was a significant gap between the actual and budgeted level of assisted SEN transport to schools which related to the savings targets which significantly reduced the budgeted level and the fact that the service was unable to achieve these. Whilst actual numbers travelling continue to exceed budgeted levels, work is still being undertaken by Passenger Transport Unit on the savings that will be achieved through contract negotiations. Any variance to budget will be reported following the outcome of this piece of work.

  The actual number of pupils travelling appears low in July as the 'day of count' was after some special schools had closed for the summer. (The count is only taken on one day in the month). The data in September should give a better view of the levels of pupils receiving assisted transport.

- **Mainstream HTST** - The budgeted level has been calculated by dividing the 2008/09 budget by the current average cost per child. Actual numbers travelling are slightly less than budgeted levels but at this stage of the year an underspend has not been reported until the impact of the fuel price rise becomes clear.

2.2.1 **Take up of pre-school places against the number of places available, split between Private Voluntary and Independent Sector (PVI) places and School places**:

	2007-08					2008-09				
	PVI places taken up	*School places taken up*	Total places taken up	Estimate of 3 & 4 year old population	% take up	*PVI places taken up*	*School places taken up*	Total places taken up	Estimate of 3 & 4 year old population	% take up
Summer term	*20,675*	*9485*	30,460	30,992	98%	*20,766*	*9,842*	30,608	31,294	98%
Autumn term	*14,691*	*15,290*	29,981	30,867	97%					
Spring term	*17,274*	*12,020*	29,294	30,378	97%					

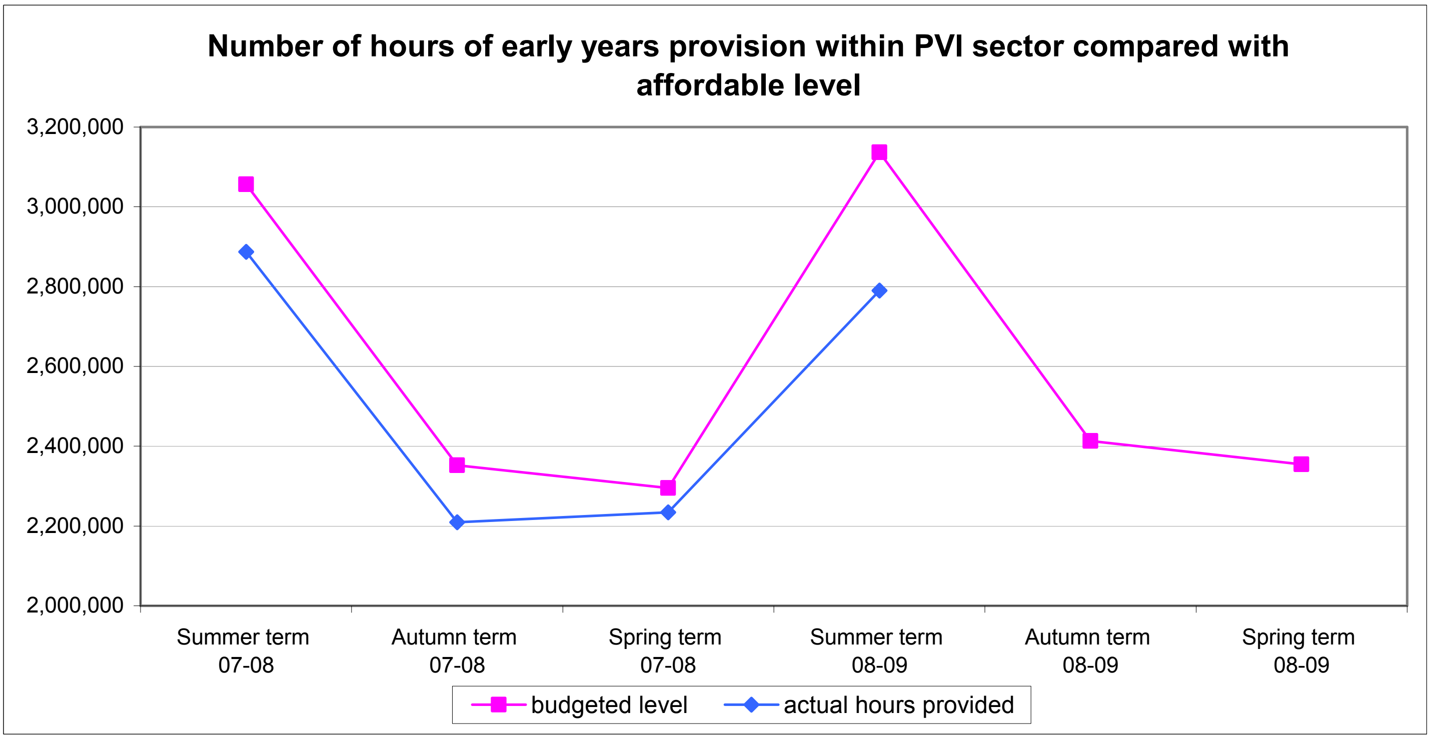


Comments:

- This graph shows that currently 98% of the estimated population of 3 and 4 year olds are receiving some level of early years provision, whether this be one session per week for 33 weeks or the maximum of five sessions per week for the full 38 weeks. This activity indicator is based on headcount and provides a snapshot position at a point in time, whereas the activity data in 2.2.2 below provides details of the number of hours provided in the Private, Voluntary & Independent sector, and will correlate with the variance on the Early Years budget within the Management Information Unit. However as this budget is funded entirely from DSG, any surplus or deficit at the end of the year must be carried forward to the next financial year in accordance with the regulations, and cannot be used to offset over or underspends elsewhere in the directorate budget. Therefore, as any unspent Early Years funding has to be returned to schools, at year end any underspend will be transferred to the schools unallocated reserve for DSG and hence is not included in the overall directorate forecast shown in table 1, but is reported in the narrative in section 1.1.3.17 of this annex

2.2.2 **Number of hours of early years provision provided to 3 & 4 year olds within the Private, Voluntary & Independent Sector compared with the affordable level:**

	2007-08		2008-09	
	Budgeted number of hours	Actual hours provided	Budgeted number of hours	Actual hours provided
Summer term	3,056,554	2,887,134	3,136,344	2,790,446
Autumn term	2,352,089	2,209,303	2,413,489	
Spring term	2,294,845	2,233,934	2,354,750	
	7,703,488	**7,330,371**	**7,904,583**	**2,790,446**



Comments:

- The budgeted number of hours per term is based on an assumed level of take-up and the assumed number of weeks the providers are open. The variation between the terms is due to two reasons: firstly, the movement of 4 year olds at the start of the Autumn term into reception year in mainstream schools; and secondly, the terms do not have the same number of weeks.
- The current activity suggests an underspend on this budget which has been mentioned in section 1.1.3.17 of this annex.
- It should be noted that not all parents currently take up their full entitlement and this can change during the year.

2.3 **Number of schools with deficit budgets compared with the total number of schools**:

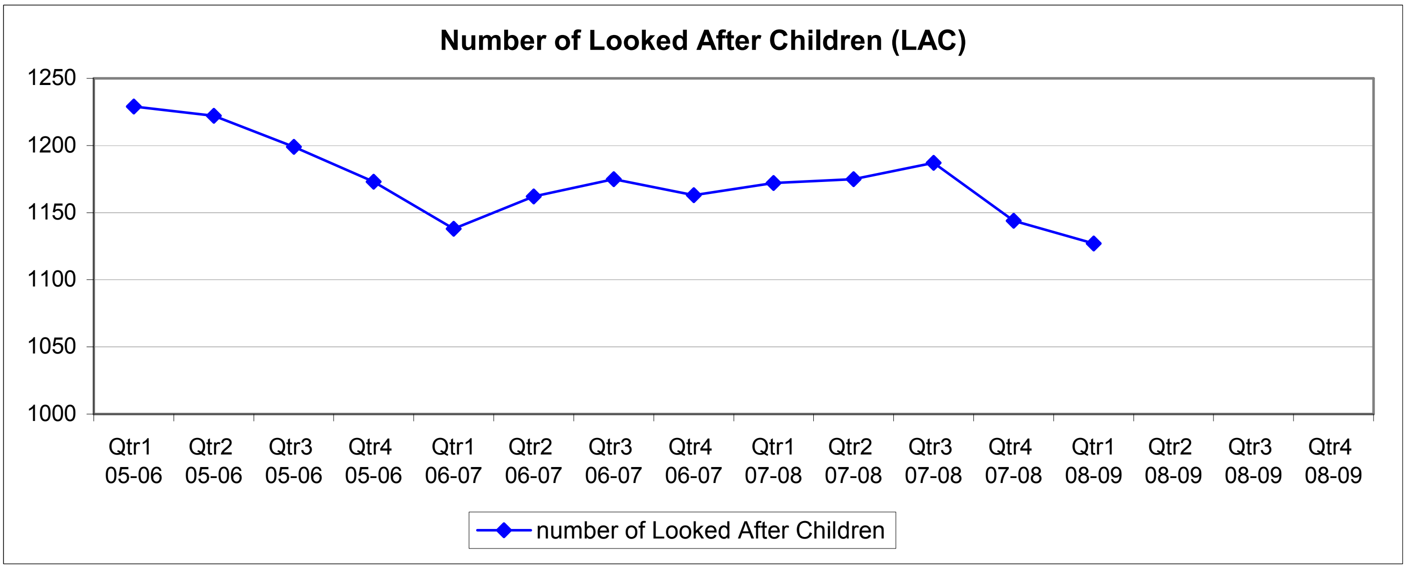
	2005-06 as at 31-3-06	**2006-07** as at 31-3-07	**2007-08** as at 31-3-08	**2008-09** Projection
Total number of schools	600	596	575	574
Total value of school revenue reserves	£70,657k	£74,376k	£79,360k	£79,360k
Number of deficit schools	9	15	15	11
Total value of deficits	£947k	£1,426k	£1,068k	£920k

Comments:

- The information on deficit schools for 2008/09 has been obtained from the schools budget plan submissions. The LA receives updates from schools through budget monitoring returns from all schools after 6 months, and 9 months as well as an outturn report at year end.
- KCC now has a “no deficit” policy for schools, which means that schools cannot plan for a deficit budget at the start of the year. Unplanned deficits will need to be addressed in the following year’s budget plan, and schools that incur unplanned deficits in successive years will be subject to intervention by the LA, which could ultimately mean suspending delegation.
- The CFE Statutory team are working with all schools currently reporting a deficit with the aim of returning the schools to a balanced budget position as soon as possible. This involves agreeing a management action plan with each school.

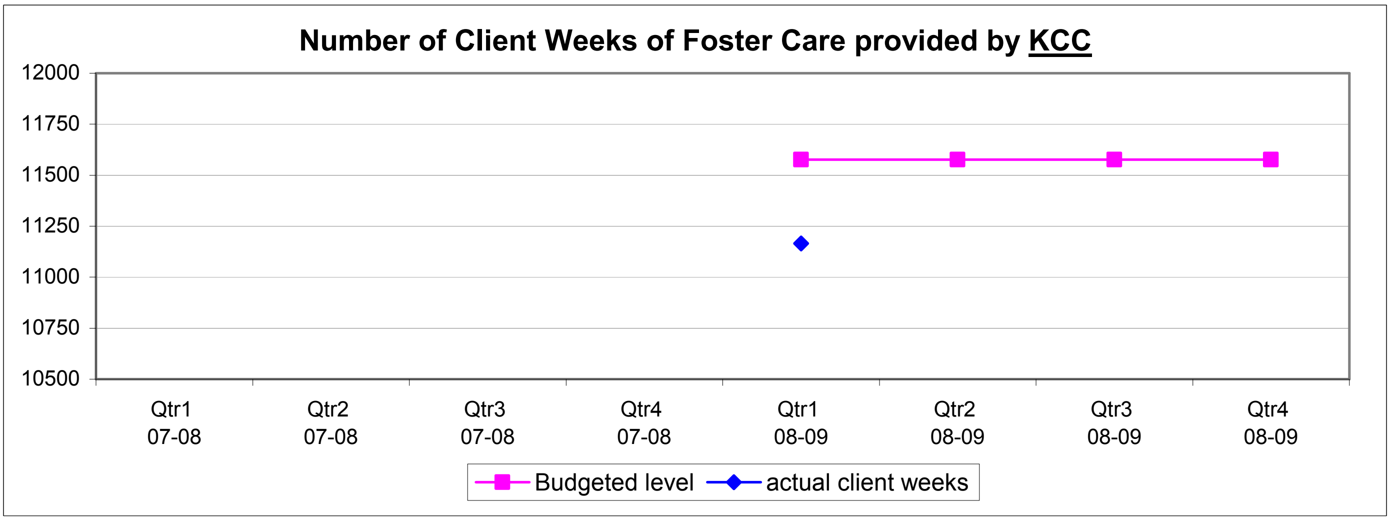
2.4 **Numbers of Looked After Children (LAC)**:

	2005-06	**2006-07**	**2007-08**	**2008-09**
Apr – Jun	1,229	1,138	1,172	1,127
Jul – Sep	1,222	1,162	1,175	
Oct – Dec	1,199	1,175	1,187	
Jan – Mar	1,173	1,163	1,144	



2.5.1 **Number of Client Weeks of Foster Care provided by KCC**:

	2007-08		2008-09	
	Budgeted level	**Actual Client Weeks**	**Budgeted level**	**Actual Client Weeks**
Apr - Jun			11,575.8	11,165.7
Jul - Sep			11,575.8	
Oct - Dec			11,575.8	
Jan - Mar			11,575.8	
			46,303.2	**11,165.7**

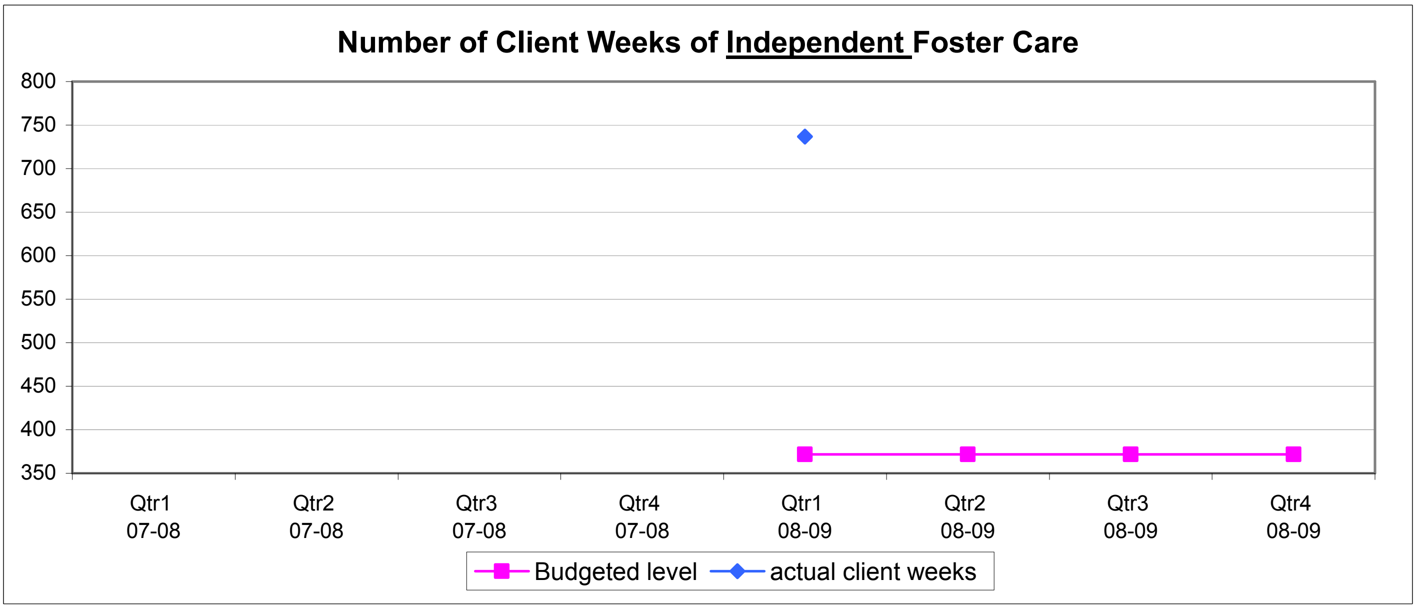


Comments:

- The actual number of client weeks is based on the numbers of known clients at a particular point in time. This may be subject to change due to the late receipt of paperwork.
- The budgeted level has been calculated by dividing the budget by the average weekly cost. The average weekly cost is also an estimate based on financial information and estimates of the number of client weeks and may be subject to change.
- The activity data for 2007-08 is not readily available as we previously reported on client numbers, not client weeks of service. The data is being produced manually and this is a time consuming process. It will be available for the next quarters monitoring report.
- The current activity suggests an underspend on this budget which has been mentioned in 1.1.3.8 of this annex.

2.5.2 **Number of Client Weeks of Independent Foster Care**:

	2007-08		2008-09	
	Budgeted level	**Actual Client Weeks**	**Budgeted level**	**Actual Client Weeks**
Apr - Jun			371.78	736.59
Jul - Sep			371.78	
Oct - Dec			371.78	
Jan - Mar			371.78	
			1,487.12	**736.59**



Comments:

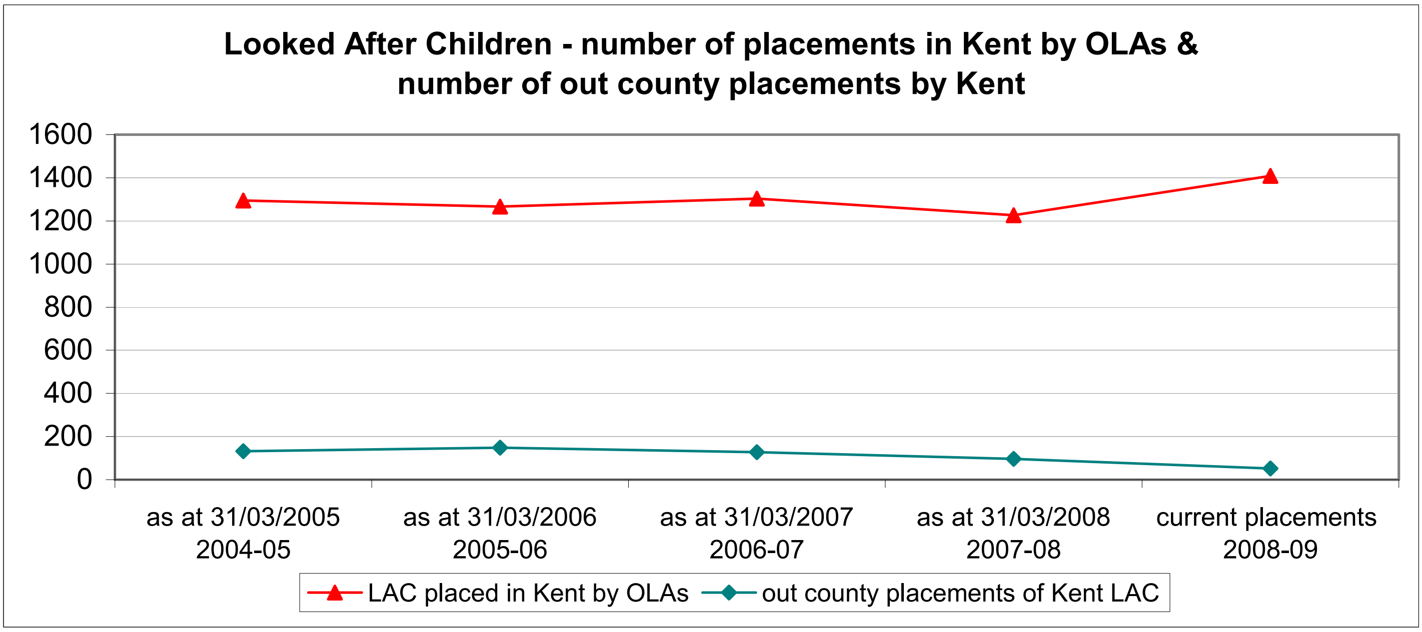
- The actual number of client weeks is based on the numbers of known clients at a particular point in time. This may be subject to change due to the late receipt of paperwork.
- The budgeted level has been calculated by dividing the budget by the average weekly cost. The average weekly cost is also an estimate based on financial information and estimates of the number of client weeks and may be subject to change.
- The activity data for 2007-08 is not readily available. The data is being produced manually and this is a time consuming process. It will be available for the next quarters monitoring report.
- The current activity suggests an overspend on this budget which has been mentioned in 1.1.3.8 of this annex.

2.6 **Number of Placements in Kent of LAC by other Authorities**:

2004-05 as at 31/03/2005	2005-06 as at 31/03/2006	2006-07 as at 31/03/2007	2007-08 as at 31/03/2008	2008-09 Current placements
1,294	1,266	1,303	1,226	1,408

2.7 **Number of Out County Placements of LAC by Kent**:

2004-05 as at 31/03/2005	2005-06 as at 31/03/2006	2006-07 as at 31/03/2007	2007-08 as at 31/03/2008	2008-09 Current placements
132	149	127	97	52



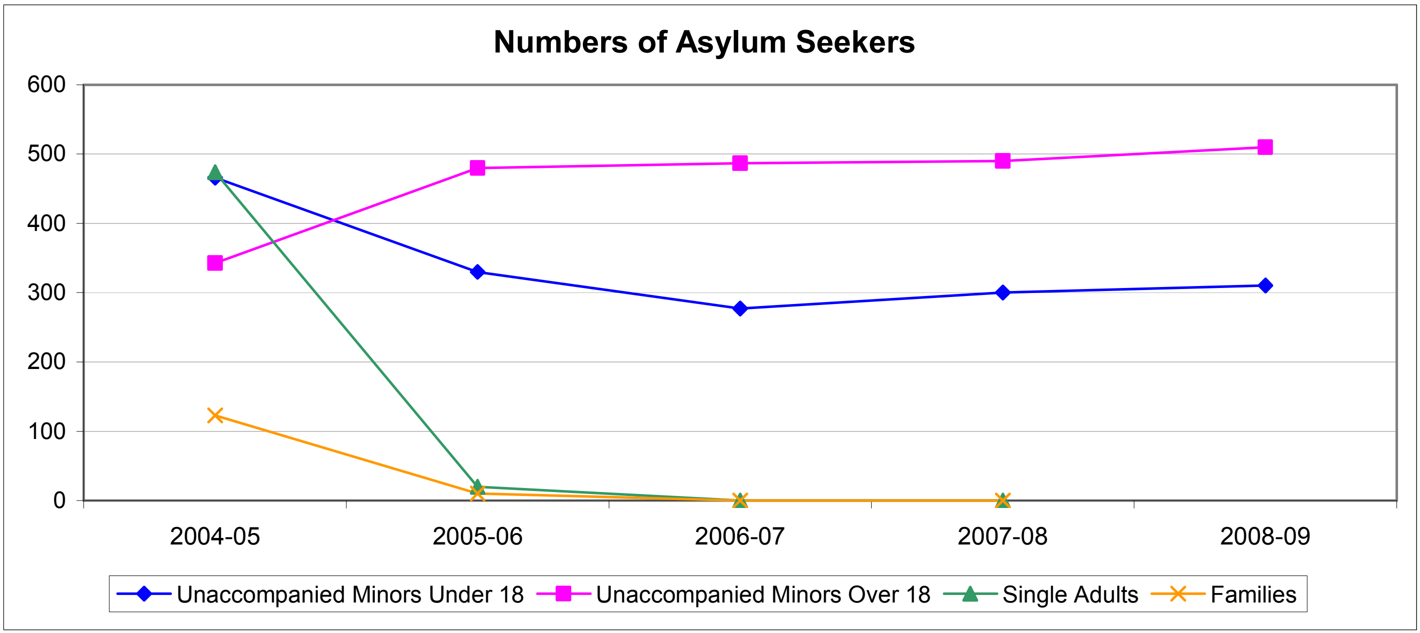
Comment:

- Children Looked After by KCC may on occasion be placed out of the County, which is undertaken using practice protocols that ensure that all long-distance placements are justified and in the interests of the child. All Looked After Children are subject to regular statutory reviews (at least twice a year), which ensures that a regular review of the child's care plan is undertaken. The majority (over 99%) of Looked After Children placed out of the Authority are either in adoptive placements, placed with a relative, specialist residential provision not available in Kent or living with KCC foster carers based in Medway.

- It should be noted that the data shown above for 2008-09 is an estimate as accurate data is unavailable due to data migration problems with the Integrated Childrens System (ICS). When the data for Looked After Children placements from other local authorities and out county placements was migrated to ICS it did not transfer 100% accurately. A team within Management Information is currently undertaking a task to check the data quality of over 1,000 records. This is an ongoing issue and the timescale for completion is not yet known.

2.8 **Numbers of Asylum Seekers (by category)**:

	2004-05	**2005-06**	**2006-07**	**2007-08**	**2008-09**
	31-03-05	**31-03-06**	**31-03-07**	**31-03-08**	**31-07-08**
	Number	Number	Number	Number	Number
Unaccompanied Minors Under 18	466	330	277	300	310
Unaccompanied Minors Over 18	343	480	487	490	510
Single Adults	474	20	0	0	0
Families	123	10	0	0	0



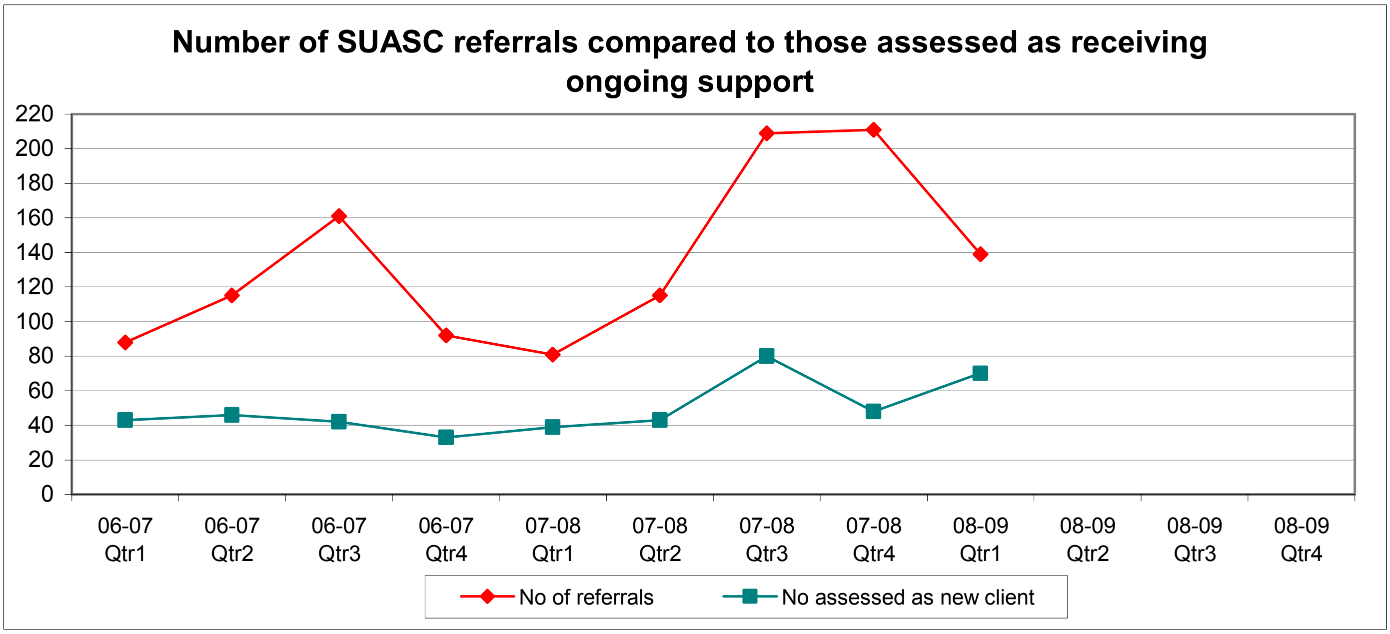
Comment:

- Client numbers have risen as a result of higher referrals and are higher than projected numbers.

- It should be noted that the data shown above for 2008-09 is an estimate as accurate data is unavailable due to data migration problems with the Integrated Childrens System (ICS). When the data was migrated to ICS it did not transfer 100% accurately. Work is being undertaken to resolve this issue.

2.9 **Numbers of Asylum Seeker referrals compared with the number assessed as qualifying for on-going support from Service for Unaccompanied Asylum Seeking Children (SUASC) ie new clients**:

	2006-07			2007-08			2008-09		
	No. of referrals	No. assessed as new client	%	No. of referrals	No. assessed as new client	%	No. of referrals	No. assessed as new client	%
April - June	88	43	49%	81	39	48%	139	70	50%
July - Sept	115	46	40%	115	43	37%			
Oct - Dec	161	42	26%	209	80	38%			
Jan - March	92	33	36%	211	48	23%			
	456	**164**	**36%**	**616**	**210**	**34%**			



Comments:

- Referral rates have reduced compared to the last half of 2007-08. However the numbers are considerably higher than for the same period in the previous two years. The number being assessed as under 18 is significantly higher than the same period in the previous two years.
- It should be noted that the data shown above for 2008-09 is an estimate as accurate data is unavailable due to data migration problems with the Integrated Childrens System (ICS). When the data was migrated to ICS it did not transfer 100% accurately. Work is being undertaken to resolve this issue.

KENT ADULT SOCIAL SERVICES DIRECTORATE SUMMARY JULY 2008-09 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

1.1.1 The cash limits that the Directorate is working to, **and upon which the variances in this report are based**, include adjustments for both formal virement and technical adjustments, the latter being where there is no change in policy. The Directorate would like to request formal virement through this report to reflect adjustments to cash limits required for the following two reasons:

- Firstly, changes required in respect of the allocation of previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process. This primarily relates to how the Directorate allocated demography/growth and savings, decisions for which were made following a Special Budget SMT in mid February. Where necessary allocations have been adjusted in light of the 2007-08 out-turn, whereas before they would have been based on forecasts from several months earlier. As a result demography/growth and savings have in some cases been allocated across different headings to those assumed within budget build. The value of these changes is a reduction in gross expenditure of £1,710k and a corresponding £1,710k reduction in income.
- Secondly, cash limits need to be adjusted to reflect the changing trends in services over the past couple of years through modernisation of services and the move towards more self directed support. Services are now more likely to be community based, for example in supported accommodation, or through a domiciliary care package, or via a direct payment, rather than residentially based. The value of these changes is a £1,858k reduction in gross expenditure and a £1,858k reduction in income.

Cash limits have also been adjusted to reflect a number of technical adjustments to budget, including realignment of gross and income to more accurately reflect current levels of services and the inclusion of a number of 100% grants/contributions (i.e. which fully fund the additional costs) awarded since the budget was set. These include £1,725k from the Eastern and Coastal Kent Primary Care Trust, and £701k in respect of the Learning Disability Campus Closure Grant. Throughout 2007/08 it was acknowledged that some of the income budgets were not correctly aligned to where the gross budget was held. This should have been rectified in budget build but regrettably was not hence a number of adjustments are now required. The value of these changes is a £1,176k increase in gross expenditure and a £1,176k increase in income.

These adjustments have resulted in an overall decrease in the gross expenditure budget of £2,392k (-£1,710k - £1,858k + £1,176k) and a reduction in the income budget of an equal amount, giving a net nil effect.

In addition there has been an increase of £1,617k in the gross budget, which includes a £1,384k allocation from the corporate contingency set aside from the rolled forward underspend from 2007-08 for the impact of the current economic situation and the transfer of services from other portfolios.

Therefore, the overall movement in cash limits shown in table 1a below is a reduction of £775k in gross expenditure (-£2,392k + £1,617k) and a reduction in income of £2,392k.

Table 1a shows:

- the published budget,
- the proposed budget following adjustments for both formal virement and technical adjustments, together with Corporate allocations,
- the total value of the adjustments applied to each service line.

Cabinet is asked to approve these revised cash limits:

1.1.2 **Table 1a: Movement in cash limits since Published Budget**

Budget Book Heading	Published Budget			Revised Cash limit			Movement in Cash limit		
	G	I	N	G	I	N	G	I	N
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Kent Adult Social Services portfolio									
Older People:									
- Residential Care	89,446	-31,330	58,116	87,732	-29,891	57,841	-1,714	1,439	-275
- Nursing Care	44,144	-19,084	25,060	42,753	-18,982	23,771	-1,391	102	-1,289
- Domiciliary Care	43,457	-9,606	33,851	45,964	-10,461	35,503	2,507	-855	1,652
- Direct Payments	4,138	-432	3,706	3,927	-327	3,600	-211	105	-106
- Other Services	22,793	-6,980	15,813	23,373	-7,157	16,216	580	-177	403
Total Older People	203,978	-67,432	136,546	203,749	-66,818	136,931	-229	614	385
People with a Learning Difficulty:									
- Residential Care	63,332	-11,927	51,405	62,104	-9,946	52,158	-1,228	1,981	753
- Domiciliary Care	5,129	-419	4,710	5,822	-696	5,126	693	-277	416
- Direct Payments	3,858	-97	3,761	3,772	-49	3,723	-86	48	-38
- Supported Accommodation	5,666	-597	5,069	7,247	-593	6,654	1,581	4	1,585
- Other Services	19,405	-1,818	17,587	19,139	-1,076	18,063	-266	742	476
Total People with a LD	97,390	-14,858	82,532	98,084	-12,360	85,724	694	2,498	3,192
People with a Physical Disability									
- Residential Care	12,024	-2,381	9,643	10,897	-1,649	9,248	-1,127	732	-395
- Domiciliary Care	8,105	-521	7,584	8,039	-689	7,350	-66	-168	-234
- Direct Payments	5,857	-215	5,642	5,712	-247	5,465	-145	-32	-177
- Supported Accommodation	287	0	287	604	-59	545	317	-59	258
- Other Services	4,828	-82	4,746	4,734	-78	4,656	-94	4	-90
Total People with a PD	31,101	-3,199	27,902	29,986	-2,722	27,264	-1,115	477	-638
All Adults Assessment & Related	33,893	-496	33,397	35,088	-1,596	33,492	1,195	-1,100	95
Mental Health Service									
- Residential Care	7,759	-1,692	6,067	6,441	-948	5,493	-1,318	744	-574
- Domiciliary Care	915	-2	913	874	0	874	-41	2	-39
- Direct Payments	321	0	321	234	0	234	-87	0	-87
- Supported Accommodation	51	0	51	303	-62	241	252	-62	190
- Assessment & Related	9,435	-726	8,709	10,131	-854	9,277	696	-128	568
- Other Services	6,555	-996	5,559	6,569	-881	5,688	14	115	129
Total Mental Health Service	25,036	-3,416	21,620	24,552	-2,745	21,807	-484	671	187
Supporting People	32,957	0	32,957	32,957	0	32,957	0	0	0
Gypsy & Traveller Unit	632	-283	349	628	-279	349	-4	4	0
People with no recourse to Public Funds	100	0	100	100	0	100	0	0	0
Strategic Management	1,327	0	1,327	1,407	0	1,407	80	0	80
Policy, Performance & Quality Assurance	6,680	-175	6,505	6,152	-307	5,845	-528	-132	-660
Resources	15,265	-510	14,755	14,881	-392	14,489	-384	118	-266
Specific Grants	0	-34,187	-34,187	0	-34,945	-34,945	0	-758	-758
Total Adult Services controllable	**448,359**	**-124,556**	**323,803**	**447,584**	**-122,164**	**325,420**	**-775**	**2,392**	**1,617**

1.1.3 **Table 1b** below details the revenue position by Service Unit against the revised cash limits shown in table 1a:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Kent Adult Social Services portfolio							
Older People:							
- Residential Care	87,732	-29,891	57,841	41	-83	-42	Demographic and placement pressures offset by one-off release of loan and additional income
- Nursing Care	42,753	-18,982	23,771	-8	-212	-220	Demographic and placement pressures offset by one-off release of loan and additional income

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Domiciliary Care	45,964	-10,461	35,503	-231	89	-142	Reducing clients but more intensive packages
- Direct Payments	3,927	-327	3,600	22	-2	20	
- Other Services	23,373	-7,157	16,216	-561	93	-468	Balance of Managing Director's Contingency to offset overall pressure
Total Older People	203,749	-66,818	136,931	-737	-115	-852	
People with a Learning Difficulty:							
- Residential Care	62,104	-9,946	52,158	1,971	-347	1,624	Demographic and placement pressures offset by additional income
- Domiciliary Care	5,822	-696	5,126	121	-4	117	Demographic and placement pressures
- Direct Payments	3,772	-49	3,723	77	-10	67	
- Supported Accommodation	7,247	-593	6,654	52	2	54	
- Other Services	19,139	-1,076	18,063	-137	34	-103	Balance of Managing Director's Contingency to offset overall pressure
Total People with a LD	98,084	-12,360	85,724	2,084	-325	1,759	
People with a Physical Disability							
- Residential Care	10,897	-1,649	9,248	996	-285	711	Demographic and placement pressures offset by additional income
- Domiciliary Care	8,039	-689	7,350	-87	19	-68	
- Direct Payments	5,712	-247	5,465	34	-4	30	
- Supported Accommodation	604	-59	545	-21	9	-12	
- Other Services	4,734	-78	4,656	-127	14	-113	Balance of Managing Director's Contingency to offset overall pressure
Total People with a PD	29,986	-2,722	27,264	795	-247	548	
All Adults Assessment & Related	35,088	-1,596	33,492	732	-125	607	Pressure of increments, low turnover and increasing numbers of referrals/assessments
Mental Health Service			0			0	
- Residential Care	6,441	-948	5,493	415	10	425	Forecast activity in excess of affordable level
- Domiciliary Care	874	0	874	49	0	49	
- Direct Payments	234	0	234	0	0	0	
- Supported Accommodation	303	-62	241	-62	0	-62	
- Assessment & Related	10,131	-854	9,277	-473	58	-415	Vacancy management
- Other Services	6,569	-881	5,688	-27	-1	-28	
Total Mental Health Service	24,552	-2,745	21,807	-98	67	-31	
Supporting People	32,957	0	32,957	-9	0	-9	
Gypsy & Traveller Unit	628	-279	349	30	-4	26	
People with no recourse to Public Funds	100	0	100	-20	0	-20	
Strategic Management	1,407	0	1,407	-33	0	-33	
Policy, Performance & Quality Assurance	6,152	-307	5,845	-321	6	-315	Vacancy management
Resources	14,881	-392	14,489	-186	169	-17	Release from reserve, write back of debtor
Specific Grants	0	-34,945	-34,945	0	0	0	
Total Adult Services controllable	**447,584**	**-122,164**	**325,420**	**2,237**	**-574**	**1,663**	
Assumed Management Action				**-1,663**		**-1,663**	
Forecast after Mgmt Action				**574**	**-574**	**0**	

1.1.4 **Major Reasons for Variance**:

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

1.1.4.1 General Comment

The Directorate continues to face significant demographic pressures, primarily within services for People with Learning and Physical Disabilities, and although they are offset by underspends elsewhere, there remains an overall pressure of £1,663k.

Contributions to KASS from the Eastern & Coastal Kent PCT

As previously reported the Directorate secured funding from the Eastern & Coastal Kent PCT in late 2007/08 in respect of intermediate care proposals and services for patients leaving hospital and requiring social care. This funding has continued into 2008/09 and recognises the growing pressures that have been seen within our financial forecast on services for older people, and has allowed us to work jointly on a strategy for intermediate care across the East Kent area for 2008/09. The income and associated costs are included within the forecast.

1.1.4.2 **Older People:**

Although the overall net position is an underspend of £852k, this is only achieved after releasing the one–off Deferred Payments Loan of £1,256k from the Department of Health, therefore there is an underlying pressure of £404k. Significant pressures remain, particularly the increasing proportion of clients who are suffering from dementia.

a. Residential Care
There is a pressure of £41k against gross expenditure which includes the release of the proportion of the Deferred Payments Loan that relates to residential care (£628k). There is also a small over-recovery in income of £83k. Although the number of clients in permanent placements in the independent sector has reduced from 2,917 in March to 2,901 in June, in terms of client weeks the forecast assumes 790 weeks more than is affordable at a cost of £294k. This primarily results from additional non-permanent/respite placements to assist clients to remain within their own homes. In addition the forecast unit cost is £372.27 per week against an affordable figure of £371.60 which has resulted in a pressure of £107k. This pressure reflects the increasing number of clients with dementia that the Directorate is having to contend with as placements are more expensive.

It should also be noted that the residential budget has been adjusted with funding transferred to the domiciliary and direct payments lines to support current levels of clients and/or expected growth in these services.

A pressure of £149k is forecast against Preserved Rights because the actual attrition rate is currently less than that assumed in the budget.

In house residential provision is showing a pressure of £117k on staffing because of the continuing need to cover sickness and absence with agency staff in order to meet care standards set by the regulator (Commission for Social Care Inspection - CSCI).

b. Nursing Care
There is an underspend of £8k gross expenditure which includes the release of the proportion of the Deferred Payments Loan that relates to nursing care (£628k); there is also an over-recovery in income of £212k. Client numbers have increased from 1,386 in March to 1,420 in June with the result that the forecast is assuming 1,577 weeks more than budget. The cost of these extra weeks is £716k. The unit cost is also forecast to be marginally higher than budget, £453.86 instead of £453.77, and this adds £7k to the pressure. The additional activity has resulted in increased income of £212k.

It is worth noting that there is some evidence to suggest that client numbers may have increased more than they have done but for the implementation of the National Framework for NHS Continuing Healthcare in October 2007. This greatly clarified when someone should receive NHS care with the result that many clients that may otherwise have received a service via KASS are now paid for directly by Health.

The attrition within Preserved Rights is actually higher than budgeted for and this has resulted in an underspend of £103k against gross expenditure.

c. Domiciliary Care
This service remains the most volatile and difficult to forecast. Currently this line is forecasting an underspend against gross of £231k, and a corresponding under-recovery of income of £89k. The number of clients receiving packages of care from an independent sector provider has dropped from 6,739 in March to 6,696 in June and as a result the forecast assumes 19,735 hours less than the budget, a saving of £292k. The forecast unit cost is slightly more expensive than affordable, at an additional cost of £106k. The average number of hours per client per week has increased from 7.2 in March 2008 to 7.6 in June and reflects the increasing number of clients with higher needs, including those with dementia, requiring more intensive packages to enable them to remain within their own homes. The higher unit cost reflects these intensive packages and the increasing number of clients requiring ‘double-handers’ (two carers).

It was estimated that the number of clients on residential would fall, with clients instead remaining in their own homes and receiving a domiciliary package, and as a consequence budget has transferred from residential care to domiciliary. However it may be the case that increasing numbers of clients with higher levels of need, particularly those with dementia, have no option but to go into residential care.

d. Direct Payments
Since March there has been a significant increase in the number of clients accessing a service via a direct payment – 626 clients in June compared with 518 in March – but approximately 60 of these only require small payments to access transport to day-care facilities. These payments are well below the average cost per week afforded in the budget which explains why this budget line is only forecasting a minor net pressure of £20k.

e. Other Services
The position is a £561k underspend against the gross budget with an under-recovery against income of £93k. There are small variances against a number of services, including meals, payments to voluntary organisations, and in-house day-care, but the significant portion of the underspend relates to the £436k release of the remaining balance of the Contingency held by the Managing Director to offset the overall pressure within the Directorate.

1.1.4.3 **People with a Learning Difficulty**:

Overall the position for this client group is a net pressure of £1,759k. Services for this client group remain under extreme pressure as a result of both demographic and placement price pressures. As a result there continue to be significant forecast overspends against both residential and domiciliary care. The impact of young adults transferring from Children’s Services, many of whom have very complex needs and require a much higher level of support, continues to be felt. Alongside these so-called “transitional” placements are the increasing number of older learning disabled clients who are cared for at home by ageing parents who will begin to require more support. There are also more cases of clients becoming “ordinarily resident” in Kent. This is the term used to describe people deemed to be living in the county and therefore the responsibility of KCC, rather than just receiving care in a residential or nursing placement. A client would become “ordinarily resident” following de-registration of a residential home and conversion to supported accommodation, something which is starting to happen more frequently.

a. Residential Care
Although the number of clients has reduced from 633 in March to 623 in June the forecast assumes 1,060 more weeks than is affordable. It should be noted that the Directorate has transferred a significant proportion of the cash limit from this line to support the increasing demand for services against domiciliary care, direct payments and supported accommodation. The additional weeks result in a pressure of £1,130k. The forecast unit cost is also above the affordable level which adds £180k to the position. The additional activity has resulted in an over-recovery of income of £203k.

The position on Preserved Rights clients is also a pressure. Lower than expected attrition means that there are 873 more weeks than budgeted for at a cost of £789k. However the actual unit cost is £904.17 per week which is nearly £14 lower than the £918.05 budgeted for. This reduces the pressure by £313k. Also there is additional income from this extra activity of £144k.

As with Older People, in house residential provision is showing a pressure of £176k on staffing because of the need to cover sickness and absence with agency staff to meet CSCI care standards.

b. Domiciliary Care
Demand against this budget continues to be significant as the Directorate tries to support clients to remain at home rather than in a residential placement. The current forecast pressure of £121k relates to the in-house independent living scheme.

c. Direct Payments
Client numbers have increased from 338 in March to 365 in June which is slightly above the affordable level of clients. This budget is therefore showing a pressure of £77k on gross expenditure with a small over-recovery on income of £10k.

d. Other Services
There is an underspend on gross of £137k but within this is the £264k release of the remaining balance of the Contingency held by the Managing Director to offset the overall pressure within the Directorate. There are minor pressures against a number of services including day-care, supported employment and payments to voluntary organisations. These services also show minor under-recoveries of income.

1.1.4.4 **People with a Physical Disability:**

There are similar pressures here to those for services for People with Learning Disabilities, especially demand and demographic pressures against residential care budgets. The overall position is a net pressure of £548k.

a. Residential Care
This line is forecasting a pressure against gross expenditure of £996k. Client numbers have increased from a figure of 207 in March to 219 in June and overall the forecast assumes 1,268 weeks of care above the affordable level. The additional cost of these weeks is £1,046k. The additional activity has resulted in an over-recovery income of £285k. The unit cost is also forecast to be £824.88 per week as opposed to the £823.38 assumed within the budget, and this adds nearly £16k.

It should be noted that the residential budget has been adjusted with funding transferred to domiciliary, direct payments and supported accommodation to support current levels of clients and/or expected growth in these services.

The attrition within Preserved Rights is actually higher than budgeted for and this has resulted in an underspend of £108k against gross expenditure.

b. Domiciliary Care
The forecast is for an underspend of £87k on gross and an under-recovery in income of £19k. The adjusted budget gives an affordable level of activity which is currently in excess of actual demand. It is expected that this underspend will reduce over the course of the year as the Directorate looks to keep clients out of residential care.

c. Direct Payments
This budget is currently forecasting a small pressure of £34k, with a small over-recovery of income. The number of clients has increased from 547 in March to 586 in June.

d. Supported Accommodation
There is a small underspend on gross expenditure of £21k as client numbers remain slightly below what is affordable. As with domiciliary, the supported accommodation budget has been increased at the expense of residential care and gives an affordable level of in excess of actual demand. Again it is expected that this underspend will reduce over the remaining months of the year as clients in residential care are reviewed, and where appropriate transferred back into the community.

e. Other Services
The current forecast is an underspend of £127k on gross, however within this is £90k released as the balance of the Contingency held by the Managing Director to offset the overall pressure within the Directorate. The remaining budgets, which include day-care, OT equipment, sensory disabilities unit, payments to voluntary organisations and assisted telephones are showing a small underspend of £37k. These services also show a minor under-recovery of income of £14k.

1.1.4.5 **All Adults Assessment & Related:**

There is a pressure against gross expenditure of £732k, with an over-recovery in income of £125k. As a result there is currently a freeze on all non-essential posts. An impact assessment is also currently being undertaken on the use of agency staff to inform any decision that may be taken to reduce their numbers or move to a position of no agency staff. The over-recovery in income relates to additional one-off contributions from Health.

For several years now the Directorate has taken the decision not to fund the cost of increments 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. The forecast also includes the additional costs of their travel due to the recent increases.

Although there has been no increase in the number of staff within care management for a number of years there is strong evidence of increases 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 requirements of the Directorate, for both professional and non-professional staff, need to be seen in light of demographic pressures and the clear impact that this is having on numbers of referrals.

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.

Although there is little benchmarking data currently available to enable comparison with other authorities, we are pursuing this to try and obtain further information

1.1.4.6 **Mental Health Service:**

The overall position for Mental Health is an under-spend of £31k.

a. Residential Care
Although client numbers have reduced slightly from 278 in March to 270 in June this budget is reporting a pressure of £415k against gross expenditure. This is due to the fact that cash limit has been transferred to Supported Accommodation to reflect the changed priorities in the Directorate and the desire for clients to remain within a community based setting. A similar pressure on this line was reported through much of last year but the application of good financial practice and delaying planned placements brought this budget in at an underspend. Where appropriate, specialist resettlement teams will work to get clients out of residential care into the community.

b. Assessment & Related
A significant underspend of £473k on gross expenditure is being forecast as a result of the vacancy management necessary to offset the pressure within residential care. Savings also accrue from difficulties experienced in recruiting to senior posts in both social care and health. This is especially so in the north west of the county because of the proximity to London.
There is an under-recovery of income of £58k which relates primarily to a joint funded post with Health that is forecast to remain vacant as a result of the recruitment savings identified above.

1.1.4.7 **Policy, Performance & Quality Assurance:**

The gross budget is estimated to underspend by £321k which is spread across a number of teams both at Headquarters and in the two Areas. The forecast position is very much in line with the 2007/08 out-turn and reflects savings through vacancy management. There are also cases where costs have been funded through a grant. For example several posts are either partly or totally covered through the Whole Systems Demonstrator (Telecare/Telehealth) funding awarded by the Department of Health. Backfilling of posts has either been done at a lower cost or the post has not been covered, both of which have added to the underspend.

1.1.4.8 **Resources:**

There is a £186K underspend on gross expenditure. Within this is a credit of £300k released from the Supporting People reserve to fund some of the legal costs incurred in 2007/08 on the Better Homes Active Lives PFI as agreed by the Supporting People Commissioning Body. The release from reserve is shown as a credit entry in revenue and offsets the £225K debit against income as outlined below. Fortuitously the remaining £75K released from reserve reduces the Directorate's position as the costs were incurred last year. There are pressures relating to the legal SLA, and other legal costs involved with the new PFI scheme, and pensions but much of this is covered by the additional income outlined below.

The current position is an under-recovery in income of £169k. The position is skewed by the writing back (to revenue as a debit) of a debtor for £225K set up in 2007/08 in respect of contributions from District Councils towards the legal costs of the Better Homes Active Lives PFI scheme. The contribution will instead come from the Supporting People reserve as described above. In addition we are expecting income from Medway Council in respect of Enhanced Pensions as well as contributions from District Councils involved in the new Excellent Homes For All PFI scheme.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
KASS	LD Residential gross - activity in excess of affordable level in independent sector placements	1,130	KASS	Older People Residential gross - release of Deferred Payments Loan from DoH	-628
KASS	PD Residential gross - activity in excess of affordable level in independent sector placements	1,046	KASS	Older People Nursing gross - release of Deferred Payments Loan from DoH	-628
KASS	LD Residential gross - Preserved Rights reduced attrition	789	KASS	MH Assessment & Related gross - vacancy management	-473
KASS	All Adults Assessment & Related Gross - staffing pressures	732	KASS	Older People Other Services - release of the balance of the Managing Director's contingency	-436
KASS	Older People Nursing gross - activity in excess of affordable level in independent sector placements	716	KASS	PPQA gross - vacancy management	-321
KASS	MH Residential gross - activity in excess of affordable level	415	KASS	LD Residential gross - Preserved Rights change in unit cost	-313
KASS	Older People Residential gross - activity in excess of affordable level in independent sector placements	294	KASS	Resources gross - release of Supporting People reserve to fund PFI legal costs	-300
KASS	Resources income - write back of PFI debtor	225	KASS	Older People Domiciliary gross - reduction in hours in independent care	-292
KASS	LD Residential gross - pressure relating to change in unit cost of independent sector placements	180	KASS	PD Residential gross - additional income through additional activity	-285
KASS	LD Residential gross - in house provision staffing	176	KASS	LD Other Services - release of the balance of the Managing Director's contingency	-264
KASS	Older People Residential gross - Preserved Rights reduced attrition	149	KASS	Older People Nursing income resulting from additional activity	-212
KASS	LD Domiciliary gross - cost of Independent Living Scheme	121	KASS	LD Residential income - additional income resulting from additional activity	-203
KASS	Older People Residential gross - in house provision staffing costs	117	KASS	LD Residential income resulting from additional Preserved Rights activity	-144
KASS	Older People Residential gross - pressure relating to change in unit cost in independent sector placements	107	KASS	All Adults Assessment & Related one-off income from Health	-125
KASS	Older People Domiciliary gross - pressure relating to change in unit cost in independent sector placements	106	KASS	PD Residential gross - Preserved Rights increased attrition	-108
			KASS	Older People Nursing gross - Preserved Rights increased attrition	-103
		+6,303			-4,835

1.1.5 **Actions required to achieve this position**:

The forecast pressure of £1,663k assumes that the savings identified within the MTP will be achieved and the Directorate remains confident that all savings will be achieved. The Management Action, or 'Guidelines for Good Financial Practice' as they are now referred to, required to address the residual pressure is detailed in section 1.1.8 below.

1.1.6 **Implications for MTP**:

The MTP includes an underlying pressure of £1,256k for 2008/09 as this year's position has been reduced by this same amount in respect of the Deferred Payments Loan. The impact of the Current Economic Situation has also identified a pressure of £7,102k in 2009/10 as highlighted in the report to Cabinet on 4 August.

1.1.7 **Details of re-phasing of revenue projects**:

No revenue projects have been identified for re-phasing.

1.1.8 **Details of proposals for residual variance**:

1.1.8.1 Over recent weeks the KASS Management Team have been refining the 'Guidelines for Good Financial Practice', which were previously referred to as 'Management Action Plans' in 2007-08. Details of these guidelines are provided below. Robust monitoring arrangements are in place on a monthly basis to ensure that all areas and HQ budgets are aggressively challenged and monitored.

It should be noted that at this time of the year, history tells us that managers tend to be overly cautious with their forecasts, and in recent years we have seen that forecasts begin to fall over the summer and autumn months, especially on non-direct services. At this stage we would predict that this is likely to happen again.

The KASS Directorate is wholly committed to delivering a balanced outturn position by the end of the year. The range of innovations that the Directorate has implemented will help us to achieve this, for example telehealth and telecare through the successful investment of the 'Whole Systems Demonstrator Programme', and extra care sheltered housing in the latter part of the year.

The guidelines below are currently expected to balance the £1.663m forecast pressure by year end:

1.1.8.2 <u>Guidelines for Good Financial Practice – Residential/Nursing:</u>

Waivers

Action: **Residential** – No waivers or exceptions to be agreed
Impact: Service users may not get District of choice/no transport for visiting outside of District.
Action: **Nursing** – No waivers to be agreed
Exceptions to be agreed when there is a risk to the service user.
District Manager and Head of Adult Services (HOAS) sign off at agreed limits.
Impact: Letter to be updated and handed out by District Manager in hospitals.
Action: **All** Placements under contract price to be agreed by HOAS
Impact: Contract team to be aware that there will be an increase in spot contracts and that "under price" negotiations are unavoidable.

Transition – LD & PD

- Supported living default position for Transition Service Users.
- 6 Monthly Area and 2 monthly District transition meetings to be held between Children disability teams and KASS.
- All transition cases are to be presented at panel, cost model applied, in control (Resource Allocation Statement) Person Centred Planning (PCP) to be used.
- LD Contracts to receive handover from contracts in CFE for all Service Users in transition from CFE to KASS.
- Spreadsheet to be maintained by Budget Team of all transition clients and presented to Area Finance Managers Meeting monthly.

- Outcomes of JRAP to be communicated to HOAS

Continuing Care

- Monthly Continuing Care panels to continue. Weekly District panel notes to be emailed to HOAS.
- KASS attendance at NHS Continuing Care panel.
- Hospital teams to close referral where potential Service User is medically unfit.
- Note family are not to look for homes until decision at panel has been made.
- Budget Team to maintain a Continuing Care spreadsheet to be presented quarterly at Area Activity & Finance Monitoring Group (AAFMG).
- Panel notes to include a summary of decisions made and a risk assessment of clients on waiting list.
- Panels to put expected admission dates in notes.
- If a client is not accepted for NHS Funded Continuing Care, Practitioners to review the decision support tool information from panel; reconcile with health practitioner and provide enhanced evidence to support the application for arbitration.

OPMH Nursing

- When nursing is required because of enhanced nursing needs, the cost above the band price is to be charged to the PCT under joint funding arrangements as set out by policy. If it is required because of behavioural issues continuing care should be applied for.
- Agreement should be reached before placement is made.
- If an existing placement is moved from Elderly Mentally ill residential to nursing, move to go ahead, application to PCT for top up above nursing home level.

Placement Panels – OP & PD

- All Districts to hold panels.
- All placements including respite in P&V to go to panel.
- Panel to assess risk of delaying placements and to report accordingly to appropriate District Manager.
- Assessment beds to be used for hospital placements.
- Unit Managers Direct Provision to ensure maximum bed usage.

Wealth Depleters

- Can Third Party Top Up (TPTU) be arranged?
- Can home within price band be found?
- Can service user move?
- Can contract price be reduced?
- Could shared room/reduced price room to be an option?

Action

- Hospital Teams to ensure the TPTU is signed by the Service User and on file prior to case notes transferring to the community.
- Directorate to introduce standard letter to be sent to the client stating that when assets reduce KASS will not pick up top up.

LD Placements

- All placements and supported living (up to £500) to be presented to monthly panel.
- Panel notes to all DMs/HOAS/Team Managers.
- All districts to implement Invest to Save model with a view to reducing placements. Identify Service Users with “moving on” potential.
- DP respite requests to go to panel.
- Panels to asses risks.
- Identify Service Users who could apply for Continuing Care.
- Ensure service users moving out of residential car have a minimum 20% reduction on care costs.
- Review 1:1 funding using the cost matrix model.
- Leaflet to be designed for Service User/Family member.
- TOR placement panel to be adhered to.

1.1.8.3 Guidelines for Good Financial Practice – Community:

Domiciliary

- All service users to receive up to 4 – 6 weeks intermediate care, active care or re-ablement service prior to agreement for an ongoing care package.
- Practice guidance case reviews to be followed and developed through Self Directed Support.
- Domiciliary Purchasing Strategy to be developed Per District/review of block contracts.
- In supervision review of low level care packages (under 2.5hrs) – cancel if not for personal care or essential for service users to remain in the community.
- Review packages within Independent Living Fund (ILF) limit and apply for ILF funding.
- No packages above the ceiling hours agreed as in guidance (incl. Direct Payments) unless client tops up privately.
- No domestic and shopping to be given unless informal carer does all the personal care and there is critical risk to carer whereby maximum of up to 2 hours per week can be provided. (1 hour for shopping, 1 hour domestic). Clients in Receipt of Disability Living Allowance/Attendance Allowance (DLA/AA) will have to pay for domestic and shopping service from DLA/AA.
- All new packages above 8 hours to be agreed by Team leaders and above 14 hour with District Manager

Meals

- Discontinue all meals after 4 weeks unless Domiciliary Package is required in its place.
- Contract Team to review the optimum usage before a block contract increases in price due to optimum not being reached.

Day Care

- In House and block service to be considered first.
- Direct Payment default for external respite.
- Direct Provision to use over-booking system showing decrease in costs
- New transport arrangements to show decrease in costs;
- Direct Payment and Kent Card to be default position for transport

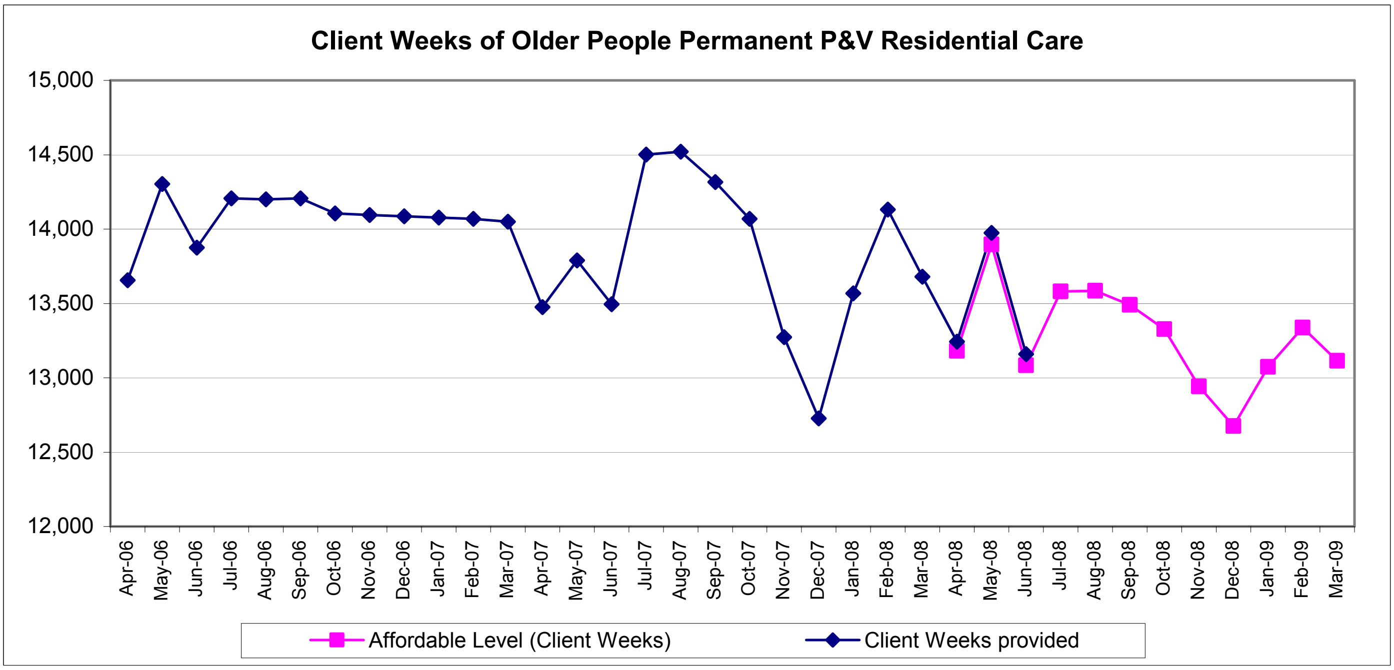
Direct Payments (DP)

- Direct Payments and Kent Card to become the default position.
- All above guidelines applicable to DP's including ceilings in domiciliary care.
- DP – cost of package should not exceed cost of non-DP package.
- DP4 form completed (used to review Direct Payments packages every 6 months) – Personal Assistant to client and Care Manager to carry out these reviews.
- Reduction in outstanding amounts in DP and Client Money Service user's bank accounts to be achieved

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1.1 Number of client weeks of older people permanent P&V residential care provided compared with affordable level:

	2006-07		2007-08		2008-09	
	Affordable Level (Client Weeks)	Client Weeks of older people permanent P&V residential care provided	Affordable Level (Client Weeks)	Client Weeks of older people permanent P&V residential care provided	Affordable Level (Client Weeks)	Client Weeks of older people permanent P&V residential care provided
April		13,656		13,476	13,181	13,244
May		14,303		13,789	13,897	13,974
June		13,875		13,495	13,084	13,160
July		14,207		14,502	13,581	
August		14,199		14,520	13,585	
September		14,206		14,316	13,491	
October		14,105		14,069	13,326	
November		14,095		13,273	12,941	
December		14,086		12,728	12,676	
January		14,077		13,568	13,073	
February		14,069		14,131	13,338	
March		14,049		13,680	13,114	
TOTAL	**167,393**	**168,928**	**169,925**	**165,546**	**159,287**	**40,378**



Comments:

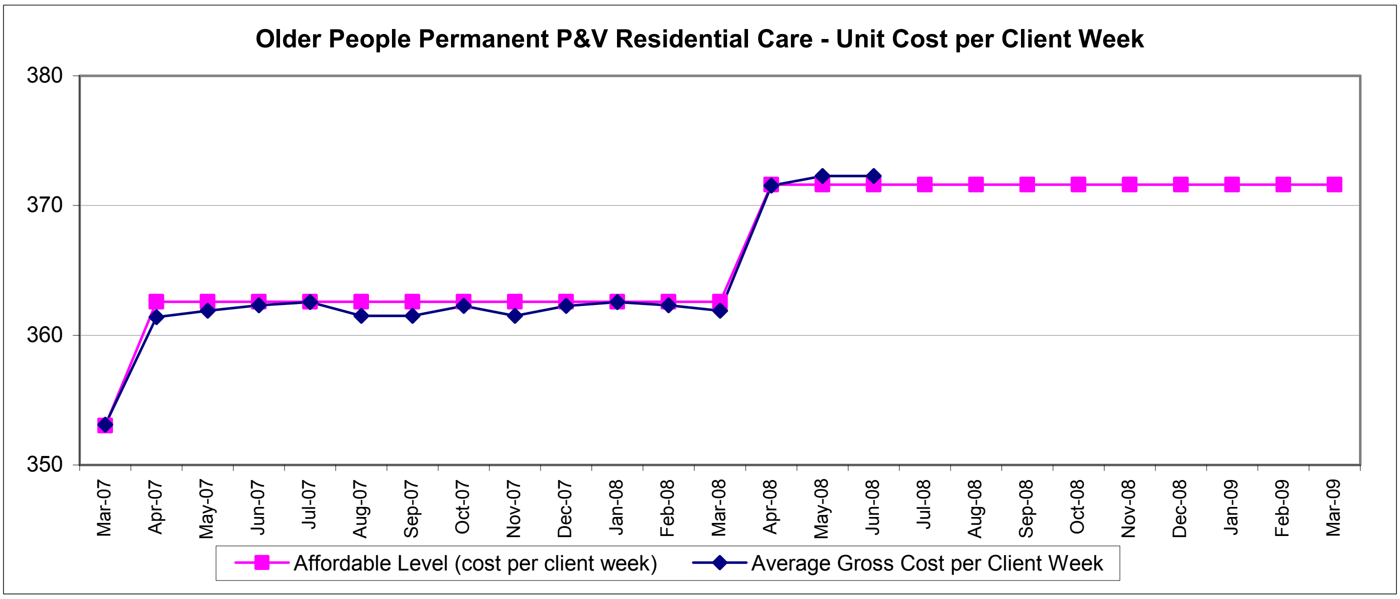
- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in older people permanent P&V residential care at the end of 2006-07 was 3,045, at the end of 2007-08 it was 2,917 and at the end of June 2008 it was 2,901.

- The current forecast is 160,077 weeks of care against an affordable level of 159,287, a difference of 790 weeks. Using the forecast unit cost of £372.27 this additional activity adds £294k to the forecast, as highlighted in section 1.1.4.2.a.

- To the end of June 40,378 weeks of care have been delivered against an affordable level of 40,162, a difference of 216 weeks.

2.1.2 **Average gross cost per client week of older people permanent P&V residential care compared with affordable level**:

	2006-07		2007-08		2008-09	
	Affordable Level (Cost per Week)	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**
April			362.60	361.41	371.60	371.54
May			362.60	361.90	371.60	372.28
June			362.60	362.31	371.60	372.27
July			362.60	362.56	371.60	
August			362.60	361.50	371.60	
September			362.60	361.50	371.60	
October			362.60	362.27	371.60	
November			362.60	361.50	371.60	
December			362.60	362.27	371.60	
January			362.60	362.56	371.60	
February			362.60	362.31	371.60	
March	353.04	353.10	362.60	361.90	371.60	

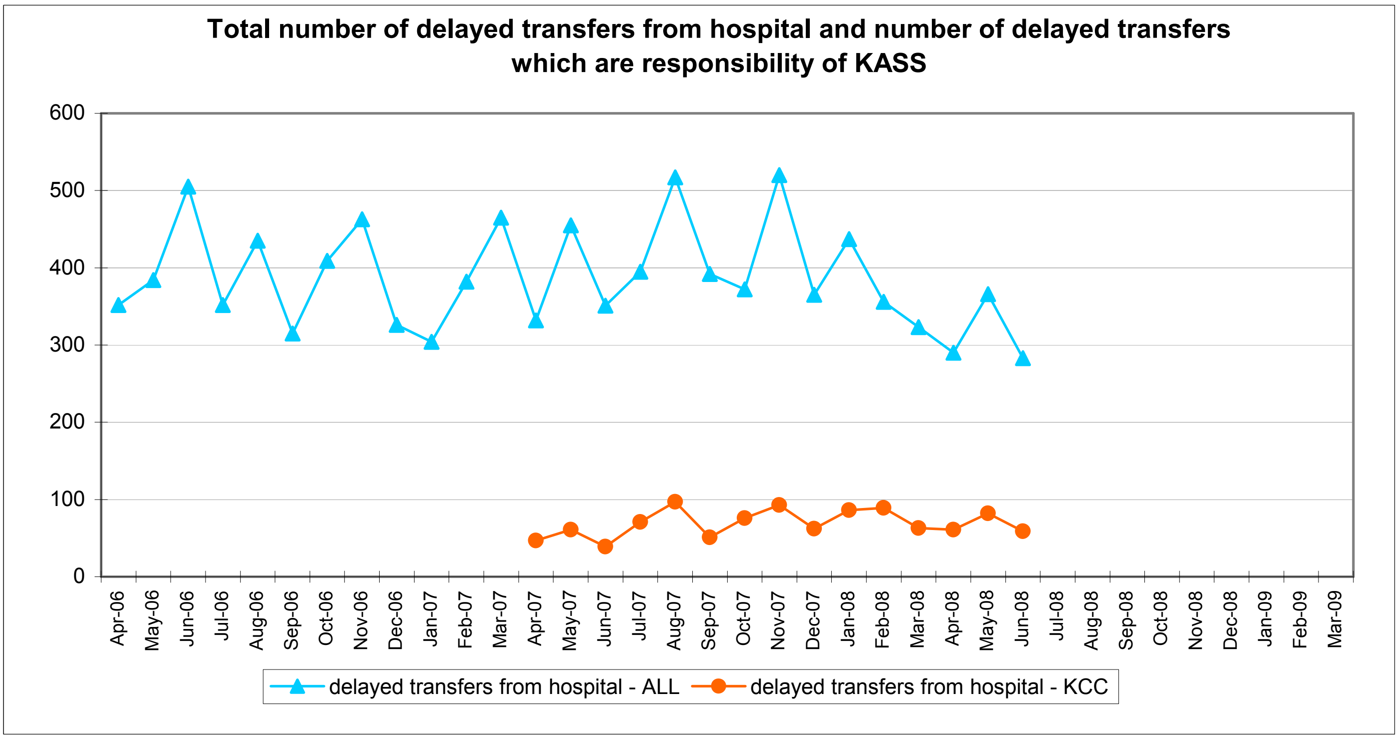


Comments:

- Average unit cost per week has increased more than inflation and may reflect the increasing numbers of clients with dementia.
- The forecast unit cost of £372.27 is slightly higher than the affordable cost of £371.60 and this difference of 67p adds £107k to the position when multiplied by the affordable weeks, as highlighted in section 1.1.4.2.a.

2.1.3 **Total of All Delayed Transfers from hospital compared with those which are KASS responsibility**:

	2006-07		2007-08		2008-09	
	ALL	**KASS responsibility**	**ALL**	**KASS responsibility**	**ALL**	**KASS responsibility**
April	352		332	47	290	61
May	384		455	61	366	82
June	505		351	39	283	59
July	352		395	71		
August	435		517	97		
September	315		392	51		
October	409		372	76		
November	463		520	93		
December	326		365	62		
January	304		437	86		
February	382		356	89		
March	465		323	63		

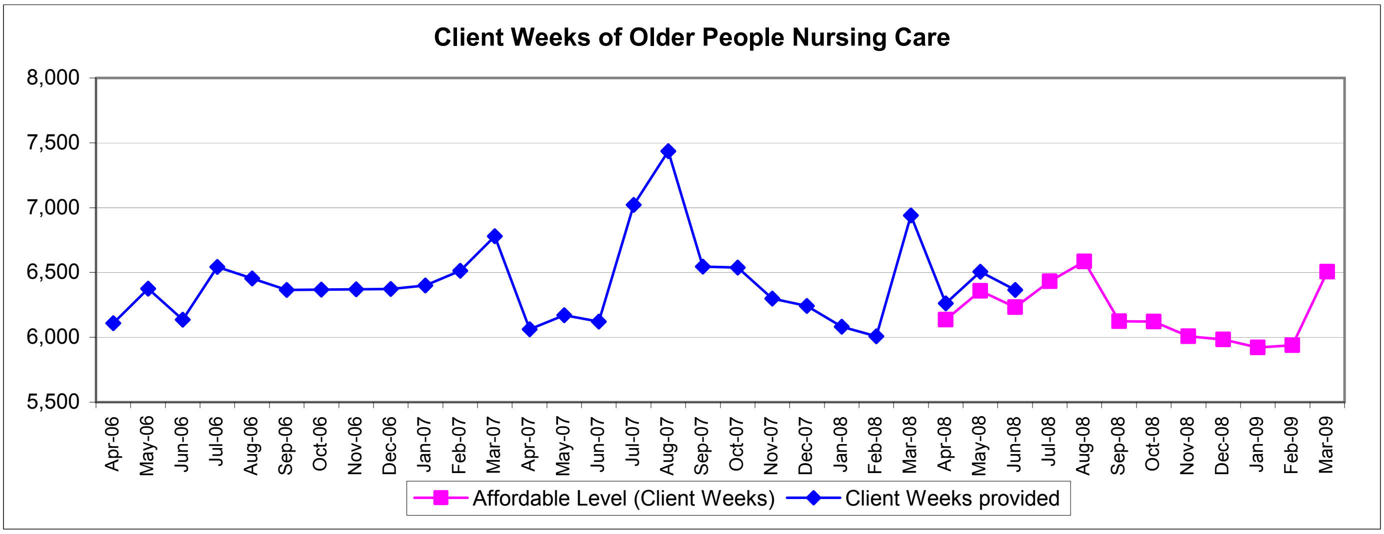


Comments:

- The Delayed Transfers of Care (DTCs) show the numbers of people whose movement from an acute hospital has been delayed. Typically this may be because they are waiting for an assessment to be completed, they are choosing a residential or nursing home placement, or waiting for a vacancy to become available. This figure shows all delays, but those attributable to Adult Social Services, and therefore subject to the reimbursement regime, are a minority. There are many reasons for fluctuations in the number of DTCs which result from the interaction of various different factors within a highly complex system across both Health and Social Care. The average number of delayed transfers per week is on a steadily reducing trend from a peak in the second quarter of 2007/08. Approximately 13%-22% of these will be the responsibility of Social Services, but this occasionally rises and there are some more predictable “seasonal" variations throughout the year. It should also be noted that each third month is a five-week month.

2.2.1 Number of client weeks of older people nursing care provided compared with affordable level:

	2006-07		2007-08		2008-09	
	Affordable Level (Client Weeks)	Client Weeks of older people nursing care provided	Affordable Level (Client Weeks)	Client Weeks of older people nursing care provided	Affordable Level (Client Weeks)	Client Weeks of older people nursing care provided
April		6,109		6,062	6,137	6,263
May		6,375		6,170	6,357	6,505
June		6,136		6,120	6,233	6,365
July		6,542		7,020	6,432	
August		6,454		7,436	6,586	
September		6,366		6,546	6,124	
October		6,368		6,538	6,121	
November		6,371		6,298	6,009	
December		6,374		6,243	5,984	
January		6,399		6,083	5,921	
February		6,513		6,008	5,940	
March		6,780		6,941	6,507	
TOTAL	**74,256**	**76,786**	**74,707**	**77,463**	**74,351**	**19,133**



Comment:

- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in older people nursing care at the end of 2006-07 was 1,378, at the end of 2007-08 it was 1,386 and at the end of June 2008 it was 1,420.

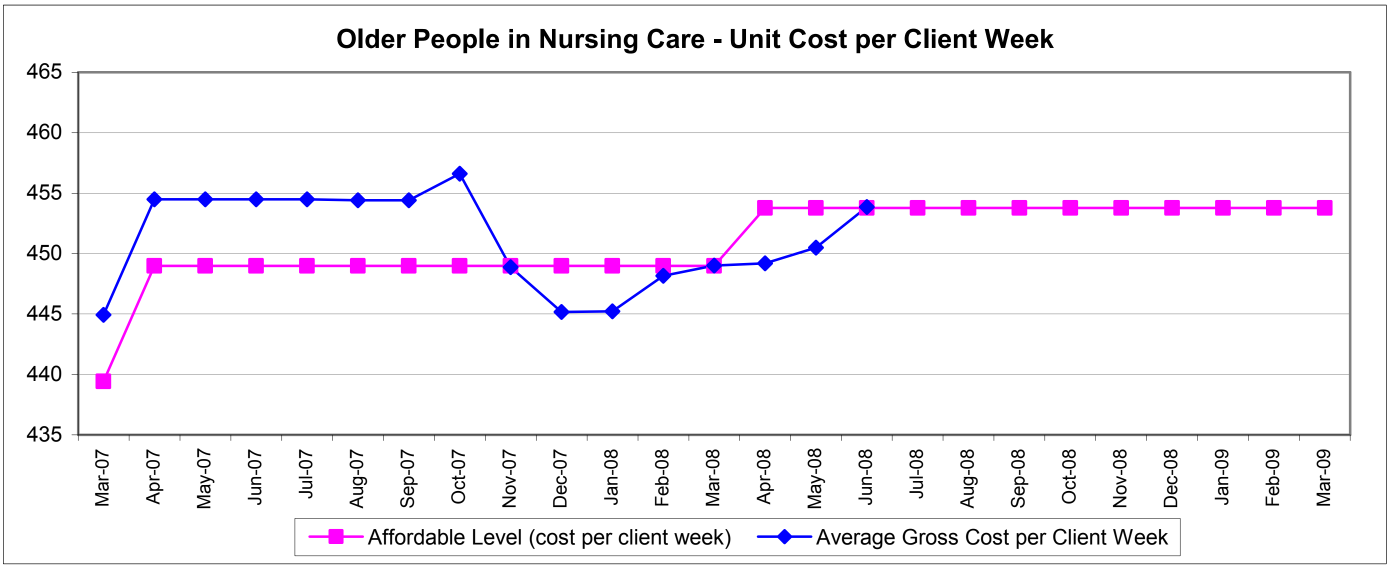
- The current forecast is 75,928 weeks of care against an affordable level of 74,351, a difference of 1,577 weeks. Using the forecast unit cost of £453.86 this additional activity adds £716k to the forecast, as highlighted in section 1.1.4.2.b.

- To the end of June 19,133 weeks of care have been delivered against an affordable level of 18,727, a difference of 406 weeks.

- Increases in permanent nursing care may happen for many reasons. For example the knock on effect of minimising delayed transfers of care has resulted in an increase in the number of older people being admitted to nursing care. Demographic changes – increasing numbers of older people with long term illnesses – also means that there is an underlying trend of growing numbers of people needing more intense nursing care.

2.2.2 **Average gross cost per client week of older people nursing care compared with affordable level**:

	2006-07		2007-08		2008-09	
	Affordable Level (Cost per Week)	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**
April			448.98	454.50	453.77	449.18
May			448.98	454.50	453.77	450.49
June			448.98	454.50	453.77	453.86
July			448.98	454.50	453.77	
August			448.98	454.40	453.77	
September			448.98	454.40	453.77	
October			448.98	456.60	453.77	
November			448.98	448.88	453.77	
December			448.98	445.16	453.77	
January			448.98	445.22	453.77	
February			448.98	448.17	453.77	
March	439.42	444.94	448.98	449.00	453.77	

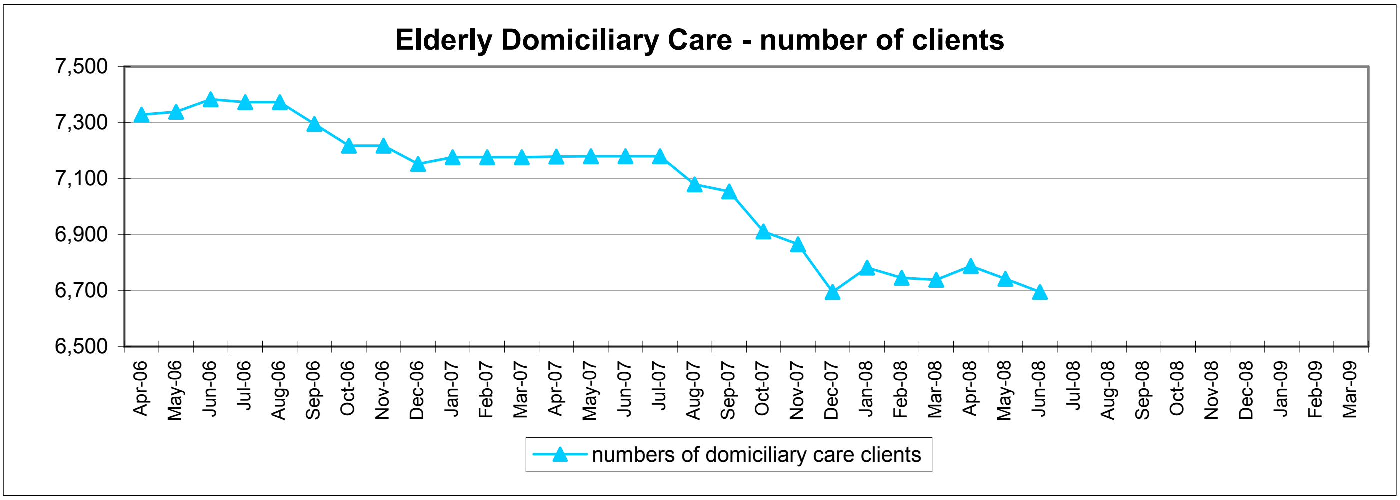


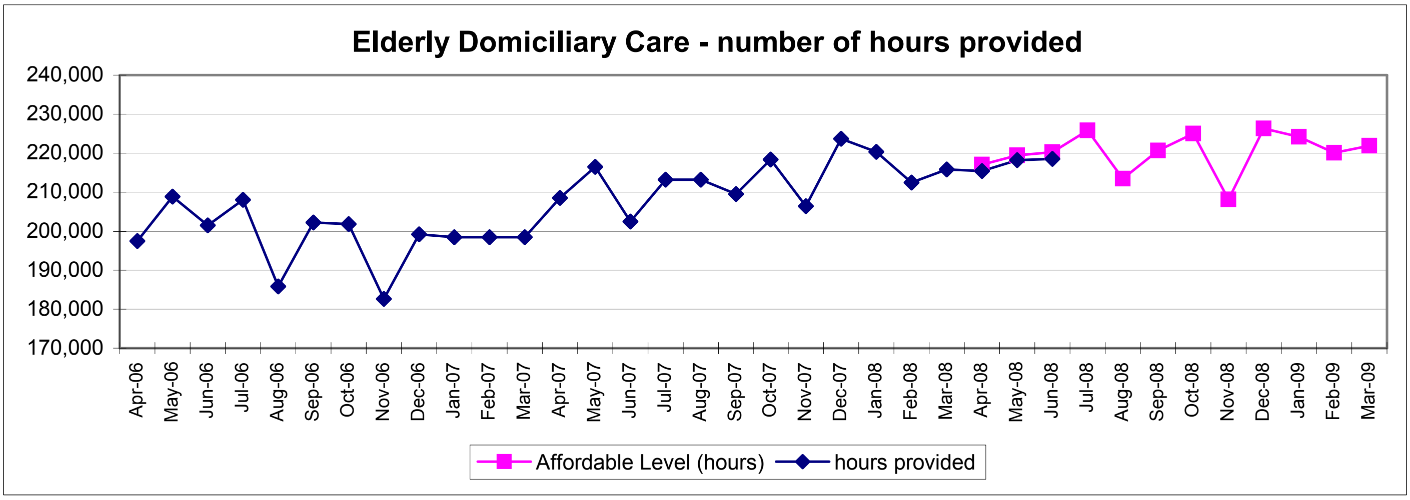
Comments:

- The forecast unit cost of £453.86 is slightly higher than the affordable cost of £453.77 and this difference of 9p adds £7k to the position when multiplied by the affordable weeks, as highlighted in section 1.1.4.2.b.

2.3.1 Elderly domiciliary care – numbers of clients and hours provided in the independent sector:

	2006-07			2007-08			2008-09		
	Affordable level (hours)	hours provided	number of clients	Affordable level (hours)	hours provided	number of clients	Affordable level (hours)	hours provided	number of clients
April		197,531	7,329		208,524	7,179	217,090	215,448	6,788
May		208,870	7,339		216,477	7,180	219,480	218,200	6,742
June		201,559	7,383		202,542	7,180	220,237	218,557	6,696
July		208,101	7,373		213,246	7,180	225,841		
August		185,768	7,373		213,246	7,079	213,436		
September		202,227	7,295		209,504	7,054	220,644		
October		201,815	7,218		218,397	6,912	225,012		
November		182,608	7,218		206,465	6,866	208,175		
December		199,235	7,153		223,696	6,696	226,319		
January		198,524	7,177		220,313	6,782	224,175		
February		198,524	7,177		212,499	6,746	220,135		
March		198,524	7,177		215,865	6,739	221,875		
TOTAL	**2,462,712**	**2,383,286**		**2,610,972**	**2,560,774**		**2,642,419**	**652,205**	





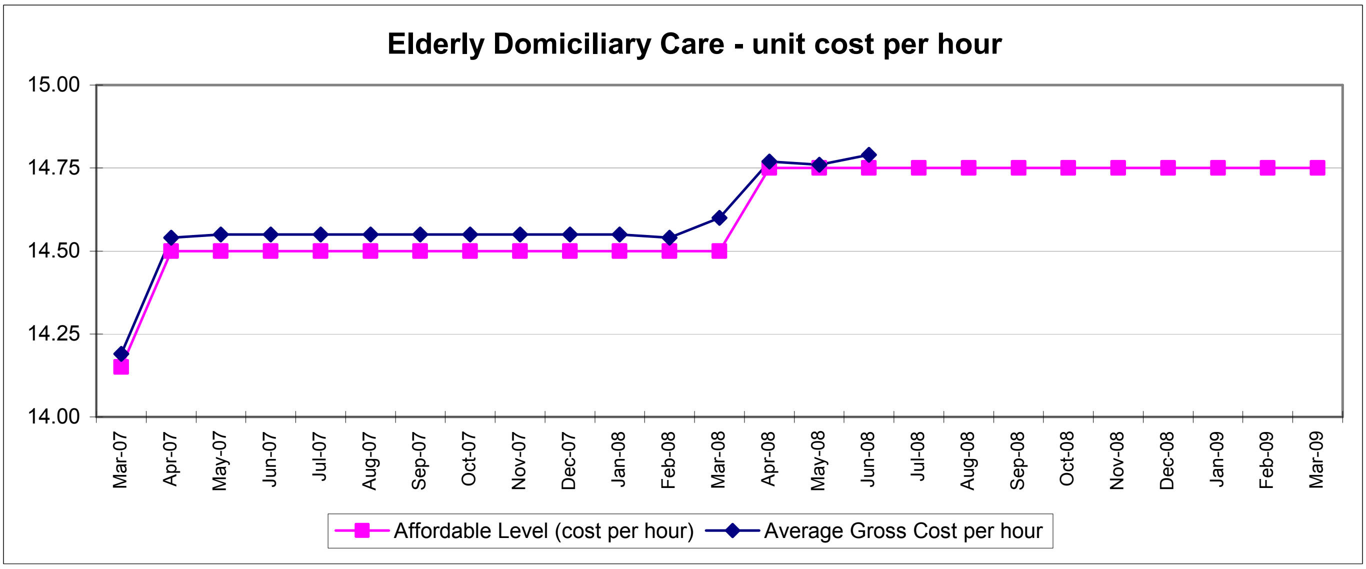
Comments:

- Figures exclude services commissioned from the Kent HomeCare Service.
- The current forecast is 2,622,684 hours of care against an affordable level of 2,642,419, a difference of 19,735 hours. Using the forecast unit cost of £14.79 this reduction in activity reduces the forecast by £292k, as highlighted in section 1.1.4.2.c.
- To the end of June 652,205 hours of care have been delivered against an affordable level of 656,807, a difference of 4,602 hours.

- The decrease in numbers of people receiving domiciliary care is partly as a result of the increase in direct payments. This is not linked to nursing care placements, as the two cohorts of service users are completely different. There are a number of other factors reducing the need for formal domiciliary care. Ongoing service developments with the voluntary sector and other organisations mean that we continue to prevent people from needing ‘mainstream’ domiciliary care, and they can access services, very often involving social inclusion (e.g. luncheon clubs and other social activities), without having to undergo a full care management assessment. Public health campaigns and social marketing aimed at improving people’s health is already starting to result in healthier older people. Increase in the use of Telecare and Telehealth similarly reduces the need for domiciliary care, and it is possible that this trend will continue despite the growth in numbers of older people.
- The average number of hours provided per client has over the first three months of this year and reflects the increasing number of clients who require a higher level of support to enable them to remain within their own homes. Often this support could be through two care workers rather than one.

2.3.2 **Average gross cost per hour of older people domiciliary care compared with affordable level**:

	2006-07		**2007-08**		**2008-09**	
	Affordable Level (Cost per Hour)	**Average Gross Cost per Hour**	**Affordable Level (Cost per Hour)**	**Average Gross Cost per Hour**	**Affordable Level (Cost per Hour)**	**Average Gross Cost per Hour**
April			14.50	14.54	14.75	14.77
May			14.50	14.55	14.75	14.76
June			14.50	14.55	14.75	14.79
July			14.50	14.55	14.75	
August			14.50	14.55	14.75	
September			14.50	14.55	14.75	
October			14.50	14.55	14.75	
November			14.50	14.55	14.75	
December			14.50	14.55	14.75	
January			14.50	14.55	14.75	
February			14.50	14.54	14.75	
March	14.15	14.19	14.50	14.60	14.75	

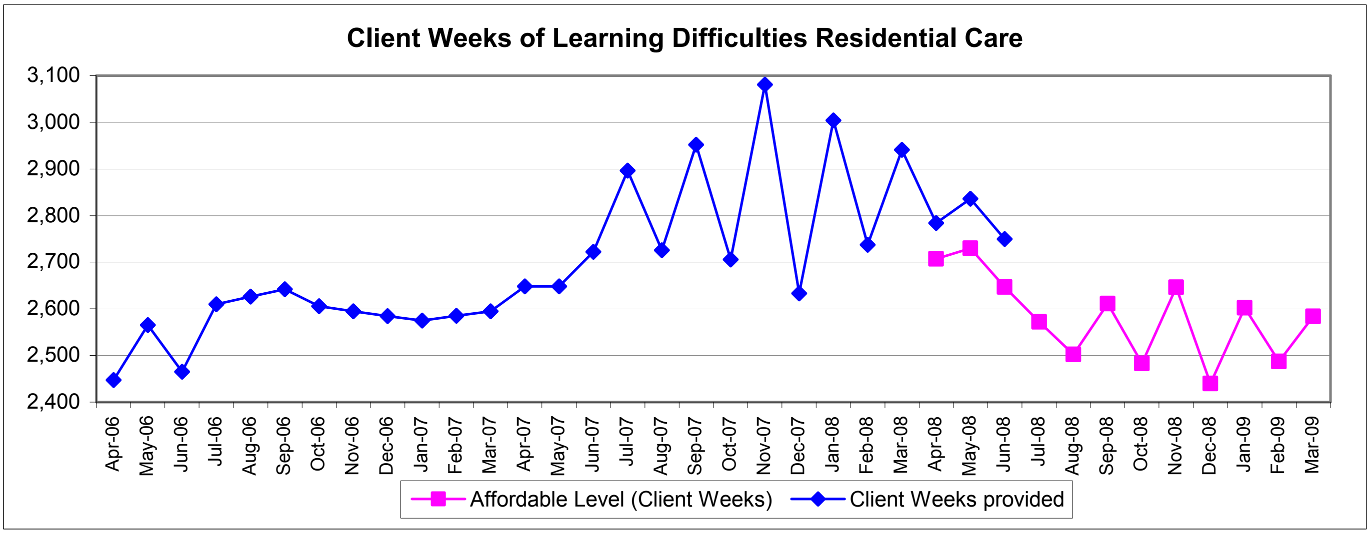


Comments:

- Average unit cost is increasing and may reflect the same issues outlined above concerning more intense packages and higher levels of need.
- The forecast unit cost of £14.79 is slightly higher than the affordable cost of £14.75 and this difference of 4p increases the pressure by £106k when multiplied by the affordable hours, as highlighted in section 1.1.4.2.c.

2.4.1 Number of client weeks of learning difficulties residential care provided compared with affordable level (non preserved rights clients):

	2006-07		2007-08		2008-09	
	Affordable Level (Client Weeks)	Client Weeks of LD residential care provided	Affordable Level (Client Weeks)	Client Weeks of LD residential care provided	Affordable Level (Client Weeks)	Client Weeks of LD residential care provided
April		2,447		2,648	2,707	2,784
May		2,565		2,648	2,730	2,836
June		2,465		2,722	2,647	2,750
July		2,610		2,897	2,572	
August		2,626		2,725	2,502	
September		2,642		2,952	2,611	
October		2,606		2,706	2,483	
November		2,595		3,081	2,646	
December		2,584		2,633	2,440	
January		2,575		3,004	2,602	
February		2,585		2,737	2,487	
March		2,595		2,941	2,584	
TOTAL	**30,984**	**30,895**	**30,984**	**33,695**	**31,011**	**8,370**



Comments:

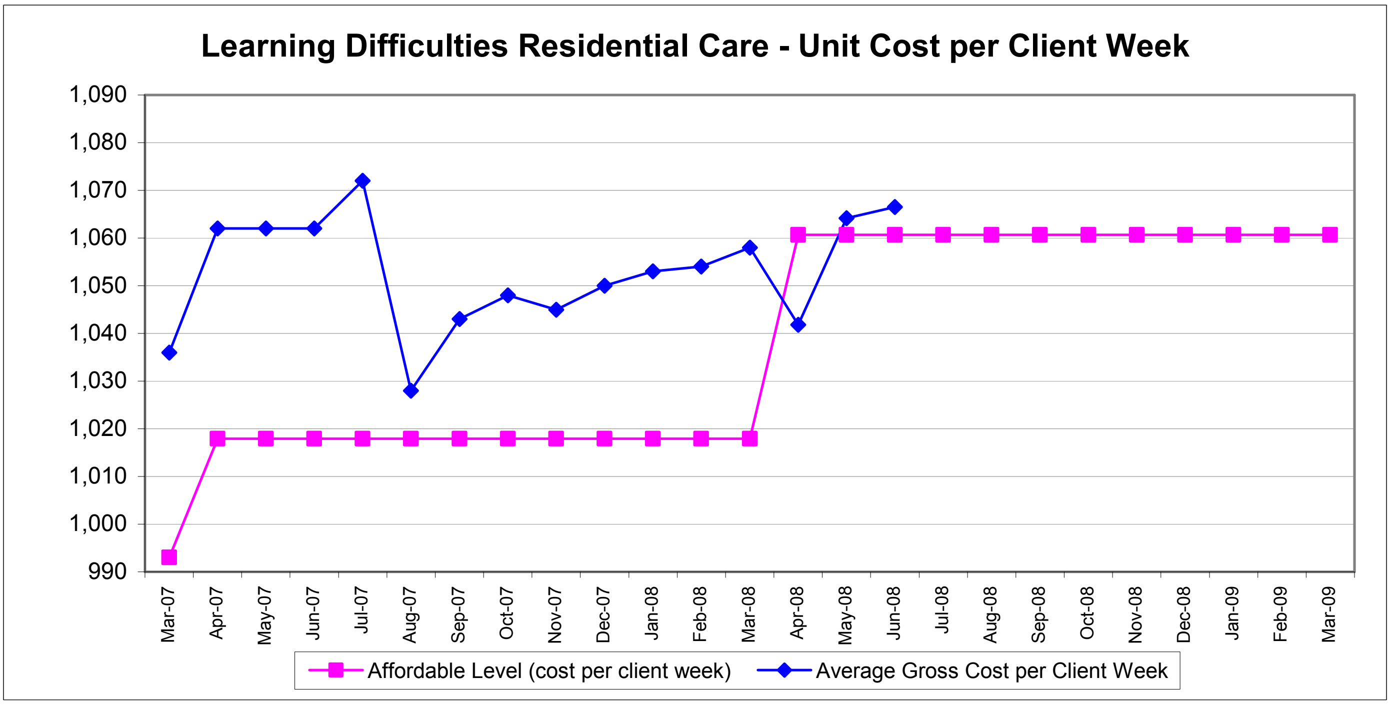
- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in LD residential care at the end of 2006-07 was 615, at the end of 2007-08 it was 633 and at the end of June 2008 it was 623.

- The current forecast is 32,071 weeks of care against an affordable level of 31,011, a difference of 1,060 weeks. Using the forecast unit cost of £1,066.49 this additional activity adds £1,130k to the forecast, as highlighted in section 1.1.4.3.a.

- To the end of June 8,370 weeks of care have been delivered against an affordable level of 8,084, a difference of 286 weeks.

2.4.2 **Average gross cost per client week of Learning Difficulties residential care compared with affordable level (non preserved rights clients)**:

	2006-07		2007-08		2008-09	
	Affordable Level (Cost per Week)	Average Gross Cost per Client Week	Affordable Level (Cost per Week)	Average Gross Cost per Client Week	Affordable Level (Cost per Week)	Average Gross Cost per Client Week
April			1,018.00	1,062.00	1,060.70	1,041.82
May			1,018.00	1,062.00	1,060.70	1,064.19
June			1,018.00	1,062.00	1,060.70	1,066.49
July			1,018.00	1,072.00	1,060.70	
August			1,018.00	1,028.00	1,060.70	
September			1,018.00	1,043.00	1,060.70	
October			1,018.00	1,048.00	1,060.70	
November			1,018.00	1,045.00	1,060.70	
December			1,018.00	1,050.00	1,060.70	
January			1,018.00	1,053.00	1,060.70	
February			1,018.00	1,054.00	1,060.70	
March	993.00	1,036.00	1,018.00	1,058.00	1,060.70	

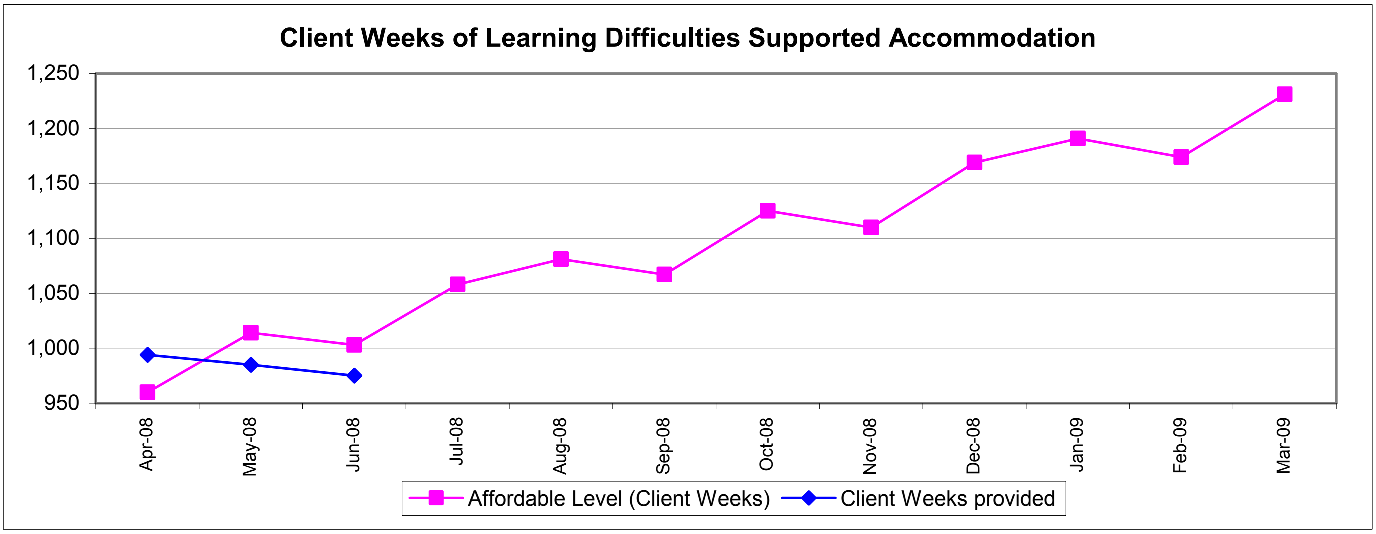


Comments:

- Clients being placed in residential care are those with very complex needs which makes it difficult for them to remain in the community, in supported accommodation/supporting living arrangements, or receiving a domiciliary care package. These are therefore placements which attract a very high cost, with the average now being over £1,000 per week. It is expected that clients with less complex needs, and therefore less cost, can transfer from residential into supported living arrangements. This would mean that the average cost per week would increase over time as the remaining clients in residential care would be the very high cost ones – some of whom can cost up to £2,000 per week.
- The forecast unit cost of £1,066.49 is higher than the affordable cost of £1,060.70 and this difference of £5.79p adds £180k to the position when multiplied by the affordable weeks, as highlighted in section 1.1.4.3.a.

2.5.1 Number of client weeks of learning difficulties supported accommodation provided compared with affordable level:

	2007-08		2008-09	
	Affordable Level (Client Weeks)	Client Weeks of LD supported accommodation provided	Affordable Level (Client Weeks)	Client Weeks of LD supported accommodation provided
April			960	994
May			1,014	985
June			1,003	975
July			1,058	
August			1,081	
September			1,067	
October			1,125	
November			1,110	
December			1,169	
January			1,191	
February			1,174	
March			1,231	
TOTAL	**7,618**	**11,156**	**13,182**	**2,954**

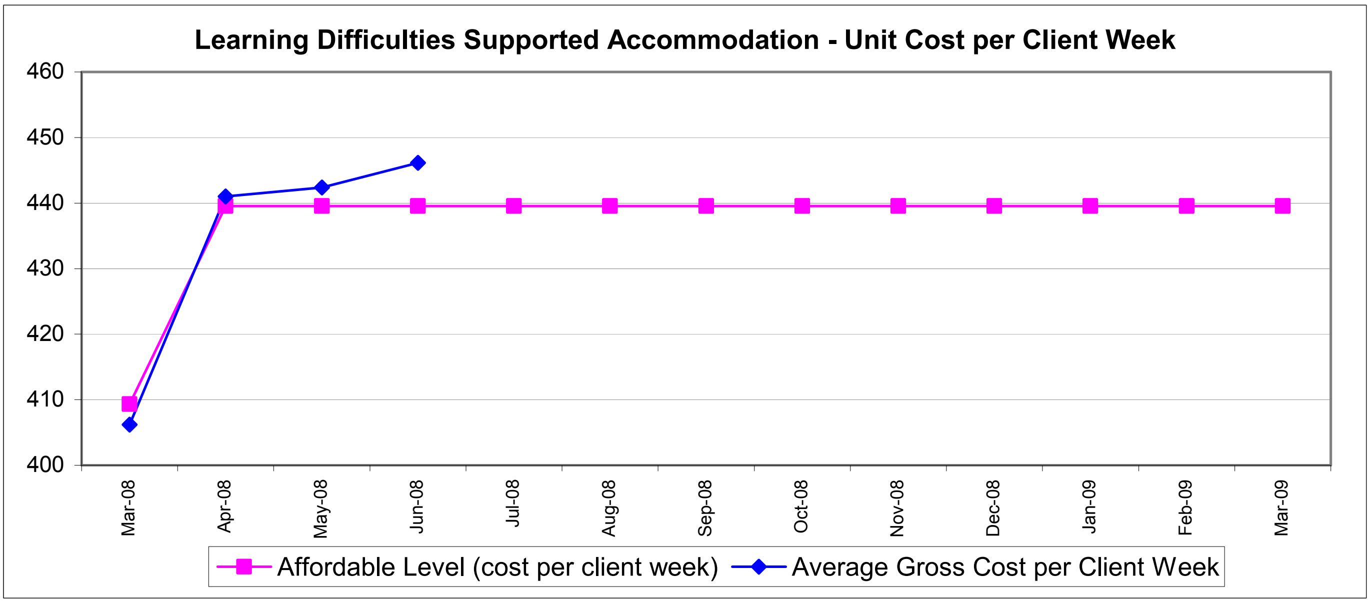


Comments:

- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in LD supported accommodation at the end of 2007-08 was 224 and at the end of June 2008 it was 237.
- The current forecast is 13,081 weeks of care against an affordable level of 13,182, a difference of 101 weeks. Using the forecast unit cost of £446.13 this reduction in activity provides a saving of £45k.
- To the end of June 2,954 weeks of care have been delivered against an affordable level of 2,977, a difference of 23 weeks.
- This number is expected to increase in line with the expectation of transferring clients with less complex needs from residential care and using this service as an alternative to a residential placement for new clients. As such there has been a corresponding increase in the cash limit to support these additional clients.
- Supported Accommodation is a rapidly growing area of expenditure and as such there is little activity/unit cost data available from prior years. There remains some discussion nationally regarding the definition of Supported Accommodation so some adjustment to the activity may be required in the future once an agreed definition has been reached.

2.5.2 **Average gross cost per client week of Learning Difficulties supported accommodation compared with affordable level (non preserved rights clients)**:

	2007-08		2008-09	
	Affordable Level (Cost per Week)	**Average Gross Cost per Client Week**	**Affordable Level (Cost per Week)**	**Average Gross Cost per Client Week**
April			439.54	441.00
May			439.54	442.40
June			439.54	446.13
July			439.54	
August			439.54	
September			439.54	
October			439.54	
November			439.54	
December			439.54	
January			439.54	
February			439.54	
March	409.31	406.18	439.54	

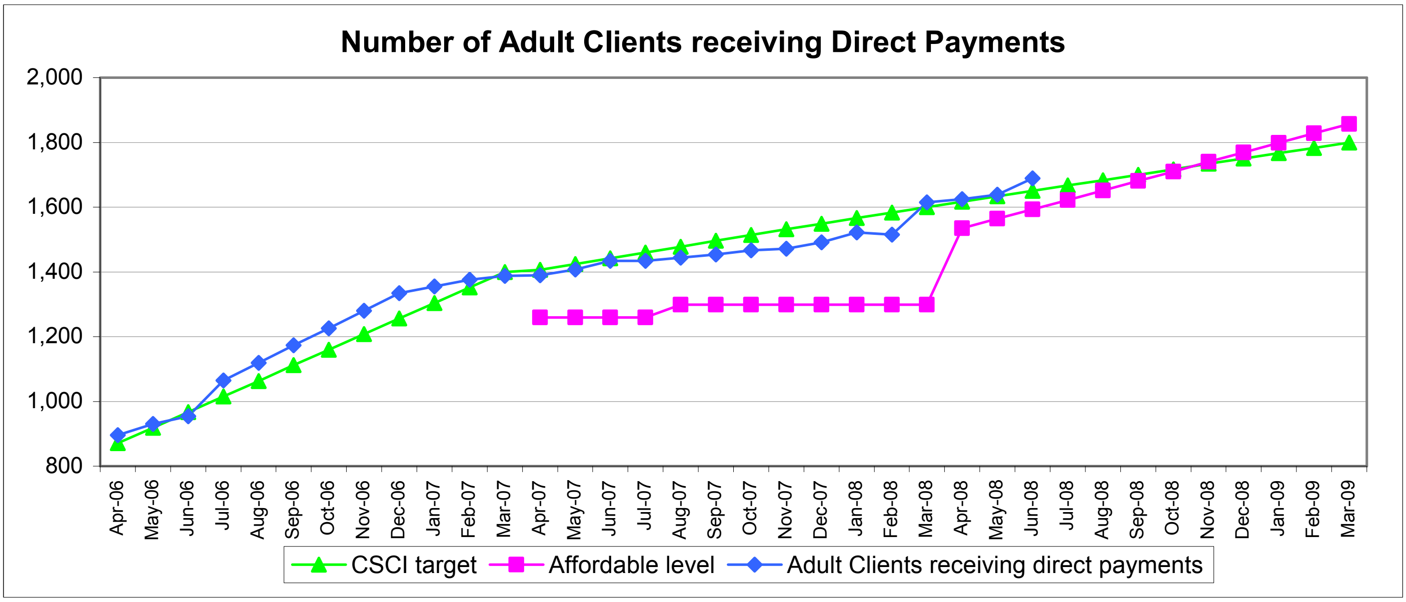


Comments:

- The forecast unit cost of £446.13 is higher than the affordable cost of £439.54 and this difference of £6.59p adds £87k to the position when multiplied by the affordable weeks.
- Supported Accommodation is a rapidly growing area of expenditure and as such there is little activity/unit cost data available from prior years. There remains some discussion nationally regarding the definition of Supported Accommodation so some adjustment to the activity may be required in the future once an agreed definition has been reached.

2.6 Direct Payments – Number of Adult Social Services Clients receiving Direct Payments:

	2006-07			2007-08			2008-09		
	CSCI Target	**Affordable Level**	**Adult Clients receiving Direct Payments**	**CSCI Target**	**Affordable Level**	**Adult Clients receiving Direct Payments**	**CSCI Target**	**Affordable Level**	**Adult Clients receiving Direct Payments**
April	871		896	1,406	1,259	1,390	1,617	1,535	1,625
May	919		930	1,424	1,259	1,407	1,634	1,564	1,639
June	967		954	1,442	1,259	1,434	1,650	1,593	1,689
July	1,015		1,065	1,460	1,259	1,434	1,667	1,622	
August	1,063		1,119	1,478	1,299	1,444	1,683	1,651	
September	1,112		1,173	1,496	1,299	1,454	1,700	1,681	
October	1,160		1,226	1,514	1,299	1,467	1,717	1,710	
November	1,208		1,280	1,532	1,299	1,472	1,734	1,740	
December	1,256		1,334	1,549	1,299	1,491	1,750	1,769	
January	1,304		1,355	1,566	1,299	1,522	1,767	1,799	
February	1,352		1,376	1,583	1,299	1,515	1,783	1,828	
March	1,400		1,388	1,600	1,299	1,615	1,800	1,857	



Comments:

- Figures provided for last year represented the number of people who had a direct payment to provide permanent support. As of March 2008 and onwards, the monitoring of these figures have changed slightly, in line with guidance from the Department of Health. We are now monitoring all people who have had a direct payment, irrespective of whether permanent ongoing support is being purchased, or whether the direct payment is being used to purchase respite care.

- The introduction of direct payments is identifying some previously unmet demand/need. Work is ongoing to track all new direct payment clients to prove /disprove this belief.

ENVIRONMENT & REGENERATION DIRECTORATE SUMMARY
JULY 2008-09 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered "technical adjustments" ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the budget was set to reflect a number of technical adjustments to budget; a virement of £0.250m from the underspending on debt charges within the Finance portfolio towards the development costs of the A2 outdoor activity centre and park and ride scheme; the addition of £2.045m of roll forward from 2007-08, as agreed by Cabinet on 16 June 2008 and the allocation of £3.288m of the contingency set aside from the 2007-08 rolled forward underspend for the impact of the current economic situation as agreed by Cabinet on 4 August.
- The inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 2 to the executive summary.

1.1.2 **Table 1** below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Environment, Highways & Waste portfolio							
Kent Highways Services	59,540	-6,306	53,234	1,400	0	1,400	Invest to save proposals
Public Transport Contracts	14,524	-669	13,855	0	0	0	
Waste Management	66,760	-1,158	65,602	-1,600	0	-1,600	Diversion to landfill while Allington off-line and reduced tonnage
Environmental Group	8,140	-4,000	4,140	200	0	200	Country parks
Transport Strategy	617	0	617	0	0	0	
Strategic Management, Finance, Performance & Information & Analysis Group	6,801	-462	6,339	0	0	0	
Total E, H & W	**156,382**	**-12,595**	**143,787**	**0**	**0**	**0**	
Regeneration & Supporting Independence portfolio							
Regeneration & Projects	6,540	-1,118	5,422	0	0	0	
Economic Development	3,147	-991	2,156	0	0	0	
Planning & Development	1,100	-46	1,054	0	0	0	
Planning Applications	1,477	-468	1,009	0	0	0	
Total Regen & SI	**12,264**	**-2,623**	**9,641**	**0**	**0**	**0**	
Total Directorate Controllable	**168,646**	**-15,218**	**153,428**	**0**	**0**	**0**	
Assumed Management Action:							
- EH&W portfolio						**0**	
- R&SI portfolio						**0**	
Forecast after Mgmt Action				**0**	**0**	**0**	

1.1.3 **Major Reasons for Variance**:

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

Environment, Highways & Waste portfolio:

1.1.3.1 Waste Management:

- Waste is experiencing higher than expected inflation largely due to fuel and gas oil increases. This has now been addressed for 2008-09 by allocation from the corporate contingency set aside from the 2007-08 underspending for the impact of the current economic conditions but will be an ongoing issue for the MTP.
- There is a one-off saving of £1.1m from the waste to energy plant at Allington not being operational during the first few months of the financial year. This saving results from 73,000 tonnes of waste at approximately £16 per tonne being diverted to landfill (which is currently a cheaper option but not sustainable in the long run due to increasing landfill taxes and restrictions in the allowances).
- Further waste savings of £0.5m are likely to be achieved through reduction in waste tonnage (as discussed in the July Cabinet exception report) because April to July figures are down on the previous year.

1.1.3.2 Country Parks have an inherent budget problem of about £0.2m. This has been brought about by under investment in an adequate maintenance programme (leading to health and safety issues) and taking on Lullingstone park and the loss-making Canterbury environment centre from CFE. The Country Parks service is currently reviewing all of its activity and looking to make efficiencies where possible. They are also trying to increase income generation but without some capital investment, this strategy is limited. An MTP capital bid will be submitted in order to invest in facilities that will encourage people to attend the parks and to spend money while they are there.

1.1.3.3 After offsetting the £0.2m pressure on Country Parks against the £1.6m one-off waste saving, there is a residual underspend of £1.4m. It is proposed to use this one-off money to fund invest to save schemes within KHS, which will be needed to help address the MTP inflation issues within the portfolio (for waste, highways maintenance, energy and transport inflation). Current schemes under investigation are streetlighting and paying off coastal protection loans to save on interest payments. The savings expected to be generated from these projects over the medium term will be reported once these schemes have been developed sufficiently, and formal virement of the funding from Waste to KHS will be requested.

1.1.3.4 KHS is also currently experiencing much higher inflation than was anticipated when setting the medium term financial plan last year. This is mainly due to increases in fuel prices, aggregates, electricity and oil related products such as coated roadstone. The Baxter index used to measure price pressures in the road maintenance industry was expected to be about 5.5% when the MTP was set. The index is currently running at 9.3% on a year on year basis and is expected to rise further, topping 10%. This means that the original KHS budget was short by about £0.984m to maintain the current programme, however this has been addressed for 2008-09 by a one-off allocation from the corporate contingency set aside from the 2007-08 underspending for the impact of the current economic conditions, but will be an ongoing issue for the MTP.

1.1.3.5 The other major difficulty for KHS is the renewal of the electricity contract with LASER from October of this year. The MTP has zero allowance for an electricity rise based on the existing price KHS was paying for its electricity under the previous contract and the market conditions at the time of setting the MTP. The situation has changed dramatically since then and the latest quote for the renewal will be a 52% rise. On the £4.8m budget, this equates to £1.248m for the six months to March 2009 (£2.496m for the full year effect). This has now also been addressed for 2008-09 by allocation from the corporate contingency set aside from the 2007-08 underspending for the impact of the current economic conditions, but will be an ongoing issue for the MTP.

Regeneration & Supporting Independence portfolio:

1.1.3.6 There are no issues on this portfolio at this stage

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
EHW	Invest to save schemes within KHS to address MTP issues	+1,400	EHW	Diversion to landfill while Allington waste to energy plant off-line	-1,100
EHW	Country parks	+200	EHW	Reduced waste tonnage	-500
		+1,600			-1,600

1.1.4 **Actions required to achieve this position**:

N/A

1.1.5 **Implications for MTP**:

Although the inflation issues affecting KHS, Public Transport and Waste have been met through allocation from the one-off corporate contingency for 2008-09, these will need to be addressed in the base budget for the 2009-12 MTP. There will be a double impact on the MTP price allocations, firstly to address the base shortfall from 2008-09 and secondly to top up the allowances to take account of the difference between the existing MTP inflation estimates and those that are now prevalent. This will cause significant additional pressures on the EH&W portfolio of over £6m in 2009-10 in order to maintain current service levels.

It is proposed to invest the remaining waste underspend after offsetting the pressure on the Country Parks budget, to produce future savings to assist with meeting the MTP inflation pressures. Current projects under consideration are streetlighting and paying off coastal protection loans to save on interest payments, both within KHS. Once these schemes have been developed sufficiently we will come back to Cabinet with further details and to request formal virement of funds from the Waste underspend to KHS.

1.1.6 **Details of re-phasing of revenue projects**:

N/A

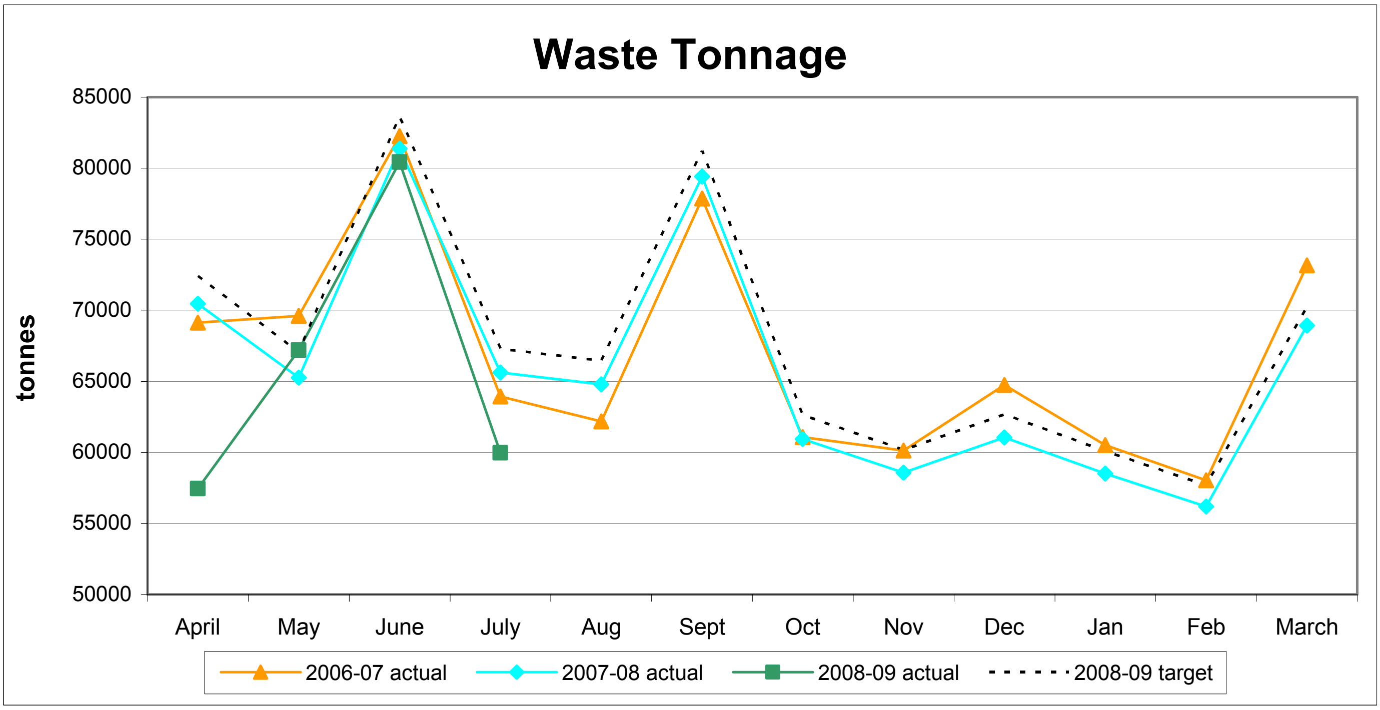
1.1.7 **Details of proposals for residual variance**: *[eg roll forward proposals; mgmt action outstanding]*

N/A

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Waste Tonnage:

	2006-07	2007-08	2008-09	
	Waste Tonnage	Waste Tonnage	Waste Tonnage	Target
April	69,137	70,458	57,448	72,411
May	69,606	65,256	67,201	67,056
June	82,244	81,377	80,425	83,622
July	63,942	65,618	59,968	67,275
August	62,181	64,779		66,459
September	77,871	79,418		81,212
October	61,066	60,949		62,630
November	60,124	58,574		60,180
December	64,734	61,041		62,669
January	60,519	58,515		60,073
February	58,036	56,194		57,679
March	73,171	68,936		70,234
TOTAL	**802,631**	**791,115**	**265,042**	**811,500**



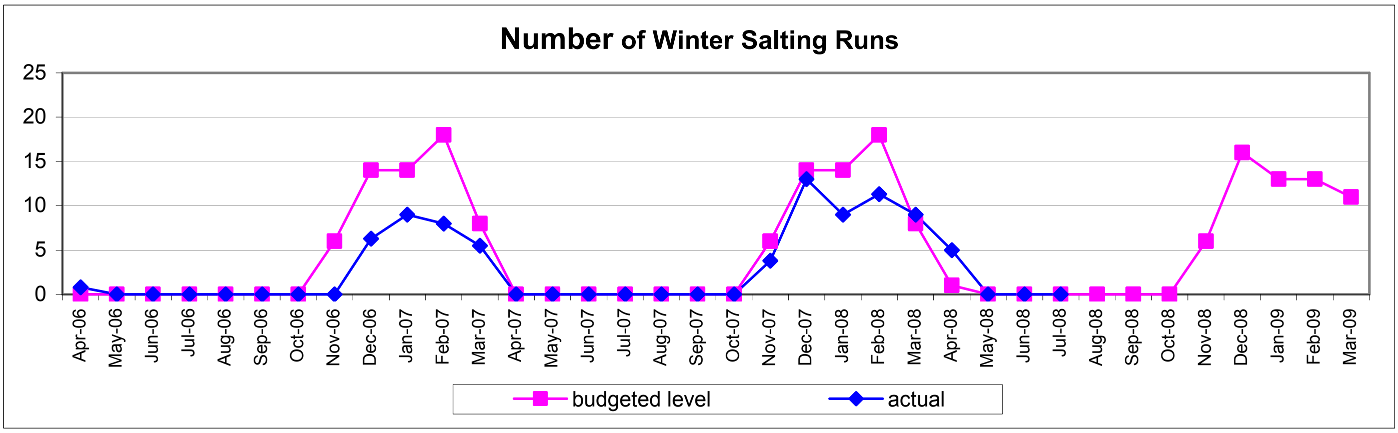
Comments:

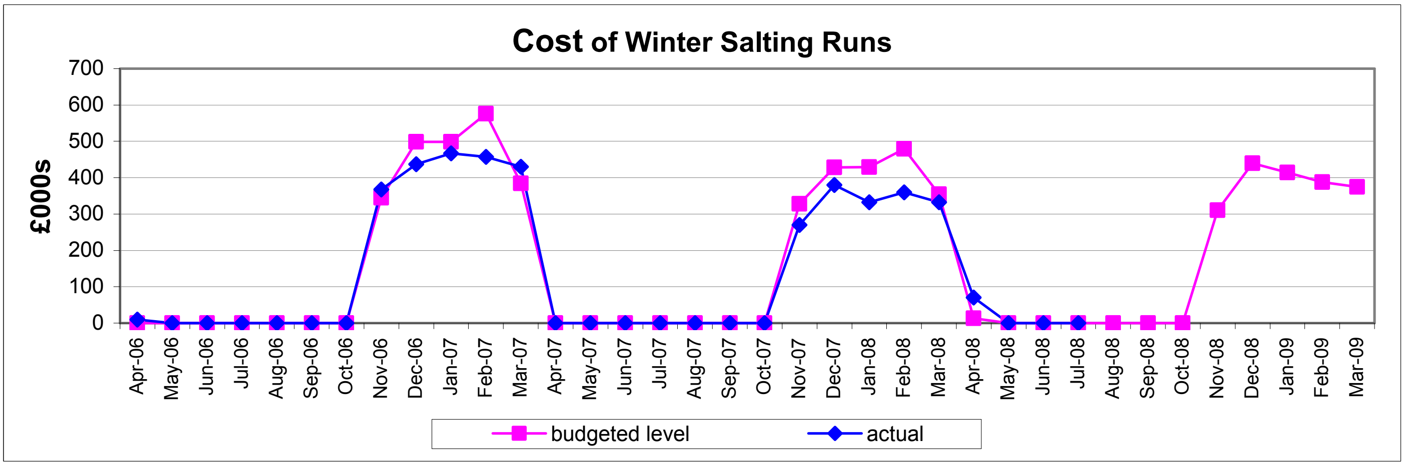
- April tonnage is significantly down on previous years but May and June and similar to expectations. The reduced April figure may be partly attributable to Easter being in March this year or possibly a reflection of a downturn in consumption. However, waste statistics in previous years have not followed this pattern and waste tonnage continues to be very difficult to predict accurately. The July tonnage is also down on the previous year, but this may change as it includes estimates for some districts.

2.2 Number and Cost of winter salting runs:

	2006-07				2007-08				2008-09			
	Number of salting runs		Cost of salting runs		Number of salting runs		Cost of salting runs		Number of salting runs		Cost of salting runs	
	Actual [2] £000s	Budgeted Level £000s	Actual £000s	Budgeted Level £000s	Actual £000s	Budgeted Level £000s	Actual £000s	Budgeted Level [2] £000s	Actual	Budgeted level	Actual £000s	Budgeted Level [2] £000s
April	0.8 [1]	-	10	-	-	-	-	-	5	1	70	13
May	-	-	-	-	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-		-		-
September	-	-	-	-	-	-	-	-		-		-
October	-	-	-	-	-	-	-	-		-		-
November	-	6	368	345	3.8	6	270	328		6		310
December	6.3	14	437	499	13.0	14	380	428		16		440
January	9.0	14	467	499	9.0	14	332	429		13		414
February	8.0	18	457	576	11.3	18	360	479		13		388
March	5.5	8	430	384	9.0	8	332	354		11		375
TOTAL	**29.6**	**60**	**2,169**	**2,303**	**46.1**	**60**	**1,674**	**2,018**	**5**	**60**	**70**	**1,940**

Note [1]: only part of the Kent Highways Network required salting
Note [2]: the 2007-08 & 2008-09 budgets exclude overheads, as these are now charged centrally.



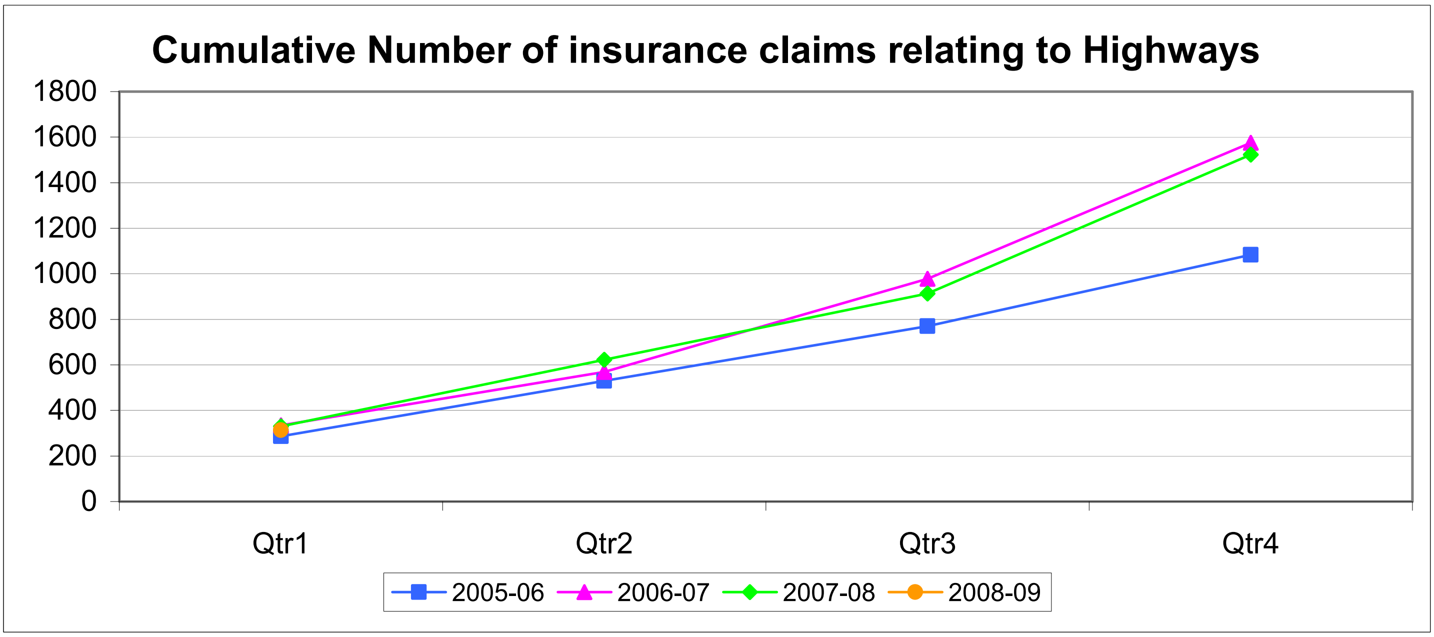


Comment:

- The charges for the Winter Maintenance Service reflect two elements of cost: the smaller element being the variable cost of the salting runs undertaken; the major element of costs, relating to overheads and mobilisation within the contract, have been apportioned equally over the 5 months of the salting period.
- In setting the 2008-09 Budget, a reassessment of the overheads and mobilisation element of the costs of the service has enabled a slightly lower budget to be set.

2.3 **Number of insurance claims arising related to Highways with accident dates during these periods**:

	2005-06	2006-07	2007-08	2008-09
Accident Date	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims
April – June	286	335	330	313
July – September	530	569	622	
October – December	770	978	913	
January - March	1,083	1,575	1,523	



Comments:

- Numbers of claims will continually change as new claims are received relating to accidents occurring in previous quarters. Claimants have 3 years to pursue an injury claim and 6 years for damage claims. The data previously reported has been updated to reflect claims logged with Insurance as at 19 August 2008.
- Quarter 1 figures for 2008-09 are currently slightly down on the previous two years, however it is highly likely that we will receive further claims over the next few months and years which will increase this figure.
- The Insurance section continues to work closely with Highways to try to reduce the number of successful claims and currently the Authority manages to achieve a rejection rate of claims where it is considered that we do not have any liability, of about 80%.

COMMUNITIES DIRECTORATE SUMMARY
JULY 2008-09 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered "technical adjustments" ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the budget was set to reflect a number of technical adjustments to budget; a virement of £0.750m from the Finance portfolio to reflect the agreed recovery plan to balance the Adult Education budget; the roll forward of £0.873m Adult Education overspend from 2007-08, as agreed by Cabinet on 16 June 2008, and an allocation of £0.148m from the contingency set aside from the 2007-08 rolled forward underspend for the impact of the current economic situation as agreed by Cabinet on 4 August.
- The inclusion of a number of 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 2 to the executive summary.

1.1.2 **Table 1** below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Communities portfolio							
Turner Contemporary	1,016	-200	816			0	
Kent Drug & Alcohol Action Team	15,399	-13,414	1,985			0	
Youth Offending Service	6,417	-2,639	3,779	100	-28	72	Net pressure after making staffing and other savings
Youth Services	12,678	-5,207	7,471	451	-451	0	unbudgeted expenditure & income for connexions and various other minor over/underspends
Adult Education	13,472	-13,845	-373			0	
Arts Development	1,305	-15	1,290			0	
Libraries, Information & Archives	25,594	-3,210	22,384			0	
Sports, Leisure & Olympics	1,414	-334	1,080			0	
Key Training	4,001	-3,865	136			0	
Kent Community Safety Partnership	4,379	-275	4,104			0	
Contact Centre	4,756	-1,986	2,770	-72	72	0	Shortfall on income & reduced expenditure on CDSE
Coroners	2,394	-384	2,010	227		227	Continuation of 2007-08 pressures on Mortuary Fees, pathology costs and long inquests
Emergency Planning	736	-142	594			0	
Kent Scientific Services	1,628	-1,655	-27			0	
Registration	4,321	-2,855	1,466			0	
Trading Standards	4,515	-340	4,175			0	
Policy & Resources	1,369	-77	1,292			0	
Business Development Team	203	0	203			0	
Strategic Management	985	0	985			0	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Centrally Managed directorate budgets	255	-1,135	-880			0	
Total Communities controllable	**106,836**	**-51,576**	**55,260**	**706**	**-407**	**299**	
Assumed Management Action				**-299**		**-299**	
Forecast after Mgmt Action				**407**	**-407**	**0**	

1.1.3 **Major Reasons for Variance**: *[provides an explanation of the 'headings' in table 2]*

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

1.1.3.1 Adult Education

The adult education service has made significant progress to address the deficits it has incurred in previous years arising from a combination of reductions in funding from the Learning and Skills Council in 2005/06 and 2006/07, and lower than anticipated enrolments in 2007/08. The service has now agreed a budget plan to ensure expenditure does not exceed income in 2008/09 and to repay the £373k in year deficit made during 2007/08. To achieve this, the AE service will capitalise expenditure on the Education Business System which will be funded from a capital receipt from the sale of a redundant AE centre. This position is after the £750k virement from Finance portfolio to reflect the agreed recovery plan.

1.1.3.2 Libraries, Information and Archives

Income from the rental of audio visual materials in libraries has declined in recent years and the service has been unable to meet its income budgets. The service has explored other merchandising opportunities and this year is forecasting that it can make sufficient from these e.g. the sale of jute bags, to meet income targets in the budget. However, there are additional costs associated with merchandising new products meaning the service has to make savings on staff costs through managing vacant posts and other expenditure budgets to ensure the overall budget is in balance.

1.1.3.3 Youth Service

The budget assumed that that the contract with Connexions to provide advisory services to young people would come to an end at the end of 2007/08, but we have now negotiated an extension until the end of September and this may be extended further.

1.1.3.4 Contact Centre

Income for Consumer Direct South East declined in 2007/08 from its peak in 2006/07 as a result of reduced call volumes. In the main this has been attributed to a reduction in national advertising of the service. CDSE is making some savings on staffing through managing vacancies and is planning a further draw down from reserves of £70k to cover the anticipated £125k shortfall in income in 2008/09.

1.1.3.5 Coroners

Despite providing an additional £200k into the budget in 2008/09 the Coroner's service continues to be overspent. The demands placed on Coroners to investigate deaths are increasingly resulting in more long inquests and thus additional expenses for the Coroners and other costs associated with conducting inquests. Coroners are also having to incur additional expense for pathology fees (both as a consequence of investigating more cases and due to higher charges) and for mortuary attendants. KCC has very little influence over the work of the Coroners and therefore little control over expenditure which is governed by the claims from Coroners themselves.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CMY	AE rolled forward deficit from 2007-08 due to lower than expected enrolments and restructure costs.	+373	CMY	Transfer of expenditure for Education Business System within AE to capital programme	-373
CMY	Youth expenditure on connexions covered by increased income	+271	CMY	Youth external contributions for Connexions	-271
CMY	Consumer Direct reduced income due to declining call volumes	+125	CMY	Consumer Direct SE staff savings and draw down from reserves to cover pressure from declining call volumes	-125
CMY	Coroners long inquests payments	+120	CMY	Libraries & Archives Staff underspends to cover costs of stamps and merchandise.	-109
CMY	Coroners Pathology Fees & Mortuary Attendants	+117			
CMY	Libraries & Archives Purchase of stamps & merchandise	+100			
		+1,106			-878

1.1.4 **Actions required to achieve this position**:

1.1.4.1 The Adult Education Service has developed a financial recovery plan to address previous years' deficits and to ensure that in future it can respond more quickly to changes in income. Particular actions include:

- a review of terms and conditions for sessional lecturers so that their hours can be reduced without the individual having the right to redundancy benefits
- a reduction in fixed overheads through staff savings on management and administration
- significant progress in setting local managers increased targets for student numbers on individual courses to make courses financially viable
- review of course fees, freezing fees at 2007/08 levels for existing courses, and introducing a wider range of premium courses where the fees paid by students cover the full cost of courses
- transfer expenditure on Education Business System to the capital programme, to be funded by a combination of revenue contribution and proceeds from sale of redundant AE centre

These actions will resolve the deficit accrued in 2007/08 due to lower than expected enrolments and restructure costs.

1.1.4.2 The Youth Offending Service has agreed to hold 8 posts vacant throughout the year in order to keep within budget. The service has also transferred £25k of expenditure on parenting to external funding and has reduced forecast expenditure on remand fostering by £50k. This still leaves the service with a forecast overspend of £72k which at this stage it has not agreed specific actions to offset. Nonetheless the County Youth Justice Board has agreed that further savings should be made to reduce the overspend to nil as it would be inappropriate to approach partners for additional contributions at this stage in the year.

1.1.4.3 The Arts Development Unit has completed a major staff restructuring to deliver the efficiency saving and staffing reductions assumed in the budget.

1.1.4.4 The Registration Service has increased charges for non statutory services by an average of approximately 45% in order to deliver the increased income agreed through medium term financial plan. At this stage this appears to have minimal impact on take-up of services.

1.1.4.5 Community Safety has ceased grants to Crime and Disorder Reduction Partnerships for community safety projects. This was taken as a saving in the 2008-11 MTP. This has not been well received by some partnerships although KCC remains committed that our priority for supporting crime and disorder reductions is through the warden service.

1.1.5 **Implications for MTP**:

The ongoing pressures faced by the Coroners Service and the full year impact of the recent fuel and electricity price rises remain the main additional medium term financial pressures for the portfolio. Coroners are being expected to investigate more cases leading to additional mortuary and specialist fees. Where these cases result in a long inquest Coroners can claim additional expenses.

1.1.6 **Details of re-phasing of revenue projects**:

N/A

1.1.7 **Details of proposals for residual variance**:

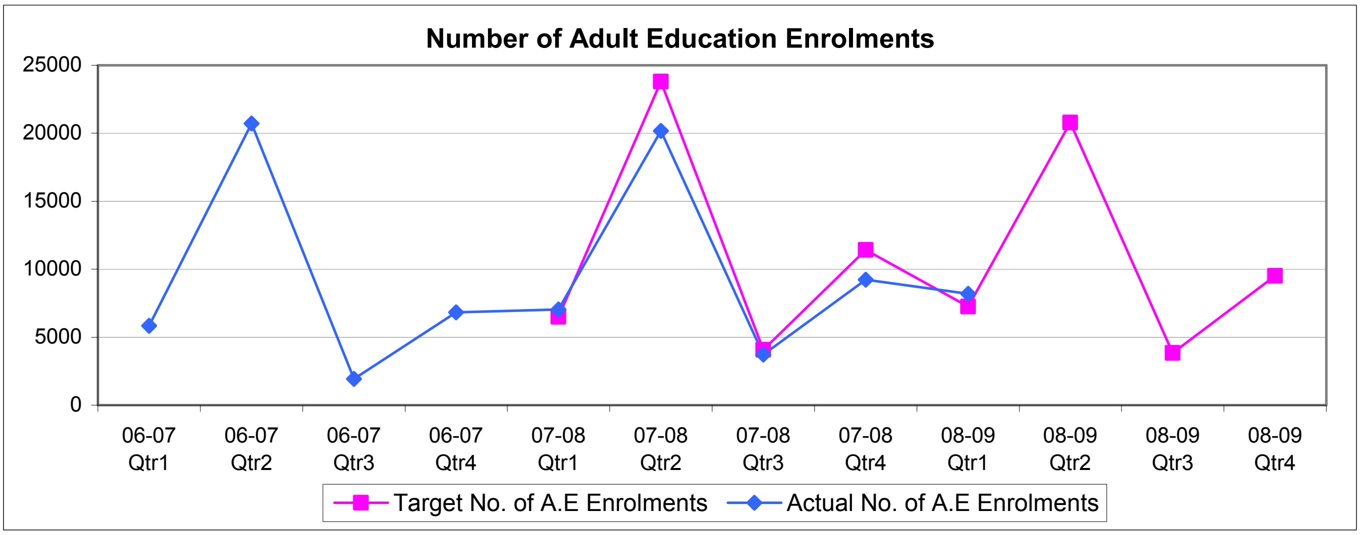
The position for the Youth Offending Service has been reported to the County Youth Justice Board. The board recommended that partners should not be asked for additional contributions and that further savings need to be found on staff and other budgets within the service. Final details of these savings have yet to be agreed with the head of service to include in this monitoring report.

Compensatory savings elsewhere within the Coroners budget are unlikely unless demands on the service reduce. We are working with the individual Coroners to identify the underlying reasons for different patterns of investigations but this is unlikely to result in significant savings. We are working with other local authorities to lobby the Local Government Association for additional government funding to resolve the situation but in the meantime we will be looking to identify savings in other services to offset the Coroners overspend. In the first instance we will look to make further savings on staffing budgets through holding posts vacant. If sufficient savings cannot be made as a result of staff turnover we will look to reduce spending on non essential non staffing budgets along the same lines achieved in 2007/08.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 **Number of Adult Education Enrolments**:

	Financial Year				
	2006-07	2007-08		2008-09	
	A.E Enrolments	Target	A.E Enrolments	Target	A.E Enrolments
Q1 07-08	5,849	6,501	7,030	7,241	8,202
Q2 07-08	20,713	23,803	20,183	20,788	
Q3 07-08	1,925	4,071	3,727	3,839	
Q4 07-08	6,829	11,416	9,230	9,507	
TOTAL	**35,316**	**45,791**	**40,173**	**48,205**	**8,202**



Comments:

- The LSC grants depend partly on enrolments to courses and are subject to a contract agreement with LSC. Students taking courses leading to a qualification are funded via Further Education (FE) grant based upon the course type and qualification. However, students taking non-vocational courses not leading to a formal qualification are funded via a block allocation not related to enrolments, referred to as Adult and Community Learning Grant (ACL) grant.

- Students pay a fee to contribute towards costs of tuition and examinations. There is a concession on ACL tuition fees for those aged under 19, those in receipt of benefits and those over 60. FE courses are free for those aged under 19 or in receipt of benefits undertaking Basic Skills or Skills for Life Courses.

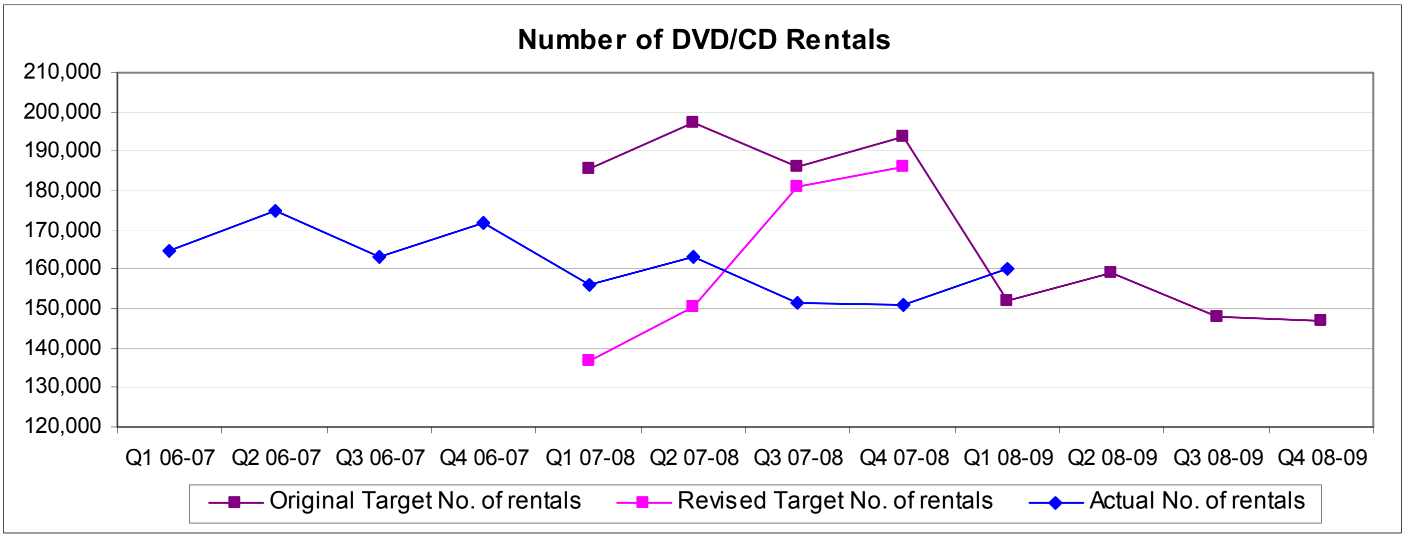
- The AE service reduced expenditure on course provision in 2007-08 as a result of lower than anticipated enrolments, however a residual pressure remained on the AE budget which was largely as a result of a reduction in tuition fee income due to the reduced enrolments, hence a rolled forward overspend of £0.373m into 2008-09.

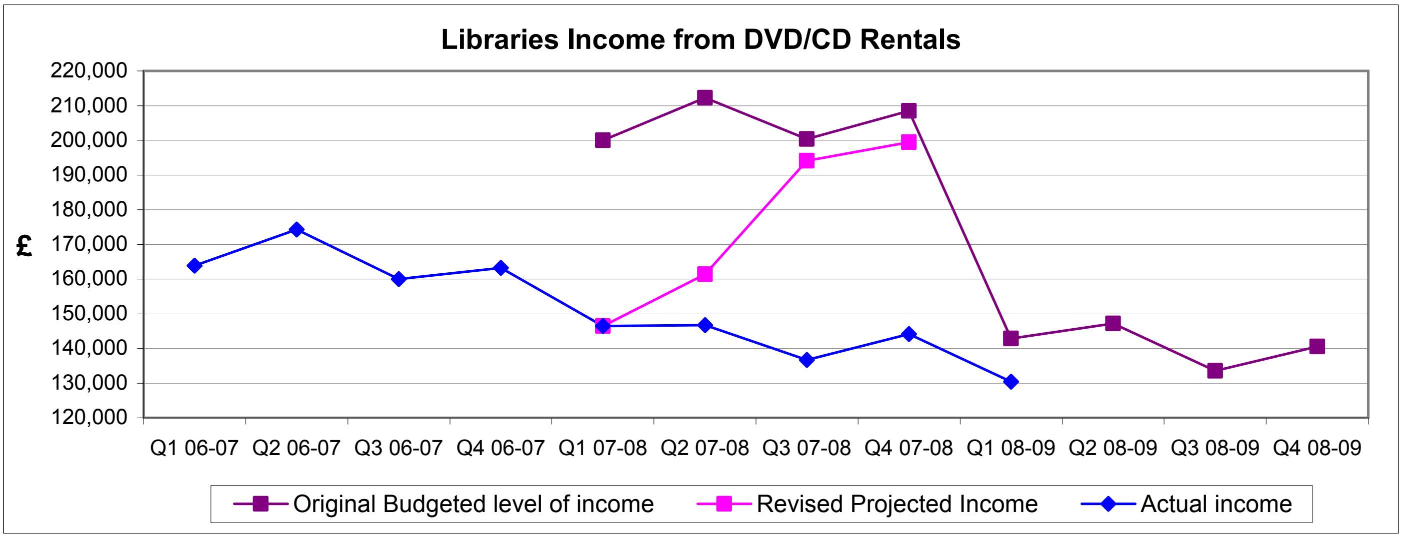
- The target numbers of enrolments for 2008-09 reported in the outturn report to Cabinet on 16 June were indicative as they still needed to be negotiated and agreed with the LSC. The indicative figures were based on estimates used for curriculum plans to set the 2008-09 budget. The target numbers now reflect the figures agreed with the LSC, the overall total remains the same as previously reported but the profile across the four quarters has changed.

- The target enrolments relate to courses starting in the stated periods i.e. April to June, July to September, October to December, January to March. The actual enrolments similarly relate to courses starting in those periods. In some instances students enrol for courses after they have started. This means that the actual enrolments may be different from those previously reported. This is especially the case in the autumn when significant numbers may enrol in October for courses starting in September.

2.2 **Number of Library DVD/CD rentals together with income raised**:

	2006-07		2007-08						2008-09			
	No of rentals	Income (£)	No of rentals			Income (£)			No of rentals		Income (£)	
	actual	actual	Budgeted target	revised target	actual	budget	revised projected income	actual	Budgeted target	actual	Budget	actual
April–Jun	164,943	163,872	185,800	136,556	155,958	200,000	146,437	146,437	152,059	160,162	142,865	130,379
July–Sep	174,975	174,247	197,300	150,500	163,230	212,300	161,390	146,690	159,149		147,232	
Oct–Dec	163,470	160,027	186,200	181,000	151,650	200,400	194,096	136,698	147,859		133,505	
Jan–Mar	171,979	163,269	193,700	186,000	150,929	208,500	199,458	144,136	147,156		140,533	
TOTAL	**675,367**	**661,415**	**763,000**	**654,056**	**621,767**	**821,200**	**701,381**	**573,961**	**606,223**	**160,162**	**564,135**	**130,379**





Comments:

- Target figures for 2006/07 have not been shown as this data was not presented in previous monitoring reports
- Rentals of audio visual materials (especially videos and CDs) continue to decline as videos become more obsolete and alternative sources for music become more widely available. Demand for DVDs has remained reasonably stable. Demand for spoken word materials has increased but these do not attract a loan charge as they replace the core service (the printed word) for people with a visual impairment.
- Targets and income budgets set for 2008-09 are based on a continued decline. The service has increased income from other merchandising to offset the loss of income from AV issues.
- The actual number of rentals includes those from visits to lending libraries, postal loans and reference materials.

CHIEF EXECUTIVES DIRECTORATE SUMMARY
JULY 2008-09 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered “technical adjustments” ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the budget was set to reflect a number of technical adjustments to budget and the addition of £0.602m of roll forward from 2007-08, as agreed by Cabinet on 16 June 2008.
- The inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 2 to the executive summary.

1.1.2 **Table 1** below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Public Health portfolio							
Kent Department of Public Health	**1,401**	**0**	**1,401**	**0**	**0**	**0**	
Corporate Support & External Affairs portfolio							
Personnel & Development	10,208	-4,458	5,750	-406	427	21	vacant posts leading to reduced spend & income from courses; HCI Scheme ends Jul09
Information Systems	22,411	-6,976	15,435	1,806	-1,805	1	Costs & income of additional work
Corporate Communications	1,307	-94	1,213	0	0	0	
International Affairs Group	461	-113	348	0	0	0	
Strategic Development & Corporate Management	2,674	-14	2,660	-197	-3	-200	Kent TV contract runs to Aug09.
Dedicated Schools Grant		-2,789	-2,789	0	0	0	
Total CS&EA	**37,061**	**-14,444**	**22,617**	**1,203**	**-1,381**	**-178**	
Policy & Performance portfolio							
Policy & Performance	1,149	-340	809	45	-45	0	
Kent Partnerships	456	0	456	0	0	0	
Kent Works	940	-740	200	-16	57	41	
Legal Services	5,326	-5,726	-400	888	-1,106	-218	Costs & income of additional work
Democratic Services	4,648	-18	4,630	194	-76	118	Delayed staff savings
Total P&P	**12,519**	**-6,824**	**5,695**	**1,111**	**-1,170**	**-59**	
Finance Portfolio							
Strategic Management	1,530	-184	1,346	-43	43	0	
Finance Group	20,554	-15,722	4,832	-131	131	-1	
Property Group	16,930	-7,693	9,237	19	732	751	Corp Property Unit change in accounting treatment
Total Finance	**39,014**	**-23,599**	**15,415**	**-155**	**906**	**751**	
Total Directorate Controllable	**89,995**	**-44,867**	**45,128**	**2,159**	**-1,645**	**514**	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Assumed Management Action:							
- CS&EA portfolio						**0**	
- P&P portfolio					**-41**	**-41**	Attract additional income
- Finance portfolio				**-751**		**-751**	Review of MRP
Forecast after Mgmt Action				**1,408**	**-1,686**	**-278**	
Memorandem Item							
Property Enterprise Fund	**0**	**-12**	**-12**	**561**	**-249**	**312**	See section 2.2 Annex 5

1.1.3 **Major Reasons for Variance**: *[provides an explanation of the 'headings' in table 2]*

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

Corporate Support & External Affairs portfolio:

1.1.3.1 Personnel & Development: Variances on gross spend **(-£410k)** and income **(+£430k)** are caused by current vacancies of Learning Account Manager posts which, until filled, is leading to a reduced number of courses offered and therefore reduced expenditure on delivering courses and a reduced level of income generated.

1.1.3.2 Information Systems: Variances on gross spend **(+£1,780k)** and income **(-£1,780k)** reflect the increased demand for additional IT services and projects, a demand which is difficult to predict during budget setting.

1.1.3.3 Strategic Development: **(-£200k)** relating to the Kent TV contract which will need to be re-phased into 2009-10 as the profile of spend finishes in Aug09.

Policy & Performance portfolio:

1.1.3.4 Legal Services:

- Variances on gross spend **(+£370k)** and income **(-£570k)** reflect the additional work that the function has taken on over and above that budgeted for, responding to both internal and external demand.
- Variances on gross spend **(+£450k)** and income **(-£450k)** are a result of additional disbursements incurred. Costs of disbursements are recovered from clients but they are difficult to predict during budget setting.

1.1.3.5 Democratic Services: Variance on gross spend **(+£118K)** as the staffing reductions assumed in the budget have not yet happened.

Finance portfolio:

1.1.3.6 Property Group: Variance on income **(+732k)** and gross spend **(+£19k)** is due to a change in the accounting treatment of some staffing costs of the Corporate Property Unit, which were previously capitalised but upon latest guidance, these costs must be charged to revenue.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
CS	Information Systems costs of additional services/projects	+1,780	CS	Information Systems income from additional services/projects	-1,780
FIN	Change in accounting treatment of some staffing costs of Corporate Property Unit, previously charged to capital	+751	P&P	Legal income resulting from additional work (partially offset by increased costs)	-570
P&P	Legal services cost of additional disbursements	+450	P&P	Legal services costs of disbursements recovered from clients	-450
CS	P&D vacant Learning Account Manager posts resulting in reduced income generation from courses	+430	CS	P&D vacant Learning Account Manager posts resulting in reduced courses and expenditure on course delivery	-410
P&P	Legal services cost of additional work (offset by increased income)	+370	CS	Confirmed profile of Kent TV revenue spend to Aug09 (roll forward proposal)	-200
P&P	Democratic Services delay in budgeted staff savings	+118			
		+3,899			-3,410

1.1.4 **Actions required to achieve this position**:

N/A

1.1.5 **Implications for MTP**:

Finance portfolio:
The consequences of the change in the accounting treatment of the indirect staffing costs of the Corporate Property Unit have been reflected as a pressure in the MTP for 2009-10.

1.1.6 **Details of re-phasing of revenue projects**:

The following projects are re-phasing into 2009-10:

Strategic Development: **-£200k** for Kent TV, to meet the contractual commitment through to Aug09.

Personnel & Development: **+£21k** Home Computing Initiative. Due to the accounting treatment of this scheme, a scheduled overspend of £21k will be required to roll forward into 2009-10 to be met from staff salary deductions to July 2009, when the scheme is due to complete.

1.1.7 **Details of proposals for residual variance**: *[eg roll forward proposals; mgmt action outstanding]*

Policy & Performance portfolio:
Kent Works is continuing to review its contracts with Schools and aims to attract additional income to offset the current forecast pressure of £41k.

Finance portfolio:
Corporate Property Unit: It is envisaged that a review of the regulations around the minimum repayment of outstanding debt, known as the Minimum Revenue Provision (MRP), the full implications of which are currently being assessed, will release funds to cover the revenue shortfall of £751k.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

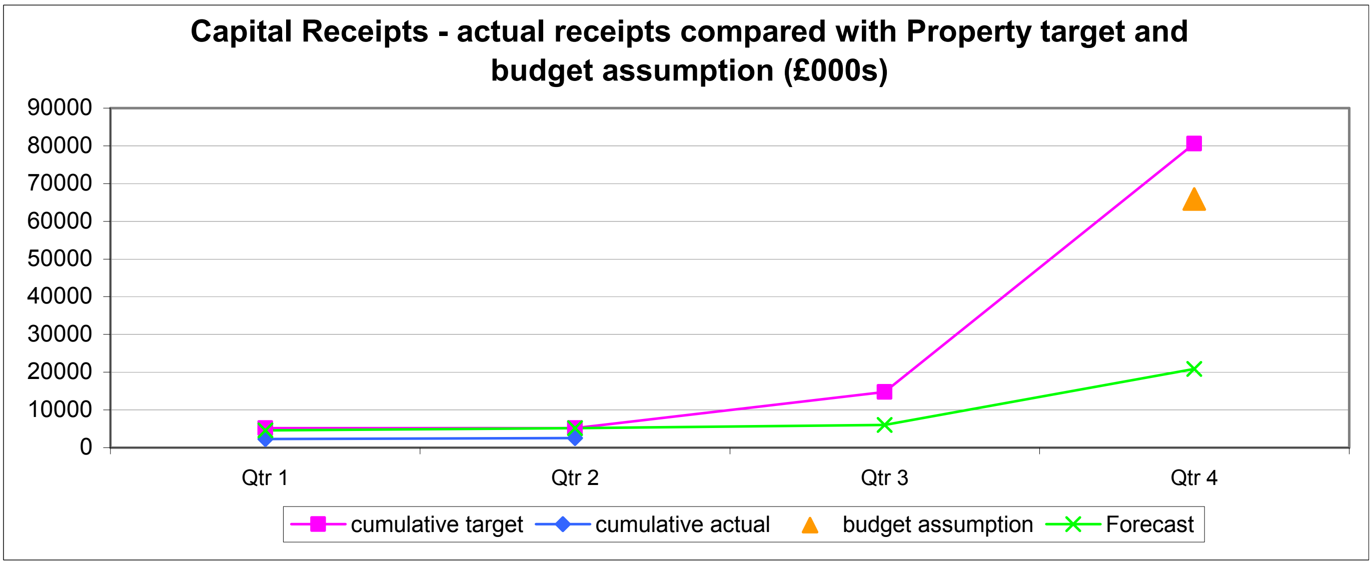
2.1 Capital Receipts – actual receipts compared to budget profile:

	2008-09			
	Budget funding assumption £000s	Cumulative Target profile £000s	Cumulative Actual receipts £000s	Forecast receipts £000s
April - June		5,156	2,314	4,590
July - September		5,156	**2,524	5,192
October - December		14,742		6,019
January - March		80,556		20,849
TOTAL	***65,950**	*****80,556**	**2,524**	**20,849**

* *figure updated from 2008-09 budget assumption to reflect roll forward from 2007-08*

** *actuals to 31 July 2008*

*** *The cumulative target profile shows that at the start of the year anticipated receipts for 2008-09 totalled £80,556k. The variance between this and the budget funding assumption is due to timing differences between when the receipts were anticipated to come in and when the spend in the capital programme to be funded by these receipts was due to occur. This shows that an element of the receipts due to come in during 2008-09 were not needed for funding the capital programme until 2009-10 or later.*



Comments:

- The decrease in forecast receipts for 2008-09 is as a direct result of the instability and downturn in the property market due to the global credit crunch. Most housebuilders (who have been the mainstay of KCC's earmarked sales in recent years) have now withdrawn from acquisitions at the present time. Due to the lack of transactions in the market it is difficult to predict a percentage fall in values overall.
- The table below shows we are currently forecasting a potential deficit of £39,866k for the current year. KCC is currently exploring options in an effort to manage the impact of reduced capital receipts on the progression of the capital programme in the current and future years.

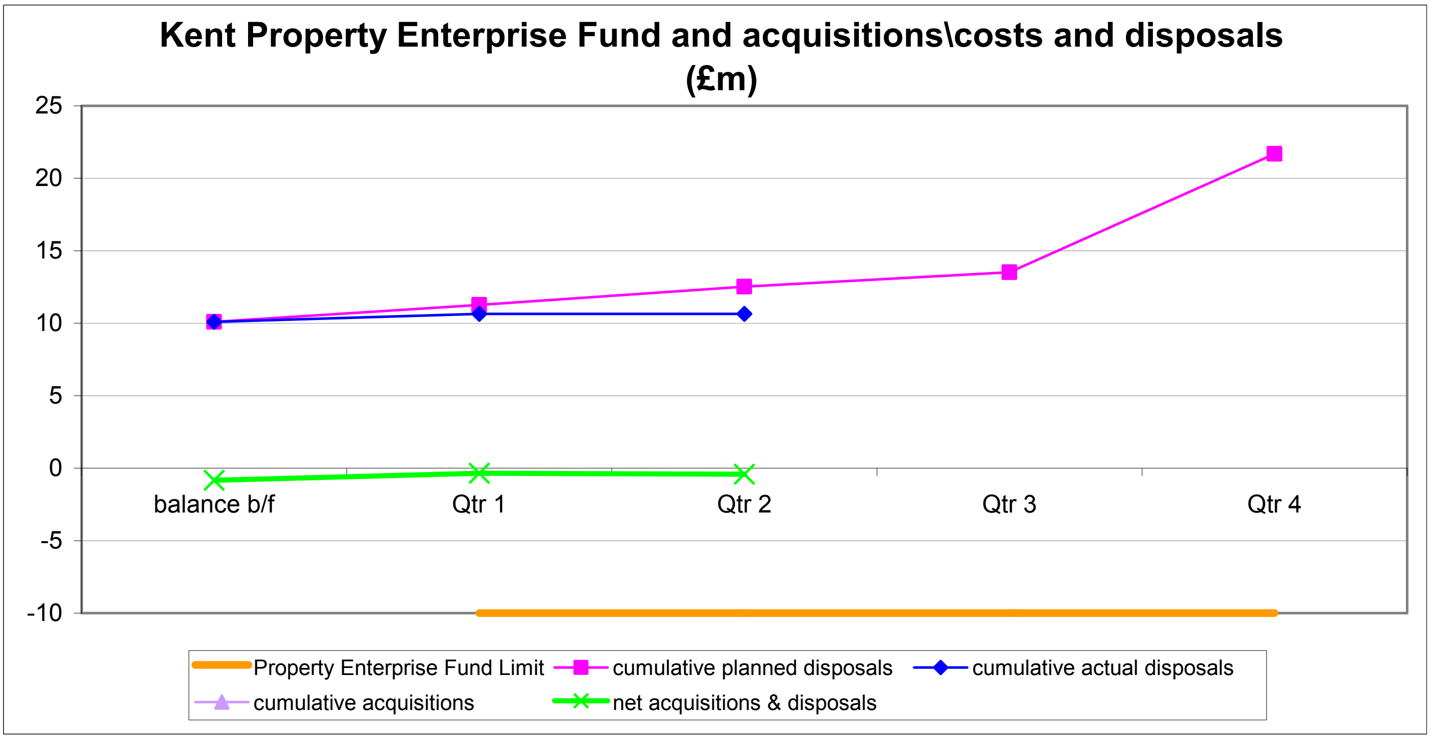
	2008-09 £'000
Capital receipt funding per 2008-11 MTP	65,950
Property Group's forecast receipts	20,849
Receipts banked in previous years for use	1,739
Receipt funding from other sources	1,051
Sites identified by Directorates for Property to work up for disposal*	2,445
Potential Surplus\Deficit Receipts (-)	**-39,866**

* Timescale for delivery uncertain until worked up by Property Group

2.2 **Capital Receipts – Kent Property Enterprise Fund**:

	Kent Property Enterprise Fund Limit £m	Cumulative Planned Disposals (+) £m	Cumulative Actual Disposals (+) £m	Cumulative Actual Acquisitions (-) £m	Cumulative Net Acquisitions (-) & Disposals (+) £m
Balance b/f		10.096	10.096	-10.924	-0.828
April - June	*-10*	11.259	10.642	-10.995	-0.353
July – September *	*-10*	12.526	10.642	-11.067	-0.425
October - December	*-10*	13.507			
January - March	*-10*	21.695			

** reflects position to the end of July*



Comments:

- County Council approved the establishment of the Property Group Enterprise Fund, with a maximum permitted deficit of £10m, but self-financing over a period of 10 years. The cost of any temporary borrowing will be charged to the Fund to reflect the opportunity cost of the investment. The aim of this Fund is to maximise the value of the Council's land and property portfolio through:
  - the investment of capital receipts from the disposal of non operational property into assets with higher growth potential, and
  - the strategic acquisition of land and property to add value to the Council's portfolio, aid the achievement of economic and regeneration objectives and the generation of income to supplement the Council's resources.

  Any temporary deficit will be offset as disposal income from assets is realised. It is anticipated that the Fund will be in surplus at the end of the 10 year period.

  <u>Balance brought forward</u>

  In 2005-06, £0.541m of capital receipts were realised from the disposal of non-operational property. The associated disposal costs of £0.054m were funded from these receipts, leaving a balance of £0.487m available for future investment in the Kent Property Enterprise Fund.
  In 2006-07, £3.065m of capital receipts were realised from the disposal of non-operation property giving a balance of £3.606m for investment. The Fund was used to acquire land at Manston Business Park. Together with the costs of acquisition and disposal, costs in the year totalled £5.864m, leaving a deficit of £2.312m to be temporarily funded from the £10m borrowing facility.

In 2007-08, £6.490m of receipts were realised of which £3.3m was used for revenue budget support, £1.110m was used to fund expenditure on the Eurokent Access Road and there was £0.596m of acquisition and disposal costs, leaving a balance of £1.484m to offset against the £2.312m deficit brought forward. Therefore the deficit carried forward to 2008-09 was £0.828m.

Actual Disposals

At the start of 2008-09 Property Group identified **£11.599m** worth of potential non-earmarked receipts to be realised this financial year.

Disposals to date this year have been **£0.546m** from the disposal of 3 non-operational properties, but as a result of the credit crunch, the market has hardened affecting the ability to achieve the original target. Property Group is now working to a revised target of **£3.491m**.

Acquisitions\Costs

At present there are no committed acquisitions to report, however forecast outturn for costs of disposals (staff and fees) is currently estimated at **£0.400m**.

Other Fund Commitments

The 2008-09 revenue budget includes £0.7m of receipts to be generated by the Fund in the current year.

The Fund has also been earmarked to provide a further £4.193m of funding for the Eurokent Access Road, £1m for Ashford Library (currently forecast for 2009-10) and £2m for Gateways over the MTP (currently forecast at £0.587m in 2008-09, £1.4m in 2009-10 and £0.013m in 2010-11).

Forecast Outturn

Taking all the above into consideration, the Fund is expected to be in a deficit position of £3.217m at the end of 2008-09.

Opening Balance – 01-04-08	-£0.828m
Planned Receipts (Risk adjusted)	£3.491m
Costs	-£0.400m
Acquisitions	-
Other Funding: - revenue budget support - Eurokent Access Road - Gateways - Ashford Library	 -£0.700m -£4.193m -£0.587m -
Closing Balance – 31-03-09	**-£3.217m**

Revenue Implications

The Fund also generated £0.096m of low value revenue receipts during 2007-08 but, with the need to fund both costs of borrowing (£0.107m) against the overdraft facility and a small deficit on the cost of managing non-earmarked properties held for disposal (£0.001m), the PEF carried forward a £0.012m deficit on revenue which has been rolled forward to be met from future income streams.

In 2008-09 the fund is currently forecasting £0.032m of low value revenue receipts but, with the need to fund both costs of borrowing (£0.161m) against the overdraft facility and the cost of managing properties held for disposal (£0.159m), the PEF is forecasting a £0.300m deficit on revenue which will be rolled forward to be met from future income streams.

FINANCING ITEMS SUMMARY
JULY 2008-09 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered “technical adjustments” ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the budget was set to reflect a number of technical adjustments to budget; a virement of £0.250m from the underspending on the debt charges budget to R&SI portfolio for the development of the A2 outdoor activity centre and park and ride scheme; a virement of £0.750m, also from the underspending on the debt charges budget, to Communities portfolio to reflect the agreed recovery plan for Adult Education to balance their budget and the addition of £1.004m of roll forward from 2007-08, as agreed by Cabinet on 16 June 2008.
- The inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 2 to the executive summary.

1.1.2 **Table 1** below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Corporate Support & External Affairs portfolio							
Contribution to IT Asset Maintenance Reserve	2,424		2,424			0	
PFI Grant		-656	-656			0	
Total Corporate Support	**2,424**	**-656**	**1,768**	**0**	**0**	**0**	
Finance Portfolio							
Insurance Fund	3,479		3,479			0	
County Council Elections	255		255			0	
Workforce Reduction	1,468		1,468			0	
Environment Agency Levy	359		359			0	
Joint Sea Fisheries	264		264			0	
Audit Fees & Subscriptions	800		800			0	
Interest on Cash Balances / Debt Charges	125,295	-29,896	95,399	-3,064	798	-2,266	savings on debt charges due to lower levels of borrowing in 07-08 & 08-09 & better rates for new borrowing
Contribution from Commercial Services		-6,210	-6,210		300	300	roundabout sponsorship shortfall
Public Consultation	100		100			0	
Member Community Grants	848		848			0	
Local Priorities	595		595			0	
Local Scheme spending recommended by Local Boards	656		656			0	
Transferred Services Pensions	22		22			0	
PRG	6,176	-7,902	-1,726			0	
Contribution from Reserves	-2,400	0	-2,400			0	
Income from Kings Hill	-1,000	0	-1,000			0	
ABG Safer Stronger Communities	1,384		1,384			0	
LABGI income	-1,851	-1,349	-3,200		1,349	1,349	reduced level of LABGI income
Total Finance	**136,450**	**-45,357**	**91,093**	**-3,064**	**2,447**	**-617**	
Total Controllable	**138,874**	**-46,013**	**92,861**	**-3,064**	**2,447**	**-617**	

1.1.3 **Major Reasons for Variance**: *[provides an explanation of the 'headings' in table 2]*

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

1.1.3.1 Interest on Cash Balances and Debt Charges

Due to the re-phasing on the capital programme in 2007-08 a lower level of new borrowing was required resulting in a reduction in the debt charges compared to the level assumed when the 2008-09 budget was set. In addition, new market borrowing has been arranged for January 2009 at 3.95% per annum which is 1.55% below budget. No other new borrowing has yet been taken or arranged therefore making further savings against the budget.
This is partially offset by lower interest receipts as a result of reductions in the base rate since the budget was set but this has been mitigated in part by an increase in the duration of short-term lending which has provided an improved return.

1.1.3.2 Local Authority Business Growth Incentive (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 worst case scenario is that we will receive £1.349m 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. It is possible that not all of this will be required and that we will receive a further distribution, if so our position could improve to a best case scenario of a £0.595m shortfall.

1.1.3.3 Commercial Services Contribution:

We are currently reporting a £300k shortfall in the budgeted contribution from Commercial Services. This is due to problems with obtaining planning consent from the Districts for the erection of signs for sponsorship of roundabouts; we will therefore not achieve all of the expected income from this initiative this year.
The £250k current estimated impact of increasing fuel and electricity prices, which mainly affects Transport Services and Landscape Services, is expected to be offset by attracting new business.

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
FIN	Reduction in LABGI income	+1,349	FIN	Savings on debt charges due to lower level of borrowing required in 2007-08 and less new borrowing in 2008-09 than anticipated, together with new borrowing arranged at lower interest rate than budgeted and increase in duration of short term lending	-3,064
FIN	Lower interest receipts due to reduction in base rates since budget was set	+798			
FIN	Commercial Services - Shortfall in income from sponsorship of roundabouts	+300			
		+2,447			-3,064

1.1.4 **Actions required to achieve this position**:

N/A

1.1.5 **Implications for MTP**:

1.1.6 **Details of re-phasing of revenue projects**:

N/A

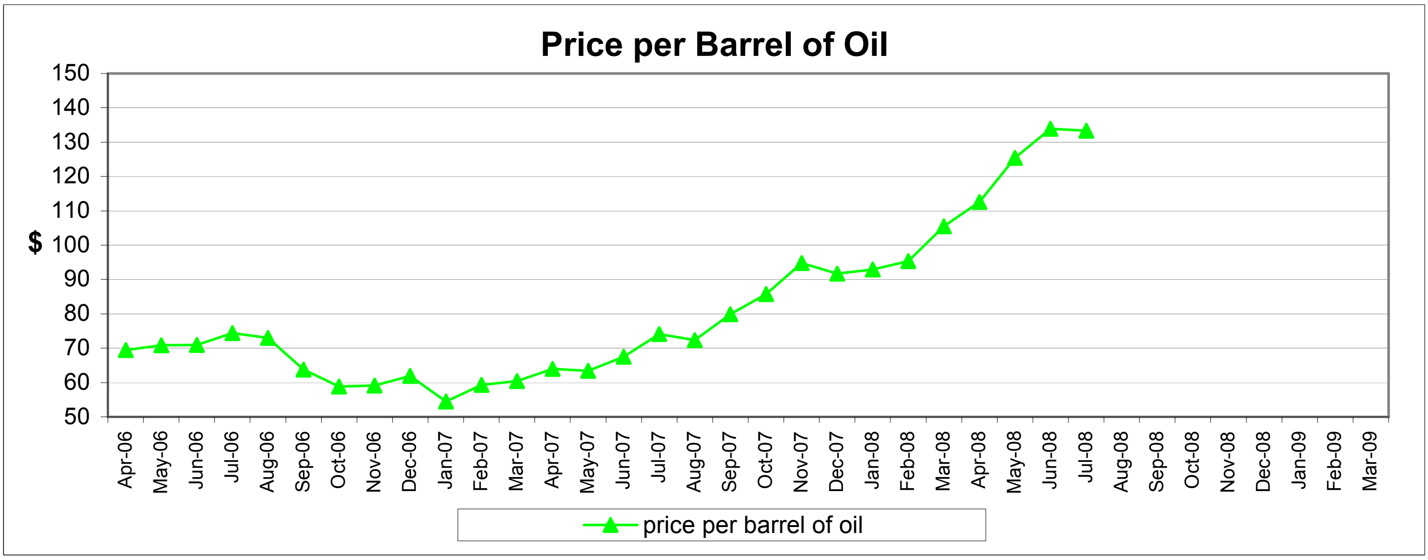
1.1.7 **Details of proposals for residual variance**: *[eg roll forward proposals; mgmt action outstanding]*

N/A

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Price per Barrel of Oil - average monthly price in dollars since April 2006:

	Price per Barrel of Oil		
	2006-07	**2007-08**	**2008-09**
	$	$	$
April	69.44	63.98	112.58
May	70.84	63.45	125.40
June	70.95	67.49	133.88
July	74.41	74.12	133.37
August	73.04	72.36	
September	63.80	79.91	
October	58.89	85.80	
November	59.08	94.77	
December	61.96	91.69	
January	54.51	92.97	
February	59.28	95.39	
March	60.44	105.45	



Comments:

- The figures quoted are the monthly average of the West Texas Intermediate Spot Price in dollars per barrel.
- The inflation busting increases in the price of oil are having a huge impact of KCC budgets, especially home to school transport and highway maintenance. This impact has been mainly offset for 2008-09 by the allocation of the £5.111m contingency for the current economic situation set aside from the 2007-08 rolled forward underspend.

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CABINET SCRUTINY COMMITTEE – 24 September 2008

Report Title:	**Review of Specialist Unit and Designated Provision in Mainstream schools – update. Lead School implementation**
Documents Attached:	Report to Cabinet, 15 September.
Purpose of Consideration:	To consider the monitoring arrangements for the review. At its meeting on 15 September, the Cabinet approved the recommendations contained in the 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.

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By:	Graham Badman, Managing Director, Children, Families, Health and Education Mark Dance, Cabinet Member for Operations, Resources and Skills, CFHE Leyland Ridings, Cabinet Member for Children, Families and Educational Standards, CFHE
To:	Cabinet – 15 September 2008
Subject:	**REVIEW OF SPECIALIST UNIT AND DESIGNATED PROVISION IN MAINSTREAM SCHOOLS – UPDATE. LEAD SCHOOL IMPLEMENTATION**
Classification:	Unrestricted

Summary: This report updates Cabinet Members on the progress of the implementation of Lead School provision, seeks approval to proceed to consultation on the delegated funding proposals and asks Cabinet to note capital implications for some provisions

1. Background

1.1 Members have made a series of policy decision since 2004 to undertake and implement a review of Units and Designations. The implementation of Phase One of the Review will commence in September 2008 in the Local Children's Services Partnerships (LCSPs) in Ashford, Shepway, Dartford, Gravesham and Swanley.

2. Progress to Date

2.1 Phase One lead schools have been allocated a lump sum of £39,235 to begin the process of planning and developing their provision. Local multi-agency task groups were set up during the latter part of the last academic year to take this process forward. Whilst there is flexibility in how a lead school uses this funding, the LA provided advice and guidance on options for use, together with guidance to the LCSPs on overall provision planning and on referral and decision-making arrangements for supporting children and young people.

2.2 The guidance is underpinned by the understanding that lead schools do not operate in isolation but are a part of a continuum of provision that includes special schools and other specialist support services. The emphasis is on the multi-agency integration and co-ordination of services and provision for children and young people. It should be noted that for a school without an existing unit there is no expectation that it will admit children or young people with Statements of SEN in September 2008.

2.3 Work will now commence in supporting lead schools in Phase Two and officers will continue to meet with those identified to ensure implementation will take place smoothly. Additionally, the LCSP Managers will be supported in local discussions in the process to identify lead schools in the very small number of localities where none exist. Lead Schools currently identified in the Phase Two areas are attached at Appendix I.

2.4 Lead schools in Phase One have completed a self-assessment of their current state of readiness. This assessment was used as the basis for preparing an implementation plan for the development of their provision over the next 3/5 years. It will act as a baseline for evaluation and enable identification of strengths and areas for development to inform their development needs and assess progress over the period of this school year. The Phase One self-assessment and further developments will inform the proposed implementation of Phase Two in September 2009. Phase Two will comprise all other LCSPs. A summary of the Phase One aggregated self-assessment is attached at Appendix 2.

2.5 In addition to the evaluation of Phase One, an on-going process to evaluate all lead schools and inform development plans will be put in place.

3. Funding – Revenue

3.1 On 20 July 2007, the Schools Funding Forum agreed the method of funding distribution proposed by the Units and Designations Steering Group. However, it was subsequently decided to postpone consultation on the proposals from the Autumn of 2007 to the Autumn of 2008. As the consultation did not go ahead, the Schools Funding Forum will be asked to consider the matter again at a later date. A copy of the proposals for funding the lead school provision is attached at Appendix 3. It is intended that the new formula will be put in place in September 2009 when Phase Two is implemented.

3.2 Lead schools will be funded by formula through the distribution of the combined budgets from the current units and designations and the Very Severe and Complex Needs (VSCN) funding. VSCN funding will be released when a child for whom it was allocated leaves school. Additionally, funding will be released from units and designations budgets as some reduce their intake to accommodate a smaller catchment area. These two processes, of necessity, would involve a phased release of funding over a number of years. This issue will be addressed through the Medium Term Plan.

4. Funding – Capital

4.1 Some lead schools have identified accommodation costs associated with developing their provision. For several schools these are considerable. Cabinet noted in February 2008 capital costs of £500k associated with West Malling Primary School (lead school for language) and of £1.1m for Cage Green (lead school for Autism). A summary of identified capital costs for Phase One and Phase Two lead schools are attached at Appendix 4.

5. Revised Timetable

Phase One Self-Assessment of readiness state	May/June 2008
Review of Funding Formula proposal made in 2007	June 2008
Presentation of Funding Formula to Schools Funding Forum	September 2008
Start-up funding for Phase One Pilot	September 2008
Consideration and agreement by KCC Cabinet on provision for implementation in September 2009	September 2009
Consultation on Funding Formula	Autumn 2008
Countywide implementation of Unit review	Commencing September 2009

6. Recommendations

Cabinet Members are asked to:

(a) NOTE the progress of the Unit Review and the timetable detailed at paragraph 5.

(b) NOTE the schools identified as lead schools in Phase Two.

(c) NOTE the outcome of the Phase One lead schools self-assessment of state of readiness.

(d) NOTE the additional revenue and capital implications for Phase One and Phase Two to be addressed through the Medium Term Plan.

(e) AGREE to proceed to consultation on the funding formula in the Autumn term.

(f) AGREE implementation of Phase Two subject to further review as part of the Medium Term Plan process.

7. Background Papers:

Cabinet Report – Unit Review – 6 February 2008
Cabinet Report – Unit Review – 17 September 2007
Cabinet Report – Unit Review – 12 March 2007
Cabinet Report – Unit review – 16 October 2006

Marlene Morrissey
County AEN Manager, Commissioning Division (Specialist Services) CFE
01622 696668

Appendix 1

CABINET – 15 SEPTEMBER 2008

PHASE 2
LEAD SCHOOL PROPOSALS

Phase 2 Lead School Proposals – Autism

Name of Lead school	Phase	Cluster	Detail of Proposal	Clusters Lead school will serve
West Borough	Pri	Maidstone	No existing designation taking on Lead role for Autism	Two Maidstone Clusters
Astor of Hever	Sec	Maidstone	No existing designation taking on Lead role for Autism	Two Maidstone Clsuters
Minster on Sheppey	Pri	Swale Urban	No existing designation taking on Lead role for Autism	Swale Urban
Joy Lane	Pri	Canterbury Coastal	School with existing unit for Autism taking on Lead role for Autism	Swale Rural Canterbury Coastal Canterbury C&C
The Abbey	Sec	Swale Rural	School with existing unit for Autism taking on lead role for Autism	Swale and Canterbury Clusters
Hereson & Ellington	Sec	Thanet	School with existing unit for SpLD taking on Lead role for Autism	Thanet 1&2
Aylesham	Pri	Dover	No existing designation taking on lead role for ASD	Dover and Deal & Sandwich
Archer's Court	Sec	Dover	Existing unit for ASD taking on lead role for Autism	Dover and Deal & Sandwich
Cage Green	Pri	Tonbridge	Existing unit for ASD taking on lead role for Autism	Tonbridge Malling Cranbrook Sevenoaks
St Mathew's High Broom	Pri	Tunbridge Wells	No existing designation taking on lead role for ASD	Tunbridge Wells
The Malling School	Sec	Malling	Existing designation for SLCN and SpLD taking on lead role for ASD	Malling

Phase 2 Lead School Proposals – Hearing Impairment

Name of Lead school	Phase	Cluster	Detail of Proposal	Clusters Lead school will serve
Molehill Copse	Pri	Maidstone	School with existing unit for HI taking on lead role for HI	Maidstone Malling
Maplesden Noakes	Sec	Maidstone	School with existing unit for HI taking on lead role for HI	Maidstone Malling
Slade	Pri	Tonbridge	School with existing unit for HI taking on lead role for HI	Tonbridge T Wells Cranbrook Sevenoaks
St Gregory’s	Sec	T Wells	Currently has HI designation and lead school role still to be confirmed	Tonbridge T Wells Cranbrook Sevenoaks
Briary	Pri	Canterbury Coastal	School with no existing designation taking on lead role for HI	Swale Canterbury
Sittingbourne Community College	Sec	Swale Urban	School with existing unit for HI taking on lead role for HI	Swale Canterbury
Hartsdown	Sec	Thanet	School with existing designation for HI taking on lead role for HI	Thanet 1 & 2 Deal

-

Phase 2 Lead School Proposals – Physical Disability				
Name of Lead school	**Phase**	**Cluster**	**Detail of Proposal**	**Clusters Lead school will serve**
Loose Junior	Pri	Maidstone	School with no existing designation taking on lead role for PD	Maidstone Malling
New Line Learning Academy – Senacre	Sec	Maidstone	School with existing designation for PD taking on lead role for PD	Maidstone Malling
Bishops Down	Pri	T Wells	School with existing designation for PD taking on lead role for PD	T Wells Cranbrook Sevenoaks
East Peckham	Pri	Tonbridge	School with no designation taking on lead role for PD	Tonbridge
Hugh Christie	Sec	Tonbridge	School with no existing designation taking on lead role for PD	Tonbridge; T Wells Cranbrook; Sevenoaks
Westminster Primary School – Isle of Sheppey	Pri	Swale Urban	School with no existing designation taking on lead role for PD	Swale Urban
Ethelbert Road	Pri	Swale Rural	School with no existing designation taking on lead role for PD	Swale Rural
Westlands	Sec	Swale Urban	School with existing designation for PD taking on lead role for PD	Swale Urban Swale Rural
Hampton	Pri	Canterbury Coastal	School with existing designation for PD taking on lead role for PD	Canterbury Coastal
Pilgrim's Way	Pri	Canterbury C&C	School with existing designation for PD taking on lead role for PD	Canterbury C&C
St. Anselm's	Sec	Canterbury C&C	School with existing designation for PD taking on lead role for PD	Canterbury Coastal Canterbury C&C
Garlinge	Pri	Thanet	School with existing designation for PD taking on lead role for PD	Thanet 1 & 2
Hartsdown	Sec	Thanet	School with existing designation for HI taking on lead role for PD	Thanet 1 & 2
Whitfield and Aspen School	Pri	Dover	School with existing units for Autism and PSC needs taking on lead role for PD	Dover Deal & Sandwich
Castle Community	Sec	Dover	School with existing designation for PD taking on lead role for PD	Dover Deal & Sandwich

Phase 2 Lead School Proposals – Speech, Language & Communication

Name of Lead school	Phase	Cluster	Detail of Proposal	Clusters Lead school will serve
West Malling	Pri	Malling	School with existing designation for SLCN taking on lead role for SLCN	Malling Maidstone 1 Maidstone 2 Tonbridge
The Malling School	Sec	Malling	School with existing designations for SLCN and SpLD taking on lead role for SLCN	Malling Maidstone 1 Maidstone 2 Tonbridge
St Mathew's High Broom	Pri	Tunbridge Wells	School with no existing designation taking on lead role for SLCN	T Wells Cranbrook Sevenoaks
Bysing Wood	Pri	Swale Rural	School with no existing designation taking on lead role for SLCN	Swale Rural
The Oaks Minterne	Infant Junior	Swale Urban	Both schools with existing designation for SLCN taking on lead role for SLCN	Swale Urban
Sittingbourne Community College	Sec	Swale Urban	School with existing designation for HI taking on lead role for SLCN	Swale Urban
Canterbury High School	Sec	Canterbury City and Country	School with existing unit for SLCN taking on lead role for SLCN	Canterbury C&C Canterbury Coastal Swale Rural
Wincheap	Pri	Canterbury C&C	School with existing designation for SLCN and ASDn taking on lead role for SLCN	Canterbury C&C
Hereson & Ellington	Sec	Thanet	Hereson School with existing designation for SpLD taking on lead role for primary and secondary SLCN	Thanet 1 & 2
Priory Fields	Pri	Dover	School with no existing designation taking on dual lead role for SLCN	Dover Deal & Sandwich
The Downs	Pri	Deal & Sandwich	School with no existing designation taking on dual lead role for SLCN	Dover Deal & Sandwich
Walmer	Sec	Deal	School with existing designation for SpLD taking on lead role for SLCN	Dover Deal & Sandwich
Southborough	Pri	Tunbridge Wells	School with existing designation for SLCN not taking on the lead role for SLCN	

Phase 2 Lead School Proposals – Specific Learning Difficulties

Name of Lead school	Phase	Cluster	Detail of Proposal	Clusters Lead school will serve
The Malling School	Sec	Malling	School with existing designation for SpLD taking on lead role for SpLD	Maidstone Malling Tonbridge
Sevenoaks Primary	Pri	Sevenoaks	School with no existing designation proposing to hold funding for SpLD	Sevenoaks
Bradbourne	Sec	Sevenoaks	School with no existing designation proposing to hold funding for SpLD	SEvenoaks
Westlands	Sec	Swale Urban	School with existing designation for SpLD taking on lead role for primary and secondary SpLD	Swale Urban Swale Rural
Archbishops	Sec	Canterbury Coastal	School with existing designation for SpLD taking on lead role for SpLD	Canterbury C&C Canterbury Coastal
Hereson & Ellington	Sec	Thanet	School with existing designation for SpLD taking on lead role for primary and secondary SpLD	Thanet 1&2
Walmer	Sec	Deal	School with existing designation for SpLD taking on lead role for SpLD	Dover Deal & Sandwich
Aycliffe	Pri	Dover	School with no existing designation taking on lead role SpLD	Dover Deal & Sandwich

Phase 2 Lead School Proposals – Visual Impairment				
Name of Lead school	**Phase**	**Cluster**	**Detail of Proposal**	**Clusters Lead school will serve**
Sevenoaks Primary	Pri	Sevenoaks	School with no existing designation taking on fund holding role for VI	Sevenoaks
Bradbourne	Sec	Sevenoaks	School with no existing designation taking on fund holding role for VI	Sevenoaks
Cornwallis Academy	Sec	Maidstone	School with existing designation for VI taking on lead role for primary and secondary VI	Maidstone 1 & 2 Malling Tonbridge
Reculver	Pri	Canterbury Coastal	School with existing designation for VI taking on lead role for VI	Swale Canterbury
Archbishops	Sec	Canterbury Coastal	School with existing designation for VI taking on lead role for VI	Swale Canterbury
Charles Dickens	Sec	Thanet	School with existing designation for VI taking on lead role for VI	Thanet Deal & Sandwich
Changes to existing provision				
Bromstone	Pri	Thanet	School with existing designation for VI not taking on lead role for VI	
Dane Court	Sec	Thanet	School with existing designation for VI not taking on lead role for VI	

Appendix 2

Self-Assessment Survey by each Lead School of its State of Readiness for Phase One Implementation
Abridged Report

The survey provides a ‘baseline’ for all Phase One lead schools that will enable trends to be identified within and beyond one year. The results are aggregated and are not intended to be a measure of progress within any one individual school, since there will be an opportunity for a more in-depth self-review using a tool specifically designed for this purpose. The survey does however, reflect key aspects of the longer self-review and this allows schools to plan action with their Local Children’s Services Partnerships (LCSP).

When reviewing the results, and in particular comparing the outcome of the survey with subsequent surveys, it should be borne in mind that many areas of expertise covered are new to lead schools. Key aspects of the role of lead schools in supporting other schools within their own and other local partnerships will take time to establish. It is unlikely that all of these activities will be established over the coming year but the survey format will detect movement towards them. All lead schools are being advised to use the outcome of the survey to plan for activity in the coming year.

A full version of the report can be found on KentTrustWeb under AEN and Resources, Information and Guidance.

Survey response

25 schools replied, out of a possible 30, 24 supplying their name and designation, one returning anonymously.

Reliability and integrity

The 83% return provides a very good baseline for the development and operation of Phase One Lead Schools, from which to judge progress towards the aims of the review. The under-representation of SLCN and PD provision does not undermine the validity of the result, although this will need to be taken into account when revisiting the issues sampled. A careful analysis of each return shows a high degree of internal consistency when the answers are placed against the known practice within the school, or placed alongside each other. The responses appear to have been well considered and honestly reported. This provides the overall ‘aggregate’ baseline with a high degree of reliability.

General Comment

Only a small number of schools are involved in providing other schools with advice and training or support for individual pupils, either in the pupil’s own school or at the lead school. This is an area of activity that should expand over time, as LCSPs begin to plan more flexibly the use of lead school provision to support a wider range of activity.

There would appear to be a strong culture of staff training and expertise in around a half of the schools, although this is not expected to be a feature at this point of new provision. All schools, however, will need to work towards key staff within the provision attaining advanced qualifications and all staff within the provision having attended training at the level of ‘understanding’. Similarly, all schools will need to ensure that a large proportion of staff across the school receive ‘awareness’ training.

As might be expected, a large number of schools are supporting pupils within their ‘base’ provision and across their school as a whole, with just three schools providing support for pupils on the roll of other schools. If the review is successful in meeting its aim of supporting more children locally, then it could reasonably be expected that the balance between children attending a lead school and the numbers of children supported in the wider cluster of schools, will change markedly.

Responses

For the purposes of the current short-term evaluation, schools were asked to provide an ‘estimate’ of where they were on a scale of 1 – 4 for each of a number of ‘standards’ set out below, <u>1 being the most developed and 4 the least</u>.

The following is a summary of the findings:

Standard	**Weighted score** (a lower score denotes greater confidence)	**Ranking against schools’ confidence levels**
Working with Parents	45	1
Pastoral Support	47	2
Care Practice	48	3
Learning Opportunities	52	4
Staff Expertise	54	5
Partnership Working	56	6
Transfer and transition	56	6

Standard	**Weighted score** (a lower score denotes greater confidence)	Ranking against schools' confidence levels
Leadership	56	6
Resource Deployment	62	7
Accommodation	64	8
Working with Other Schools in the cluster(s)	81	9
Working within the Cluster Provision Plan	81	9
Policy	82	10
Flexible Placements	83	11
Provision of Training	83	11
Working with Special Schools	86	12

As can be seen from the above, the responses to the survey suggest that schools are most confident in working with parents and least confident about working with special schools. Pastoral Support, care practice and learning opportunities figure amongst the highest levels of confidence, whilst provision of training, flexible placements and working with other schools are quite low. As stated earlier and taking into account the concerns expressed above, this reflects the better known and least known of the role functions. As lead schools develop it might be expected that, even if the ranking does not alter, the gap between the items with the least and most confidence should decrease.

Priorities identified for development within the coming year

Response

14 schools responded to this aspect of the survey. The responses are listed in order of the number schools identifying the priority.

Priority	Number of schools
Produce audit and development plan for staff training	8
Write/develop policy for development and operation of provision	4
Complete specialist training	4
Prepare overall plan	4
Develop closer working relationship with special schools	3
Appoint staff	3
Develop working relationships within cluster	3
Support Cluster Provision Plan	3
Review and develop accommodation	2
Link up with other outreach providers	1
Develop closer working relationship with specialist services	1
Set up cluster working party	1
Review staffing	1
Provision of training for staff in cluster	1
Gather information on pupils across the cluster	1
Identify individual pupil learning and resource needs	1

Conclusion

The survey outcomes provide a very good base from which to establish and evaluate future progress in the development of lead schools in both Phases 1 & 2. It will also enable individual schools to plan for the development of their provision.

This is an abridged version of a report by John Moore, Consultant to Units Review, prepared by Marlene Morrissey.

July 2008

Appendix 3

LEAD SCHOOLS: PROPOSALS FOR FUNDING ARRANGEMENTS

1. Background

In 2007 a sub-group of the Units and Designations Review Steering Group made recommendations on a formula for funding lead schools. This sub-group comprised:

- Keith Hargrave, Chair of Funding Forum and HT of a school with a SLCN unit
- Andy Blundell, Chair of DFFG and previous HT of a school with a HI unit
- Vivienne Resch, HT of a school with a HI unit
- Andy Taylor, teacher in charge of a VI unit
- Joanne Howcroft-Scott, HT of a school with a VI and PD unit
- Sue Wollett, bursar of a school with a HI and PD unit
- Nuala Ryder, Unit and designations review project manager
- Colin Feltham, Head of AEN and Resources Unit
- Vic West, Advisory Service and former HT of a school with a unit
- John Moore, specialist SEN consultant advisor
- Laura Froude, Local Education Officer
- Richard Hallett, finance manager
- Tristan Booth, Principal Officer, schools finance

2. Proposals

The sub-group's proposals were as follows:

(a) Principles and recommendations

The following principles were agreed:

- The formula should be as simple as possible and transparent in delegation and operation.
- The outcome should establish/rebalance equity of funding across the County.
- There should be stability and predictability of finance for the Lead School, allowing reasonable time for adjustment year on year.
- Need type weightings should reflect curriculum, organisational and other support arrangements appropriate for the type and level of SEN covered.
- The formula should be flexible enough to support children where they are currently being educated, but also to develop and operate 'services' to other schools, as required by the cluster development plan.
- There should be an element that reflects the organisational arrangements required to be a Lead School.

- The formula should try to break the link with the perverse incentives of both ‘statementing’ and assessing children as having very severe and complex needs.
- Lead Schools should be free to use their funding in the most effective way to meet the needs of all children within the commissioning guidelines provided.
- Peripatetic support provided by STS should be factored into the funding distribution. The support should be re-targeted and linked to lead schools.
- Transition arrangements should allow for current ‘units’ to operate with children presently on roll, tapering funding (both lump sum and place numbers) accordingly.
- The final funding solution should enable greater levels of participation / inclusion as well as increased rates of progress for children with SEN.

(b) Specific recommendations

- The formula funding for PD, ASD, SpLD and SLCN should be based on percentage of population rather than incidence of “Action Plus” and statements. These are higher level incidence need-types and as such are not expected to vary much from Cluster to Cluster. It was felt that the “action +” data was not fully reliable as an indicator and therefore the wider population data should be used. This use of the widest data set encourages more stability of funding.
- The formula funding for HI and VI should be based on data held by the Specialist Teaching Service to reflect the funding difficulties that may occur because of the lower level incidence. Funding will not be weighted for the different levels of impairment.
- Funding for children with PD medical needs and VI & HI high-end support will be removed from the formula and funded on a separate basis, as these very expensive cases cannot be expected to be met from the normal formula (see 3 below).
- Funding for children with a learning difficulty (e.g. Downs Syndrome) currently supported through VSCN funding, will be removed from the SpLD formula and alternative options will be developed to ensure funding to support this group is allocated appropriately.
- All lead schools will receive a lump sum to reflect their organisational arrangements. This will be based on a set amount per lead school (current recommendation is £15k), plus a top-up based on the total population that the lead school will be covering.
- The overall funding pot for each individual need type will be based upon weightings worked out by STS and the Advisory Service.
- Protection will be provided for all children in Units or with VSCN funding until they reach the end of their current phase of schooling. This funding will be paid directly to the school the child is attending.
- Weightings and distribution of funding will be reviewed after the first year to ensure that the formulas are working correctly.

3. Distribution of Retained Funding

The proposals outlined above refer to the need to keep back funding in order to support the smaller cohort of children and young people in mainstream schools with very high level low-incidence needs associated with VI, HI and PD/medical difficulties. Arrangements will be put in place to allow the allocation of funding where and when local need arises. This will require a process similar to the one currently used to allocate VSCN funding but it will include a much smaller group of children and young people. Schools will be the decision-makers but they will have access to expert and specialist advice and guidance from a multi-agency panel.

July 2008

Appendix 4

Capital Implications by Phase
Lead School Implementation

PHASE 1			
Need Type	**School**	**Sec/Pri**	**Capital Implications**
Autism	Ashford Oaks	Pri	£150k agreed by Cabinet already
SpLD	Wilmington Enterprise, Dartford	Sec	£25k for full refurbishment, £15k would be adequate to make a start this year.
VI	Dartford Grammar	Sec	£9k for refurbishment of existing space in the school agreed by Cabinet already
PD	Thamesview, Gravesend	Sec	Care suite needs enhancement but not yet costed

PHASE 2			
Need Type	**School**	**Sec/Pri**	**Capital Implications**
Autism	Joy Lane, Whitstable	Pri	£1.1m
Autism	Cage Green, Tonbridge	Pri	£1.1m Noted by Cabinet 6 February 2008
HI	Briary, Herne Bay	Pri	£35k alterations to existing classrooms.
PD	Hugh Christie, Tonbridge	Sec	£20k to bring care suite up to spec
SLCN	West Malling	Pri	£500k Noted by Cabinet 6 February 2008
SLCN	Sittingbourne Community College	Sec	£80k for extension to existing building to provide space pending BSF build (18 months' time)

<u>Phase 1</u>

Total identified costs £25k

<u>Phase 2</u>

Total identified costs £2,835k

Total both Phases £<u>2,860k</u>

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CABINET SCRUTINY COMMITTEE – 24 September 2008

Report Title:	**Outcome of formal consultation and the modernisation of East Kent informal mental health day services**
Documents Attached:	Report to Cabinet Member and decision notice (08/01212).
Purpose of Consideration:	To discuss the consultation process and consider the monitoring arrangements for the modernisation and development of these services.
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 or 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.

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Decision No. 08/01212

To:	Kevin Lynes, Cabinet Member, Adult Social Services
By:	Oliver Mills, Managing Director, Kent Adult Social Services
Subject:	**OUTCOME OF FORMAL CONSULTATION ON THE MODERNISATION OF EAST KENT INFORMAL MENTAL HEALTH DAY SERVICES**
Classification:	Unrestricted

Summary: This paper details the outcome of the formal consultation undertaken in respect of the modernisation of informal day services in East Kent for adults with mental health problems, currently provided in-house. Through a procurement process, it seeks approval for a suitable partner to be found who will provide these services on behalf of KCC, employ the current staff via the TUPE process, and develop services away from the current buildings in line with the social inclusion agenda.

Introduction

1. (1) The emerging vision for Mental Health Services in Kent is being jointly developed by the Adult Social Services Directorate, Primary Care Trusts and other stakeholders, with the leadership of Mental Health Commissioners being key to its success. All stakeholders are committed to modernise services to improve the service outcomes for adults with mental health problems and the wider community.

(2) The objectives of the modernisation of services is to improve the opportunities for service users to realise their full potential and recovery. They can be more engaged with their local communities, less dependent on statutory services and lead fulfilled active lives.

(3) Therefore services need to be moved away from separately housed services and be even better at promoting social inclusion, equality, diversity, to reach a wider range of service users.

(4) The modernisation of Informal Mental Health Day Services are an important part of delivering this vision.

Background

2. (1) East Kent Informal Mental Health Services, based in Ashford, Dover and Deal, are currently managed by KCC's Adult Social Services Directorate. The services operate from three KCC-owned buildings and support a total of 150 people with mental health problems in those localities during weekdays, evenings, weekends and bank holidays when they would be most isolated. Within each house are activities to promote well-being, healthy living and personal growth. Their attraction lies in the informal way people can self-refer, call in and out as they wish, and socialise with others.

(2) These services now need to fully embrace the recommendations in the 2004 report from the Social Exclusion Unit, Office of the Deputy Prime Minister, and the 2006 Department of Health Commissioning Guidance for Informal Mental Health Day Services, and the Social Care Commissioning vision for the development of these services in Kent. They encourage a focus on outcomes which concentrate on the health, wellbeing, meaningful activity and social inclusion of people with mental health issues, and strongly encourage authorities to use the independent sector more in the provision of the necessary services.

(3) Similar day services in Kent are now provided by independent organisations, and some have adopted a new and different model more relevant to today.

(4) It was therefore agreed by Kevin Lynes on 15 October 2007 that a consultation take place on a proposal to modernise the East Kent Informal Mental Health Day Services in Ashford, Dover and Deal.

Consultation Process

3. (1) A formal 10-week consultation period commenced on 12 March 2008, following a Members' Briefing on 13 December 2007. Invitations to two local meetings held in April 2008 were sent to all stakeholders including KCC members, district councillors, service users, staff, unions, mental health teams and other interested parties. There were opportunities for people to express their views either by attending the meeting or at a number of other forums held during that time, such as staff/union meetings, user forum meetings and management committee meetings.

(2) The consultation for this proposal was carried out under the provisions of the Revised Procedure for the Variation or Closure of a Service agreed by the Cabinet Member for Health & Social Care.

(See Appendix I for details of the consultation undertaken in accordance with the protocol).

(3) The meetings for service users were attended by a total of 38 people and their views and concerns regarding services and needs for the future were expressed and recorded.

(4) Separate meetings were held for staff and unions and their views sought about the proposed modernisation of services and how this might affect them.

Outcome of the Consultation

4. (1) The consultation was successful with a range of views and key issues of concern being expressed by service users, staff, unions and other stakeholders. It was clear that to current service users the services are highly valued and that there was a general acceptance of the need to continue to improve and modernise the services. Issues of concern with particular aspects of the management proposal were raised and have been addressed and these are set out below.

5. Issues of concern raised in the consultation

a) Service Buildings

While it was recognised by Service users, staff and other stakeholders that separately housed services can stigmatise and create dependency **it was felt important to have places to meet**, plan programmes of activities in the community, and where those most in need of support can drop in.

Management response

Providing a 'safe haven' for service users to meet will remain a necessary and important function of these day services for some people. This will require less accommodation, be in a town centre location and possibly sharing space with other local organisations.

It is expected that people not currently attending these services in any number such as people from minority ethnic groups, people with physical disabilities, single parents and younger people with mental health problems, will take advantage of such services if they are somewhere the general public use, and easily accessible.

Therefore it is proposed that within a year, the new provider will move the Ashford services from their current location at Braethorpe, Ashford, which is not 'fit for purpose' due to the type and size of the building and the location, to more suitable rented accommodation close to, or in the town centre. It is also proposed that moving the services currently provided at Ashen Tree House, Dover and 10 London Road, Deal, to more appropriate accommodation would follow.

The new service provider will be required to consult with services users and staff regarding their proposals and plans to move to more appropriate accommodation.

b) Criteria for Future Services

A number of respondents raised questions about the **criteria for attendance**.

Management response

The services will continue with the same core specification with the opportunity for self-referral, and for anyone with a mental health problem regardless of whether they have care management or only a GP.

c) Young people

Service users and staff felt there was a need to **engage with younger people** and their carers/support workers to identify their future needs so that services that meet those needs can be planned that will help them become less dependent on statutory services and have happier lives.

Management response

Joint work is progressing with Children and Adults Mental Health (CAMHs) teams to ensure that the transition to adulthood works as effectively as possible and that the future needs of young people are a key element in planning of services.

d) **Support for Service users**

For accessing community based services will service users be provided with adequate support?

Management response

All service users will have the opportunity to have a Person Centred Plan developed with them by a member of staff. This will set out their hopes, ambitions and personal goals. It will describe the activities that the service user can be part of and how they will be supported

The model the new provider will promote is one which has staff going out and 'buddying' with service users, an outreach approach.

e) **Peer support**

There needs to remain opportunities for service users to meet friends and see familiar faces. Service users felt that **being supported by people who have experienced mental ill health**, and being able to support them in turn, gives hope and confidence.

Management response

This is a very important element of Informal day services and the new provider will be required to continue to encourage this positive model of support.

f) **Service Users and Planning Services**

Current Service Users and staff wanted to know if they would have a **role in planning future services.**

Management Response

The new provider will be required to consult fully with service users, staff and other stakeholders about their detailed plans for improving services.

g) **Direct payments**

Respondents felt that we need to make good use of **Direct Payments.** This would not only be one benefit of transferring the services to an external provider, but could mean that people could buy into activities or support to suit their individual need, such as adult education.

Management Response

Direct payments, Personalised Budgets and self Directed support will be a positive way that services users can have control over their services. The provider will be required to embrace and promote these

h) **Funding for services**

Consultees asked whether there will be **sufficient funding in the future** to provide the current level of service.

Management response

The services will continue to be funded so that current services can be modernised and improved. A benefit for services is that external providers such as voluntary organisations are better able to attract funding and thereby develop services and should in the future any funding be released from the costs of running the current buildings, this could be put into service delivery to benefit service users.

i) **Monitoring the Quality of Services**

The question was raised that if the services were transferred to a new provider **how would the quality of services be checked**.

Management response

The new Provider will be required to have quality systems in place to ensure services are well delivered and of a good quality.

In addition KASS has its own quality framework that closely monitors the contracts we have with external providers and involves regular feedback by service users, visits and interviews with providers.

The monitoring of services ensures that problems that arise can be appropriately addressed.

Personnel and Training implications

6. (1) **Staff Concerns**

During the consultation period there have been a series of meetings held with staff involving personnel and union representatives to discuss the implications of working as part of a modernised service. Although day services staff mostly recognise the benefits modernisation will bring to services and to those who use them, they were concerned and worried about their own **job security and their future roles with a new provider, whether their posts will be needed at all, and if their colleagues will leave during uncertain times.**

Management response

If a new provider is agreed, staff would be transferred under the TUPE regulations that protect pay and conditions at the point of transfer. The new provider will meet with staff collectively and individually at the earliest opportunity before the date of transfer to address all issues.

Staff together with service users are members of the Project Board and are fully engaged with the project. Part of the selection criteria for a new provider is that they have a good track record of modernising services, managing staff and compliance with TUPE regulations, and as well, positive engagement of staff will be an important element.

The consultation emphasised that staff and unions want to be fully engaged in the modernisation and have responded positively to opportunities to be engaged. KASS is committed to continuing to involve staff and unions to play a full part in the modernisation so that their views can be expressed and where possible taken account of.

The Way Forward

7. (1) A project management approach is being taken to move forward on service reconfiguration of the three East Kent Informal Mental Health Day Services. A business case is in place, and the Modernisation Board briefed. The Project Initiation Document holds a clear action plan with time scales on how modernisation is to be implemented. This will be managed through and overseen by the Project Board led by Bill Forrester, Head of Gypsy & Traveller Unit, and currently managing these day services.

(2) It is anticipated that a preferred provider will be selected in September 2008 and that a contract negotiated and signed in October 2008.

(3) It is currently planned that the services will transfer to the new provider on 1 April 2009.

Recommendations

8. (1) The Cabinet Member for Adult Services is asked to:

(a) Endorse the modernisation and development of East Kent Informal Mental Health Day Services, in line with the emerging vision for mental health services in Kent and East Kent in particular, and based on national guidance.

(b) Approve the transfer of these services to a suitable external provider through a tendering process

Bill Forrester
Head of Gypsy & Traveller Unit
01622 221846

July 2008

Background Documents
Outline Business Case on the Modernisation of Informal Mental Day Services in East Kent
Modernisation Board Report dated 14 September 2007
'From Segregation to Inclusion': Social Exclusion Unit Report (Office of the Deputy Prime Minister, 2004)
Dept of Health Commissioning Guidance on Day Services for People with Mental Health Problems: February 2006
Revised KCC Procedure on the Closure/Variation of Services
Towards 2010
"Active Lives"

Consultation Process

Process	Date Action Completed
Briefing to Members Local KCC Member(s)	 14 February 2008
Consult widely with all stakeholders on proposals, including local KCC Members and District Councillors	A total of 38 different people attended the various consultation meetings given below:
Consult widely with all stakeholders on proposals	• 13/12/07 meeting with Officers and Elected Members chaired by Kevin Lynes • 19/12/07 meeting with all staff/unions • 04/01/08 meeting with all staff/unions • 25/01/08 information packs to all staff/unions on proposed changes • 12/03/08 meeting of all stakeholders at Ashford International Hotel chaired by Kevin Lynes • 04/04/08 meeting of all stakeholders at Braethorpe Resource House, Ashford, chaired by Mike Angell • 25/04/08 meeting of all stakeholders at Ashen Tree House, Dover, chaired by Mike Angell • 15/07/08 meeting with all staff/unions • September 08 1:1 meetings to be held with staff/personnel/unions and new provider when known Notes of all meetings taken and to be included in report on outcome of consultation.
Compile a detailed report on the variation proposal, including consultees' views and recommendations, for decision by the Modernisation Board.	20 June 2008

Report to Managing Director and Cabinet Member seeking approval to find a suitable provider to modernise the services	July 08
With the new provider, develop and instigate a change management and development programme	Between October 08 and March 09

RECORD OF DECISION

DECISION TAKEN BY Mr G Gibbens

DECISION NO. 08/01212

If decision is likely to disclose exempt information please specify the relevant paragraph(s) of Part 1 of Schedule 12A of the Local Government Act 1972

Subject:
Outcome of formal consultation on the Modernisation of East Kent Informal Mental Health Day Services.

Decision:
To endorse the modernisation and development of East Kent Informal Mental Health Day Services in line with the emerging vision for mental health services in Kent and East Kent in particular, and based on national guidance; and to approve the transfer of these services to a suitable external provider through a tendering process

Any Interest Declared when the Decision was Taken: None

Reason(s) for decision including alternatives considered:
The modernisation of services is to improve the opportunities for service users to realise their full potential and recovery, to enable their engagement with local communities, to be less dependent upon statutory services and to enable them to lead more fulfilled active lives. This consultation concerned a proposal to modernise those Day Services operating in Ashford, Dover and Deal and through the appointment of a suitable partner develop services away from the current buildings in line with the social inclusion agenda.

The consultation commenced on 12 March 2008, following a Members briefing in December 2007. It was carried out in accordance with the Revised Procedure for the Variation or Closure of a Service and involved meetings and other forums with all stakeholders, including KCC and district councillors, service users, staff, unions, mental health teams and other interested parties. Full details of the process were highlighted within the report submitted by the Managing Director, Kent Adult Social Services along with the outcome of the consultation and the issues of concern raised during the consultation process and the response thereto. Those issues were: Service Buildings, Criteria for Future Services, Young people, Support for Service users, Peer support, Service Users and Planning Services, Direct payments, Funding for services, Monitoring the Quality of Services and Staff Concerns.

The service reconfiguration is to be taken forward by a Project Management approach and backed up by a business case, together with a Project Initiation Document highlighting the clear action plan with timescales. The whole process will be managed through a Project Board.

It is anticipated that the tendering process will identify a preferred provider for selection in September 2008 with the Contract being signed in October 2008 and the services being transferred on 1 April 2009.

Background Information:
The attached report from Oliver Mills, Managing Director, Kent Adult Social Services providing details of the outcome of the consultation process into this matter.

Signed ....

Date 3 SEPTEMBER 2008

FOR COUNCIL SECRETARIAT USE ONLY

Decision Referred to Cabinet Scrutiny				Cabinet Scrutiny Decision to Refer Back for Reconsideration				Reconsideration Record Sheet Issued				Reconsideration of Decision Published
YES		NO		YES		NO		YES		NO		

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