



## AGENDA

### CABINET SCRUTINY COMMITTEE

**Wednesday, 10th December, 2008, at 10.00 am**  
**Darent Room, Sessions House, County Hall,**  
**Maidstone**

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

*Refreshments will be available from 9.45 am*

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

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

**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 - 22 October 2008 (Pages 1 - 14)
- A4 Action Taken on Committee's Recommendations (Pages 15 - 20)
- A5 Follow-up Items from Cabinet Scrutiny Committee (Pages 21 - 40)
- A6 Informal Member Group on Budgetary Issues - 26 November 2008 (Pages 41 - 44)
- A7 Informal Member Group on Children's Services & LCSPs Business Plan - 19 November 2008 (Pages 45 - 48)
- A8 Informal Member Group on Highway Services Business Plan - 2 December 2008 - *to follow*
- A9 Southern Water Draft Business Plan 2010-2015 (Pages 49 - 100)  
To invite the Cabinet Scrutiny Committee to consider setting up an Informal Member Group to look at the business plan.

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

No items.

### **C. CABINET DECISIONS**

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

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

### **D. CABINET MEMBER DECISIONS**

No items.

### **E. OFFICER AND COUNCIL COMMITTEE DECISIONS**

E1 Department for Communities and Local Government - Consultation Paper on the Codes of Conduct for Members and Employees (Pages 101 - 150)

Mr P Gilroy, Chief Executive, Mr A J King, Deputy Leader and Cabinet Member for Corporate Support and External Affairs, and Ms A Beer, Director of Personnel and Development, will attend the meeting from 10.30 am to 11.30 am to answer Members' questions on this item.

E2 Press Release 538/08 - £600 Million Schools Building Project (Pages 151 - 158)

Mr A J King, Deputy Leader and Cabinet Member for Corporate Support and External Affairs, and Miss J Clarke, Head of Communications and Media Centre, will attend the meeting from 11.30 am to 12.00 noon to answer Members' questions on this item.

E3 Other Officer and Council Committee Decisions

The Committee may resolve to consider any other decision taken since its last meeting by an Officer or Council Committee exercising functions delegated to it by the Council.

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

### **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, 2 December 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

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### CABINET SCRUTINY COMMITTEE

MINUTES of a meeting of the Cabinet Scrutiny Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Wednesday, 22 October 2008.

PRESENT: Dr M R Eddy (Chairman), Mr D Smyth (Vice-Chairman), Ms S J Carey, Mr A R Chell, Mr B R Cope, Mr G Cowan, Mrs T Dean, Mr G A Horne MBE, Mr E E C Hotson, Mrs J Law, Mr M J Northey, Mr J E Scholes, Mr J D Simmonds, Mr R Truelove, Mr L Christie (Substitute for Mr C Hart), Mr M J Harrison (Substitute for Mrs S V Hohler) and Mrs P A V Stockell (Substitute for Mr R E King)

ALSO PRESENT: Mr A H T Bowles, Mr N J D Chard, Mr M C Dance and Mr R A Marsh

IN ATTENDANCE: Mr W Farmer (Community Liaison Manager), Ms C Lay (Area Education Officer Sevenoaks, Swanley, Tunbridge Wells, Cranbrook and Paddock Wood), Mr M Lemon (Head of Policy), Ms L McMullan (Director of Finance), Mr N Vickers (Head of Financial Services), Mr P Sass (Head of Democratic Services and Local Leadership) and Mrs A Taylor (Research Officer to Cabinet Scrutiny Committee)

#### UNRESTRICTED ITEMS

**93. Declarations of Interest**  
(Item. A2)

Mr Christie declared a personal interest in the item on the Gravesham Neighbourhood Forum pilot, as a local Member

Mr Simmonds declared a personal interest in the item on the Sevenoaks Academy, because of his previous involvement in the establishment of academies.

**94. Minutes - 24 September 2008**  
(Item. A3)

Following the sad and untimely passing of Mr John Law, the Chairman welcomed Mrs Jean Law to her first meeting of the Committee.

RESOLVED: That the minutes of the previous meeting held on 24 September were approved as a correct record.

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

Mrs Dean expressed her frustration that the Cabinet was still resolving to note this Committee's recommendations, instead of responding in a constructive way, which called into question the view of scrutiny within the authority. She added that, if the Cabinet merely noted this Committee's recommendations, it was not clear whether the Cabinet was in agreement, or not, or held some other view.

Mr Sass stated that the timetable meant that the Cabinet Scrutiny Committee agenda was despatched the day after the Cabinet met and it was often not possible to obtain cleared Cabinet Minutes in time for them to be included in the agenda papers and that the report referred to the fact that an oral update would be provided. Mrs Taylor stated that, with regard to the item of senior staff changes, Mr Gilroy had advised Cabinet that that he and his Chief Officer colleagues had been puzzled by the concerns raised by the Cabinet Scrutiny Committee (expressed at the September meeting). The changes that had taken place as a result of people deciding to leave and the interim management appointments that had been made ensured management continuity and had provided an opportunity to now reflect on the future managerial shape of the Council. All permanent appointments when made would go through the normal procedures for posts at this level.

In response to a question from Mrs Dean, Mr Sass undertook to obtain further details of how the proposed partnering arrangements between KCC and Worcestershire County Council would work in relation to the management of the highways service.

RESOLVED: That the report be noted.

**96. Informal Member Group on Managing Motorways and Trunk Roads - 8 October 2008**  
*(Item. A5)*

The Chairman stated that the meeting of the IMG could have been avoided, had Members of this Committee been informed that the whole contractual basis had changed, in that it was now proposed that KCC would be a sub contractor, which meant that the financial risk involved was minimal. This major change to the proposed arrangements had removed most of the IMG's concerns about the proposals.

Mrs Dean stated that Mr Ferrin's comments in the IMG notes that the condition of A and B roads in Kent was above average when compared using the BVPI's across the country was not consistent with his comments at the Council meeting in October, when he said that KCC was not investing enough money to even begin to tackle the backlog of outstanding repairs. Mr Sass undertook to seek further comment from Mr Ferrin and the Highways service and report back to this Committee.

RESOLVED: That the notes of the IMG on Motorways and Trunk Roads be noted and the recommendations contained therein be approved.

**97. Informal Member Group on Budgetary Issues - 9 October 2008**  
*(Item. A6)*

Referring to the recommendation of the Budget IMG that the Policy Overview Committees should be encouraged to consider setting up their own cross-party IMG's to consider the budget proposals, Mr Smyth stated that small groups of Members meeting informally is a very effective way of scrutinising the details, without the pressure on time caused by other agenda items. He stressed, though, that Policy Overview Committees would not be committed to this approach and he had no intention of denying the Committees a full debate on the budget at their November meetings.

Mr Harrison stated that the full Policy Overview Committees was a vital mechanism for involving and engaging backbench and opposition Members, which would be diminished if key issues such as the budget was only debated by a small group of Members. Other Members echoed this view. Mr Smyth stated that there was no attempt whatsoever to suppress the vital role played by the Policy Overview Committees and that it would be up to them how to deal with their consideration of the budget proposals.

RESOLVED: That the notes of the Informal Member Group on Budgetary Issues held on 9 October 2008 be noted and the recommendation to encourage the Policy Overview Committees to consider setting up their own IMG's for the consideration of the budget proposals be agreed.

## **98. Committee Business**

The Chairman advised the Committee that, in relation to the item on treasury management, he had been advised that a representative of Butlers would now not be in attendance, as they had considered that their attendance would be more appropriate after the completion of the PWC report. He also stated that he had been contacted by Mr Sass shortly before the start of the Committee meeting to ask for his views on a request from Meridian Television to film during the Committee's consideration of the treasury management item. He confirmed that he had agreed to the filming.

A number of Members expressed the view that they would not have supported such a request on the grounds that the meeting was webcast in any event, the television companies had plenty of footage about the Icelandic situation that they could use already and that Members wanted to debate the issues constructively without the added factor of having television cameras on them.

Mr Sass advised that the Constitution gave power to the Chairman of a Committee to authorise recordings of Committee proceedings by a media organisation (Appendix 4 Part 2) and that he had only been made aware of the request at approximately 9.30am on the day of the meeting. He had spoken to the Chairman approximately 10 minutes later, who had given his consent to the recording. Mr Simmonds and Mrs Dean stated that, as spokespersons for the Committee, an attempt should have been made to contact them about the filming request before the meeting commenced.

## **99. An Academy for Sevenoaks: Determination of Site** *(Item. C1)*

The Chairman welcomed Mr M C Dance, Cabinet Member for Operations, Resources and Skills (CFE) and Ms C Lay, Area Children's Services Officer (Sevenoaks & Tunbridge Wells), to the meeting.

The Chairman referred to the Briefing Note that had been circulated to Committee Members, as background information after the agenda had been despatched. This had been prepared for local Members at the very beginning of consideration of an academy for Sevenoaks.

In response to a question from Mr Smyth about the governance arrangements, Ms Lay explained that the Sevenoaks Academy was at a very early stage, in line with the four key stages set out in the Briefing Note. The Expression of Interest (Eoi) a very first stage, had yet to gain ministerial approval. Should this be forthcoming, a Project Steering Group would be established, normally chaired by the lead sponsor and part of its task would be to establish the Academy Trust and agree governance arrangements. KCC would be represented on the Steering Group as co-sponsor. With regard to the governance arrangements for the academy itself, Ms Lay referred to the comment in the Briefing Note about the likely composition of the Academy Trust. Mr Dance stated that it was too early to say what the process would be to select and appoint the individuals who would form the Trust, which in turn would establish the Governing Body.

Mr Horne asked about the determination of the site and whether any detailed analysis had been done in relation to the cost of transporting children to the new academy. Ms Lay stated that the Eoi had to include reference to the preferred site for the academy but that, subject to the approval of the Eoi, the proposals would be subject to rigorous examination. In response to a further question from Mr Horne, Ms Lay stated that the capital cost of academies was provided by central government and revenue also came directly from central government, not via KCC. Effectively, academies were regarded as independent schools within the maintained sector.

The Chairman referred to the Briefing Note, stating that academies were usually located in areas of disadvantage and he questioned whether Sevenoaks was such an area. Mr Dance stated that there were pockets of deprivation in the Sevenoaks area that would rival deprivation levels anywhere else and he supported the provision of an academy in that area.

Mr Christie stated that an academy was a way of jumping the queue for BSF resources. He also expressed concern about the governance arrangements, with particular reference to the role of parent governors and the 2 head teachers of the schools that were proposed to be replaced by the academy.

Mrs Dean stated that, because Sevenoaks did not currently have a grammar school, a large number of children who passed the 11 plus had to travel outside Sevenoaks to attend other schools. She asked whether the academy would be a grammar school by another name and sought an assurance that there would be no selectivity for the new academy. Ms Lay confirmed that there would be no selection on the ground of ability for the proposed academy and that the intention would be to provide a school of choice in the town for children of all abilities. She added that she would provide information relating to challenge and deprivation in the Sevenoaks area outside the meeting.

RESOLVED: That (1) We would ask the Cabinet Member for Operations Resources and Skills (CFE) to report back to our Committee at the appropriate time to clarify the membership of the Academy Trust, particularly in relation to the inclusion of representatives of the two schools that are proposed to be replaced by the Academy;

(2) The Area Children's Services Officer (Sevenoaks & Tunbridge Wells) be asked to provide a guide to help our Committee's understanding of the academy process; further information for Committee Members on the levels of social deprivation in the

Sevenoaks area that justifies the submission of the Expression of Interest for an Academy in that area; and, information relating to the possible increase in travelling time/cost for students attending the Academy and the consequent impact on the environment; and

(3) We note the assurance of the Area Children's Services Officer (Sevenoaks & Tunbridge Wells) that places at the new Academy will not be determined on the basis of selection by ability.

#### **100. Gravesham Neighbourhood Forum Pilots** (Item. D1)

The Chairman welcomed Mr A H T Bowles, Lead Member and Mr W Farmer, Community Liaison Manager to the meeting.

Mr Christie began the discussion by stating that he had been involved in some of the negotiations about the pilot and that he welcomed the concept of neighbourhood forums. He questioned the governance arrangements, stating that it was difficult to ensure that the membership of the forums reflected the political balance of both the County Council and Gravesham Borough Council in each area. He added that he believed that the Urban Forums should be chaired by KCC in the first year because of their experience in running the local boards and he also remarked that the Parish Councils did not wish to take on the chairmanship of the rural forum in year one. Finally, he stated that the chairmen of the forums should be selected by the members of each relevant forum, not the respective group leaders.

Mr Bowles began by stating that those involved in negotiating the arrangements for the Gravesham pilots had sought to learn from the Dover experience and, in particular, to seek to add clarity to the issue of chairmanship, which wasn't made clear in the Dover pilot. He added, however, that it was important for the final decision on membership and chairmen to be made at a local level, which of course would be reviewed at the end of the pilot phase.

Mr Cowan echoed the comments of Mr Christie with regard to the chairmen being selected by the forum members, not the group leaders. Mr Bowles stated that the arrangements were agreed by Gravesham Borough Council. Mr Farmer stated that a report was made to the Cabinet at Gravesham Borough Council in July. Mr Christie stated that the position had changed after the report to the July Cabinet and asked for further clarification on how the changes had been made, which Mr Farmer undertook to provide outside the meeting.

Mrs Stockell stated that it shouldn't matter who the Chairman was, as a vote was not usually required.

Mr Harrison expressed his concern about the funding for localism in the County and asked for an assurance that appropriate resources will be provided as required, particularly for publicising the meetings. Mr Bowles stated that he welcomed Mr Harrison's support for localism being funded properly and the Leader of KCC had undertaken to provide appropriate resources. He also stated that arrangements were currently in hand to appoint additional staff for the localism team, to provide necessary support for the pilot phase.

Mrs Law asked whether the localism arrangements were seeking to address a government priority and a priority of KCC. Mr Bowles agreed.

RESOLVED: That (1) our Committee notes the development of joint neighbourhood forums for Gravesham for a one year pilot and wishes the individuals involved every success;

(2) the final timetable of meetings for the 3 forums be circulated to Members of our Committee as soon as it is available;

(3) our Committee was pleased to be advised that appropriate resources will be provided to meet the demands of the review of localism across Kent, which we regard as essential. In particular, we would ask that the Council's Communication and Media Centre provide greater publicity for local board/neighbourhood forum meetings; and

(4) our Committee wishes to receive a full report on the outcome of the various localism pilots taking place across the County in September 2009

**101. Launch of Healthwatch**  
(Item. E1)

The Chairman welcomed Mr R A Marsh, Cabinet Member for Public Health and Mr M Lemon, Head of Policy (Public Health), to the meeting.

The Chairman stated that this was the third occasion this matter had come to this Committee. He added that there had been a delay in launching Health Watch and asked what the reasons for the delay was?

Mr Marsh stated that the timetable for the launch of Health Watch had been driven by previous events and that it takes time to launch an innovative idea. He added that he had made the decision not to launch 22 September because he wanted to include adult and children's social services within the overall remit of Health Watch in order to provide a seamless signposting service for the people of Kent.

Mr Harrison stated that he was very impressed with the publicity for the service. He asked whether the budget for the service had included all of the relevant on costs, including those for the contact centre. He added that he was slightly concerned that there had only been 49 calls to the service and enquired as to whether this reflected the need for even more publicity.

Mr Marsh stated that the cost of the Health Watch service of approximately £300k equated to 1p per family per week, even though it was difficult to put a cost on a service that specializes in providing reassurance and advice. He added that, to date, there had been 61 calls to Health Watch in the first 10 days of operation. Mr Harrison stated that he agreed that the service would provide excellent value for money.

The Chairman stated that it would be useful to provide information to the Committee after an appropriate period of time about the number and nature of calls being made to the service. Mr Marsh stated that he would be more than happy to provide appropriate reports, which he suggested should be made each quarter, with a full report in December 2009, both to this Committee and the Health Overview and Scrutiny Committee.

Mrs Stockell stated that it was a responsibility of all Members to assist in publicising the service in their own areas, given the vital nature of the service being provided.

Mr Truelove stated that the extension of the service to social services was welcomed. He stressed that the data being collected must provide information about KCC's own services, so that appropriate changes could be made to service delivery if required.

In response to a question from Mr Horne, Mr Marsh stated that all calls were signposted to the appropriate professional person in each relevant organisation in the most simple and most efficient way. He also referred to the proposed publicity campaign that was due to start on 1 November.

In response to a further question from Mr Horne, Mr Marsh stated that the service would be provided for as long as it was considered to be appropriate. He added that everyone concerned should be delighted if there proved to be no need for the service if, for instance, there were no calls received at all in a 6 month period.

Mr Simmonds stated that he was concerned that the service could raise expectations of improvements to services that KCC alone could not deliver. Mr Marsh stated that KCC had worked very hard to ensure that the partnership was strong and that the PCT's were fully aware of where they needed to improve. Mr Lemon stated that operatives were made fully aware of the escalation process for each type of service being signposted by Health Watch.

Mrs Dean expressed her concern that the name of the service did not give the impression that it included social care services and wondered whether the public would have similar concerns. She added that she didn't believe that the PCT's had given the service a unanimous welcome. Finally, she stated that a Google search of health complaints did not result in a positive hit for Health Watch.

Mr Marsh stated that the publicity campaign being launched on 1 November would make it clear that the service was much wider than just primary health services. He added that the press had been surprised at the initial launch to see such solid support for the new service from the 2 PCT's and had not, in his opinion, reported the launch as positively as he would have hoped, concentrating on the rhetorical side of the questions they asked, rather than the positive answers from the Chief Executives of the 2 PCT's.

Mrs Stockell suggested that publicity material should be sent by e-mail to all Parish Councils in Kent.

Mr Truelove asked whether the response from acute services to the new Health Watch service was as positive as the PCT's. Mr Lemon stated that the acute services were all on board, evidenced by the fact that the launch took place at Maidstone hospital, as well as the Ambulance Trust and the Mental Health Trusts.

RESOLVED: That (1) Our Committee welcomes the launch of Health Watch and the potential benefits of the service to the people of Kent;

(2) Our Committee is pleased to note the addition of social care services to the remit of Health Watch;

(3) Our Committee was pleased to note the comments of the Cabinet Member for Public Health of his intention to submit quarterly progress reports to the Health Overview and Scrutiny Committee; and

(4) Our Committee asks for a full report in December 2009, which provides a full assessment of the number, nature and geographical origin of the calls made to Health Watch, to include information about how services have or will be shaped in the future to respond to common or regular concerns from those individuals contacting Health Watch. In addition, the report should include a full assessment of the value for money of the Health Watch service

**102. Comprehensive Area Assessment (CAA) Consultation**  
*(Item. F1)*

The Chairman stated that both he and the spokespersons had now had sight of the proposed response to this consultation document.

**103. South East Plan: Consultation on Secretary of State's Proposed Changes**  
*(Item. F2)*

The Chairman stated that both he and the spokespersons had now had sight of the proposed response to this consultation document and had asked to be copied into any further changes prior to the consultation deadline.

**104. KCC's Treasury Management Policies**  
*(Item. F3)*

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

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

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

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

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

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

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

Mr Christie asked when the TPG met prior to 9 October. Ms McMullan stated that the group last met at the end of July 2008, but that information was often shared electronically amongst the group members, particularly if urgent decisions had to be made. Mr Christie then referred to the article in the "Local Government Chronicle", which stated that local authorities had been warned some 7 months ago about the

potential risks of investing in Iceland. He also asked whether Mr Chard wanted to clarify the comment attributed to him that the government had asked KCC to make these investments. Finally, Mr Christie asked Mr Chard to provide further information about why KCC actually needed to invest the money in the first place, if there was no effect on services, salaries or pensions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr Christie asked what information the TPG had available about the extent of the Icelandic liabilities when deciding to invest in Icelandic banks, adding that one

report had suggested the liabilities were 9 times the size of that country's GDP. Mr Chard stated that KCC's investment decisions were made in accordance with the treasury management policies and with the assistance of the Council's advisors.

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

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

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

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

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

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

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By: Head of Democratic Services and Local Leadership

To: Cabinet Scrutiny Committee – 10 December 2008

Subject: Response from Cabinet to the decisions from Cabinet Scrutiny Committee on 22 October 2008

Classification: Unrestricted

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Summary: This report sets out the response from the Cabinet meeting on 1 December to decisions from the last Cabinet Scrutiny Committee meeting on 22 October 2008.

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### 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 22 October 2008 were reported to the Cabinet meeting on 1 December 2008 and the response from Cabinet is set out in the table attached as an Appendix to this report.

### Recommendation

That responses from Cabinet to the decisions made at the meeting of Cabinet Scrutiny Committee on 22 October be noted.

Contact: Peter Sass  
[peter.sass@kent.gov.uk](mailto:peter.sass@kent.gov.uk)

01622 694002

Background Information: *Nil*

## Cabinet Scrutiny Committee – 22 October 2008

Title	Purpose of Consideration	Invitees	Decisions	Cabinet Member Response
<b>An Academy for Sevenoaks</b>	To question the Cabinet Member for Operations, Resources and Skills (CFE) and Ms Lay, Area Children's Services Officer (Sevenoaks and Tunbridge Wells) on the process surrounding the establishment of academies	<b>Mr C Dance</b> , Cabinet Member for Operations, Resources and Skills (CFE) and <b>Ms C Lay</b> , Area Children's Services Officer (Sevenoaks and Tunbridge Wells)	<ol style="list-style-type: none"> <li>1. We would ask the Cabinet Member for Operations, Resources and Skills (CFE) to report back to our Committee at the appropriate time to clarify the membership of the Academy Trust, particularly in relation to the inclusion of representatives of the two schools that are proposed to be replaced by the academy.</li> <li>2. The Area Children's Services Officer (Sevenoaks and Tunbridge Wells) be asked to provide a guide to help our Committee's understanding of the academy process; further information for Committee Members on the levels of social deprivation in the Sevenoaks area that justifies the submission of the Expression of Interest for an Academy in that area; and, information relating to the possible increase in travelling time/cost for students attending the Academy and the consequent impact on the environment.</li> <li>3. We note the assurance of the Area Children's Services Officer (Sevenoaks and Tunbridge Wells) that places at the new Academy will not be determined on the basis of selection by ability.</li> </ol>	<p><b>This is agreed</b></p> <p><b>This is agreed and officers have been asked to provide this information direct to members of the Cabinet Scrutiny Committee.</b></p>

Title	Purpose of Consideration	Invitees	Decisions	Cabinet Member Response
<b>Gravesham Neighbourhood Forums</b>	To question the Leader of the Council and the Community Liaison Manager about the operation of Neighbourhood Forums	<b>Mr A T Bowles,</b> Lead Member and <b>Mr W Farmer,</b> Community Liaison Manager	<ol style="list-style-type: none"> <li>1. Our Committee notes the development of joint neighbourhood forums in Gravesham for a one year pilot and wishes the individuals involved every success</li> <li>2. The final timetable of meetings for the 3 Forums be circulated to Members of our Committee as soon as it is available</li> <li>3. Our Committee was pleased to be advised that appropriate resources will be provided to meet the demands of the review of localism across Kent, which we regard as essential. In particular, we would ask that the Council's Communication and Media Centre provide greater publicity for local board/neighbourhood forum meetings.</li> <li>4. Our Committee wishes to receive a full report on the outcome of the various localism pilots taking place across the County in September 2009.</li> </ol>	<p><b>Agreed and officers have been asked to provide this information direct to members of the Cabinet Scrutiny Committee</b></p> <p><b>Officers in the Communications and Media Centre have been advised accordingly</b></p> <p><b>Noted. A report on the localism pilot schemes will be submitted to the County Council at its meeting on 11 December 2008</b></p>
<b>Launch of Health Watch</b>	To question the Cabinet Member for Public Health and the Head of Policy (Public	<b>Mr R A Marsh,</b> Cabinet Member for Public Health and <b>Mr M Lemon,</b> Head	<ol style="list-style-type: none"> <li>1. Our Committee welcomes the launch of Health Watch and the potential benefits of the service to the people of Kent.</li> </ol>	

Title	Purpose of Consideration	Invitees	Decisions	Cabinet Member Response
	Health) about the launch of Health Watch, with particular reference to the timetable for the project, its functions and its relationships with other organisations	of Policy (Public Health)	<ol style="list-style-type: none"> <li>2. Our Committee was pleased to note the addition of social care services to the remit of Health Watch</li> <li>3. Our Committee was pleased to note the comments of the Cabinet Member for Public Health of his intention to submit quarterly progress reports to the Health Overview and Scrutiny Committee</li> <li>4. Our Committee asks for a full report in December 2009, which provides a full assessment of the number, nature and geographical origin of the calls made to Health Watch, to include information about how services have or will be shaped in the future to respond to common or regular concerns from those individuals contacting Health Watch. In addition, the report should include a full assessment of the value for money of the Health Watch service.</li> </ol>	<b>Noted and agreed</b>
<b>Treasury Management</b>	To question the Cabinet Member for Finance, The Director of Finance and the Head of Financial Services about KCC's treasury management	<b>Mr N J D Chard</b> , Cabinet Member for Finance, <b>Ms L McMullan</b> , Director of Finance and <b>Mr N Vickers</b> , Head of Financial Services	<ol style="list-style-type: none"> <li>1. Our Committee notes the ongoing preparation of the report by PwC into KCC's treasury management policies and asks that the report is made available for scrutiny by our Committee as soon as it is available.</li> <li>2. We ask that a copy of the contract</li> </ol>	<p><b>Officers have been asked to provide a copy of the PwC report to the Cabinet Scrutiny Committee as soon as it becomes available.</b></p> <p><b>Agreed and officers will</b></p>

Title	Purpose of Consideration	Invitees	Decisions	Cabinet Member Response
	policies		<p>between KCC and Butlers be provided to Members of our Committee on a confidential basis</p> <p>3. We welcome the addition of Members of the Budget IMG to the membership of the Economic Management Group, set up and chaired by the Leader of the Council</p> <p>4. We expect Butlers to attend a meeting of our Committee at an appropriate stage in the future, following the completion of the PWC report.</p>	<p><b>arrange this</b></p> <p><b>The first meeting of the Economic Management Group took place on 3 November 2008.</b></p> <p><b>Butlers will be asked to attend a future meeting of the Cabinet Scrutiny Committee and this will be ties in with the publication of the PwC report.</b></p>

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

To: Cabinet Scrutiny Committee – 10 December 2008

Subject: Follow up items from Cabinet Scrutiny Committee

Classification: Unrestricted

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

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### **Introduction**

1. This is a rolling schedule of information requested previously by the Cabinet Scrutiny Committee.
2. If the information supplied is satisfactory it will be removed following the meeting, but if the Committee should find the information to be unsatisfactory it will remain on the schedule with a request for further information.

### **Recommendation**

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

Contact: Peter Sass  
[peter.sass@kent.gov.uk](mailto:peter.sass@kent.gov.uk)

01622 694002

Background Information: *Nil*

	<b>Issue</b>	<b>Response</b>
<b>22.10.08</b>	<p>Committee would like to see the terms of the contract between KCC and Worcestershire County Council. Our understanding is that it is not a full time secondment, but a job share between KCC and Worcestershire, and it is very difficult to understand how this job for the largest county in the country can be done on a part time basis. (Mrs Dean)</p>	<p>An agreement was drawn up between the two authorities which provided for the part-time secondment to KCC of one of Worcestershire's senior staff in the role of Interim Director of Highways Improvement. The secondment was initially to run till the end of this calendar year, with the option to extend by mutual agreement.</p> <p>The primary role of this senior officer was to advise on, and implement as appropriate, specific initiatives to improve the operational effectiveness of Kent Highways, drawing on his experience of managing the Highways function at Worcestershire. He reported direct to Mr Austerberry, but worked closely with the Interim Director of Highways Caroline Bruce and the Highways Heads of Service.</p> <p>The secondment was developing well, with the officer having provided useful input in a short time. However at the start of this week Peter Gilroy was contacted by the Chief Executive of Worcestershire with the news that he had been taken ill, and was unlikely to be able to work for several weeks, and possibly longer.</p> <p>We have concluded that it would be difficult for Worcestershire's senior officer to be able to pick up the threads when he eventually returns to good health, since by then a number of initiatives will be well underway at Kent Highways. With reluctance we have therefore terminated the agreement with Worcestershire County Council.</p>

<p><b>22.10.08</b></p>	<p>Mr Ferrin stated that A &amp; B roads in Kent are above average compared with BVPIs across the country. At County Council in October a question was asked about how long it would take to eliminate the backlog of road repairs, Mr Ferrin declined to answer because effectively we are not tackling the backlog it is getting bigger, we are not investing enough to even begin to tackle the backlog.</p> <p>Is Mr Ferrin saying that everywhere else in country is in exactly same position? – if that is the case our Committee would like to see the information that backs up that statement. Write to Mr Ferrin for clarification. (Mrs Dean)</p>	<p>Awaiting information.</p>															
<p><b>22.10.08</b></p>	<p>With regard to recent legislation from the Government which has affected our access to potential lower interest rates on borrowing. According to the legislation we would no longer be able to transfer or reschedule loans to preferential Government lower interest rates. (previously raised at Governance &amp; Audit Committee) – What would this legislation cost the tax payers of Kent? (Mr Chell)</p>	<p>As part of our active management of long term borrowing we have in recent years looked to reschedule borrowing from the Public Works Loan Board to reduce interest payments. This often came down to small anomalies in PWLB or a particular date that gave a significant financial benefit. As reported in our annual reports to Governance and Audit Committee over the last 3 years these have been:</p> <table border="1" data-bbox="1234 1023 1917 1251"> <thead> <tr> <th></th> <th><b>Loans Rescheduled</b></th> <th><b>Annual Saving</b></th> </tr> </thead> <tbody> <tr> <td>2007-08</td> <td>£174.8m</td> <td>£1m</td> </tr> <tr> <td>2006-07</td> <td>£124.3m</td> <td>£0.5m</td> </tr> <tr> <td>2005-06</td> <td>£66.2m</td> <td>£0.3m</td> </tr> <tr> <td>2004-05</td> <td>£109.8m</td> <td>£2m</td> </tr> </tbody> </table> <p>In November 2007 the PWLB changed the structure of their</p>		<b>Loans Rescheduled</b>	<b>Annual Saving</b>	2007-08	£174.8m	£1m	2006-07	£124.3m	£0.5m	2005-06	£66.2m	£0.3m	2004-05	£109.8m	£2m
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		<p>interest rates to have separate rates for new loans and rescheduling - this meant that the rate anomalies we were able to benefit from no longer exist.</p> <p>We have not done any loan rescheduling since and it is unlikely that there will be any significant opportunities.</p> <p>We cannot say how much this will cost the Council Tax payer, we can only point to the base budget savings the approach has enabled in recent years.</p>
<b>22.10.08</b>	<p>The CSC endorsed the recommendations of the IMG on Managing Motorways and Trunk Roads in Kent (discussion on business plan) which asked that:</p> <ul style="list-style-type: none"> <li>- Further advice be requested from Officers and the Cabinet Member when the results of the bidding process were known</li> <li>- Officers and the Cabinet Member report back to the Cabinet Scrutiny Committee, including information on possible BVPIs, a year after the contract has commenced.</li> </ul>	<p>Document detailing changes to original contract circulated to Members of CSC 13.11.08.</p>
<b>Academy for Sevenoaks</b>	<ol style="list-style-type: none"> <li>1. We would ask the Cabinet Member for Operations, Resources and Skills (CFE) to report back to our Committee at the appropriate time to clarify the membership of the Academy Trust, particularly in relation to the inclusion of representatives of the two schools that are proposed to be replaced by the academy.</li> <li>2. The Area Children's Services Officer (Sevenoaks</li> </ol>	<p>In response to 2: The guide circulated to the Committee for the meeting on 22 October is attached as Appendix 1.</p>

	<p>&amp; Tunbridge Wells) be asked to provide a guide to help our Committee's understanding of the academy process; further information for Committee Members on the levels of social deprivation in the Sevenoaks area that justifies the submission of the Expression of Interest for an Academy in that area; and, information relating to the possible increase in travelling time/cost for students attending the Academy and the consequent impact on the environment.</p>																																
<p><b>Gravesham Neighbourhood Forums</b></p>	<ol style="list-style-type: none"> <li>1. The final timetable of meetings for the 3 Forums be circulated to Members of our Committee as soon as it is available.</li> <li>2. Our Committee wishes to receive a full report on the outcome of the various localism pilots taking place across the County in September 2009.</li> </ol>	<p><b>1st Round meetings</b></p> <table border="1" data-bbox="1236 651 2161 1098"> <thead> <tr> <th>Forum</th> <th>Time/Date</th> <th>Location</th> <th>Subject</th> </tr> </thead> <tbody> <tr> <td>Gravesham Rural</td> <td>7.30pm 15 Dec '08</td> <td>The Meadow Room, Cobham</td> <td>Highways</td> </tr> <tr> <td>Gravesham East</td> <td>7.00pm 20 Jan '09</td> <td>West Court Primary School</td> <td>Services for Older People</td> </tr> <tr> <td>Northfleet and Gravesend West</td> <td>7.00pm 28 Jan '09</td> <td>Venue to be confirmed</td> <td>Highways &amp; new equitable Access Clinic (Darsi Clinic) in Gravesend</td> </tr> </tbody> </table> <p><b>2nd Round meetings</b></p> <table border="1" data-bbox="1236 1137 2161 1289"> <tbody> <tr> <td>Gravesham Rural</td> <td>31 Mar '09</td> <td colspan="2">Venue and Subject TBC</td> </tr> <tr> <td>Gravesham East</td> <td colspan="3">date/subject and venue to be confirmed</td> </tr> <tr> <td>Northfleet &amp; Gravesend West</td> <td>7.00pm 29 Apr '09</td> <td colspan="2">Subject and venue TBC</td> </tr> </tbody> </table>				Forum	Time/Date	Location	Subject	Gravesham Rural	7.30pm 15 Dec '08	The Meadow Room, Cobham	Highways	Gravesham East	7.00pm 20 Jan '09	West Court Primary School	Services for Older People	Northfleet and Gravesend West	7.00pm 28 Jan '09	Venue to be confirmed	Highways & new equitable Access Clinic (Darsi Clinic) in Gravesend	Gravesham Rural	31 Mar '09	Venue and Subject TBC		Gravesham East	date/subject and venue to be confirmed			Northfleet & Gravesend West	7.00pm 29 Apr '09	Subject and venue TBC	
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<b>Treasury Management</b>	<ol style="list-style-type: none"> <li>1. Our Committee notes the ongoing preparation of the report by PWC into KCC's treasury management policies and asks that the report is made available for scrutiny by our Committee as soon as it is available.</li> <li>2. We expect Butlers to attend a meeting of our Committee at an appropriate stage in the future, following the completion of the PWC report.</li> </ol>	Contract between KCC & Butlers circulated to CSC Members 07.11.08
<b>24.09.08</b>	Formula for the Dedicated Schools Grant. KCC had used a FOI enquiry to try to fully understand the government's decisions on KCC's settlements, but it remained difficult to see exactly how certain needs were matched with grant. Ms McMullan stated that she would provide a worked example to demonstrate the difficulties. (Mr Smyth)	Briefing note from Keith Abbot attached at Appendix 2
<b>24.09.08</b>	RE: Number of children receiving assisted SEN and mainstream transport to school. Why had the budget not been adjusted for the higher numbers of children receiving transport to school, some of which were awarded on appeal that perhaps would have been granted in any event had the budget been sufficient? (Mrs Dean)	Briefing note from Keith Abbot attached at Appendix 3
<b>24.09.08</b>	Is the authority, in effect, contributing to the inability of the NHS to deliver assessment and related services in the North West of the County as a result of the "vacancy management necessary to offset the pressure within residential care"? It was suggested that management action was undermining a policy decision in this vital area. (Dr Eddy)	The Directorate aims to produce a balanced budget each year, and this means that sometimes we have to manage vacancies in order to offset budget pressures with direct services. We do however operate a 'Traffic Light' reporting system for all front line staff teams, this ensures that at all times we are operating to appropriate staffing levels. I can assure that you that there is no negative impact on services to clients.

		<p>Because we have a formal partnership arrangement with Kent &amp; Medway NHS and Social Care Partnership Trust, this means that staff can be either employed by KCC or the Trust. When vacancies occur, it could mean that the cross charging arrangements are affected, which effectively could reduce our gross expenditure and the income we charge health would reduce accordingly, which is the situation in respect of the posts mentioned in the monitoring report.</p>
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## **Towards an Academy in Sevenoaks: Critical Steps**

### **Why an Academy?**

- An opportunity to radically reshape the educational provision available
- An opportunity to secure resources that the Academy programme provides to make an enduring difference to life chances for young people by raising levels both of achievement and attainment
- The delivery of new buildings and ICT infrastructure, enhancing curricular opportunity and developing key skills for life and work, through new models of learning
- An opportunity for educational enrichment, enhancement and growth in professional capacity, for all school communities involved

### **What is an Academy?**

- An independent state school, financed and built in partnership between sponsors and the government
- *Usually* located in areas of disadvantage, replacing one or more schools facing challenging circumstances
- Each is unique, able to provide local solutions for local needs, drawing on the expertise of its sponsors to help deliver a distinctive ethos and mission
- Each has the flexibility to be creative in curriculum design, time-tabling, organisation and governance
- Each offers a broad and balanced curriculum, focussing on one or more specialisms
- Successful academies share specialist experience and facilities with other schools and with the local community
- Academies play their part in the regeneration of communities, providing a focus for learning and raising aspiration

### **How are they different? (Key features of Kent Academies)**

- Innovative curricular models
- Focus on the individual learner
- Collaborative curricular offer
- Inclusive Vocational Centres
- Pastoral house systems and advisories
- Parent/Carer partnerships to drive improvement
- Facilities accessible for community learning and leisure
- 'State of the art' science and technology provision
- Flexible learning environments that are fit for purpose, comfortable and that inspire
- ICT infrastructures that support 'anytime and any place' learning

## Critical Steps

Assuming a successful period of informal consultation resulting in a matching of schools and sponsors, together with tacit approval from the DCSF to move forward, there are **four critical steps** towards the establishment of an academy

- **Expression of Interest (Eol)**
- **Feasibility Phase**
- **Funding Agreement**
- **Implementation Phase**

Lead professional officers operate throughout the process, involving sponsors as appropriate and providing for as active a degree of involvement as sponsors require. KCC officers maintain regular contact with sponsors, DCSF, and other key stakeholders, as well as engaging with and supporting the academies' project management structure, is detailed below.

### Step 1: Expression of Interest (Eol)

Proposals for the project are worked up into an **Expression of Interest (Eol)** which is drafted by KCC officers in consultation with sponsors and agreed by all the local stakeholders before being submitted to Ministers in the DCSF.

The **Expression of Interest (Eol)** outlines the need, the proposed specialism/s and innovative proposals for change. During the development of the academy's **Eol** the sponsors will be involved in determining:

- Location, size, character and specialism of the academy
- Level of new build and/or of refurbishment
- Timing for opening the academy and building completion
- Initial overall cost estimate

**Indicative time-scale: 8 weeks**

**(August 2008?)**

### Step 2: Feasibility Phase

If Ministers are minded to proceed, a **Feasibility Phase** begins. The DCSF releases feasibility funding to support detailed development work on the academy. During this phase, an independent Project Management Consultancy (PMC), funded by the DCSF, is commissioned and an independent Project Manager is appointed.

A **Project Steering Group (PSG)** that will work with sponsors to develop the detail of the project and conduct local consultation is established.

Each academy project has a **Project Steering Group (PSG)** responsible for:

- Delivering the education vision and design brief (including the curriculum model and key policies e.g. admissions)
- Delivering and implementing the Consultation Plan (including any PR and publicity)
- Establishing the Academy Trust and its registration as a Charity

Sponsors are, of course, represented on the **PSG** and a senior sponsor is usually appointed to assume chairmanship of it. Other key stakeholders are also represented on the **PSG**.

**Indicative time-scale: 24 weeks**

**(January 2009?)**

### **Step 3: Funding Agreement**

Once the Feasibility Phase is completed successfully, the DCSF enters into a binding **Funding Agreement** with the sponsors. The process towards the **Funding Agreement** is partly concurrent with the Feasibility Phase. This confirms the essential characteristics of the academy, including size, location, time-scale, subject specialism/s, admission arrangements, age range and governance.

The **Funding Agreement** is a formal binding agreement between the Secretary of State and the Academy Trust for the academy to open on a specified date. This document contains all the formal information necessary for the opening and funding of the academy.

**Indicative time-scale: within 20 weeks of completion of Feasibility Phase  
(June 2009?)**

### **Step 4: Implementation Phase**

The **Implementation Phase** begins from the signing of the **Funding Agreement** and lasts until the opening of the academy. It allows for construction and delivery of new buildings, (up to 18 months for a new build Academy) and building work is its dominant feature, although Governance arrangements are also determined by the Academy Trust during this phase.

KCC will set up a **Project Team**, accountable to the **PSG** to manage the delivery of the academy. The Project Team is responsible for:

- Planning and management of the building procurement process through all phases of delivery
- Reporting to **PSG/Academy Trust** on progress and performance
- Day to day management of the **Design Group** (see below)
- Development of the **Outline Business Case (OBC)** and **Final Business Case (FBC)**

- Procurement of the 'Framework Contractor'
- Handover of the completed facility to the Academy Trust

The **PSG** and the **KCC Project Team** also establish a **Design Group** to be responsible for:

- Guardianship of the sponsors' vision for the academy
- Being the main stakeholder body for consultation on all design matters
- Ensuring design is within the agreed funding envelope
- Setting the Design Quality Indicators for the scheme
- Signing off the final designs by the preferred bidder

As the **OBC** is developed, the sponsors will be involved in:

- Development of the education vision for the academy
- Development of the Project Brief, which sets out required facilities
- Input on designs
- Development of ICT approach

As the **FBC** is developed, the sponsors will be involved in:

- Consultations on designs
- Agreements on ICT provision
- Consultations on final designs for approval to reach agreed design
- Agreements on final costs

The **Sponsors** then:

- Are consulted on any major construction issues
- Agree level of services to be provided
- Attend milestone events
- Sign off building works against specification

### **Planning and implementation processes**

Partnership for Schools (PfS) is the Non-Department Public Body that is responsible for the delivery of the Building Schools for the Future (BSF) and Academies programmes. They possess expertise in procurement and building and have responsibility for procuring academy buildings in partnership with the Local Authority (KCC). The Sevenoaks Academy will be procured using the PfS National Framework. The process of procurement under this framework will be managed by KCC and PfS.

**Indicative time scale: approximately 12 months from EoI being drafted to an Academy opening in existing buildings**  
**Approximately a further 18 months for a new build academy to be delivered**

## Academy Governance

Academies are independent schools funded under contract (the **Funding Agreement**) by the DCSF. They are governed by a company (known as the Academy Trust) which delegates functions to Directors, i.e. governors, who are appointed, nominated or selected by the sponsors, the Local Authority, DCSF and parents/carers.

Academies are set up as charitable companies to give sponsors and governors broad scope and responsibility for the ethos, strategic direction and leadership. The sponsors of the academy jointly appoint the majority of its governors.

Any project to replace a maintained school with an academy must be endorsed by KCC at the **Feasibility Phase**, and its views taken fully into account at the **Funding Agreement** stage.

The governing bodies of academies include stakeholder governors: a parent governor, a Local Authority appointee, and generally the Principal ex officio (usually appointed 3 traditional terms in advance of the academy opening i.e. September 2008?). They may also include a teacher and a staff governor, and one or more community representatives.

The Governing Body is accountable to the Secretary of State for the DCSF through the requirements of the **Funding Agreement**. The Governing Body must publish proceedings of meetings, prepare annual accounts and an annual report, and ensure its accounts are independently audited.

The academy governors are responsible for:

- Appointing the Principal;
- Employing the staff;
- Administering the finances;
- Authorising appointments and any changes to terms and conditions;
- Approving the curriculum, personnel policies and procedures.

The governors are bound by law to act in the best interests of the academy, its students and the local community.

Admissions arrangements are agreed with the DCSF and are in line with the School Admissions Code.

March 2008

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## Briefing Note

To: Cabinet Scrutiny Committee  
From: Keith Abbott, Director of Finance and Corporate Services  
Date: 28 November 2008  
Subject: **Dedicated Schools Grant (DSG) Difficulties**

1. How is DSG calculated?

1.1. DSG for Local Authorities is based on a snapshot count of all pupils in maintained schools, early years PVI providers and pupils in alternative curriculum on the 3<sup>rd</sup> Thursday in January. The total number of full time equivalent pupils is multiplied by a single funding value set by the DCSF. The amount per pupil for Kent which applies for 2008/09 is £3,938.26. A different rate applies to every local authority.

1.2. On 19th June 2008 following verification of pupil numbers, the DCSF confirmed that the DSG allocation for Kent for 2008/09 is £773.9m. This represents a cash increase of £22.068m on last year's grant. Table 1 below provides a breakdown of the calculation used in arriving at our final allocation.

1.3. Table 1 – Dedicated Schools Grant for 2008-09

		2008-09
Total pupils for the 2008-09 Dedicated Schools Grant	A	197,113
2008-09 guaranteed per pupil unit of funding (£)	B	£3,938.26
Gross DSG Total (£m) A x B		£776.280
Less deduction for Academies transferring Axton Chase (£m)		<u>-£2.366</u>
ADJUSTED TOTAL DSG (£m)		<u>£773.914</u>

1.4. In addition to funding schools' delegated budgets, including special schools and the additional costs associated with Statements of SEN, the DSG is required to fund the full range of costs of supporting Kent pupils not in school and it must also meet the costs of Kent pupils placed in special provision outside Kent.

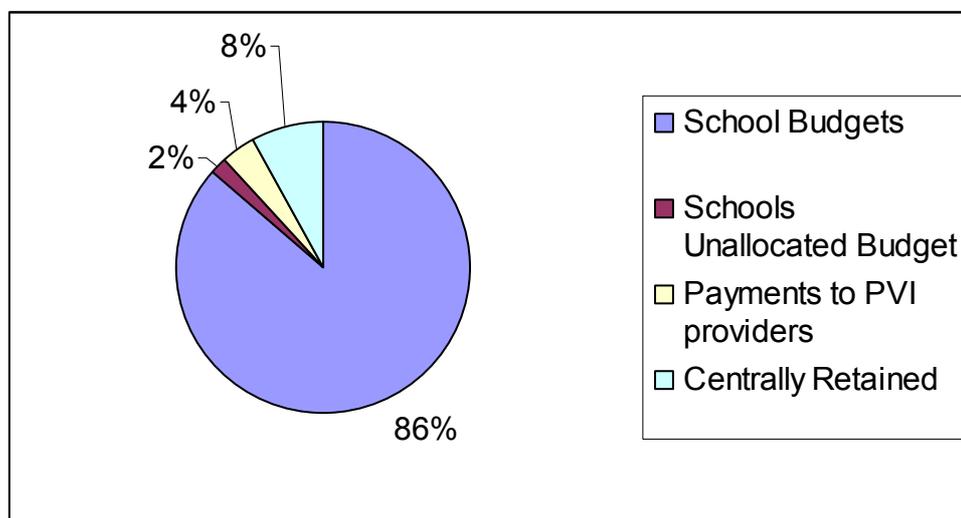
1.5. A number of services that directly support pupils or schools are not delegated and are referred to as 'centrally retained'. In the main these are either services that cannot sensibly be delegated, such as managing the Kent admissions process, or services specific to a minority of pupils such as very high cost specialist SEN support not available in Kent's schools.

1.6. As well as pupils aged 5-16, DSG must support the provision of the free 3 & 4 year old Early Years entitlement, together with support and training for those early years settings that are run by private, voluntary and independent providers.

1.7. It is important to note, therefore, that the same funding value (£3,938 in 2008-09) is applied to all pupils of all ages 3-16, but in practice the costs that are incurred vary dramatically. Costs range from around £3,000 per full time early years and

primary pupil, with no SEN, up to around £15,000 for special school pupils, and much higher if pupils have to be placed in independent or private residential special schools. Furthermore a range of support and administrative functions have to be accommodated from within these per pupil allowances.

- 1.8. Structurally DSG falls, therefore, into three main sectors, plus a contingency provision. These are shown overleaf in the chart of the 2008-09 allocation. Prescriptive detailed government regulations dictate what costs must be met from DSG, which must be delegated, and which may be retained centrally.



## 2. Difficulties Arising from the Structure of DSG and Government Limits

- 2.1. The main issues that arise from the Grant method and structure are :

- The Central Expenditure Limit (CEL)
- impact of high cost pupil number increases
- impact of academy transfers

### 2.2. The CEL

- 2.2.1. Regulations define what elements of spending have to be delegated to schools, and which may be managed centrally. In order to protect school budgets and ensure LAs are passing on a fair proportion of annual DSG increases, DCSF regulations set a 'Central Expenditure Limit' (CEL). Put simply LAs are not allowed to increase the spending on centrally retained budgets at a faster rate than school budgets (incl. Early Years payments), unless they specifically obtain the agreement of the Schools Forum, or failing that, the Secretary of State.

- 2.2.2. This restriction can create significant problems. Three issues are illustrated below:

- 2.2.3. Rising SEN expenditure. It is widely acknowledged that with higher survival rates and advances in treatment, infants born with severe mental and physical difficulties are making up an increasing proportion of the population. Every year therefore numbers of pupils requiring additional, costly, support in their education are rising when overall pupil numbers are falling. Costs met from the centrally retained budgets will therefore require a greater increase than the delegated school budgets (which are reducing because of falling rolls). This breaches the

CEL and requires specific Schools Funding Forum agreement.

2.2.4. Fixed costs. Many central costs by their very nature are largely fixed, unless the overall demand on the Kent service were to be dramatically reduced. A good example is the admissions service. The cost of running the annual arrangements for allocating school places does not vary in line with pupil numbers. Relatively small annual reductions in pupil numbers do not translate into cashable administrative savings. Therefore central costs stay fixed as school budgets (based on falling rolls) reduce and the CEL is breached.

2.2.5. Differential Inflation. The situation can arise where certain statutory, economic or market force circumstances cause costs to rise on some central budgets that do not impact on schools, either at all, or to the same degree. Schools are generally well protected now as the government ensure that DSG increases at least match teachers' pay awards, which account for around 75-80% of school spending.

### 2.3. High cost pupils

2.3.1. As well as the impact on the CEL referred to above, an increase in the number of more costly pupils presents significant budget pressures because the DSG calculation provides Kent with only a standard 'average' allowance for each pupil.

2.3.2. There are two ways in which this creates a budget problem –

2.3.3. Firstly primary pupils are on average funded at a rate below the DSG rate, but secondary numbers generally are above. With only primary numbers falling at present, the reductions in DSG exceed the savings from having to fund fewer primary pupils. This means less money available for both schools and central budgets.

2.3.4. Secondly if overall the proportion of pupils requiring significant additional support rises (as it is), the DSG unit rate is insufficient to meet that rising average cost. The only way in which such cost increases can be managed is by minimising the annual inflationary increase allowed to schools generally to well below the rate of DSG increase allowed by DCSF. This also has implications for CEL.

### 2.4. Academy Transfers

2.4.1. A new system for funding Academies was introduced from 2008-09 by DCSF. Academy pupils attract DSG funding for Kent at the average rate. DCSF then top-slice Kent's DSG to fund the individual academies, but the amount taken exceeds by some margin the DSG earned by their pupils. This is because Academies generally receive higher than average per pupil funding (tending to be in receipt of deprivation funding, and/or high levels of SEN and poor prior attainment funding). They also receive a share of certain central costs, which in practice do not reduce just because a school becomes an Academy.

2.4.2. These transfers reduce the overall funding flexibility available within the Schools funding system as large cash sums are being withdrawn from Kent's control, and they put pressure on central budgets to be cut, or cause breaches of the CEL.

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## Briefing Note

To: Cabinet Scrutiny Committee

From: Keith Abbott, Director of Finance and Corporate Services

Date: 28 November 2008

Subject: **Mainstream and SEN Home to School Transport**

### 1. Background

- 1.1. As part of the 2007-10 MTP process the SEN transport budget was reduced by 10% in 2007-08 financial year and the Directorate was asked to look at implementing purchase cards as a way of delivering part of that saving (£870k) and keeping price increases to under 5% (£119k). In total, the SEN budget was set a savings target of £989k.
- 1.2. It was expected that by putting the purchasing power in the hands of parents savings could be realised, especially if making their own arrangements led to a significant reduction in the number of taxi contracts.
- 1.3. In addition it was anticipated that by putting existing contracts out to re-tendering, further savings could be derived.

### 2. Parental Transport Arrangements and Purchase Cards

- 2.1. The directorate carried out a survey of all 3,500 users to test for interest in the scheme, which had a 50% response rate. Only a small number of users requested more information about making their own arrangements. Only in a very few cases was it possible to generate savings as reductions in cost can only be achieved by this method if the pupil in question was being transported to school on their own in a taxi. If they travelled by bus or are one of a number of students in a taxi then KCC is unable to realise any saving by moving them to a direct payment/purchase card arrangement as the existing bus/taxi still need to run.
- 2.2. The vast majority of parents appreciate the convenience of having the responsibility for arrangements taken off their hands, especially where they have other siblings' journeys to school to consider.

### 3. Contract Review

- 3.1. The greatest scope for savings seems to lie with those users who are single occupants in taxis, as this form of provision works out at the highest average rate per pupil. Commercial Services have reviewed every sole-occupancy taxi journey (approx 500) and put them out to tender to see if savings can be made. The tender was offered to all 300 taxi operators in Kent. These contracts only represent around 15% of journeys; the remainder are multi-occupancy taxi and bus contracts.

### 4. 2007-08 Budget Position

- 4.1. The purchase card saving was not realised in 2007-08. Furthermore there was an increase in the number of children requiring transport to schools, partly resulting from Appeals and tribunal decisions, as well as increases in fuel costs.
- 4.2. The year also saw a reduction in the anticipated income from charges of £104k due to the number of vacant seat places purchased by parents being lower than anticipated

4.3. Overall the £870k savings target set within the budget strategy was not achieved for 2007-08 and the factors described above led to an overspend of £892k on SEN transport. This was, however, covered by underspends elsewhere within the Directorate.

5. 2008-09 Budget

5.1. Since the start of the year, further very significant rises in fuel costs (now abating) added to contract charges. An overspend of £1,390k is now forecast overall, and this is made up of:

- the shortfall in meeting the original savings target through purchase cards
- the higher than forecast numbers travelling
- above budgeted level of inflation – this has negated any savings that would have been achieved through retendering.

5.2. Details of the number of children receiving assisted SEN transport to school have been included in the table below. This activity data shows that there are on average 170+ more children per month (excluding July) in receipt of SEN transport to schools compared to the same time last year and the estimated cost of the increase in numbers is £766k.

5.3. In 2007-08 there was a MTP savings target of £870k for SEN transport. However with the economic down turn and in particular the increase cost of fuel it is estimated that only £246k of the savings can be achieved leaving a forecast base pressure of £624k in 2008-09.

6. Mainstream Transport

6.1. The trend reported for 2007-08 is continuing and an underspend of £603k is forecast on this budget due to the numbers travelling being lower than the budgeted numbers. Details of the number of children receiving assisted mainstream transport to school have been included in the table below.

6.2. When taken together, the overall net position forecast for 2008-09 of both mainstream and SEN transport is an overspend of £801k.

7. 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										
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
Sept	3,600	3,463	21,000	20,392	3,396	3,426	21,000	19,855	3,396	3,607	21,000	19,118
Oct	3,600	3,468	21,000	20,501	3,396	3,525	21,000	20,093	3,396	3,731	21,000	19,450

7.1. The actual number of SEN 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 October gives a better view of the levels of pupils now receiving assisted transport through to March.

8. Transport Policy

8.1. The Transport Policy is currently being reviewed and information was presented to Members of the CFE Policy Overview Committee on 13 November 2008.

Notes of a meeting of the Cabinet Scrutiny Committee Informal Member Group on Budgetary Issues held on Wednesday, 26 November 2008.

**Present:** Mr D Smyth (Chairman), Mrs T Dean and Miss S J Carey (for Mr J D Simmonds)

**Officers:** Mr A Wood, Head of Financial Management, Mr K Abbott, Director - Finance and Corporate Services and Mrs A Taylor, Research Officer to the Cabinet Scrutiny Committee.

**Apologies:** Mr J D Simmonds, Mr N Chard, Ms L McMullan

**1. Notes of Previous Meeting held on 9 October 2008.**  
(Item 1)

The notes of the meeting held on 9 October 2008 were approved.

**2. Update on School Reserves**  
(Item 3)

(1) The Chairman took item 3 first to allow Mr Abbott to leave after his paper had been discussed.

(2) Mr Abbott circulated a report which had gone to the CFE POC on 13 November 2008, it contained a further update on the position on schools within Kent. He referred to table 1 of the IMG report within which the analysis of the 2007/08 revenue reserved showed £28.1m of uncommitted funds. CFE initially identified 60 schools with a high level of revenue reserves, and narrowed it down to 43 schools with the largest reserves. These schools were interviewed by a panel consisting of representatives from the Schools Funding Forum, CFE Finance and Advisory Service Kent (ASK) to explain why they were holding such high reserves. It was explained to the schools that they may be subject to recovery of some of their accumulated balances and after appeals by some of the schools the panel recovered £1.476m from 15 schools.

(3) Having taken into account the high levels of energy price increases that would be taking effect from October 2008 the Funding Forum decided that £1.3million of the sum recovered should be reallocated by formula to all schools to help cover those increased costs in the second half of the current year. The Forum allocated the remaining £200,000 to expanding training within schools to improve the standards and to improve the knowledge of financial management issues.

(4) There were concerns that the Balance Control Mechanism (BCM) was too generous – leading to differing interpretations of what could constitute an allowable commitment. A revised BCM was approved by the Funding Forum in October which continues to allow a year-end rollover of up to 8% or 5% for primary/special schools and secondary schools respectively, but reduces to three the number of exceptions allowable above that limit. The new BCM will apply from the 2009/10 financial year to allow schools sufficient notice before the changes come into effect.

(5) The POC report contained a summary of the changes which were agreed by the Funding Forum. It was emphasised to the schools that the BCM is to encourage them to spend their revenue resources on the pupils in school now, not to take funding from them.

(6) Miss Carey stated that there needed to be more of an emotional discussion to encourage the schools to spend their money on the children currently at school. The schools may just think they are being prudent by keeping funding as capital.

(7) Mr Abbott stated that the process was made easier by working closely with the Forum and the Headteachers and Governors and some frank discussions had been had about how revenue money should be spent.

(8) Mrs Dean asked whether any funding had been offered to CFE for their work on recovering these balances, Mr Abbott confirmed that no funding had been received, but the Forum had contributed £200k for the further training in schools.

(9) Mr Smyth asked whether the possibility of the schools finding themselves in a deficit in the future was taken into account when considering recovery of the accumulated balances. Mr Abbott confirmed that it was, and that three year planning was becoming much more common in schools.

(10) Members of the IMG were pleased to hear that CFE were endeavouring to deal with the problem of schools with consistently high levels of reserves over the last 5 years and wished the Officers every success.

### **3. Revenue and Capital Budgets Monitoring Quarterly Report** *(Item 2)*

(1) Mr Wood highlighted a table within the report which showed an underspend of just under £2.4m after management action (excluding Asylum costs). Taking the funding shortfall of £4.186m forecast for the Asylum Service there was just under a £1.8m projected overspend, which Officers felt was encouraging at this stage of the year.

(2) Any revenue budget variance over £100k had been included within a table in the report for Members information. A large amount of information was contained in this table which Members felt was very useful, whether so much detail is needed was queried but it was decided that if only variances over £500k were shown much of the detail may be missed. Members requested that the items within the variance table be grouped by service in future. **(AW to note)**

(3) Mr Wood confirmed that an officer from Corporate Finance had visited Iceland with an Officer from London Borough of Barnet to represent all the Authorities who had investments in Icelandic banks.

(4) Miss Carey queried some staffing costs of the Corporate Property Unit which had previously been capitalised and Mr Wood clarified that in the past staffing costs for Officers engaged in capital projects had been charged directly to the capital projects, but Auditors have confirmed that costs must be directly attributed to individual projects which would involve Senior Officers keeping detailed time sheets, which is not practical. It was useful in the past to charge Officers time to capital projects because it reflected the true cost of the projects.

(5) Mrs Dean asked whether the Allington Waste site was now working and Mr Wood offered to circulate a briefing note to Members of the IMG to update them on the latest situation with the Allington Site. **(AW to action)**

(6) Members also asked about the ongoing revenue costs of Turner Contemporary, Mr Wood confirmed that KCC were funding part of the revenue cost and that there was a contingency fund for potential overspend. Mr Wood agreed to clarify to Members of the IMG the annual ongoing revenue costs of Turner Contemporary. **(AW to action)**

(7) Mrs Dean asked for more information on the large gap between the actual and budgeted level of assisted SEN transport to school. Mr Wood agreed to confirm the current situation regarding assisted SEN transport to school. **(AW to action)**

(8) Mrs Dean asked for clarification on an injection into the Highways Service which had been discussed at a previous meeting of the E&R POC. Members had concerns over the differing amounts being suggested, the ability of Highways to spend a large amount of money by the end of the financial year, whether the money has been taken away from local schemes and the effect this would have in the future. Mr Wood agreed to update Members on the current situation. **(AW to action)**

(9) Mrs Dean stated that despite having asked a number of times, she had been unable to get an answer to her question about what the £200k of savings made by Kent TV had actually been on, i.e. whether the savings had been made as a direct result of Kent TV, or whether they had been made through a number of initiatives.

Mr Wood explained that £1.2m funding had been spread equally across 2 years.

April 07 – March 08 = £600k

April 08 – March 09 = £400k (£200k savings)

The budget was set on the basis that the project has run from April 2007 – March 2009, but in reality the project began in September 2007 and runs until August 2009. A decision had to be made about including £400k in the 09/10 budget, otherwise it would be assumed that the project would come to an end, however in the event of Kent TV continuing past August 2009 the funding would have to be shown in the MTP. As no decision has yet been taken, it is prudent to provide for funding for the project to continue beyond August 2009; if it doesn't continue, then the £400k will be available for something else. Members agreed with Mr Wood that it was difficult to compare the publicity budget year on year as one year might contain a budget for a waste campaign for example, the next year might contain a budget for a cloth nappy campaign. However Members of the IMG did ask that they be provided with examples of where Kent TV has saved money through reducing publicity or other initiatives. **(AW to action)**

(10) Members also queried why the transfer of Local Involvement Networks from the Public Health portfolio to the Environment, Highways and Waste portfolio had taken place. Mr Wood agreed to report back to Members of the IMG **(AW to action)**

(11) In relation to the information contained within the report about the price per barrel of oil Members asked whether the Council had managed to avoid agreeing contracts when the cost of oil was at it's peak in June and July of this year. Mr Wood confirmed that the Council couldn't avoid some contracts being agreed at this time.

(12) Members of the IMG noted the report subject to reports back on the issues raised and contained above.

**4. Business Planning**  
*(Item 4)*

- (1) Mr Wood had previously circulated this report by email and copies were available for Members of the IMG. Members discussed the continuing issue of Key Decisions being taken by Directorates without any reference being contained within the forward plan. Not only that, the business plans did not always clearly specify what decisions needed to be taken and when.
- (2) It was agreed that due to time constraints this item would be reconsidered at a future meeting of the IMG and Members asked Mr Wood to take the point about how best to deal with the issue of Key Decisions on board. (AT to add to the next agenda)

**5. Dates for Future Meetings – January to July 2009**  
*(Item 5)*

- (1) Mrs Taylor circulated a report detailing meeting dates for both the IMG and the Cabinet Scrutiny Agenda Planning meetings for January to July 2009. Two outstanding meetings were still to be finalised when Mr Simmonds returned from leave.

**NOTES** of a Meeting of the Cabinet Scrutiny Committee's Informal Member Group on the Clusters & Local Children's Services Partnerships Business Plan held on Wednesday, 19 November 2008 at 4pm.

**PRESENT:** Mr G Cowan (Chairman), Mr D L Brazier, Dr M R Eddy, Reverend N Genders

**APOLOGIES:** Mr M J Vye

**ALSO PRESENT:** Mr L B Ridings, Cabinet Member for Children, Families and Education; Dr Ian Craig, Director (Operations) Children, Families and Education; Mrs Joy Ackroyd, Kent Children's Trust Partnership Manager, Miss Karen Mills, Policy Officer Business Planning and Miss Ella Hughes, Executive Support Officer to Director (Operations)

**OFFICER:** Mrs A Taylor, Research Officer to the Cabinet Scrutiny Committee.

## **1. Clusters & Local Children's Services Partnerships Interim Operational Plan 2008/09**

### Terms of Reference

- (1) The Informal Member Group had been established by the Cabinet Scrutiny Committee at its meeting on 23 April 2008 to examine the Children's Services (Clusters) Business Plan for 2008/09.

### Introduction

- (2) Staffing for LCSPs was secured from within already existing budgets, but involved some re-alignment of services within specific units.
- (3) Kent Children's Trust was set up in October 2006 and has cross party membership. Most authorities with the exception of 'excellent' authorities are required to have a 'children and young people's plan' (CYPP) which drives the Trust, although Kent County Council has had a CYPP since 2006 which was approved by County Council.
- (4) There had been no additional staff employed to support the 23 LCSPs, staff moved from supporting the clusters to supporting the LCSPs and all of the LCSPs have their own local delivery plans

### Members questions

- (5) Dr Eddy referred to the section of the Business Plan which highlighted the risk that: *Partners unclear about decision making and lines of accountability leading to confusion and loss of impact on outcomes for children and young people. (pg 38)* Had any problems been identified? If they had, had the service managed to mitigate the risk?
- (6) Mrs Ackroyd explained that a Strategic Governance Framework, which was a guidance document for the Children's Trust, had been produced to manage the

risks and to set out what could go wrong and who would be accountable. A Local Partnership Agreement had also been produced which was a guidance document issued to all partners setting out how we would expect partners to work together.

- (7) Dr Craig explained that there is an officer dedicated to focussing on such issues and developing guidelines for agencies, although there could still be a risk of a lack of clarity. Accountability still lies with the individual organisations which operate within the framework available to partnerships. Mrs Ackroyd agreed to circulate the Partnership Agreement and Governance Framework to Members. **(JA to liaise with AT)**
- (8) Dr Eddy referred to the risk that the: *Partnership commitment is not acted upon within individual services (pg38)*. Mrs Ackroyd explained that commitment was coming slowly, the partnerships had their long standing Members like the Health Service and the Police, and new members such as Job Centre Plus were coming on board slowly.
- (9) Dr Craig explained that four pathfinder models had been run for a year, these were all different models and the findings from these pathfinders had fed into the 23 LCSPs.
- (10) With regard to funding, two months into the LCSPs the highest level of funding had been delivered through KCC, with the PCTs being the next highest.
- (11) The Lead Authority for the Children's Trust, which was introduced through the Children Act 2004, is the Children's Services Authority which is KCC. There are two key posts with legal responsibility; the Director of Children's Services and the Lead Member for Children's Services.
- (12) Dr Eddy asked a question about capacity, the risk section of the business plan highlighted the fact that there might be: *insufficient capacity of partners to engage in new arrangements (pg38)*. Dr Craig explained that it has been a challenge for some agencies to put forward representatives for all 23 LCSPs and there is still a concern over capacity in some areas, particularly the voluntary sector but staff are working with the agencies to find local solutions.
- (13) Members asked about the financial aspects of the LCSPs and whether they were within budget. Dr Craig confirmed that there was a clusters budget which was currently on target. Members then enquired about the financial capacity of partners, Dr Craig responded that being only two months in to the LCSP arrangements it was difficult to predict what level of funding would come from partner agencies but there had been some recent good examples of pooling resources for particular projects.
- (14) Mr Ridings clarified that the CFE POC was setting up a sub committee to look in detail at the local delivery plans of each LCSP. It is anticipated that the Partnership Manager and Chairman of each LCSP will be asked to attend the POC sub committees. Some visits will be made by the POC sub committee to the LCSPs to witness them in operation.
- (15) Members asked how the action points contained with the CYPPs such as *'improving nutrition and parent's and children's understanding of healthy eating'*

(pg38) would be measured. Officers confirmed that they would be measured and monitored through the individual action plans that each LCSP would be developing. Members asked that a note be circulated to all Members informing them where the LCSP Action Plans could be located on the internet. **(JA to liaise with AT)**

- (16) Dr Craig confirmed that there are currently 20 LCSP Managers in post, there are a further two managers starting shortly and one post is still to be filled. The quality of the Partnership Manager is critical to the success of the partnership, there is an expectation that more services will be delegated to the LCSPs in the future.

### Conclusions

(17) The IMG:-

- a. thanked Mr Ridings, Dr Craig, Mrs Ackroyd, Miss Mills and Miss Hughes for the information they had provided and noted the good progress which had been made with the LCSPs;
- b. asked that a copy of Governance Framework for Children's Trusts and the Partnership Agreement for the Local Children's Services Partnerships be circulated to Members of the IMG;
- c. were pleased to note that a sub committee of the CFE POC was in the process of being agreed to look in detail at the local delivery plans of each LCSP and endorsed the suggestion that the Partnership Manager and Chairman of the LCSP should attend the sub committee meetings;
- d. asked that Members be informed about where to find the action plans of the LCSPs on the internet when they are available;
- e. expressed support for the LCSPs whilst noting that it was key for stakeholders to know who the point of contact is and which services are being provided by the LCSPs.

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By: Head of Democratic Services and Local Leadership  
To: Cabinet Scrutiny Committee – 10 December 2008  
Subject: Southern Water Business Plan 2010/2015  
Classification: Unrestricted

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**FOR DECISION:**

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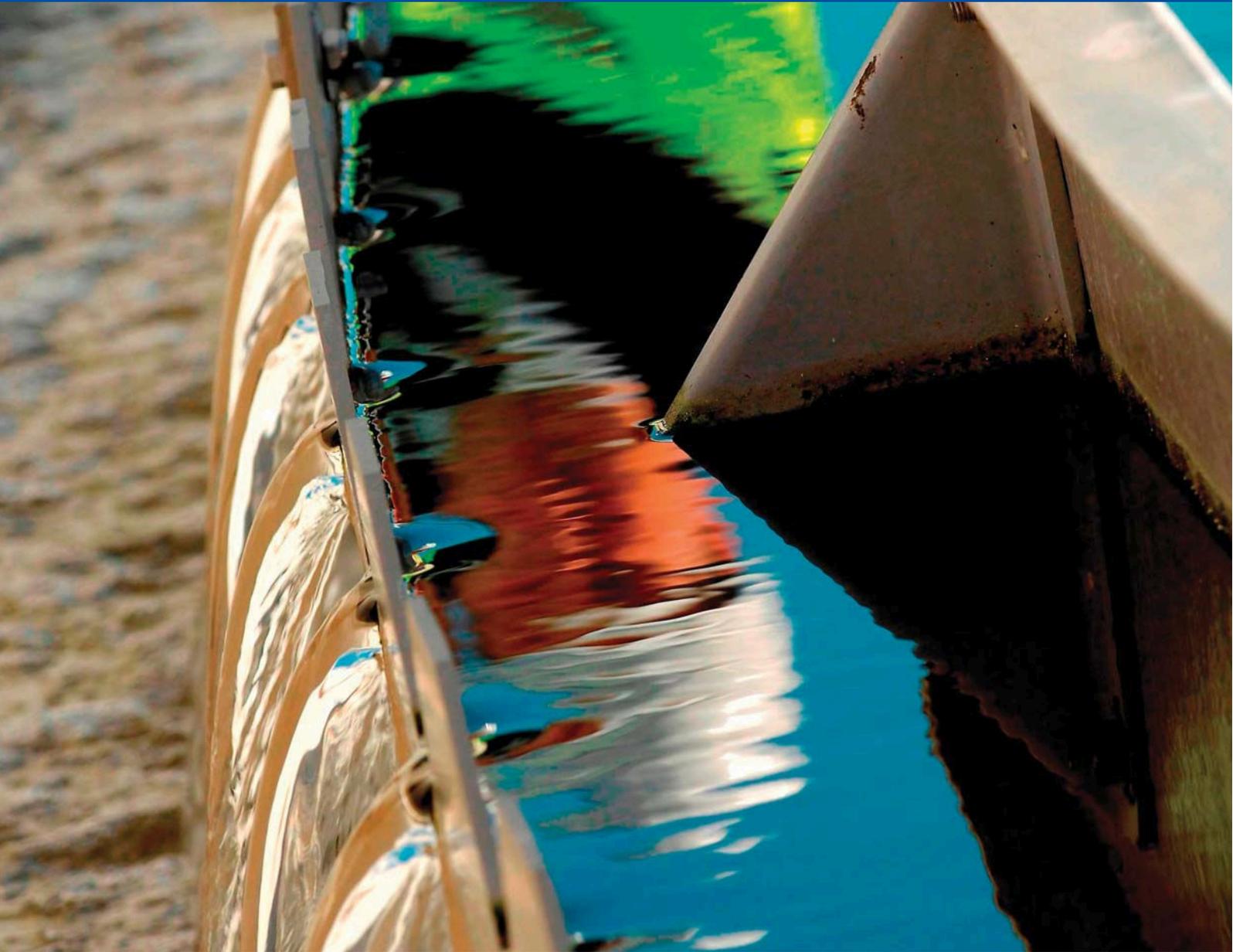
1. The Chairman and Spokespeople of the Cabinet Scrutiny Committee felt that there were a number of issues contained within the business plan that warranted a detailed discussion.
2. We are awaiting confirmation from Southern Water regarding the deadline for consultation responses – the business plan states 31 October 2008 but there is a possibility that this has been extended.
3. The Committee is asked to consider whether it wishes to form an Informal Member Group (1:1:1) to scrutinise Southern Water's Draft Business Plan for 2010-2015.
4. The IMG should report back to the Cabinet Scrutiny Committee in due course.

**RECOMMENDATION**

An informal Member Group (1:1:1), be formed to discuss Southern Water's Draft Business Plan for 2010/2015, with a report back being submitted to the Cabinet Scrutiny Committee in due course.

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# Water Services, Customers and the Community



A Summary of Southern Water's Draft Business Plan for 2010-15

# At a glance

## What is happening to bills?

On average this Draft Business Plan proposes:

- An initial rise to take account of the higher running costs of the business - energy costs, tax and revenue corrections
- Thereafter prices are broadly stable before accounting for the National Environment Programme to meet European legislation

## For this we will...

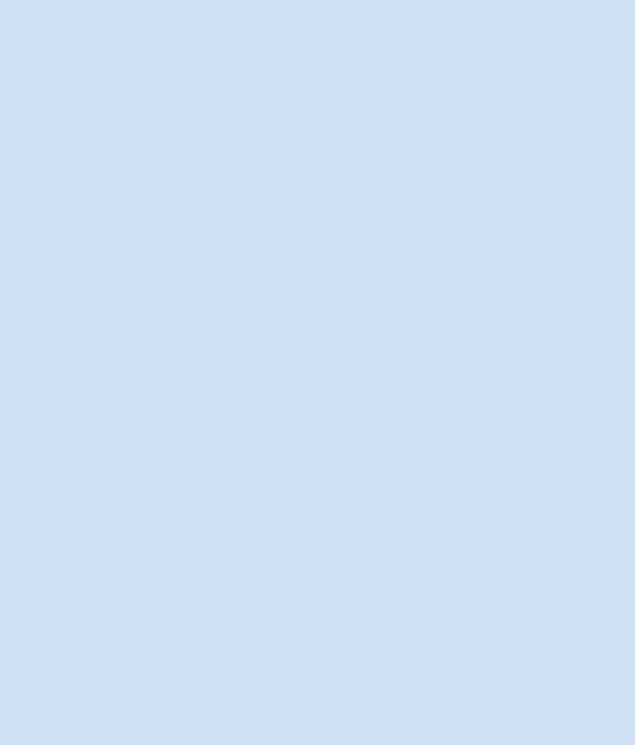
- 1) Enhance our asset base to give you resilient levels of service
- 2) Deliver the portfolio of Environmental Improvement Schemes required by European legislation
- 3) Provide new infrastructure to allow sustainable growth in the Southern and South East regions
- 4) Deliver full metering enabling you to take control of your bill
- 5) Reduce the number of properties at risk of flooding
- 6) Ensure that if you contact us we will resolve queries first time

## Next steps for us...

- Consult widely on this Draft Business Plan
- Provide a Final Business Plan in April 2009 that reflects the feedback from all customers and stakeholders

## Next steps for you...

Give us your feedback to the questions in this document (summarised inside the back cover)



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**Les Dawson**  
Chief Executive Officer of **Southern Water**

## Executive summary

In this Draft Business Plan we provide a detailed assessment of what we plan to do to maintain and, where supported, enhance services and deliver the improvements imposed by European legislation under the National Environment Programme. This is for the benefit of customers and the community and will take place from 2010 to 2015.

In our Strategic Direction Statement (SDS), upon which we consulted last year, we set out our strategic plans for the next 25 years and this Draft Business Plan takes us towards the goals set out in that document. This is a draft and we therefore would like your views and feedback so we can listen and build your views into our Final Business Plan which we will submit to Ofwat in April 2009. Throughout this document we provide a series of questions and your feedback on these and on any other areas of our plan is essential.

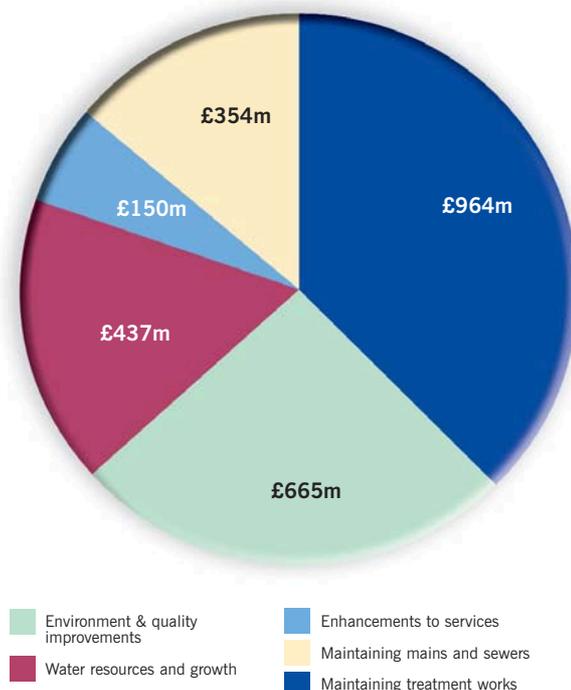
We must deal with several issues that drive the need to invest further in our asset base and we have prioritised our capital investment programme to ensure that:

- We maintain our existing assets properly to ensure that we can provide resilient services in a changing environment
- We provide value to customers by delivering cost beneficial enhancements to service
- We meet the environmental quality improvements driven by European legislation
- We provide infrastructure in a timely manner to enable growth

We said in our SDS that investing efficiently to achieve these goals would require an integrated

plan and this is what we have defined in this Draft Business Plan. Our draft investment plan amounts to £2,742 million at today's prices but, after projected efficiency, we believe we can deliver this for £2,570 million.

**£2,570 million of capital investment 2010 - 2015**  
(at 2007-08 prices)



The investment identified represents an increase of about 25 per cent compared to the previous five-year period from 2005-2010. Wherever possible we have phased our plans to reduce the impact on customers' bills and to provide a steady programme over the 25-year planning horizon. We have profiled investment according to customer needs and where we have deferred it we provide an explanation in the remainder of this consultation.

To finance this programme bills will need to increase above inflation, although these changes to bills are not only driven by investment. Increasing energy prices are a major cost to our business and will also drive bills upwards. On the positive side the cost of financing the business has reduced slightly compared with 2005-2010 and this has helped keep down bills.



Water						
Year	2010/11	2011/12	2012/13	2013/14	2014/15	Average
Change to prices excluding inflation (%)	15.0	1.9	1.2	0.1	-0.2	3.4
Average household bill (£)	140.66	143.86	145.66	145.94	145.67	

Wastewater						
Year	2010/11	2011/12	2012/13	2013/14	2014/15	Average
Change to prices excluding inflation (%)	14.7	3.0	3.3	4.5	-0.3	4.9
Average household bill (£)	260.57	266.79	273.24	282.80	280.65	

We have not opted to smooth the fluctuations in prices because to do so would reduce some key financial ratios and therefore require additional financing resulting in higher overall increases in bills to customers. Is this what customers prefer?

We recognise that some of the investment to make further improvements to the environment is supported by customers. We are currently assessing the costs and benefits of this proposed investment.

We are formally consulting on this Draft Business Plan until 31st October 2008 and your suggestions and responses to the questions asked here, can be e-mailed to PR09@southernwater.co.uk or posted to:

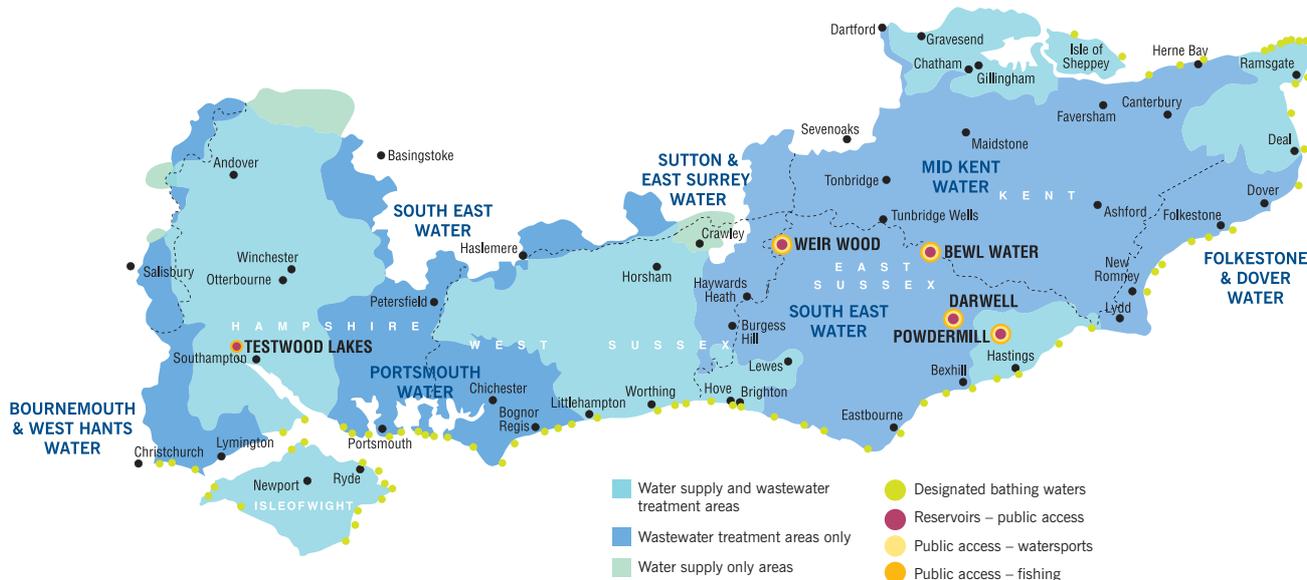
PR09 Consultation  
**Southern Water**  
 Southern House  
 Yeoman Road  
 Worthing  
 BN13 3NX

Thank you for taking the time to do this.

**Les Dawson**  
 Chief Executive Officer  
 Southern Water

## Introduction

We provide water and wastewater services to more than four million people in Kent, Sussex, Hampshire and the Isle of Wight. These services are provided 24 hours a day, 365 days per year.



Because there is limited competition for the services we provide, we are financially regulated by the Water Services Regulation Authority, otherwise known as Ofwat. It ensures that the charges we make properly reflect the cost of providing services to our customers. Ofwat carries out a five-yearly price review to ensure we deliver the services our customers want, at a reasonable price. As part of the review, we submit this Draft Business Plan for consultation followed by a Final Business Plan in April 2009 setting out how we propose to maintain and enhance services from 2010-2015, and what we think it will cost.

We have chosen to consult on our Draft Business Plan because we would like to receive your views. This means we can improve the plan further to reflect your needs.

To understand our approach and what issues have led us to make certain assumptions and decisions, this section provides an overview of our service area and in particular, what differentiates our operations from those of other water and wastewater companies in England and Wales.

There are numerous factors that drive the content of our Draft Business Plan and one of the most influential is the investment required to deliver environmental benefits required under European legislation. There are a number of European Directives that influence our operations and investment programmes and the cost of meeting these directives is financed through further borrowing that is ultimately met by changes in customer bills.

For every pound of investment included in this business plan, 23 pence is included specifically to meet this legislation and this inevitably has an impact on bills.

While we recognise the need for much of this work, we also think it would be unwise to with-hold important maintenance investment to lessen bills. If we were to do this then existing assets would begin to fail, resulting in a poor service to both customers and the environment.

Therefore, our number one priority is to maintain services to customers for now and into the future. We subsequently include investment for additional quality improvements. We integrate this investment to provide efficiency in our planning.

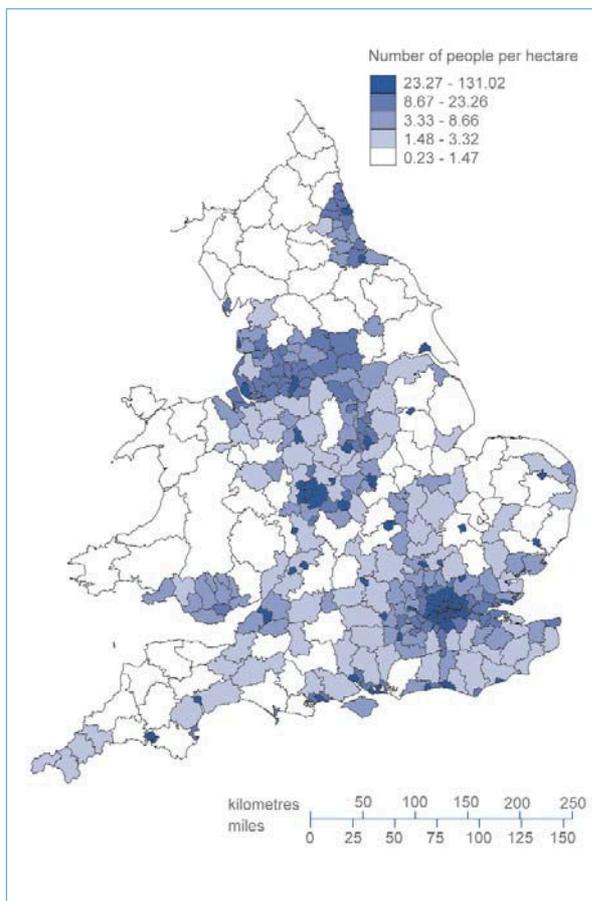
We supply services to a part of the country that has many different issues to manage compared with other areas. We have looked carefully at these now and over the 25-year horizon of our SDS so we can plan to ensure that we are best prepared to meet future challenges.

The three key characteristics that make managing water services in the South East different, and of which this Draft Business Plan takes account, are:

**Population density + small catchments**

- We have a high number of small drainage catchments, which means we have less flexibility to recycle wastewater to the environment
- We have a high population density, which compounds the demand for scarce water resources during droughts. It also means we need to treat wastewater to a very high standard so as to avoid nuisance and environmental damage.

**Population density**



**Climate change**

- Although this is a global problem, the South East of England faces the biggest impact from climate change in the UK, resulting in more climate variability, both in terms of potential drought periods and flooding from more frequent intense rainfall. This plan ensures our assets remain resilient to these anticipated changes in weather so that we can deliver water on tap – a safe, secure, reliable supply for our customers to use wisely. For wastewater services this plan will reduce the risk of the flooding problems as witnessed in 2007.

**Future growth**

- The South East region faces some of the largest growth projections in the UK, as the government continues to focus on the housing shortage in the area. Although there may be a current economic downturn, the assets in which we need to invest will last a lot longer than any economic cycle. Therefore, we need to ensure that we provide for growth in demand with a sensible view, which incorporates long-term housing projections.

This Draft Business Plan takes into account all known challenges over the next 25 years. By making sure we plan our investment to take place at the right time and to the right extent, we will avert the need for sudden bill increases. We will strive to identify cost savings in every part of our business and share any benefits with customers.

## Calendar of events to price setting

### October 07

**Draft Strategic Direction Statement consultation**  
We looked at the feedback from customers through our day-to-day contact and we carried out some additional research using focus groups to identify our customers' priorities and willingness to pay.

### April 09

**Final Business Plans**  
Taking into account the views you express on this publication, we will then submit our Final Business Plan, an application to Ofwat for prices to be set for the period 2010-2015.

### December 07

**Strategic Direction Statements (SDS)**  
We refined our draft SDS taking into account the views of customers, which resulted in some changes in our approach. Generally, we received widespread support for our strategy.

### July 09

**Draft Determinations**  
Ofwat will publish its views on our Final Business Plan and provide an assessment of future prices for consultation.

### April 08

**Draft Water Resource Management Plan consultation**  
Our Draft Water Resources Plan set out the first detail of how we plan to secure water supplies to customers. It involves correcting an initial imbalance where in some dry years demand can exceed supply necessitating restrictions and then focuses on ensuring that reliable supplies are maintained into the future.

### November 09

**Final Determinations**  
Ofwat will determine how much we can charge our customers for the period 2010-2015. If we feel strongly that our maintenance and improvement plans cannot be delivered within the Ofwat price structure, we can appeal to the Competition Commission.

### August 08

**Draft Business Plan consultation**  
This is where we are now, consulting on the Draft Business Plan that takes into account all aspects of our business. We have undertaken further customer research to identify if customers are willing to pay for further enhancements. This has formed a key part of our cost benefit assessment, which has helped us shape our Draft Business Plan and prioritise proposals. We have suggested a programme to maintain and enhance service levels.



## Where we are now

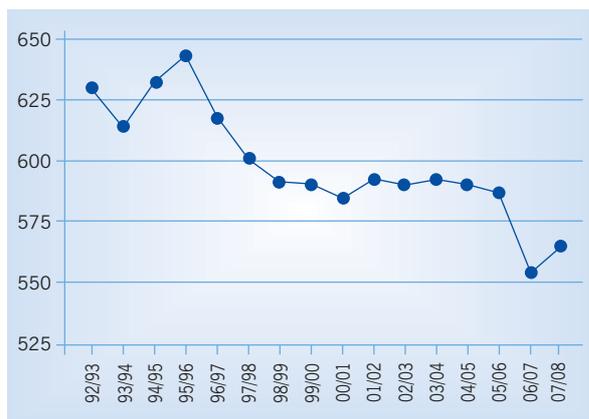
Since privatisation, the water industry in England and Wales as a whole has made substantial improvements to the services it provides, both for customers and for the environment. These changes have been made against the backdrop of an increasingly volatile environment, making the delivery of stable and resilient services more challenging.

### Water

Over the past ten years our efforts to reduce our demands on the environment have clearly been successful, as demonstrated by the reduced amount of water put into supply, charted below.

The reduction has been achieved through reduced leakage and greater water efficiency offsetting the growth in demand from increasing population. It emphasises the effectiveness of our proposal for measures such as full metering, education and leakage control as the initial response for the future.

Water put into the network in millions of litres per day



However, this is just one side of the equation. The supply of water has also been coming under pressure because of reduced abstraction rights to help protect biodiversity and the environment, and by climate change that has rendered some of our supplies less reliable than previously. This creates a risk that demand may rise and exceed supply in dry years, resulting in the need for hosepipe bans more frequently than desired, for example in Kent and Sussex up to four times every ten years.

### Wastewater

There is evidence of emerging changes in climate over the past decade. In 2000 we witnessed floods in the South of England because of the most

sustained wet period since records began. Further catastrophic flooding in Gloucestershire, Oxfordshire and Berkshire in 2007 left 350,000 people without mains water supply for up to 17 days<sup>1</sup>.

The Chief Constable of Gloucestershire at the time said of the floods: “In terms of scale, complexity and duration, this is simply the largest peace-time emergency we’ve seen.”

Flooding of domestic properties is a human disaster for those affected, involving as it usually does contaminated floodwater, significant damage to the fabric of the buildings and loss of property, with extended periods of living in temporary accommodation. Economic damage to commercial and industrial property can also be significant and long-lasting.

We will continue to modify our networks to improve resilience to sewer flooding in the face of increased climate volatility.

Wholesale replacement of sewerage systems is not possible in the short term and would drive huge increases in bills so we are prioritising our efforts. Making the right changes to the asset base over the long-term can make a difference and this plan is the first step.

We also plan to reduce the environmental impact of many of our wastewater treatment works. We have to balance the short-term investment costs against long-term operations costs of new processes, taking a view on future energy prices, carbon emissions and climate change impacts.

We have planned to meet these challenges appropriately and flexibly – not by investing in over-expensive “fail-safe” solutions, but by considering the risks and by actively looking for opportunities to make modifications as needs change in the future.

We are becoming increasingly aware of the potential consequences that serious bad weather events can have on our operations. We have looked at how best to ensure that key assets are resilient

<sup>1</sup> Pitt Report – Lessons Learned from the 2007 floods



Leakage detection methods

to extended periods of wet or dry weather, to help us deliver stable services against a back-drop of climate change.

We will invest to deal with these challenges and achieve a resilient level of service for customers.

**Our performance record – a review since 2005**

We have worked hard to progressively achieve stable services. This has been recognised in our latest serviceability assessment from Ofwat.

Where we have been assessed as “stable”, Ofwat is satisfied that we are managing our assets in an effective and efficient way. Where the assessment is “deteriorating”, Ofwat believes there is evidence that some aspects of the service are not keeping pace with developments and insufficient or ineffective investment has been made. A

“marginal” assessment indicates that there is no firm evidence of deteriorating service but some evidence is available that would make a “stable” assessment doubtful.

This year, for the first time, we achieved a stable service assessment grade for our above-ground sewerage assets. We achieved this by further increasing focus on the front line operations of our business, better understanding of what has been causing works consent failures and targeting significant extra investment in these areas as a priority.

This stable performance is measured against a backdrop of tighter discharge consent standards for our wastewater operation as illustrated opposite. This means that not only have we achieved a stable service to customers but we have delivered real benefits to the environment in terms of cleaner rivers and bathing waters.

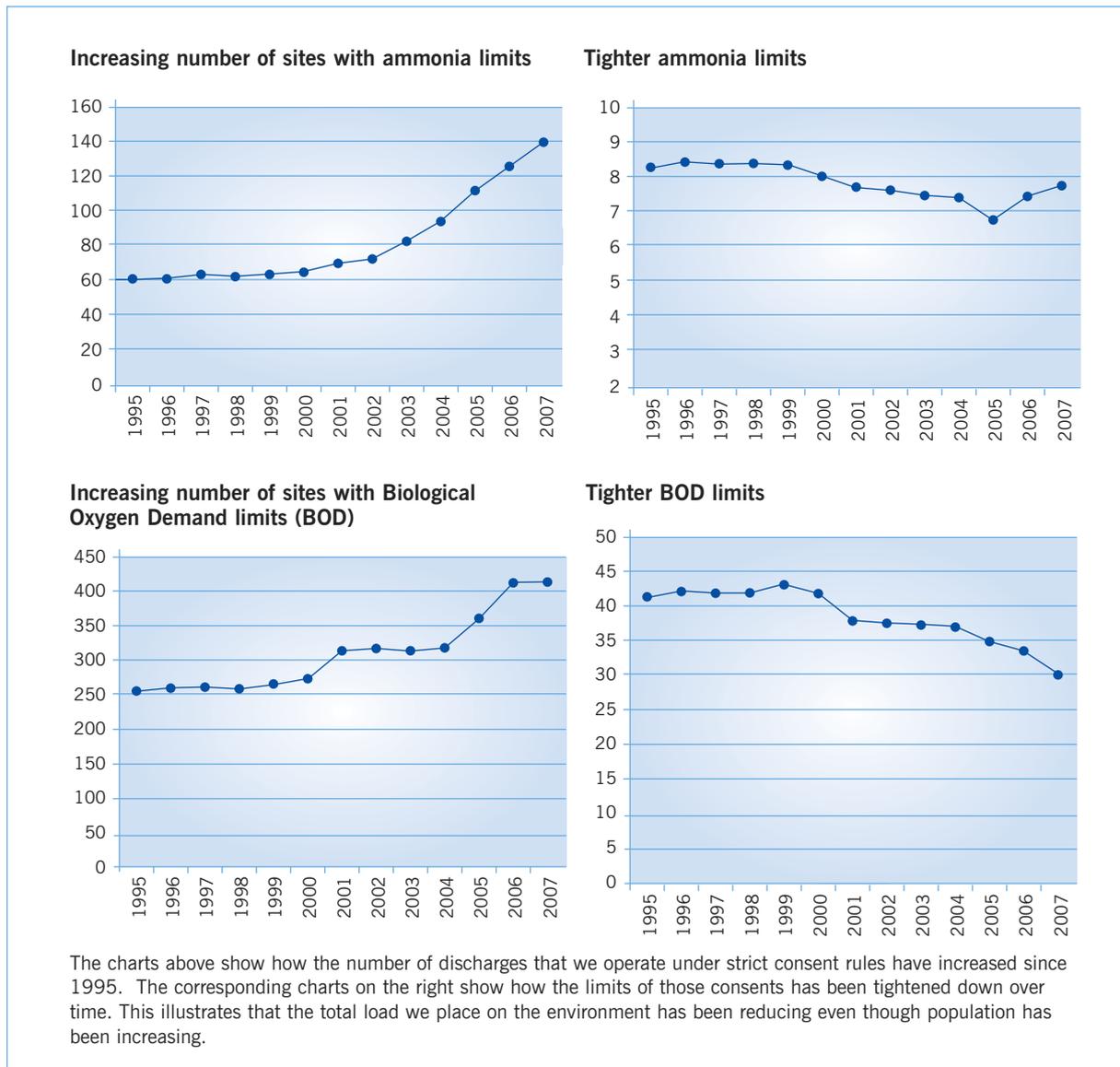
	2005	2008
Water underground assets	Stable	Stable
Water above ground assets	Stable	Stable
Sewerage underground assets	Marginal	Stable <sup>2</sup>
Sewerage above ground assets	Deteriorating	Stable

**Pioneering delivery mechanism**

Improvements have been achieved through an efficient procurement model, which has enabled us to deliver major capital investment to the assets which most need them. We must drive out further efficiencies to offset the real cost pressures of our operations. Between 2005 and 2008 we planned and implemented projects at a faster rate than any other UK water company. At the time of writing this plan we are significantly ahead of our planned schedule of work.

<sup>2</sup> Based on our assessment, Ofwat’s preliminary assessment at the time of audit was “marginal”

**Reducing environmental impacts whilst managing growth**



We always retain responsibility for our work and we have developed a very positive relationship with contractors in our supply chain. The extent of review and interference in contractors' programmes has been reduced, allowing them to deliver the outputs we set at a lower cost.

We always seek the best market value when we make our investment decisions and, having reviewed our performance against other models, there is no doubt that this procurement model is successful and efficient. We also encourage our contractors to work directly with the community to keep them informed of any work in their neighbourhoods.

**Customer service**

Our focus on customer service during 2005-10 has seen the introduction of a major new billing system. We are now focused on delivering the additional benefits to customers from this system, such as:

- a) access to information to give "right first time" solutions when customers call us
- b) e-business with customers
- c) billing cost reductions

We have continued to gather customer feedback as part of our contact centre operations. Your feedback, along with other customer research, has, therefore, guided our Draft Business Plan.

## How we have developed our plan

In our 25-year Strategic Direction Statement (SDS) we set out how we would prepare this five-year Draft Business Plan in the context of the longer term. We also explained the key principles we would consider when assessing how to prioritise our investment.

We stated that our key objectives were to:

- Provide value to customers
- Deliver resilient services
- Enable sustainable growth

In addition to the customer feedback we receive on a daily basis, we held focus groups with customers to discuss what you preferred and, more importantly, what you disliked. We published our final SDS, which incorporated this valuable information in December 2007.

To provide further detail to develop this Draft Business Plan – the first five years of our 25-year strategy – we also held in-depth interviews with more than 1,500 domestic customers and 300 business customers. This gave us valuable information across a range of areas, including the level of support and willingness to finance a programme of desired improvements.

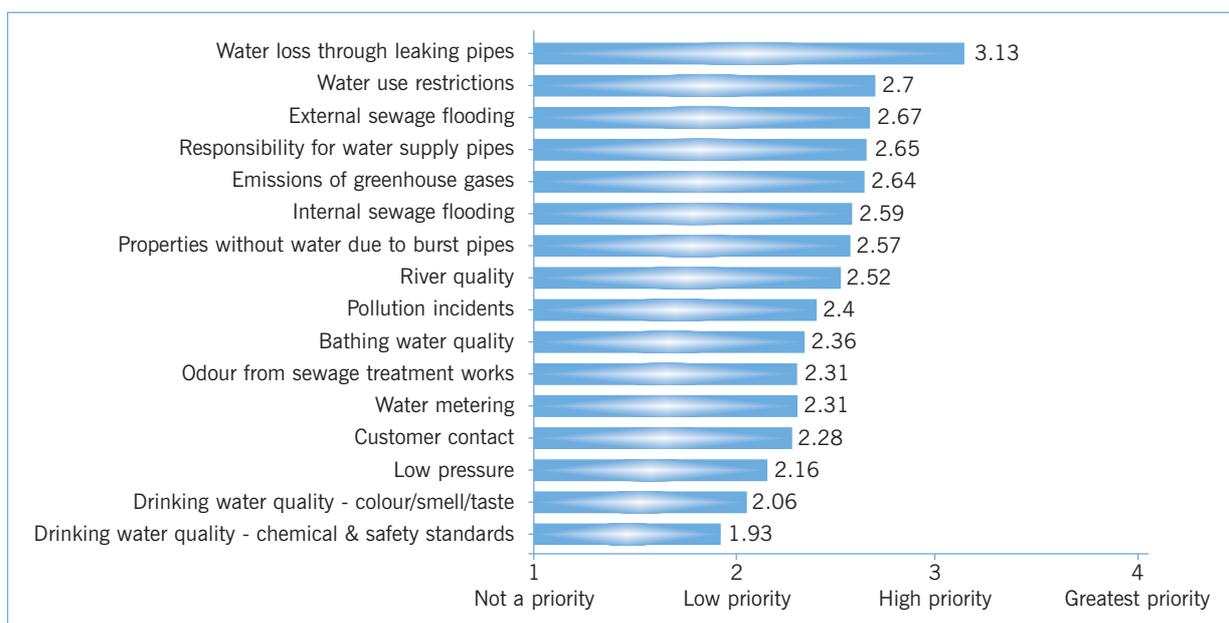
We used this feedback to balance a range of capital investment options for maintaining and enhancing specific service areas. We developed a library of investment options that totalled more

than £7 billion. We looked at the cost of maintaining our current levels of service, and then selected further enhancement schemes against the following criteria:

- To be part of a cost-effective plan to meet growth in the South East region
- To deliver changes to services for which customers are willing to pay
- To improve the resilience of services
- To achieve the compulsory National Environment and Quality Programme in line with European legislation

The feedback we have received so far identifies the priorities that customers place on services we provide. We have also researched the improvements for which customers are willing to pay because once the cost of improvements is understood, priorities can change. We provided customers with an initial estimate of how much improvements in a number of service areas might cost and we let them decide which improvements were value for money.

### Customer priorities for improvements



**Total Capital Investment £m (pre-efficiency)**

	Water	Wastewater	Total
Quality	72	639	711
Growth	174	292	466
Enhancements	-	160	160
Above ground maintenance	205	824	1,029
Below ground maintenance	168	208	376
<b>Total</b>	<b>619</b>	<b>2,123</b>	<b>2,742</b>

Following the publication of this Draft Business Plan and taking account of your feedback, we will continue to assess service improvements for which customers may be willing to pay. We will look further at:

- Sewer flooding
- Odour control
- The National Environment Programme
- Carbon reduction plans
- Resilience
- Water use restrictions
- Poor pressure
- Pollution incidents

We have included investment to enhance services, in particular in the areas of sewer flooding, odour control and carbon reduction. We think these improvements are supported by customers.

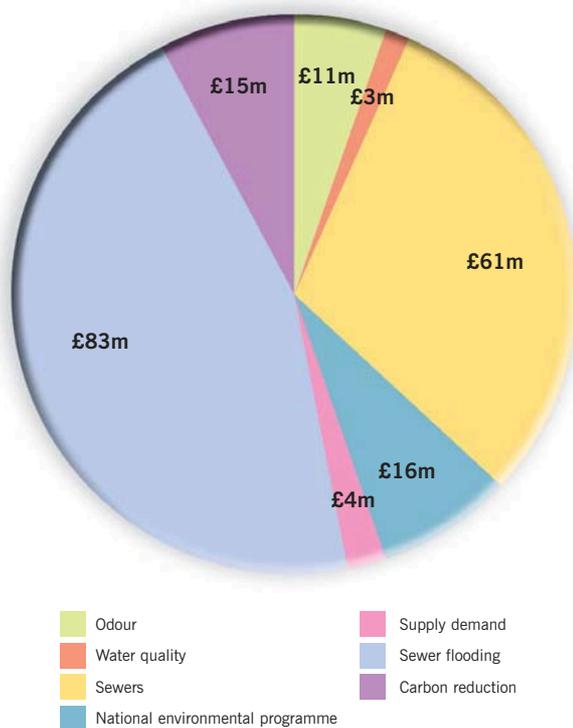
Where we have assessed that feedback from customers justifies the inclusion of schemes in our Draft Business Plan, we have had these assessments independently checked for consistency.

Our draft investment programme is reflective of customer priorities. In most areas we have been able to include projects that will deliver the improvements you want at the price you are prepared to pay. But some improvements exceed your indicated willingness to pay and where this is the case we have removed these projects from our current five-year proposed programme of investment.

**Changes in our plan arising from consultation**

We have made some changes to our plan as we have received feedback from customers. For example, customers and stakeholders asked for more information on what we were doing to serve new developments in the South East. We have explained our approach further in this summary of our Draft Business Plan.

**Investment supported by customers**



## So what do you think of our plan?

Our Draft Business Plan is our interpretation of the feedback you have given us and we would like to know if we have reflected your priorities correctly. The following pages set out what we propose to deliver from 2010-2015 so please take the time to give us your views via questions at the end of each section.

# Drinking water quality

Over the past 20 years significant investment has been made to improve drinking water quality. In the future, many of the assets in this area will progressively need replacing to keep the high standards of water quality we currently provide.

**Your feedback from the SDS was:**

- Support for our aim for all our drinking water to meet Drinking Water Inspectorate (DWI) standards
- Agreement with our plans to progressively remove lead pipes from our network, integrated with other activities
- Support for the increase increase in pipe replacement

The provision of excellent quality drinking water to our customers' homes and businesses is at the very heart of our business. Our customers rightly expect this service on a day-to-day basis. However, in some pockets of our system, we still have more to do to achieve this high standard for all our customers.

In our SDS we said that lead pipe replacement was the best way to achieve the new standards on the lead content in water which come into effect in 2013. We remain of this view and we will replace lead communication pipes as we find them during mains replacement.

Until we have removed sufficient lead from the system we will continue to treat supplies to ensure that water meets the new standards.

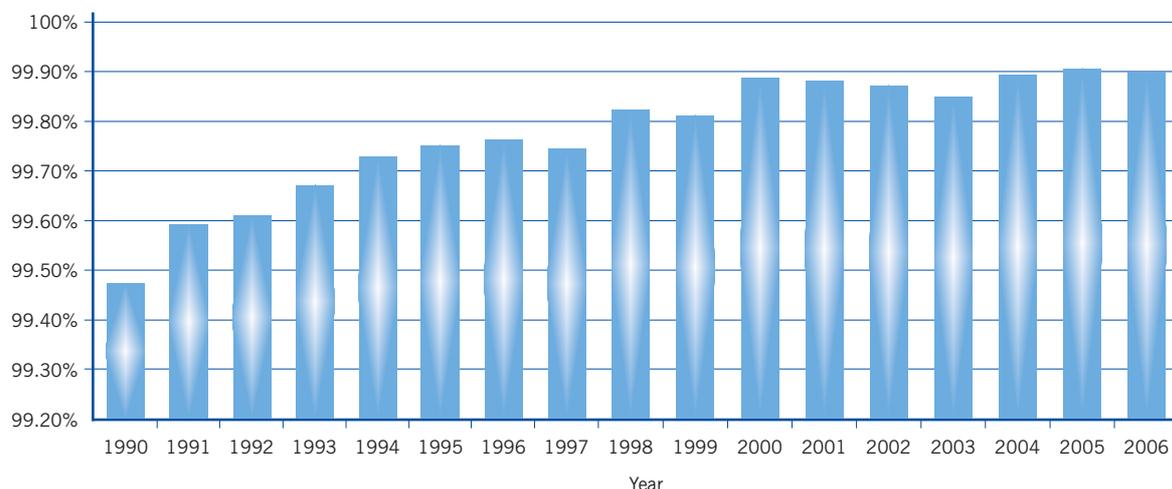
**Drinking water quality improvements proposed 2010-2015**



**Improvements to water quality**

We have included £26 million of investment to reduce iron levels in water supplies and to reduce discolouration. This requires replacing corroded water mains in a number of supply areas to eliminate iron deposits in the water. We have discussed these schemes with the Drinking Water

**Overall compliance with water quality standards**



Inspectorate (DWI) and have received initial support for these solutions.

In a number of areas we face the continuing problem of deteriorating raw water quality in underground water sources. We need to enhance our treatment processes so that we can continue to supply excellent quality drinking water. We have included in our Draft Business Plan £11 million to enhance treatment at four water supply works. The DWI has also provided provisional support for all of these schemes.

In addition to water quality improvements, we include in this section investment required to provide enhanced security and resilience to our critical abstractions and distribution points.

In total this represents £72 million of investment during 2010-2015.

**Do you support our proposals to further improve the quality of water?**

**Do you support the need to enhance the resilience of critical abstraction points in our network?**



# Metering, water efficiency, communication and supply pipes

Metering has been included in our Draft Business Plan because it is the most cost-effective way to secure supplies to customers in the longer term and will enable customers to control their bills. Communication and supply pipes carry water from the distribution network to your home as shown opposite.

### Key Facts – what’s in the plan

- Installation of over 500,000 meters by 2015 to achieve full metering
- An integrated communication pipe replacement programme
- Continued water efficiency education/promotion programme
- Total investment £146 million

We have tested different options in our Draft Water Resources Management Plan. Our conclusions are soundly based, with a range of cost assessments made to underline the robustness of the outcome.

People pay more attention to their water consumption when they pay only for the water they use.

Full metering will be backed by the development of appropriate additional water resources. Such developments are planned for later in our 25-year forecast once full metering has been achieved. If we had prioritised the development of resources before metering, not only would we have a more costly plan, driving higher customer bills, but we could possibly have unintentionally encouraged increased consumption of water.

### Key benefits

- Metering allows customers to take control of their bill
- It helps to balance supply and demand for water
- It improves water efficiency

### Feedback

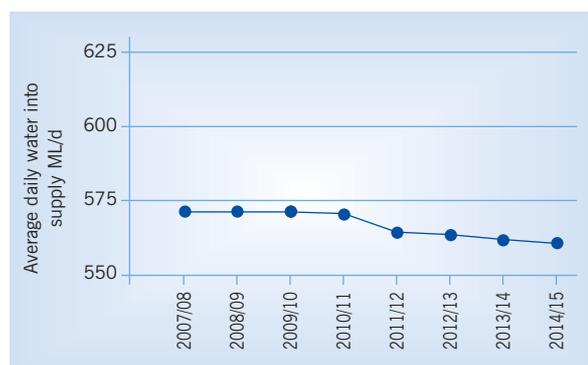
- Over 75% of customers supported our proposals to achieve full metering by 2015

We are, therefore, looking at the two issues of supply and demand but with the emphasis on demand measures in the first five-years.

By structuring our programme in this way, we can be confident of delivering secure supplies at the lowest cost, while minimising the amount of water we take from the environment.

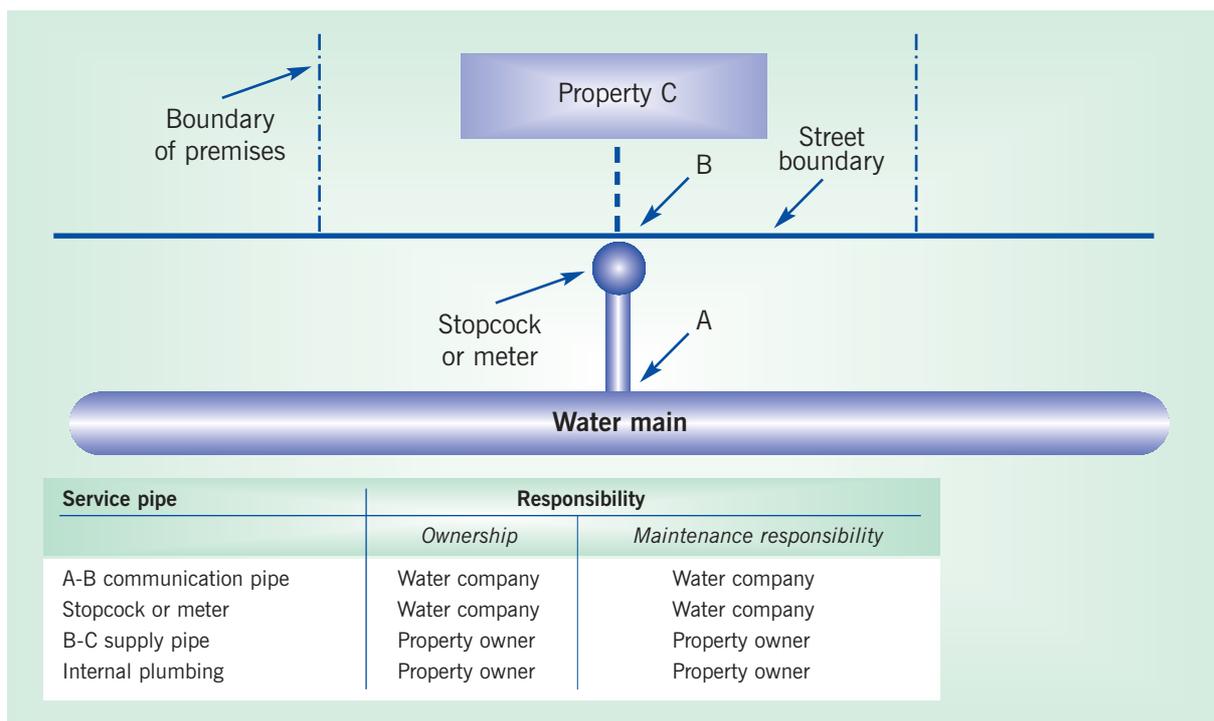
Metering is a good example of how we are working hard to integrate our investment plans and take account of environmental issues to deliver better services to our customers.

Average daily demand for water



Future Water, a consultation paper recently issued by the Government, refers to the need for all stakeholders to properly value water. Metering is essential to this aim. The metering programme will provide us with the opportunity to assess the condition of over 500,000 water pipes belonging to our customers. If these pipes, called supply pipes, are in a poor state, we will repair them free of charge while on site.

**Ownership and responsibility for supply pipe maintenance**



Metering will also drive up the amount of replacement of communication pipes (from the main to the customer’s boundary) and we have made allowances for this in our Draft Business Plan. By collecting data on the condition of these pipes while installing meters, we can model and predict the rate at which pipes deteriorate. This will help guide our future replacement programme and help us replace “at risk” pipes and drive down leakage.

We stated in our Strategic Direction Statement that we think it would be better for customers if we took on the ownership of supply pipes and that we would promote this to Government. Our metering

programme will give us a better understanding of the condition of many of the supply pipes and allows us to assess the likely financial impact of taking on responsibility. Customers were very supportive of this proposal and we will pursue this in line with our Strategic Direction Statement.

We will provide water efficiency education and awareness to support our metering programme. As we move progressively towards paying on the basis of the amount of water used it is important to provide more information and education on water efficiency.

We will be reviewing our metered tariffs to ensure that customers can influence their bills. We will consider rising block and seasonal tariffs to ensure that essential and discretionary use of water is appropriately priced.

**Our water efficiency awareness programme will have three main themes:**

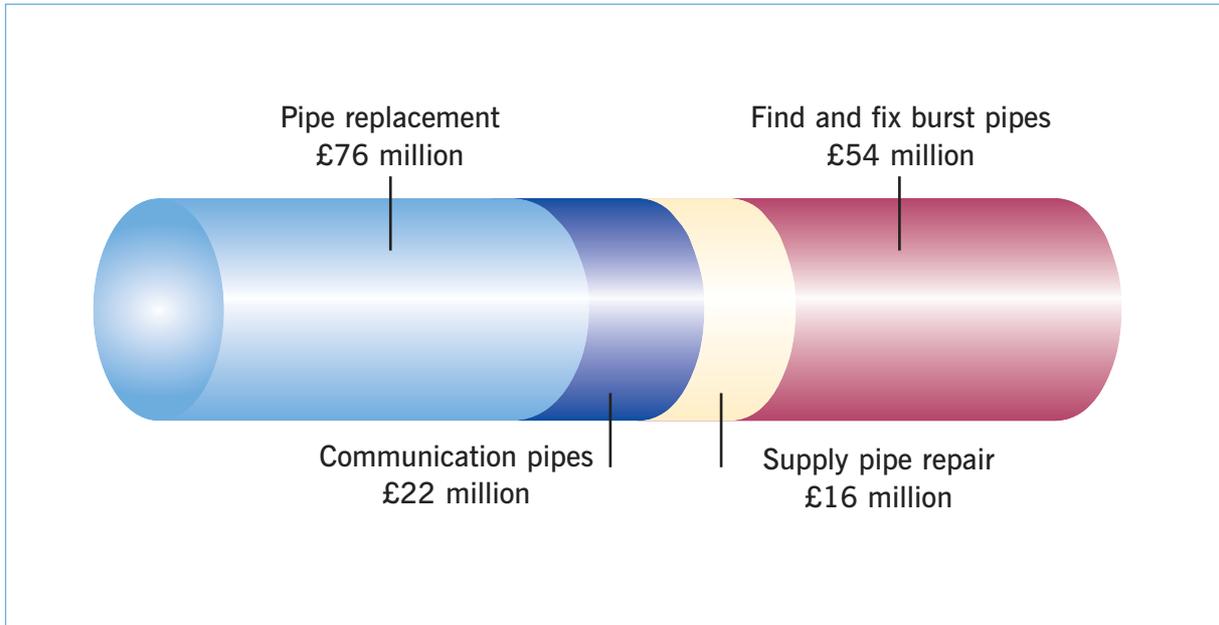
- Target schools - children can get the water efficiency message back into the home and encourage good practice
- Support and promote water efficiency in the home and garden through events and advice
- Provide free water efficiency audits to business customers to help advise them on how to cut water consumption

**Do you support our efficient pace of metering to achieve full coverage by 2015?**

# Leakage and underground assets

Continued and proactive maintenance of the underground network is critical to the success of delivering reliable services to your home. Our network requires increased investment to maintain the current levels of service.

## What's in our plan



### You said

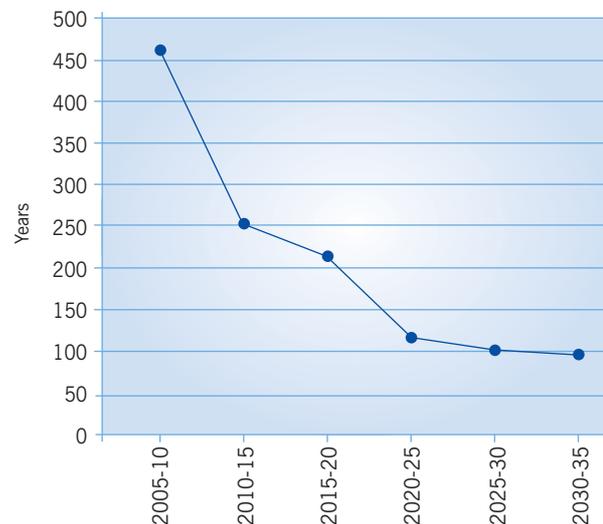
- Leakage is a waste and should be reduced
- Southern Water should prioritise investment in water pipes

Throughout our customer research we have asked for customers' views on our approach to leakage. We have the lowest leakage rate per property of all the UK water and sewerage companies, yet there was an overwhelming view that leakage could and should be reduced further.

We will make further reductions in leakage during the period 2010-2015. Reductions will arise from our metering programme, which allows us to detect and repair leaking pipes during the installation process. With full metering we will be able to quickly detect and repair leaks as they occur and this will make leakage reduction more efficient.

Our Strategic Direction Statement highlighted that our current renewal programme for the network

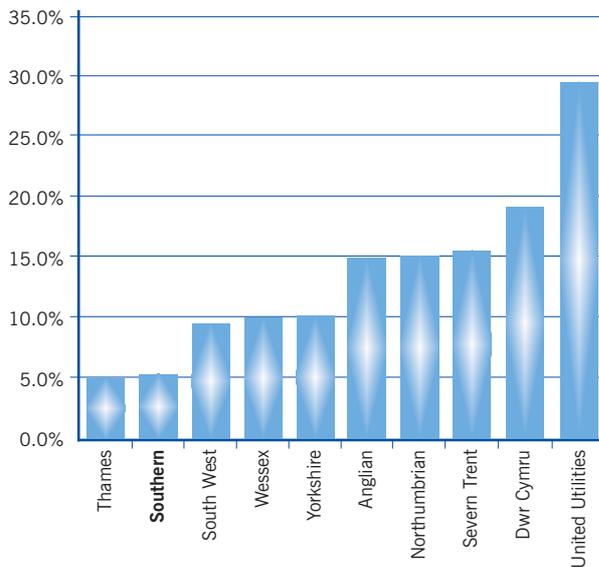
### Implied life of pipes



(pipes and sewers) is one of the lowest in the UK and our Draft Business Plan allows for improvements here. Low rates of renewal per year are not sustainable.

Our risk-based approach to planning maintenance to our network indicates that we need to be

**Percentage of network replacement since 1991 compared to other companies**



replacing about 125km of mains per year which implies an average life of water pipes to be about 100 years. Our replacement rates to date are closer to 30km per year which implies an average life of 450 years.

We recognise that the scale of the increased pace of replacement is significant and that a step change could drive up bills. We have, therefore, included an increase to 70km per year that enables us to move progressively towards a more appropriate renewal rate. We plan our review and replacement programme in an integrated way with the other enhancement programmes.

**Do you support the continuing drive to reduce leakage from today's level of 15% towards the SDS target of 10%?**

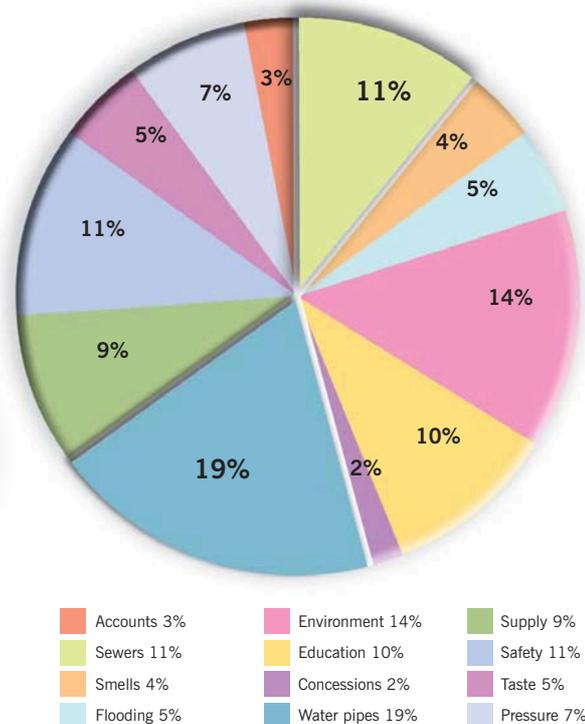
**Are we right to increase the speed of our network renewal programme?**

### Brighton and Hove Mains Renewal

*“The North Laine Traders would like to thank Southern Water for the brilliant liaison work carried out in the city centre of Brighton. You have made what could have been a very difficult couple of years into a bearable event. It was never going to be easy digging up most of the commercial streets in the city centre to lay the mains, but your good communications and accommodating workforce have smoothed the way wonderfully.”*

Peter Stocker, Co-ordinator, North Laine Traders

**Customers prioritise water pipes and sewers for future investment**



# Water resource development

Customers expect our water supply system to be robust and resilient, whether during drought or in times of flood. We aim to deliver this service.

Our Draft Water Resources Management Plan was published in April this year setting out plans for managing the balance between supply and demand. The investment required to deliver that plan is included in this Draft Business Plan.

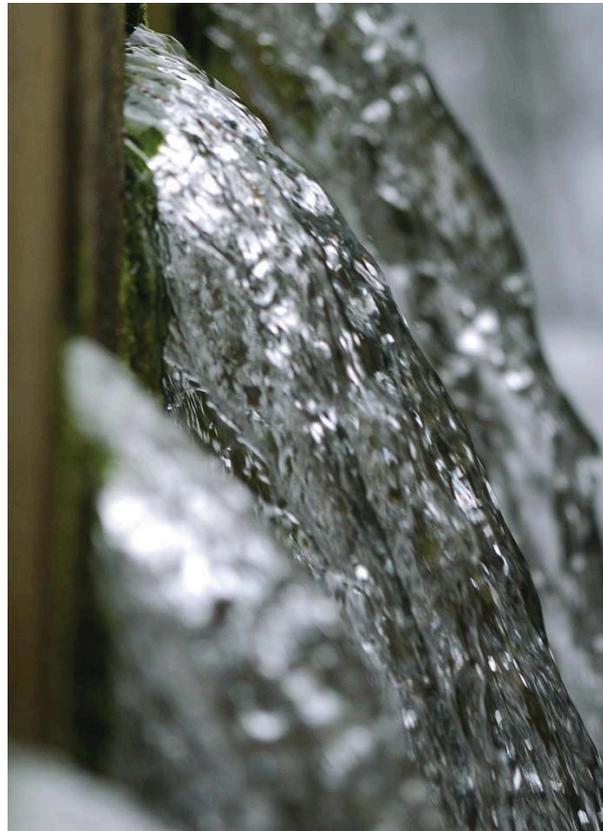
The Draft Water Resources Management Plan provides the optimum solution to balancing supply and demand.

Actions to correct the deficit include:

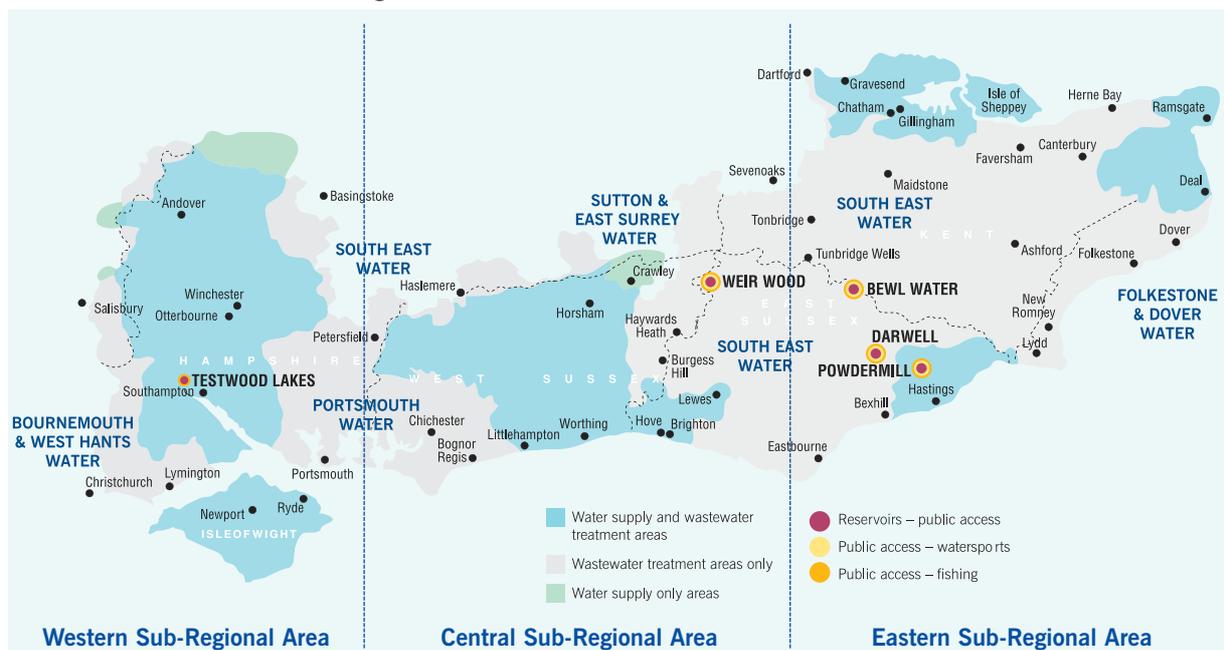
**Managing demands** - the metering and water efficiency programme will have a marked impact on demand not only through reduced household consumption but through reduced leakage too.

**Transfers** - we have ensured that we have made the most of available resources and we have utilised transfer options where they are more cost effective than building a new resource.

We have consulted other water companies within the region to understand both where water is available for our use or where we have supplies that can be offered without reducing the service delivered to our customers.



## Water Resource Zones and Sub-Regional Areas



**Additional resources** - in some areas the optimal solution includes the need to build additional resources such as abstractions from underground and, where necessary, we have included these in our plan improving our ability to transfer water from areas in surplus to areas in need.

### Population growth

The population in the South East is forecast to grow by as much as 13% over the next 25 years. If we and our customers adopt careless water use practice and consumption of water per head is not contained, this level of growth will put a significant strain on both water resources and our supply infrastructure. We predict that in such circumstances demand for water could increase by 49 million litres a day.

With the introduction of our metering programme and a major focus on helping our customers to adopt more water efficient practices, we expect to limit this increase to 29 million litres a day, whilst still providing plentiful and wholesome water supplies.

We may be going through a period of climate change with a pattern of warmer and drier years which would have a significant impact on our surface water supplies. Using the latest climate change scenarios from experts in this field, we

could lose an average of 33 million litres a day of supply capacity between now and 2035. These figures have been incorporated into our Draft Water Resources Management Plan published earlier this year. The climate change challenge requires mitigation and adaptation. We adapt to climate change by supporting water efficiency and managing consumption through the development of water efficient products. We will mitigate the impacts of climate change by ensuring that supplies are provided to match forecast growth in demand.

Our investment programme to develop additional water supplies or make use of transfers for 2010 – 2015 is budgeted at £26 million with a further £161m proposed between 2015 and 2035.

#### In summary in our Draft Business Plan we propose to:

- Maintain target levels of service to our customers i.e. a hosepipe ban on average, no more than once every ten years
- Combine on going maintenance work and new initiatives to reduce abstractions and preserve existing water supplies
- Focus on our ability to move water around the region and into areas at risk of shortages, by improving pipeline link between separate systems
- Provide more than 30 million litres of water per day (Ml/d) to areas which are most at risk from water shortages
- Implement a £26.2 million investment programme to develop additional resources in the more water-stressed areas

### Kent Water Pipeline to Supply Thanet

*“...it is great that Southern Water has taken action to improve water supplies in the Thanet area. While schemes like this are expected to bring about real improvements, it is also important we all remember the water efficient tips we learnt over the last two summers and continue to use water wisely.”*

Dr Stephen Ladyman, MP for Thanet South

## Sewer flooding

Between 2005 and 2010 we are spending more than £90 million on alleviating the devastating effects of floods to properties. We are currently ahead of our target to remove 259 properties from our “At risk” register and to eliminate 402 instances of flooding directly outside properties. We propose a plan for 2010-2015 that continues this significant improvement.

### Feedback from you:

- Support for a continued sewer flooding prevention programme
- A strong willingness to pay for investment to reduce sewer flooding

We maintain registers of properties at risk of flooding over 1 in 10 years, 2 in 10 years and 1 in 20 years frequency.

We expect by 2010, we will have reduced the number of homes on our 1 in 10 years, and 2 in 10 years “At Risk” register from 500 to 200. Where new properties are added to the register because of changing circumstances, we off-set this with additional reductions.

We acknowledge that internal flooding has a huge impact in terms of damage to property and the stress and anxiety caused to residents and neighbours. A balance must be struck between addressing isolated instances of internal flooding and the more widespread external flooding, such as gardens, outbuildings, open spaces and public parks and our consultation with customers has confirmed that belief.

### What's in our plan

- Enhancing the network to be more resilient to heavy rainfall and resulting surface water
- Continued focus on reducing the risk of sewer flooding, with an investment of £160 million during 2010-2015
- A targeted programme, agreed with the Customer Watchdog (Consumer Council for Water)
- A major sewer flood defence system for Eastney in Portsmouth

We have spoken with the Consumer Council for Water and with customers about the priorities we give to flooding. We recognise that we must do more to reduce the risk of flooding to properties and our surveys show that customers are prepared to pay to see a genuine reduction in the number of properties affected and not only those properties recognised by the tight definition of the “At Risk” registers.

In response to our customers' wishes, we are proposing to increase the money we spend on sewer flooding prevention schemes in 2010-2015.

In a small number of cases, usually because of the landform and network issues, it may be uneconomic, or impractical, to provide a solution to some ongoing problems.

### New Romney and Greatstone First Times Mains Drainage Scheme

*“I’m delighted to see the completion of this environmental improvement scheme. This was never going to be an easy scheme to deliver and it hasn’t been without its issues, but Southern Water and 4Delivery have provided mains drainage with less disruption than might have been expected and I’d like to thank them for that.”*

Michael Howard, MP for Folkestone and Hythe

We have included in our business plan an allowance to provide mitigation and temporary solutions to some properties at risk. This may provide some relief while a sustainable solution is found.

There are currently no proposals in this Draft Business Plan to reduce the number of properties on either the 1 in 20 year flooding register or the new external flooding register.

In addition to resolving flooding caused by insufficient capacity in our sewer network, we will aim to reduce flooding because of other causes. We will particularly target mechanical breakdowns and blockages.

#### **Responsibility for surface water and flooding**

We recognise that the causes and responsibilities for flooding are varied e.g. inadequate sewer capacity, poor highway drainage, river and groundwater inundation etc. Many different

agencies are responsible for different elements under current legislation including the Environment Agency, Highways Agency, District Councils and Water Companies. We want to play our part in helping to simplify this through integrating surface water management plans.



**Should we go further  
and invest to reduce the 1 in 20  
year register and the external  
flooding register?**



# Pollution incidents and compliance

Pollution incidents that occur when raw sewage, partially-treated sewage or storm-water escape into the environment in an uncontrolled way, have to be minimised.

**You said:**

- Pollution events should be minimised
- This was a medium priority for improvement in this area

**In our Draft Business Plan we propose to:**

- Increase our programme of investment to provide more resilient assets
- Increase our sewer renewal rates
- Invest more in pumping stations to manage the risk of pollution

In 2008 we reported a single category one pollution incident<sup>3</sup>. This represented the third year in succession in which we had reduced serious pollution events. We have achieved this reduction by improving the response time to front-line operations and balancing investment and operational training. We are determined to achieve no category one pollution incidents and then to

Ofwat, our economic regulator, requires us to maintain “stable” serviceability of our underground and above ground assets.

Serviceability assessments consider a range of condition and performance measures, such as blockages, sewer collapses, flooding incidents and bursts.

Our Draft Business Plan focuses on maintaining our assets so that we can continue to deliver a stable and resilient service despite the additional volumes of wastewater.

Our asset base has grown significantly in the last 20 years reflecting both housing growth and quality standard enhancement programmes. Many of these assets will now, or shortly, require maintenance and this will drive the increased investment required to maintain service for 2010-2015.

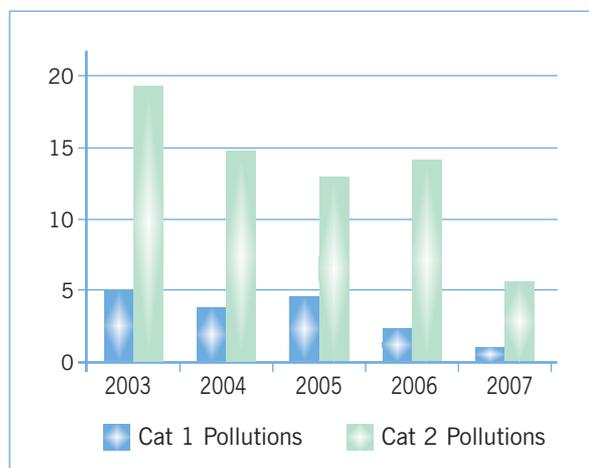
Investment maintenance	
<b>Above ground maintenance investment</b>	
Pumping Stations	£79m
Treatment works	£374m
<b>Below ground investment</b>	
Rising mains	£18m
Sewers	£43m

maintain that improved performance. Sustained investment coupled with continual training is the most cost-effective way to achieve this.

To do this we need to ensure that the sewer network is resilient, both to changing flows resulting from storms and to increased flows from growth in house numbers and population. We have a very detailed modelling approach to assessing and prioritising our investments in this area and we have a programme that delivers the best value.

We intend to increase our renewal rates of pipes made of materials that cause a problem and of mains that have a risk of environmental damage if they burst.

**Pollution incidents**



<sup>3</sup> Category incidents are defined by the Environment Agency with 1 having the biggest environmental impact and 4 being an incident without environmental impact.



Our approach takes into account expected deterioration of our assets and assesses the cost and benefits of the various types of investment (such as replacement, rehabilitation, increase in capacity etc). We also consider the timing of options which enables us to arrive at a programme of optimal cost. By making this sustainable investment with the longer term in mind and by taking careful steps to ensure optimum performance from the assets, we can deliver a sustainable performance of reduced category one and two pollution incidents by 2015.

#### **Wastewater works compliance**

Earlier we explained that, this year, we have achieved stable compliance of our wastewater treatment works for the first time. We need to now

sustain this performance to make our ageing asset base more resilient to the changing environment.

**Do you agree that we should increase sewer renewal rates?**

**Do you support our target for sustainable improvements in compliance?**

# Managing growth in demand for wastewater services

Here we explain the investment required to maintain levels of wastewater service to our existing customers and meet the demand from new housing and commercial development 2010 to 2015.

**In our Draft Business Plan we propose to:**

- Deliver £291 million of investment in sewers and pumping stations to provide for additional growth in the South East
- Deliver £44 million of investment to increase treatment capacity at wastewater treatment works
- Install 317 km of new or larger sewer

Customers and stakeholders told us that we had not explained enough about managing growth and new development when we consulted on our Strategic Direction Statement. Customers particularly wanted to know if our planning made adequate allowances for possible new eco-towns in the South East and for major development in areas like Ashford.

In response, we have used data from several independent sources to assess the location, size and timing of new development. We track the accuracy of our consultants' forecasts against

independent sources, including data published by the Office for National Statistics. To date, we have found them to be robust.

Our plan is built on a catchment by catchment basis and reflects our assessment of known housing developments which are well defined and, therefore, reasonably certain to go ahead. We have also made an allowance for new development which is likely to progress but the location of which is not yet sufficiently defined to develop detailed proposals.

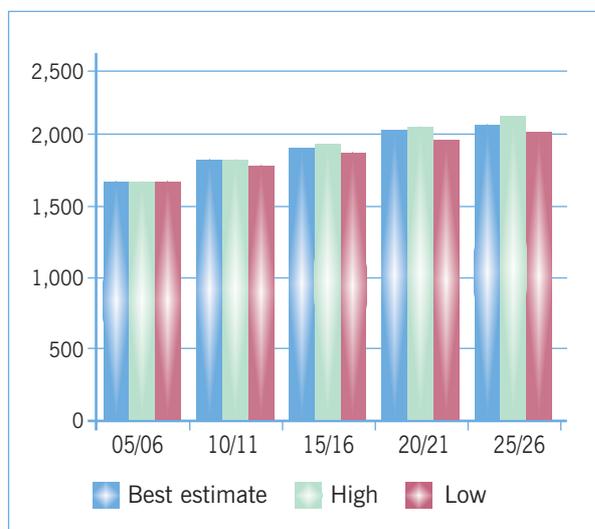
We have included plans for the major development areas including Ashford, Thameside, Maidstone and South Hampshire. We have deferred investment where we consider that progression of development lacks certainty. For example we have not included provision for eco-towns proposed in our area because the Government has not yet decided on their location.

We have taken account of the Government's housing targets for the South East.

Our investment plans are made to meet our statutory duty to provide wastewater services to new development. We do not have the option to refuse infrastructure provision and if we fail to keep pace with infrastructure requirements for new development, levels of service to existing customers are at risk. This includes an increased risk of flooding or the failure to meet discharge consent standards which protect environmental quality.

Our plan, therefore, is to invest so that levels of service are maintained while enabling projected new development and growth without impacting on existing customers. We have adopted a new UK Water Industry Research (UKWIR) methodology, which has been developed specifically to provide a robust base on which to plan for growth and new development.

## Household projections





We are conscious of the current downturn in the housing and construction market, but we need to take a longer term view when forecasting our investment programme.

**Our plan is based on a risk assessment of the latest forecast and assumes less growth than government projections.**

**Do you agree with our stance?**

### **Hartfield Wastewater Treatment Works Environmental Improvements**

*“Schemes such as this at Hartfield make a vital contribution to protect our rivers and streams. Improving the quality of the water recycled back to the environment is an important responsibility for water companies and it is wonderful to see that Southern Water is continuing to improve its sites across the region.”*

Charles Hendry, MP for Wealden

# Recycling waste, energy management and carbon

We currently spend £25 million a year on energy to run our pumping stations and treatment processes. It is a major operating cost and is a serious issue with the current increases in power costs.

### Investment in 2010-2015:

- £50 million to increase power generation from waste
- £40 million to treat an additional 7,000 tonnes of dry sludge per year
- £91 million to maintain our existing sludge treatment work energy prices

We have managed to mitigate the impact of high energy costs during this price period (to 2010) but we will need to return to the market in 2010 to buy power for our future operations and at current prices this will increase our power costs by some £10 million per year.

### Forecast carbon emissions

	Thousand tonnes of CO <sub>2</sub> equivalent
2007/08 data	305
2008/09 base line	309
2014/15 business as usual	338
2014/15 target	278
<b>Carbon reduction required by 2014/15</b>	<b>60</b>

During talks with customers we asked about the importance of reducing our carbon footprint. Customers saw this as a high priority and said they were willing to see changes in their bills if reductions were economically delivered.

In response, we looked at a number of ways of reducing our carbon footprint including Combined Heat and Power (CHP) generation on our wastewater treatment works and wind power to reduce our demands on the national grid.

Ofwat has indicated that they will not allow the development of wind power generation to be

financed through charges to customers. We agree, but would be prepared to work with wind power developers to supply electricity to our sites in appropriate areas.

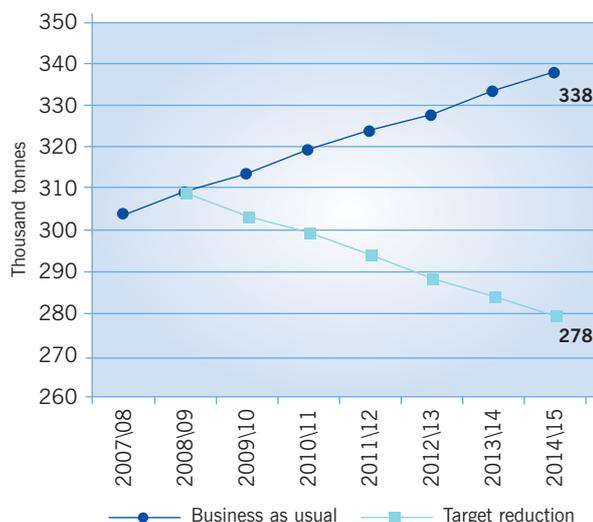
We have looked at generating hydro power by putting turbines on some of our key wastewater pipes and we have budgeted to expand our CHP programme at Brighton and Hove which has just received planning approval in principle.

As well as these more innovative solutions, we have maintained a focus on the basics. We have made provision for careful monitoring of our power consumption across our sites to help us run a power efficient operation on a day-to-day basis.

Although there is a significant upward pressure on our carbon emissions, driven by growth and the higher quality of treatment standards required by legislation, we have set ourselves a target of cutting CO<sub>2</sub> emissions by nearly 60,000 tonnes each year during the period 2010-2015.

The table below shows how we intend to meet this target.

### CO<sub>2</sub> emissions





**Business Plan deliverables to achieve target reduction**

Carbon mitigation activity	Predicted savings Thousand Tonnes of CO <sub>2</sub> equivalent	Capex £m	Cost/tCO <sub>2</sub> saved
Pump performance monitoring	17	5	280
Optimisation of sludge transportation and treatment	15	-	-
General energy savings across the company (assume 5% of total consumption)	12	-	-
Enhanced power consumption monitoring	8	1	121
Water meter – demand reduction	3	-	-
Hydro recovery	3	4	1,297
Real time process control	2	3	1,452
<b>Total</b>	<b>60</b>	<b>13</b>	

Other options which we are continuing to investigate include alternatives such as co-digestion and possible partnerships with local authorities which are investigating recovery of energy from waste or Combined Heat Power (CHP) options.

We have taken on board our customers' views and we have included cost beneficial schemes to reduce our carbon footprint. We welcome your views on our plan.

**Do you support our commitment to reduce our carbon footprint?**

**Should we do more or less?**

**Are there any other areas where we should look to cut our carbon emissions?**

**Margate and Broadstairs Wastewater Treatment Works and Recycling Centre**

*"I have been really impressed that since the work began two years ago, I have not had a single letter of complaint from any of my constituents, which is a wonderful endorsement to the professionalism and dedication of Southern Water and their contractors on this project."*

Roger Gale MP for Thanet North

## The environmental quality programme

The National Environment Programme (NEP) is a set of projects, defined by the Environment Agency in response to the requirements of European legislation. For 2010-2015 the NEP remains a key challenge. Our proposed investment is based upon the draft NEP. We will revise our Final Business Plan to incorporate the Final NEP which is published later this year.

### What's in our plan?

- 329 environmental schemes
- £639 million of investment (inclusive of additional sludge treatment)
- A programme driven by European legislation
- The largest quality improvement programme in the UK

summarised opposite. Investment driven by European legislation amounts to 23 pence of every pound of investment proposed in this Draft Business Plan. We have no option but to comply with these requirements.

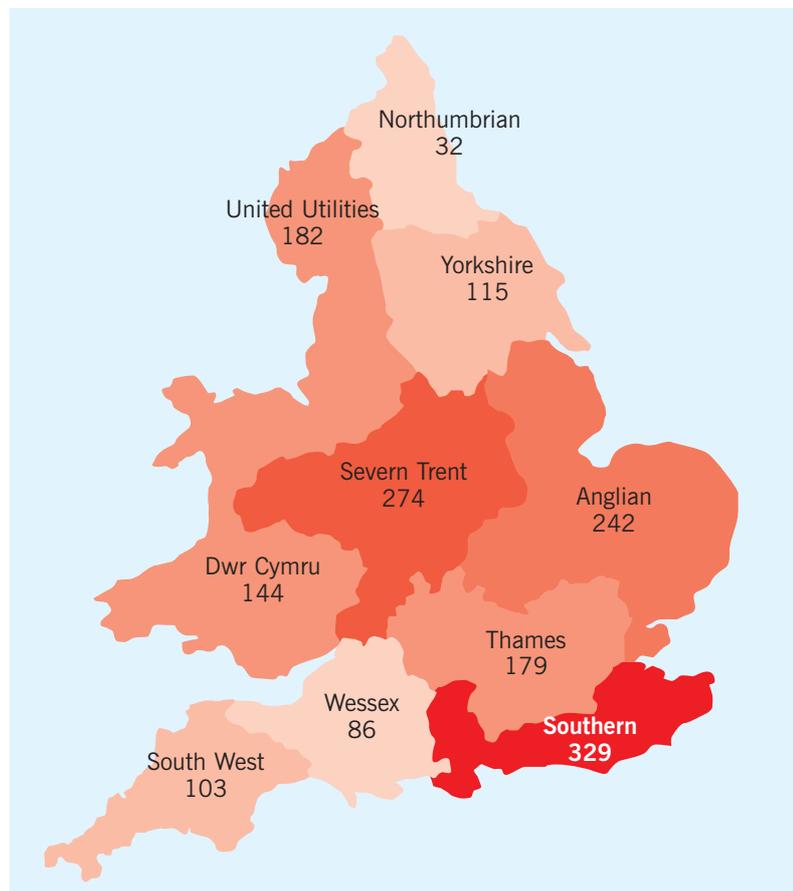
We have had lengthy discussions with the Environment Agency, to gain a better understanding of the National Environment Programme (NEP) and how we can play our part in delivering that programme. These discussions have been helpful and we have made allowances in this Draft Business Plan to deliver all the schemes expected of us with the exception of a proposed reduction in water abstraction on the River Itchen in Hampshire.

The South East of England is relatively densely populated and there are many environmental, ecological and other protection designations at many sites. These include Ramsar sites designated for wildfowl, Sites of Special Scientific Interest, freshwater fisheries, Areas of Outstanding Natural Beauty, marine sites and the like. Many of our activities inevitably have the potential to affect the quality of designated sites.

The environmental regulator, the Environment Agency, has a duty to ensure that designated and other sites are appropriately protected. We, therefore, have duties imposed on us in support of such protection, for which we have to plan cost effective or cost beneficial investments.

Many of the duties to protect sites are driven by EU Directives which have been or will be enacted into UK legislation. These Directives drive significant additional investment into our programme and this is

**National environment programme - total number of actions for each water company**



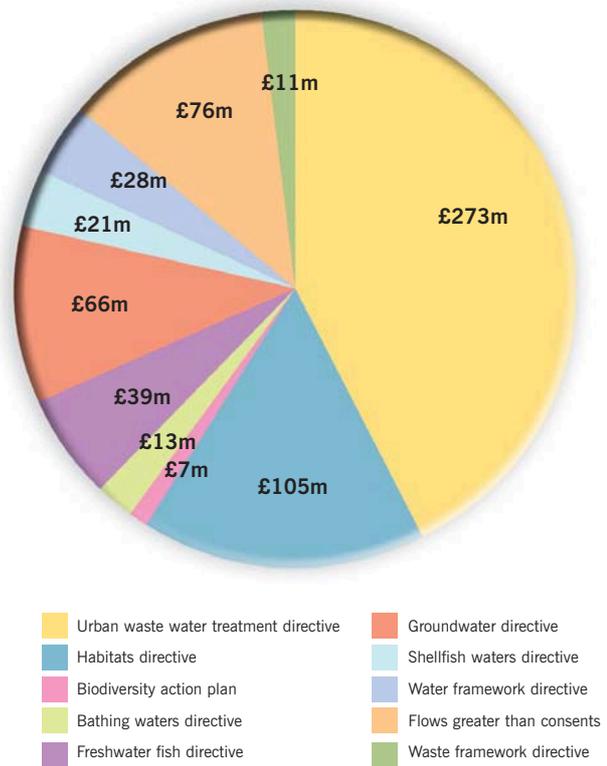
With the proposed reductions we have doubts about whether the significant additional cost (£63 million) to customers is matched by the limited environmental benefits. We have made more appropriate suggestions to the Agency to provide more sustainable protection for the environment. We are still in discussions with the Agency on this specific scheme and we will report in our Final Business Plan in April 2009, our latest thinking on the matter.

Our plan for meeting the requirements of the NEP is to ensure our investment decisions are based upon sound science and that the schemes deliver the anticipated improvements. This has resulted in a number of investigations in the period 2010-2015.

Our Strategic Direction Statement (SDS) prompted a useful debate on the additional carbon cost of introducing additional stages of treatment to achieve higher quality wastewater.

We illustrated where further increases in the treatment processes meant very high carbon emissions whilst more marginal benefits to the water environment.

Investment driven by legislation



### Ham Hill Wastewater Treatment Works Environmental Improvements

*"I welcome the investment to improve the treatment works capacity in Snodland. It is clear that the environmental improvements will be beneficial to the local community and I congratulate Southern Water and their contractors on the way that they have gone about this complex and challenging construction."*

Jonathan Shaw MP for Chatham and Aylesford

## What this means for bills

We have aimed to contain the increase in bills while managing the upward pressures on costs, such as energy and the increased investment required to maintain and enhance services while also meeting the requirements of European legislation. Below, we outline the investment per property that we will make in 2010-2015.

Forecast changes in prices (real)						
Year	2010/11	2011/12	2012/13	2013/14	2014/15	Average
Water (%)	15.0	1.9	1.2	0.1	-0.2	3.4
Wastewater (%)	14.7	3.0	3.3	4.5	-0.3	4.9
<b>Totals</b>	<b>14.8</b>	<b>2.7</b>	<b>2.8</b>	<b>3.4</b>	<b>-0.3</b>	<b>4.5</b>

### Key Information

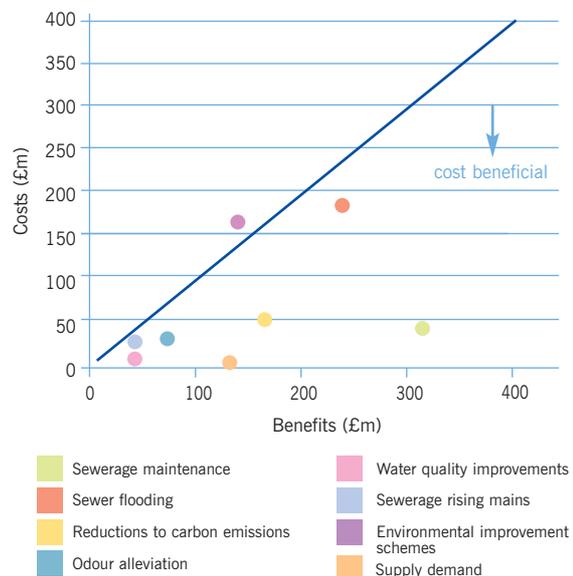
- Increased operational costs, such as power, are putting pressure on customer charges in the first year
- Bills would thereafter be broadly stable were it not for the required investment arising from the National Environment Programme

In our SDS we said that we would develop our Draft Business Plan with the intention of holding prices in line with inflation before considering the investment driven by the National Environment Programme. Having developed the detail of our Draft Business Plan there are a number of factors that have combined to counter this aim as follows:

- On the basis of the current market, the cost of energy will increase our operating costs by some £10 million per year
- Bills are significantly lower in 2009-10 than we forecast at the last price review which makes the increase in 2010-11 look larger than it otherwise would have been
- The investment programme, represents an increase of some 25% on the previous five-year period. A large part of the programme is driven by legislative improvements in which we have little choice.

Where assessed, our investment plan is “cost beneficial”, that is to say, for the programmes we have included in this Draft Business Plan, the benefits that customers receive from service improvements out-weigh the costs of delivering that service.

### Costs ‘v’ benefits



We are now a very lean company having delivered continued operational efficiencies in 2008. We will always seek out further efficiencies but not at the risk of service levels to customers.

**Do you agree with our proposed package and pace of improvements?**

**Overall, having read this summary, do you support this plan?**

## Competition

Ofwat is currently consulting on its review of competition for the water industry. It is evident that the approach of introducing competition to the large customer retail market has not succeeded because no eligible consumers have yet switched suppliers.

We think that the vertically integrated model for organisations with large capital costs and significant shared costs, for example billing for water and wastewater services together, is the most efficient approach.

A single network in the South East, controlled by one water company would efficiently allow surplus water to be moved around the region to assist water stressed areas.

We see this as a sensible way forward, putting the needs of customers at the heart of the operation. We support competition in all areas of the supply chain and we have explained that to some extent in this document.

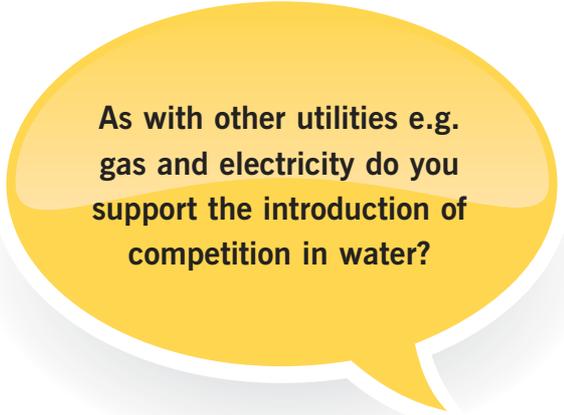
We recognise the core skills we have but we also go to the market to procure a range of skills that it is not efficient to keep in house. We believe this provides effective competition in the supply chain.

Our customers want to have reliable water supplies at an efficient price. Competition needs to offer customers choice of service and price.

Competition represents a significant opportunity for the industry and offers the potential for delivering greater innovation and choice for customers. However, it is important that the risks associated with its introduction are carefully managed so that the costs of competition do not outweigh the benefits. We note that:

- In difficult market conditions, continued uncertainty about the direction and scope for competition in the industry may increase financing costs for water services
- The proposals for accounting separation and splitting of price limits from 2015 represent potential risks to investors, for which they may require remuneration.

A review of the recent Water Industry Commissions report presented by the Regulatory Policy Institute suggested that competition will provide opportunity for innovation but this innovation may come at a cost which would need to be recovered from customers.



**As with other utilities e.g. gas and electricity do you support the introduction of competition in water?**

### So what do you think of our plan?

Thank you for taking the time to read this document. The following pages provide the summary data tables as submitted to Ofwat to support our Draft Business Plan submission. Please refer to the inside back cover where we have a summary of the key questions on which we would like your feedback.



# Appendices

**Table 1: Price limits, bills, water sales and supply/demand balance**

Line description	Units	AMP4			AMP5				
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>A Price limits &amp; infrastructure charge limit</b>									
1 Proposed price limit "K" (including U)	nr	2.9	4.9	2.8	14.8	2.7	2.8	3.4	-0.3
2 Water service indicative "K"	nr	2.9	1.7	0.2	15.0	1.9	1.2	0.1	-0.2
3 Sewerage service indicative "K"	nr	2.9	6.0	3.7	14.7	3.0	3.3	4.5	-0.3
4 Proposed infrastructure charge limit - water service	£	276.81	276.81						
5 Proposed infrastructure charge limit - sewerage service	£	276.81	276.81						
6 RPI year by year assumption	%	3.9	4.3	4.1	2.6	2.5	2.5	2.5	2.5
<b>B Projected household bills - water service</b>									
7 Typical unmeasured h'hold bill (base yr avg chg) - real terms	£	122.14	124.94	130.08	152.69	155.93	158.24	158.94	158.74
8 Typical measured h'hold bill (base yr avg chg) - real terms	£	109.80	113.09	111.17	124.27	126.42	127.76	127.74	127.40
9 Average household bills - real terms	£	117.60	119.55	121.83	140.66	143.86	145.66	145.94	145.67
10 Average household bills - nominal terms	£	117.60	124.66	132.25	156.66	164.23	170.44	175.04	179.09
<b>C Projected household bills - sewerage service</b>									
11 Typical unmeasured h'hold bill (base yr avg chg) - real terms	£	227.88	240.77	256.03	290.76	300.07	311.58	327.72	319.97
12 Typical measured h'hold bill (base yr avg chg) - real terms	£	176.14	190.52	189.86	217.56	223.29	229.30	237.69	239.92
13 Average h'hold bills - real terms	£	210.05	222.48	230.30	260.57	266.79	273.24	282.80	280.65
14 Average h'hold bills - nominal terms	£	210.05	231.99	249.99	290.20	304.56	319.73	339.18	345.03
<b>D Water sales &amp; supply/demand balance</b>									
15 Billed water delivered	MI/d	483.85	487.22	487.83	485.40	483.06	480.77	478.58	476.45
16 Total volume of sewage collected	MI/d	798.30	781.60	779.91	776.64	774.10	757.10	755.10	751.80
17 Total water available for use baseline (dry year annual average)	MI/d	724.81	718.84	718.40	721.43	727.70	735.11	737.51	744.07
18 Distribution input (dry year annual average)	MI/d	620.14	620.57	621.13	618.50	614.95	611.15	607.09	603.45
19 Total leakage	MI/d	83.01	83.14	83.14	83.14	82.13	80.79	79.11	77.77
20 Total water savings achieved or assumed from company's water efficiency strategy	MI/d	5.28	5.28	5.28	1.00	1.00	1.00	1.00	1.00

**Table 2: Water service - Current performance & planned outputs**

Line description	Units	Level of performance 2002-03	Level of performance 2007-08	Level of performance by 2014-15	Level of performance by 2019-20
<b>A Service performance</b>					
1 DG2 Properties at risk of receiving low pressure	nr	548	386	385	
2 DG3 Supply interruptions (overall performance score)	nr	0.3	0.2	0.2	
3 DG6 % billing contacts dealt with within 5 days	%	98.3	96.7	99.5	
4 DG7 % written complaints dealt with within 10 days	%	99.9	64.8	99.5	
5 DG8 % metered customers receiving bill based on a meter reading	%	99.7	99.5	99.9	
6 DG9 % calls abandoned	%		19.9	4.0	
7 DG9 % calls receiving the engaged tone	%		21.4	1.0	
8 Security of supply index (dry year annual average - planned levels of service)	%	55	96	100	
9 Security of supply index (critical index)	%		99	100	
<b>B Quality &amp; environmental compliance</b>					
10 % distribution input covered by section 19 undertakings at water treatment works	%		0.00	0.00	
11 % distribution input not affected by section 19 undertakings or temporary relaxations or Authorised Departures	%	97.58	100.00	100.00	
12 % of properties in water supply zones affected by section 19 undertakings in distribution or Authorised Departures	%		0.00	0.00	
13 % mean zonal compliance with drinking water regulations	%		99.95	99.98	
<b>C Serviceability to customers (maintaining asset systems fit for purpose)</b>					
14 Below ground assets assessment - infrastructure pipelines	text	STABLE	STABLE	STABLE	STABLE
15 Surface assets assessment (non infrastructure)	text	STABLE	STABLE	STABLE	STABLE
<b>D Carbon Accounting</b>					
16 Carbon emissions produced in providing the service in 2014-15	ktonnes/year			71.0	
17 Other GHG emissions ( as CO2e) produced in providing the service in 2014-15	ktonnes/year			2.7	

**Table 3: Sewerage service - Current performance & planned outputs**

Line description	Units	Level of performance 2002-03	Level of performance 2007-08	Level of performance by 2014-15	Level of performance by 2019-20
<b>A Service performance</b>					
1 DG5 properties at risk of flooding (2 in 10 years)	nr	139	77	47	25
2 DG5 properties at risk of flooding (1 in 10 years)	nr	373	174	94	83
3 D5 properties at risk of internal flooding (1 in 20 years)	nr		133	203	286
4 Properties internally flooded in year due to overloaded sewers excluding severe weather	nr		52	35	35
5 DG5 properties internally flooded in year due to other causes	nr	299	259	210	210
6 Areas flooded externally due to overloaded sewers, excluding severe weather	nr		617	470	470
7 Areas externally flooded in year due to other causes	nr		3,455	4,500	4,500
<b>B Quality &amp; environmental compliance</b>					
8 % Intermittent discharges unsatisfactory	%	87.5	99.4	100.0	
9 % Bathing waters not meeting "excellent" quality	%		43.9	43.9	
10 % Bathing waters not meeting "good" quality	%		17.0	17.0	
11 % Bathing waters not meeting "sufficient" quality	%		7.3	4.8	
12 % of sewage treatment works non compliant (Water Resources Act numeric consents)	%		0.60	0.20	
13 % of sewage treatment works non compliant (Urban Waste Water Treatment Directive consents)	%		0.70	0.20	
14 % of total p.e. served by sewage treatment works in breach of Water Resources Act consent (LUT)	%		0.00	0.00	
15 % of total p.e. served by sewage treatment works in breach of Urban Waste Water Treatment Directive consents (LUT)	%		0.00	0.00	
<b>C Serviceability to customers (maintaining asset systems fit for purpose)</b>					
16 Below ground assets assessment (infrastructure)	text	STABLE	STABLE	STABLE	STABLE
17 Surface assets assessment (non-infra)	text	STABLE	STABLE	STABLE	STABLE
<b>D Carbon Accounting</b>					
18 Carbon emissions produced in providing the service in 2014-15	ktonnes/year			124.8	
19 Other GHG emissions (as CO2e) produced in providing the service in 2014-15	ktonnes/year			78.8	

**Table 4: Water service - Key activity projections**

Line description	Units	Activity in AMP5 period relating to base service	Activity in AMP5 period relating to enhancements	Total planned activity in AMP5 period	Profile of activity	Total planned activity in AMP6 period
<b>A Key activity projections - water resources</b>						
1 Length of raw water aqueducts refurbished	km	0.0	1.0	1.0	s	0.0
2 Work on dams & impounding reservoirs	nr	0	0	0	s	4
3 Capital investment in aqueducts, dams and impounding reservoirs	£m	0.000	0.580	0.580	s	5.000
<b>B Key activity projections - water treatment</b>						
4 Number of refurbished or new treatment works	nr	13	3	16	s	13
5 MI/day of refurbished or new treatment works	MI/d	188.00	46.00	234.00	s	90.00
6 Capital investment in refurbished or new treatment works	£m	139.700	28.447	168.147	s	106.306
<b>C Key activity projections - water distribution</b>						
7 Length of mains renewed	km	350.7	103.0	453.7	s	372.0
8 Length of mains relined	km	0.0	0.0	0.0	s	4.1
9 Length of new mains	km	150.0	0.0	150.0	s	150.0
10 Number of refurbished or new district meters & pressure control valves	nr	40	0	40	s	40
11 Capital investment in underground water distribution activity (incl investment in meters reported in Block E of this table)	£m	168.025	187.638	355.663	s	351.306
12 Number of refurbished or new pumping stations	nr	87	2	89	s	60
13 Capital investment in refurbished or new pumping stations	£m	20.667	0.000	20.667	s	15.677
14 Number of refurbished or new service reservoirs	nr	34	1	35	s	34
15 Capital investment in refurbished or new service reservoirs	£m	16.637	15.290	31.927	s	19.482
<b>D Key activity projections - management &amp; general</b>						
16 Offices, labs, depots, workshops	m <sup>2</sup>	0.0	0.0	0.0	s	0.0
17 Capital investment in offices, labs, depots, workshops and vehicles	£m	0.000	0.000	0.000	s	0.000
18 Capital investment in instrumentation, control and automation (ICA), telemetry & computers	£m	26.791	0	26.791	s	16.240
<b>E Key activity projections - metering performance</b>						
19 Number of household meters renewed	nr			81,000	s	95,000
20 Optional meters: households	nr			0	s	0
21 Selective meters: households	nr			527,816	s	0
22 Percentage of households metered (at the end of the period)	%			93	s	93
<b>F Total - water service</b>						
23 Total capital investment in the water service	£m	372.632	246.288	618.920		514.011

**Table 5: Sewerage service - Key activity projections**

Line description	Units	Activity in AMP5 period relating to base service	Activity in AMP5 period relating to enhancements	Total planned activity in AMP5 period	Profile of activity	Total planned activity in AMP6 period
<b>A Key activity projections - sewers</b>						
1 Length of critical sewers renewed	km	48.7	0.0	48.7	s	48.0
2 Length of critical sewers renovated	km	0.0	0.0	0.0	s	0.0
3 New critical sewers	km	4.0	46.2	50.2	s	94.0
4 Length of non-critical sewers renewed	km	9.0	3.4	12.4	s	15.8
5 Length of non-critical sewers renovated	km	2.0	2.2	4.2	s	11.9
6 New non-critical sewers	km	6.5	259.8	266.3	s	595.1
7 Capital investment in critical and non-critical sewers	£m	208.485	405.016	613.501	s	661.349
8 Number of refurbished or new intermittent discharges	nr	0	51	51	s	70
9 Capital investment in refurbished or new intermittent discharges	£m	0.000	17.536	17.536	s	13.476
<b>B Key activity projections - sewage treatment &amp; disposal.</b>						
10 Number of refurbished or new treatment works	nr	100	171	271	s	128
11 Population equivalent of refurbished or new treatment works	000	1,000.00	1,500.00	2,500.00	s	2,600.00
12 Capital investment in refurbished or new treatment works	£m	538.031	558.462	1,096.493	s	1,178.809
13 Number of refurbished or new sludge treatment works	nr	2	0	2	p5	2
14 Capital investment in refurbished or new sludge treatment works	£m	103.748	1.000	104.748	p5	169.482
<b>C Key activity projections - sewerage service</b>						
15 Number of refurbished or new pumping stations	nr	51	47	98	s	93
16 Capital investment in refurbished or new pumping stations	£m	85.039	108.878	193.917	s	209.169
17 Number of refurbished or new sea outfalls	nr	0	3	3	s	5
18 Capital investment in refurbished or new sea outfalls	£m	0.000	0.300	0.300	s	0.500
<b>D Key activity projections - management &amp; general</b>						
19 Offices, labs, depots, workshops	m <sup>2</sup>	0.0	0.0	0.0	s	0.0
20 Capital investment in offices, labs, depots, workshops and vehicles	£m	0.000	0.000	0.000	s	0.000
21 Capital investment in instrumentation, control and automation (ICA), telemetry & computers	£m	96.883	0.000	96.883	p1	100.000
<b>E Total - sewerage service</b>						
22 Capital investment in the sewerage service	£m	1,032.186	1,091.192	2,123.378		2,332.785

**Table 6: Price limits, bills, water sales and supply/demand balance**

Line description	Units	AMP3		AMP4			AMP5					
		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>A Operating expenditure outperformance since PRO4</b>												
1 Water operating expenditure outperformance	£m	3.7271	5.642	0.000	5.689	7.364						
2 Water outperformance as a % of regulatory expectations	%	5.2	7.8	0.0	7.8	10.0						
3 Total adjusted water opex incentive revenue allowance	£m						7.610	6.227	6.227	2.131	0.925	
4 Sewerage operating expenditure outperformance	£m	0.000	2.770	0.000	0.000	6.049						
5 Sewerage outperformance as a % of regulatory expectations	%	0.0	2.1	0.0	0.0	4.4						
6 Total adjusted sewerage opex incentive revenue allowance	£m						6.350	4.355	4.355	4.355	0.000	
<b>B Capital expenditure outperformance since PRO4</b>												
7 Water service capex outperformance	£m	1.124	5.330	-13.025	3.422	7.329	8.783					
8 Water service capex outperformance as a % of regulatory expectations	%	2.8	12.7	-20.4	7.0	15.4	19.5					
9 Sewerage service capex outperformance	£m	64.370	-0.681	-35.342	9.403	61.032	87.859					
10 Sewerage service capex outperformance as a % of regulatory expectations	%	35.8	-0.3	-9.8	3.1	20.4	28.2					
<b>C Water service - overall compounded efficiency improvements</b>												
11 Operating expenditure (base service)	%					2.00	2.00	2.49	2.98	3.46	3.95	4.43
12 Operating expenditure (enhancements)	%					2.00	2.00	2.49	2.98	3.46	3.95	4.43
13 Capital maintenance expenditure - infrastructure	%					0.00	0.00	0.50	1.00	1.49	1.99	2.48
14 Capital maintenance expenditure - non-infrastructure	%					0.00	0.00	1.00	1.99	2.97	3.94	4.90
15 Capital enhancement expenditure - infrastructure	%					0.00	0.00	0.50	1.00	1.49	1.99	2.48
16 Capital enhancement expenditure - non-infrastructure	%					0.00	0.00	1.00	1.99	2.97	3.94	4.90
17 Capital enhancement expenditure - meters	%					0.00	0.00	1.00	1.99	2.97	3.94	4.90
<b>D Sewerage service - overall compounded efficiency improvements</b>												
18 Operating expenditure (base service)	%					2.00	2.00	2.98	3.95	4.91	5.86	6.80
19 Operating expenditure (enhancements)	%					2.00	2.00	2.98	3.95	4.91	5.86	6.80
20 Capital maintenance expenditure – infrastructure	%					0.00	0.00	1.00	1.99	2.97	3.94	4.90
21 Capital maintenance expenditure – non-infrastructure	%					0.00	0.00	2.00	3.96	5.88	7.76	9.61
22 Capital enhancement expenditure – infrastructure	%					0.00	0.00	1.00	1.99	2.97	3.94	4.90
23 Capital enhancement expenditure – non-infrastructure	%					0.00	0.00	2.00	3.96	5.88	7.76	9.61

**Table 7: Water service - Expenditure projections**

Line description	Units	AMP4				AMP5			
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>A Base service levels (£/property served)</b>									
1 Operating expenditure to maintain current services to consumers	£/prop	72.26	66.22	67.04	73.01	72.25	73.21	73.36	72.02
2 Expenditure on pipelines, dams and aqueducts to maintain current services to consumers - "infrastructure"	£/prop	24.41	25.95	11.72	30.19	29.73	29.32	29.50	30.93
3 Expenditure on surface assets (includes abstraction, treatment, pumping and service storage) to maintain current services to consumers - "non-infrastructure"	£/prop	28.58	15.44	18.02	37.84	36.75	32.17	32.38	46.23
<b>B Enhanced service levels (£/property served)</b>									
4 Additional operating expenditure for improving services to consumers	£/prop	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5 Additional capital expenditure for improving services to consumers	£/prop	0.00	0.37	0.00	0.00	0.00	0.00	0.00	0.00
<b>C Supply/demand balance (£/property served)</b>									
6 Additional operating expenditure to continue to maintain and improve the balance between the water available and the demand from consumers	£/prop	0.00	0.00	0.00	0.08	0.39	0.70	1.01	1.31
7 Additional capital expenditure to continue to maintain and improve the balance between the water available and the demand from consumers	£/prop	15.84	18.91	9.42	27.40	27.99	30.08	30.48	27.23
<b>D Quality enhancements (£/property served)</b>									
8 Additional operating expenditure to meet new environmental and water quality standards	£/prop	0.00	0.00	0.01	0.01	0.01	0.04	0.04	0.04
9 Additional capital expenditure to meet new environmental and water quality standards	£/prop	1.68	0.13	0.07	6.13	14.22	14.68	18.62	12.65
<b>E Enhancements - large projects (£/property served)</b>									
10 Additional operating expenditure for large projects	£/prop	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11 Additional capital expenditure for large projects	£/prop	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>F Water service totals (£/property served)</b>									
12 Total operating expenditure	£/prop	72.26	66.22	67.06	73.10	72.66	73.95	74.40	73.36
13 Total capital expenditure excluding grants and contributions	£/prop	70.51	60.80	39.23	101.55	108.69	106.25	110.98	117.04
14 Average connected properties (excluding empty properties)	000	1,006.17	1,022.42	1,032.42	1,042.43	1,053.13	1,063.83	1,074.53	1,085.24
<b>G Water service totals (£m)</b>									
15 Total operating expenditure	£m	72.708	67.701	69.230	76.198	76.518	78.670	79.941	79.614
16 Total capital expenditure excluding grants and contributions	£m	70.945	62.166	40.503	105.862	114.465	113.033	119.256	127.014
17 Forecast capital expenditure real price effect (RPE)	%	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
18 Total capital expenditure (2007-08 cost terms) excluding grants and contributions	£m	70.300	62.166	40.503	105.862	114.465	113.033	119.256	127.014
19 Total capital grants, contributions and compensation for abstractions	£m	5.181	6.776	5.978	4.750	4.750	4.750	4.750	4.750

**Table 8: Sewerage service - Expenditure projections**

Line description	Units	AMP4				AMP5			
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>A Base service levels (£/property served)</b>									
1 Operating expenditure to maintain current services to consumers	£/prop	81.59	73.18	74.01	81.28	80.40	81.70	82.30	80.66
2 Expenditure on below ground assets (includes sewers and storm overflows) to maintain current services to consumers - "infrastructure"	£/prop	13.02	7.43	5.80	13.89	15.51	16.65	23.52	30.59
3 Expenditure on surface assets (includes sewage treatment & disposal and pumping) to maintain current services to consumers - "non-infrastructure"	£/prop	82.44	54.74	28.31	75.30	55.75	84.01	106.47	88.44
<b>B Enhanced service levels (£/property served)</b>									
4 Additional operating expenditure for improving services to consumers	£/prop	0.00	0.00	0.04	0.08	0.08	0.08	0.08	0.08
5 Additional capital expenditure on improving services to consumers	£/prop	11.84	20.94	12.26	10.73	10.52	12.03	19.66	28.39
<b>C Supply/demand balance (£/property served)</b>									
6 Additional operating expenditure to continue to accommodate and deal with increased waste water from consumers	£/prop	0.00	0.01	0.01	0.55	0.54	0.58	0.85	0.87
7 Additional capital expenditure to continue to accommodate and deal with increased waste water from consumers	£/prop	11.23	22.43	12.25	5.46	18.16	22.03	29.50	56.86
<b>D Quality enhancements (£/property served)</b>									
8 Additional operating expenditure to meet new environmental standards	£/prop	0.00	0.08	0.13	1.70	1.67	2.98	12.07	11.99
9 Additional capital expenditure to meet new environmental standards	£/prop	56.01	49.33	53.57	71.89	114.13	95.94	19.72	25.09
<b>E Enhancements - large projects (£/property served)</b>									
10 Additional operating expenditure for large projects	£/prop	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11 Additional capital expenditure for large projects	£/prop	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>F Sewerage service totals (£/property served)</b>									
12 Total operating expenditure	£/prop	81.59	73.27	74.20	83.61	82.68	85.34	95.30	93.59
13 Total capital expenditure excluding grants and contributions	£/prop	174.54	154.86	112.19	177.27	214.07	230.66	198.87	229.36
14 Average connected properties (excluding empty properties)	000	1,790.956	1,807.829	1,824.434	1,841.038	1,859.933	1,878.828	1,897.722	1,916.617
<b>G Sewerage service totals (£m)</b>									
15 Total operating expenditure	£m	146.120	132.468	135.364	153.932	153.780	160.334	180.850	179.374
16 Total capital expenditure excluding grants and contributions	£m	312.589	279.967	204.681	326.361	398.155	433.364	377.393	439.599
17 Forecast capital expenditure real price effect (RPE)	%	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
18 Total capital expenditure (2007-08 cost terms) excluding grants and contributions	£m	309.748	279.967	204.681	326.361	398.155	433.364	377.393	439.599
19 Total grants and contributions received by companies from third parties	£m	5.126	5.550	5.550	5.650	5.650	5.650	5.650	5.650

**Table 9: Financial projections**

Line description	Units	AMP5		
		AMP4 2007-08	2013-14	2014-15
<b>A Current cost profit &amp; loss and financial indicators</b>				
1 Turnover	£m	610	834	1,016
2 Operating costs	£m	192	252	313
3 Capital charges	£m	229	327	394
4 Operating profit	£m	175	95	118
5 Regulatory capital value-year end	£m	3,319	3,612	4,285
6 Pre tax return on regulatory capital value	%	5.3	6.6	6.2

**Table 10: Water and sewerage services - Summary of justification of company investment proposals**

Line description	Units	Contribution to annual average household bill in 2014-15	Net present value of costs arising from investment proposals in 2010-15	Net present value of benefits arising from investment proposals in 2010-15	Capital expenditure proposed for 2010-15	Operating expenditure in 2014-15
		£/year	£m	£m	£m	£m/year
<b>A Water Service</b>						
1 The total plan for the water service 2010-15		6	1,241	35	596	4
2 Water service - Investment proposals demonstrated to be cost-beneficial		0	3	35	3	0
3 Water Service - Investment proposals demonstrated to be non-cost-beneficial		0	0	0	0	0
4 Water service - Investment proposals not assessed		6	1,238	0	593	4
<b>B Sewerage Service</b>						
6 The total plan for the sewerage service 2010-15		22	2,904	1,071	2,032	28
7 Sewerage service - Investment proposals demonstrated to be cost-beneficial		1	190	991	135	2
8 Sewerage service - Investment proposals demonstrated to be non-cost-beneficial		3	374	80	195	6
9 Sewerage service - Investment proposals not assessed		18	2,340	0	1,702	20

## Next Steps

We will continue to refine this plan between now and April 2009, when we submit our final business plan to Ofwat. We are consulting on the content of this plan for 12 weeks until the 31st October 2008.

Please take this opportunity to give us your feedback. We welcome your views on any aspect of this plan and in particular on the questions we raise which are summarised here for your convenience.

### Drinking Water

Previous customer feedback says:

- You support our aim for all drinking water to meet Drinking Water Inspectorate standards
- You agree with our plans to remove lead pipes from our network
- You support an increase in renewing mains

Do you support our proposals to improve the quality of water?

Do you support the need to further enhance the resilience of critical abstraction points in our network?

### Metering

This chapter explained our aims to:

- Install over 500,000 meters by 2015 to achieve full metering
- Integrate the communication pipe replacement programme
- Continue our water efficiency education/promotion programme

Do you support our efficient pace of metering to achieve full coverage by 2015?

### Leakage

Continued and proactive maintenance of the underground network is critical to the success of delivering reliable services to your home. Our network requires increased investment to maintain the current levels of service.

Do you support the continuing drive to reduce leakage from today's level of 15% towards the SDS target of 10%?

Are we right to increase the speed of our network renewal programme?

### Sewer Flooding

We explained our determination to reduce the devastating effects of sewer floods to properties.

Should we go further and invest to reduce the 1 in 20 year register and the external flooding register?

### Pollution

We want to eliminate the risk of serious pollution incidents and sustain the improved compliance of our wastewater treatment works.

Do you agree that we should increase sewer renewal rates?

Do you support our target for sustainable improvements in compliance and reduced pollution incidents?

### Growth

Government targets for house building in the south east will put pressure on existing water supplies. We need to predict the future impact of these developments and build infrastructure to accommodate all eventualities.

Our plan is based on a risk assessment of the latest forecast and assumes less growth than the optimistic government projections.

Do you agree with our stance?

### Recycling Waste

We want to run a power efficient operation and cut our carbon emissions significantly between 2010-2015.

Do you support our commitment to reduce our carbon footprint?

Should we do more or less?

Are there any other areas where we should look to cut our carbon emissions?

### The environmental quality programme

We explained that further increases in the water treatment processes were accompanied by very high carbon emissions, while the benefits to the water environment were more marginal.

And we spoke about forthcoming legislation in the National Environment Programme.

Did you realise the impact of these quality obligations on our programme?

### What this means for bills

We have aimed to improve services whilst managing the upward pressure on bills. We aim to do this through the lower cost of financing compared to the previous five-year period, and the phased programme of investments over a longer period of time.

Do you agree with our proposed package and pace of improvements?

Overall, having read this summary, do you support this plan?

### Competition

Ofwat are currently consulting on their review of competition for the water industry. It is evident that the approach of introducing competition to the retail market has not succeeded because no eligible consumers have switched suppliers.

As with other utilities e.g. gas and electricity do you support the introduction of competition in water?

Please address your comments to the address below or e-mail to: [PR09@southernwater.co.uk](mailto:PR09@southernwater.co.uk)

**PR09 Consultation**  
Southern House  
Yeoman Road  
Worthing  
West Sussex  
BN13 3NX

If you would like any further information please contact:

Southern Water  
Southern House  
Yeoman Road  
Worthing  
BN13 3NX

[www.southernwater.co.uk](http://www.southernwater.co.uk)

Email: [customerservices@southernwater.co.uk](mailto:customerservices@southernwater.co.uk)



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PR09 Consultation  
Southern Water  
Shouther House  
Yeoman Road  
Worthing  
BN13 3NX

**Strategy and Planning Division**

Invicta House  
County Hall  
Maidstone  
Kent ME14 1XX  
Tel: 01622 221605  
Fax: 01622 221635

Email: liz.shier@kent.gov.uk  
Ask for: Liz Shier  
Your Ref:  
Our Ref: P/WA/1/1  
Date: 28<sup>th</sup> September 2008

Dear Mr Dawson,

**A Summary of Southern Water's Draft Business Plan for 2010-15**

The County Council welcomes the opportunity to comment on Southern Water Services (SWS) Summary Draft Business Plan, however it would have been more useful if the main document had been included in the consultation as in a number of places KCC request clarification and explanation in places, which may already be provided in the main document.

The County Councils key concern is that the cost of new infrastructure is not passed on to Kent's residents. The Business Plan states that an increase of about 25% compared to the previous five year period from 2005-10 is identified for investment. It is expected that bills will need to increase above inflation to pay for investment and the increase in energy bills (page 5). It does not mention the aim of SWS to reduce water use and leakage, which should help to offset to some extent the rise in costs.

Page 5 states that increasing energy prices are a major cost to SWS business but every attempt should be taken to reduce energy and use more renewable sources of energy.

Appendix A of this letter includes a slide that was presented by SWS at a presentation at Bridgewood Manor on 17<sup>th</sup> Sept 2008 which appears to differ from the figures found on Page 5 and Page 13 of the consultation document. Page 5 demonstrates how average household bills for water and wastewater will increase between 2010 and 2015 as summarised below in Table 1. Appendix A however shows that in 2010/11 the average bill for water is £122 rising to £146 in 2014/15 and for wastewater the average bill in 2010/11 will be £230 rising to £281 in 2014/15. The figures presented in the slide show a much steeper increase in customer bills which doesn't appear to have been reflected in the summary document and it is not clear why there is a discrepancy.

**Table 1 Average Household Bills**

	2010/11	2011/12	2012/13	2013/14	2014/15
Water	£140.66	£143.86	£145.66	£145.94	£145.67
Wastewater	£260.57	£266.79	£273.24	£282.80	£280.65

Definitions of the term 'Growth', used in the table on page 13, and 'supply demand' used in the pie chart on page 13 and page 32 are needed.

Page 13 describes how the draft investment programme is reflective of customer priorities, the County Council are concerned this democratic prioritisation process which allows customers to pick and choose what they are prepared to pay for seems far too simplistic and does not look at the problem strategically. Under this approach it is hard to see how problems such as sewer flooding that are severe but affect relatively few customers can be compared with issues such as leakage that concern all customers.

## **SWS Consultation Questions**

### **Drinking Water Quality**

*Do you support our proposals to improve the quality of water? Do you support the need to further enhance the resilience of critical abstraction points in our network?*

This seems a reasonable approach.

In the text however reference is made to the inclusion of £11million in the Business Plan for enhancing treatment at four water supply works, it would be useful to refer to these works in the text.

### **Metering, Water Efficiency, Communication and Supply Pipes**

*Do you support our efficient pace of metering to achieve full coverage by 2015?*

The County Council welcomes the commitment to metering before the development of additional water resources, which are planned for later on in the 25 yr period. However planning for water resources does have long lead in times, therefore careful monitoring of the impact of metering will need to take place in case the demand for water does not reduce as much as expected and additional water resources are needed earlier than planned.

The County Council would wish to see appropriate tariffs implemented to ensure that vulnerable families in Kent are not subjected to higher bills. SWS states that they will be reviewing metered tariffs to ensure that customers can influence and reduce their bills which is welcomed. SWS state on page 17 that they will consider rising block and seasonal tariffs to ensure that essential and discretionary use of water is appropriately priced, KCC would welcome this and it should be included, although the SWS dWRMP considers that having a seasonal tariff would require smart meters and suggest that it is unlikely that a seasonal tariff structure would be feasible before 2025.

On page 16 one of the listed "Key benefits" of metering is "it improves water efficiency". But SWS draft Water Resource Management Plan (dWRMP) is based on 0% growth in per capita consumption (pcc). Given that SWS are planning widespread metering it is not clear why this doesn't translate into pcc reduction. This is also the case for "Managing demands" on page 20.

The blue box on page 17 refers to a reduction in water consumption by business customers. Services for business customers do not translate into any water saving as dWRMP assumed no change in non-domestic consumption throughout the 25 year plan period.

Page 34 last line - OFWAT is consulting on water efficiency targets for companies. They are proposing a minimum of 1 MI/d for all companies. It appears that SWS are planning to scale back

to only meeting this minimum. KCC strongly oppose this and it is inconsistent with what SWS say about the importance of managing demand.

## **Leakage**

*Do you support the continued drive to reduce leakage from today's level of 15% towards the SDS target of 10%? Are we right to increase the speed of our network renewal programme?*

Continued reduction of leakage is important and KCC support continued work on this and support the increased network renewal programme in principle but it would be helpful to have some analysis of its impact on costs and customer bills included in the Business Plan.

## **Water Resource Development**

SWS pose questions on each of the other sections in this document but not this one which is one of the areas which causes most debate, as further water resource development will require considerable investment and will impact on customer bills.

It is not clear from the text what specific water resource developments are anticipated. The County Council would want SWS to identify sites that they expect will come forward in the long term to ensure that they are incorporated into the appropriate plans including the Regional Spatial Strategy and Local Development Documents.

Page 20 last para - given the odd geography of company responsibilities in the Eastern Sub-Region, "consulting with other water companies" is simply not enough, joint planning between the water companies is critical to ensure optimal solutions are found.

Page 21 top right it states "We adapt to climate change by supporting water efficiency...." it is not clear what is meant by this and in our view it does not go far enough.

Page 21 bullet point 3 in the box states "...improving pipeline links between separate systems". It is KCCs view that this does not give best value for customers, joint planning between the water companies is required to achieve optimal solutions to avoid the need for each company to operate long distance pipelines.

## **Sewer Flooding**

*Should we go further and invest to reduce 1 in 20 year register and the external flooding register?*

This should be undertaken particularly with the potential impacts of climate change and the increased risk of flooding with more extreme weather events expected.

## **Pollution**

*Do you agree that we should increase sewer renewal rates? Do you support our target for sustainable improvements in compliance and reduced pollution incidents?*

Yes it is important to maintain the sewer system to ensure effective management of waste water and the target for sustainable improvements is supported.

## **Growth**

*Our plan is based on a risk assessment of the latest forecast and assumes less growth than the optimistic government projections. Do you agree with our stance?*

GOSE recently published the proposed changes to the Regional Spatial Strategy, The South East Plan and the revised figures will need to be incorporated into the SWS Final Business Plan. Page 26 states that "We have deferred investment where we consider that progression of development lacks certainty". This seems a sensible approach but needs further explanation, how does SWS assess the certainty of development?

Page 26 makes reference to SWS plans for major development areas including Ashford, Thameside and Maidstone. Dover is recognised in the Proposed Changes as a 'Growth Point' with additional 4000 homes planned and this growth should be included within SWS's plans.

## **Recycling Waste**

*Do you support our commitment to reduce our carbon footprint? Should we do more or less? Are there any other areas where we should look to cut our carbon emissions?*

Kent County Council strongly supports the commitment to reducing the carbon footprint.

It is imperative that SWS work with the other water companies to ensure that water resources are used effectively and that water is not pumped across the region unnecessarily which has not only a financial but an environmental cost too.

Page 28 Investment in 2010-2015, it is not clear what is meant by the last bullet point '£91 million to maintain our existing sludge treatment work energy prices'.

Page 29 the box indicates that SWS expect to get a 3,000 tonne CO<sub>2</sub> saving from water metering, despite the assumption of no water savings.

## **The Environmental Quality Programmes**

*Did you realise the impact of these quality obligations on our programme?*

KCC were aware of the impact of these obligations, however it is not clear what types of environment schemes are proposed within the 329 identified.

Page 30 - the trade off between higher environmental standards at the expense of higher CO<sub>2</sub> emissions needs to be resolved by DEFRA, SWS should not be left to make these judgements.

## **What this means for bills**

*Do you agree with our proposed package and pace of improvements? Overall having read this summary do you support this plan?*

The County Council believes that there is an urgent need for better inter-company cooperation to strategically plan for, and optimise the use of, available water supplies across Kent. It is important

that there is a consistent approach to the transfer of resources between company areas and where new resource development is necessary scope for joint usage is fully considered especially where this might obviate longer range and energy intensive movement of resources. This will reduce the amount of investment needed and will hopefully lessen the need to increase the bills of Kent's residents.

## **Competition**

*As with other utilities e.g. gas and electricity do you support the introduction of competition in water?*

Page 33. para 2. KCC agree that a single network in the South East would allow surplus water to be moved around the region and would reduce the need for additional water resources. But with 5 water companies supplying areas in Kent, it is difficult to get a clear picture of what is required. There is a greater need for collaboration and for better inter-company co-operation, this would in theory achieve the same.

It is probably unclear to most SWS customers what the term "competition" means here and how greater "competition" might function within the water industry. With 5 water companies serving Kent, there is lots of competition on the face of it but this offers no choice to customers, only competition for resources, the unnecessary piping of water around the county and possibly higher bills.

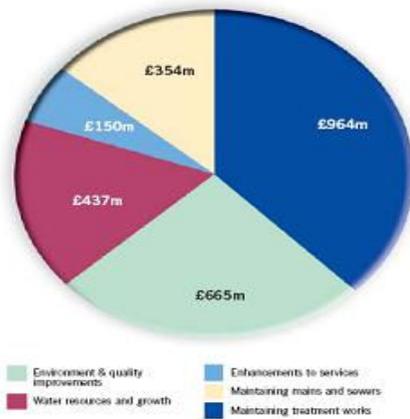
I trust you will find these comments useful.

Yours sincerely

Liz Shier  
Principal Planning Officer

# Investment and Bills

£2,570 million of capital investment 2010 - 2015  
(at 2007-08 prices)



- Increased investment is partially off-set by improved efficiency

WHAT IS DRIVING THE CHANGES IN BILLS? (2007-08 PRICES)				Water	Sewerage
Average household bill in 2009-10				<b>122</b>	<b>230</b>
<b>Less</b>	(1) past efficiency savings and outperformance				-4
	(2) maintaining base services			12	18
	of which	Water	Sewerage		
	a) changes in revenue	3	4		
	b) changes in operating costs to maintain current services to	2	6		
<b>Plus</b>	c) changes in costs of maintaining assets	7	8		
	d) changes in impact of taxation	4	6		
	e) the change in the cost of capital	-4	-6		
	(3) maintaining and enhancing security of supplies to all customers			10	10
	(4) the impact of improvements in services			6	33
	of which	Water	Sewerage		
	a) drinking water quality	6			
	b) environmental improvements		27		
	c) improvements in service levels		6		
<b>Less</b>	(5) scope for reduction through future efficiency			-4	-6
Average household bill in 2014-15				<b>146</b>	<b>281</b>

**CABINET SCRUTINY COMMITTEE – 10 December 2008**

Report Title: **Department for Communities and Local Government – Consultation Paper on the Codes of Conduct for Members and Employees.**

Documents Attached: DCLG Codes of Conduct for Local Authority Members and Employees – A Consultation. (Appendix A)  
Existing KCC Officers' Code of Conduct (Appendix B (contained within Part 2 of the Constitution))

Purpose of Consideration: The Council's response to part 2 of the Consultation paper (dealing with proposed changes to the Members' code of conduct), has already been finalised ready for submission, in consultation with the Standards Committee and the Selection and Member Services Committee

The purpose of this item is to question the Cabinet Member for Corporate Support and External Affairs and the Officers on the Council's response to the proposed Code of Conduct for Employees and why this had not been discussed at Member level in the same way as the Members Code of Conduct.

Possible Decisions: The Committee may:-

- (a) Comment to the Chief Executive or relevant Managing Director;
- (b) Report to the Council; or
- (c) Refer any issues arising from its debate for consideration by a Policy Overview Committee or the Cabinet

Previous Consideration: None with regard to the proposed code of conduct for employees

Background Documents: Relevant documents attached.

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Communities in control: Real people, real power  
Codes of conduct for local authority members and  
employees  
**A consultation**

Communities in control: Real people, real power  
Codes of conduct for local authority members and  
employees  
**A consultation**

Department for Communities and Local Government  
Eland House  
Bressenden Place  
London  
SW1E 5DU  
Telephone: 020 7944 4400  
Website: [www.communities.gov.uk](http://www.communities.gov.uk)

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Communities and Local Government Publications  
PO Box 236  
Wetherby  
West Yorkshire  
LS23 7NB  
Tel: 08701 226 236  
Fax: 08701 226 237  
Textphone: 08701 207 405  
Email: [communities@capita.co.uk](mailto:communities@capita.co.uk)  
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# Chapter 1: The consultation and how to respond

## Communities in control consultation papers

- 1.1 The White Paper, *Communities in control: Real people, real power*, is about passing power into the hands of local communities. It sets out a range of policies to achieve this, building on work still in progress from the 2006 White Paper, *Strong and Prosperous Communities*.
- 1.2 This paper is the next in a series consulting on a number of policy commitments. Future consultation papers include a consultation on proposals to revise the code of recommended practice on local authority publicity, which is due to be published at the end of October. This paper invites views on proposals for revising the model code of conduct for local authority members ("the members' code"), principally to clarify its application to members' conduct in their non-official capacity. This paper also invites views on proposals for associated changes to the Relevant Authorities (General Principles) Order 2001 which sets out the general principles which govern the conduct of local authority members. Finally, it seeks comments on proposals to introduce a requirement for authorities to incorporate a code of conduct for employees, based on a statutory model code of conduct, in to the terms and conditions of employment of their employees' ("the employees' code").

## About this consultation

- 1.3 The proposals in this consultation paper relate to relevant authorities in England and police authorities in Wales.
- 1.4 Following the local government White Paper, *Strong and Prosperous Communities*, issued in October 2006, the Local Government and Public Involvement in Health Act 2007 established a more locally-based conduct regime for local authority members centred on local authority standards committees. Under the new devolved regime, the Standards Board for England has become a light-touch strategic regulator, responsible for monitoring the operation of the conduct regime and giving support and guidance to standards committees and monitoring officers in discharging their new functions.
- 1.5 As part of the changes to the conduct regime, a new model code of conduct for local authority members, the Local Authorities (Model Code of Conduct) Order 2007, was introduced with effect from May

2007, on the basis that the provisions of the members' code would be reviewed in light of early experience of its practical operation.

- 1.6 Chapter 2 of this paper seeks views on proposals to clarify the members' code in its application to members' conduct when acting in a non-official capacity. It also seeks views on the operation of, and proposed revisions to, the members' code, including reconfiguring the members' code into two distinct sections, the first dealing with members' conduct in their official capacity, the second dealing with members' conduct in their non-official capacity. Finally, it seeks views on associated amendments to the Relevant Authorities (General Principles) Order 2001 to clarify its application to members' conduct in their non-official capacity.
- 1.7 Chapter 3 of this paper seeks views on the proposed introduction of a model code of conduct for local government employees, which will become part of such employees' terms and conditions of employment.
- 1.8 Particular questions on which we would welcome comments are set out in each chapter and summarised in **Annex A**. In order to aid your consideration of the proposed amendments to the current members' code, the substance of the 2007 code is reproduced at **Annex B**.
- 1.9 We are minded, subject to responses to this consultation, to implement the proposals in this consultation paper, so that they come into effect in line with the local government elections 2009.

## Who are we consulting?

- 1.10 This is a public consultation and it is open to anyone to respond to this consultation document. We would, however, particularly welcome responses from local authority members, local authority monitoring officers, local government employees, national representative bodies, local government partners and trade unions. **The consultation period runs for 12 weeks to 24 December 2008.**

## How to respond

- 1.11 Your response must be received by 24 December 2008 and may be sent by e-mail or post to:

Karl Holden  
Conduct and Council Constitutions Team  
Communities and Local Government  
Zone 5/B2, Eland House  
Bressenden Place  
London  
SW1E 5DU

e-mail: [conductcode@communities.gsi.gov.uk](mailto:conductcode@communities.gsi.gov.uk)

If you are replying by e-mail please title your response 'Response to Model Code consultation'.

It would be helpful if you could make clear in your response whether you represent an organisation or group, and in what capacity you are responding.

## What will happen to the responses?

- 1.12 The Department will take account of the responses received to this consultation before taking decisions on the legislation that will form the revised members' code, the general principles order and the new employees' code.
- 1.13 Within three months of the close of the consultation period we will analyse the responses to the consultation and produce a summary of them. This summary will be published on the Department's website at [www.communities.gov.uk](http://www.communities.gov.uk)

## Publication of responses – confidentiality and data protection

- 1.14 Information provided in response to this consultation, including personal information, may be published, or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.
- 1.15 If you want any of the information that you provide to be treated as confidential you should be aware that under the FOIA, there is a statutory Code of Practice with which public authorities must comply, and which deals, amongst other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential.
- 1.16 If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.
- 1.17 The Department will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

## The consultation criteria

- 1.18 The UK Government has adopted a code of practice on consultations. Please see **Annex C** of this document for the criteria that apply under this code, and advice about who you should contact if you have any comments or complaints about the consultation process.

## Additional copies

- 1.19 You may make copies of this document without seeking permission. If required, printed copies of the consultation paper can be obtained from Communities and Local Government Publications, whose contact details may be found at the front of this document. An electronic version can be found at the Consultation Section of the Department's website at: [www.communities.gov.uk](http://www.communities.gov.uk).

## In context – previous consultations and relevant legislation

- 1.20 The local government White Paper, *Strong and Prosperous Communities*, issued in October 2006, set out the Government's proposals to put in place a clearer, simpler and more proportionate model code of conduct for members which would include changes to the rules on personal and prejudicial interests. This announcement followed a consultation by the Standards Board for England, *A Code for the future*, in February 2005 and the Discussion Paper *Conduct in English Local Government*, issued by the then Office for the Deputy Prime Minister in December 2005.
- 1.21 The policy proposals took form in the January 2007 consultation document, *Consultation on Amendments to the Model Code of Conduct for Local Authority Members*, which proposed the combination of the four different model codes of conduct that existed at the time (for local authorities, parish councils, national parks and police authorities) into a single consolidated model code.
- 1.22 The Local Authorities (Model Code of Conduct) Order 2007 came into force on 3 May 2007. With the members' code now in place for over a year, we believe this is an appropriate time to examine how well it has functioned in practice and consider any revisions that may be required. The proposed amendments to the members' code set out in this paper reflect discussions with the Standards Board and, in particular, their experience of the practical operation of the 2007 members' code over the last year.
- 1.23 Following the 2006 local government White Paper and the introduction of the 2007 members' code, the Local Government and Public Involvement in Health Act 2007 made provision clarifying the law in

relation to the application of the conduct regime to the conduct of members in their non- official capacity. This paper therefore also invites comments on proposals to revise the members' code and the general principles order to address the issue of the application of the conduct regime to the conduct of members in their non-official capacity.

### Code of conduct for local government employees

- 1.24 In August 2004, the then Office of the Deputy Prime Minister issued the consultation paper, *A Model Code of Conduct for Local Government Employees*. The paper consulted on a draft code defining the minimum standards of conduct that employees of relevant authorities would be expected to observe on carrying out their duties. The 2004 consultation was followed by further inquiries and consultations on matters relating to the conduct regime for local government.
- 1.25 The Department restated its commitment to introduce a model employees' code, under Section 82 of the Local Government Act 2000, in the local government White Paper 2006. However, in light of the above inquiries and consultations, and the introduction of the 2007 members' code, it was decided that the implementation of an employees' code should be delayed until the Department had an opportunity to consider the employees' code in the context of the wider review of the conduct regime for local government and the lessons learned from the implementation of the new members' code.
- 1.26 With the implementation of the new devolved conduct regime and our proposals to amend the members' code, drawing on the experience of its first year of operation, we consider that the time is right to also consult on proposals to introduce a model employees' code.

# Chapter 2: Code of conduct for local authority members

## What is the code of conduct for?

- 2.1 The public has a right to expect high standards of conduct from their elected and co-opted members. The standards of conduct expected of local authority members are set out in the members' code, which is underpinned by the ten general principles. By signing up to the members' code, a member is actively taking on a formal obligation to abide by its requirements.
- 2.2 The members' code forms the bedrock of the conduct regime and aims to promote the public's trust and confidence in their members and faith in local democracy. It does this by providing a robust set of standards of behaviour for members to abide by and work within. In doing this, the code also protects members from unreasonable expectations of behaviour being put upon them. Since May 2008, allegations that a member has failed to comply with the provisions of the members' code are considered by local authority standards committees.
- 2.3 The current members' code is set out in the Local Authorities (Model Code of Conduct) Order 2007 which applies to members of relevant authorities in England and of police authorities in Wales. On its introduction, the Government gave an undertaking that the effectiveness of the code would be reviewed after it had been in operation for some time. We believe, drawing on the Standards Board's practical experience that the members' code is, broadly, operating very well. However, as it has been in force for over a year, we consider that it is now appropriate to review the code.
- 2.4 Most importantly, we propose that the members' code be restructured by revoking the existing Order and making a new one. We propose that the new members' code will be differently formatted to the existing code, making it easier to interpret and clearer in its application, for instance by dividing it into two sections: the first dealing with members' conduct when acting in an official capacity and reflecting what is in the current code, the second dealing with members' conduct in their non-official capacity.

## Application of the code to members' conduct in their non-official capacity

- 2.5 Trust in our local authority members is one of the cornerstones of local democracy. Members should inspire trust and confidence from those who elected them, set an example of leadership for their communities and should be expected to act lawfully even when they are not acting in their role as members.
- 2.6 This view was supported by those who responded to the Standards Board for England's consultation on the members' code in 2005. Responses indicated a clear view that a member's conduct in a non-official capacity was an issue that they considered should be covered by the members' code, particularly where that conduct amounts to a criminal offence.
- 2.7 It has always been our intention for the members' code to apply to a limited extent to the conduct of members in a non-official capacity. We wish now to clarify which provisions of the members' code apply in a member's official capacity and to put beyond doubt which provisions apply to a member's conduct in a non-official capacity.
- 2.8 The need to clarify what conduct in a member's non-official capacity is covered by the members' code arose as a consequence of a court judgment in 2006. This cast doubt on the ability of the code to cover members' conduct not linked to the performance of their public duties. As was made clear by Ministers during the passage of the Local Government and Public Involvement in Health Act 2007, we consider that certain behaviour, even when there is no direct link to the member's official role, can have an adverse effect on the level of public trust in local authority members and local government as a whole.
- 2.9 We propose therefore that the new members' code should, in the section covering the conduct of members in their non-official capacity, contain the following provision prohibiting particular conduct where that conduct would constitute a criminal offence:

"Members must not bring their office or authority into disrepute by conduct which is a criminal offence".

### Consultation Question 1:

Do you agree that the members' code should apply to a member's conduct when acting in their non-official capacity?

## Definition of 'criminal offence' and 'official capacity'

- 2.10 The Local Government and Public Involvement in Health Act 2007 gave the Secretary of State the power to define, for the purposes of the members' code, what constitutes a 'criminal offence'. We propose for the purpose of the members' code, that 'criminal offence' be defined as any criminal offence for which the member has been convicted in a criminal court, but for which the member does not have the opportunity of paying a fixed penalty instead of facing a criminal conviction.
- 2.11 Our intention is that offences capable of attracting fixed penalty notices should be excluded from the remit of the conduct regime. We consider that this approach will ensure that the most minor criminal offences, for example minor motoring offences, parking offences and dropping litter as well as cautions and orders falling short of a criminal conviction by a court, will not be included in the remit of the members' code. However, serious criminal offences which we consider should come under the remit of the members' code, such as assault, harassment, fraud and offences relating to child pornography will be included in the remit of the code.
- 2.12 We propose that the Standards Board for England will issue guidance for local authority standards committees on how a criminal offence should be treated in its application to the conduct regime.

### Consultation Question 2:

Do you agree with this definition of 'criminal offence' for the purpose of the members' code? If not, what other definition would you support, for instance should it include police cautions? Please give details.

- 2.13 The Local Government and Public Involvement in Health Act 2007 also gave the Secretary of State power to define, for the purposes of the members' code, what constitutes 'official capacity'.
- 2.14 We propose that for the purposes of the members' code, 'official capacity' be defined as being engaged in the business of your authority, including the business of the office to which you are elected or appointed, or acting, claiming to act or giving the impression that you are acting as a representative of your authority.

### Consultation Question 3:

Do you agree with this definition of 'official capacity' for the purpose of the members' code? If not, what other definition would you support? Please give details.

## Offending abroad

2.15 We also propose that the members' code would engage with conduct committed in a foreign country, where that conduct constitutes a criminal offence in that country, but only where the conduct would also constitute a criminal offence if it was committed in the UK. However, the code would only apply if the individual was convicted in the country in which the offence was committed.

### Consultation Question 4:

Do you agree that the members' code should only apply where a criminal offence and conviction abroad would have been a criminal offence if committed in the UK?

## What does this mean?

- 2.16 Our proposals would have the effect of providing that the only conduct in a member's non-official capacity which is engaged by the code, is conduct which constitutes a criminal offence, as defined in paragraph 2.10 above. The code may only then be applied to that conduct when the evidence that the member's conduct constituted a criminal offence is provided by the criminal conviction of the member in the courts.
- 2.17 This would mean, for example, that a member who was convicted of a criminal offence of assault or harassment could be held to have breached the code, even if the conduct, which led to the conviction took place entirely outside the member's official capacity.

## Criminal conviction of a member

2.18 It should be noted that a criminal conviction resulting in a custodial sentence of more than three months without the option of paying a fine is already covered by section 80 of the Local Government Act 1972, with the member automatically disqualified from office for five years. We are not proposing any changes to this legislation.

## The conduct regime

- 2.19 At present, investigations into alleged breaches of the members' code are triggered by a written allegation made to the standards committee of the local authority concerned. We propose that this continue to be the case when dealing with allegations of misconduct in relation to a member's conduct in their non-official capacity.
- 2.20 Where the allegation involves criminal activity that is, at the time of the allegation being made, being investigated by the police or prosecuted through the courts, we propose that the standards committee or the

Standards Board, as the case may be, would cease their investigation process until the criminal process had been completed. Any subsequent action under the conduct regime in respect of a member's private conduct would follow the conclusion of the criminal procedure. The member would not be suspended during the period of the criminal process.

- 2.21 For the purpose of the conduct regime, the criminal process will be considered to have been completed at the conclusion of any appeals process.

#### Consultation Question 5:

Do you agree that an ethical investigation should not proceed until the criminal process has been completed?

### Proposed revisions to the members' code

- 2.22 This consultation paper also seeks views on the following amendments which we propose to make to the provisions of the existing code. The proposed amendments reflect discussions with the Standards Board and, in particular, the Board's experience of the practical operation of the code over the last year.

- 2.23 In order to aid your consideration of our proposed amendments to the members' code, the substance of the present code is reproduced at **Annex B** to this paper. Guidance on the provisions of the members' code is available on the Standards Board for England's website at [www.standardsboard.gov.uk](http://www.standardsboard.gov.uk)

#### Parish councils

- 2.24 It has been suggested that article 2(5) of the Local Authorities (Model Code of Conduct) Order 2007 be amended to apply paragraph 12(2) to parish councils, to make it mandatory for parish councils that a member with a prejudicial interest may make representations at a meeting only if members of the public are able to attend that meeting for the same purpose. Currently, if a parish council wishes this provision to apply, it must make a conscious decision to adopt paragraph 12(2) into its code. This amendment would save unnecessary administration and ensure consistency across parish councils.

#### Membership of other bodies

- 2.25 It has been suggested that paragraphs 8(1)(a)(i) and (ii) of the current members' code be amended to clarify that the sections are referring to other bodies that you are a member of or which exercise functions of a public nature, putting it beyond doubt that this is not a reference to the authority itself.

### Personal interests

2.26 It has been suggested that current wording of paragraph 8(1)(a) of the members' code could be amended to clarify that a member is required to register a gift or hospitality with an estimated value of at least £25 in his or her register of members' interests.

### Prejudicial interests

2.27 It has been suggested that paragraph 10(2) of the code be amended to remove the double negative in the current drafting, to make it clear that a prejudicial interest exists where the business of your authority affects your financial position or the financial position of a person listed in paragraph 8 of the code or it relates to the determining of any approval, consent, licence, permission or registration in relation to you or those persons listed in paragraph 8 of the code.

2.28 It has been suggested that the meaning of 'determining' in paragraph 10(2)(b) could be clarified to include variation, attaching, removing or amending conditions, waiving or revoking applications.

2.29 It has also been suggested that paragraph 10(2)(c) could be amended to clarify that a member would not have a prejudicial interest in the business of the authority where that business related to giving evidence before a local authority standards committee hearing regarding an allegation that a member of the authority had failed to comply with the code.

### Registration of members' interests

2.30 We propose that any new members' code would take into account any existing registration of members' interests. This will ensure that members who have already registered their interests in line with the 2007 model code do not have to repeat the process when the revised members' code is introduced.

#### Consultation Question 6:

Do you think that the amendments to the members' code suggested in this chapter are required? Are there any other drafting amendments which would be helpful? If so, please could you provide details of your suggested amendments?

#### Consultation Question 7:

Are there any aspects of conduct currently included in the members' code that are not required? If so, please could you specify which aspects and the reasons why you hold this view?

#### Consultation Question 8:

Are there any aspects of conduct in a member's official capacity not specified in the members' code that should be included? Please give details.

## Legislative context

- 2.31 The current members' code is set out in the Schedule to the Local Authorities (Model Code of Conduct) Order 2007 made under powers conferred on the Secretary of State by section 50 of the Local Government Act 2000.
- 2.32 Section 183 of the Local Government and Public Involvement in Health Act 2007 inserted, into section 50 of the Local Government Act 2000, a requirement for the Secretary of State to specify which provisions of the members' code apply in relation to a member's conduct when acting in an official capacity and which provisions apply when not acting in an official capacity. A provision may only be specified to apply to members' conduct when not acting in an official capacity if the conduct it prohibits constitutes a criminal offence. The power in section 50 of the Local Government Act 2000 permits the Secretary of State to define for the purposes of the members' code what is meant by "criminal offence" and what is meant by "official capacity".
- 2.33 We propose that the existing Local Authorities (Model Code of Conduct) Order 2007 be revoked and a new, revised Order would be made to reflect our proposed amendments and that part of the code applies to a member's conduct in their official capacity and part of it would apply to a member's conduct in their non-official capacity.
- 2.34 Provision is also made in section 183 of the Local Government and Public Involvement in Health Act 2007 for members to give to their authority an undertaking to observe the new code within a period prescribed by the Secretary of State. We propose that members will have two months from the date their authority adopts the new code to give a written undertaking that they will observe their authority's code. Failure to do so will mean that they cease to be members of the authority.

### Consultation Question 9:

Does the proposed timescale of two months, during which a member must give an undertaking to observe the members' code, starting from the date the authority adopts the code, provide members with sufficient time to undertake to observe the code?

# Proposed amendments to the General Principles

## What are the General Principles?

- 2.35 The ten General Principles, contained in the Relevant Authorities (General Principles) Order 2001, are based on the seven principles of public life set out by the Committee on Standards in Public Life. The principles underpin the provisions of the members' code, which must be consistent with these principles.
- 2.36 The ten general principles are reproduced below. The principles govern the conduct of members, and a failure to act in accordance with them may lead to a failure to comply with the members' code.

### The General Principles

#### *Selflessness*

1. Members should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.

#### *Honesty and Integrity*

2. Members should not place themselves in a situations where their honesty and integrity may be questioned, should not behave improperly and should on all occasions avoid the appearance of such behaviour.

#### *Objectivity*

3. Members should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefits.

#### *Accountability*

4. Members should be accountable to the public for their actions and the manner in which they carry out their responsibilities and should co-operate fully and honestly with any scrutiny appropriate to their particular office.

#### *Openness*

5. Members should be as open as possible about their actions and those of their authority and should be prepared to give reasons for those actions.

*Personal Judgement*

6. Members may take account of the views of others, including their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.

*Respect for Others*

7. Members should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers, and its other employees.

*Duty to uphold the law*

8. Members should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them.

*Stewardship*

9. Members should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.

*Leadership*

10. Members should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence.

## Proposed revisions

2.37 We propose that the Relevant Authorities (General Principles) Order 2001 be amended to make clear which principles govern the conduct of members when acting in an official capacity and which principles will apply to the conduct of members when acting in a non-official capacity, where the member's conduct would constitute a criminal offence.

2.38 We propose that the General Principles Order be amended by providing that the 10 existing principles apply to a member when acting in an official capacity and by adding a new principle which would be specified as applying to a member acting in a non-official capacity, where the member's conduct would constitute a criminal offence. We propose that the following be added to the Schedule of the Relevant Authorities (General Principles) Order 2001:

*Duty to abide by the law*

Members should not engage in conduct which constitutes a criminal offence.

**Consultation Question 10:**

Do you agree with the addition of this new general principle, applied specifically to conduct in a member's non-official capacity?

## Definition of 'criminal offence' and 'official capacity'

2.39 Section 49 of the Local Government Act 2000 enables the Secretary of State to define what constitutes a 'criminal offence' and what constitutes 'official capacity' in the context of the General Principles Order. For the purposes of the revised General Principles Order, we propose that 'criminal offence' be defined as any conduct that has resulted in a criminal conviction.

**Consultation Question 11:**

Do you agree with this broad definition of 'criminal offence' for the purpose of the General Principles Order? Or do you consider that 'criminal offence' should be defined differently?

2.40 We propose that for the purposes of the revised General Principles Order, 'official capacity' be defined as "being engaged in the business of your authority, including the business of the office to which you are elected or appointed, or acting, claiming to act or giving the impression that you are acting as a representative of your authority".

**Consultation Question 12:**

Do you agree with this definition of 'official capacity' for the purpose of the General Principles Order?

## Legislative Context

2.41 The Relevant Authorities (General Principles) Order 2001 was made under powers conferred on the Secretary of State in section 49 and 105 of the Local Government Act 2000. Section 183 of the Local Government and Public Involvement in Health Act 2007 modified section 49 of the 2000 Act and it is this modification that requires the Secretary of State to specify which general principles apply to a person when acting in an official capacity and when acting in an non-official capacity.

# Chapter 3: Model code of conduct for local government employees

## Is an employees' code needed?

- 3.1 A code of conduct for local government employees ("employees' code") should provide the staff of an authority with an effective ethical framework within which to work and it should give that authority's citizens confidence that an authority's staff are working on their behalf in an appropriate manner.

### **Consultation Question 13:**

Do you agree that a mandatory model code of conduct for local government employees, which would be incorporated into employees' terms and conditions of employment, is needed?

## The employees' code in context

- 3.2 In August 2004, the (then) Office of the Deputy Prime Minister consulted on a model code of conduct for local government employees. Responses indicated that the model code of conduct consulted on was not adequate, but also that the universal application of a code to all staff would be needlessly bureaucratic as all employees would be subject to the same code regardless of their position. There was support for following the model of the Welsh code of conduct, which only applies to a certain category of defined senior officer. Alternatively, the code could be restricted to those who exercise executive, regulatory or overview and scrutiny powers under the authority's scheme of delegation to officers.
- 3.3 Another view in response to the consultation paper was that certain aspects of the code (eg registration of interests), could be limited to senior officers while other more universal aspects should be applicable to all - for instance, it is beyond question that all employees should behave with honesty and integrity.
- 3.4 Many local authorities already have a code of conduct for employees in addition to, or part of, their standard terms and conditions of employment. These codes range from simple statements agreeing to act with propriety to comprehensive documents covering everything

from political neutrality to intellectual property matters. These codes of conduct are also integrated into the authority's discipline procedures.

- 3.5 It is not intended that the employees' code be a burden on authorities or employees. The code should not constrain an authority's ability to develop its own code reflecting local needs and conditions. We consider that authorities should be free to adopt supplementary provisions beyond the employees' code in order to provide their staff with an effective ethical framework within which to work.

## Application of the employees' code

- 3.6 We propose that the employees' code would apply to all relevant authorities and police authorities in Wales, as defined in Section 49 of the Local Government Act 2000. We are proposing that a model employees' code - a model code that authorities may augment if they wish - be introduced, which will be incorporated into local government employees' terms and conditions of employment.
- 3.7 However, we do not propose to apply the employees' code where it is not needed, for instance to employees in professions that are covered by their own code of conduct; firefighters, teachers, community support officers, solicitors etc.

### Consultation Question 14:

Should we apply the employees' code to firefighters, teachers, community support officers, and solicitors?

### Consultation Question 15:

Are there any other categories of employee in respect of whom it is not necessary to apply the code?

- 3.8 We propose a two-tier model. The first tier, drawing on the Code of Conduct (Qualifying Local Government Employees) (Wales) Order 2001, will apply equally to all authority employees and will enshrine the core values that it is reasonably expected every authority employee would abide by. The second tier, drawing on the members' code, will apply to 'qualifying employees', that is; either senior officials or those officials carrying out delegated functions.
- 3.9 With the members' code in place, and members having to abide by that code, there is a reasonable expectation that officials undertaking functions delegated to them by members would have to abide by the same conduct regime as members when performing those functions.

## Proposed core values

### **The model employees' code: core values for all employees**

#### **General principles**

The public is entitled to expect the highest standards of conduct from all local government employees. The role of such employees is to serve their employing authority in providing advice, implementing its policies and delivering services to the local community. In performing their duties, they must act with integrity, honesty, impartiality and objectivity.

#### **Accountability**

Employees are accountable, and owe a duty to, their employing authority. They must act in accordance with the principles set out in this Code, recognising the duty of all public sector employees to discharge public functions reasonably and according to the law.

#### **Political neutrality**

Employees, excluding political assistants, must follow every lawfully expressed policy of the authority and must not allow their own personal or political opinions to interfere with their work. Where employees are politically restricted, by reason of the post they hold or the nature of the work they do, they must comply with any statutory restrictions on political activities.

#### **Relations with members, the public and other employees**

Mutual respect between employees and members is essential to good local government and working relationships should be kept on a professional basis. Employees of relevant authorities should deal with the public, members and other employees sympathetically, efficiently and without bias.

#### **Equality**

Employees must comply with policies relating to equality issues, as agreed by the authority, in addition to the requirements of the law.

#### **Stewardship**

Employees of relevant authorities must ensure that they use public funds entrusted to them in a responsible and lawful manner and must not utilise property, vehicles or other facilities of the authority for personal use unless authorised to do so.

#### **Personal interests**

An employee must not allow their private interests or beliefs to conflict with their professional duty. They must not misuse their official position or information acquired in the course of their employment to further their private interest or the interests of others.

Employees should abide by the rules of their authority about the declaration of gifts offered to or received by them from any person or body seeking to

do business with the authority or which would benefit from a relationship with that authority. Employees should not accept benefits from a third party unless authorised to do so by their authority.

### Whistleblowing

Where an employee becomes aware of activities which that employee believes to be illegal, improper, unethical or otherwise inconsistent with the model code of conduct for employees, the employee should report the matter, acting in accordance with the employees rights under the Public Interest Disclosure Act 1998 and with the authority's confidential reporting procedure or any other procedure designed for this purpose.

### Treatment of Information

Openness in the dissemination of information and decision making should be the norm in authorities. However, certain information may be confidential or sensitive and therefore not appropriate to a wide audience. Where confidentiality is necessary to protect the privacy or other rights of individuals or bodies, information should not be released to anyone other than a member, relevant authority employee or other person who is entitled to receive it, or needs to have access to it for the proper discharge of their functions. Nothing in this Code can be taken as overriding existing statutory or common law obligations to keep certain information confidential, or to divulge certain information.

### Appointment of staff

Employees of the authority, when involved in the recruitment and appointment of staff, must ensure that appointments are made on the basis of merit. In order to avoid any accusation of bias, those employees must not be involved in any appointment, or any other decision relating to discipline, promotion or pay and conditions for any other employee, or prospective employee, to whom they are related or with whom they have a close personal relationship outside work.

### Investigations by monitoring officers

Where a monitoring officer is undertaking an investigation in accordance with Part III of the Local Government Act 2000 and associated regulations, employees must comply with any requirement made by that monitoring officer in connection with such an investigation.

#### Consultation Question 16:

Does the employees' code for all employees correctly reflect the core values that should be enshrined in the code? If not, what has been included that should be omitted, or what has been omitted that should be included?

## Beyond the core values

### Who are the 'qualifying employees'?

- 3.10 There are two alternatives for selecting those 'qualifying employees' to which, in addition to the core values of the employees' code, some of the restrictions and expectations of the members' code should apply.
- 3.11 The first is based on the approach taken to determining which posts in an authority are 'politically restricted' under section 3 of the Local Government and Housing Act 1989, and assumes that certain posts are senior or influential enough to warrant controls placed on the activities of postholders. Certain posts would be designated as qualifying employees.
- 3.12 The second is the delegation model, which would see qualifying employees selected on the basis that they perform functions delegated to them by elected members under section 101 of the Local Government Act 1972.

#### Consultation Question 17:

Should the selection of 'qualifying employees' be made on the basis of a "political restriction" style model or should qualifying employees be selected using the delegation model?

## The model employees' code: values for qualifying employees

### Compromising the impartiality of officers of the authority

A qualifying employee must not compromise, or attempt to compromise, the impartiality of anyone who works for or on behalf of the authority, either directly or as a response to pressure from others. A qualifying employee should not attempt to force employees to take action or change advice if doing so would prejudice their professional integrity.

### Using your position improperly

A qualifying employee must not use, or attempt to use, their position improperly either for their or anybody else's advantage or disadvantage.

### Considering advice provided to you and giving reasons

If a qualifying employee seeks advice, or advice is offered to them, on aspects of how the employees' code applies, the qualifying employee must have regard to this advice.

### Personal interest

Qualifying employees must register, within 28 days of taking up their appointment, any interests set out in the categories below. This record of interest must be in writing, to the authority's monitoring officer or, in the case of a parish council, through the parish clerk.

The registration of interests protects the qualifying employee by giving early warning of any possible areas of conflict of interest and provides assurance to the public that the qualifying employee is acting transparently. Only registration of personal interests in areas where there are clear grounds for concern that such an interest could give rise to accusations of partiality in decision making and working practice of the authority are required.

These are:

- Your membership, or position of control or management, in bodies exercising functions of a public nature (that is, carrying out a public service, taking the place of a local or central governmental body in providing a service, exercising a function delegated by a local authority or exercising a function under legislation or a statutory power).
- Any business you might own or have a share in, where that shareholding is greater than £25,000 or have a stake of more than 1/100<sup>th</sup> of the value or share capital of the company.
- Any contracts between the authority and any company you have an interest in, as above.
- Any land or property in the authority's area in which you have a beneficial interest.

A qualifying employee may seek to exempt their personal interests from the register of interests if they consider, for instance that having this information on record might put themselves or others at risk. In such cases, the qualifying employee should discuss the matter with their monitoring officer.

#### **Consultation Question 18:**

Should the code contain a requirement for qualifying employees to publicly register any interests?

#### **Consultation Question 19:**

Do the criteria of what should be registered contain any categories that should be omitted, or omit any categories that should be included?

### **Prejudicial interest**

A prejudicial interest is considered to be a matter which affects the qualifying employee's financial interest or relates to a licensing or regulatory matter in which he or she has an interest and where a member of the public, who knows the relevant facts, would reasonably think that his or her personal interest is so significant that it is likely to prejudice his or her judgement of the public interest.

A prejudicial interest in a licensing or regulatory matter may stem from a direct financial interest or from a more tangential interest, where for instance approval for a licence may affect a body with which the qualifying employee has a personal interest or will affect him or her personally.

Qualifying employees with a prejudicial interest should declare such an interest. Where possible, they should take steps to avoid influential involvement in the matter. Where this is not possible, their prejudicial interest should be made clear.

**Consultation Question 20:**

Does the section of the employees' code which will apply to qualifying employees capture all pertinent aspects of the members' code. Have any been omitted?

**Consultation Question 21:**

Does the section of the employees' code which will apply to qualifying employees place too many restrictions on qualifying employees? Are there any sections of the code that are not necessary?

## Contractors, partners and part time staff

3.13 Local authorities have an increasingly complex relationship with the private sector in its work with contractors, partners and part time staff. We consider that rather than attempt to determine centrally when and when not to apply the employees' code not just to local government employees, but those working on behalf of local government, it will be for local authorities themselves to decide, in agreeing contracts, partnership agreements or terms and conditions of employment, if and how the employees' code, in whole or in part, should apply.

## Parish councils

3.14 The members' code applies to parish councillors as well as members of larger authorities, and it seems reasonable therefore for the ethical framework of the employees' code to apply to parish council employees. We recognise that the environment that parish councillors operate within is different to that of larger authorities and are conscious that what is consider to be a reasonable expectation in the employees' code for larger councils, may prove to be difficult for parish councils.

3.15 That being the case, we would welcome responses from parish councils on any particular aspect of the employees' code that might present difficulties and how those difficulties could be overcome.

**Consultation Question 22:**

Should the employees' code extend to employees of parish councils?

## Legislative context

3.16 Section 82(7) of the Local Government Act 2000, provides that the provisions of a code made under section 82(1) of that Act will be deemed to be incorporated in employees' terms and conditions of employment.

# Annex A: List of consultation questions

## Chapter 2: Code of conduct for local authority members

- Question 1 Do you agree that the members' code should apply to a member's conduct when acting in their non-official capacity?
- Question 2 Do you agree with this definition of 'criminal offence' for the purpose of the members' code? If not, what other definition would you support, for instance should it include police cautions? Please give details.
- Question 3 Do you agree with this definition of 'official capacity' for the purpose of the members' code? If not, what other definition would you support? Please give details.
- Question 4 Do you agree that the members' code should only apply where a criminal offence and conviction abroad would have been a criminal offence if committed in the UK?
- Question 5 Do you agree that an ethical investigation should not proceed until the criminal process has been completed?
- Question 6 Do you think that the amendments to the members' code suggested in this chapter are required? Are there any other drafting amendments which would be helpful? If so, please could you provide details of your suggested amendments?
- Question 7 Are there any aspects of conduct currently included in the members' code that are not required? If so, please could you specify which aspects and the reasons why you hold this view?
- Question 8 Are there any aspects of conduct in a member's official capacity not specified in the members' code that should be included? Please give details.
- Question 9 Does the proposed timescale of two months, during which a member must give an undertaking to observe the members' code, starting from the date the authority adopts the code, provide members with sufficient time to undertake to observe the code?
- Question 10 Do you agree with the addition of this new general principle, applied specifically to conduct in a member's non-official capacity?

- Question 11 Do you agree with this broad definition of 'criminal offence' for the purpose of the General Principles Order? Or do you consider that 'criminal offence' should be defined differently?
- Question 12 Do you agree with this definition of 'official capacity' for the purpose of the General Principles Order?

### Chapter 3 Model Code of Conduct for local authority employees

- Question 13 Do you agree that a mandatory model code of conduct for local government employees, which would be incorporated into employees' terms and conditions of employment, is needed?
- Question 14 Should we apply the employees' code to firefighters, teachers, community support officers, and solicitors?
- Question 15 Are there any other categories of employee in respect of whom it is not necessary to apply the code?
- Question 16 Does the employees' code for all employees correctly reflect the core values that should be enshrined in the code? If not, what has been included that should be omitted, or what has been omitted that should be included?
- Question 17 Should the selection of 'qualifying employees' be made on the basis of a "political restriction" style model or should qualifying employees be selected using the delegation model?
- Question 18 Should the code contain a requirement for qualifying employees to publicly register any interests?
- Question 19 Do the criteria of what should be registered contain any categories that should be omitted, or omit any categories that should be included?
- Question 20 Does the section of the employees' code which will apply to qualifying employees capture all pertinent aspects of the members' code? Have any been omitted?
- Question 21 Does the section of the employees' code which will apply to qualifying employees place too many restrictions on qualifying employees? Are there any sections of the code that are not necessary?
- Question 22 Should the employees' code extend to employees of parish councils?

# Annex B

## SCHEDULE

### THE MODEL CODE OF CONDUCT

#### Part 1

#### General provisions

#### **Introduction and interpretation**

1.—(1) This Code applies to **you** as a member of an authority.

(2) You should read this Code together with the general principles prescribed by the Secretary of State.

(3) It is your responsibility to comply with the provisions of this Code.

(4) In this Code—

“meeting” means any meeting of—

(a)

the authority;

(b)

the executive of the authority;

(c)

any of the authority’s or its executive’s committees, sub-committees, joint committees, joint sub-committees, or area committees;

“member” includes a co-opted member and an appointed member.

(5) In relation to a parish council, references to an authority’s monitoring officer and an authority’s standards committee shall be read, respectively, as references to the monitoring officer and the standards committee of the district council or unitary county council which has functions in relation to the parish council for which it is responsible under section 55(12) of the Local Government Act 2000.

#### **Scope**

2.—(1) Subject to sub-paragraphs (2) to (5), you must comply with this Code whenever you—

(a) conduct the business of your authority (which, in this Code, includes the business of the office to which you are elected or appointed); or

(b) act, claim to act or give the impression you are acting as a representative of your authority,

and references to your official capacity are construed accordingly.

(2) Subject to sub-paragraphs (3) and (4), this Code does not have effect in relation to your conduct other than where it is in your official capacity.

(3) In addition to having effect in relation to conduct in your official capacity, paragraphs 3(2)(c), 5 and 6(a) also have effect, at any other time, where that conduct constitutes a criminal offence for which you have been convicted.

(4) Conduct to which this Code applies (whether that is conduct in your official capacity or conduct mentioned in sub-paragraph (3)) includes a criminal offence for which you are convicted (including an offence you committed before the date you took office, but for which you are convicted after that date).

(5) Where you act as a representative of your authority—

(a) on another relevant authority, you must, when acting for that other authority, comply with that other authority's code of conduct; or

(b) on any other body, you must, when acting for that other body, comply with your authority's code of conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

### **General obligations**

**3.—**(1) You must treat others with respect.

(2) You must not—

(a) do anything which may cause your authority to breach any of the equality enactments (as defined in section 33 of the Equality Act 2006);

(b) bully any person;

(c) intimidate or attempt to intimidate any person who is or is likely to be—

(i) a complainant,

(ii) a witness, or

(iii) involved in the administration of any investigation or proceedings,

in relation to an allegation that a member (including yourself) has failed to comply with his or her authority's code of conduct; or

(d) do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, your authority.

(3) In relation to police authorities and the Metropolitan Police Authority, for the purposes of sub-paragraph (2)(d) those who work for, or on behalf of, an authority are deemed to include a police officer.

**4.** You must not—

(a) disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where—

(i) you have the consent of a person authorised to give it;

(ii) you are required by law to do so;

(iii) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or

(iv) the disclosure is—

(aa) reasonable and in the public interest; and

(bb) made in good faith and in compliance with the reasonable requirements of the authority; or

(b) prevent another person from gaining access to information to which that person is entitled by law.

5. You must not conduct yourself in a manner which could reasonably be regarded as bringing your office or authority into disrepute.

6. You—

(a) must not use or attempt to use your position as a member improperly to confer on or secure for yourself or any other person, an advantage or disadvantage; and

(b) must, when using or authorising the use by others of the resources of your authority—

(i) act in accordance with your authority's reasonable requirements;

(ii) ensure that such resources are not used improperly for political purposes (including party political purposes); and

(c) must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

7.—(1) When reaching decisions on any matter you must have regard to any relevant advice provided to you by—

(a) your authority's chief finance officer; or

(b) your authority's monitoring officer,

where that officer is acting pursuant to his or her statutory duties.

(2) You must give reasons for all decisions in accordance with any statutory requirements and any reasonable additional requirements imposed by your authority.

## Part 2 Interests

### **Personal interests**

8.—(1) You have a personal interest in any business of your authority where either—

(a) it relates to or is likely to affect—

(i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;

(ii) any body—

(aa) exercising functions of a public nature;

(bb) directed to charitable purposes; or

(cc) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union),

of which you are a member or in a position of general control or management;

(iii) any employment or business carried on by you;

(iv) any person or body who employs or has appointed you;

(v) any person or body, other than a relevant authority, who has made a payment to you in respect of your election or any expenses incurred by you in carrying out your duties;

(vi) any person or body who has a place of business or land in your authority's area, and in whom you have a beneficial interest in a class of securities of that person or body that exceeds the nominal value of £25,000 or one hundredth of the total issued share capital (whichever is the lower);

(vii) any contract for goods, services or works made between your authority and you or a

firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi);

(viii) the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £25;

(ix) any land in your authority's area in which you have a beneficial interest;

(x) any land where the landlord is your authority and you are, or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi) is, the tenant;

(xi) any land in the authority's area for which you have a licence (alone or jointly with others) to occupy for 28 days or longer; or

(b) a decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a relevant person to a greater extent than the majority of—

(i) (in the case of authorities with electoral divisions or wards) other council tax payers, ratepayers or inhabitants of the electoral division or ward, as the case may be, affected by the decision;

(ii) (in the case of the Greater London Authority) other council tax payers, ratepayers or inhabitants of the Assembly constituency affected by the decision; or

(iii) (in all other cases) other council tax payers, ratepayers or inhabitants of your authority's area.

(2) In sub-paragraph (1)(b), a relevant person is—

(a) a member of your family or any person with whom you have a close association; or

(b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;

(c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or

(d) any body of a type described in sub-paragraph (1)(a)(i) or (ii).

### **Disclosure of personal interests**

9.—(1) Subject to sub-paragraphs (2) to (7), where you have a personal interest in any business of your authority and you attend a meeting of your authority at which the business is considered, you must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.

(2) Where you have a personal interest in any business of your authority which relates to or is likely to affect a person described in paragraph 8(1)(a)(i) or 8(1)(a)(ii)(aa), you need only disclose to the meeting the existence and nature of that interest when you address the meeting on that business.

(3) Where you have a personal interest in any business of the authority of the type mentioned in paragraph 8(1)(a)(viii), you need not disclose the nature or existence of that interest to the meeting if the interest was registered more than three years before the date of the meeting.

(4) Sub-paragraph (1) only applies where you are aware or ought reasonably to be aware of the existence of the personal interest.

(5) Where you have a personal interest but, by virtue of paragraph 14, sensitive information relating to it is not registered in your authority's register of members' interests,

you must indicate to the meeting that you have a personal interest, but need not disclose the sensitive information to the meeting.

(6) Subject to paragraph 12(1)(b), where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must ensure that any written statement of that decision records the existence and nature of that interest.

(7) In this paragraph, “executive decision” is to be construed in accordance with any regulations made by the Secretary of State under section 22 of the Local Government Act 2000.

### **Prejudicial interest generally**

**10.**—(1) Subject to sub-paragraph (2), where you have a personal interest in any business of your authority you also have a prejudicial interest in that business where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.

(2) You do not have a prejudicial interest in any business of the authority where that business—

- (a) does not affect your financial position or the financial position of a person or body described in paragraph 8;
- (b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any person or body described in paragraph 8; or
- (c) relates to the functions of your authority in respect of—
  - (i) housing, where you are a tenant of your authority provided that those functions do not relate particularly to your tenancy or lease;
  - (ii) school meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends;
  - (iii) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;
  - (iv) an allowance, payment or indemnity given to members;
  - (v) any ceremonial honour given to members; and
  - (vi) setting council tax or a precept under the Local Government Finance Act 1992.

### **Prejudicial interests arising in relation to overview and scrutiny committees**

**11.** You also have a prejudicial interest in any business before an overview and scrutiny committee of your authority (or of a sub-committee of such a committee) where—

- (a) that business relates to a decision made (whether implemented or not) or action taken by your authority’s executive or another of your authority’s committees, sub-committees, joint committees or joint sub-committees; and
- (b) at the time the decision was made or action was taken, you were a member of the executive, committee, sub-committee, joint committee or joint sub-committee mentioned in paragraph (a) and you were present when that decision was made or action was taken.

### **Effect of prejudicial interests on participation**

**12.**—(1) Subject to sub-paragraph (2), where you have a prejudicial interest in any business of your authority—

(a) you must withdraw from the room or chamber where a meeting considering the business is being held—

(i) in a case where sub-paragraph (2) applies, immediately after making representations, answering questions or giving evidence;

(ii) in any other case, whenever it becomes apparent that the business is being considered at that meeting;

unless you have obtained a dispensation from your authority’s standards committee;

(b) you must not exercise executive functions in relation to that business; and

(c) you must not seek improperly to influence a decision about that business.

(2) Where you have a prejudicial interest in any business of your authority, you may attend a meeting (including a meeting of the overview and scrutiny committee of your authority or of a sub-committee of such a committee) but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

### Part 3

#### Registration of Members’ Interests

##### **Registration of members’ interests**

**13.**—(1) Subject to paragraph 14, you must, within 28 days of—

(a) this Code being adopted by or applied to your authority; or

(b) your election or appointment to office (where that is later),

register in your authority’s register of members’ interests (maintained under section 81(1) of the Local Government Act 2000) details of your personal interests where they fall within a category mentioned in paragraph 8(1)(a), by providing written notification to your authority’s monitoring officer.

(2) Subject to paragraph 14, you must, within 28 days of becoming aware of any new personal interest or change to any personal interest registered under paragraph (1), register details of that new personal interest or change by providing written notification to your authority’s monitoring officer.

##### **Sensitive information**

**14.**—(1) Where you consider that the information relating to any of your personal interests is sensitive information, and your authority’s monitoring officer agrees, you need not include that information when registering that interest, or, as the case may be, a change to that interest under paragraph 13.

(2) You must, within 28 days of becoming aware of any change of circumstances which means that information excluded under paragraph (1) is no longer sensitive information, notify your authority’s monitoring officer asking that the information be included in your authority’s register of members’ interests.

(3) In this Code, “sensitive information” means information whose availability for inspection by the public creates, or is likely to create, a serious risk that you or a person who lives with you may be subjected to violence or intimidation.

# Annex C: Consultation Code of Practice

- A.1 The Government has adopted a code of practice on consultations. The criteria below apply to all UK national public consultations on the basis of a document in electronic or printed form. They will often be relevant to other sorts of consultation.
- A.2 Though they have no legal force, and cannot prevail over statutory or other mandatory external requirements (e.g. under European Community Law), they should otherwise generally be regarded as binding on UK departments and their agencies; unless Ministers conclude that exceptional circumstances require a departure.

## The Consultation Criteria

- Consult widely throughout the process, allowing a minimum of
  - 12 weeks for written consultation at least once during the development of the policy
  - Be clear about what your proposals are, who may be affected, what questions are being asked and the timescale for responses.
  - Ensure that your consultation is clear, concise and widely accessible.
  - Give feedback regarding the responses received and how the consultation process influenced the policy.
  - Monitor your department's effectiveness at consultation, including through the use of a designated consultation coordinator.
  - Ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate.
- A.3 The full consultation code of practice may be viewed at: [www.bre.berr.gov.uk/regulation/consultation/code/index.asp](http://www.bre.berr.gov.uk/regulation/consultation/code/index.asp).

A.4 Are you satisfied that this consultation has followed these criteria? If not, or you have any other observations about ways of improving the consultation process please contact:

Consultation Co-ordinator  
Communities and Local Government  
Zone 6/H10  
Eland House  
Bressenden Place  
London  
SW1E 5DU

email: [consultationcoordinator@communities.gsi.gov.uk](mailto:consultationcoordinator@communities.gsi.gov.uk)



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## **Appendix 6 Part 2: Officers Code of Conduct**

### **INTRODUCTION**

The public expects the highest standards of conduct and service from all employees of KCC. This Code lays down guidelines for the conduct of KCC employees which maintain standards and protects employees from misunderstanding or criticism. It refers to statements and requirements contained within schemes of Conditions of Service, KCC Financial Regulations, Management Handbook and other documents. Copies of these are available through your line manager.

This Code forms part of all KCC employees' conditions of service. It is the employee's responsibility to read and apply the standards set out in this and related documents including professional codes, policies and guidance. Any employee deliberately or knowingly acting outside the standards will be subject to disciplinary action.

#### **A. *Standards of Service***

1. You will provide appropriate advice to Councillors, work colleagues and the public with impartiality.
2. You will be expected, through agreed procedures and without fear of recrimination, to bring to the attention of management any irregularity in the provision of service.
3. In accordance with financial procedures, if an irregularity occurs or is suspected which may involve financial loss, you must report it immediately to the Chief Internal Auditor.
4. As a KCC employee you are expected to behave at all times in a manner that does not discriminate against your colleagues, service users, partners, contractors or members of the public on any grounds.
5. Complaints against KCC should be investigated in accordance with directorate or corporate complaints procedures.

#### **B. *Harassment***

1. Harassment, intimidation, unfair discrimination or victimisation, by or against employees will not be tolerated.
2. You have a duty to ensure the standard of conduct for yourself and for colleagues respects the dignity of others and does not cause offence.
3. You should act in such ways as to avoid all forms of unacceptable behaviour in relation to other employees, clients and customers of KCC.

#### **C. *Disclosure of Information***

1. Many employees are in a position to obtain information which is highly confidential, politically and/or commercially sensitive, or is personal information protected by the Data Protection Act.

2. You must not use any such information for a personal reason or benefit or pass it on to others who might use it in such a way. This includes information about the work of KCC, its employees or members of the public.
3. Inappropriate disclosure of information or a breach of these rules in any way will render you liable to disciplinary action and could lead to criminal prosecution.
4. In addition, you must not misuse your position by requesting or gaining information unnecessary to carrying out your work.
5. KCC is committed to the highest possible standard of openness, honesty and accountability. If you have any serious concerns about any aspect of KCC's work you should raise your concerns in accordance with the Whistleblowing Procedure.

#### ***D. Political Neutrality***

1. Employees serve the Council as a whole. It follows they must serve **all** elected Members and not just those of the controlling group and must ensure the individual rights of all elected Members are respected.
2. You may be in a post in which you advise political groups. If you do, you must act with political neutrality. Whilst you may have your own political opinions, you must avoid carrying out your duties in a way which reveals your political affiliation.
3. All officers earning above a set salary (aligned to NJC spinal column point 44) and other officers who regularly advise Members are politically restricted by law. Advice on this can be obtained from KCC Secretariat which also holds a list of restricted posts.
4. You must seek legal advice if you wish to stand for election as a Councillor for KCC or any other local authority as it could impact upon your employment. Whilst it is not legally possible to continue to work for KCC if you are elected as a KCC Councillor you may be able to serve public office for other organisations, including other councils. You should obtain advice from the political party for which you are standing to ensure there is no conflict of interest and your political alliance does not compromise your working life.
5. If you are involved in politics in your private time, you must not carry out any political activity which might lead the public to think you are acting in your capacity as a KCC employee. It is particularly important, if you are a Member with another council, to keep your two roles separate and not use confidential information obtained in one capacity in the other.

#### ***E. Relationships***

1. **Elected Members**  
Mutual respect between employees and Members is essential to good local government. Close personal familiarity between employees and individual Members can damage the relationship and prove embarrassing to other employees and Members and should therefore be avoided.
2. **The local community and service users**  
You should always remember your responsibilities to the community you serve and ensure courteous, efficient and impartial service delivery to all groups and individuals within that community as defined by KCC policies.

### 3. **Media**

If you are not authorised to deal with representatives of the media, you should refer any enquiries you receive to your line manager or to a media relations officer.

If you have specific authority to deal with media enquiries, you should only reply to requests for information or questions which relate to the facts of a situation.

If an expression of opinion or official statement of policy is needed, you must speak to your Head of Department.

Every assistance should be given to Members who need information to deal with questions from the media. You should refer to the Communication & Media Centre Manager for further advice if you are unsure of the protocols.

If you speak as a private individual directly to the press, or at a public meeting or other situation where your remarks may be reported to the press, ensure nothing you say might lead the public to think you are acting in your capacity as a KCC employee.

If you ever speak on behalf of a recognised trade union you must make it clear that the views you are expressing are those of the trade union you represent and not KCC's.

### 4. **Contractors/Consultants**

All relationships of a business or private nature with internal or external contractors or consultants, or potential contractors or consultants, should be made known to an appropriate senior manager as they have the potential to seriously compromise KCC decisions.

Orders and contracts must be awarded on merit, by fair competition against other tenders. No part of the local community should be discriminated against when considering contracts and tenders.

## ***F. Staff Appointments and Other Employment Matters***

1. If you are involved in appointing staff, you must ensure decisions to appoint are made on the basis of merit. It would be unlawful to make an appointment based on anything other than the ability of the candidate to undertake the duties of the post.
2. KCC has a detailed process for the appointment of staff that must be followed scrupulously by all employees involved in appointments at all times.
3. To avoid any possible accusation of bias, you should not be involved in an appointment if you are related to an applicant or have a close personal relationship with them outside work.
4. Similarly, you should not be involved in decisions relating to discipline, promotion or pay adjustments for any other employee who is a relative, partner or close friend.
5. If your post is exempt from the Rehabilitation of Offenders Act and subject to a CRB Disclosure, you are obliged to tell your manager of any convictions, warnings, cautions, reprimands etc., no matter how minor, you may receive from the Police whilst a KCC employee. All staff are expected to disclose any

conviction, warning, caution or reprimand that has the potential to impact on their job.

6. If you line manage staff, you may give an employer's reference on behalf of KCC for a member of staff or an ex-member of staff, unless otherwise informed. You owe a legal duty of care to ensure the reference is based on fact. You are strongly advised to follow the detailed guidelines on employer's references available on KNet.

#### **G. *Outside Commitments***

1. You must be clear about your contractual obligations and should not take additional or 'outside' employment (paid or unpaid) which conflicts with KCC's interests. Your conditions of service may require you to obtain written consent to take any additional employment inside or outside KCC.
2. Where you are permitted to take outside employment, either within your conditions of service or by way of written consent, no outside work of any sort should be undertaken on KCC premises.
3. Use of facilities such as telephones, computers, etc is forbidden and correspondence and incoming phone calls related to outside work are not allowed.
4. These provisions do not apply to public appointments (e.g. as a magistrate).
5. You may, in a professional capacity whilst undertaking additional or outside work, publish books and articles, give lectures or speak on radio or television and may illustrate these by reference to KCC's activities or policies, but your Managing Director should be consulted before doing so. You must be clear that any views you express are your own and not necessarily those of KCC.
6. You may retain lecturing fees under the following conditions only:
  - \* Officers who lecture in their own time for outside bodies may retain the whole of any fee payable.
  - \* Officers who are permitted to lecture to outside bodies in KCC's time may retain half of any fee payable.
  - \* Fees will not be paid to officers who lecture on any of KCC's internal courses, whether in their own time or not.

#### **H. *Personal Interests***

1. You must declare annually to an appropriate senior manager any financial and non-financial interests or commitments, which may conflict with KCC's interests.
2. Membership of, or activity on behalf of, a recognised trade union or professional society does not constitute such an interest. KCC encourages you to take an active part in the life of your community. This code does not seek to discourage such involvement. If there is any doubt, advice should be sought from the line manager or Legal and Democratic Services.
3. You should declare to an appropriate senior manager, membership of any organisation, lodge, chapter, society, trust or regular gathering or meeting which is not open to members of the public who are not members of that lodge, chapter, society or trust or requires secrecy about its rules, membership or conduct.

4. In addition to the above, you should advise an appropriate senior manager of your membership of any such organisation where in a specific instance such membership constitutes (or can be perceived as) a conflict of interest.
5. A register of financial and non-financial interest is maintained by each Directorate. Personnel & Development maintain a register for senior managers at Managing Director and Director/second tier level who should ensure appropriate entries are made and the nature of any potential or perceived conflict of interest is recorded in the register.
6. KCC Financial Regulations specify that employees who have a direct or indirect financial interest in a contract shall not be supplied with, or given access to, any tender documents, contracts or other information relating to them, without the authority of the Managing Director.
7. Employees must advise a senior manager if they are declared bankrupt or are involved as a Director of a company which is wound up or put into voluntary liquidation if it may impact upon the employee's role and duties. Such information will be treated in the strictest confidence.
8. Intellectual Property Rights are relevant to patents, copyright, database rights, registered and unregistered design rights, trademarks, utility models, plant variety rights and other intellectual property, applications for registration of any of the same, confidential information and know how, whether in all cases registered or unregistered.
9. Where an employee makes or creates any Intellectual Property Rights that may be of benefit to KCC in the course of their normal duties, their manager should be informed in writing and, unless an alternative agreement is reached with the managing director, KCC is generally considered the 'owner' so far as the law allows.

#### ***I. Equality Issues***

You should ensure that policies relating to equality issues as agreed by KCC are complied with, in addition to the requirements of the law. All members of the local community, customers, clients, job applicants and employees have a right to be treated with fairness and equity.

#### ***J. Separation of Roles during Tendering***

1. If you are involved in the tendering process and dealing with contractors, you must be clear about the separation of client and contractor roles within KCC. Senior employees who have both a client and contractor responsibility must be aware of the need for accountability and openness.
2. If you have access to confidential information on tenders or costs for either internal or external contractors, you must not disclose that information to any unauthorised party or organisation.
3. You should ensure no special favour is shown to current or recent former employees or their partners, close relatives or associates in awarding contracts to businesses run by them or employing them in a senior or relevant managerial capacity.

## **K. Working With Voluntary And Other Organisations**

KCC encourages working in partnership with voluntary organisations. Where the partnership takes the form of a company, trust or charity, guidelines are given within the Companies' Framework held by Legal & Democratic Services.

## **L. Gifts and Hospitality**

1. You should not accept significant personal gifts from contractors, clients or outside suppliers as this could compromise you personally and KCC. It is a serious criminal offence to receive or give any gift, loan, fee, reward or advantage to anyone in your capacity as a KCC employee. Minor articles, e.g. diaries, calendars, office items and the like, will not be regarded as a gift. If there is any doubt, a gift should be refused.
2. If you receive unsolicited gifts, they must be returned with a polite refusal letter to the sender. You should also inform your manager, so it can be clearly recorded in the Directorate/Service Unit Register of Hospitality/Gifts.
3. You may not accept legacies from clients or others who may have benefited from your services delivered on behalf of KCC. If you are named as a beneficiary, you should immediately inform your manager.
4. You should only accept offers of hospitality if there is a genuine need to impart information or represent KCC in the community and where you are satisfied that any decisions are not and will not be compromised. Offers to attend purely social or sporting functions should be accepted only when these are part of the life of the community or where KCC should be seen to be represented. They should be properly authorised by your line manager and recorded in advance of the event in the Directorate's Hospitality/Gifts Register.
5. KCC should meet the costs of all visits to reference sites, supplier's premises etc. to avoid jeopardising the integrity of any subsequent decisions.
6. When hospitality has to be refused, the invitation should still be recorded in the Directorate's Register of Hospitality/Gifts.
7. Many supermarkets, petrol stations and high street stores offer loyalty cards for customers as an incentive to purchase from them. There are various types of loyalty cards, which offer a variety of rewards or bonuses, and it is likely you will have at least one of these cards for your personal use. You should not use your personal loyalty cards when purchasing goods or services on behalf of KCC or its clients. The use of such cards may compromise your professional integrity, particularly if the retail outlet or supplier was chosen because they offer you additional reward and not because it provided the greatest benefit and cost effectiveness to KCC or its clients.
8. Likewise, many credit card companies offer loyalty rewards. The use of personal credit cards to purchase goods or services on behalf of KCC or its clients should be avoided unless no other means of expenditure is available.
9. However, should any loyalty rewards be received whilst undertaking KCC business where there is no means of these being transferred to KCC, then they can be regarded as the property of the individual employee, e.g. frequent traveller programmes, hotel loyalty awards, etc.

### **M. Sponsorship - Giving and Receiving**

1. Where an outside organisation wishes to sponsor a KCC activity, whether by invitation, tender, negotiation or voluntarily or in response to an approach by KCC to potential sponsors, you should:
  - a. refer, at the earliest possible stage, to the Sponsorship Policy & Guidance generally and the section on procurement in particular
  - b. follow the basic conventions concerning the acceptance of gifts or hospitality and record these arrangements in the Directorate's Register of Hospitality & Gifts.
2. Where the value of sponsorship arrangements exceeds the relevant threshold in the Public Contracts Regulations 2006, (the Regulations), or involve payment in kind by the sponsor they must be advertised and tendered in line with the Regulations.
3. Where KCC wishes to sponsor an event or service, neither you nor your partner, spouse, close friend or relative must benefit from such sponsorship. Similarly, where KCC, through sponsorship, grant aid, financial or other means, gives support in the community, you should ensure impartial advice is given and there is no conflict of interest involved.
4. Enquiries about seeking or accepting sponsorship for KCC should be directed to the Kent External Funding Team.

### **N. Health and Safety at Work**

1. You must, by law, take reasonable care for your own health and safety and that of other people who may be affected by anything you do at work. The use of illegal drugs or misuse of other drugs or alcohol to the extent it affects health, work performance, attendance, conduct or relationships at work is not acceptable. For further information see KCC's Drugs & Alcohol Policy.
2. KCC has a comprehensive policy on Health and Safety which contains all you need to know about compliance with legislation, standards and KCC procedures in connection with health, safety and welfare at work.

### **O. Equipment and Materials**

1. KCC's telephone, computer systems, other equipment and materials (including headed paper) are the property of KCC and are provided for employees' business purposes and for interaction with the public in the delivery of services.
2. Some personal use of the KCC's electronic communication facilities and devices including phone, internet and email is permitted, provided it is within the scope of KCC's Electronic Communications Use Policy (ECUP) and Responsible User Guidance (RUG).
3. No software can be used unless there is proof of legal registration to KCC under the Copyright, Designs and Patents Act. No personal software may be used on KCC equipment. It is a criminal offence to knowingly use or make unauthorised copies of KCC registered software

### **P. Use of Financial Resources**

1. You must ensure you use public funds entrusted to you in a responsible and lawful manner. They must be fully approved and used for the purpose for which they are intended.
2. You should ensure value for money to the local community and avoid legal challenge to KCC.
3. KCC's Financial Regulations and Anti Fraud & Corruption Statement of Policy must be adhered to at all times.

### ***RELATED PROCEDURES, POLICIES, GUIDELINES AND SUPPORT***

**The following can be found in the people management handbook, the 'Blue Book' (Kent Scheme Terms and Conditions of Employment) and on KNet.**

- \* Drugs & Alcohol Policy
- \* Equality & Diversity Policy
- \* Stress Management Policy
- \* KCC's Financial Regulations
- \* Anti-Fraud & Corruption Statement of Policy
- \* Electronic Communications Use Policy (ECUP)
- \* Responsible User Guidance (RUG)
- \* Whistleblowing Policy
- \* Virus Protection Policy
- \* Smoking Policy
- \* Managers' Guidance on Employment References
- \* Health & Safety at Work Policy and Guidance
- \* Health & Safety Framework
- \* Harassment Procedure
- \* Guidance on Foreign Travel
- \* Spending the Council's Money

The public expects the highest standards of conduct and service from all employees of KCC. This Code lays down guidelines for the conduct of KCC employees that maintain standards and protect employees from misunderstanding or criticism. It refers to statements and requirements contained within schemes of Conditions of Service, KCC Financial Regulations, Management Handbook and other documents. Copies of these are available through your line manager. This Code forms part of all KCC employees' conditions of service. It is your responsibility to read and apply the standards set out in this and related documents including professional codes, policies and guidance. Any employee deliberately or knowingly acting outside the standards will be subject to disciplinary action.

**CABINET SCRUTINY COMMITTEE – 10 December 2008**

Report Title: **Press Release 538/08 - £600 Million Schools Building Project.**

Documents Attached: Press Release 538/08

Note in response to Mr Christie's concerns

Purpose of Consideration: To question the Deputy Leader and Cabinet Member for Corporate Support and External Affairs and the Head of Communications and Media Centre on the composition, content and issuing of this press release.

Possible Decisions: The Committee may:-

- (a) Comment to the Chief Executive or relevant Managing Director;
- (b) Report to the Council; or
- (c) Refer any issues arising from its debate for consideration by a Policy Overview Committee or the Cabinet

Previous Consideration: None

Background Documents: KCC's Communications Strategy

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# Kent County Council News Release

Ref No: 538/08

27 October 2008

## **£600m school building project is signed and sealed**

Ambitious plans to transform education in Kent got the green light today (27 October) following financial and contractual agreement on the first phase of the county's Building Schools for the Future (BSF) programme.

The signing of the contract between Kent County Council (KCC), Building Schools for the Future Investments (BSFI) and Land Securities Trillium (LST) / Northgate Education (NE), means that construction can now begin to completely rebuild or substantially refurbish the first 10 secondary schools.

KCC will now form a Local Education Partnership (LEP) with LST, NE and BSFI, to manage the delivery of current programme and lead on the development of proposals for a further 25 secondary schools, special schools and pupil referral units in the Gravesham, Thanet and Swale districts. The contract has an estimated capital spend of almost £600million.

The agreement will provide a boost to the Kent construction industry and offer employment opportunities. As part of the deal, 400 apprenticeships will be offered to young people – a key wish of KCC Leader Paul Carter, who is keen to open up work-based training for school-leavers.

The contract and creation of the LEP represents a major milestone for Kent's far-reaching plans to combine significant capital investment in state-of-the-art buildings and ICT facilities with a bold educational vision to transform teaching and learning and put schools at the heart of their community.

Kent's overall Building Schools for the Future Programme, the largest school building scheme in Europe, is worth an estimated £1.8billion.

The first 10 schools to be transformed are:

- Charles Dickens School, Broadstairs
- Community College Whitstable, Whitstable
- Dane Court Grammar School, Broadstairs
- Herne Bay High School, Herne Bay
- King Ethelbert School, Birchington
- Northfleet School for Girls, Gravesend
- Northfleet Technology College, Gravesend
- St George's CE Foundation School, Broadstairs
- St John's Catholic Comprehensive School, Gravesend
- Thamesview School, Gravesend

Ifield School, Gravesend has already been rebuilt as part of KCC's Special School Review Programme but will benefit from ICT services provided by the LEP.

Cabinet Member for Education Operations, Resources and Skills Mark Dance said:

“The signing of this contract marks an historic day for education in Kent. The Building Schools for the Future programme will see radical transformation of school buildings in the county.

“State of the art technology, fantastic learning and teaching environments and unrivalled community facilities will have a huge impact on generations to come. This an enormously exciting time.”

KCC Managing Director for Children, Families and Education Graham Badman said:

“The timing of this contract marks the start, not the end of the process. This process will give Kent and other authorities a once in a lifetime opportunity not just to transform the schools through rebuilding but to create the circumstances that will determine a 21st Century curriculum, where the needs and ability of the learner are central to the school curriculum. True personalisation is now a reality.”

Chief Executive at Land Securities Trillium Ian Ellis added:

"The Kent BSF project is a transformational partnership which will benefit generations of students by creating fully inclusive flexible learning spaces with groundbreaking information and communications technology infrastructure.

"As well as providing facilities for students, the wider local community will also benefit from increased employment opportunities, apprenticeships and work placements within the new schools."

Tim Byles, Chief Executive of Partnerships for Schools, the government agency responsible for delivery of the BSF programme across England, said:

"As the largest BSF scheme to reach financial close to date, today marks an important milestone not just for Kent, but for the national BSF programme. At its heart, BSF is about transforming education and improving the life chances for all young people, and I look forward to charting the progress of this first phase of Kent's ambitious scheme."

For more information about the Kent's BSF programme, log on to [www.kent.gov.uk/bsf](http://www.kent.gov.uk/bsf)

...end ...

**Note to Editor:** Partnerships for Schools (PfS) is the delivery agency and national programme manager for Building Schools for the Future. PfS was established in April 2004 as a Non-Departmental Public Body (NDPB), and is operated and funded under a joint venture between Department for Children, Families and Schools and Partnerships UK.

**For further information contact**

**Ian Tucker at Kent County Council Media Centre on 01622 694931 or email [ian.tucker@kent.gov.uk](mailto:ian.tucker@kent.gov.uk) / [sara.erdwin@lstrillium.com](mailto:sara.erdwin@lstrillium.com)**

**More news releases are available online at [www.kent.gov.uk/news](http://www.kent.gov.uk/news)**

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**From:** Tucker, Ian - CED Communications & Media Centre  
**Sent:** 05 November 2008 10:54  
**To:** Christie, Leslie - MEM  
**Cc:** Gilroy, Peter - Chief Executive; Clarke, Jane - CED Communications & Media Centre  
**Subject:** Response to your query on the BSF press release

Dear Mr Christie

Thank you for your email.

I note the comments you have made and in future we will acknowledge the national government funding, as we have done in previous news releases. By making reference to Partnerships for Schools, as the recognised body for carrying forward the programme, we thought we had covered this, but we take on board your comments and will act on them accordingly.

This joint news release was developed by Partnerships for Schools, Kent County Council's BSF and Media Centre teams, Land Securities Trillium and Northgate Education.

As we said above, Partnerships for Schools is the government agency established in 2004 by the DCSF (previously DfES) and Partnerships UK, who are responsible for managing the national programme, including the allocation of funding and the central government investment in the Local Education Partnership.

The news release was approved by Partnerships for Schools and includes a quote from its Chief Executive Tim Byles, in which he recognises that Kent is the largest BSF scheme to reach financial close - an important milestone for the national programme.

Please do call me if you'd like to discuss further.

Regards

Ian

Ian Tucker  
Senior Media Relations Officer  
Children, Families and Education  
KCC Media Centre  
Direct dial: 01622 694931  
Mobile: 07738 341783  
Out of hour contact: 08458 247 247  
[www.kent.gov.uk/news](http://www.kent.gov.uk/news)

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