

**CORPORATE POLICY OVERVIEW AND SCRUTINY  
COMMITTEE**

**Thursday, 22nd September, 2011**

**9.30 am**

**Darent Room, Sessions House, County Hall,  
Maidstone**







## AGENDA

### CORPORATE POLICY OVERVIEW AND SCRUTINY COMMITTEE

**Thursday, 22 September 2011 at 9.30 am**  
**Darent Room, Sessions House, County**  
**Hall, Maidstone**

Ask for: **Denise Fitch**  
Telephone: **01622 694269**

*Tea/Coffee will be available 15 minutes before the meeting*

#### **Membership (12)**

Conservative (11): Mr E E C Hotson (Chairman), Mr R W Bayford, Mr D L Brazier,  
Mr R E Brookbank, Mr J R Bullock, MBE, Mr R B Burgess,  
Mr B R Cope, Mr S Manion, Mr R J Parry, Mr J E Scholes  
Mr M V Snelling

Liberal Democrat (1): Mrs T Dean (Vice-Chairman)

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#### **UNRESTRICTED ITEMS**

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

#### **A. COMMITTEE BUSINESS**

A1 Substitutes

A2 Membership

To note that Mrs J Law has been replaced by Mr R Brookbank as a Member of this Committee.

A3 Declaration of Interests by Members in items on the Agenda for this meeting.

A4 Minutes - 6 July 2011 ( 1 - 8)

A5 Dates of Meetings 2012

The Committee is asked to note its meeting dates for 2012.

Wednesday, 11 January 2012

Thursday, 5 April 2012

Thursday, 12 July 2012

Thursday, 27 September 2012

Thursday, 22 November 2012

All meetings will start at 10.00 am at County Hall and may run into the afternoon if the weight of business dictates.

**B. ITEMS FOR CONSIDERATION**

- B1 Update on overall progress with organisational reshaping - verbal update from the Leader and Managing Director
- B2 Financial Monitoring 2011/12 ( 9 - 24)
- B3 Consultation on Local Government Resource Review (proposals for retention of business rates) ( 25 - 42)
- B4 Property and Infrastructure Support Restructuring Update ( 43 - 46)
- B5 Community Right to Challenge ( 47 - 52)
- B6 Overview of Systems Investment ( 53 - 62)
- B7 Complaints, Comments and Complements ( 63 - 96)

**C. SELECT COMMITTEE WORK**

- C1 Select Committees - update ( 97 - 98)

**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  
(01622) 694002

**Wednesday, 14 September 2011**

*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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**CORPORATE POLICY OVERVIEW AND SCRUTINY  
COMMITTEE**

MINUTES of a meeting of the Corporate Policy Overview and Scrutiny Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Wednesday, 6 July 2011.

PRESENT: Mr E E C Hotson (Chairman), Mrs T Dean (Vice-Chairman), Mr R W Bayford, Mr D L Brazier, Mr J R Bullock, MBE, Mr B R Cope, Mr R J Parry, Mr J E Scholes Mr M V Snelling

ALSO PRESENT: Mr A H T Bowles, Miss S J Carey, Mr P B Carter, Mr A J King, MBE Mr J D Simmonds

IN ATTENDANCE: Mr D Cockburn (Corporate Director of Business and Support), Ms D Fitch (Assistant Democratic Services Manager (Policy Overview)), Mr R Fitzgerald (Performance Manager), Mrs S Garton (County Performance and Evaluation Manager), Ms K Kerswell (Managing Director), Ms C McKenzie (Sustainability and Climate Change Manager), Mr R Moys (Head of European Policy), Mr D Shipton (Acting Head of Financial Strategy), Mr D Whittle (Policy Manager) Mr A Wood (Acting Corporate Director of Finance and Procurement)

**UNRESTRICTED ITEMS**

**118. Minutes**

*(Item A3)*

- (1) In response to a question on minute number 106 the chairman confirmed that there were no plans for the IMG on Legal Services to meet.
- (2) RESOLVED that the minutes of the meeting held on 31 March 2011 are correctly recorded and that they be signed as a correct record.

**119. KCC International Activities - Annual Report 2010 - 11**

*(Item B1)*

- (1) Mr King and Mr Moys introduced the sixth KCC International Activities Annual Report which provided an overview for Members of the range of international work undertaken across the authority and county over the past year. The Report highlighted in particular how this work had contributed to the achievement of the priorities of KCC's Medium Plan to 2014/15, 'Bold Steps for Kent.' As in previous years, a major success had been the continued securing of significant EU-funded projects, including the greatest amount of Interreg cross-border funding of all eligible county or unitary areas. The report also emphasised the importance of international partnership and best-practice collaboration to improve local performance and promote innovation.

(2) Mr King and Mr Moys answered questions from Members and noted comments which included the following:-

- The importance of the public being aware of the international activities and the positive impact that it has for the economy of Kent was emphasised.
- Concern was expressed that, Kent working in partnership with Essex and East Sussex to secure funding would lead to a reduction in the funding for Kent. It was explained that in certain circumstances the three County Councils working together would enable them to put in bids for joint projects which would benefit all three authorities.
- Mr King explained that as part of Kent working in partnership with Essex County Council there was an opportunity to take advantage of their links with China, they had an office in Beijing and had contacts in India. KCC had good contacts in America and so we could build on these relationships for the mutual benefit of the three authorities.
- In relation to European assistance following the announcement of the closure of Pfizer's, Mr Moys confirmed that in the short term two possible sources of European Funding had been identified and £700,000 had been secured from the European Social Fund to help retrain redundant workers. Funding could be accessed by authorities in East Kent and he was happy to help facilitate this.
- It was apparent that there was a need for Members to be better informed about the process for accessing European funding. The Chairman agreed to meet with officers to discuss the format for a seminar for all Members on EU funding and how Member can help their communities to access it.
- There should be an opportunity to scrutinise the benefits gained from European funding and which communities were benefiting from this.
- In response to a question on access to European funding for Kent Businesses, Mr Moys referred to the 2 seas trade project and circulated details on the support that this provided to Kent Companies.
- The possibility of obtaining European funding to purchase Bleak House in Broadstairs, with its Dickens connection, as a tourist attraction was mentioned. It was explained that it was difficult to obtain European money for Capital projects and that there was already a bid for European funding being processed for funding for the Dickens Bicentenary.
- Mr Moys expressed the view that the regional architecture had hindered rather than helped the in the securing of European funding.
- Mr Moys confirmed that between 2000 – 2006 £100m of European funding had been secured for Kent. The current target for 2007 -2013 was securing 100 million Euros of funding which was based on funding previously secured and the level of funding available.
- It was confirmed that officers and Members worked closely with Kent's Members of the European Parliament.
- Mention was made of the need to benchmark the work of Locate in Kent.
- The importance considering how future European funding streams and could contribute to the three key streams in the Bold Steps for Kent was emphasised.

(3) RESOLVED that the comments made by Members and the report be noted.

## **120. Chief Executive's Department Financial Outturn 2010/11**

*(Item B2)*

(1) Mr Shipton presented a report which summarised the 2010/11 financial outturn for each of the service units within the Chief Executive's Department. Previously outturn reports to POSCs had included performance outcome information but this was now covered in the separate Core Monitoring report. Mr Shipton explained that most of the reasons for underspends were one off items and so would not be available in 2011/12.

(2) In response to a question Mr Wood explained that the majority of insurance claims arose from damage caused by potholes, and that approximately 83% were resisted as they were not valid claims.

(3) RESOLVED that the revenue and capital financial outturn for 2010/11 including rollovers for committed projects and changes to capital programme and the potential impact of variations since the 2011/12 budget was approved be noted.

## **121. Savings Monitoring Report**

*(Item B3)*

(1) Mr Shipton introduced a report which set out the progress made to ensure the delivery of the 2011/12 budget savings and illustrated this with a PowerPoint presentation.

(2) Mr Simmonds, Mr Shipton and Mr Wood answered questions from Members and noted comments which included the following:-

- Mr Shipton confirmed that the £1.8m underspend for Corporate Services in 2010/11 was unlikely to be repeated in 2011/12. The £400,000 of extra savings due to slippage on projects had been factored into the budget.
- Mr Simmonds emphasised that the system had been set up to ensure that any slippage was picked up at an early stage.
- The Leader confirmed next years capital commitments would be considered in the autumn and some might need to slip into next year, but every attempt would be made to keep to the capital programme.
- It was mentioned that if primary schools were unable to afford to buy in services from KCC this could have an impact on KCC's income expectation.
- There was a need to make sure that as staffing numbers reduced there would be a reduction in the number ICT licenses needed and this should be taken into account.
- Mr Wood confirmed borrowing was carried out in accordance with the approved Treasury Management Strategy.
- Mr Wood confirmed that £10m of procurement savings on Capital over 3 years had been put into the budget.
- In relation to the impact of inflation on the budget, Mr Wood confirmed that there had been an increase in the casual user rate.
- Mr Wood explained that the new International Financial Reporting Standards had added 50 pages to the statement of accounts but had not added any value to KCC residents. He confirmed that they had lobbied Government prior to the Regulations' introduction but had been unsuccessful. The aim of

producing this extra information was to give the ability to compare accounts across the European Union. He stated that there was little point in continuing to lobby for the Regulation to be revoked as to revert to the previous format would cost £100k in officer time.

- Mr Wood confirmed that the capacity of Human Resources was fitted to the pace of the restructuring programme, Ms Beer had the resource to deliver the necessary restructuring consultations.
- Mr Simmonds expressed his thanks to Finance staff for the extra work that they had undertaken in complying with the new European Regulation on accounts reporting, producing the Project Initiation Document (PID) and allocating the budgets across the new Directorates.

(3) RESOLVED that the progress against the delivery of the savings and the comments made by Members be noted.

## **122. Centralisation and restructure of the Finance function**

*(Item B4)*

(1) Mr Wood presented a report which provided Members with some early indication of the likely shape of the restructure of the Finance function at KCC.

(2) Mr Simmonds and Mr Wood answered questions from Members and noted comments which included the following:-

- In response to a question on communication with staff and maintaining morale in these challenging times, Mr Wood explained that the Corporate Management team had “talk to the top” sessions which were held across all KCC staff offices.
- In relation to questions on the Oracle system the importance of telling technical support staff what was required from the system was mentioned. Efficiencies from the system would come with the roll out of i-procurement and greater use by Managers of the system.
- The importance of all IT systems across the authority being fully utilised was emphasised
- Mr Wood acknowledged that there had been an underinvestment in procurement, there was a target of £20m to be delivered by a team of 6 staff.
- It was suggested that Members should be made aware of officers who were leaving the Authority so that they had the opportunity to express their thanks to them, if they wished to do so. This could be done via the Members information Bulletin.
- Mr Wood confirmed that his preference would be to put all Finance staff at risk which would enable the staff to be selected for posts across the unit rather than targeting reductions at specific teams. Regarding staff funded by income from the pension scheme, Mr Wood stated that they would not be included in the re-structuring.

(3) RESOLVED that the progress on the centralisation and restructure of the Finance function be noted.

**123. Update on the transformation Programme 'Change to Keep Succeeding' - Presentation**  
(Item B5)

(1) Ms Kerswell gave a PowerPoint presentation on 'change to keep succeeding' which included an up to date top tier staffing structure, achievements to date, new organisational building blocks, internal control system, one council brand and culture, one council communication and engagement and set out the restructure savings.

(2) Members were given the opportunity to ask questions and to make comments, these included the following:-

- If it is the intention to have Officers oracle numbers on their new id cards, it was requested that consideration be given as to whether this would pose a security risk.
- It was suggested that an item on overview of IT systems investment should be considered at the next meeting of the POSC and items on the restructuring of Property and Business Strategy considered at future meetings.

(3) RESOLVED that the presentation and the comments made by Members be noted.

**124. Core Monitoring**  
(Item B6)

(1) Mr Fitzgerald presented a report which aimed to inform Members about key areas of performance and activity relating to Corporate Services. The report included information up until the end of March 2011.

(2) Mr Gough and Mr Fitzgerald answered questions and noted comments from Members which included the following:-

- Mr Fitzgerald undertook to let the Committee have an explanation of why Kent was below the national average in book issues when Kent apparently was above the national average in the number of libraries that it had.
- Mr Gough confirmed that as the process of core monitoring in its current form was at an end there would be a new performance monitoring reporting structure, consideration was still be as to whether this would be reported to Policy Overview and Scrutiny Committees or whether it would go via Scrutiny Board, who would select items for POSCs to look at in detail.
- It was explained that the reason why the footfall for the Tenterden Gateway was three times that of the Ashford Gateway was because the Tenterden Gateway was also a library and the footfall figures had not be separated.
- In relation to the carbon emission figures for schools it was pointed out that the County Council had limited direct control over these. There was a conflict of interest between the 'school that doesn't sleep' and reducing carbon emissions. It was important to separate out the figures for school and non school buildings.

(3) Mr Gough referred to a meeting that was going to be called involving the Leader, Deputy Leader, himself and Overview and Scrutiny suite Chairman to

discuss the process for Overview and Scrutiny's involvement in performance monitoring.

(4) RESOLVED that the reports and comments made by Members be noted.

## **125. KCC's Performance Management Framework - Delivering Bold Steps**

*(Item B7)*

(1) Mrs Garton and Mr Whittle presented a report on the performance framework for delivering 'Bold Steps for Kent' which was currently being developed and which would go to County Council for approval on 21 July. 2011. This report set out the steps being taken to finalise the performance framework.

(2) Mrs Garton and Mr Whittle answered questions from Members and noted comments which included the following:-

- A Member asked whether District Councils were asked their view on the possible milestone "Introduction of Community Infrastructure Levy across Kent" in the first priority on page 90.
- Concern was expressed about the possible measure "% of Kent residents expressing concern regarding access/affordability of housing in Kent" in the first priority on page 90 and how measurable this actually was.
- Regarding the possible milestone "Location and funding package for a Lower Thames Crossing agreed with Dft", priority 3 on page 90, a Member understood that the Dft were going to revert to their previous study and carry out an assessment and consultation.
- It was suggested that the possible measures for the priority "support families with complex needs and increase the use of community budgets" on page 93 should be reconsidered as it was not possible to know at this stage whether more or less was better.

(3) Mr Whittle explained that further work was being carried out to develop the monitoring framework for the performance framework in order to have an effective evaluation of key indicators.

(4) RESOLVED that the next steps as set out in the report and the comments made on the draft milestones and measures of success be noted.

## **126. Kent Environment Strategy Update**

*(Item B8)*

(1) Ms McKenzie presented a report which summarised the progress towards delivery of the KCC Corporate commitments under the Kent Environment Strategy, emerging issues and gaps in delivery.

(2) Ms McKenzie and Mr Gough answered questions from Members and noted comments which included the following:-

- Ms McKenzie confirmed that the tool kit for Members should be available in September 2011

- If advantage was to be taken of invest to save opportunities then it was important to ensure that there were adequate resources to support these opportunities.
- A Member expressed the view that environmental issues should have a higher priority and gave the example of the London Borough of Haringey which had a Finance and Sustainability Directorate.
- Ms McKenzie confirmed that she was aware that there were a number of different ways of funding solar panels. It was suggested that the County Council should make the public aware of the potential risks with certain solar panel offers.
- It was confirmed that there would be an event in September 2011 to help establish the support that communities needed to enable them to take advantage of environmental measures following which an action plan would be produced setting out what could be offered.
- In relation to schools using rainwater harvesting and bio mass heating, Ms McKenzie informed the Committee that retrofitting was not cost effective, so it was therefore necessary to look at putting these facilities into any new builds. The economies of bio-mass fuels were improving as the cost of other fuels was rising.
- Ms McKenzie undertook to go back to Mrs Dean outside of the meeting regarding her questions on Jubilee Woods funding, wind farms and air pollution.

(3) RESOLVED that the overall progress made by KCC and the BSS (CED) Directorate, especially the re accreditation to ISO14001 be noted and that the priorities outlined in Section 3 and 4 be given equal weight.

## **127. Health and Wellbeing Board - Update** (Item B9)

(1) Mr Gough, Ms Peachey and Mr Whittle introduced a paper which outlined progress to date in regard to establishing a shadow Health and Wellbeing Board for Kent, including implications following the report of NHS Future Forum and the Government's proposed further changes to the Health and Social Care Bill. They answered questions from Members and noted comments which included the following:-

- It was suggested that the wording in paragraph 4.2 (page 105), "take account of the views of, the local Health and Wellbeing Board" should be strengthened.
- There was a key relationship between the Health and Wellbeing Board, and Locality Boards, it would take time for Locality Boards to be established in all areas, so there would be some areas that did not have them when Health and Wellbeing Boards are established. Mr Whittle acknowledged that it was important to consider how the Health and Wellbeing Board would work at the local level and to make sure that the lack of Locality Board infrastructure in some areas did not have an adverse effect.
- The issue of how Health and Wellbeing Boards would relate to Adult Social Care and Public Health Policy Overview and Scrutiny Committee (ASC&PH POSC) was raised. Mr Gough acknowledged that there would still be roles for ASC&PH POSC and Health Overview and Scrutiny Committee after the establishment of the Health and Wellbeing Board.

(2) RESOLVED that the report and the comments made by Members be noted.

**128. Select Committees - update**

*(Item C1)*

(1) The Committee received an update on the current Select Committee topic review programme and were invited to submit suggestions for future Select Committee topic reviews.

(2) RESOLVED That the Select Committee topic review update be noted and Members advise the Democratic Services officer of any items that they would like to suggest for inclusion in the Select Committee topic review programme

**TO:** Corporate Policy Overview & Scrutiny Committee – 22<sup>nd</sup> September 2011

**BY:** Paul Carter, Leader  
 Alex King, Deputy Leader  
 John Simmonds, Cabinet Member for Finance and Business Support  
 Roger Gough, Cabinet Member for Business Strategy, Performance and Health Reform  
 Katherine Kerswell, Group Managing Director

**SUBJECT:** Financial Monitoring 2011/12

**Classification:** Unrestricted

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**Summary:**

Members of the POSC are asked to note the first quarter's budget monitoring report for 2011/12 which was reported to Cabinet on 19<sup>th</sup> September 2011.

**FOR INFORMATION**

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**1. Introduction**

1.1 This is a regular report to this Committee on the forecast outturn for Business Strategy & Support Directorate and Financing Items budgets within the Corporate Services portfolios.

**2. Forecast Outturn**

2.1 A detailed quarterly budget monitoring report is presented to Cabinet, usually in September, December and March, and a draft final outturn report in June. These reports outline the full financial position for each portfolio and are reported to POSCs after they have been considered by Cabinet. In the intervening months an exception report is made to Cabinet outlining any significant variations from the quarterly report. The first quarter's monitoring report for 2011/12 was presented to Cabinet on 19<sup>th</sup> September and the annexes for the Business Strategy & Support Directorate and Financing Items are attached to this report.

2.2 This is the first in-year budget monitoring report we have been able to bring to the POSC based on the first full quarter's spending (April to June) report to Cabinet. The previous exception report for May was not reported to Cabinet until 18<sup>th</sup> July which was after the July round of POSC meetings.

2.3 The approved A-Z of budgets have now been realigned for the first quarter's budget monitoring, to reflect the new portfolio responsibilities and new directorate structures and give a new starting point for the year.

**2.4 Revenue**

*Business Strategy & Support Directorate*

2.4.1 The first quarter's report includes the following significant variations from the approved budget:

- a) Additional income generation of £842k within Legal Services from both external and internal clients offset by additional spend of £100k on disbursements on behalf of clients and £460k on staff and other costs necessary to carry out the additional work, resulting in a net under spend of £282k.

- b) Additional spending and income of £1,500k within Information & Communication Technology on “pay as you go” projects, the vast majority of which are Capital Programmes and have therefore been budgeted for within Capital expenditure.
- c) A pressure of £268k in Finance & Procurement due to the creation of a project team to work on the delivery of the Enterprise Resource Planning programme, together with a delay in the delivery of restructure savings for a Directorate Finance team which transferred to BSS as part of the centralisation of support functions. This saving will now be delivered as part of the restructure of the whole Finance Function.
- d) Human Resources – Business Operations contains the Schools Personnel Service who were given an increased income target of £150k for 2011-12. However, this was without the knowledge that there was going to be a £300k loss of income from ELS as the responsibility for undertaking CRB checks and other support was delegated to Schools. These issues have resulted in the unit forecasting under-delivery of income of £228k. The unit is working hard to sell CRB checks directly to Schools and is looking for new market opportunities to address the shortfall.

2.4.2 Management action has been put in place to manage the above variances resulting in an overall forecast under spend of £282k.

#### *Financing Items*

2.4.3 Financing Items for Quarter 1 is reporting a net variance of -£4.848m. All variances are explained in detail in Annex 6 attached to this report.

#### 2.5 Capital

2.5.1 We are forecasting a break-even position for the Business Strategy & Support Portfolio.

### **3 Recommendations**

3.1 Members of the POSC are asked to note the projected outturn for the Business Strategy and Support Directorate and Financing Items for 2011/12 based on the first quarter’s monitoring report to Cabinet.

#### Background Documents:

- 1) Cabinet 19<sup>th</sup> September 2011 – Revenue and Capital budgets, Key Activity and Risk Monitoring

#### Officer Contact:

Jackie Hansen  
Acting Finance Business Partner  
(Business Strategy & Support)  
Ext. 4054

## BUSINESS STRATEGY & SUPPORT DIRECTORATE SUMMARY JULY 2011-12 FULL MONITORING REPORT

### 1. FINANCE

#### 1.1 REVENUE

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

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits for the A-Z service analysis have been adjusted since the budget was set to reflect the transfers required to reflect the new directorate and portfolio structures, the addition of £1.095m of roll forward from 2010-11 as approved by Cabinet on 20 June 2011, and a number of other technical adjustments to budget.
- The inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 1 of the executive summary.

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

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Finance &amp; Business Support portfolio</b>							
Finance & Procurement	19,821	-4,648	15,173	268	0	268	Creation of ERP Oracle team, and delay of restructure plans
Business Strategy External Funding	0	0	0	0	0	0	
HR Business Operations	8,661	-5,486	3,175	0	228	228	Under-delivery of increased income target
<b>Total F&amp;BS portfolio</b>	<b>28,482</b>	<b>-10,134</b>	<b>18,348</b>	<b>268</b>	<b>228</b>	<b>496</b>	
<b>Business Strategy, Performance &amp; Health Reform portfolio</b>							
Strategic Management & Directorate Support budgets	2,775	-10,459	-7,684	0	0	0	
Governance & Law - Legal Services	8,293	-9,472	-1,179	560	-842	-282	£100k disbursements costs & income; addt costs & income from trading activities
Business Strategy	3,810	-99	3,711	0	0	0	
Property & Infrastructure	26,205	-4,908	21,297	0	0	0	
Human Resources	10,937	-1,692	9,245	0	0	0	
Information & Communication Technology (incl Schools ICT)	32,124	-12,403	19,721	1,607	-1,500	107	IT pay as you go activity funded by income, and delay in restructuring CIS team
Health Reform	250		250	0	0	0	
<b>Total BSP&amp;HR portfolio</b>	<b>84,394</b>	<b>-39,033</b>	<b>45,361</b>	<b>2,167</b>	<b>-2,342</b>	<b>-175</b>	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Deputy Leader portfolio</b>							
Finance - Audit & Risk	1,671	-742	929	0	0	0	
Business Strategy - International, Partnerships & Cabinet Office	990	-269	721	0	0	0	
Democratic & Member Services	3,836	-3	3,833	68	-5	63	Delay on delivery of savings on Members' Services
Local Democracy:							
- County Council Elections	505		505	0	0	0	
- District Grants	703		703	0	0	0	
<b>Total DL portfolio</b>	<b>7,705</b>	<b>-1,014</b>	<b>6,691</b>	<b>68</b>	<b>-5</b>	<b>63</b>	
<b>TOTAL CORPORATE POSC</b>	<b>120,581</b>	<b>-50,181</b>	<b>70,400</b>	<b>2,503</b>	<b>-2,119</b>	<b>384</b>	
<b>Assumed Management Action:</b>							
- F&BS portfolio				-268	-228	-496	<b>Fin &amp; Proc:</b> hold vacancies wherever possible; limit non-staffing spend; and release some staff through VR/ER before implementation of restructure on 1 April 2012. <b>HR:</b> Continue to seek further income generation activities
- BSP&HR portfolio				-107		-107	Currently investigating alternative savings to compensate for not restructuring CIS; and hold vacancies in ICT.
- Deputy Leader portfolio				-63		-63	
<b>Forecast after Mgmt Action</b>				<b>2,065</b>	<b>-2,347</b>	<b>-282</b>	

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

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

#### **Finance & Business Support portfolio:**

##### 1.1.3.1 Finance & Procurement

The £268k pressure on Finance & Procurement is due to the creation of the Enterprise Resource Planning (ERP) Oracle Project team, and a delay in the delivery of restructure savings, which transferred in to BSS directorate as part of the centralisation of support functions from one of the old Directorate Finance Teams, in lieu of the main restructure of the whole of the Finance Function.

##### 1.1.3.2 Human Resources – Business Operations

The Schools Personnel Service was given an additional income target of £150k for 2011-12, which was felt to be achievable. However, this target was set without the knowledge that there

would be a £300k loss of income from ELS as a result of responsibility for undertaking CRB checks and other support being delegated to schools. These two issues combined have resulted in the unit forecasting an under-delivery of income of £228k.

### **Business Strategy, Performance & Health Reform portfolio:**

#### 1.1.3.3 Governance & Law – Legal Services

Variances on gross spend (+£461k) and income (-£742k) reflect the additional work that the function has taken on over and above that budgeted for, responding to both internal and external demand. Variances of (+/-£100k) are due to increased costs & their recovery for Disbursements.

#### 1.1.3.4 Information & Communication Technology (including Schools ICT)

The main variances are (+£1,500k) on gross spend and income (-£1,500k) reflecting the increased demand for additional IT Pay-as-you-go projects. Project demand is difficult to predict during budget setting. The further variance (+£107k) is as a result of a delay in restructuring the Children's Information Service team following the decision to replace the Integrated Children's System.

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

(shading denotes that a pressure has an offsetting saving, which is directly related, or vice versa)

Pressures (+)			Underspends (-)		
Portfolio		£000's	Portfolio		£000's
BSPHR	ICT: Information Systems costs of additional pay as you go activity	+1,500	BSPHR	ICT: Information Systems income from additional pay as you go activity	-1,500
BSPHR	Legal services cost of additional work (offset by increased income)	+461	BSPHR	Legal income resulting from additional work (partially offset by increased costs)	-742
F&BS	Fin & Proc: Creation of the ERP Oracle Project team, and delay to restructure savings which transferred in from 'old' Directorate Finance Team in lieu of main restructure of the whole of the Finance Function.	+268	BSPHR	Legal Services: increased income relating to Disbursements	-100
F&BS	HR: Schools Personnel Service under delivery of increased income target/loss of internal income.	+228			
BSPHR	ICT: Delay in restructuring the CIS team following decision to replace ICS	+107			
BSPHR	Legal Services: increased costs of Disbursements	+100			
		<b>+2,664</b>			<b>-2,342</b>

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

*eg Management Action achieved to date including vacancy freeze, changes to assessment criteria etc. This section should provide details of the management action already achieved, reflected in the net position before assumed management action reported in table 1.*

1.1.4.1 Vacancy management is already in place in Finance & Procurement, Human Resources – Business Operations, and ICT.

### **Finance & Business Support portfolio:**

#### 1.1.4.2 Human Resources – Business Operations

The following other management action has been undertaken within HR to address the under-delivery of the increased income target: Schools Personnel Service: reduction to the cost of

administering CRB checks, generating income directly from schools for CRB checks, reduced cost of supplies & services, and seeking to generate additional income through more ad-hoc work.

#### 1.1.5 **Implications for MTFP:**

The shortfall in Schools Personnel Service income is planned to be managed within the HR unit on an ongoing basis from other income generating activities.

Similarly, the ongoing costs of ERP are expected to be managed within the Finance & Procurement unit in conjunction with the savings arising from the restructure of the function. This will be monitored throughout the year and if the pressures continue to exist following management action, they will be flagged as part of the 2012-15 MTFP process.

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

N/A

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

*This section should provide details of the management action outstanding, as reflected in the assumed management action figure reported in table 1 and details of alternative actions where savings targets are not being achieved.*

##### 1.1.7.1 **Finance & Business Support portfolio:**

###### i) Finance & Procurement

In order to offset the current £268k forecast pressure, the planned management action plan is threefold:

- a) Hold vacancies wherever possible.
- b) Limit non-staffing spend to only business-critical activities.
- c) Release some staff who have requested voluntary redundancy/early retirement before the implementation of the new structure on 1 April 2012.

###### ii) Human Resources – Business Operations

In order to offset the current forecast pressure of £228k, the HR function will continue to seek further income generating activities. It is also planned that economies and efficiencies will be achieved through the new HR Business Centre.

##### 1.1.7.2 **Business Strategy, Performance & Health Reform portfolio:**

###### Information & Communication Technology (including Schools ICT)

The ICT function is currently investigating alternative savings to compensate for not restructuring CIS, which has resulted in the current forecast pressure of £107k. There is also a vacancy freeze in place across ICT to give capacity to deliver planned staffing savings without incurring redundancy costs.

##### 1.1.7.3 **Deputy Leader's portfolio:**

The current forecast pressure of £0.063m is expected to be offset following a review of non-critical spend within Democratic Services.

## 1.2 **CAPITAL**

1.2.1 All changes to cash limits are in accordance with the virement rules contained within the constitution and have received the appropriate approval via the Leader, or relevant delegated authority.

The capital cash limits have been adjusted since last reported to Cabinet on 18<sup>th</sup> July 2011, as detailed in section 4.1.

1.2.2 **Table 3** below provides a portfolio overview of the latest capital monitoring position excluding PFI projects.

	Prev Yrs Exp £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s	Future Yrs £000s	TOTAL £000s
<b>Business Strategy &amp; Support Portfolio</b>						
Budget	15,185	12,279	5,859	3,390	2,923	39,636
Adjustments:						
- Re-phasing at Outturn	-342	342				0
- Outturn Changes	-47					-47
- Asset Modernisation		84				84
- Transfer of Web Platform	-635	-504				-1,139
						0
Revised Budget	14,161	12,201	5,859	3,390	2,923	38,534
Variance		0	0	0	0	0
<b>split:</b>						
- real variance						0
- re-phasing						0
<b>Portfolio Total</b>						
Revised Budget	14,161	12,201	5,859	3,390	2,923	38,534
Variance	0	0	0	0	0	0
<b>Real Variance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Re-phasing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2011-12 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- Projects at preliminary stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary stage, is explained further in section 1.2.4 below.

**Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER**

portfolio	Project	real/ phasing	Project Status			
			Rolling Programme	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
	<b>Overspends/Projects ahead of schedule</b>					
			+0	+0	+0	+0
	<b>Underspends/Projects behind schedule</b>					
			0	-0	-0	-0
			0	0	0	0

**1.2.4 Projects re-phasing by over £1m:**

None

**1.2.5 Projects with real variances, including resourcing implications:**

N/A

**1.2.6 General Overview of capital programme:**

(a) Risks

N/A

(b) Details of action being taken to alleviate risks

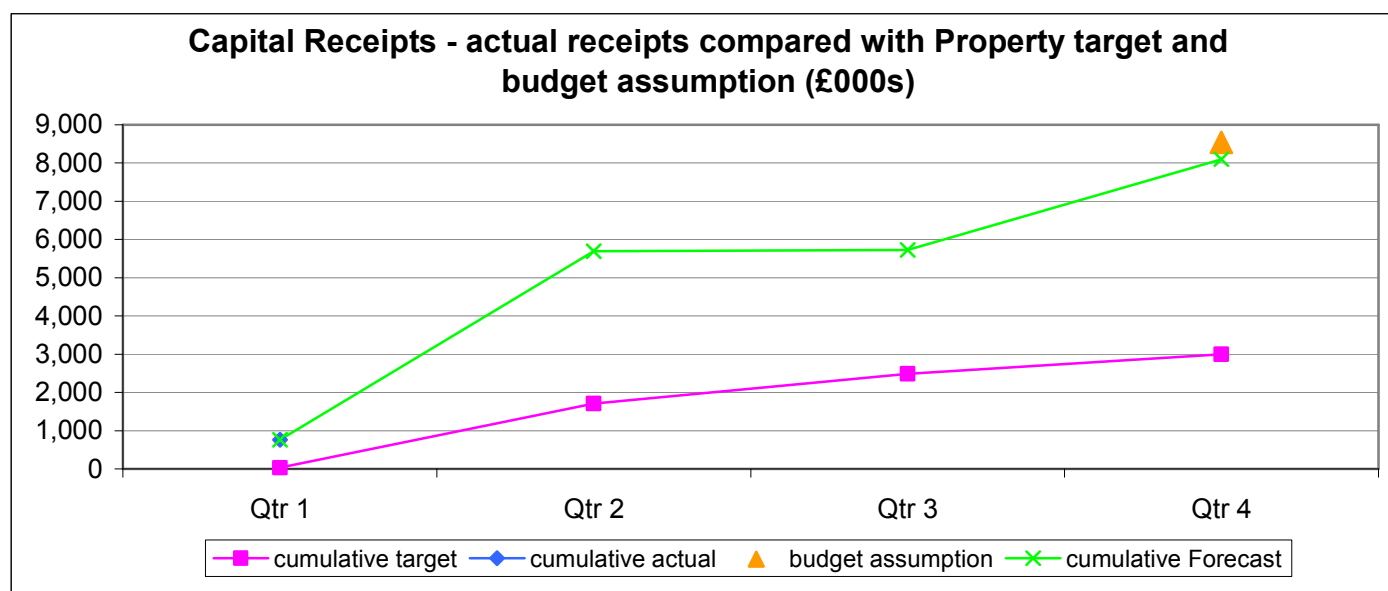
N/A

## 2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

### 2.1 Capital Receipts – actual receipts compared to budget profile:

	2011-12			
	Budget funding assumption £000s	Cumulative Target Profile £000s	Cumulative Actual Receipts £000s	Cumulative Forecast receipts £000s
April - June		30	769	769
July - September		1,710		5,693
October - December		2,490		5,728
January - March		3,000		8,097
<b>TOTAL</b>	<b>8,538</b>	<b>3,000</b>	<b>0</b>	<b>8,097</b>

The cumulative target profile shows the anticipated receipts at the start of the year totalled £3.0m. The difference between this and the budget funding assumption is mainly attributable to timing differences between when the receipts are anticipated to come in and when the spend in the capital programme will occur. There are banked receipts achieved in prior years which were not required to be used for funding until 2011-12.



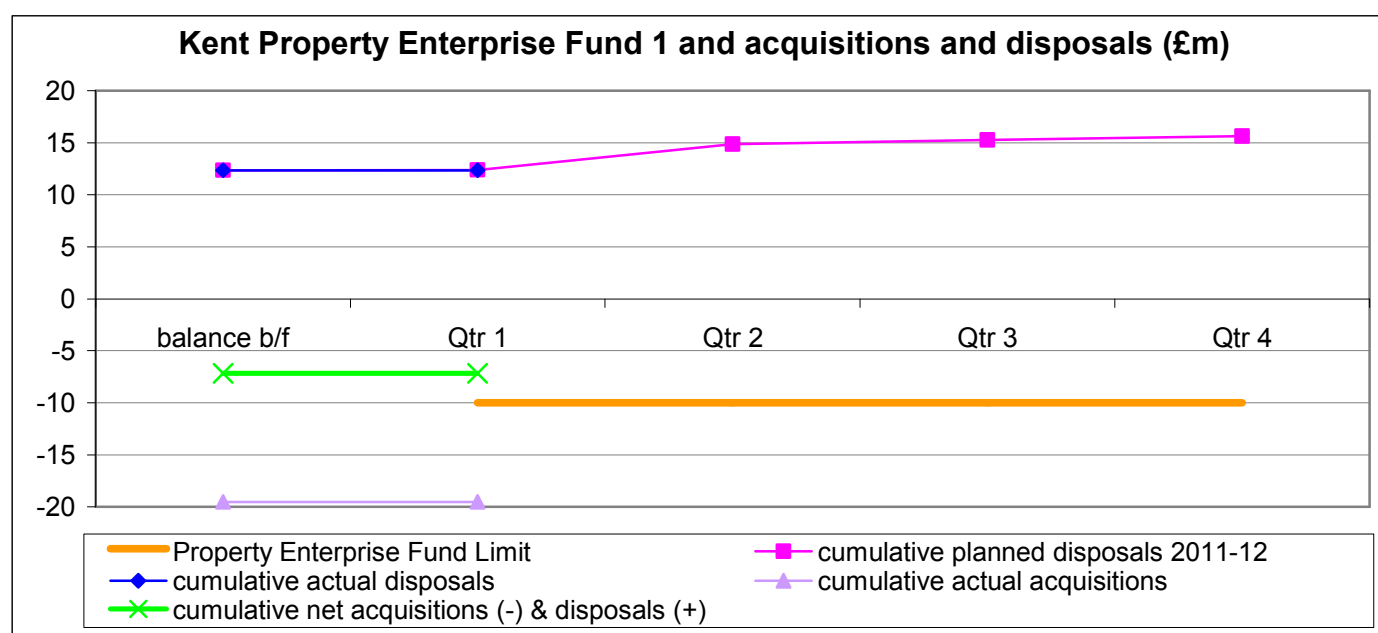
#### Comments:

- The table below compares the capital receipt funding required per the capital programme this year, with the expected receipts available to fund this.
- Property Group is actually forecasting a total of £8.067m to come in from capital receipts during the year. Taking into consideration the receipts banked in previous years and receipts from other sources there is a forecast surplus of £7.251m in 2011-12. This is due to receipts being forecast to be achieved during 2011-12 which are held to fund spend in future years of the programme.

	2011-12 £'000
Capital receipt funding per revised 2011-14 MTFP	8,538
Property Groups' actual (forecast for 11-12) receipts	8,067
Receipts banked in previous years for use	5,953
Capital receipts from other sources	1,769
<b>Potential Surplus Receipts</b>	<b>7,251</b>

## 2.2 Capital Receipts – Kent Property Enterprise Fund 1:

	2011-12				
	<i>Kent Property Enterprise Fund Limit</i> £m	Cumulative Planned Disposals (+) £m	Cumulative Actual Disposals (+) £m	Cumulative Actual Acquisitions (-) £m	Cumulative Net Acquisitions (-) & Disposals (+) £m
Balance b/f		12.342	12.342	-19.504	-7.162
April - June	-10	12.377	12.342	-19.504	-7.162
July - September	-10	14.862			0
October - December	-10	15.282			0
January - March	-10	15.638			0

Background:

- County Council approved the establishment of the Property Enterprise Fund 1 (PEF1), with a maximum permitted deficit of £10m, but self-financing over a period of 10 years. The cost of any temporary borrowing will be charged to the Fund to reflect the opportunity cost of the investment. The aim of this Fund is to maximise the value of the Council's land and property portfolio through:
  - the investment of capital receipts from the disposal of non operational property into assets with higher growth potential, and
  - the strategic acquisition of land and property to add value to the Council's portfolio, aid the achievement of economic and regeneration objectives and the generation of income to supplement the Council's resources.

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

Comments:

The balance brought forward from 2010-11 on PEF1 was **-£7.162m**.

A value of **£4.744m** has been identified for disposal in 2011-12. This is the risk adjusted figure to take on board the potential difficulties in disposing some of the properties.

As at the 31 July 2011 there have been no disposals.

The fund has been earmarked to provide **£0.197m** for Gateways in this financial year.

At present there are no committed acquisitions to report, however forecast outturn for costs of disposals (staff and fees) is currently estimated at **£0.173m**.

### Forecast Outturn

Taking all the above into consideration, the Fund is expected to be in a deficit position of £4.417m at the end of 2011-12.

<b>Opening Balance – 01-04-11</b>	-£7.162m
Planned Receipts (Risk adjusted)	£4.744m
Costs	-£0.173m
Acquisitions	-
Other Funding: - Gateways	-£0.197m
<b>Closing Balance – 31-03-12</b>	<b>-£2.788m</b>

### Revenue Implications

In 2011-12 the fund is currently forecasting £0.011m of low value revenue receipts but, with the need to fund both costs of borrowing (£0.486m) against the overdraft facility and the cost of managing properties held for disposal (net £0.037m), the PEF1 is forecasting a £2.115m deficit on revenue which will be rolled forward to be met from future income streams.

## 2.3 **Capital Receipts – Kent Property Enterprise Fund 2 (PEF2):**

County Council approved the establishment of PEF2 in September 2008 with a maximum permitted overdraft limit of £85m, but with the anticipation of the fund broadly breaking even over a rolling five year cycle. However, due to the slower than expected recovery, breakeven, is likely to occur over a rolling seven to eight year cycle. The purpose of PEF2 is to enable Directorates to continue with their capital programmes as far as possible, despite the downturn in the property market. The fund will provide a prudent amount of funding up front (prudential borrowing), in return for properties which will be held corporately until the property market recovers.

### **Overall forecast position on the fund**

	2011-12 Forecast
	£m
<b>Capital:</b>	
Opening balance	-22.209
Properties to be agreed into PEF2	-22.120
Forecast sale of PEF2 properties	19.915
Disposal costs	-0.996
Closing balance	-25.410
<b>Revenue:</b>	
Opening balance	-3.417
Interest on borrowing	-0.952
Holding costs	-0.595
Closing balance	-4.964
<b>Overall closing balance</b>	<b>-30.374</b>

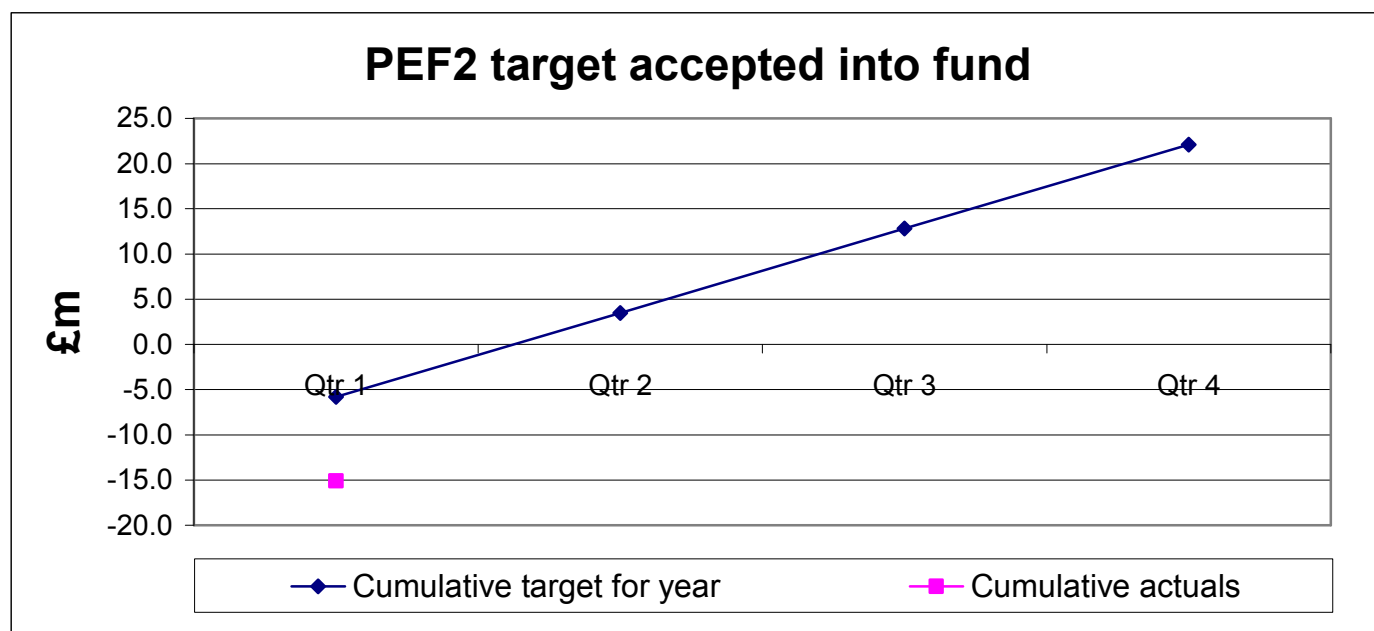
The forecast closing balance for PEF2 is -£30.374m, this is within the overdraft limit of £85m.

The target receipts to be accepted into PEF2 during 2011-12 equate to the PEF2 funding requirement in the 2011-14 budget book, and achievement against this is shown below:

	2011-12	
	Cumulative target for year	Cumulative actuals
	£m	£m
Balance b/fwd	-15.1	-15.1
Qtr 1	-5.8	-15.1
Qtr 2	3.5	
Qtr 3	12.8	
Qtr 4	22.1	

Comments:

- The above table shows a £15.1m deficit which is the net of a £17.6m deficit within ELS and £2.5m of PEF2 achieved in previous years by FSC and E&E that was not required until later years.
- To date no properties have been transferred into PEF2. Corporate Property and Directorates continue to work together to enable properties to be transferred into the fund.



### PEF2 Disposals

To date seven PEF2 properties have been sold and five are in the process of completing. The cumulative profit on disposal to date is £1.261m. Large profits or losses are not anticipated over the lifetime of the fund.

### Interest costs

At the start of the year interest costs on the borrowing of the fund for 2011-12 were expected to total £0.878m.

Latest forecasts show interest costs of £0.952m, an increase of £0.74m. This is because the latest forecast value of disposals has decreased.

Interest costs on the fund are calculated at a rate of 4%.

## FINANCING ITEMS SUMMARY JULY 2011-12 FULL MONITORING REPORT

### 1. FINANCE

#### 1.1 REVENUE

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

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the budget was set to reflect the addition of £7.839m of roll forward from 2010-11, which includes a transfer to the Economic Downturn reserve, as approved by Cabinet on 20 June 2011, which has subsequently been draw down to offset the pressures within Specialist Children’s Services portfolio, a virement of £0.130m from the underspend on debt charges to offset the Commercial Services contribution within the EH&W portfolio because CSD are to fund two new audit posts and some outsourced work thereby reducing their ability to make the budgeted contribution and a number of other technical adjustments to budget.
- The inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 1 of the executive summary.

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

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Finance &amp; Business Support Portfolio</b>							
Carbon Reduction Commitment Levy	1,368		1,368			0	
Contribution to/from Reserves	-11,245		-11,245	-963		-963	transfer of 11-12 write down of discount saving from 08-09 debt restructuring to reserves; drawdown of Insurance Reserve to cover pressure on Insurance fund
Insurance Fund	3,479		3,479	1,450		1,450	increase in liability claims forecast to be paid & increase in provision for period of time claims
Modernisation of the Council	4,038		4,038			0	
Net Debt Charges (incl Investment Income)	124,434	-8,877	115,557	-4,534	693	-3,841	2011-12 write down of discount saving from 2008-09 debt restructuring; re-phasing of capital programme in 10-11 has provided savings on debt charges & MRP
Other	6,490	0	6,490	-1,494	0	-1,494	£1.546m unexpected unringfenced grant increase held to offset pressures across Authority; +£0.052m costs of Transformation Programme Manager for Change
<b>Total F&amp;BS portfolio</b>	<b>128,564</b>	<b>-8,877</b>	<b>119,687</b>	<b>-5,541</b>	<b>693</b>	<b>-4,848</b>	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Business Strategy, Performance &amp; Health Reform portfolio</b>							
Contribution to IT Asset Maintenance Reserve	2,352		2,352			0	
<b>Deputy Leader portfolio</b>							
Audit Fees	464		464			0	
<b>Total Controllable</b>	<b>131,380</b>	<b>-8,877</b>	<b>122,503</b>	<b>-5,541</b>	<b>693</b>	<b>-4,848</b>	

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

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

#### 1.1.3.1 Insurance Fund

A forecast pressure on the Insurance Fund, currently estimated at £1.450m, will need to be met by a drawdown from the Insurance Reserve (see 1.1.3.3 below). This is due to an increase in liability claims forecast to be paid in year and an increase in the provision for period of time claims. These are claims which span a number of years and are distinguishable from claims resulting from a single incident on a particular date. With period of time claims, a number of successive annual insurance policies held by an authority are triggered/become active and this raises difficulties where there are varying terms across the policies and the interests of more than one insurer to consider. One former liability insurer for the Authority has been consulting with their legal team, whilst the current liability insurer has returned with conflicting advice, hence, as a precaution and until a legal position is established, we have increased our provision for each of our registered period of time claims to reflect a worse case settlement position.

#### 1.1.3.2 Net Debt Charges (including Investment Income):

- There is a saving of £3.354m as a result of:
  - deferring borrowing in 2010-11 due to the re-phasing of the capital programme and also no new borrowing was taken in the first quarter of 2011-12.
  - in addition, the re-phasing of the capital programme in 2010-11 is likely to provide a saving on Minimum Revenue Provision (MRP) as it is likely that fewer assets became operational than anticipated. As reported in 2010-11, we have adopted the asset life method of calculating MRP. This method provides authorities with the option of applying MRP over the life of the asset once it is in operation, so for assets that are not yet operational and still under construction we effectively have an "MRP holiday". However, once these assets do become operational we will incur MRP in the following year. MRP is based on capital expenditure incurred in the previous year and therefore cannot be calculated until the previous year's accounts have been finalised and audited. This very complex calculation is currently being undertaken and therefore further details and confirmation of the level of saving will be provided in future reports.
  - however, there is a reduced interest return on cash balances as a result of using cash to finance a higher proportion of capital expenditure in 2010-11 but this is more than offset by the savings achieved from deferring borrowing.
- There is a saving of £0.487m which relates to the write-down in 2011-12 of the £4.024m discount saving on debt restructuring undertaken at the end of 2008-09. (£3.378m was written down during the period 2008-11, therefore leaving a further £0.159m to be written in 2012-13).

### 1.1.3.3 Contributions to/from reserves:

- As planned, the £0.487m write down of the discount saving earned from the debt restructuring in 2008-09, will be transferred to the Economic Downturn reserve to offset the Icelandic investments impairment cost incurred in 2010-11.
- At year end there will be a draw down from the Insurance Reserve to cover the pressure on the Insurance Fund, currently estimated at £1.450m.

### 1.1.3.4 Other Financing Items:

- After the budget had been set we received notification of an unexpected un-ringfenced grant increase of £1.546m for Extended Rights to Free Travel. In light of the pressures faced by the Authority in the current year, we are holding this funding increase within the Finance & Business Support portfolio to offset pressures elsewhere across the Authority.
- There is a pressure of £0.052m relating to the Council restructure for the costs of the Transformation Programme Manager for Change. It was originally anticipated that this work would be completed by 31 March 2011 but it continued through the first quarter of 2011-12.

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

(shading denotes that a pressure has an offsetting saving, which is directly related, or vice versa)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
F&BS	Pressure on the Insurance Fund due to increase in liability claims forecast to be paid & increase in provision for period of time claims	+1,450	F&BS	savings on debt charges & MRP due to re-phasing of capital programme in 10-11, together with no new borrowing in 11-12	-3,354
F&BS	Contribution to economic downturn reserve of 2011-12 write down of discount saving from 2008-09 debt restructuring	+487	F&BS	unexpected un-ringfenced grant for Extended Rights to Free Travel to be used to offset pressures across Authority	-1,546
			F&BS	drawdown from Insurance Reserve to cover pressure on the Insurance Fund	-1,450
			F&BS	2011-12 write down of discount saving from 2008-09 debt	-487
		+1,937			-6,837

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

*eg Management Action achieved to date including vacancy freeze, changes to assessment criteria*

N/A

### 1.1.5 **Implications for MTFP:**

N/A

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

N/A

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

Currently the underspending on the Financing Items budgets is offsetting pressures elsewhere across the authority.

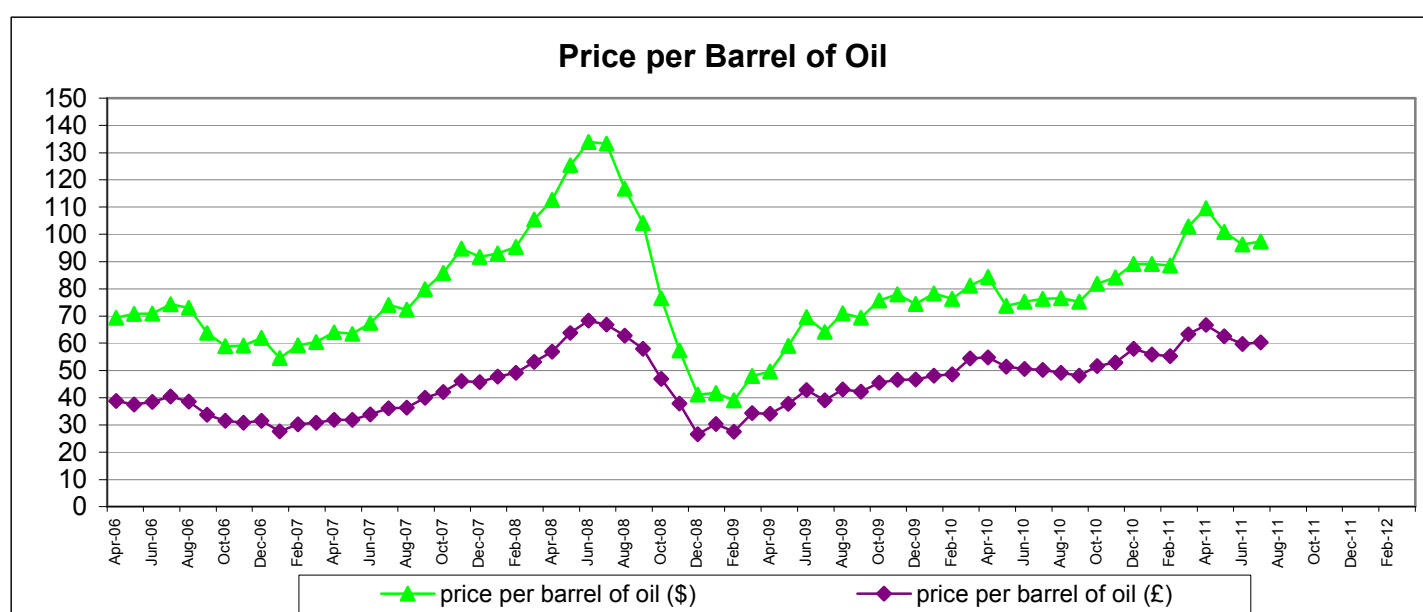
## 1.2 CAPITAL

N/A

## 2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

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

	Price per Barrel of Oil					
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	\$	\$	\$	\$	\$	\$
April	69.44	63.98	112.58	49.65	84.29	109.53
May	70.84	63.45	125.40	59.03	73.74	100.90
June	70.95	67.49	133.88	69.64	75.34	96.26
July	74.41	74.12	133.37	64.15	76.32	97.30
August	73.04	72.36	116.67	71.05	76.60	
September	63.80	79.91	104.11	69.41	75.24	
October	58.89	85.80	76.61	75.72	81.89	
November	59.08	94.77	57.31	77.99	84.25	
December	61.96	91.69	41.12	74.47	89.15	
January	54.51	92.97	41.71	78.33	89.17	
February	59.28	95.39	39.09	76.39	88.58	
March	60.44	105.45	47.94	81.20	102.86	



#### Comments:

- The figures quoted are the West Texas Intermediate Spot Price in dollars per barrel, monthly average price.
- The dollar price has been converted to a sterling price using exchange rates obtained from the HMRC website.

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**By:** John Simmonds, Cabinet Member for Finance and Business  
David Cockburn, Corporate Director, Business Strategy and Support  
Andy Wood, Acting Corporate Director of Finance and Procurement

**To:** Corporate Policy Overview Committee 22<sup>nd</sup> September

**Subject:** Consultation on Local Government Resource Review (proposals for retention of business rates)

**Classification: Unrestricted**

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**Summary:**

The Government has published proposals for consultation that would enable local authorities to retain a share of locally-generated business rates. These would replace the current system under which all business rates are pooled nationally and then redistributed through a central formula.

This report considers the implications of the Government's proposals for Kent. It sets out:

- a) A summary of the proposals and the Government's rationale for change;
- b) The implications of the proposals for KCC's overall resources;
- c) The implications of the proposals for economic growth in Kent; and
- e) The process for developing a response to the Government's consultation

Members are asked to note this report and agree any issues which should be considered for KCC's response.

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**1. The current system and proposals for change**

- 1.1. Last year, the Government announced a review of local government finance and published the terms of reference for a 'Local Government Resource Review' in March 2011. As part of this Review, the Government launched a consultation in July on proposals to pass

control of National Non-Domestic Rates (referred to as business rates) to local authorities.

### The current system

- 1.2. At present, business rates are collected by lower-tier authorities and paid into a national pool (approx. £20.8bn). This pool also includes business rates collected centrally, an adjustment to reflect historic under recovery of business rates compared to the estimated tax base, and an accumulated deficit on the amount collected and redistributed from previous years which collectively reduce the overall distributable amount to £19 billion in 2011/12. This is redistributed to local authorities through the Formula Grant together with £5.9bn of Revenue Support Grant (RSG) and a further £4.5bn to police authorities through Police Grant. KCC currently receives about 22% of its non-schools budget in Formula Grant.
- 1.3. The value of business rates collected reflects the strength of the local business base. However, Formula Grant is broadly distributed according to need to spend on services and the ability to raise Council Tax. There is therefore a significant imbalance between those authorities that are net contributors to the national pool and those that are net beneficiaries. At present, Kent and Medway make a relatively small net contribution compared to other net contributors:

<b>Kent &amp; Medway contribution to national business rate pool, 2011/12</b>	
Gross business rates collected	£559.8m
Net collected after pro rata adjustments	£524.7m
NNDR reallocated through Formula Grant	£457.2m
Gross contribution	£102.6m
Net contribution	£67.5m

- 1.4. A more detailed overview of the current system is set out in Annex 1. It is complex, and this has led to a number of criticisms; in addition, the Government has criticised the system on localist grounds, taking the view that:
  - a) The current system is excessively centralised and denies councils control over locally generated resources; and
  - b) There is currently no financial incentive on local authorities to promote business growth in their areas, as they will not receive any of the business rate receipts from additional development (nor is there any financial penalty for a failure to deliver growth).

## The Government's proposed changes

- 1.3. The Government's consultation document does not propose that business rates are fully localised, as this would mean that some authorities (in generally richer areas) would make significant gains, while others (in generally poorer areas) would lose out.
- 1.4. Instead, it is proposed that the new system would, in summary:
  - a) Set a baseline for each local authority, which would apply from 2013/14. It is proposed that this would be the 2012/13 damped Formula Grant, adjusted to the total Government funding identified for local government in Spending Review 2010 (SR 2010). The Government recognises that if the deficit reduction targets are to be achieved it must keep spending within the SR 2010 targets. The subsequent technical papers have confirmed more detail and that baseline would be calculated on the 2014/15 SR 2010 total with an additional supplementary grant in 2013/14.
  - b) Allow an element of redistribution to reflect need. The baseline would determine the amount of business rates that would be redistributed. Authorities which are expected to collect more business rates in 2013/14 than the baseline would pay the difference to central Government as a tariff. Those which are expected to collect less than the baseline would receive a top-up from the tariff pool. There may be some authorities where the business rates match the baseline, so no tariff or top-up would apply. The consultation is seeking views whether the tariffs and top-ups should be fixed in perpetuity or up-rated each year to reflect inflation. The consultation also seeks views on whether the calculations should be reset from time to time to reflect changes in needs. The tariffs and top-ups will require an assumed level of business rates and the consultation seeks views whether this should be based on a single year or the average over a number of years.
  - c) Allow local authorities to retain the future growth in business rates. Beyond the first year, local authorities would retain the growth in business rates over and above the assumed level in the baseline calculation (plus or minus the tariff or top-up). So there would be an incentive for authorities to promote the growth of the business rate tax base, although there would be a downside for those authorities that experience a decline in their tax base.
- 1.5. In addition, the consultation proposes options for a levy on local authorities to fund a 'shock pot', which could act as a form of 'insurance' for authorities that experience a sudden decline in their tax bases or are particularly deprived. This could be important in the event of a major industrial closure: even with significant discounts for

example, Pfizer still pays around £3.4 million per year to Dover District Council.

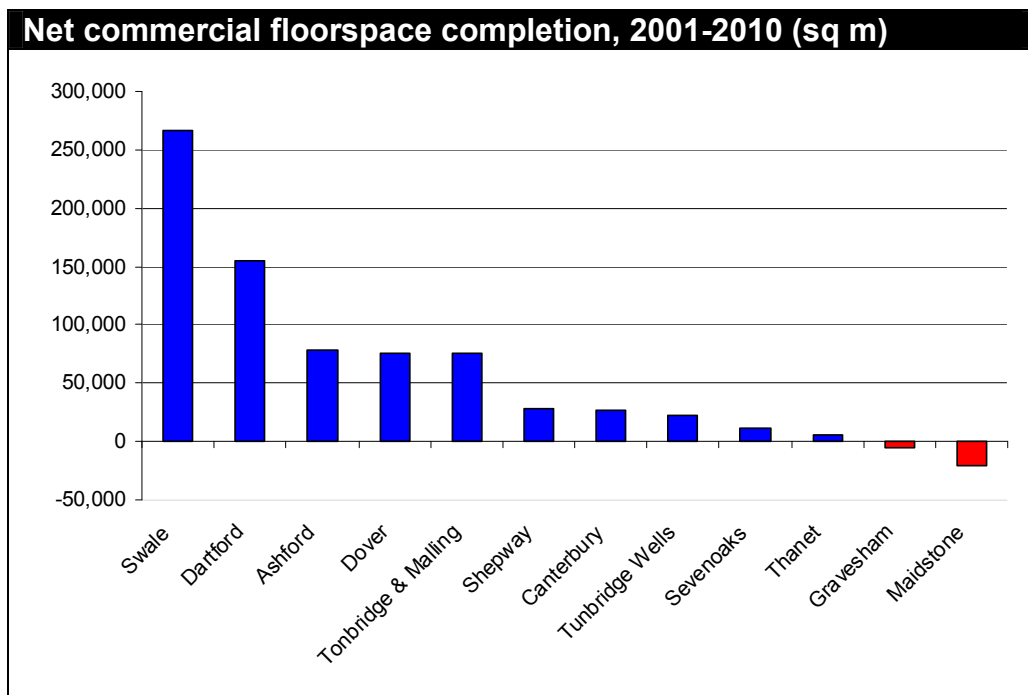
- 1.6. There are no proposals to change the amounts that businesses pay (i.e. the business rate remains national and uniform) and the existing reliefs would remain. The consultation proposes that the quinquennial revaluation of rateable values still takes place every five years as at present, and that tariffs and top-ups should be adjusted in line with the review. The consultation is also proposing some simplifications to the billing process.
- 1.7. Although business rate billing is carried out by District authorities, the Government proposes that County Councils should be allocated a fixed percentage share of the business rates baseline of the District Councils in their areas. So KCC would be subject to gain or loss against the baseline in the same way as the Districts.
- 1.8. A number of technical papers have been published setting out the Government's proposals in greater detail. These are listed as background documents along with the consultation paper itself. A fuller summary of the consultation proposals are included in Annex 2.
- 1.9. The New Homes Bonus (NHB) grant will continue as expected including some funding which would otherwise have been available for Formula Grant. This NHB grant is due to build up over 6 years. The consultation proposes that the baseline is set according to the "steady state" position and any surplus funds in early years would be paid as an additional grant.
- 1.10. The existing arrangements that allow upper tier authorities to levy a supplemental business rate on larger businesses to promote economic development will remain (as will Business Improvement District). The government is considering other measures which would promote economic development including the power for local authorities to reduce business rates bills (this would have to be financed locally) and the power to borrow against future tax revenues to fund infrastructure improvements through Tax Increment Financing (TIF). These are explored in more depth in section 3.

## **2. Implications for local government resourcing in Kent**

- 2.1. Business rate localisation presents some major issues for the resourcing of local government services.
- 2.2. There is clearly a negative correlation between business rate revenues and spending needs. The areas of greatest deprivation generally exist alongside weak commercial markets. While each authority will be set its own baseline and the tariff and top-up system will set the existing redistribution in perpetuity (subject to any resetting), the system is designed to include an incentive to maximise revenue, and this only works if there is genuine potential for gain and loss. However, given

that Kent is currently a relatively small net contributor to the national pool and overall has seen growth in commercial development over the past decade, this is perhaps less of a concern than in other parts of the country.

- 2.3. Within Kent, there are likely to be significant differences in performance at district level – so there will be considerable variation in business rate growth. The graph below illustrates the difference in net commercial property completions by district over the past ten years. Regardless of the efforts that are made to promote growth throughout the county, differences are likely to persist due to the availability of and demand for employment land. However, in some cases the location of a major site delivering business rate growth may not reflect its economic footprint: for example, while the future business rate gain at Ebbsfleet Valley will mainly be apportioned to Dartford, the costs and benefits of the development will extend to Gravesham as well.



- 2.4. In addition, there is the possibility that some authorities may disproportionately benefit or lose out due to the size of their business base relative to the resident population. For example, authorities with large amounts of business stock and high in-commuting could benefit over neighbouring suburban areas with high levels of out-commuting. Kent as a whole is relatively self-contained with limited overall out-commuting, but there is considerable variance at district level.
- 2.5. A solution to this problem is to pool district and county retained rates, thus limiting the impact of local divergences and major shocks caused by closures and new developments. Potentially, pooling could take place on a regional basis, county-wide, or within a number of sub-county groupings (and there may be an interest from for example East

Kent or North Kent in this approach). KCC will need to have a dialogue with the districts on options for pooling.

### **3. Implications for economic growth**

- 3.1. Business rate retention could have two potential impacts on Kent's economic growth agenda: firstly, through the *incentive* mechanism that it offers, and secondly through the opportunities it presents to *borrow* against future business rate receipts to fund infrastructure.

#### The incentive effect

- 3.2. Government assume that retained rates will incentivise local authorities to promote growth, either through the planning system or through investment in infrastructure and business development activity that could produce economic gain. For example, investment in superfast broadband via Broadband Delivery UK will yield business growth (especially in rural Kent), although the specific impact of broadband investment on business rate growth will need to be modelled in detail. The Localism Bill will also include powers for local authorities to reduce business rates if they wish, provided the discount is locally funded.
- 3.3. However, there are potentially negative impacts associated with strong business growth incentives, especially at very local level, where gains to one district through a particular development could mean planning and economic disadvantages for a neighbouring one. There may therefore be economic (as well as financial) benefits in pooling rates county-wide or across a number of districts.
- 3.4. Any incentive to business growth will apply to Kent's competitors for investors just as much as it will do to us, and rate retention may lead to increased competition for mobile investment. Kent is relatively well placed to respond to this, given KCC's long-standing commitment to support for inward investment via Locate in Kent, which last year helped to secure around 2,500 jobs in the county.
- 3.5. Some caution should be exercised in considering the economic effect of retained business rates however. While the Government's proposals do create a stronger financial incentive for local authorities to promote business growth, the issue in relation to many major sites is market demand, rather than constraints on supply.

#### Opportunities to borrow against future receipts

- 3.6. Kent has a number of locations with the potential for significant business expansion, notably in Kent Thameside and at Ashford. However, in some cases, the need for significant investment in infrastructure is a constraint on the ability to bring forward employment sites. This has become an increasing concern given the sharp reductions in the availability of central government capital investment

previously made available through sources such as the Thames Gateway Programme and Growth Areas Fund.

- 3.7. Tax increment financing enabled by business rate retention could provide a mechanism for funding business critical infrastructure on key sites. KCC has undertaken preliminary work on the opportunities that this may present at key sites including Ebbsfleet Valley and Kings Hill and this could be reviewed further. TIF would be more risky than other forms of prudential borrowing as the authority would still be liable to finance debt even if the infrastructure improvements do not stimulate a growth in business rates.

#### **4. General conclusions**

- 4.1. There are a number of positive aspects to the consultation. In particular, the proposed model is clearer and gives a stronger incentive than the former Local Authority Business Growth Incentive (LABGI) scheme, and would mean less reliance on Government grants (something we have consistently been seeking). In addition, the proposals strike a compromise between full local rate retention and the need to ensure funding for local services in areas with weak business bases.
- 4.2. However, the proposals do present a challenge to KCC in ensuring a mechanism to mitigate local shocks and excessive local competition and in ensuring consistent business growth above the baseline, which will have implications for planning and economic development policy. We may also wish to give greater consideration to gaining a better understanding of the county's major rate paying firms as the proposals do nothing to address the criticism that there is no link between the amount businesses pay in local tax and levels of service.
- 4.3. We have a concern that the proposals crystallise the existing allocations based on the much criticised floor block model and we would rather the redistribution be based on an equitable model which is widely supported and understood. The proposal to set the baseline on damped allocations goes some way to addressing the issue but it is far from ideal.
- 4.4. There are also a number of contradictions within the proposals which need to be addressed e.g. the Government says that there should be no cap on the amount of business rate growth which can be retained but elsewhere under the shock pot they are considering what in effect is a cap. The consultation also has not taken the opportunity to consider more radical changes to business rates in light of the clearly inverse correlation between the tax raised and the need to spend on services (other than cementing the existing redistribution).

## 5. Responding to the Government's consultation

- 5.1. The consultation period closes on 24 October. The purpose of this report is for POSC members to identify any issues which should be addressed in KCC's response.
- 5.2. It is envisaged the final response will be agreed with Cabinet Members in order to comply with the consultation deadline.

## 6. Recommendations

- 6.1 Corporate POSC Members are asked to note the content of the consultation and agree any issues which should be addressed in KCC's response.

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### Background Papers

Terms of Reference for the Review:

<http://www.communities.gov.uk/documents/localgovernment/pdf/1913801.pdf>

### Government Consultation Paper

<http://www.communities.gov.uk/publications/localgovernment/resourcereviewbusinessrates>

<http://www.communities.gov.uk/publications/localgovernment/resourcereviewplainenglish>

### Technical Papers

<http://www.communities.gov.uk/publications/localgovernment/resourcereviewtechnicalpapers>

<http://www.communities.gov.uk/publications/localgovernment/resourcereviewtechnicalpaper1>

<http://www.communities.gov.uk/publications/localgovernment/resourcereviewtechnicalpaper2>

<http://www.communities.gov.uk/publications/localgovernment/resourcereviewtechnicalpaper3>

<http://www.communities.gov.uk/publications/localgovernment/resourcereviewtechnicalpaper4>

<http://www.communities.gov.uk/publications/localgovernment/resourcereviewtechnicalpaper5>

<http://www.communities.gov.uk/publications/localgovernment/resourcereviewtechnicalpaper6>

<http://www.communities.gov.uk/publications/localgovernment/resourcereviewtechnicalpaper7>

<http://www.communities.gov.uk/publications/localgovernment/resourcereviewtechnicalpaper8>

### Overview of the Current System

Local authorities receive funding through three main sources:

- Council Tax
- Government Grants (this includes general grants and specific ring-fenced grants)
- Locally generated income such as fees & charges and contributions from other agencies

On average councils receive over 50% of their funding from central government grants. KCC receives just over 31% of its funding (excluding schools) in grants, the majority of which (70%) is Formula Grant. Grants are funded from departmental budgets approved as part of the Spending Review. In the case of Formula Grant in 2011/12 nationally £19bn is financed from redistributed Business Rates, £5.9bn is funded from Revenue Support Grant (RSG), and a further £4.5m is allocated to police authorities as Police Grant.

Business rates are collected by lower tier authorities and paid into a national pool. The business rates are largely determined on a national basis with each property allocated a rateable value by the Valuation Office Agency. The rateable values are updated every five years and should represent the annual rent that a tenant would be willing to pay on the open market.

In addition to the business rates collected locally there are a number of properties classified on the central list such as utility companies. Business rates for these properties are collected directly by DCLG and paid into the pool. The final distributable amount is recalibrated to reflect historic over estimates of the amount that can be collected and adjusted for any accumulated surplus or deficit from previous years. Table 1 below shows the calculations used for the 2011/12 Local Government Finance Settlement.

Table 1 – Determination of Distributable Amount	2009/10 Outturn £m	2010/11 Estimate £m	2011/12 Estimate £m
Local List			
Notional gross yield (based on taxbase x multiplier)	22.463	22.929	24.262
Less reliefs	2.330	2.554	2.577
Less collection costs and other adjustments	1.091	0.826	0.840
Net Yield from Local Lists	19.042	19.550	20.845
Central List	1.182	1.167	1.167
Recalibration		-0.586	-0.625
Accrued Surplus/Deficit	-1.625	-0.900	-2.284
Combined Total	18.600	19.216	19.102
Distributable Amount (used for settlement)	19.500	21.500	19.000
Surplus/Deficit	-0.900	-2.284	0.102

This table shows that up until 2010/11 the distributable amount (the amount allocated to local authorities through the Formula Grant) had been more than the actual business rates collected (after reliefs, costs of collection and other adjustments) and that in the 2011/12 settlement there is a large reduction for the accrued deficit. In future years there will be a larger amount of business rates available to distribute and it is likely that the total will exceed the overall amount for local government identified in the Spending Review.

The rate multiplier (pence in the £ charged on the rateable value) is determined by legislation which includes an annual uplift based on RPI with a revision every 5 years in line with the quinquennial review of rateable values to ensure that the overall yield remains the same in real terms before and after the review. There are a range of reliefs available for particular occupants e.g. charities, small businesses, etc. as well as transitional reliefs to limit the impact of the 5 year review.

We have calculated that in 2011/12 Kent (including Medway) was a gross contributor to the pool to the tune of £103m with a total of £560m collected and paid into the pool and £457m paid out through Formula Grant. Kent is a net contributor of £67.5m after reflecting the national adjustments (see below). In proportionate terms this makes Kent one of the smallest of the net contributors.

A list of all the gross and net contributors and beneficiaries from the current arrangements for 2011/12 is shown in table 2 below. This reflects the latest estimates which are lower than the estimates used in the Local Government Finance settlement (and thus vindicate the recalibration introduced into the settlement for the first time this year). It should be noted that the amounts collected by local authorities never equals the amounts allocated through Formula Grant because of business rates collected directly by HM Treasury (the Central List) and various other adjustments at a national level including surpluses/deficits from previous years.

The Local Government Finance settlement is usually announced provisionally in November and finalised in January. From 2008 there was a three year settlement which increased predictability significantly. The last major change to the Formula Grant system was introduced in 2006 when the four block model replaced the SSAs. This model has been widely criticised as it allocates resources according to relative rather than absolute need and is incredibly opaque (it has been suggested this was deliberate to enable allocations to be manipulated other than according to need). The damping mechanisms mean that the four block formula has never been fully implemented.

The consultation is not proposing any changes the way rates bills are calculated or paid. Properties would still be valued by the Valuation Office Agency and the multiplier set nationally. In effect this means that business rates are still a national tax even though its is collected and spent locally.

Table 2 - Regional Analysis of Business Rates Collected and Allocated in Formula Grant	NNDR Collected	NNDR in Formula Grant	Gross Contributor/ Recipient	NNDR Collected Scaled to £19bn	Net Contributor/ Recipient
	£m	£m	£m	£m	£m
South West Combined	1,016.089	1,012.733	3.356	952.460	-60.273
Larger Dorset	220.459	160.760	59.699	206.654	45.894
Wiltshire Unitaries	227.070	147.226	79.844	212.851	65.625
Gloucestershire	188.032	147.950	40.082	176.257	28.307
Larger Hampshire	638.769	466.235	172.534	598.769	132.534
Thames Valley Combined	977.198	508.363	468.835	916.005	407.642
Sussex Combined	497.757	382.310	115.447	466.587	84.277
Larger Kent	559.755	457.186	102.569	524.703	67.517
Surrey	436.498	180.078	256.420	409.164	229.086
Bedfordshire Unitaries	191.598	180.878	10.720	179.600	-1.278
Hertfordshire	451.756	231.482	220.274	423.467	191.985
Larger Essex	583.667	448.030	135.637	547.118	99.088
Larger Cambridgeshire	324.478	214.818	109.660	304.159	89.341
Suffolk	216.218	194.957	21.261	202.678	7.721
Norfolk	231.124	269.742	-38.618	216.651	-53.091
West Mercia Combined	348.743	333.064	15.679	326.904	-6.160
West Midlands Mets	891.635	1,373.888	-482.253	835.800	-538.088
Warwickshire	217.320	120.679	96.641	203.711	83.032
Larger Staffordshire	325.633	322.511	3.122	305.242	-17.269
Northamptonshire	266.150	185.139	81.011	249.484	64.345
Larger Leicestershire	313.086	313.266	-0.180	293.481	-19.785
Larger Derbyshire	255.290	329.902	-74.612	239.304	-90.598
Larger Nottinghamshire	306.581	394.905	-88.324	287.382	-107.523
Lincolnshire	180.530	224.098	-43.568	169.225	-54.873
Cheshire Unitaries	398.560	277.448	121.112	373.602	96.154
Merseyside Mets	384.839	771.356	-386.517	360.740	-410.616
Greater Manchester Mets	972.103	1,230.666	-258.563	911.229	-319.437
Larger Lancashire	402.725	547.577	-144.852	377.506	-170.071
Cumbria	169.909	176.749	-6.840	159.270	-17.479
South Yorkshire Mets	380.328	602.827	-222.499	356.512	-246.315
West Yorkshire Mets	728.577	896.345	-167.768	682.953	-213.392
Humberside Unitaries	299.712	364.306	-64.594	280.944	-83.362
Larger North Yorkshire	264.742	193.650	71.092	248.164	54.514
Cleveland Unitaries	179.902	267.217	-87.315	168.636	-98.581
Durham Unitaries	133.244	255.328	-122.084	124.900	-130.428
Northumbria Combined	440.079	690.478	-250.399	412.521	-277.957
Greater London	5,666.939	4,142.553	1,524.386	5,312.069	1,169.516
Total	20,287.098	19,016.700	1,270.398	19,016.700	

## Summary of the Consultation Proposals

The new proposals include the following components:

- Establish a baseline for each authority
- Determine a series of top-ups and tariffs to equalise the difference between business rates collected/retained locally and baselines
- Provide an incentive effect in future years to enable individual authorities to retain a significant proportion of business rates' increases
- Introduce a levy to recoup any disproportionate increases from individual authorities – any proceeds could be used as a “shock pot” to assist authorities with declining business rates (or low growth)
- Make adjustments to the baselines for the quinquennial review of rateable values (next due in 2015)
- Options for resetting the baseline on a periodic basis
- Options for pooling

### *Setting the Baseline*

Under the proposals the government intends to set a baseline to apply from 2013/14 which in total is consistent with the amounts identified in the Spending Review 2010. This immediately presents a challenge as the anticipated yield from business rates in 2013/14 and 2014/15 is more than the control totals for local government. The consultation proposes that any excess would be set aside to finance other grants to local government (including the anticipated growth in New Homes Bonus). For reasons that are not adequately explained the proposal is that the baseline for both years is set on the lower 2014/15 control total and the difference in 2013/14 would be paid as either RSG or un-ringfenced grant

Whilst this might seem somewhat unfair it is a previously identified consequence of SR2010 that as reductions in funding for local government roll out there would have been no RSG within Formula Grant and there would have been a surplus from business rates to replace other grants. The consultation is suggesting from 2015/16 there could be a realignment of local authority functions and responsibilities to more closely match business rates income (in other words additional responsibilities could be placed on local authorities with a potential mismatch between the need to spend and amount of finance raised).

A detailed technical paper on setting the baseline was published on 19<sup>th</sup> August (in total there are 8 technical papers on various aspects of the proposals published in August and at the time of writing this report their full impact was still being analysed).

The consultation proposes that the 2013/14 baseline for each authority should be the 2012/13 Formula Grant adjusted to the relevant control totals. The consultation seeks views on this approach together with options for the adjustment using either a simple pro rata or a slightly more refined approach to incorporate technical updates to the formula. The consultation favours

using the damped Formula Grant allocations in the baseline to preserve stability of funding for individual authorities.

#### *Tariffs and Top-ups*

These will be necessary to adjust the amounts collected through business rates to reflect the baseline. Those authorities which are expected to collect more business rates in 2013/14 than the baseline would pay the difference to central government as a tariff. Those which are expected to collect less would receive a top-up from the tariff pool. There may be some authorities where business rates match the baseline and thus no tariff or top-up would apply.

The tariffs and top-ups could be updated each year. The simplest option is to use RPI (which would be consistent with the uplift in the rate multiplier each year). Alternatively the tariff and top-up could be fixed in perpetuity. This would provide an incentive to promote business growth but could be detrimental to authorities with a low tax base and high needs e.g. Merseyside. The consultation seeks views on these options and more detail is included in the fifth technical paper.

The tariffs and top-ups will require an assumed level of business rate income. This could be based on one year's collection or an average of several years. It could also be adjusted for unusual circumstances. Measuring business rates for the baseline is covered in the second technical paper including options in two tier areas where a split between authorities will have to be established.

What is not clear is what would happen in 2013/14 if the business rates collected are more than the assumed amounts for the baseline. The government could retain any surpluses to fund other grants to local authorities, or if there scope for individual authorities to retain some business rate growth in 2013/14 over and above the SR2010 totals (this seems unlikely!). It is also not clear who bears the risk if collection rates are less than anticipated.

#### *Incentive Effect*

After the first year there would be an inbuilt incentive for authorities to promote growth in the business rate taxbase as they would keep the growth in excess of the assumed level in the baseline calculation. Of course there is a downside for authorities who experience a decline in their taxbase as they would have less funds available after taking account of the tariff/top-up.

#### *Levy to recoup disproportionate increases*

The consultation confirms there would be no cap on the amount of business rate growth which can be retained (something we welcome?). However, the consultation is suggesting options to impose a levy to fund a shock pot.

The options for the levy include a flat rate in the pound for all authorities, a banded approach for all authorities so that those with a higher taxbase pay a higher rate in the pound but the levy would still apply to all authorities or a

third option would to allow each authority to retain a certain proportion of their growth against the baseline. The first two options are a sort of insurance scheme, the latter a profit share scheme (although how this is not a cap is not explained!). More detail on the levy is included in the fifth technical paper.

The consultation also considers the relationship with the Renewable Energy commitment to ensure that authorities receive the full benefit of business rates from these projects and it is proposed these businesses be discounted from the levy calculation. Renewable energy is covered by the eighth technical paper.

The consultation also considers how the proceeds of the levy should be applied. It proposes that some should be used to manage “significant negative volatility” (those authorities who suffer a decline in business rates due to appeals, property revaluations or business closures). The remainder is proposed to be available to protect authorities with high spending needs and low business rate growth (deprived areas). The application of these safety nets is covered in the sixth technical paper.

#### *Adjusting for Revaluation*

The amounts businesses pay is not proposed to change and thus there could be significant volatility every 5 years following the quinquennial review of rateable values. The consultation is suggesting that the tariffs and top-ups should be adjusted in line with the review to ensure that individual authorities do not gain or suffer from changes in the relative economic prosperity of different areas (the stated objective of localising business rates is to incentivise authorities to increase the local taxbase).

Businesses will continue to be entitled to transitional reliefs following the review of rateable values to keep changes manageable. The consultation proposes that the impact of transitional reliefs will be stripped out to prevent individual authorities gaining or suffering. The impact of revaluations and transitional reliefs is covered in the seventh technical paper.

#### *Resetting the System*

The consultation proposes that from time to time the baselines will need to be reset to ensure the redistribution reflects current needs. The consultation suggests this could either be done on an hoc basis or could be based on a fixed period. The consultation recognises that the longer the period the greater the incentive for business rate growth but a shorter period would enable greater flexibility to address the apparent mismatch between business rate income and spending needs. The consultation also considers options for a full or partial reset.

#### *Pooling*

The consultation leaves open the option for local authorities to voluntarily group together to form a pool. Pooling is seen as advantageous where authorities can act collaboratively to promote business growth and to manage fluctuations in business rates over a wider area.

The consultation particularly recognises the logic for districts to pool with their counties in two tier areas. The consultation is suggesting that a district would be precluded from pooling outside its county area or at least would have to get the county's consent to entering a pool outside the county area.

The arrangements for sharing business rates growth between counties and districts are not specifically covered in the consultation and are covered in third technical paper. This will be a key issue in two tier areas.

The consultation is proposing that police and fire authorities would not be included in the localisation of business rates as they play a lesser role in promoting business growth. Funding levels for 2013/14 and 2014/15 would be guaranteed as per SR2010 (and therefore presumably would be reflected in the tariff/top-up calculation although this isn't explicit in the paper). The future arrangements for police and fire authorities are also included in the third technical paper.

#### *New Homes Bonus*

This was a new grant introduced in 2011/12 to reward authorities for approving new homes. The government set aside £200m in 2011/12 (all of which was allocated) and £250m for each of the following 3 years. The NHB grant is scheduled to increase in each of the next 6 years and it was clear that any shortfall would be top-sliced from funds that would otherwise have been available for Formula Grant.

The consultation proposes that this underwriting of NHB grant from business rates would be retained under the new arrangements through the top-ups and tariffs arrangements as if the top slice from Formula Grant had remained. The consultation is suggesting that this adjustment should be based on the stable state after the NHB grant has been fully established. Any surplus in the early years of the NHB grant would be paid to authorities as RSG or other general grant.

#### *Academies*

Within the 2011/12 Local Government Finance settlement £148m was top sliced nationally from Formula Grant in 2011/12 (and £265m in 2012/13) to reflect the central services elements of spending on schools transferring to academies. The consultation recognises this top slice will need to be reflected in the new arrangements but has no firm proposals.

#### *Central List*

Not all properties are included on local lists and business rates for those not included are not collected by local authorities (they are collected centrally by DCLG). Properties on the central list include utilities. In total over £1.1bn is raised through the central list towards the £19bn of business rates included in the Formula Grant settlement for 2011/12.

The consultation is not proposing any change to the central list and business rates from these properties would still be collected directly by DCLG. The consultation refers to the spending totals for the last two years for local

government as set out in SR2010 are less than the anticipated yield from business rates.

*Administration of Rates*

The consultation suggests a number of simplifications to the administration of business rates including publishing information online rather than in print, multi year billing and offsetting refunds. The existing reliefs on business rates would be retained and allowance to cover discretionary reliefs would be included in the tariff/top-up calculation. Administration of business rates is covered in the fourth technical paper.

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**By:** Roger Gough, Cabinet Member for Business Strategy and Support  
David Cockburn, Corporate Director Business Strategy and Support

**To:** Corporate Policy Overview and Scrutiny Committee

**Subject:** Property and Infrastructure Support Restructuring Update

**Classification: Unrestricted**

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## 1. Introduction

- 1.1 The purpose of this report is to keep POSC informed of the progress being made in respect of the Property and Infrastructure Support (P&IS) Restructure.
- 1.2 On the 4<sup>th</sup> April 2011, a number of property related functions were centralised within the P&IS division of Business Strategy and Support alongside the implementation of the Corporate Landlord model for property management.
- 1.3 The centralisation of property functions will enable processes to be streamlined, reduce duplication and a number of efficiencies to be achieved through aggregating individual contracts and services.
- 1.4 Moving forward, P&IS will have a critical role to play in underpinning the delivery of the Bold Steps for Kent and aims to achieve this by:
  - Delivering first class professional property services
  - Providing property leadership and working with our public/private sector partners to utilise the estate more effectively
  - Input from P&IS to ensure informed policy making and to enable commissioners of services to make informed decisions
  - Maximising value through the effective management of the estate
  - Effective delivery of capital projects/maintenance programmes, to time and to budget, ensuring that the Authority fulfils its statutory responsibilities
  - Ensuring services are cost effective, provide value for money and are centred around the customer
  - Restructuring the function to meet future needs
  - Use of buildings and asset rationalisation

- 1.5 Property savings allocated through the MTP amount to £5.1 million over the next two years with a further savings targeted for 2013/14. Following the centralisation of property, there are 199 members of staff currently within the P&IS function. As part of the restructuring every effort is being taken to ensure that P&IS operates as efficiently as possible and it is expected that there will be a 20%-25% reduction in staff.

## 2. Progress to date

- 2.1 The P&IS restructure is being undertaken in two phases. Phase 1 focuses on the two top tiers of Senior Management and Phase 2 which will affect all the remaining staff. On the 31<sup>st</sup> May 2011, a Phase 1 consultation was started on proposals for a new senior management structure and the re-alignment of the various functions into four key areas as set out below:

- Asset Development and Commissioning
- Estates Management
- Capital Programme Delivery
- Operational Services

See appendix A for diagram setting out the functions.

- 2.2 The Phase 1 consultation ended on the 30<sup>th</sup> June 2011 and proposals were implemented on the 1<sup>st</sup> August. The senior management team is now in place and an interim holding structure for the rest of the staff group introduced. As a result of these proposals, the top management structure was reduced from three tiers to two and saw a reduction of 3 senior managers. The new senior leadership's team in P&IS are:

- Asset Development and Commissioning - Nigel Brown
- *Estates Management (interim)* - Mark Cheverton
- *Capital Programme Delivery (interim)* - Karen Millar
- Operational Services - Terry Whitlock

The interim roles will be advertised along with any unfilled positions as part of the Phase 2 restructure in the New Year.

- 2.3 Alongside this a separate consultation exercise was undertaken in relation to the CFE business support unit which will close at the end of September 2011. As part of the ELS restructuring proposals, the ELS Capital Premises and Development Team transferred to P&IS on the 1<sup>st</sup> September and will also be picked up as part of the Phase 2 proposals.

### 3. Next Steps

3.1 The final Phase 2 structures are currently being finalised and the timetable for moving forward is as follows:

<b>Property and Infrastructure Support</b>	
<b>Proposed Structure Finalised</b>	23 <sup>rd</sup> September 2011
<b>Start consultation with staff on detailed proposals</b>	w/c 26 <sup>th</sup> September 2011
<b>Consultation Ends (90 days)</b>	End December 2011
<b>Review comments, make amendments</b>	January 2012
<b>Implement Proposals</b>	End January/ February 2012

3.2 As part of the consultation process staff will have the opportunity to express an interest in voluntary redundancy. Once consultation is complete, final decisions on voluntary redundancies will be made along with decisions on which staff “slot” to posts in the new structure, having applied the usual HR process.

### 4. Recommendation

Corporate POSC is asked to **NOTE** current progress in the delivery of the Property and Infrastructure Support Restructuring and the Next Steps

### Appendices

- Appendix A - Property and Infrastructure Support New Structure Phase 1

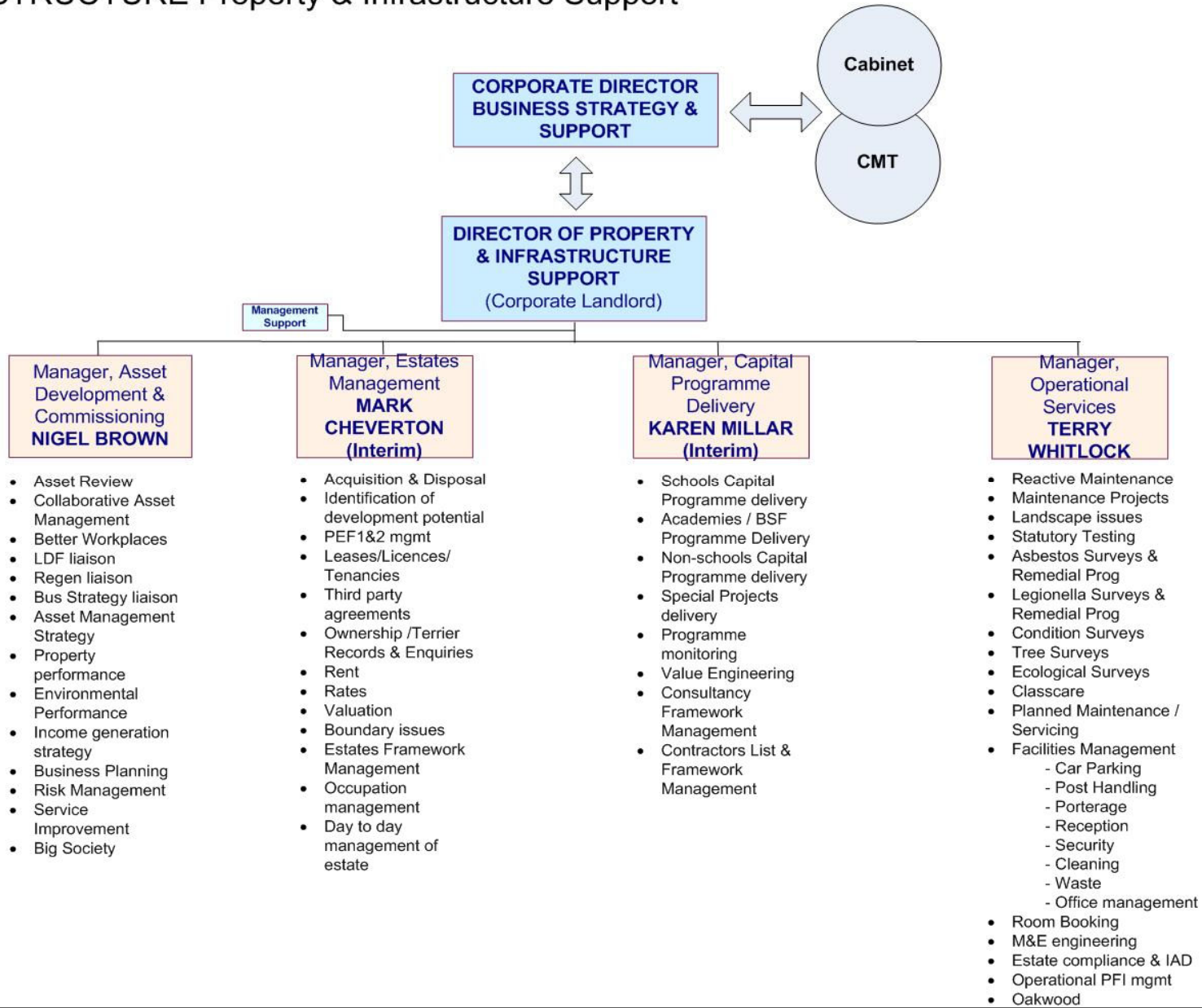
### Background Documents

- None

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# FINAL STRUCTURE Property & Infrastructure Support



By: Roger Gough, Cabinet Member for Business Strategy, Performance & Health Reform

David Cockburn, Deputy Managing Director, Corporate Director of Business Strategy and Support

To: Corporate Policy Overview & Scrutiny Committee – 22<sup>nd</sup> September 2011

Subject: Community Right to Challenge

Classification: Unrestricted

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**Summary:** Corporate POSC Members are asked to NOTE the national proposals for the community 'Right to Challenge' and the potential implications for Kent's public services.

## **FOR INFORMATION**

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### **1. INTRODUCTION**

1.1 The community 'Right to Challenge' is one of three key mechanisms set out in the '*Localism Bill*' which is currently proceeding through the House of Lords. The Bill introduced three new community 'rights', which come into effect from April 2012, are inherently interlinked:

a) **A Right to Provide:** The 'Right to Provide' will allow public sector staff to "spin off" their particular service from public bodies and to operate as a social enterprise or other arms length vehicle such as a co-operative or mutual trust. The 'Right to Challenge' will be the mechanism by which the 'Right to Provide' will be managed.

b) **A Right to Challenge:** The 'Right to Challenge' will open up more public services (not decision-making functions) to challenge from interested parties including parish councils, community groups and charities. Should a challenge be accepted, this then triggers a procurement exercise.

c) **A Community Right to Buy (Assets of Community Value):** The Community 'Right to Buy' will establish a 'listing' system ran by local planning authorities of assets (both public and private) considered to be of community value. Importantly, it does not require the sale of an asset to a community group but merely the provision of time (a defined 'window of opportunity') for interested community groups to prepare a bid for consideration.

### **2. POLICY CONTEXT**

2.1 The way we provide public sector services are fundamentally changing. The financial deficit, spending cuts and restructuring mean the public sector is shrinking and we can no longer afford to provide services in the same way.

2.2 The Coalition Government is advocating the Big Society as a catalyst for public service reform. The ambition is for public services to be open to a more diverse range of providers – not just the private sector, but increasingly voluntary, community and social enterprise (VCSE) organisations - creating innovative new options for services that were once solely the domain of local authorities.

2.3 The Government's direction of travel has evolved over time, beginning with *'The Coalition Programme for Government'*, and progressing a gradual shift in policy proposals as the difficulty of navigating legal restrictions on procurement and commissioning processes (particularly EU) emerged. The *'Modernising Commissioning Green Paper'* (December 2010) indicated the Government's support for the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enabling these groups to have much greater involvement in the running of public services.

#### 2.4 **'Localism Bill'**

The policy direction was further strengthened by the *Localism Bill's* outline statutory framework for the three community 'rights' for Right to Provide, Challenge and Buy, (December 2010). The Government consulted widely on the proposals. KCC has responded to the national consultation and will make sure our own process fits with the national scheme. The Bill includes a number of powers to specify further detail underpinning the 'Right to Challenge' in regulations of which the detailed secondary legislation is not expected to be in place until Spring 2012. KCC is currently lobbying for the early publication of regulations relating to the 'Right to Challenge'. The timescale for the Localism Bill is included in Section 7.

#### 2.5 **'Open Public Services White Paper'**

The Government's sustained commitment to this policy agenda was evident in the *'Open Public Services Paper'*, published in July 2011, following a long delay. It was widely suspected to be a back-track from earlier suggestions about opening up public services to the private sector. However choice and competition remained key principles of the White Paper, which was a confirmation of previous Localism policies, including:

- a) Opening up services to new providers in the VCSE sector – David Cameron says that “diversity should be the default position in public services”
- b) Communities, charities & employee-owned mutuals being able to bid to run public services in different ways
- c) Encouraging Joint Ventures with the private sector – particularly promoting not-for profit organisations and ventures with social aims forming joint ventures with the private sector – however the reality of the barriers of EU procurement processes remains.
- d) Local Government with a role as the “Guarantor of Standards”

The Government's Cabinet Office is still consulting on the procurement issues associated with opening up public sector provision, and working to resolve them.

#### 2.6 **'Bold Steps for Kent'**

KCC's medium term plan, *'Bold Steps for Kent'* clearly outlines Kent's ambition to “put the citizen in control” and to improve how KCC procures and commissions services (a priority in *'Delivering Bold Steps'*), anticipating the Government's

direction of travel within the subsequent 'Localism Bill' and 'Open Public Services White Paper'.

2.7 'Bold Steps' set out a vision "to develop a new model for the delivery of public services in Kent" by radically rethinking KCC's approach to the design and delivery of services. In short, the Council must choose to either 'make', 'buy' or 'sell' services". Priority outcomes in 'Bold Steps' to support this vision include:

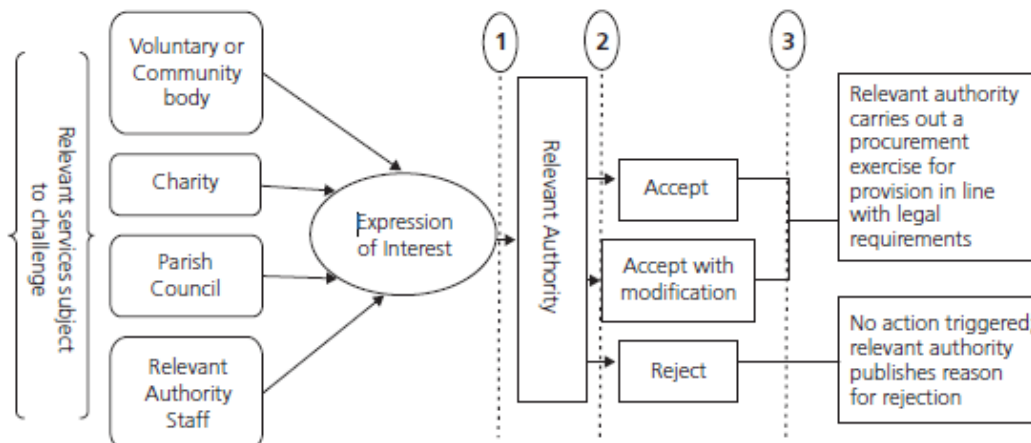
- a) "We want to put power in the hands of residents so they have the opportunity to shape how services are provided to them and their local communities"
- b) "We want to make it easier for voluntary organisations and community groups to deliver our services"
- c) "We will gain maximum commercial value from our services"
- d) "We will drive efficiency through a new focus on competition and market testing"

2.8 'Bold Steps for Kent' indicated KCC's ambition to become a strategic commissioning authority. This will increasingly result in KCC moving from direct ("in-house") provision of services to more commissioned services (opening up services through procurement exercises to a wider range of providers) and encouraging new models of delivery.

2.9 'Bold Steps' also suggested a *Right to Bid* process to give staff an opportunity to put forward a bid to provide a KCC service as a social or commercial enterprise, if they believe it would make the service more efficient, effective and competitive. This proposal has effectively become the 'Right to Challenge', which will be subject to the national regulations from April 2012.

### 3. RIGHT TO CHALLENGE

3.1 The 'Right to Challenge' will encourage interested parties to put in proposals to 'bid' for public services via an open procurement exercise. Effectively it introduces a new 'expression of interest' (EOI) stage at a pre-determined number of weeks before formal procurement of a service can begin, allowing community groups, charities and staff to express an interest in running a service and then utilise the time period between the 'expression of interest' and formal procurement starting to develop their alternative delivery vehicle. The outline national process (featured in the Government consultation) is summarized in the diagram below:



- 3.2 The diagram demonstrates several key stages of the process:
- (1) Public bodies will be able to specify '**windows**' (periods of time) in which to receive EOI's. Once the EOI's are received, the public body is required to assess the applications based on national criteria.
  - (2) There are 3 options for decision, defined in national regulation:
    - a) **Accept** – application proceeds to standard procurement exercise
    - b) **Accept with modification** – public body can request further development or evidence to support the application (e.g. proof of financial sustainability)
    - c) **Reject** – there will be national criteria on why an application can be rejected (e.g. frivolous or vexatious applications).
  - (3) If the public body accepts with modification or rejects an Expression of Interest, it must **publish** the reasons for its decision. The '*Open Public Services White Paper*' has also introduced recourse to an **ombudsman** for any interested party with an objection to the public body's decision to reject.
- 3.3 The detailed Secondary Legislation will specify exactly how the process is expected to work in practice. However the publication of the national consultation responses, and recent debates in the House of Lords indicate that Local Authorities may get some discretion over issues such as which services are "challengable", and power to specify time periods in the process e.g. time between receiving EOI's and deciding whether to accept or reject them.

#### 4. ANALYSIS

- 4.1 KCC embraces the concept of the 'Right to Challenge', and supports the principles of the '*Localism Bill*' and '*Open Public Services White Paper*' to open up public services, which compliment KCC's policy direction in 'Bold Steps'. However, there are several limitations with the emerging process, and implications for Kent.
- 4.2 ***Demand Led vs. Programmed Approach***
- Two fundamental options were set out in the consultation process for Right to Challenge:
    - (1) Publish Expressions of Interest (EOI) as part of the commissioning / procurement framework for all commissioned and procured services; or
    - (2) Accept EOI as and when received from relevant parties and consider each on merit
  - Both options create issues. There is unknown demand and appetite for 'Right to Challenge' amongst potential interested parties, and there will be cost and bureaucracy required to publish a Contracts & Grants Register and EOI for all services to fulfil the national requirements for Option 1.
  - However, if KCC followed a demand led process, services could be 'picked off' in isolation leading to a less strategic approach and time and effort spent reacting to an unknown burden of EOI requests, rather than taking a proactive approach.
  - Following extensive dialogue across the organisation, KCC is working toward Option 1, by taking a considered programmed approach, better allowing a more managed process to the benefit of KCC and potential bidders alike.

#### 4.3 **Procurement Barriers**

- 'Right to Challenge' currently only provides community groups additional time before formal procurement process starts – effectively a right to compete, with no guarantee of success at procurement stage.
- Accepting a 'Right to Challenge' implies that there should be enhanced social value in the procurement criteria for that service, but it doesn't remove requirements for value for money or quality. KCC will need to amend better understand the concept of social value and how it can be defined in procurement, and reflect this in its procurement guidance.
- Procurement law is clear that any social value ascribed to a procurement has to be able to be delivered by all potential providers – including private sector
- The risk is that some private sector providers might become predatory and their scale, sustainability and financial strength may provide a significant advantage in the procurement process against community groups and staff.
- All procurement of services over the £156K EU procurement limit will be subject to EU procurement law, with the associated costs and restrictions of this process.

#### 4.4 **Expectation Management**

- With secondary legislation not expected to be in place until Spring 2012, there are many unknowns and changes still to develop with the Right to Challenge process
- The procurement barriers (above) mean that interested parties from the voluntary & community sector, parishes, residents and staff might be discouraged from submitting an EOI.
- The gap in public understanding between the Government's ambition for the 'Right to Challenge' process and the complex legal and procurement framework public bodies must operate within (which is not easily challengeable or changed).

#### 4.5 **Implications for KCC**

- The extent to which KCC will be able to effectively manage the process is still emerging. KCC will have to work within any national restrictions and regulations of the process.
- Publishing reasons for 'accept with modification' and rejection of EOI, the recourse to an ombudsman for rejection decisions, unknown demand for the process and additional procurement exercises may create additional cost and bureaucracy for KCC. KCC must ensure wherever possible that we minimise unnecessary bureaucracy.
- KCC has limited capacity as we proceed through the changes to the organisation in 'Change to Keep Succeeding'. This means KCC will have to carefully prioritise how many opportunities open up, how often we do so (to manage demand) and how long we take to make decisions on EOI, within capacity limits.
- KCC will have to maintain an effective use of strategic resources, by ensuring proposals submitted under 'Right to Challenge' align with savings outlined in the Medium Term Financial Plan and other key strategies (e.g. Asset Strategy).
- We believe that KCC is developing a robust approach to 'Right to Challenge'. Any new processes involve an element of risk and KCC will have to ensure it

learns from our early EOI decisions and refine processes and approach accordingly.

## **5. KENT'S RESPONSE TO THE RIGHT TO CHALLENGE**

- 5.1 KCC is preparing early to respond to the potential opportunities of the 'Right to Challenge' which compliments our ambitions in 'Bold Steps for Kent' (set out in **Policy Context**). KCC's Cabinet and Corporate Management Team (CMT) are considering what KCC needs to do to prepare to seize the opportunities and manage the implications and limitations of 'Right to Challenge'.
- 5.2 To do so, KCC has decided to take a proactive, programme approach called the 'Future Service Options Programme', which is being programme managed by Business Strategy on behalf of Cabinet & CMT to prepare for the launch of 'Right to Challenge' in April 2012.
- 5.3 A detailed programme of activity is currently underway that supports 'Bold Steps for Kent' by developing a new model to review options for the design and delivery of services in KCC by deciding whether to 'make, buy or sell services", in advance of opening up services for Expressions of Interest under the 'Right to Challenge'. A programme plan is available as a Background Document.

## **6. TIMETABLE**

- The '*Localism Bill*' is currently being debated in the House of Lords. It is expected to receive Royal Assent this autumn, with secondary legislation on 'Right to Challenge' expected in spring 2012, in effect from April 2012.
- KCC's Future Service Options Programme runs from July 2011 to April 2012.
- Cabinet & CMT will prioritise the programme for Make, Buy, Sell Reviews in Nov 2011 and Jan 2012 to determine which services to open up under 'Right to Challenge'.
- KCC will publish the first Right to Challenge EOI opportunities online from April 2012.

## **7. RECOMMENDATIONS**

- 7.1 The Corporate Policy Overview & Scrutiny Committee is asked to NOTE the implications of the forthcoming 'Right to Challenge' in the Localism Bill which will come into effect from April 2012, for INFORMATION.

### **Background Documents:**

Right to Challenge Presentation for Corporate POSC (22<sup>nd</sup> September 2011)

Future Service Options Programme Plan (August 2011)

### **Officer Contact:**

David Whittle, x: 6969, Liz Sanderson, x: 1703 - Business Strategy

**By:** John Simmonds - Cabinet Member for Finance and Business Support  
 Roger Gough - Cabinet Member for Business Strategy, Performance and Health Reform  
 Peter Bole, Director of ICT.

**To:** Corporate Policy Overview and Scrutiny Committee

**Subject:** Overview of Systems Investment

**Classification:** Unrestricted

**Summary.** This paper provides an overview of the annual £31.4 million investment in technology made by the council each year, for review and comment.

**1. Introduction**

Annual ICT investment comprises:

<b>2011/12 Budget</b>	<b>Amount £M</b>
ICT Division Revenue Budget	<b>19.7</b>
Directorate Revenue – Systems	<b>5.8</b>
Directorate Revenue - Projects	<b>2.1</b>
ICT Asset Maintenance	<b>3.8</b>
<b>Total Annual Revenue</b>	<b>31.4</b>
Capital - ICT Infrastructure Project (2009 -2012)	<b>10.1</b>

**1.1 Corporate Revenue £19.7M**

This is the revenue budget of the ICT function for 2011/12 and comprises of staffing and contract costs. The budget provides the core infrastructure and support for ICT activity across the council:

ICT Activity:

Function	2010/11	Device Type	2010/11
Devices	21,823	Desktops	6,124
External Email	98,588,303	Laptops	5,068
Email Accounts	17,818	Public Access PCs	620
Service Requests	24,551	Remote Access Devices/Solutions	7,951
Support Requests	95,199	Printers	2,297

<b>Other Activities</b>	
Parish Councils using KCC provided web site & e-mail	258
Broadband "not spots" provided with solutions	22
<b>Applications and Services</b>	
Sites Supported (Excluding 750 Schools)	431
Applications supported	208
Number of servers maintained and supported	364
Number of spam e-mails and viruses stopped at the Firewalls	1,068,980
Number of emails stopped by content filter	65,824,604
Data stored in gigabytes (e-mails, file storage & data bases)	71,680
<b>ISG Facts</b>	
Number of staff (FTE)	346
Revenue budget as a percentage of KCC revenue budget	1.37%

## **1.2 Directorate revenue - systems £5.8M**

Directorate expenditure from analysis of subjective codes related to ICT costs over the past two years. This comprises external system contract costs, hardware rental, hosting, third party consultancy and support for line of business systems (LOB), mobile and remote access devices and charges. The management of this expenditure is being reviewed as part of the 'Change to Keep Succeeding Programme.

## **1.3 Directorate revenue - projects £2.1M**

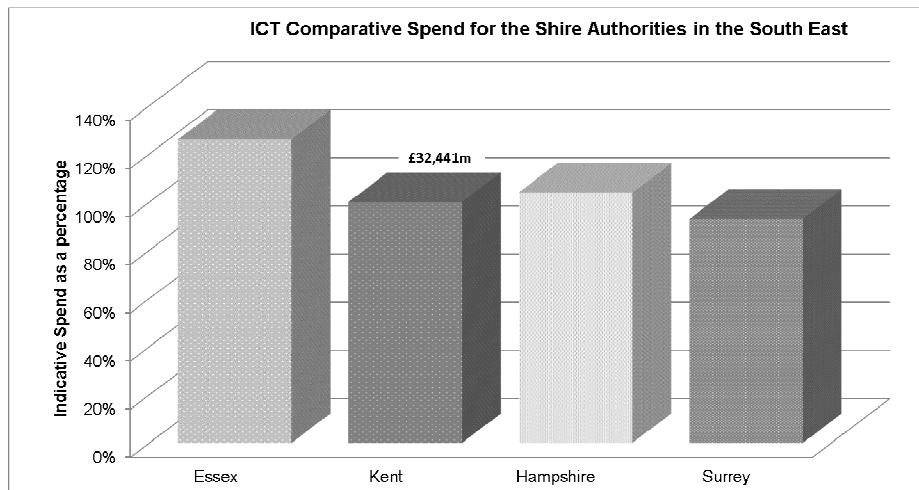
This figure was the average level of expenditure for 2009/10 and 2010/11 in support of change and/or enhancement activity commissioned by directorates through the ICT function. It includes larger ICT projects such as the transfer of staff out of 17 Kings Hill; Systems changes in support of council wide reorganisation and the 50 plus small to medium projects with ICT content delivered each year.

## **1.4 ICT Asset Maintenance Reserve £3.8M**

The asset maintenance reserve is the means by which the council has moved towards an annualised cost base for ICT, so that Service Level Agreement (SLA) unit costs reflect Total Cost of Ownership (TCO) and not just support costs. This approach reduces the requirement of bids for repairs and renewals through the capital MTFP process.

Taken as an annualised figure, i.e. what it costs to sustain the council's core ICT, including repair, renewal or replacement of hardware, the annual revenue expenditure on ICT totals £31.4M. This is £1.M less than 2010/11 reflecting the savings assigned to ICT for 2011/12.

Benchmarking comparable spend across similar sized shire counties show broadly similar figures for 2010/11.



(Note: The comparison is indicative as the level of capital expenditure varies and published figures for 2010 and may not represent average capital expenditure for the other authorities)

## 2. Return on Investment

2.1 A straightforward assessment of the value of ICT to the financial effectiveness of the council and the services it delivers can be based on an estimate of the cost to achieve the same level of activity through alternative processes. This exercise last completed in 2010/11 provided an indicative annual value of £70M – i.e. use of technology delivers a net efficiency against KCC operating costs of £38.6M.

2.2 While this approach provides an objective measure it does not attribute any financial value to the potential service improvements, processes and customer expectations that demand availability of electronic services. Value for money is tested through benchmarking exercises.

### 2.3 Key Value Indicators for ICT:

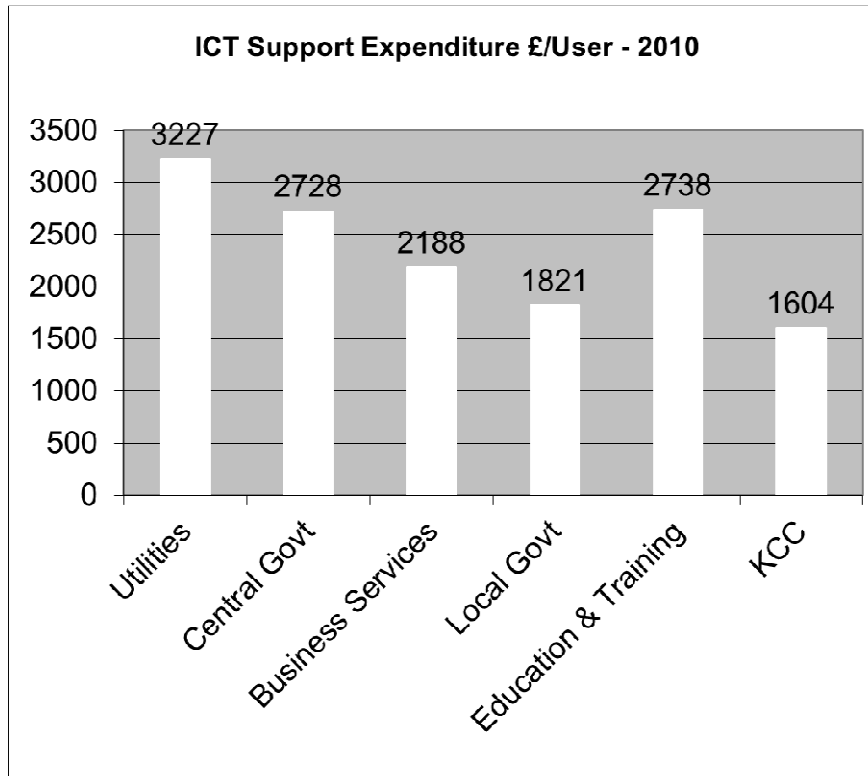
#### a. Users supported per ICT employee

Shire County	39
Shire District	35
English Unitary	47
KCC	56

This measure is used to assess the relative productivity of the ICT function.

SOCITM Benchmarking 2009/10

**b. Cost Per User**



NCC Benchmarking 2010

**3. Investment Planning**

**3.1** The ICT strategy has had three key elements, all of which have informed investment decisions to help deliver maximum value from expenditure on technology:

**a. Support for strategic objectives of the council**

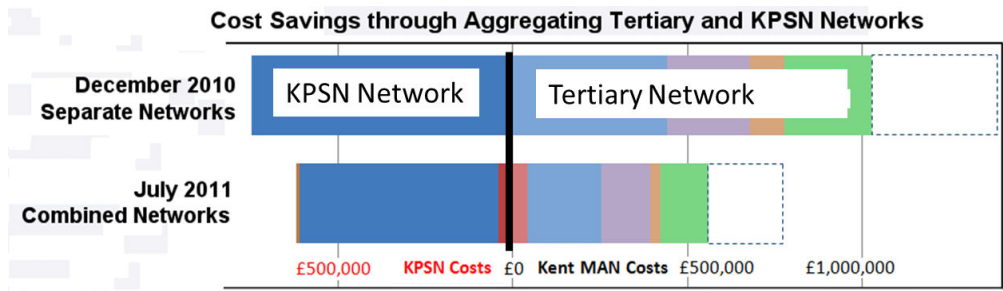
As previously reported to CPOSC the replacement of the council's data network with the Kent Public Services Network (KPSN) was designed to promote the delivery of improved broadband services, by the telecommunications market, to Kent based businesses. The approach adopted was to lever what was an essential and unavoidable investment in public service infrastructure, to support Kent SME's. The value of the additional benefit derived is calculated as £1.8M, which is the level of regeneration funding that would have been required to implement an equivalent solution. Further benefits of £0.4M have been achieved since implementation through the expansion of the network.

Reuse of the network infrastructure continues to be a significant consideration in regeneration strategy and improved broadband availability particularly in rural areas.

**b. Improve Service/Cost Efficiency through Multi agency collaboration**

The availability of a KPSN also provides the critical infrastructure to unlock the benefits that can be achieved through collaboration across multiple agencies, both from the viewpoint of financial efficiency and improved access to services by members of the public.

As illustrated in the diagram below the unit cost of shared network capacity reduces with the addition of more partners. What started as a local government partnership now incorporates Kent Fire and Rescue, Tertiary Education and a Primary Care Trust.



The technical architecture deployed also directly supports multi agency cooperation in Gateways, has allowed development of regional data centre facilities jointly with Medway Unitary Council and provided essential communications infrastructure for the development of the clusters arrangements between district councils.

**c. Maintain a sustainable and resilient ICT infrastructure**

For day to day ICT operational activity the priority is keep technology running costs as low as possible while maintaining maximum return on investment. ICT service levels and the structure of ICT support activity is planned around availability of systems and infrastructure. This is the indicator that most influences the value realised through technology.

**ICT Performance**  
 Against base of 1.8 Million Computing Hours per month

Measured SLA Activity	Annual Target	Performance 2010/11
Desktop Availability	99.4%	99.52%
Network Availability	99.0%	99.80%
Systems Availability	99.0%	99.40%

### 3.2 Sustainability

- a. The second major operational consideration is ensuring that there is a planned and predictable cycle of renewal and replacement over what is typically a 10 year life cycle for ICT infrastructure. This approach has informed the development of the asset maintenance reserve to smooth out what would otherwise be an inefficient and irregular demand on capital expenditure.
- b. The £3,800k referenced in section 1.4 is the average annual drawdown from the asset maintenance reserve, including the revenue implications of the current capital programme. The industry standard for ICT repairs and renewals is calculated at between 20 to 25% of support overhead per annum. Against core support costs the council's planned commitment is 20.6%.
- c. With increasingly challenging budgets, the asset maintenance reserve also provides a means of funding 'invest to save' initiatives in years where the reserve is in surplus. While this requires rigours delivery against benefits realisation plans to replenish the reserve, it is a means of reducing demand on capital funding, while providing an opportunity to support ICT investment to increase operational efficiency.

### 4. Improving Return on Investment

Change to Keep Succeeding has provided a framework for rebuilding systems around the 'one council' concept. From an investment perspective this creates opportunity for efficiency and performance enhancement. Reduced costs can be achieved through rationalising around common, simplified and integrated business processes across the entire council. This is a considerable task across what has been a highly devolved organisational structure and requires well planned implementation to ensure that the potential efficiencies are achieved both in support functions and front line services. By making these changes in business process, the full potential of the council's investment in Oracle systems will be able to be realised. Using the industry standard title of Enterprise Resource Planning, the ERP Programme was launched earlier this year.

## **4.1 Enterprise Resource Planning (ERP)**

ERP is defined as: *"The ability to manage all information and functions of an organisation through a single set of simple and clearly designed business processes"*. The intention of the council's ERP programme is to commence this approach with a review of finance and human resource processes, followed by rebuilding the Oracle system around a consistent and consolidated approach. For successful delivery of back office savings already identified for both finance and HR functions this is a critical programme of works.

**4.2** Projects in both areas anticipate introducing processes that enable budget holders and line managers to make far more extensive use of electronic data and self-service tools, via Oracle, to reduce their reliance on central support staff and the current level of local administration. The approach also requires further migration away from paper based processes and authorisation to electronic filing and online authorisation and checking.

**4.3** An additional benefit of the programme will be improvement to the budget monitoring process, with significant reductions in the amount of staff time expended on gathering and consolidating data for reporting to cabinet and committee. An inconsistent approach to recording commitments across business units needs to be resolved with both staff and members being able to confidently rely on a single source of information: the council's Oracle Business Suite.

**4.4** Subsequent stages of the ERP programme will deliver full implementation of the iProcurement solution. As with core finance and HR processes, the consistency, rigour and transparency this will add to the procurement process will be the means of driving out the target savings efficiencies identified in the MTFP against the procurement process.

**4.5** The following stage of the programme can then concentrate on aligning the core resource data from Oracle with activity data from line of business systems. It is this stage of the programme that has most potential to impact on performance and improve planning and prioritisation activity across the authority. This aspect of the programme will have the longest implementation timescale as many of our legacy business systems continue to be based on proprietary software with limited integration capabilities. As these systems reach end of life it is important that the specification for replacement systems considers this requirement.

## **4.6 Channel Shift**

Future selection of software solutions will also increasingly be informed by the Customer Services Strategy, currently being drafted, and the expectations of users of public services. Where previously solutions have been designed solely around back office processes, future versions will need to be accessible online and offer the opportunity for self service and direct access to service users. This will radically change the role of ICT

services and how the council provides ICT support once the shift to electronic channels gathers momentum.

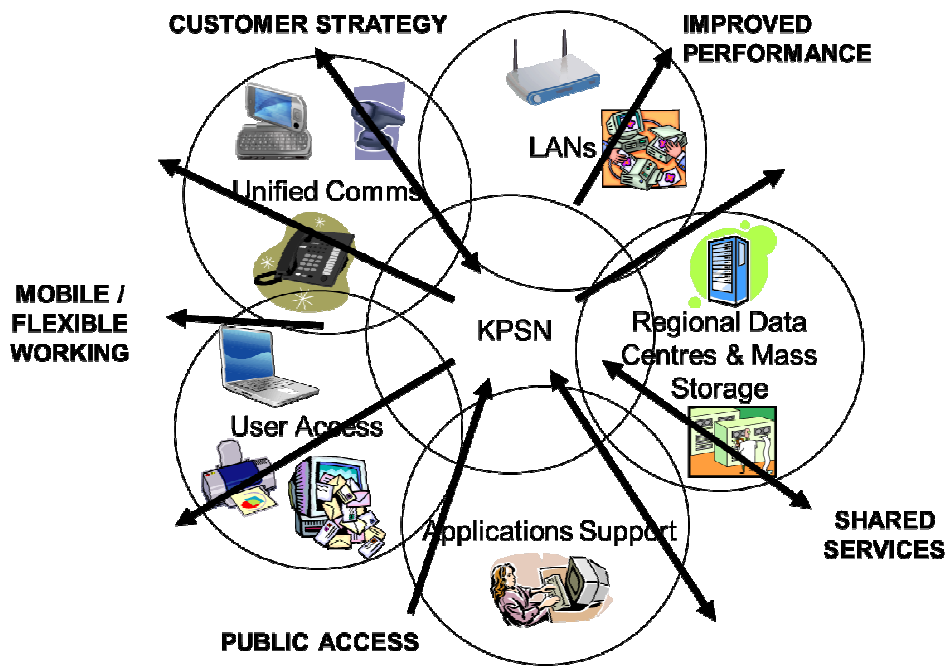
- 4.7** The financial benefit to the council of moving users to this channel is clear, the cost ratio between face to face: telephone and online being 800:80:8. The internal service levels of 99%+ availability from 8:00 to 18:00 Monday to Friday, quoted elsewhere in this document, however, became entirely inadequate when the access model becomes 24 hours a day 7 days a week. One implication will be that the rapidly diminishing upgrade and maintenance window for internal support disappears completely and will demand entirely different technology architecture.

#### **4.8 Productivity Software**

Our use of basic Microsoft desktop software, such as Outlook Calendar, Word, Excel and electronic storage and communication facilities have increased the productivity of individual users. Introducing clearly defined council standards around consistent use of these products is another opportunity to make substantial productivity gains. Definition of common documentation templates, being provided by the communications unit creates the opportunity for these to be embedded within future versions of desktop software. An extensive benefits programme will be designed as part of the rolling programme of hardware refresh from early next year.

### **5. The ICT Capital Programme**

- 5.1** This is an invest to save programme of £10.1M over a 4 year period to deliver net savings of £1.7M per annum which are incorporated into revenue MTFP. Part of the design of this programme has been to move from a capital to revenue funding basis for ICT so the annual cost of sustaining current infrastructure can be reported as single annual figure.
- 5.2** The impact of the capital programme is already making a considerable contribution to efficiencies and achieving the required savings targets. The total of 364 servers referenced above is 236 less than the numbers in place at the outset of the capital programme. Combined with the joint investment with Medway in shared data centre facilities this initiative not only reduces cost but also results in a significantly reduced carbon footprint.
- 5.3** In addition to achieving a reduction in overheads and establishing the asset maintenance reserve, the technology architecture introduced by the capital programme has been designed to support the wider objectives of the council.



**5.4** Future capital investment related to ICT will be driven by a new ICT strategy which is being updated to reflect Bold Steps for Kent. This approach will reference requirements across all directorates, divisions and units and link investment to change and improvement initiatives within the context of priorities in Bold Steps.

**5.5 Integrated Children’s System**

Following assessment by OfSTED areas for improvement were identified related to the Integrated Children’s System (“ICS”) in use by the Council and partner organisations. The ICS programme was established and tasked with addressing issues raised by OfSTED who made a number of observations and recommended that a detailed review of the ICS system should be carried out and works undertaken to ensure that it was fit for purpose.

**5.6** Price Waterhouse Coopers (PWC) was engaged to undertake an independent review. The findings indicated that the council’s current ICS solution is unlikely to meet the transformation requirements for the FSC Directorate and the wider needs of the Council in the long term unless significant development were undertaken. Implementation of a replacement system, capable of supporting the next stage of service improvement, including the recommendations arising from the Munro report, was considered the most appropriate way forward.

**5.7** Cabinet approved the approach and an amendment to the prudential borrowing in the 2011/12 capital programme. The full year impact on the revenue budget will be approximately £270k per year for a period of seven years. This will be factored in to the overall financing of the capital programme in the 2012/13 revenue budget build. The procurement process commenced following this approval and the council is currently waiting for tender responses from qualifying suppliers.

## **6. Efficiency Savings**

The ICT function has developed efficiency/savings proposals to contribute to council wide efficiency targets. For 2011/12 this has reduced total expenditure on ICT by £1M. A further £4M of savings against current revenue are planned over the next 3 years.

### **6.1 Current Status**

Efficiency targets have been designed to maintain ICT service levels and the sustainable investment in infrastructure required to support increased dependency in technology. While support capacity has been reduced to reflect the changing shape of the organisation, the majority of cost reduction has been achieved through lower unit costs arising from collaboration with other public agencies. The status of ICT savings targets has moved from amber to green at end of the second quarter 2011/12.

### **6.2 Savings Strategy**

To sustain this approach to savings becomes progressively more challenging. For 2012/13 further public sector partnerships will need to be established and the range of shared service expanded, if reductions in ICT service levels are to be avoided

## **7. Recommendations**

Members are asked to note and comment of the contents of this report

## **8. Background Documents**

None

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By: Mike Hill, Cabinet Member for Communities, Customer Services and Improvement  
 Roger Gough, Cabinet Member for Business Strategy, Performance & Health Reform  
 Katherine Kerswell – Group Managing Director

To: Corporate Policy & Overview Scrutiny Committee  
 – 22 September 2011

Subject: KCC Annual Complaints, Comments and Compliments Report 2010/11

Classification: Unrestricted

Summary: This report provides information about, The Local Government Ombudsman Letter & Annual Review 2010/11, developments in KCC Complaints Management, a summary of the complaints, comments and compliments received by the Council, further improvements for 2011/12 and the Business Strategy & Support Annual Complaints, Comments and Compliments Report.

**STATUS FOR INFORMATION & ASSURANCE**

**1. INTRODUCTION**

1.1 This is the Council's third annual report on complaints, comments and compliments. It sets out:

- The Local Government Ombudsman Letter & Annual Review 2010/11
- Developments in KCC Complaints Management
- A summary of the complaints, comments and compliments received by the Council
- Further improvements for 2011/12
- As Corporate POSC deals with Business Strategy & Support (BSS) activity, a detailed annual report of BSS complaints, comments and compliments is included in Appendix 1.

1.2 Kent County Council aims to delivery high quality services where the customer is at the heart of everything it does. We welcome all customer feedback and aim to deal with customers' concerns in a fair and consistent way.

1.3 The Council wants to listen to its customers' views and values their contributions. We learn from good practice as well as any mistakes and build upon past experiences to help improve our future service. We are **One Council** putting people at the heart of everything we do. KCC champions public service within Kent and our values (as shown below) and behaviours demonstrate staff commitment to serving the people of Kent. Our work is guided by our values - they are not just words, they underpin the decisions we take and are critical to how we approach what we do and the way we do it.

<b>Value</b>	<b>Explanation</b>	<b>Kent Competence link</b>
<b>Open</b>	Acting with integrity, honesty and transparency, willing to learn and treating people fairly and with respect	Truth & Judgement, Character & Courage. Conversation & Compassion
<b>Invite contribution &amp; challenge</b>	Working collaboratively to find new solutions that put the interests and wellbeing of Kent people first, putting the citizen in control	Empowerment & Enterprise, People & Partnership
<b>Accountable</b>	Taking personal and professional responsibility for our actions, performance and money.	Radicalism & Urgency, Tools & Professionalism Outcomes & Delivery

1.4 Complaints, comments and compliments tell the Council what services look like from the consumers' points of view and what their preferences are. These forms of representations, together with feedback from surveys, focus groups and engagement activities, help the Council to assess the quality, effectiveness and relevance of services. The information collected is used to inform and shape future decisions.

1.5 The Council restructured its Directorates on 1 April 2011. Directorate information in this report has been changed and presented to reflect this restructure and to allow comparisons in future years.

## **2. THE LOCAL GOVERNMENT OMBUDSMAN LETTER & ANNUAL REVIEW 2010/11**

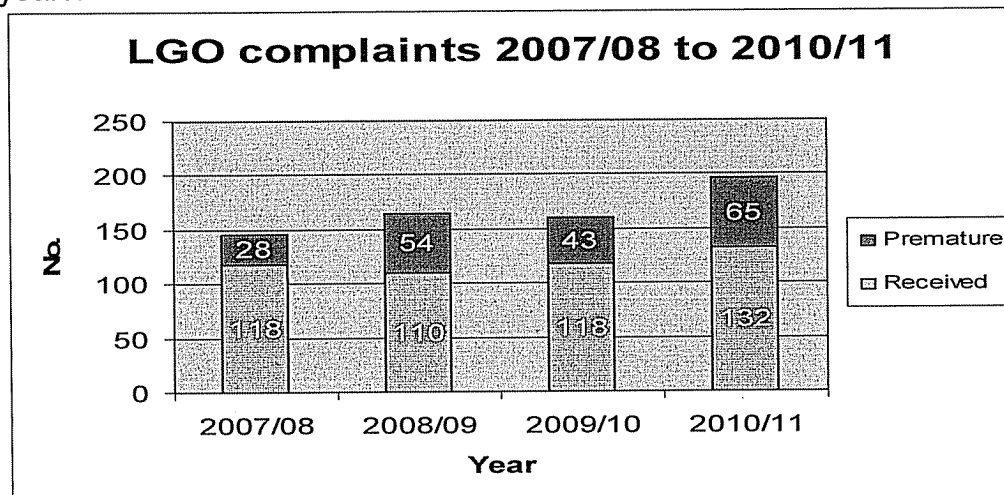
2.1 Each year, the Local Government Ombudsman issues an annual review in which she sets out the number of complaints he has dealt with concerning the county council and summarises the outcome in each case. The purpose of the Letter and Annual Review is to:

- Help Councils learn from the outcome of complaints to the Ombudsman
- Underpin effective working relationships between Councils and the Ombudsman's office
- Identify opportunities for the Ombudsman and his staff to provide assistance that a Council may wish to seek in bringing about improvements to its internal complaint handling
- Generally provide complaint-based information which the Ombudsman hopes Councils will find useful in assessing and reviewing their performance.

2.2 The Ombudsman's letter to the Managing Director plus the Annual Review for 2010/2011 is attached as Appendix 3 to this report.

2.3 This year, the Council has had difficulty reconciling its statistics with those provided by the Ombudsman. This was due to changes in the Ombudsman's reporting process – some subject areas and detailed categories have been updated and new decision groups introduced. This resulted in Adult Care Service complaints being missed off the Ombudsman's provisional statistics, which also included six complaints about schools, not KCC. The Ombudsman also provides KCC's response times to first enquiries over the past three years and compares KCC's performance in this respect with other councils.

2.4 The figures tabled in Appendix 3, Table 1 shows that the Ombudsman received 194 complaints about KCC in 2010/11 (including 44 where advice was given to the complainant and 21 that were deemed premature). The correct total was actually 197 as the Ombudsman's statistics exclude 1 Adult Care Services complaint (the total forwarded to KCC was 38 not 37 as shown) and 2 Education & Children's Services complaints (the total forwarded to KCC was 71 not 69). This is an increase on previous years.



2.5 Of the 132 complaints that the Ombudsman investigated in 2010/11, 56 of them (42%) related to education matters and virtually all of these were about school admission appeals, a process that is not unique to Kent but complicated by the fact that Kent has retained the 11+ examinations and this is not an issue that majority of other councils have to contend with. This is one reason why Kent & Buckinghamshire CC (who also has a similar appeals process) seem to have disproportionately more complaints than other county and unitary authorities.

2.6 The Ombudsman's once again criticised KCC in this year's letter for failure to provide the LGO with an initial response to enquiries within the LGO's target time of 28 days. KCC's average response time of 31.5 days in 2010/2011 was the same as it was for the previous year. However, bearing in mind that from June to October when the majority of Ombudsman complaints are received, the then Access to Information Team was reduced from 3 FTE to 2 FTE due maternity leave. Work increased during this period but budget pressures and the need to save meant this vacancy was not filled and bearing this in mind this could be viewed as an improvement.

2.7 It is critical that as an organisation we learn the lessons from complaints, in particular those which go to the LGO, a recent case in Adult Social Care highlighted the need for KCC to learn the lessons across the organisation, as the LGO identified similar issues to those raised in a complaint about Children's Services in 2009. Steps are being taken to ensure that lessons are cascaded with managers throughout the organisation and that reports are made to DMT and CMT as appropriate.

2.8 As part of the new officer arrangements for performance management two new teams have recently been created called the Performance Assurance Team (PAT) and the Delivery Assurance Team (DAT). Both teams meet monthly and included within their Terms of Reference is the requirement to regularly review performance information and programme management reports (Quarterly Performance Report - QPR). The teams will provide a strengthened internal control mechanism to ensure that member priorities are being delivered and that appropriate standards are being delivered within core services.

PAT and DAT will be reviewing all complaints learning as one organization. Corporate Directors or Directors and Managers will be asked to explain about complaint trends and what action has been taken to improve. This will help the new KCC values of openness, challenge and accountability to be put into practice. The QPR then goes to Cabinet and all the POSCs. This will increase Member's ability to have oversight of all the complaints and see what is being learnt and how officers are doing. POSC will receive this information quarterly as well as an annual report.

**2.9 Of the 111 decisions issued, there were no reports of maladministration.**

2.10 With regard to the 28 local settlements, Kent County Council was asked to pay a total of £8,865.65 in compensation to resolve 14 of these complaints. Details of these complaints are outlined in Appendix 3.

2.11 On 29 June 2011, KCC was found guilty of maladministration causing injustice. The Ombudsman found maladministration by the Council because it had:

- provided the School's Governors with a clerk and an appeal panel who proved incapable of fulfilling the requirements of the statutory School Admission Appeals Code 2009
- contravened the Code by sending decision letters from its Legal and Democratic Services Section with the facsimile signature of the panel clerk, and
- substituted standard decision letters chosen by its Legal and Democratic Services section for those agreed by the panel.

A copy of the report issued by the Ombudsman can be found at:

<http://www.lgo.org.uk/complaint-outcomes/education/education-archive-2011-12/kent-county-council-amp-tunbridge-wells-girls-gram/>

2.12 KCC are due to provide their comments on what actions KCC has taken to address this report by the end of September 2011. The Local Authority (LA) has no power to prevent an own admission authority school from setting its own arrangements as long as they are lawful. The LA very publicly condemned schools for ranking pupils on score in their admissions criteria as it is not in line with the arrangements used by Kent grammar schools. The LA even made a formal challenge to the Adjudicator last year because of these very issues that are caused. The LA lost this challenge, the Adjudicator allowed the schools to set their arrangements using our selection process despite there being no contingency when scores cannot be relied upon.

2.13 Families & Social Care is experiencing an increase in the number of cases being referred to the LGO, as a result of peoples' dissatisfaction with the handling of their complaint. A recent LGO investigation has highlighted the need to ensure that findings, recommendations and resolutions from the Ombudsman are cascaded throughout KCC, as appropriate, to ensure lessons are learned and therefore prevent recurrences of similar themes. A review of current procedures is being undertaken to ensure that recommendations and service improvements are made across the Authority.

### **3. DEVELOPMENTS IN THE LOCAL GOVERNMENT OMBUDSMAN SERVICE**

3.1 During 2010/11 the LGO powers were extended to deal with complaints in two significant areas.

- 1) The Health Act 2009 extended the Local Government Ombudsman's powers to investigate complaints about privately arranged and funded adult social care, where the provider is registered with the Care Quality Commission. These powers come into effect from 1 October 2010. The greater use of direct payments and personalised budgets mean that it is particularly important for the LGO to be able to deal with such complaints irrespective of whether a council has arranged the care. Anyone who arranges and pays for their own social care now has the right to an independent and impartial examination of any complaints and concerns they may have about their care provider.

In the six months to April 2011 KCC received 89 complaints under the new adult social care powers.

- 2) The Apprenticeships, Skills, Children & Learning Act 2009 introduced powers for the LGO to deal with complaints about schools by pupils or their parents. The Education Bill currently before Parliament proposes to rescind our new jurisdiction from July 2012.

The LGO received 64 complaints about schools by the end of March 2011. These covered a broad range of issues including how schools had dealt with allegations of bullying, the provision of additional support for those children with special educational needs, how schools had dealt with medical issues, complaints about staff conduct, the way in which policies on school uniforms had been applied, exclusions from school, school trips, and the barring of parents from school premises.

3.2 LGO. Further information is available at <http://www.lgo.org.uk/working-for-us/self-funders/>

### **4 DEVELOPMENTS IN KCC COMPLAINTS, COMMENTS & COMPLIMENTS MANAGEMENT**

4.1 An annual report for each Directorate is a standing item on Policy Overview and Scrutiny Committees. As Corporate POSC deals with Business Strategy & Support (BSS) activity, a detailed annual report of BSS complaints, comments and compliments is included in Appendix 1. A comparison of complaint numbers across KCC for 2008/09, 2009/10 and 2010/11 is included in Appendix 2, Table 1 for information.

4.2 KCC, in general, has a devolved approach to complaints, comments and compliments management. The most important stage is for the manager or officer to try to resolve the complaint straight away at first contact. Individual Directorates and business units are responsible for developing, operating and monitoring their own processes, but they must comply with the KCC Complaints, Comments and Compliments Policy and KCC standards. In line with Bold Steps for Kent and the design principles agreed by Members we are moving to a one council approach for complaints. This will ensure high standards are adopted across the whole council, that we can ensure proper organisational learning and changes to improve services to the public, improve our information to Members and be cost efficient. We are looking at how to

make the KCC complaints handling approach more responsive to customer needs. This will include:

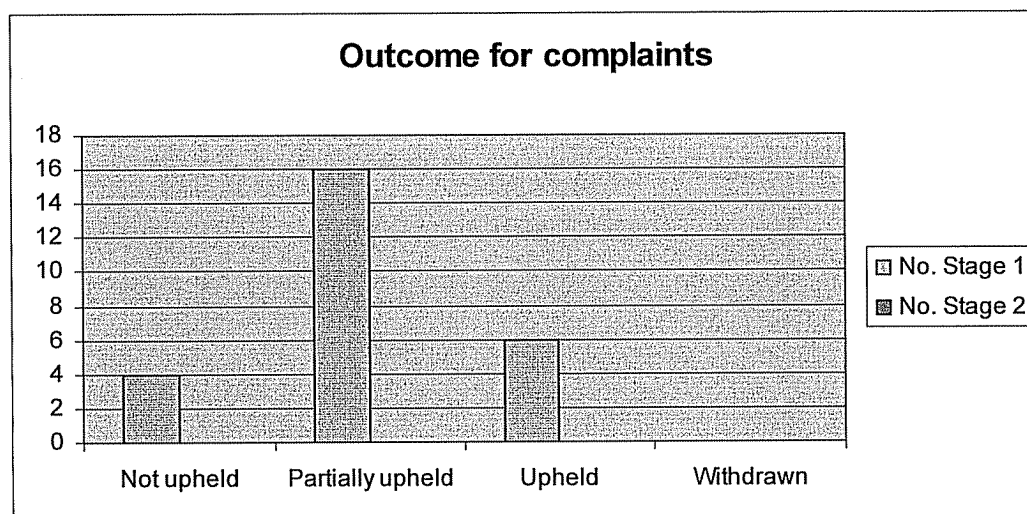
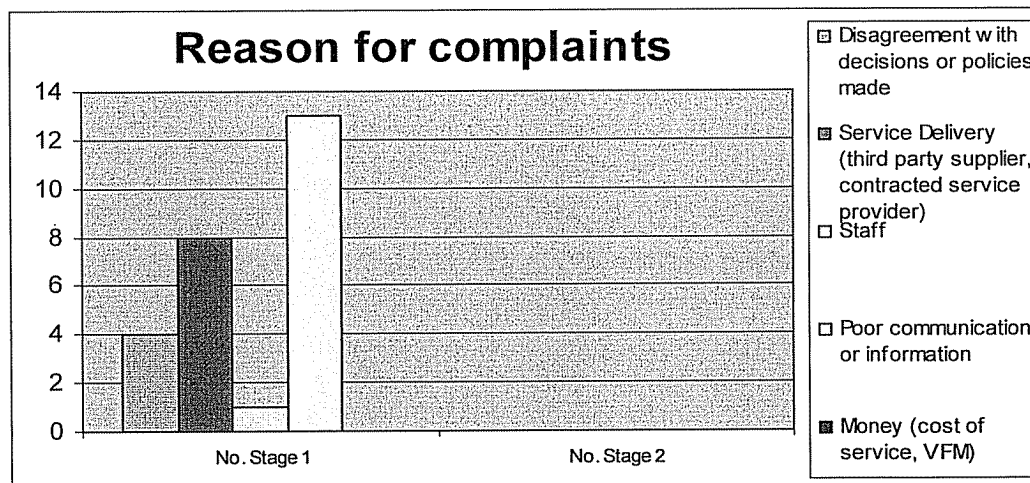
- One contact telephone number, address and email
- Information for the public held in one place
- One KCC team:
  - With specialist staff to deal with statutory complaints
  - Meet best practice standards and any foreseeable future requirements that may be made nationally
  - To provide training for staff on complaints handling at various levels
  - Provide all the information and guidance etc. associated with complaints
  - Log and track complaints received by the Leader and Directors
  - Log and track complaints from the Local Government Ombudsman
  - In-depth knowledge of services and be able to facilitate access and ensure complaints are given the right level of priority.
  - The effective handling of alerts for Safeguarding Vulnerable Adults (SVA)
  - Advocacy and independent Adult arrangements
  - Work with the Contact Centre to log complaints.

4.3 This year work has continued to ensure that staff are empowered to act decisively to resolve complaints at source and that we capture complaint information to improve the customer experience. Improved reporting is helping the authority to take action earlier and make the changes that can make a difference. There is a link with good communication and the number of complaints received and it is important in the current climate that we continue to make information available for everyone on why decisions are made and on the services we provide.

4. Cross boundary complaints, which involve both health and social care organisations, are now dealt with via a single, co-ordinated response. The joint protocol, endorsing and promoting these obligations was developed by the Complaints Managers in Kent and Medway. It is pleasing to report that these protocols are working well.

## **5. MONITORING**

5.1 We have made improvements and streamlined how we capture complaints, comments and compliments information this year. Complaints, comments and compliments are now recorded in a way that automatically updates the information for quarterly returns and produces graphs. This saves time and enables Managers to easily see how they are performing and what the trends are. Examples are shown below:



5.2 As from 1 April 2009, when complaints are acknowledged a Complaints Equalities Monitoring Form (EMF) has been included with the acknowledgement letter. Due to the limited number of responses and the complaints we receive a review was undertaken and we are no longer collecting diversity monitoring information in this way.

## 6. NUMBER OF COMPLAINTS, COMMENTS AND COMPLIMENTS

6.1 A **complaint** is an expression of dissatisfaction, whether justified or not and however made, about the standard of or the delivery of service, the actions or lack of action by the Council or its staff which affects an individual service user or group of users. This is consistent with the definitions used by other local authorities.

6.2 The emphasis in the complaints procedure is to ensure that staff are equipped and empowered to act decisively to resolve complaints at a local level. The aim is that we work harder to resolve issues at the first point of contact – ‘do it once and do it well’! It is important that we record what went wrong so we can ensure that the experiences of others is improved, that we can show that we listen and learn and to help shape and improve our services for the future.

6.3 In 2010/11, **4,373** complaints were recorded compared with **3,859** for 2009/10, an increase of **(13%)** complaints.

6.4 The trend across all services is for the number of recorded complaints to have increased. Once again we saw a large number of complaints regarding potholes after the bad weather and this type of complaint accounts for the majority of the increase.

6.5 In terms of factors within our control, we have promoted how to make a complaint and have implemented changes to improve our recording of complaints, comments and compliments. This has contributed to an increasing trend in our recorded compliments and complaints data and a corresponding improvement in the time taken to answer a complaint.

6.6 It is important to be able to identify where there is an increase in the number of complaints received for a particular service, and investigate trends. This information is taken seriously and service unit managers have reviewed it with their teams, alongside more formal satisfaction survey information.

6.7 A **comment** is a general statement about policies, practices or a service as a whole, which have an impact on everyone and not just one individual. A comment can be positive or negative in nature. Comments may question policies and practices, make suggestions for new services or for improving existing services.

6.8 This year we received **2,080** comments compared with **2,292** last year. The number of customer comments received by Libraries has reduced from 2009/10 to 2010/11. In 2009/10 Libraries received 1,616 customer comments/complaints/compliments, in 2010/11 we received 605. Managers have been reminded to ensure that comment cards are clearly visible within the Libraries. The council actively encourages our customers to give us opinions about any of our services and we are making it easier to make a comment about a council service. Kent.gov.uk has a number of options for people to have their say on the services we provide. These include email links for council tax, highways, complaints, social care and have your say.

6.9 A **compliment** is an expression of thanks or congratulations or any other positive remark. (Internal compliments are excluded from this process).

6.10 Compliments across the council increased by 48 %. We recorded **5,513** compliments from April 2010 to March 2011 compared to the same time period in the previous year when **3,695** compliments were recorded.

6.11 These compliments have provided a valuable source of learning and can be a good indicator of best practice or areas where we are getting things right across the Council.

A breakdown of complaints and comments by Directorate can be found in Appendix 2.

## 7. REASONS FOR COMPLAINTS

7.1 The main grounds for complaints during 2010/11 tend to fall under one of the following themes (not in order of prevalence):

- Administrative errors and operational mistakes
- Availability of services (including accessibility and eligibility)
- Disagreement with decisions or policies made
- Dissatisfaction with services or products offered or received

- Impact of services on local residents and businesses
- Physical location, buildings and facilities
- Poor communication or information
- Prices, charges and fees associated with services
- Quality of the experience (directly delivered services)
- Relating to a third party supplier or contracted service provider
- Staff conduct and behaviour with service users
- Timings or delays involved in delivering services or responding.

## 8. COMPLIANCE WITH STANDARDS

8.1 New corporate standards for complaints handling were introduced from April 2009 as follows: 3 working days to acknowledge a complaint (reduced from 5 days) and 20 working days to give a formal response (reduced from 25 - 28 days).

8.2 The percentage of complaints meeting KCC response standards is shown in Table 6, Appendix 2. The majority of our Units achieved 100% compliance to these standards for sending out acknowledgements and responses to complainants.

### 8.3 Families & Social Care - Adult Social Care

8.4 There is only one statutory timescale for adult social care complaints within the new complaints process and this is the acknowledgement of the complaint, which must be provided to the complainant within three working days of receipt. The period for responding to the complaint is agreed with the complainant on a case by case basis depending on the nature and complexity of the complaint and the desired outcome. This can be anything from 5 to 65 days.

8.5 The average response time for statutory complaints regarding Adult Social Care for the County is 16 working days. The legislation allows for the timescales to be agreed with the complainant, however a previous decision made by Adult Social Services SMT, resulted in the target of producing a written response within 10 working days for the less complex cases that do not require off-line investigation or work with health colleagues.

8.6 The current legislation allows the revision of timescales, if the complainant is in agreement the Customer Care Teams liaise with the complainant if the need arises. This requires communication from the operational staff investigating the complaint.

8.7 **465** (88%) were acknowledged within the statutory timescale and **382** (73%) were responded to within the timescale agreed with the complainant.

### 8.8 Families & Social Care - Children's Social Services

8.9 The Local Authority must consider and try to resolve Stage One complaints within 10 working days of the start date for Children's Social Services complaints. This can be extended by a further 10 working days where the complaint is considered to be complex.

8.10 Timescales have been extended for particularly difficult or complex cases, for example when more than one agency or service is involved or when complaints are

bound up with other processes such as court proceedings and safeguarding procedures. Performance against timescales has deteriorated very slightly since the previous year when 80% of statutory complaints were completed within 20 working days. Performance against statutory timescales remains better than performance for non-statutory complaints and enquiries.

- 94% of stage 1 acknowledgements were sent out within three working days
- 53% of stage 1 responses met the 10 day timescale
- 30% of responses with a 10-day deadline were completed within 20 days
- 72% of stage 1 responses were extended and met the 20 day timescale
- Overall 79% of stage 1 complaints were completed within 20 working days.

8.11 The Local Authority should consider Stage Two complaints within 25 working days of the start date (the date upon which a written record of the complaints to be investigated has been agreed) but this can be extended to 65 working days where this is not possible. Investigating Officers and Action for Children report a continuation in the trend of increased complexity in the subject of complaints making a 25 day target unachievable. In most cases investigators have been able to work within the 65 day timescale, that is when staff have been available for interview and files are available and in good order. One complaint was completed within 25 working days and only one other Stage Two complaint was completed within 65 working days.

## **9. METHODS OF COMMUNICATION**

9.1 Information on how to complain is available on our website and various 'Have your Say' and Complaints, Comments and Compliments leaflets.

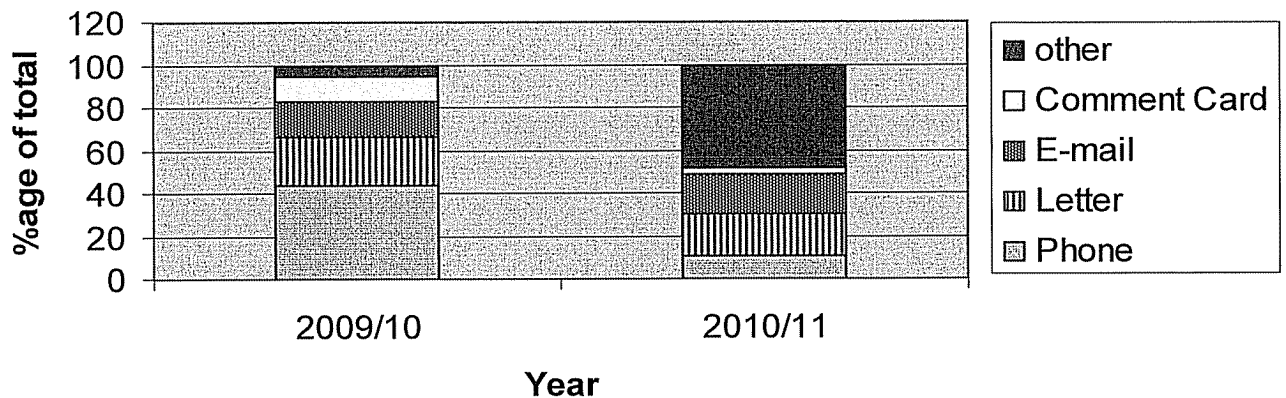
The public can give feedback in the following ways:

- Talk to the manager where they receive the service
- Complete the 'Have your Say' feedback form on our website, [www.kent.gov.uk](http://www.kent.gov.uk) This is available in Contact us, Have your say, How to get involved and the Complaints sections
- E-mail: [haveyoursay@kent.gov.uk](mailto:haveyoursay@kent.gov.uk) or [corporate.complaints@kent.gov.uk](mailto:corporate.complaints@kent.gov.uk)
- Telephone: 08458 247247
- Contact their local County Councillor
- Write to us

9.2 It is important to ensure that all channels remain open and effective so customers can choose how they contact us. It should be noted, however, that it can be more difficult for staff to record comments, compliments and complaints given face-to-face but are perhaps more likely to be able to resolve the situation there and then with the complainant.

- The majority, 37% of complaints were received via the contact centre (5% in 2010/11), followed by 19% (22%) by letter and 19%(17%) by e-mail.

## Complaints by means of receipt



- 67% of highways complaints were recorded via the contact centre.
- The majority of Children Families and Education 37% and 51% of Kent Social Services Complaints were received by letter.
- Just over 1% of complaints recorded are received face to face (0.3%) and using the on-line complaints form (1.1%).

9.3 In 2011/12 we are looking at ways to improve how to complain 'on-line' and how we can capture information from face-to face complaints to make improvements without creating a bureaucratic process.

## 10. COMPENSATION

10.1 Goodwill payments of £71,695 have been paid as part of local resolution.

## 11. LEARNING THE LESSONS AND SERVICE IMPROVEMENTS

11.1 Complaints provide senior managers with useful information in respect of the way that services are delivered. When complaints are upheld it is necessary for managers to consider whether there is a need for any service improvements to be made with a view to ensuring that similar failings do not recur. The consideration of complaints has resulted in reviews and changes to procedures; guidance and training for staff and improvements being identified and made in relation to service delivery and practice. Detailed below are some specific examples of service improvements which were identified in complaint responses. The examples show how one complaint can make a difference to how we work and how complaints can highlight simple solutions to improve the customer experience.

### 11.2 Improvements to procedures or business processes

- The procedures for transporting service users with a learning disability to day centres has been revised and improved
- Improved (real time) information on pothole repairs was added to the KCC website to show what was being done and where/when this was taking place. The Contact Centre also received regular updates on the schedules of work

which enabled them to provide the most up to date response to customer queries.

A number of visitors at the Country Parks complained via the comment cards that the queues were too long at the café and prices were too expensive. To help alleviate these issues, the following initiatives have been implemented:

- The menu in the café at Shorne Wood Country Park has been reviewed to ensure prices remain affordable to customers and in doing so a number of the regular suppliers have been changed
- To start to address queue times within the café, some of the items that take longest to prepare have been removed from the menu and children's lunch boxes have been added
- The café has been refurbished with a self service counter in order to serve customers quicker during peak times.

### 11.3 Improved communications

- The Safeguarding process has been reviewed and changes made to improve the communication with families during a safeguarding investigation. The associated forms used during the safeguarding process have also been revised
- The need to improve communication is highlighted in many complaints, this is addressed during one to one supervision with staff and also the work commissioned by the Good Practice Group
- Complaints have highlighted the need to improve the information provided to explain third party top-ups, client contribution and private top-ups
- Complaints have highlighted that families have not always accepted that information has been supplied. A process is being developed to confirm the receipt of various information provided
- Following complaints the KCC website has also been regularly updated on other current issues such as summer vegetation and street-lighting
- There was a continued focus on communication between the Contact Centre and all KHS teams across the year to ensure the availability of correct information to resolve enquiries at the first point of contact wherever possible. This included giving the Contact Centre improved information for all KHS service areas on a new Intranet system (iWay) which enabled them to provide the most up to date information to answer customer queries and provide more realistic timescales when customers reported issues to KHS
- Although the twin axle policy was introduced some time ago, it has still generated a number of complaints. To provide further information on the policy, the KCC website has been updated and the days and locations at which the height barriers are raised to enable bigger vehicles carrying domestic waste to enter the sites are clearly outlined.

### 11.4 Improvements to service experience and quality

- The procedures for transporting service users with a learning disability to day centres has been revised and improved
- The complaints and representations received about Cage Green Autistic Centre led to a recognition that the building was no longer fit for purpose. Funding was

made available to improve the quality of specialist provision across the county including recommended investment to the Cage Green unit

- Ongoing complaints about Insurance claims were received so improved information was issued to customers via the Contact Centre and the KCC Website. The online claim form was removed as the process was much better with customers going through the Contact Centre (that way forms were sent out and any faults reported at the same time)
- A number of the complaints and comments made at the Country Parks related to car parking charges. These charges are carefully considered to offer good value for money with all the money collected being used to help towards the cost of running the parks overall. Discount vouchers have been introduced for loyal customers as well as a season ticket for regular visitors which is then valid for use at all of the country parks.

#### 11.5 Improvements to customer feedback processes

- The Local Authority champions local schools for local children and the admissions arrangements reflect that policy, affording a level of priority to children who live closest to a school. Complaints highlighted the problems this can cause some families who live in very rural areas. The Local Authority is therefore exploring whether in future years it may be possible to set priority catchment areas to support rural communities that might otherwise have difficulty securing school places. This will be subject to consultation and any proposed changes will not take effect before 2012
- For every complaint received and logged on the KHS CSM system, the complainant was contacted to enable KHS staff to talk through the complaint and confirm what would happen next. In many cases complaints have been resolved at this stage by providing additional information to the customer
- To improve communication about the KHS winter policy, all customers were advised at first point of contact what the published policy was and then directed to the website to enable them to view this rather than logging the requests as enquiries. KHS staff adopted a very transparent approach with customers letting them know what could and couldn't be implemented under the policy. This led to a significant reduction (around 50%) in the number of enquiries passed to the back office and reduced the situation of customers being given the same message by another member of staff at a later date.

11.6 The KCC Pioneers and Challenger groups will help KCC learn the lessons from complaints. These groups will develop ideas, challenge each other and the organisation as to how and why we do things and then implement those new ideas to improve how we work. This new way of working will really help to convey key messages and change to happen. Most importantly, they will be reporting back to their teams and helping create a new culture and way of working. Pioneers and Challengers will meet together on a regular basis to discuss the key issues we are facing.

## **12. LEVELS OF COMPLAINTS TO THE STANDARDS COMMITTEE**

12.1 Responsibility for dealing with alleged breaches of the Code of Conduct by elected and co-opted Members of the Council passed from Standards for England to the local authority on 8 May 2008.

12.2 At its meeting on 22 May 2008, the Standards Committee agreed to set up two Sub Committees; one to make an initial assessment of a complaint that a Member has breached the Code of Conduct and one to review any decision by the Assessment Sub Committee to take no action, if so requested by the complainant.

12.3 The Assessment and Review Sub Committees are charged with deciding whether, on the basis of the information presented, a Member has breached the Code of Conduct and whether the matter merits investigation. Specifically, either Sub Committee can reach one of the following three decisions:

- (a) Refer the allegation to the Monitoring Officer of the Authority for investigation or some other action such as mediation or training
- (b) In exceptional cases, refer the allegation to the Standards Board for England
- (c) Decide that no action should be taken in respect of the allegation

Decision	2008/09	2009/10	2010/11
No action	4	1	1
Monitoring Officer for other action	2	1	0
Monitoring Officer for formal investigation (*)	0	2	0
Standards for England	0	0	0
Not Determined	0	0	1

(\*) Neither of the two cases referred to the Monitoring Officer for formal investigation have resulted in the subject Member being found to be in breach of the Code of Conduct.

12.4 If the Localism Bill is enacted, local authorities will not need to have a Code of Conduct or a Standards Committee.

### 13. TRAINING FOR STAFF

13.1 It was recognised that the quality of written responses to complaints needed significant improvement and a specific letter writing course has been commissioned for Adult Services managers. This has been made mandatory training for all senior practitioner team leaders in Older People & Physical Disability division and for other managers who have been identified as needing support in this area.

This training is part of a rolling programme which also includes training which is delivered by the LGO and "complaints made easy" an interactive board game which is delivered by customer care to all front line operational staff.

The LGO delivered the following training:

- 3 investigating complaints sessions (41 staff attended) These have been commissioned to run for 2011-2012 (60 places over a total of four training sessions)
- 8 courses (200 delegates) to Head Teachers, Governors and Clerks about the The Apprenticeships, Skills, Children & Learning Act 2009 new legislation.

Managing complaints workshops were delivered to front line staff at Household Waste Recycling Centres (HWRC's) to improve staff awareness of the complaint process

overall and to enhance their customer service skills to prevent complaints from occurring in the first place. A guide was also produced for staff to use as a reference for details of complaint timescales and procedures.

## **14. CONCLUSION**

14.1 The letter and Annual Review reflects the generally good working relationship which exists between the County Council and the Ombudsman's office. Positive action is being taken to respond to lessons learnt through complaints monitoring – through service development, training and through improvements to the complaints process itself.

14.2 Several customer focused improvements have been implemented across the Council in 2010/11 and these are making a difference to the customer experience.

14.3 We have looked into the growing number of complaints and have taken action to prevent further complaints in these areas.

14.4 We are committed to listening to what residents have to say but need to do this in the most cost effective way. A centralised team to deal with complaints will be more responsive to customer needs by providing easier access and will be more efficient and cost less.

## **15. RECOMMENDATIONS**

15.1 Members are asked to note the contents of this report.

Janice Hill  
Performance & Improvement Manager  
Ext 1981

### *Background Documents*

Adult Social Services and Public Health Annual Complaints Report, ASS & PH Policy Overview & Scrutiny Committee, 20 September 2011  
E & E Annual Complaints, E & E Policy Overview Committee, 27 September 2011  
Annual Complaints Report 2010/11, Customer & Communities Policy Overview Committee, 15 September 2011  
Education Learning & Skills Annual Complaints Report, ELS Policy Overview  
Regeneration and Economic Complaints Report 2010/11, Regeneration & Economic Development Policy Overview & Scrutiny Committee 23 September 2011

Other useful information:

It is a statutory requirement under the following items of legislation for local authorities to have in place a complaints and representations procedure:

- Children Act 1989 Representations Procedure (England) Regulations 2006
- The Local Authority Social Services and National Health Service Complaints (England) Regulations were published in February 2009 and came into force with

effect from 1 April 2009. This procedure introduced a single approach to dealing with complaints for both the National Health Service and Adult Social Care.

- NHS & Community Care Act 1990 (section 50)
- Health & Social Care Act 2000
- Local Authorities Social Services Complaint (England) Regulations 2006 (including associated Guidance; Learning From Complaints – Social Services Complaints Procedure for Adults)
- Local Government Act 2000.

## BUSINESS STRATEGY & SUPPORT ANNUAL COMPLAINTS, COMMENTS AND COMPLIMENTS REPORT

### 1. The number of complaints, comments and compliments recorded

1.1 In 2010/11, **477** complaints were recorded compared with **241** for 2009/10. This increase can be partly accounted for by a large increase (105%) in complaints regarding the time it takes to deal with insurance claims for potholes. These complaints account for 87% of the complaints received in BSS.

1.3 We recorded **72** comments and **228** compliments regarding the services we provided. The comments were received by the Business Solutions and Policy unit and the Financial Strategy Group and the largest number of compliments is recorded by Law & Governance.

Further information is provided below and in Tables 1, 2 and 3.

### 2. Complaints, comments and compliments by business unit

#### 2.1 Insurance Section

416 complaints, 0 comments, 11 compliments

Complaints have increased by 105% in 2010/11 (203 in 2009/10). Throughout the whole of 2010 severe delays were being experienced in the processing of an unprecedented number of third party claims which accounted for the majority of complaints. KHS had secured additional resources to work through the backlog of claims but due to the numbers involved this took much longer than expected. Complaints were also received about decisions taken to reject claims. Complaints about the rejection of claims have increased which is attributed to the impact the state of the economy is having upon personal financial circumstances. The 2010/11 winter again generated a high volume of claims but improved procedures meant that these were cleared more quickly.

There were 30 compliments for the handling of insurance claims.

#### 2.2 Financial Strategy Group

4 complaints, 31 comments, 0 compliments

There were 4 complaints regarding Council Tax as follows:

- (1) What council tax pays for apart from refuse collection, the police, and road gritting and maintenance
- (2) Cost of attendance at award ceremonies, senior officer pay, and the condition of the surface of a specific road
- (3) Use of "credit cards" and query on Ashford Ring Road
- (4) Issues arising from a Daily Telegraph article about spending on foreign travel, and staff health insurance / staff mortgage subsidies.

KCC actively encourages our customers to give us opinions about any of our services. This year we received 31 comments which mostly requested information. Of these, 26 came by the KCC council tax queries email box. They cover a wide range of issues including the financing of schools, pothole repairs, and pension contributions; the process of council tax valuation; the level of council tax for different areas / parishes; liability for road drainage and unadopted roads; and issues raised by press coverage or surveys.

The Financial Strategy Group also receive contacts not included in the above:

- 113 contacts on issues which are the responsibility of other public bodies, mostly relating to council tax or business rate billing which arises from people moving into or out of properties (District Council function);
- 4 queries from members of the public which were sent to elected Members or chief officers.

### 2.3 Law & Governance

0 complaints, 0 comments, 115 compliments

No complaints were recorded in 2010/11.

115 compliments were recorded on the Legal Services comment cards and give feedback on the service received. This information is used to improve services.

### 2.4 Personnel & Development

29 complaints, 0 comments, 35 compliments

Employee Services Centre -18 Complaints.

There was a reduction in the number of complaints regarding recruitment processes with 18 being recorded compared with 27 in 2009/10. The majority of the complaints related to applicants not being short-listed or managers not providing feedback in a timely manner. Two of these related to the recruitment process itself and one related to a system error.

To improve the service the team chase the outcome of vacancies following the short-listing and interview stages of recruitment to ensure that all candidates are contacted with an outcome. The Team has a continuous approach to improving customer service, coaching managers with regard to the process and encouraging the attendance on the Recruitment & Selection course to ensure a consistent message is communicated. Recruiting Managers now need to contact applicants post interview within 2 days or contact the recruitment team who will follow this through with immediate effect.

Schools Personnel Services - 7 complaints.

These complaints related to the delay/issue of contacts and renewal letters, delays in invoicing and delays negotiating a compromise agreement

Further training on current processes has been undertaken by the team.

Learning and Development - 4 complaints.

These complaints were regarding course content.

## 2.5 Property Group

23 complaints, 0 comments, 4 compliments

There has been a rise in complaints from 6 to 23 (283%) this year.

The number of complaints for the Estate and Asset Management Group within the Property Group have remained the same. The majority of complaints recorded were regarding Oakwood House. Complaints included issues about lack of hot water, standard of food, service and cleanliness and all were resolved satisfactorily. Complaints were also received regarding land for sale and how KCC has dealt with asbestos in Schools.

Oakwood House Business is undergoing a major review and changes to ensure improvement to all services.

## 2.6 Business Solutions & Policy

5 complaints, 41 comments, 61 compliments

There were 4 complaints regarding the collecting of equalities and diversity Information. Following a review and a change in legislation we no longer collect equality and diversity information. There was 1 complaint regarding the non availability of information in paper format. Following complaints received by other directorates we have improved how we communicate the availability of information.

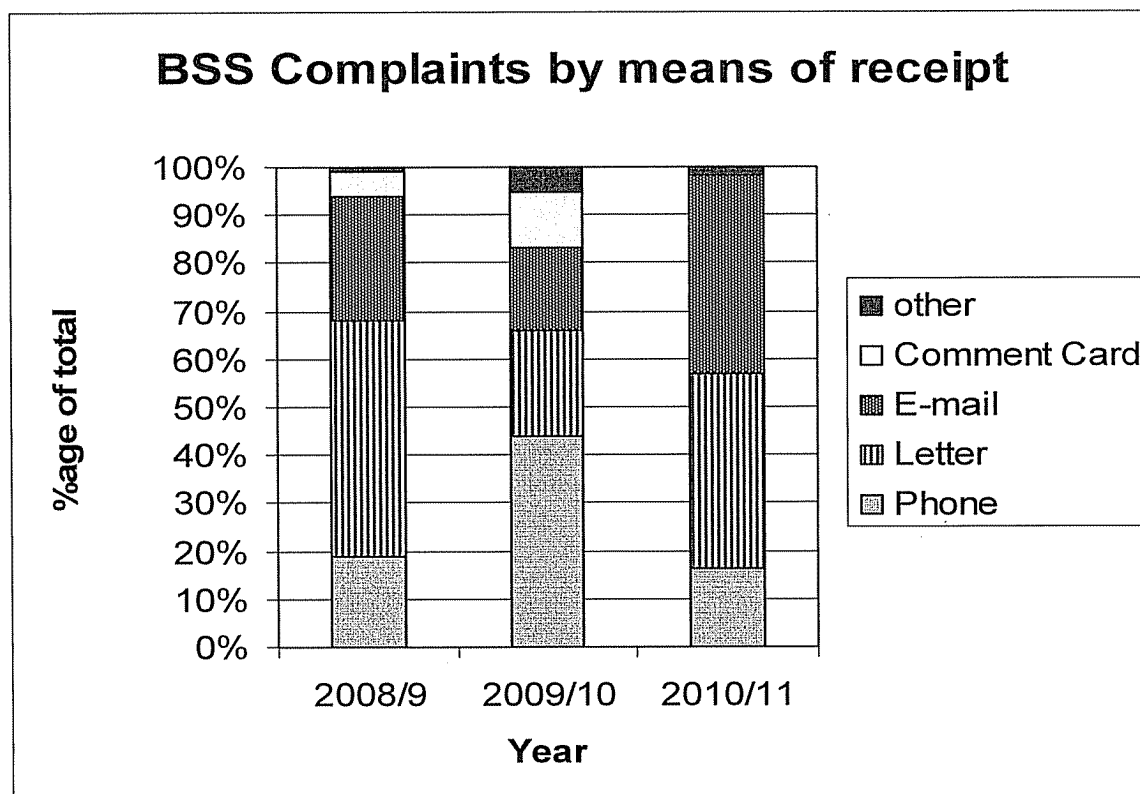
The 41 comments related to events, information and services received and there were 61 compliments mostly regarding events management/delivery within the Kent Partnership Team.

## 2.7 Strategic Procurement

0 complaint, 0 comments, 2 compliments

## 3. **Methods of communication**

3.1 There has been a shift in how complaints are received. This year 41% of complaints were received by email, and 41% by letter with only 16% by phone compared with 44% in 2009/10. Only 2% of complaints are received using the on-line complaint system.



#### 4 Valuing Diversity

4.1 As from 1 April 2009, when complaints are acknowledged a Complaints Equalities Monitoring Form (EMF) has been included with the acknowledgement letter. Due to the limited number of responses and the complaints we receive regarding the form itself a review was undertaken and we are no longer collecting diversity information in this way. We already hold Equality & Diversity data for our service users and we will use this knowledge to provide information on making a complaint in a more focused way.

#### 5. Vexatious and Repetitious Complainants

5.1 There were no complaints recorded as a Vexatious and Repetitious complaint within the Business Strategy & Support for the period 1 April 2010 – 31 March 2011.

#### 6. Compliance with standards

6.1 The corporate standards for complaints handling is as follows: 3 working days to acknowledge a complaint and 20 working days to give a formal response.

6.2 The percentage of complaints meeting the KCC response standards are detailed in Table 6. Due to the volume and complex nature of insurance complaints we have not been able to meet these timescales.

## Compliance with Standards

Complaints acknowledged within 3 working days	2010/11		2009/10		2008/09	
		%		%		%
Financial Strategy Group	3	75	2	100	8	100
Insurance	1	<1	203	100	20	100
Law & Governance	0	0	10	77	8	100
Personnel (Employee Services & Schools Personnel)	29	100	18	100	10	100
Property Group	22	96	6	100	13	100
Business Solutions & Policy	5	100	2	100		N/A
Strategic Procurement	0	0	1	100	N/A	

Responses to complaints within 20 working days	2010/11		2009/10		2008/09	
		%		%		%
Financial Strategy Group	4	100	2	100	8	100
Insurance	20	5	203	100	20	100
Law & Governance	0	0	8	63	8	100
Personnel (Employee Services & Schools Personnel)	27	90	18	100	10	100
Property Group	23	100	6	100	13	100
Business Solutions & Policy	5	100	2	100		N/A
Strategic Procurement		N/A	1	100	N/A	

### 7. Compensation

7.1 No compensation has been paid to complainants within Business Strategy & Support during 2010/11 under the KCC complaint procedure. Local settlements were made by the LGO. See 8.1 below.

### 8. Local Government Ombudsman Complaints

8.1 The Ombudsman decided 46 complaints for Business Strategy & Support in 2010/11:

#### 8.2 Finance

4 complaints were received relating to insurance claims which were outside the LGO jurisdiction.

#### 8.3 Commercial Services

2 complaints were received regarding transport for a children. 1 was outside the LGO jurisdiction the other was a local settlement of £100.

#### 8.4 Democratic Services

40 complaints were received about administration and appeals regarding the allocation of School places. The following decisions were made by the LGO:

- 8 Local settlements
- 27 No maladministration
- 4 Ombudsman Discretion
- 1 Outside LGO jurisdiction

Table 1 - Number of Complaints

	2010/11	2009/10	2008/09
<b>Business Units</b>			
Financial Strategy Group	4	2	8
Insurance	416	203	20
Law & Governance	0	0	8
Personnel (Employee Services & Schools Personnel Service)	29	27	10
Property Group	23	6	13
Business Solutions & Policy	5	2	0
Strategic Procurement	0	1	N/A
<b>TOTAL</b>	<b>477</b>	<b>241</b>	<b>59</b>

Table 2 – Number of Comments

Business Units	2010/11	2009/10
Financial Strategy Group	31	62
Insurance	0	0
Law & Governance	0	54
Personnel (Employee Services & Schools Personnel Service)	0	0
Property Group	0	0
Business Solutions & Policy	41	0
Strategic Procurement	0	0
<b>TOTAL</b>	<b>72</b>	<b>116</b>

Table 3 - Number of Compliments

Business Units	2010/11	2009/10
Financial Strategy Group	0	0
Insurance	11	30
Law & Governance	115	97
Personnel (Employee Services & Schools Personnel Service)	35	2
Property Group	4	4
Business Solutions & Policy	61	6
Strategic Procurement	2	0
<b>TOTAL</b>	<b>228</b>	<b>237</b>

<b>Table 5 – 2010/11 Complaint Summary</b>		
<b>BUSINESS STRATEGY &amp; SUPPORT</b>	<b>477</b>	This represents an overall increase of 98% on the previous year when <b>241</b> complaints were recorded. This increase can be partly accounted for by a large increase in complaints regarding the time it takes to deal with insurance claims for potholes and a small increase in Property Group Complaints.
<b>CUSTOMER &amp; COMMUNITIES</b>	<b>627</b>	<p>This represents a 36% decrease compared with the previous year when <b>1,044</b> complaints were recorded.</p> <p>There has been a reduction in the number of comment cards received by the Library service and action has been taken to promote comment cards. Community Learning &amp; Skills has seen a small increase in complaints this year. This related to fee increases, courses not being provided and concessions. There has been an increase in complaints regarding Youth Services following a review of how complaint information was recorded. Complaints relate to the availability of youth services and problems with the Togogo web site which have now been resolved.</p>
<b>EDUCATION, LEARNING &amp; SKILLS</b>	<b>88</b>	This represents a drop of 49% compared with the previous year when <b>173</b> complaints were recorded. The higher figures in previous years appear to be mainly because a number of issues were handled as statutory appeals and complaints about schools were recorded as complaints. It appears most likely that the number of complaints about the Local Authority's education services remained stable in 2010/11. The largest number of concerns expressed via complaints and comments/enquiries were about resources and investment in schools and services. Most were related to the central Government decision to withdraw funding for Building Schools for the Future.
<b>ENTERPRISE &amp; ENVIRONMENT</b>	<b>2,248</b>	<p>This represents an overall increase of 35% from the previous year when <b>1,667</b> complaints were recorded. As our two frontline services, Kent Highway Services (KHS) and Environment &amp; Waste (E&amp;W) received the majority of the complaints with KHS receiving 1,959 complaints (83%) in 2010/11 and E&amp;W receiving 313 complaints (13%).</p> <p>1,066 of KHS complaints (54%) were received between April and September 2010 and several of these concerned potholes – either related to the number of potholes on Kent roads that had not been repaired followed the extraordinary weather conditions (which lasted from December 2009 to February 2010) or linked into the quality of the resurfacing works carried out. In some cases customers were unaware of the actions that had been taken to move this forward.</p> <p>Of the 646 complaints received in Q3, 269 (42%) were received in December 2010 during the severe weather and related to the winter service. The majority of these complaints were about the perceived lack of action around clearing ice and snow from pavements and side roads.</p> <p>The key issues highlighted through the Household Waste Recycling Centres (HWRCs) complaints received related to height barriers, walking waste onto the sites, disagreement with the twin axle policy, staff behaviour and site opening/closing times. Although the twin axle policy was introduced more than 18 months ago, it has still generated a number of complaints. Whilst some of these have been received from members of the public who are potentially</p>

		trying to dispose of their domestic waste, there have also been a number of complaints from traders who have tried to dispose of their trade waste incorrectly.
<b>FAMILIES &amp; SOCIAL CARE Adult Social Services</b>	<b>527</b>	<p>This represents an overall 21% increase from the previous year when <b>436</b> complaints were recorded. Of these, 459 were logged as statutory complaints and 68 as non-statutory complaints.</p> <p>Analysis of statutory complaints for 2010/11 shows the following increase against 2009/10 data:</p> <ul style="list-style-type: none"> <li>31% regarding Older People's services (290)</li> <li>50% regarding Learning Disability (78)</li> <li>66% regarding Physical Disability (55)</li> </ul> <p>Some people complain about more than one issue covering more than one Business Unit. These issues are recorded separately and therefore the total of issues adds up to more than the total number of complaints. (Appendix 2, Table 1)</p> <p>Analysis of the statutory complaints indicates that 48% of the complaints received were attributed to poor communication and behaviour of staff. This is a consistent pattern each year. A separate piece of work has been commissioned by the Adult Social Care County Good Practice group which will detail the complaints made about behaviour of KCC staff and poor communication and make recommendations for improvement.</p>
<b>FAMILIES &amp; SOCIAL CARE Children's Social Services</b>	<b>406</b>	<p>This represents an increase of 36% compared with the previous year when <b>298</b> complaints were recorded. 139 of these complaints received fell outside the statutory legislation and followed the corporate, two-stage complaints procedure introduced in 2009.</p> <p>Once again disputed decisions are the most common subject of complaints. The second largest number of complaints received about attitude and behaviour of staff. It is common for complainants to personalise their disagreement with decisions made or to focus their distress about the situation they find themselves in onto the worker with whom they have most contact. Many of the complaints are in connection with cases in care proceedings or child protection.</p> <p>A number of complaints were received from or about homeless young people and were critical about the application of the protocols put in place to comply with the Southwark Judgement in Kent. Some complaints on this subject have more recently been subject to investigation by the Local Government Ombudsman</p> <p>KCC has a contract with Action for Children to fulfil the statutory requirement for an Independent Person to be involved in Stage Two investigations. Action for Children continues to report that complaints have become more complex and time-consuming. As local staff work harder to address complaints at an early stage, those that do escalate tend to be complaints which are more complex and difficult to resolve.</p>

Table 5 - Comparison of complaints numbers for, 2008/09, 2009/10 and 2010/11

**BUSINESS STRATEGY AND SUPPORT**

<b>Service</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Business Solutions & Policy	0	2	5
Finance	8	2	4
Insurance	20	203	416
Personnel (Employee Services & Schools Personnel Services)	10	27	29
Property	13	6	23
Strategic Procurement	N/A	1	0
<b>TOTAL</b>	<b>51</b>	<b>241</b>	<b>477</b>

**FAMILIES & SOCIAL CARE - ADULT SOCIAL SERVICES**

<b>Service</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
<b>Support Services</b>	97	130	23
<b>Learning Disability:</b>	94	111	104
<b>Mental Health</b>	6	4	26
<b>Older People:</b>	207	375	351
<b>OT and Sensory Loss:</b>	48	16	
<b>Phys Disability:</b>	22	54	44
<b>Specialist Services:</b>			
Adults	27	1	
Homecare	3		
Older People	18		
Social Economy/ Kent Supported Employment	2	1	
Telecare	1	2	
Telehealth		1	
Training and Development		1	
Voluntary Escorts	1	1	
<b>Other</b>			49
<b>Total</b>	<b>526</b>	<b>697</b>	<b>597</b>

(Some people complain about more than one issue, therefore the total adds up to more than the total number of complaints)

**FAMILIES & SOCIAL CARE - CHILDREN SOCIAL SERVICES**

<b>Service</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Children & Families non-statutory	73	98	121
Children & Families statutory	193	200	406
<b>TOTAL</b>	<b>266</b>	<b>298</b>	<b>527</b>

## CUSTOMER AND COMMUNITIES

Service	2008/09	2009/10	2010/11
Arts Development	2	3	0
CEMs	-	13	7
Community Learning & Skills *	31	118	151
Community Safety	9	8	2
Emergency Planning	0	0	0
KDAAT	10	11	4
Gateways	-	38	61
Communication & Media Centre	N/A	12	34
Kent Scientific Services	28	31	22
Key Training	29	0	-
Libraries & Archives	600	542	116
Registration (& Coroners)	8	11	17
Sport, Leisure & Olympics	4	-	5
SIP *	6	2	4
Supporting People	0	19	32
Trading Standards	9	22	11
Turner Contemporary	4	7	-
Youth Offending Service	3	2	8
Youth Service	56	87	43
Country Parks	-	109	102
Countryside Access	8	9	8
<b>TOTAL</b>	<b>807</b>	<b>1,044</b>	<b>627</b>

\* New unit for Kent Adult Education and Key Training

\*\* Transferred from Chief Executives Dept 2008/09

## EDUCATION, LEARNING &amp; SKILLS

Education	231	215	88
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## ENVIRONMENT AND ECONOMY

Service	2008/09	2009/10	2010/11
Environment & Waste	223	262	210
Kent Highway Services	195	1,259	1,959
Strategy & Planning	3	2	-
Commercial Services	67	144	75
Regeneration & Economy	0	0	4
<b>TOTAL</b>	<b>488</b>	<b>1,667</b>	<b>2,248</b>

**Table 6 Acknowledgement and Response Times against standards**

	COMPLAINTS	COMPLIMENTS	COMMENTS	% answered within our standards	
				ACKNOWLEDGEMENT	RESPONSE
<b>COMMUNITIES</b>					
2008/09	807	1,719	520	96%	74%*
2009/10	1,044	2,270	1,692	87%	96%
2010/11	627	4,077	1,382	98%	96%
<b>EDUCATION</b>					
2008/09	231	0	180	Not available	
2009/10	173	15	146	Not available	
2010/11	88	5	178	78%	84%
<b>ENTERPRISE AND ENVIRONMENT</b>					
2008/09	488	554	-	96%	97%
2009/10	1,667	605	-	95%	98%
2010/11	2,248	551	16	98%	91%
<b>FAMILIES &amp; SOCIAL CARE - CHILDRENS SOCIAL SERVICES</b>					
2008/09	266	71	98	Not available	
2009/10	298	66	126	Not available	
2010/11	406	54	166	94%	79%
<b>FAMILIES &amp; SOCIAL CARE - ADULT SOCIAL SERVICES</b>					
2008/09	359	463	198	91%	85%
2009/10	436	502	213	89%	90%
2010/11	527	598	266	88%	73%
<b>BUSINESS STRATEGY &amp; SUPPORT</b>					
2008/09	51	139	67	96%	100%
2009/10	241	237	116	98%	96%
2010/11	477	228	72	78%**	83%**

\* The low compliance level found in Libraries has been investigated by senior managers and was traced to inconsistencies in how the complaints are recorded and reported by some front line members of staff. \*\* time taken to deal with Insurance claims

24 June 2011

# Local Government OMBUDSMAN

Ms K Kerswell  
Managing Director  
Kent County Council  
County Hall  
Maidstone ME14 1XQ

Dear Ms Kerswell

## Annual Review Letter

I am writing with our annual summary of statistics on the complaints made to me about your authority for the year ending 31 March 2011. I hope the information set out in the enclosed tables will be useful to you.

The statistics include the number of enquiries and complaints received by our Advice Team, the number that the Advice Team forwarded to my office and decisions made on complaints about your council. Not all complaints are decided in the same year that they are received. This means that the number of complaints received and the number decided will be different.

The statistics also show the time taken by your authority to respond to written enquiries and the average response times by type of authority. I have decided to add a commentary to the attached statistics in view of the number and range of complaints against your Council that my office dealt with in the year which have predominantly been about Adult Care Services, Children's Services, and Education. I also wanted to provide you with some information on the schools complaints service which commenced in Kent in September 2010.

## Enquiries and complaints received

Our Advice Team received 194 enquiries about your Council in 2010/11. We dealt with 44 of these enquiries through the provision of advice. A further 21 were passed back to the Council with a request that they were considered further because the corporate complaints procedure had yet to be exhausted, and it seemed that the complainants would not be disadvantaged by doing so. They were told they could resubmit their complaint to the Ombudsman if they were dissatisfied with the outcome of their complaint after it had been considered further by the Council. The remaining 129 enquiries were treated as complaints and so were forwarded to an investigation team.

## Complaint outcomes

Of the 111 decisions I made in the year, nine were outside my jurisdiction. In 47 cases I found no fault, and in 24 cases I exercised my discretion not to pursue the complaint, often because I felt the claimed injustice was insufficient to justify an investigation. Although I issued no reports against your Council in the year, I did agree 29 local settlements.

A 'local settlement' is a complaint where, during the course of our investigation, a council takes or agrees to take some action that we consider to be a satisfactory response to the complaint. In 2010/11, 27.1% of all complaints the Ombudsmen decided and which were in our jurisdiction were local settlements. The comparative figure for your authority just exceeded this at 28.8%. All except one of the local settlements we secured for Kent complainants this year related to complaints about three services: Adult Care Services, Children's Services, and Education. The majority of the settlements about Education related to fault in admissions arrangements to schools or in the hearing of appeals in respect of non-admission to a particular school. I will say more about this later.

Local settlements may be obtained in many different ways. Sometimes the payment of compensation is appropriate. In 2010/11 your Council paid compensation of £8,625 in total. But often there is more to a local settlement than just the payment of money. Here are some examples of the settlements obtained during the year.

#### Adult care services

We settled one complaint about the extent to which Council had responded appropriately to the complainant's concerns about the safety and wellbeing of her elderly mother who was known to its Psychiatric Services. A number of failings were identified in the way in which the Council had responded to the concerns, and the conclusion was reached that it had failed in its responsibilities to the complainant's mother. It set in train a number of actions to improve its procedures in future.

In another complaint I asked the Council to provide £1,900 in compensation for its failure to provide community care services to a complainant who had been assessed as eligible to receive such services.

I also dealt with a complaint where the complainant did not receive the level of customer service which he was entitled to expect following the death of his stepfather when he attempted to obtain some clarification on the outstanding care home fees that were owed. The Council accepted that he should not have had to deal with so many of its officers over what ought to have been a simple matter. Although the Council responded promptly to most of the contact from the complainant, it was slow to recognise his legitimate concern that he may have been invoiced for money he had already paid. The Council should have recognised that the complainant was entitled to an apology and an explanation of what had gone wrong. The Council agreed to reduce the outstanding debt by £150 and to send an apology.

#### Education

I settled two complaints last year in respect of the Council's failure to provide suitable education for children of statutory school age. One had been excluded from school and should have been receiving suitable full time education from the sixth day of his exclusion. Although the child received some home tuition and arrangements were put in place to enable exams to be taken, my Investigator concluded that this was far from adequate. The second case involved a child who relied on a motorised wheelchair for mobility. As he had got older he had outgrown his wheelchair but the larger one he was provided with was unsuitable for his home until such time as adaptations had been undertaken. He effectively became housebound for a six month period during which time no education was provided.

Thirty five separate complaints about school admissions raised questions about the quality and independence of the appeal process when the Council provides and services Independent Appeal Panels - both for itself and for schools that are admission authorities. In some appeals the Clerk's notes were inadequate. I found a number of instances where an appeal panel had decided to send a particular standard decision letter only for Council

officers to send a different one. Some decision letters did not include major points documented in the clerks' notes. The practice of Council officers finalising and sending appeal decision letters with the clerks' facsimile signatures breaches the statutory Code.

One of the school admission complaints involved a selection test that had been disrupted and the invigilators making mistakes about timing. The Council said it would not arrange for the children affected to sit an alternative test. It said that the parents could appeal to an Independent Appeal Panel. Primary schools can ask for a panel of head teachers to review the cases of children who are expected to pass but do not. Children who pass but achieve a lower score than expected cannot be referred to the panel of head teachers. As a result, a child who passes but has underperformed because of disruption and/or mistakes by the Council's invigilators could miss out on a 'super selective' place (i.e. one of the places that some schools reserve for a specified number of children scoring the highest marks who would not otherwise get a place, for example because of the distance between their home and school).

#### Liaison with the Local Government Ombudsman

My investigators made initial enquiries on 83 complaints this year. On average it took 31.5 days for the Council to reply. These times fall short of my requested timescale of 28 days.

Whilst my Investigators have noted some reluctance to agree to proposed settlements, they have also noted examples where the Council has been pro-active in proposing them on cases under investigation. I also note that two of your Officers attended a seminar I held in our London Office in December, which I hope they found useful.

#### *Communicating decisions*

We want our work to be transparent and our decisions to be clear and comprehensible. During the past year we changed the way we communicate our decisions and reasons. We now provide a stand-alone statement of reasons for every decision we make to both the citizen who has complained and to the council. These statements replace our former practice of communicating decisions by letter to citizens that are copied to councils. We hope this change has been beneficial and welcome comments on this or any other aspect of our work.

In April 2011 we introduced a new IT system for case management and revised the brief descriptions of our decisions. My next annual letter will use the different decision descriptions that are intended to give a more precise representation of complaint outcomes and also add further transparency to our work.

#### *Extended powers*

During 2010/11 our powers were extended to deal with complaints in two significant areas. In October 2010 all complaints about injustice connected to adult social care services came under our jurisdiction. The greater use of direct payments and personalised budgets mean that it is particularly important for us to be able to deal with such complaints irrespective of whether a council has arranged the care. Anyone who arranges and pays for their own social care now has the right to an independent and impartial examination of any complaints and concerns they may have about their care provider.

In the six months to April 2011 we received 89 complaints under our new adult social care powers. Between 2009/10 and 2010/11 complaints about care arranged or funded by councils doubled from 657 to 1,351.

The Apprenticeships, Skills, Children & Learning Act 2009 introduced powers for us to deal with complaints about schools by pupils or their parents. This was to be introduced in phases and currently applies in 14 council areas. By the end of 2010/11 we had received 169 complaints about schools in those areas and 183 about schools in other areas where we had no power to investigate. The Education Bill currently before Parliament proposes to rescind our new jurisdiction from July 2012.

As you are aware, schools in Kent have been subject our new powers since September 2010. I would like to thank Kent County Council for its support during this period in facilitating the delivery of training across the county to Head Teachers, Governors and Clerks about the new legislation, and more recently in supporting schools to develop accessible and fair complaints handling procedures. We have delivered eight courses in total to over 200 delegates with an overwhelmingly positive response.

I had received 64 complaints about schools in your area by the end of March 2011. These covered a broad range of issues including how schools had dealt with allegations of bullying, the provision of additional support for those children with special educational needs, how schools had dealt with medical issues, complaints about staff conduct, the way in which policies on school uniforms had been applied, exclusions from school, school trips, and the barring of parents from school premises.

Of the 57 complaints decided in your area:

- In 16 cases we initiated an investigation;
- In 39 cases the complaint was referred back to the school for it to consider using its own complaint procedure as it had not yet had the opportunity to do so before the complaint was made to me; and
- In 2 cases we were unable to consider the complaint as it was either not made by a qualifying person or was about a matter I am prevented from considering by law.

In terms of the 16 of cases where we initiated an investigation:

- A satisfactory resolution was reached between the parties in eight cases following the Ombudsman's involvement and so the investigation was discontinued.
- We secured a remedy and / or agreement for action to prevent similar problems recurring in six of the cases.
- In two we found that there was no fault in the actions of the school or there was no substance to the complaint.

Decisions in the 14 areas can be broken down as follows:

- In 47% of cases we initiated an investigation.
- In 48% of cases the complaint was referred back to the school for it to consider using its own procedures as it had not had the opportunity to do so.
- In 5% of cases we were unable to consider the complaint as it was not within our jurisdiction.

In terms of the 47% of cases where we initiated an investigation:

- A satisfactory resolution was reached between the parties in 25% of cases following the Ombudsman's involvement (and the investigation was discontinued).
- We secured a remedy and/or agreement for action to prevent similar problems recurring in 13% of the cases.
- In 9% we found that there was no fault in the actions of the school or there was no substance to the complaint.

Our new powers coincided with the introduction of Treasury controls on expenditure by government departments and sponsored bodies designed to reduce the public spending deficit. This has constrained our ability to inform care service users, pupils and their parents of their new rights.

*Assisting councils to improve*

For many years we have made our experience and expertise available to councils by offering training in complaint handling. We regard supporting good complaint handling in councils as an important part of our work. We provided a one day training course on Effective Complaint Handling for officers in your authority on 11 March 2011. I hope this course was timely in the context of the roll-out of your new complaint handling arrangements in April 2011.

During 2010/2011 we surveyed a number of councils that had taken up the training and some that had not. Responses from councils where we had provided training were encouraging:

- 90% said it had helped them to improve their complaint handling
- 68% gave examples of how the knowledge and skills gained from the training had been applied in practice
- 55% said that complaints were resolved at an earlier stage than previously
- almost 50% said that citizens who complained were more satisfied.

These findings will inform how we develop and provide training in the future. For example, the survey identified that councils are interested in short complaint handling modules and e-learning.

Details of training opportunities are on our web site at [www.lgo.org.uk/training-councils/](http://www.lgo.org.uk/training-councils/)

More details of our work over the year will be included in the 2010/11 Annual Report. This will be published on our website at the same time as the annual review letters for all councils (14 July).

If it would be helpful to your Council I should be pleased to arrange for me or a senior manager to meet and explain our work in greater detail.

Yours sincerely



Anne Seex  
Local Government Ombudsman

## Local authority report - Kent CC for the period ending - 31/03/2011

For further information on interpretation of statistics click on this link to go to [www.lgo.org.uk/CouncilsPerformance](http://www.lgo.org.uk/CouncilsPerformance)

### LGO Advice Team

Enquiries and complaints received	Adult Care Services	Benefits & Tax	Corporate & Other Services	Education & Childrens Services	Environmental Services & Public Protection & Regulation	Highways & Transport	Housing	Other	Planning & Development	Total
Formal/informal premature complaints	4	0	0	10	1	5	0	1	0	21
Advice given	9	1	1	28	0	3	1	1	0	44
Forwarded in investigative team (resubmitted)	2	0	0	3	0	0	0	0	1	6
Forwarded to investigative team (new)	35	0	3	66	3	12	0	4	0	123
Total	50	1	4	107	4	20	1	6	1	194

### Investigative Team

Decisions	Reports: maladministration and injustice	Local settlements (no report)	Reports: Maladministration no injustice	Reports: no Maladministration	No Maladministration (no report)	Ombudsman's discretion (no report)	Outside jurisdiction	Total
2010 / 2011	0	28	0	0	47	20	9	106

### Adult social care decisions made from 1 Oct 2010\*

	Not to initiate an investigation	To discontinue investigation, injustice remedied	To discontinue investigation, other	Total
2010 - 2011	3	1	1	5

\*These decisions are not included in the main decisions table above. They use the new decision reasons from 1/10/10.

### Provisional comparative response times 01/04/2010 to 31/03/20 11

Response times	First enquiries	
	No of first Enquiries	Avg no of days to respond
01/04/2010 / 31/03/2011	79	31.6
2009 / 2010	75	31.6
2008 / 2009	69	38.1

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Types of authority	<= 28 days	29 - 35 days	> = 36 days
District councils	65	23	12
Unitary authorities	59	28	13
Metropolitan authorities	64	19	17
County councils	66	17	17
London boroughs	64	30	6
National parks authorities	75	25	0

Response times adult social care 1/10/10 - 31/3/11	First enquiries	
	No of first Enquiries	Avg no of days to respond
2010/2011	4	30.0

By: Overview, Scrutiny and Localism Manager

To: Corporate Policy Overview and Scrutiny Committee  
22 September 2011

Subject: **SELECT COMMITTEE - UPDATE**

Classification: Unrestricted

Summary: To update the Committee on the current topic review programme and to invite suggestions for future Select Committee topic reviews.

### Select Committee Topic Review Work Programme

1. (1) There are currently no Select Committee topic reviews in the work programme which fall under the remit of this Policy Overview and Scrutiny Committee.

(2) The Select Committee work programme consists of the following:-

- Dementia – Chairman Mrs T Dean – Has completed its evidence gathering and is considering its draft report which will be shared with key stakeholders before being finalised.
- Educational Attainment at Key Stage 2– Chairman Mr C Wells – The Committee is preparing to visit a number of schools in October/November 2011.
- The Student Journey – Chairman Mr Kit Smith, has nearly completed its evidence gathering sessions and has interviewing key stakeholders including representatives from business, education and obtaining evidence from young people. It will continue gathering evidence until October 2011. An indication of its emerging key areas of recommendation have been submitted to the relevant Policy Overview and Scrutiny Committees and the Scrutiny Board.

### Suggestions for Select Committee topic reviews

2. (1) At the meeting of the Customer and Communities Policy Overview and Scrutiny Committee, under its Crime and Disorder remit, on 8 July 2011 it was agreed that a proposal for a Select Committee topic review on Domestic Abuse would be submitted to the Scrutiny Board on 2 November 2011 for their approval.

(2) If Members have any topics that they would like to put forward for consideration for inclusion in the future topic review programme could they contact the Democratic Services Officer for this POSC.

3. **Recommendation** Members are asked to note the Select Committee topic review update and to advise the Democratic Services officer of any items that they would like to suggest for inclusion in the Select Committee topic review programme

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Background Information: *Nil*

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