

**CORPORATE POLICY OVERVIEW AND SCRUTINY
COMMITTEE**

Thursday, 3rd November, 2011

9.30 am

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





AGENDA

CORPORATE POLICY OVERVIEW AND SCRUTINY COMMITTEE

Thursday, 3 November 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 and
Mr M V Snelling

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

Webcasting Notice

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UNRESTRICTED ITEMS

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

Item No

A. COMMITTEE BUSINESS

- A1 Introduction/Webcasting
- A2 Substitutes
- A3 Declaration of Interests by Members in items on the Agenda for this meeting.
- A4 Minutes (Pages 1 - 8)

B. ITEMS FOR CONSIDERATION

- B1 Financial Monitoring 2011/12 (Pages 9 - 12)

- B2 Revenue Budget 2012/13 and Medium Term Financial Plan 2012/13 To 2014/15 (Pages 13 - 26)
- B3 Changes to the Local Government Pension Scheme (Pages 27 - 46)
- B4 Finance and Procurement Restructuring (Pages 47 - 74)
- B5 Business Strategy - Restructure (Pages 75 - 80)
- B6 Community 'Right to Buy' Assets of Community Value & Community Asset Transfer (Pages 81 - 96)
- B7 Connecting with Communities - Annual Report on Engagement Activity

C. SELECT COMMITTEE WORK

- C1 Select Committees - update (Pages 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, 26 October 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

**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 Thursday, 22 September 2011.

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

ALSO PRESENT: Miss S J Carey, Mr P B Carter, Mr R W Gough, Mr A J King, MBE and Mr J D Simmonds

IN ATTENDANCE: Mrs A Beer (Corporate Director of Human Resources), Mr P Bole (Head Of I C T Commissioning), Mr D Cockburn (Corporate Director of Business and Support), Ms D Fitch (Assistant Democratic Services Manager (Policy Overview)), Ms J Hansen (Acting Finance Business Partner BSS), Ms J Hill (Performance Manager), Ms E Sanderson, Mr D Shipton (Acting Head of Financial Strategy), Mrs R Spore (Head of PPP/PFI), Mr D Whittle (Policy Manager) and Mr A Wood (Acting Corporate Director of Finance and Procurement)

UNRESTRICTED ITEMS

129. Membership
(Item A2)

It was noted that Mr R Brookbank had replace Mrs J Law as a Member of the Committee.

130. Minutes - 6 July 2011
(Item A4)

RESOLVED that the minutes of the meeting held on 6 July 2011 are correctly recorded and that they be signed as a correct record.

131. Dates of Meetings 2012
(Item A5)

RESOLVED that the meeting dates for 2012 as set out below be noted.

Wednesday, 11 January 2012
Thursday, 5 April 2012
Thursday, 12 July 2012
Thursday, 27 September 2012
Thursday, 22 November 2012

132. Update on overall progress with organisational reshaping - verbal update from the Leader and Managing Director
(Item B1)

(1) Ms Beer gave a PowerPoint presentation updating the Committee on Change to Keep Succeeding. This included achievements to date, operating framework, values and behaviours, the Kent Manager and recognising success.

(2) Mr Carter referred to the complexity and extent of the change, it was not just a response to financial constraints but also changes from government. He referred to the good progress that was being made. There was a change to the way that business was delivered across the authority and in the culture of the organisation.

(3) Mr Carter and Ms Beer answered questions and noted comments from Members which included the following:-

- Reference was made to the previous situation where people became Managers to achieve pay progression rather than necessarily having the skills to manage. Ms Beer stated that there was flexibility within the new structure to retain people without necessarily giving them management responsibilities.
- In relation to the culture of openness and inviting contribution and challenge, Ms Beer explained that there were mechanisms in place for staff to be able to express their concerns, for example via 'talk to the top' which provided the opportunity for staff to put forward views anonymously if they preferred, these could be viewed by Members through Knet. She referred to the staff representatives on the Performance Assurance Team and the Delivery Assurance Team who had the opportunity to express their views and had been very willing to do so. She stated that Human Resources were working closely with staff to provide a safe outlet and focus for their concerns.
- A Member mentioned that the restructuring had caused some disruption in service/information provision to Members, as in some cases the person with the required information has moved on, which it was acknowledged was bound to happen.
- The Leader's idea of Managers having direct experience of the day to day operation of their front line services was welcomed. The example of Members having the opportunity to shadow a social worker was referred to in this context. It was suggested that this opportunity for Members could be extended to other areas of work.
- A Member referred to the opportunity for contribution and challenge on the Members side, for example in relation to the shadow Health and Wellbeing Board which did not have any non Conservative Members. The Leader assured Members that their views would be listened to before a final decision was taken on the Membership of the actual Board.
- Although the move towards 'One Council' was welcomed it was suggested that this may take sometime to become embedded within the authority.
- In response to a question, Ms Beer confirmed that there was still a KCC staff club, which organised social rather than sporting events, this was at little cost to the authority. Sporting events were arranged on a local informal level amongst staff.

(4) RESOLVED that the update be noted.

133. Financial Monitoring 2011/12

(Item B2)

(1) Mr Simmonds introduced the first quarter's budget monitoring report for 2011/12 which was reported to Cabinet on 19th September 2011. This was a regular report on the forecast outturn for Business Strategy & Support Directorate and Financing Items budgets within the Corporate Services portfolios.

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

- Mention was made of the positive impact that filling pot holes quickly could have on the insurance reserve budget.
- Reference was made to the Deputy Leaders portfolio and the importance of any reductions being carried out in a timely and appropriate way. Mr King referred to the reduction in senior managers in Democratic Services and the need for a transition period for this function to ensure that changes reflected the future needs of the organisation and support for Members. This transition period had been agreed with the finance team.

(3) RESOLVED 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.

134. Consultation on Local Government Resource Review (proposals for retention of business rates)

(Item B3)

(1) Mr Simmonds and Mr Shipton presented a report which referred to the recently published Government 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 were pooled nationally and then redistributed through a central formula. This report considered the implications of the Government's proposals for Kent and set out a summary of these proposals and the rationale for change. The deadline for responding to this consultation was 24 October 2011. There was no indication of when the outcome would be known

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

- Mr Shipton confirmed that each Kent local authority was producing its own response as the issues affected them differently. There were concerns about the volatility between Districts over their ability to levy additional business rates. KCC officers were keeping an overview of this.
- In relation to the new homes bonus, Mr Shipton explained that the majority (75%) would go to the top tier authority with the remainder to the District Council, Fire & Rescue Authority and Police Authority.
- Mr Shipton confirmed that less business rates being collected than anticipated was a risk. The risk of poor collection would be borne by both tiers of local government.

- A Member mentioned the situation where new homes bonus was paid in respect of homes where planning permission had been granted before the grant was available, so it had not been an incentive as intended.
- A Member expressed the opinion that this change to local government finance re-enforced the existing pattern of the tax base.
- In response to a question on the potential pooling of business rates to mitigate the effect of their volatility across the County, Mr Shipton confirmed that there had been initial discussions with Chief Executives of District Councils. This was one way of mitigating the difference between districts. Mr Shipton pointed out that there was an inverse correlation between the districts need to spend on local authority functions and the amount of business rates that they would attract.

(3) RESOLVED that the content of the consultation and the comments made by Members be noted.

135. Property and Infrastructure Support Restructuring Update

(Item B4)

(1) Mr Gough and Ms Spore presented a report which informed the Committee of the progress being made in respect of the Property and Infrastructure Support (P&IS) Restructure. On the 4th 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.

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

- Ms Spore explained that there were a number of KCC building leases coming up for renewal and the organisation was shrinking. In due course recommendations would be made in relation to this.
- Ms Spore stated that a series of workshops were being held with District Council partners to look at identifying areas of potential collaboration. Discussions were also being held with neighbouring authorities.
- Ms Spoke confirmed that all public sector holdings across Kent had already been mapped as part of the pathfinder process.
- Members welcomed the approached towards collaborative working with District Councils and involving Members at a local level.
- In response to a question on the advantages of centralising the function, Ms Spore explained that in the past there had not been clear accountability and responsibility for property across the organisation. Centralising the function would create a clear line of responsibility in order to make things happen in a timely way. She stated that there would be a fundamental review of all processes within the property function, it would be an opportunity to build on the good things that were being done and to streamline the process.
- A Member referred to the time that had been taken in some cases to dispose of land. Ms Spore acknowledged that sometimes things had taken too long, she stated that there would be a full review of all the disposal cases to make sure that these were moved forward. Mr Gough stated that sometimes the delays were not within the control of KCC.

- Members expressed a willingness to be involved in reviewing this function and asked for information from the review to be shared with them so that they could assist by checking that it was complete for their area.
- Ms Spore confirmed that when it was proposed to dispose of a property an options appraisal was carried out. This included assessing whether it would be beneficial to obtain planning permission prior to disposal in order to obtain the maximum value on disposal.

(3) RESOLVED that (a) the current progress in the delivery of the Property and Infrastructure Support Restructuring and the Next Steps be noted.

(b) an update paper be submitted to the next meeting of the POSC on the work being carried out with District/Borough Councils and Public Sector partners to map assets in order to utilise the estate more effectively.

136. Community Right to Challenge

(Item B5)

(1) Mr Gough set out the background to the Community Right to Challenge. Mr Whittle and Ms Sanderson gave a PowerPoint presentation which included the proposed Right to Challenge Process, implications of the Right to Challenge, issues with the model, implications for KCC, KCC's approach to prepare for the Right to Challenge and the Timetable and Risks.

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

- In relation to Member involvement, Ms Sanderson stated that Cabinet had been involved in the development of the programme. Informal soundings on individual reviews and service options would be taken with elected Members and Locality Boards before any decision to open up to procurement under the Right to Challenge. There would be an option appraisal which would be submitted to Cabinet and therefore could be called into Scrutiny. This would be followed by a formal consultation, compliant with the Duty to Consult, with public service users as part of the decision making process.
- Mr Whittle confirmed that there was a detailed programme plan which could be shared with Members on request.
- Members were interested in hearing more about the early review pilots. It was confirmed that these were part of the advanced Make, Buy, Review process and the individual review teams would be undertaking informal soundings with Members as they evolve.
- Mr Whittle stated that it was expected that there would be some elements where expressions of interest for a part of the County would require a local view. If Locality Boards mature and take on more responsibility for the commissioning of services then this process could sit with them at the local level in the long term.
- A Member asked whether, if a service provider did not meet their service level agreement, KCC would have the capacity to intervene and take the service back. Mr Whittle explained that part of the Right to Challenge was due diligence in relation to procurement. The Local Authority would have to manage the risk through effective contract and risk management if the services went out to an external provider.

- Reference was made to the amount of work that it suggested Locality Boards consider, also there was not a one size fits all for these Boards and that some areas had yet to establish these Boards. Mr Gough emphasised that it was not intended to prescribe what Locality Boards should do but only suggest what they may do. He pointed out that that Locality Boards and this process were in their early stages.
- A Member noted that the local authority could refuse an application for someone to run services. It was confirmed that it would be the Local Ombudsman who would receive any “complaints” about issues in this area. Concern was expressed about the Ombudsman’s lack of statutory powers.
- Reference was made to the need to be sensitive to Parish Council and Communities who were willing to take on responsibilities in their area. They should be encouraged to do so where possible.
- It was suggested that an update report should be submitted to a future meeting of the Committee early next year.

(3) RESOLVED that the report and presentation on the implications of the forthcoming ‘Right to Challenge’ in the Localism Bill which was due to come into effect from April 2012, be noted.

137. Overview of Systems Investment (Item B6)

(1) Mr Gough and Mr Bole presented a paper which provided an overview of the annual £31.4 million investment in technology made by the Council each year for review and comment.

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

- Mr Bole confirmed that the overview provided an understanding of how much KCC investment there was in Information Technology (IT) and what return it was providing. It was estimated that the cost to deliver services without IT would be £70 million against a £31.4 million investment to provide it,
- Regarding the Oracle system, Mr Bole explained that the re-shaping of the organisation provided an opportunity to look at how to support core resources, increase efficiency and reduce costs. The Oracle system had the capacity to do more than it was currently doing. The immediate priority was to change how Oracle worked to deliver savings in Human Resources and Finance.
- In relation to the customisation of Oracle, Mr Bole stated that when it had been implemented there were 600 customisations, this had been reduced to 350 customisations and with Enterprise Resource Planning this would reduce further to below 50.
- A Member asked if KCC’s IT provision was too expensive which would hinder shared working with other authorities, Mr Bole stated that the system was not too expensive, but it could be cheaper. There was a need to identify opportunities across the public sector where common tasks could be achieved with fewer staff if shared, the challenge was how best to engage with other agencies to deliver this outcome.
- Mr Bole confirmed that KCC’s approach to engaging with partnerships had always been driven by the aspiration of better public services and greater co-

operation between public services. If we work in partnership we will see our unit costs go down.

- In relation to a question on benchmarking, Mr Bole stated that they used a mix of benchmarking including national comparators and across multiple market sectors not just public services..
- Regarding the Integrated Children's System, Mr Bole confirmed that all these systems were designed to a specification set by central government, we were trying to adapt our approach to deliver a system better able to support the objectives of the improvement programme for children's services.

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

138. Complaints, Comments and Complements

(Item B7)

(1) Mr Gough and Ms Hill introduced a report which provided 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.

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

- Ms Hill stated that the complaints team had been centralised which would make it easier for the public to know who to complain to enable complaints would be dealt with in a more focused way. The next time that this report was produced it would also be possible to include the outcome the complaints.
- In relation to a question on improving the process for dealing with insurance claims relating to potholes which was the source of a lot of complaints, Mr Wood explained that claims were dealt with in accordance with KCC policy. The inclement weather last winter and the claims culture had led to an increase in claims, and consequently an increase in the number of rejected claims resulting in complaints. He confirmed that KCC did settle claims when they were at fault.
- A Member referred to a press report that stated that KCC's complaints were 12 % higher than the next authority. Ms Hill explained that a lot of work had been done to improve the recording of complaints, especially Highways complaints which had an impact on the figures, as we record more complaints. Benchmarking with other local authorities had shown that they expect their number of complaints to increase.
- The amount of complements was noted.

(3) RESOLVED that the report be noted.

139. Select Committees - update

(Item C1)

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

(2) RESOLVED that the Select Committee topic review update be noted.

TO: Corporate Policy Overview & Scrutiny Committee –
3rd November 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

Summary:

Members of the POSC are asked to note the budget monitoring exception report, based on the monitoring returns for August, as reported to Cabinet on 17th October 2011.

FOR INFORMATION

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. Background

- 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.

2.2 The first full monitoring report for 2011-12 was presented to Cabinet in September. The position for the Business Strategy & Support Directorate and Financing Items was reported to this POSC at its last meeting. This report is based on the exception report to Cabinet on 17th October.

3. Revenue

3.1 Finance & Business Support portfolio:

The forecast underspend for this portfolio has reduced by £0.187m this month to £4.165m. This is due to:

- Financing Items: +£0.307m as a result of the virement from the debt charges underspending to the Contact Centre within the Communities, Customer Services & Improvement portfolio as approved by Cabinet at the meeting on 19 September. The virement was to fund additional capacity to cope with increased call volumes within the specified call answering time.
- Finance & Procurement: -£0.120m reduction in the pressure on the Unit following the confirmation that, in advance of the implementation of the new structure on 1 April 2012, 12 voluntary redundancies have been agreed with effect from 1 December 2011.

3.2 Business Strategy, Performance & Health Reform portfolio:

The forecast underspend for this portfolio has increased by £0.050m this month to £0.225m. This is due to the Legal Services Unit increasing their forecast over-recovery of income resulting from additional work that the function has taken on, over and above that budgeted for.

3.3 Deputy Leader portfolio:

The forecast for this portfolio has moved by -£0.063m to a breakeven position this month. This is wholly due to a reduction in the Democratic & Member Services Unit forecast pressure, largely due to additional income being raised through admission appeals work for Academies.

4. Capital

4.1 Business Strategy, Performance & Health Reform portfolio:

The forecast has moved by -£4.538m. Projects subject to re-phasing and overall variances affecting 2011-12 are:

- Workplace Transformation (-£3.070m, re-phasing): the significant re-profiling has resulted from the need to revise strategic priorities to

include pressures such as the Children's Services improvement plan and the shaping of One Council/Bold Steps for Kent.

- Sustaining Kent – Maintaining the Infrastructure (-£1.174m, re-phasing): there have been delays in implementing Unified Communications due to the supplier having to redesign their delivery programme, in order to comply with revisions to the mandatory 'Code of Connections' security requirements laid down by Government Connects.
- Property Asset Management System (-£0.254m, re-phasing): work is being undertaken with South East 7 (SE7) partners to see if an Asset Management System can be procured for better value for money. Analysis work will begin in 2011-12 but the majority of the 2011-12 budget of £0.274m will not be spent until 2012-13.

Overall there is a residual balance of -£0.040m on minor projects.

5. Recommendations

- 5.1 Members of the POSC are asked to note the forecast budget variances for the Business Strategy & Support Directorate and Financing Items budget for 2011/12 based on the August exception monitoring report to Cabinet.

Officer Contact
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Background Documents:

Cabinet 17th October 2011; Revenue & Capital Budget Monitoring Exception Report

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To: Corporate Policy Overview & Scrutiny Committee –
3rd November 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: REVENUE BUDGET 2012/13 AND MEDIUM TERM FINANCIAL PLAN 2012/13 TO 2014/15

Classification: Unrestricted

Summary: This report identifies the latest forecasts for next year's budget and the financial plans for the following years. This includes an analysis of the overall financial outlook for the whole council, appraisal of the existing plans for 2012/13, an update on the budget pressures facing the Business Strategy & Support Directorate and Financing Items budgets within the Corporate Services portfolios (hereafter referred to as Corporate Services portfolios) and recommendations from the Informal Member Group on areas for budget savings.

Recommendation: Members are asked to review and comment on the pressures outlined for the Corporate Services portfolios and to identify their priorities for savings in light of the overall financial outlook for the next three years.

FOR COMMENT

1. Introduction

- 1.1 The Autumn Budget Statement is due to be presented to Cabinet on 5th December 2011 and will set out the County Council's proposed budget strategy following the Chancellor of the Exchequer's statement to Parliament on 29th November. The Chancellor's statement will include the latest economic forecasts from the Office for Budget Responsibility (OBR). All the indications are that these forecasts will show the economy has not recovered from recession as quickly as earlier predictions on which the 2011 Budget announced on 23rd March 2011 were based.

- 1.2 The Spending Review 2010 (SR 2010) set out the Government's four year plans to reduce the budget deficit. This showed an anticipated 21.9% reduction in the Formula Grant for local government over the four year period¹. The Local Government Finance settlement for 2011/12 was published on 13th December 2010 and included provisional grant figures for 2012/13 but did not provide any provisional figures for 2013/14 or 2014/15. The 2012/13 provisional grant showed a £26.9m reduction in Formula Grant on 2011/12 (8.5%) for KCC.
- 1.3 Our overall planning assumption for the next medium term financial plan (MTFP) remains that we will need to make a £340m reduction in spend in real terms between 2011/12 to 2014/15.

2. Background

- 2.1 The MTFP for 2011/12 to 2012/13 was approved by the County Council on 17th February 2011. The approved MTFP for the Corporate Services portfolios is included as appendix 1. At the time the plan was approved we had £15m set aside for unforeseen "emerging" budget pressures and £28m of savings still to be identified in order to balance the budget for 2012/13 against the anticipated level of resources (CLG grants and Council Tax).
- 2.2 Monitoring reports during 2011/12 have identified a number of additional budget pressures arising during the year in other Portfolios not covered by this POSC, which will have a full year impact in 2012/13 and some changes in the planned savings. The overall position for the County Council is that we are preparing for £25m of additional pressures in 2012/13.
- 2.3 We will need to review the indicative pressures included in the plan for 2012/13 in light of the latest activity information and identify any new pressures likely to arise in 2012/13 to 2014/15. The current assumptions for the Corporate Services portfolios are set out in tables 1 to 3 below.

¹ The overall reduction in resources from the department for Communities and Local Government (CLG) was 19.6% over the four years after taking account of new money for Council Tax Freeze, New Homes Bonus and Transitional Protection.

Table 1	2012/13 £000's	2013/14 £000's	2014/15 £000's	Total £000's
Business Strategy, Performance & Health Reform				
Existing Approved MTP				
Base	47,352			47,352
Base Adjustments	-4			-4
Pressures	1,262			1,262
Grants	0			0
Savings & Income	-6,409			-6,409
Total Existing MTP	42,201			42,201
New Base Adjustments	3,262	0	0	3,262
Changes to Pressures	664			664
New forecast Pressures	823	614	166	1,603
Changes to Savings	0			0
New Proposed Savings	0	-5,114	-5,515	-10,629
Proposed Budget	46,950	42,450	37,101	126,501

Table 2	2012/13 £000's	2013/14 £000's	2014/15 £000's	Total £000's
Deputy Leader				
Existing Approved MTP				
Base	6,421			6,421
Base Adjustments	0			0
Pressures	0			0
Grants	0			0
Savings & Income	-35			-35
Total Existing MTP	6,386			6,386
New Base Adjustments	552	0	-12	540
Changes to Pressures	0	0	0	0
New forecast Pressures	335	0	0	335
Changes to Savings	0	0	0	0
New Proposed Savings	0	0	0	0
Proposed Budget	7,273	7,273	7,261	21,807

Table 3	2012/13 £000's	2013/14 £000's	2014/15 £000's	Total £000's
Finance & Business Support				
Existing Approved MTP				
Base	134,636			134,636
Base Adjustments	7			7
Pressures	39,366			39,366
Grants	0			0
Savings & Income	-7,096			-7,096
Total Existing MTP	166,913			166,913
New Base Adjustments	-85,651	0	12	-85,639
Changes to Pressures	-10,000	0	0	-10,000
New forecast Pressures	6,503	28,903	28,500	63,906
Changes to Savings	0	0	0	0
New Proposed Savings	0	-354	-244	-598
Proposed Budget	77,765	106,314	134,582	318,661

- 2.4 There have been some changes in the likely grant settlements since the budget and MTFP were agreed by County Council on 17th February which improve the position slightly. In particular the Chancellor announced in October 2011 that a further one-off grant would be available in 2012/13 where councils agree to a continued freeze on Council Tax, and a number of grants which were unclear have now been included in an un-ringfenced Local Service Support Grant.
- 2.5 The overall planning assumption in light of these changes is that some savings still need to be identified to balance the 2012/13 budget and that over the following two years substantial savings (estimated £110m) will be needed. In a break from previous convention we are not planning to set individual portfolio cash limit targets for the next three years. Cash limit targets were an appropriate mechanism in times of relative growth but are not an appropriate mechanism to determine spending priorities at a time of budget cuts.
- 2.6 For 2012/13 POSCs are asked to consider what savings would be feasible or acceptable in order to close the estimated overall £32m gap (3.5% of net spend) arising from the combination of additional pressures and the unidentified savings in the existing plan partially offset by the additional grant that will be available. For the medium term, POSCs are asked to consider what strategies should be considered if overall the council needs to make 15% saving over the next two years.

3. Latest Developments: National Context

- 3.1 The Government has launched a consultation about re-localising business rates. If the proposals are implemented they would mean that in effect existing Formula Grant allocations would form a set base for the future (adjusted to the overall spending totals within the Spending Review) and any increase (or reduction) in overall resources available to the council would be determined according to changes in the business rate tax base.
- 3.2 Local authorities would also still be able to set the level of council tax and would also receive any resources from changes in the Council Tax base (as now). The effect of these changes mean that any increase in funding can only come from increase in the local business rate base or Council Tax and local authorities would no longer be reliant on Government grants.
- 3.3 At this stage we have no announcements on decisions following the consultation which is due to be implemented from 2013/14. We have factored in our best estimates into the planning assumptions for 2013/14 and 2014/15 but POSC members need to be aware that the overall funding available is likely to be heavily reliant on local factors in future rather than Government decisions on the allocation of grants.

4. Revenue Budget Strategy

- 4.1 The council's overall strategy will be set out in the Autumn Budget Statement setting out how the authority plans to deal with reducing funding and continuing additional spending pressures. POSC is invited to comment on the strategy proposed within the Corporate Services portfolios.
- 4.2 Previously we have managed demand for support services through a combination of charging and delegated budgets with service level agreements. As part of the restructuring of the council we are centralising a number of support functions which were provided by staff within service directorates. As a consequence of this centralisation we abandoned the delegation of support service budgets in 2011/12. Since then we have also undertaken a review of the appropriateness of internal recharging and concluded that in many cases it was creating its own industry and gave no clearer picture of the true cost of services than a simpler end of year apportionment of support costs. These changes mean service managers within Business Strategy and Support have been set the task of reconsidering how demand for support services can be managed within the (larger) budgets now allocated to them.

5. The Current Budget for the Corporate Services Portfolios

5.1 POSC members should be well informed on the current budget through the regular monitoring reports and should refer to these as part of their discussions. The current budget for the Corporate Services portfolio(s) under the oversight of this POSC are summarised in table 4 below:

Table 4	Gross Exp £'000	Service Income £'000	Net Exp £'000	Gov't Grants £'000	Net Cost £'000
Business Strategy, Performance & Health Reform	93,959	-36,230	57,729	-8,903	48,826
Deputy Leader	8,380	-1,014	7,366	0	7,366
Finance & Business Support	155,806	-18,956	136,850	0	136,850
Total	258,145	-56,200	201,945	-8,903	193,042

5.2 More details on the 2011/12 budget are included in appendix 1. In very brief summary this budget provides for the following outcomes, outputs and/or service improvements:

- Support to service directorates in delivering front-line services
- Corporate and democratic core costs
- Financing of the capital programme

6. Informal Member Group

6.1 Members of this POSC have had informal member group meetings (IMG) throughout the summer/autumn. IMGs have found these meetings useful to gain a more detailed insight into budgets controlled by the Corporate Services portfolios. The IMGs main recommendations are as follows:

6.2 The IMG recommends that members are given more information on the following aspects of BSS budgets:

- a) Activity levels associated with spend in individual units
- b) Staff establishments and the assumptions about turnover/vacancy rates assumed within staffing budgets
- c) Base budget savings which have been achieved from shared services
- d) Property leases and other contract renewal dates/costs
- e) Surplus properties identified for sale and estimated valuation
- f) Cost of providing/screening transparency data
- g) Numbers of staff employed on job-share contracts and details of contractual hours

- 6.3 The IMG recommends the following areas of spend within BSS where further savings should be identified:
- a) Demand for support services
 - b) Further sharing of support services with district councils and other public agencies
 - c) Cost of running council elections
 - d) Cost of servicing historic debt when current arrangements come up for renewal
 - e) Corporate and Democratic core to ensure costs are not a disproportionate burden on the rest of council services
 - f) Internal Audit of Legal Services
 - g) Stringent management review of hours required for all KCC roles
 - h) Apply discipline to recruitment of agency staff
 - i) Lobby Government for review of transparency and FOI requirements
- 6.4 The IMG recommends the following changes to the presentation of all budgets:
- a) Separation of pensions costs between past and current service
 - b) Identification of all other “sunk” costs that do not relate to the current cost of providing services
 - c) FTE staffing establishments and planned changes as a result of the budget being approved

7. Recommendation

7.1 Members are asked to

- (i) note the latest forecasts for 2012/13 and the next two years
- (ii) comment on the outline 3 year plan for the Corporate Services portfolios in Tables 1 to 3
- (iii) comment on the IMG recommendations and identify priorities for delivering the 3.5% saving requirement for 2012/13 and 15% for the following two years

Contact officers:

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Appendix 1 – 2011/12 Revenue Budget

Budget Book Heading	Cash Limit			Financing	Total
	G	I	N	Items	
	£'000s	£'000s	£'000s	£'000s	£'000s
Business Strategy, Performance & Health Reform portfolio					
Strategic Management & Directorate Support budgets	1,628	-9,484	-7,856		-7,856
Governance & Law	8,248	-9,472	-1,224		-1,224
Business Strategy	3,865	-99	3,766		3,766
Property & Infrastructure	28,559	-7,129	21,430		21,430
Human Resources	12,129	-2,028	10,101		10,101
Information & Communication Technology (incl Schools ICT)	36,928	-16,921	20,007		20,007
Health Reform	250		250		250
Contribution to IT Asset Maintenance Reserve				2,352	2,352
Total BSP&HR portfolio	91,607	-45,133	46,474	2,352	48,826
Deputy Leader portfolio					
Finance - Audit & Risk	1,671	-742	929		929
Business Strategy - International, Partnerships & Cabinet Office	1,089	-269	820		820
Democratic & Member Services	3,948	-3	3,945		3,945
Local Democracy:					0
- County Council Elections	505		505		505
- District Grants	703		703		703
Audit Fees				464	464
Total DL portfolio	7,916	-1,014	6,902	464	7,366
Finance & Business Support portfolio					
Finance & Procurement	19,637	-4,648	14,989		14,989
Business Strategy External Funding	0	0	0		0
HR Business Operations	8,150	-5,431	2,719		2,719
Carbon Reduction Commitment Levy				1,368	1,368
Contribution to/from Reserves				-11,245	-11,245
Insurance Fund				3,479	3,479
Modernisation of the Council				4,038	4,038
Net Debt Charges (incl Investment Income)				115,012	115,012
Other				6,490	6,490
Total F&BS portfolio	27,787	-10,079	17,708	119,142	136,850
TOTAL CORPORATE POSC	127,310	-56,226	71,084	121,958	193,042

Appendix 1 – Existing 2012/13 Medium Term Plan

Business Strategy, Performance and Health Reform Portfolio Revenue Budget		
		2012-13 £'000 Original Restated
Base budget		47,352
Base Budget Adjustments - Internal		-4
Revised Base Budget		47,348
<u>UNAVOIDABLE PRESSURES FUNDED IN INDICATIVE CASH LIMITS:</u>		
Pay:		0
Prices:		
Corporate Gas & Electricity		550
Landlord		
Corporate Rent		17
Landlord		
Corporate Rates		18
Landlord		
		585
Unavoidable Government/Legislative Pressures:		
Corporate Loss of zero rates for youth centres		150
Landlord		
		150
Demand/Demographic Led:		
Property Dilapidations		-88
		-88
Service Strategies & Improvements:		
CMB Tapering of PFI Grant		23
All Prudential borrowing costs for Portfolio Capital Programmes		456
Corporate The Bridge		2
Landlord		
Policy Libraries Modernisation programme		134
		615
Total unavoidable pressures funded in indicative cash limits:		1,262
Total Pressures		1,262

Business Strategy, Performance and Health Reform Portfolio Revenue Budget

		2012-13
		£'000
		Original
		Restated
<u>SAVINGS AND INCOME:</u>		
Income Generation:		
Property	On-selling of approved list, advice & access to Framework Agreements	-35
Legal	Increased Income levels	-379
CFE	Increase income from schools and academies	-98
CFE	Workforce & professional development - moving to a trading basis	-398
		-910
Identified in published 2010-13 MTP:		
KASS	Fall out of early Retirement Costs	-7
<u>Streamline back office support functions</u>		
KASS	Systems	-51
KASS	Personnel	-51
KASS	Policy Team	-29
KASS	Performance Team	-51
KASS	Training	-51
KASS	Facilities	-50
		-290
Efficiency Savings:		
All	Management Structures	-301
All	Essential/Lease User	-7
All	Agency Staff	-16
All	Reduction in staff travel	-3
All	Staffing Efficiencies	-505
All	Reduction in Early Retirement Added Years	-76
All	Smarter/Collaborative Procurement	-233
Property	Centralise Maintenance budgets	-70
Property	Restructure KCC Property function (Corporate Landlord)	-175
ICT	Multi Agency Network Unification	-535
ICT	Multi Agency Aggregation of operational activity	-250
	Total Place	-1,270
ICT	Internal efficiency & Demand reduction	-346
HR	Restructure of HR function - Non Business	-383
		-4,170

Business Strategy, Performance and Health Reform Portfolio Revenue Budget

		2012-13
		£'000
		Original
		Restated
De-prioritisation savings:		
C&P	Management Information - staffing	-68
C&P	Strategic Planning, Partnership and Democratic Services - staffing	-62
CPIG	Capital Development Unit - non staffing	-110
RAP	Personnel - staffing	-44
CPIG	Business Support & Client Services - staffing	-200
CPIG	Health & Safety / Outddor Education - staffing	-21
Corporate Landlord	Review of Service Provision -hybird model property impact	-61
Planning	Reduce planning capacity	-71
HR	Review of strategy for staff	-187
ICT	Multi Agency Network Unification	-215
		-1,039
Total Savings and Mitigations		-5,499
Total Savings and Income		-6,409
Budget controlled by this portfolio		42,201

Deputy Leader		
		2012-13
		£'000
		Original
		Restated
Base budget		6,421
Total Base Adjustments		0
Revised Base Budget		6,421
<u>UNAVOIDABLE PRESSURES FUNDED IN INDICATIVE CASH LIMITS:</u>		
Pay:		0
Prices:		0
Unavoidable Government/Legislative Pressures:		0
Demand/Demographic Led:		0
Service Strategies & Improvements:		0
Total Pressures		0
<u>SAVINGS AND INCOME:</u>		
Income Generation:		
CFE	Increase income from schools and academies	-7
		-7
<u>Savings and Mitigations:</u>		
Efficiency Savings:		
All	Management Structures	-27
All	Essential/Lease User	-1
		-28
Political Prioritisation:		
		0
Total Savings and Mitigations		-28
Total Savings and Income		-35
Budget controlled by this portfolio		6,386

Finance and Business Support Revenue Portfolio

	2012-13
	£ '000
	Original
	Restated
Base budget	134,636
Base Budget Adjustments - Internal	7
Revised Base Budget	134,643
<u>UNAVOIDABLE PRESSURES FUNDED IN INDICATIVE CASH LIMITS:</u>	
Pay:	0
Prices:	0
Unavoidable Government/Legislative Pressures:	
Learning Disability Transfer and Health Reform	100
Grant - increase in expenditure	
Fin. Items Carbon Reduction Commitment levy	228
	328
Demand/Demographic Led:	0
Service Strategies & Improvements:	
Fin. Items Drawdown from Prudential Equalisation Reserve	292
Fin. Items Financing the Capital Programme	7,702
Fin. Items CSR Impact: 1% increase in borrowing cost	1,300
	9,294
Emerging Pressures	15,000
Repayment of one-off funding	
Fin. Items Moratorium in 2010-11 to increase underspend	1,000
Fin. Items Roll forward of 2010-11 projected underspend	4,711
Fin. Items Release of reserves	9,033
	14,744
Total unavoidable pressures funded in indicative cash limits:	39,366
Total Pressures	39,366

Finance and Business Support Revenue Portfolio

		2012-13
		£'000
		Original
		Restated
<u>SAVINGS AND INCOME:</u>		
Grant Increases:		
	Learning Disability Health Reform Grant	-100
		-100
Income Generation:		
F&P	Increase income from schools and academies	-91
		-91
<u>Savings and Mitigations:</u>		
Removal of one-off funding		
Fin. Items	Children's Social Care Improvement Plan	-2,491
Fin. Items	Modernisation of the Council	-500
Fin. Items	Borrowing costs PEF2	-292
		-3,283
Identified in published 2011-13 MTP:		
F&P	Streamline Back office support functions	-250
	Total	-250
Efficiency Savings:		
F&P	Management Structures	-80
All	Publicity	-5
All	Essential/Lease User	-2
All	Agency Staff	-6
Fin. Items	Further management savings from reorganisation	-1,000
F&P	Staffing efficiencies	-63
All	Reduction in Early Retirement Added Years	-17
Fin. Items	Impact of reduced capital programme	-1,300
Fin. Items	Impact on debt costs from savings on capital procurement	-300
HRBO	Restructure of HR function - Business Operations	-400
		-3,173
Deprioritisation savings		
F&P	Finance staffing	-108
F&P	Removal of support from Benefits Partnership	-50
F&P	Reduction in support services	-41
		-199
Total Savings and Mitigations		-6,905
Total Savings and Income		-7,096
Budget controlled by this portfolio		166,913

By: John Simmonds, Cabinet Member for Finance
Andy Wood, Acting Corporate Director of Finance & Procurement

To: Corporate Policy Overview Scrutiny Committee – 3
November 2011

Subject: **CHANGES TO THE LOCAL GOVERNMENT PENSION SCHEME**

Classification: Unrestricted

Summary: To report on the latest position on changes to the LGPS.

FOR INFORMATION

INTRODUCTION

1. The LGPS is a national scheme administered locally and KCC is the administering body for the Kent County Council Superannuation Fund. The Fund has assets of £3bn, 350 employers are covered by the Fund and we have 100,000 scheme members.
2. This report updates on the changes proposed for the scheme.
3. There are two main areas of activity which impact on the future of the LGPS, the Hutton Review and the review of costs stemming from the Comprehensive Spending Review in October 2010.

HUTTON REVIEW

4. Lord Hutton was asked by the Government to look at all public sector pension schemes and his final report was produced in March 2011. The report made 27 recommendations but the most fundamental were:
 - Accrued rights of existing scheme members would be fully protected.
 - A career average as opposed to final salary basis for all public sector schemes.
 - Increases in the pensions age.
5. The Government have broadly accepted the recommendations and work is underway to come up with detailed proposals for each public sector scheme. We believe changes to the LGPS arising from Hutton are unlikely to be implemented before 2015.

CSR 2010

6. In the CSR 2010 the Chancellor of the Exchequer announced that employee contribution rates in all public sector pension schemes would increase by 3%. To be clear this is purely a revenue raising initiative linked to reducing the budget deficit, the LGPS is to provide £900m.
7. This poses a very serious challenge to the LGPS:
 - (1) It is the only funded public sector scheme – its economics are fundamentally different to other schemes.
 - (2) By public sector standards contributions rates ranging from 5.5% to 7.5% are relatively high already.
 - (3) The bulk of the LGPS membership is very low paid and to get sufficient additional revenue rates would have to increase very substantially.
 - (4) This then gives rise to concern over employee opt outs which again could adversely affect the economics of the LGPS.

CURRENT POSITION

8. Negotiations between the local authority trade unions and the Local Government Group have been continuing through the summer and on 21 September LGG submitted their proposal to the Secretary of State for Communities and Local Government. This submission was not supported by the trade unions.
9. The LGG response is attached in Appendix 1. It is based upon:
 - (1) An increase in the scheme retirement age from 65 to 66.
 - (2) No change to employee contribution levels or accrual rate for staff earning less than £15,000.
 - (3) Staff earning more than £15,000 would have the choice of either paying higher employee contributions or having a lower accrual rate. The accrual rate is the rate at which an individual pension benefits increase for each year of service.

The LGG proposals seem well balanced and do minimise the increase in employee contribution rates.

10. On 28 September CLG published their proposals and these are summarised in Appendix 2. CLG have not opted to increase the retirement age and instead have proposed steeper increases in employee contribution rate and lower accrual rates.

11. The CLG proposals are out for consultation and at this stage we do not know what final form they will take. Assuming that they are largely implemented there are potentially 2 main issues to consider:
- (1) Impact on the employee – at a time when many LGPS members will have had no pay award for 2 years and face an extended period of pay restraint the higher employee contributions are a real reduction in net pay.
 - (2) Impact on LGPS funds – much has been made over the summer of the potential for individuals to opt out of the LGPS because of the higher employee contribution rates. This is seen as a problem because of the negative effect it would have on the Fund's cash flows. The Superannuation Fund Committee was briefed on this issue by the fund actuary on 2 September. Whilst there is no doubt that there could be an impact LGPS Funds have tools and techniques available to deal with the consequences – after all most defined benefit schemes in the corporate sector are closed to new members and they have to manage the cash flows of their funds accordingly.

RECOMMENDATION

12. Members are asked to note this report.

Nick Vickers
Head of Financial Services

Ext 4603

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Rt Hon Eric Pickles, MP
Secretary of State for Communities and Local Government
Eland House
Bressenden Place
London
SW1E 5DU

21 September 2011

Dear Eric,

Local Government Pension Scheme – Proposed increase in employee contributions

Thank you for your letter of 20 July 2011 inviting the Local Government Group to conduct discussions with the local government trade unions with a view to establishing a package of measures to secure short term savings by 2014/15, equivalent to a 3.2% increase in employee pension contribution rates.

The LG Group and the unions have held a series of constructive discussions over the last 8 weeks. We are committed to ensuring that the Local Government Pension Scheme is affordable and sustainable, and is fair to employees and taxpayers.

The LGPS is unique amongst the main public service pension schemes in that it is a funded scheme. This means that, as recognised in your letter of 20 July 2011, it is possible to come forward with a bespoke solution for the LGPS which delivers the required savings in ways not readily available to the other public service pension schemes. Unfortunately, despite the best efforts of both sides, it has not so far been possible to reach an agreement. However, we are still committed to continuing with those discussions.

During the discussions to date the employers' side has put forward a proposal which delivers the required level of savings, other than wholly through an increase in employee contributions, minimises the impact on the lower paid and offers choice to individuals. Our proposition is outlined further in this letter.

Background

Following your letter of 20 July 2011, the LG Group and the unions held their first joint meeting on 27 July 2011. This was followed by joint meetings on 11

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and 19 August during which a range of matters for consideration were discussed, including some suggested potential solutions outlined by the employers' side, and it was agreed that costings on a number of items should be obtained from our actuarial adviser.

Following an employers' side meeting on 31 August a further joint meeting was held on 2 September at which the unions put forward a view that changes already made to the scheme (e.g. the changes made in 2008 and the move to link the indexation of benefits to the rise in CPI rather than RPI), and the combined effects of no pay rises and a reduction in the number of active scheme members, meant that enough savings had already been made. The employers' side was of the view that these could not be used as offsets against the 3.2% (£900 million) savings target.

As no further progress was made at a joint meeting held on 9 September the LG Group sought clarification from yourself and the Chief Secretary to the Treasury on the questions of whether some additional time could be granted to try to reach a solution and whether any of the items identified by the unions could be used as offsets against the 3.2% savings target. It was agreed that the employers should seek a further joint meeting with the unions during week commencing 19 September with a view to making progress towards an agreement but that the matters identified in the paragraph above could not be used as offsets.

A joint meeting between the employers and unions was held on 21 September at which the proposed solution set out later in this letter was outlined by the employers' side.

Unfortunately, despite the efforts of both parties to the discussions, it has not so far proved possible to reach an agreement.

The employers' side is, however, of the view that the following offers a good solution to deliver the level of savings required (as an alternative to the level of increases in contributions that DCLG might otherwise come forward with).

Core elements of the employers' side proposal

In coming forward with our proposal we have sought to ensure that the level of savings required are met other than wholly through an increase in employee contributions, that the higher paid nevertheless have to pay some extra contributions if they wish to retain a 1/60th accrual rate, that the lower paid are protected, and that there is an element of choice for individuals.

Our proposal offers a bespoke solution for the LGPS and allows for the effects to be reflected in employer contribution rates from 1 April 2014 (following the 31 March 2013 valuation of the Funds).

For the purpose of our proposal we have used national salary data to estimate the possible savings and have assumed a £30bn payroll split as shown in the following table.

	Lower band	Upper band	Current rate	Actual salary
Band 1	£0	£12,600	5.5%	£465,749,324
Band 2	£12,601	£14,700	5.8%	£903,561,303
Band 3	£14,701	£18,900	5.9%	£4,336,702,797
Band 4	£18,901	£31,500	6.5%	£12,966,837,271
Band 5	£31,501	£42,000	6.8%	£6,132,933,585
Band 6	£42,001	£78,700	7.2%	£4,433,984,527
Band 7	£78,701	Plus	7.5%	£730,231,193
Total				£30,000,000,000

We appreciate that the pay bandings in the table above do not correlate to the current level of pay bandings but we have used them as we only have salary data broken down by reference to the pay bandings in the table. All salary levels quoted in this letter relate to full-time equivalent salary rates. Our proposal assumes that opt out rates do not increase beyond current levels.

Core element 1

We propose that the normal pension age in the LGPS is increased from 65 to 66 in respect of future service¹ from 1 April 2014. It is estimated that this would generate savings in the range of 1.0% to 1.5% of pensionable payroll although this will vary across Funds. We assume that GAD may value this on detailed national data on an average set of fund valuation assumptions and so, for the purposes of our proposal, we will assume that 1% of payroll will be saved by adopting this change. This equates to £300m per year based on the data shown above.

Core element 2

We propose that the balance of £600m should be delivered via an increase in the employee contribution rates. We would protect those earning less than £15,000 from any increase in contributions, raise the level of contributions for those earning between £15,000 and £21,000 by 1.5%, and increase the contributions of those earning over £21,000 by between 2.0% and 2.5%. This would generate around £605m and could be implemented on 1 April 2014 or, subject to core element 3, could be phased in over a three year period starting April 2012, as shown in the attached tables (assuming 20% of the increase is applied in 2012/13, another 40% in 2013/14, and the final 40% in 2014/15). The benefit accrual rate would remain 1/60th.

The above meets the objective of ensuring those earning less than £15,000 (the "lower paid" threshold) see no increase in their contributions and that those earning between £15,000 and £21,000 pay no more than an additional 1.5%. The spread of the size of increases for those earning above £21,000 is much narrower than under suggested tariff tables put forward to date by DCLG but this is to accommodate the option set out in core element 3.

¹ The normal pension age for service prior to April 2014 would remain age 65.

Core element 3

Given that, due to a range of other pressures on their income, an increase in contributions may be difficult for some employees to fund, we propose that employees be given the choice of a reduction in their accrual rate instead. This would mean that those earning above £15,000 would see no increase in their contribution rate, but a reduction in the accrual rate to in the region of 68ths. Those earning below £15,000 would see a corresponding reduction in their contribution rate if they wished to move to a reduced accrual rate (e.g. their contribution rate would reduce to 60/68ths of their current contribution rate if the reduced accrual rate was 68ths).

If all members simply chose to pay the contribution rates shown under core element 2, this would generate £605m. If all members chose, instead, to move to the lower accrual rate, this would generate in the order of £675m. As it is not possible to predict with any degree of certainty which members may choose to pay the contribution rates shown under core element 2 and which may choose, instead, a lower accrual rate, and in order to avoid selection against the fund, it is necessary to err on the side of caution when setting the level of the accrual rate (i.e. to a level around a 68ths accrual rate).

If core element 3 is taken forward then it would seem logical, given the timescales needed to communicate the option to scheme members, for members to make their election and for payroll and pensions administration systems to be amended, for any increase in contributions or reduction in the accrual rate not to be implemented until 1 April 2014. Furthermore, it would not appear to be a workable solution to offer choice from, say, 1 April 2013 i.e. the choice of a reduced accrual rate from 1 April 2013 or stepped increases in employee contributions over 2013/14 and 2014/15. Hence, our view is that offering choice means there should be a single implementation date (i.e. 1 April 2014).

Given the administrative complexity, and that we expect a new scheme to be in place from April 2015, a scheme member's election for the higher contribution rate or a reduced accrual rate would be a one off choice². Members should not be allowed to change their option at some future time. If a member has multiple jobs they should have an election in respect of each job.

Overall impact of core elements 1, 2 and 3

The overall impact of core elements 1, 2 and 3 would be as follows:

- i) the normal pension age in the LGPS would rise by 1 year for future service from 1 April 2014. This draws forward part of an element proposed for the new, post 2015, scheme (i.e. to link normal pension age to the rising State Pension Age)

² Unless the concept of a choice between contribution rate and accrual rate carries forward into the design of a new look LGPS post March 2015.

- ii) those whose full-time equivalent salary is above the "lower paid" threshold of £15,000 will see their contributions rise if they wish to retain the current 1/60th accrual rate (although the rise will be limited for those whose salary is between £15,000 and £21,000). Alternatively, they can continue to pay the present contribution rate but their accrual rate for future service will drop.
- iii) those whose full-time equivalent salary is below the "lower paid" threshold of £15,000 will retain the current 1/60th accrual rate for the same contribution rate as they currently pay. Alternatively, they can choose the lower accrual rate for future service and, in return, see a reduction in their contribution rate.

Variations

Other variations on the accrual and contribution rates set out above are possible. Samples are set out in the attached document. These are based on national data available to our actuarial adviser on a summary basis and the proposals have been costed on what we consider a reasonable average funding approach.

Why are our proposals a good solution?

We believe our proposals:

- overcome the issue of part-time employees having to pay an increased contribution rate determined by reference to their full-time equivalent salary (i.e. they would have the choice of being able to take the reduced accrual rate option instead)
- encourage the low paid to stay in the scheme and reduce opt out rates
- give employees choice
- ensure that those employees earning above the "lower paid" threshold who want to keep their current accrual rate will have to pay more to retain that accrual rate
- reduce the risk of industrial action

The fact that there is an element of choice in our proposed solution enables employees to make a decision in the light of their own personal circumstances. Giving choice will have the benefit of minimising opt out rates i.e. those concerned about the level of their take home pay can choose the lower accrual rate option instead and, when coupled with the reduction in the contribution rate for those earning less than the "lower paid" threshold, it has the added advantage that it might encourage more of the lower paid to join / stay in the scheme (assuming it is in their interests to do so). Reducing opt out rates is a crucial factor for the funded LGPS which needs, for cash flow and investment profile / fund maturation reasons, to maintain a strong level of active membership.

Other elements for possible inclusion in a package of measures

Other elements which we believe should form part of the package are:

- 1) adjust the current actuarial reduction factors to a cost neutral level (as, based on current life expectancy levels, we believe they are currently overly penal at present)
- 2) move to a 2 year vesting period (with existing active members who leave with 3 or more months but less than 2 years membership having the choice of a deferred benefit or a refund of contributions). This would generate minimal savings on the employer contribution rate, of around 0.02%, but there would be considerable administrative advantages and savings on administration costs. The LGPS in England and Wales is the only public service pension scheme with a 3 month vesting period and the DWP has recently concluded that it will not reduce the compulsory vesting period for defined benefit schemes to below the current level of 2 years.

Councillor members

Our proposals only relate to employees who are active members of the Local Government Pension Scheme (LGPS). They do not relate to councillors who are already in the Career Average Revalued Earnings (CARE) section of the LGPS. Whether any changes to the CARE scheme for councillors are required is a matter for the government to consider.

Conclusion

It is unfortunate that, despite the efforts of both the employer and trade union negotiators, it has not so far proved possible to reach agreement on a joint proposal to put to you. However, we hope that the suggestions we have put forward in this letter will be of help to you when considering how best to take this matter forward.

Yours sincerely



Chairman, Local Government Association

Costings

Client: Terry Edwards, LG Employers

Date 9 September 2011

Subject: Options raising 3.2% of payroll or £600m from the LGPS

1 Data

1.1.1 We have used national salary data to estimate the possible savings. We have assumed a £30bn payroll split as shown below.

	Lower Band	Upper Band	Current Rate	Actual Salary
Band 1	£0	£12,600	5.5%	£465,749,324
Band 2	£12,601	£14,700	5.8%	£903,561,303
Band 3	£14,701	£18,900	5.9%	£4,336,702,797
Band 4	£18,901	£31,500	6.5%	£12,996,837,271
Band 5	£31,501	£42,000	6.8%	£6,132,933,585
Band 6	£42,001	£78,700	7.2%	£4,433,984,527
Band 7	£78,701	plus	7.5%	£730,231,193
Total				£30,000,000,000

1.1.2 This is the best available national data we have and is available in summary form only.

1.1.3 We note that contribution bands have changed but the overall shape of the salary distribution is assumed to remain relevant for this exercise. Any further up to date data becoming available should be used to update the calculations.

1.2 Core element 1 - increasing normal retirement age

1.2.1 Increasing the retirement age for all by one year reduces the ongoing cost of the Scheme by about 1% to 1.5% of payroll though this will vary by fund. We have assumed that GAD may value this on detailed national data on an average set of fund valuation assumptions and have assumed that 1% of payroll will be saved by adopting this change. This is equivalent to £300m per year on the data shown above.

1.3 Core element 2 - accrual or contribution rate changes

1.3.1 We have therefore considered how we can raise the further £600m being required by HM Treasury.

1.3.2 There are infinite combinations of contribution increases that will provide the £600m provided there are no opt outs, the data remains as estimated above and at this stage we are considering that 60ths accrual remains.

1.3.3 We have shown 3 examples below. These show the impact and make no allowance for any further options being proposed.

Table 1.3	Lower Band	Upper Band	Current contribution	a) same increase	b) same uplift	c) steeper increase
Band 1	£0	£12,600	5.5%	0.0%	0.0%	0.0%
Band 2	£12,601	£14,700	5.8%	0.0%	0.0%	0.0%
Band 3	£14,701	£18,900	5.9%	2.1%	1.9%	1.5%
Band 4a	£18,901	£21,000	6.5%	2.1%	2.1%	1.5%
Band 4b	£21,001	£24,000	6.5%	2.1%	2.1%	2.0%
Band 4c	£24,001	£31,500	6.5%	2.1%	2.1%	2.5%
Band 5	£31,501	£42,000	6.8%	2.1%	2.2%	2.5%
Band 6	£42,001	£78,700	7.2%	2.1%	2.3%	2.5%
Band 7	£78,700	plus	7.5%	2.1%	2.4%	2.5%
Total raised				£600m	£605m	£605m

1.3.4 We have assumed that lower paid protection level is set at £15,000 and members with salaries below this level will not be required to increase their contribution levels going forward.

1.3.5 As can be seen, all these options will provide for the required income target. However, there is a higher risk of opt out for higher contribution increases, especially at lower salary levels. We consider that steeper patterns than option c) will effect much higher levels of opt out at higher salary bands, with the possible cascade effect as members follow behaviour patterns of their senior managers or directors.

1.3.6 Option c) also meets the patterns required for other public sector schemes in that a 1.5% limit it set for those with salaries up to £21,000.

1.4 Core element 3 - reduce accrual option

1.4.1 This section shows the possible savings from providing a reduced accrual option.

1.4.2 These savings assume that all members opt for the reduced accrual option.

Table 1.4	Lower Band	Upper Band	Current contribution rate	Reduce accrual (67ths)	Reduce accrual (68ths)	Reduce accrual (69ths)
Band 1	£0	£12,600	5.5%	0.0%	0.0%	0.0%
Band 2	£12,601	£14,700	5.8%	0.0%	0.0%	0.0%
Band 3	£14,701	£18,900	5.9%	2.1%	2.4%	2.5%
Band 4a	£18,901	£21,000	6.5%	2.1%	2.4%	2.5%
Band 4b	£21,001	£24,000	6.5%	2.1%	2.4%	2.5%
Band 4c	£24,001	£31,500	6.5%	2.1%	2.4%	2.5%
Band 5	£31,501	£42,000	6.8%	2.1%	2.4%	2.5%
Band 6	£42,001	£78,700	7.2%	2.1%	2.4%	2.5%
Band 7	£78,700	plus	7.5%	2.1%	2.4%	2.5%
Total raised				£600m	£675m	£715m

1.4.3 The accrual reduction that provides for £600m will depend upon both how the GAD value the reduced accrual change of the benefits on national detailed data.

1.4.4 It will also depend upon where the lower paid protection limit gets set and the above assumes that this is set at £15,000.

1.5 Core element 3 – the lower paid

1.5.1 The model suggested allows for lower paid members to pay reduced contributions if they choose the lower accrual route. We have used 68th accrual in the following table and assumed that a reduction in contributions of say 60/68 times the current rate would be a fair level of reduction.

Table 1.5	Lower Band	Upper Band	Current contribution rate	Reduce accrual (67ths)	Reduced contributions	Net effect
Band 1	£0	£12,600	5.5%	2.4%	0.6%	1.7%
Band 2	£12,601	£14,700	5.8%	2.4%	0.7%	1.7%
Band 3	£14,701	£18,900	5.9%			
Band 4a	£18,901	£21,000	6.5%			
Band 4b	£21,001	£24,000	6.5%			
Band 4c	£24,001	£31,500	6.5%			
Band 5	£31,501	£42,000	6.8%			
Band 6	£42,001	£78,700	7.2%			
Band 7	£78,700	plus	7.5%			
Total raised				£32m	£10m	£22m

- 1.5.2 As can be seen above the saving will depend upon how much a reduction in contributions is offered to the lower paid members and how many of the lower paid opt for reducing accrual compared to the status quo.
- 1.5.3 However, we feel it remains equitable to offer this reduced cost option, setting the possible accrual level at the same level as the higher paid to provide the lower paid with a similar choice.
- 1.5.4 Any savings made from the above will depend on members choice so should not be included as certain in the total costs.

1.6 Core element 3 – the higher paid

- 1.6.1 The model suggested that higher paid members will retain their current 60th accrual by paying more into the scheme. However we recognise that this will not be attractive and perhaps unaffordable for some.
- 1.6.2 In this section therefore we have shown possible reduced accrual options that would provide these members with an alternative allowing their current contribution rates to remain.
- 1.6.3 We have shown three cases below corresponding to the tables of proposed contribution increase tariffs within section 1.4.

Table 1.6 a		Current contribution rate	a) same increase	Reduce accrual (67ths)	
Lower Band	Upper Band				
Band 1	£0	£12,600	5.5%	0.0%	0.0%
Band 2	£12,601	£14,700	5.8%	0.0%	0.0%
Band 3	£14,701	£18,900	5.9%	2.1%	2.1%
Band 4a	£18,901	£21,000	6.5%	2.1%	2.1%
Band 4b	£21,001	£24,000	6.5%	2.1%	2.1%
Band 4c	£24,001	£31,500	6.5%	2.1%	2.1%
Band 5	£31,501	£42,000	6.8%	2.1%	2.1%
Band 6	£42,001	£78,700	7.2%	2.1%	2.1%
Band 7	£78,700	plus	7.5%	2.1%	2.1%
Total raised				£600m	£600m

Table 1.6 b		Current contribution rate	b) same proportionate increase	Reduce accrual (68ths)	
Lower Band	Upper Band				
Band 1	£0	£12,600	5.5%	0.0%	0.0%
Band 2	£12,601	£14,700	5.8%	0.0%	0.0%
Band 3	£14,701	£18,900	5.9%	1.9%	2.4%
Band 4a	£18,901	£21,000	6.5%	2.1%	2.4%
Band 4b	£21,001	£24,000	6.5%	2.1%	2.4%
Band 4c	£24,001	£31,500	6.5%	2.1%	2.4%
Band 5	£31,501	£42,000	6.8%	2.2%	2.4%
Band 6	£42,001	£78,700	7.2%	2.3%	2.4%
Band 7	£78,700	plus	7.5%	2.4%	2.4%
Total raised				£605m	£675m

Table 1.6 c		Current contribution rate	c) steeper increase	Reduce accrual (69ths)	
Lower Band	Upper Band				
Band 1	£0	£12,600	5.5%	0.0%	0.0%
Band 2	£12,601	£14,700	5.8%	0.0%	0.0%
Band 3	£14,701	£18,900	5.9%	1.5%	2.5%
Band 4a	£18,901	£21,000	6.5%	1.5%	2.5%
Band 4b	£21,001	£24,000	6.5%	2.0%	2.5%
Band 4c	£24,001	£31,500	6.5%	2.5%	2.5%
Band 5	£31,501	£42,000	6.8%	2.5%	2.5%
Band 6	£42,001	£78,700	7.2%	2.5%	2.5%
Band 7	£78,700	plus	7.5%	2.5%	2.5%
Total raised				£605m	£715m

- 1.6.4 Of course there is no way of telling which way members will opt and most will need some help and financial advice to make the correct decision but the above shows that we can design a scheme which meets the required target.
- 1.6.5 As there is a risk of members selecting the option that does not raise sufficient income the accrual rate for a steeper contribution increase pattern than 1.3 c) will mean the accrual that can be offered as an option will become very unattractive.

1.7 Stepping any changes

- 1.7.1 We understand that stepping any changes over the three year period may be acceptable. Administratively no changes will be very straightforward but stepping changes to the contribution patterns will be possible whereas stepping the reduction in accrual will not be feasible.
- 1.7.2 A possible spread of increase in step of 20%/40%/40% will defer much of the change until the new scheme takes shape.

1.8 Summary

- 1.8.1 Therefore we have the following patterns or options.
- Steeper stepping patterns for contributions than we have considered in section 1.3 which incur very high opt out risk, especially at middle to high salary bands. We have rejected this option due to opt out risk at all levels that may cascade throughout the workforce in general.
 - Contribution patterns considered like those in section 1.3, which also have the appeal of being more easily phased in over a three year period.
 - Contribution patterns with a suitable accrual reduction depending upon the upper contribution bands to ensure the required savings are met. As accrual reduction cannot be phased in it would need to be accepted that this change would only be practical in say year 2014.
- 1.8.2 Due to administration simplicity and the ability to step the costs it seem that an option like 1.3 c) may be most favourable.
- 1.8.3 However if options and choice for members are consider a more key factor then 1.6 b) would appear to offer a good solution as the accrual reduction is minimised.
- 1.8.4 Alternatively, option 1.6 c) meets the contribution increase limits applying to other public sector funds, whereby the increases at lower salary bands are restricted. It also offers flexibility and choice for members, perhaps being an advantage outweighing the simplicity of 1.3c)
- 1.8.5 I trust this helps show possible saving patterns and the consequences of the options for the members.
- 1.8.6 I look forward discussing this with you in due course.

Regards
Alison Hamilton FFA
ACA LGPS committee, chair.
Partner, Barnett Waddingham LLP

APPENDIX 2

Local Government Pension Scheme: Consultation on proposed increases to employee contribution rates and changes to scheme accrual rates

This consultation paper sets out the Government's draft proposals to achieve short term savings of £900million within the Local Government Pension Scheme by 2014-15, equivalent to the 3.2 percentage point contribution increases in the unfunded public service pension schemes.

The closing date for responses is **6 January 2012**. However, to assist the Department's considerations, consultees who may wish to submit alternative proposals:

- are invited to signal their intention to do so as soon as possible, please, and by **28 October** at the latest and
- are requested, please, to submit any specific costed options by no later than **25 November**, to allow an opportunity for discussion and appraisal

Option 1

Increase in Employee contributions from April 2012 = £450m

Change in scheme accrual rate from April 2013 = £450m

Tariff Band (% of membership)	Current	2012/13	2013/14	2014/15
£0 - £12,900 (8.67%)	5.5%	5.5% (0.0%)	5.5% (0.0%)	5.5% (0.0%)
£12,901- £15,100 (10.61%)	5.8%	5.8% (0.0%)	5.8% (0.0%)	5.8% (0.0%)
£15,101- £19,400 (25.20%)	5.9%	5.9% (0.0%)	6.0% (0.1%)	6.0% (0.1%)
£19,401- £21,000 (7.47%)	6.5%	6.7% (0.2%)	7.2% (0.7%)	7.7% (1.2%)
£21,001- £32,400 (31.34%)	6.5%	7.2% (0.7%)	8.0% (1.5%)	8.3% (1.8%)
£32,401- £43,300 (11.16%)	6.8%	7.5% (0.7%)	8.3% (1.5%)	8.7% (1.9%)
£43,301- £60,000 (4.18%)	7.2%	8.2% (1.0%)	8.7% (1.5%)	9.0% (1.8%)
£60,001- £81,100 (0.91%)	7.2%	8.7% (1.5%)	9.2% (2.0%)	10.0% (2.8%)

Tariff Band (% of membership)	Current	2012/13	2013/14	2014/15
£81,101- £100,000 (0.25%)	7.5%	9.0% (1.5%)	9.8% (2.3%)	11.0% (3.5%)
£100,001- £150,000 (0.16%)	7.5%	9.5% (2.0%)	11.0% (3.5%)	12.0% (4.5%)
£150,001 + (0.05%)	7.5%	10.0% (2.5%)	12.0% (4.5%)	12.5% (5.0%)

The balance of £450m in this case would be achieved a by a stepped change in the scheme's accrual rate from the current rate of 1/60ths to 1/64ths with effect from April 2013 and to 1/65ths with effect from April 2014

Option 2

Increase in Employee contributions from April 2012 = £300m

Change in scheme accrual rate from April 2013 = £600m

Tariff Band (% of membership)	Current	2012/13	2013/14	2014/15
£0 - £12,900 (8.67%)	5.5%	5.5% (0.0%)	5.5% (0.0%)	5.5% (0.0%)
£12,901- £15,100 (10.61%)	5.8%	5.8% (0.0%)	5.8% (0.0%)	5.8% (0.0%)
£15,101- £19,400 (25.20%)	5.9%	5.9% (0.0%)	6.0% (0.1%)	6.0% (0.1%)
£19,401- £21,000 (7.47%)	6.5%	6.5% (0.0%)	6.8% (0.3%)	6.8% (0.3%)
£21,001- £32,400 (31.34%)	6.5%	6.8% (0.3%)	7.2% (0.7%)	7.5% (1.0%)
£32,401- £43,300 (11.16%)	6.8%	7.1% (0.3%)	7.8% (1.0%)	8.2% (1.4%)
£43,301- £60,000 (4.18%)	7.2%	7.8% (0.6%)	8.4% (1.2%)	8.8% (1.6%)
£60,001- £81,100 (0.91%)	7.2%	8.7% (1.5%)	8.8% (1.6%)	9.5% (2.3%)
£81,101- £100,000 (0.25%)	7.5%	9.0% (1.5%)	9.8% (2.3%)	10.5% (3.0%)

Tariff Band (% of membership)	Current	2012/13	2013/14	2014/15
£100,001- £150,000 (0.16%)	7.5%	9.3% (1.8%)	10.8% (3.3%)	11.5% (4.0%)
£150,001 + (0.05%)	7.5%	9.5% (2.0%)	11.8% (4.3%)	12.5% (5.0%)

It is proposed that the balance of £600m (equivalent to 2 per cent) would be achieved by a change in the Scheme's accrual rate from the current 1/60th to 1/67th with effect from 1 April 2014.

OTHER ISSUES

Para 4.6 notes that increasing the LGPS pension age to the national State Pension Age would deliver £330m of the savings.

Normally employer contributions cannot be amended between the three-yearly actuarial valuations. The Consultation proposes that a technical amendment is made to permit employer rates to be varied from April 2012.

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By: John Simmonds, Cabinet Member for Finance and Business Support
Andy Wood, Acting Corporate Director of Finance & Procurement

To: Corporate Policy Overview and Scrutiny Committee
3rd November 2011

Subject: **Finance & Procurement Re-organisation**

Summary: This report sets out the draft proposals for the re-organisation of the Finance & Procurement Division. The proposals are based on the planning assumption of a 30% reduction in the cost and staffing of Finance & Procurement.

FOR INFORMATION

1.0 Introduction

- 1.1 This report sets out the draft proposals for the re-organisation of the Finance & Procurement Division.
- 1.2 Given the funding outlook for the next three years, the Division is working to a target to deliver a 30% cashable saving compared to the 2010/11 budget.
- 1.3 Corporate Policy Overview and Scrutiny Committee are asked to:
 - a). note the planning assumption of a 30% reduction in the costs and staffing of Finance & Procurement (F&P)
 - b). note that continued investment in, and rollout of, the Enterprise Resource Planning (ERP) as planned is absolutely crucial to the achievement of the 30% savings target
 - c). note and comment on the proposed structure and resource allocation for the Division as shown at Appendix 3, pages 1-10
 - d). note the conformity with organisational design principles
 - e). note the key areas impacted by this proposal i.e. the Revenue Finance Team and Exchequer Services Assessment, Income & Payments with commentary at Appendices 4 & 5
 - f). note the proposal to move to a 'risk-based' approach for identifying the levels of revenue finance support to budget managers
 - g). note the communications to the affected parties on the re-organisation proposals to date and the future plans for communication and formal consultation
 - h). note the risks associated with this proposal, as set out in paragraph 5.1 of this report

2.0 Background

- 2.1 On 1 March 2011, the Corporate Management Team (CMT) agreed a direction of travel related to the re-organisation of the Finance & Procurement Division. The 'Summary of Recommendations' from that report are attached at Appendix 1. Those recommendations were agreed.
- 2.2 On the 6 July 2011, a very similar report to the one considered by CMT on 1 March was presented to the Corporate POSC. The timetable that was presented to the POSC, and agreed, is attached at Appendix 2. We continue to work to that timetable.

- 2.3 In July of this year, a number of key secondment appointments were made to those posts that report directly to the Corporate Director of Finance & Procurement (CDoFaP), and also to some of the critical posts in the tier below. Those individuals have worked through the summer on their proposals for the new structure of the teams that are managed by those posts. They are fully aware that they are working on secondment into those posts and are not guaranteed the permanent position.
- 2.4 On 3 October, a Finance Divisional Management Team (FDMT) away-day took place, to discuss all of the proposals put forward by the Heads of Service in Finance. In some cases, two proposals were submitted to offer choice.
- 2.5 The savings target we are working to is in line with the July report to this Committee and breaks down as follows:

Table 1: Savings target

	FTEs	£'000
Total budgeted provision	548.5	18,643
Less income & DSG	199.4	6,712
Net for 30% target	349.1	11,931
30% savings target	104.7	3,579
Current vacancies	50.0	1,321
Approved voluntary redundancies	37.4	1,326

- 2.6 The organisation's investment in ERP is absolutely crucial to the 30% savings target at Table 1 above, which cannot be delivered without that investment. A straightforward efficiency drive alone would probably offer a maximum of 10% savings, and that would be at some risk to this Authority.
- 2.7 Since the Corporate POSC report in July, we internally recruited 8 members of staff into our own ERP team. That team has now met with 240 budget managers. This has informed our thinking on what's needed by managers in order that they can fulfil the financial duties set-out in the Kent Manager, and in so doing release the Division's resource intensive support to those managers.

3.0 The Proposal

- 3.1 Attached at Appendix 3, pages 1 to 10, is the proposed structure of the F&P Division, due to take effect from 1 April 2012, subject to successful roll-out of the ERP. These are the key appendices of the teams most affected by this proposal. They are:

- Page 1 – High level summary of the structure
- Page 2 – Proposal for Finance Strategy Team
- Page 3 – Proposal for Revenue Finance Team
- Page 4 – Proposal for Capital Finance Team
- Page 5 – Proposal for Chief Accountant Team
- Page 6 – Proposal for Assessments & Income Team
- Page 7 – Proposal for Payments Team
- Page 8 – Proposal for Schools Financial Services

- Page 9 – Proposal for EduKent Team
 - Page 10 – Proposal for Business Partner Project Team
- 3.2 In reality, ERP is unlikely to deliver in full, in time to go live on 1 April, and so an interim solution is being planned to cover the period from 1 April until ERP is delivered. This will be managed within the 2012/13 budget set for Finance & Procurement.
- 3.3 If approved, the proposals would deliver savings of £3.6m achieved mainly by a reduction of 127 fte posts. This, in cash terms, delivers our target shown in Table 1, and exceeds the reduction in fte target. This reflects the outcome of our very detailed analysis carried out through the summer, and the impact that the ERP project will have on the financial control in this Authority. The precise level of savings will depend upon final grades and current salaries of those appointed.
- 3.4 The structure conforms to the design principles of no more than 5 tiers from the Corporate Director post, with spans of control of at least six. Due to the size of some teams, that span of control has had to be increased beyond what might be desirable.
- 3.5 The number of direct reports to the CDoFaP will be six, plus one PA and one staff officer that the post shares with the Cabinet Member. On Appendix 3 Page 1, those teams in blue fill have not been subject to this review, as they have either been re-organised within the past few months or, in the case of Pensions, need stability on the eve of some very challenging times. An additional 2 posts are proposed within Audit to allow for extra resource that may be required due to the cessation of specific directorate teams, however because the rest of the structure is not changing a separate structure chart is not shown for that unit.
- 3.6 That leaves four of the Division's teams subject to this reorganisation, and these are shown in yellow fill on Appendix 3 Page 1.
- 3.7 Appendices 4 & 5 each provide a commentary in support of the structure of the Revenue Finance Team and Exchequer Services, as these are the two areas most affected by the proposal and which will have the most effect on service directorates. Members are urged to read these in order to fully understand the impact of the proposals.
- 3.8 The most significant change that will impact on service directorates is the proposal for the Revenue Finance Team. Not only does the proposal halve the existing resource, based on ERP and Kent Manager roll-out, but it removes the link between individual staff and directorates. This will require cultural change in the organisation generally, but more specifically a cultural shift by the Finance team, who have taken great pride in supporting 'their' directorate since the devolved model was created around 20 years ago.
- 3.9 We are currently developing the transition plan that will detail how we move from our current service to the new, proposed service.

4.0 Communications with staff and Trade Union

- 4.1 Since the early work on project scoping in January, a series of communications on the Division's re-organisation have been rolled out to staff and staff representatives as follows:
- Staff briefings by the Acting CDoFaP in Thanet and Maidstone.

- Email communications to all Finance staff from the Acting CDoFaP giving information on project approach, design principles and progress.
- Regular meetings of the Finance Staff Group (finance staff representative group with minutes circulated to all Finance staff).
- Informal consultations with UNISON.

4.2 Future communications are planned as follows:

- Email communications to all Finance staff will continue when there are key developments, the next communication will reflect the outcome of today's discussion.
- The Finance Staff Group will continue to meet "*at regular intervals at the discretion of its representatives*" (Group's Terms of Reference).
- Formal consultation for a 90 day period will be launched on 7 November, following the review of proposals by POSC on 3 November. All proposals in this paper are therefore subject to further change as a result of the formal consultation.
- Five briefings for staff have been arranged for November and December.

5.0 Risks

5.1 Clearly a major re-organisation on this scale with a downsizing by 30% carries with it a significant element of risk. The "Top Ten" risks we have identified, as possible hindrances to our proposal, are as follows (in no particular order):

- **ERP/Oracle outcomes are not delivered:** in terms of additional functionality, meaning that it doesn't do all the things we're expecting it to, thus reducing the tools available to budget managers
- **Training is not deliverable to timescale:** both upfront and on-going for budget managers meaning support is withdrawn before "self service" is achievable
- **Loss of financial control:** the reduced F&P Division does not have the capacity to be able to support the organisation as a whole through an extended period of significant change
- **Incorrect assessment of budget risk:** with associated inadequate support to some vulnerable budgets leads to un-managed overspends
- **Management culture does not change:** budget managers do not embrace Kent Manager and the Finance Statements of Required Practice
- **Accountability does not transfer:** responsibilities/accountabilities of a budget manager are not clear in Kent Manager and budget managers are not held accountable for their budgets
- **Transition:** the organisation does not immediately accept the new way
- **Duplication:** there's a 'creep' back toward the existing model as budget managers look to replace finance support through direct appointments
- **Loss of staff morale:** negative impact on key F&P functions as we go through the consultation and selection process

- **Loss of staff capacity in key functions before planned:** staff choose to “jump ship” before and/or during the period of change

In our execution of these proposals, we will manage and mitigate these risks wherever possible but we will not be in a position to eliminate all risk.

6.0 Summary and recommendation

- 6.1 This paper sets out proposals for the Finance & Procurement Division re-organisation, that would deliver the objectives of a 30% reduction in cost and staffing. The proposals support the move toward a single organisational culture built on defined standards for management structures, spans of control and the operation of the management function itself (Kent Manager).
- 6.2 Members are asked to note and comment on the content of this Report and its appendices.

Background documents:

Agenda Item B4, Corporate Policy Overview and Scrutiny Committee, 6 July 2011.

Officer Contact:

Andy Wood, Acting Corporate Director of Finance & Procurement
andy.wood@kent.gov.uk

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Summary of Recommendations: Report to CMT 1 March 2011

Summary of Recommendations:

- a) consider if the planning assumption of a 30% reduction in the cost and staffing of the Finance Function is an appropriate one
- b) note the report produced for the Finance Strategy Board
- c) consider the draft structure and resource allocation for Finance as shown at Appendix 3
- d) agree the indicative savings target put against each area of service within Finance
- e) agree the 'slots' for the role of Business Partner
- f) agree that BSS should have their own Business Partner
- g) consider the role of the Business Partner
- h) agree that we proceed as a matter of urgency to appointing to the top two tiers (ie all posts in Appendix 3), subject to agreeing 'how' with Amanda Beer
- i) agree that line management of the KASS Income & Assessment team be retained by the F&SC Business Partner for the next 12 months to 31 March 2012
- j) agree the timetable for progressing the restructure
- k) consider whether a further piece of work should be carried-out with a view to reducing the number of managers with budget responsibility
- l) note the risks associated with this proposal

Timetable as per POSC 6 July 2011

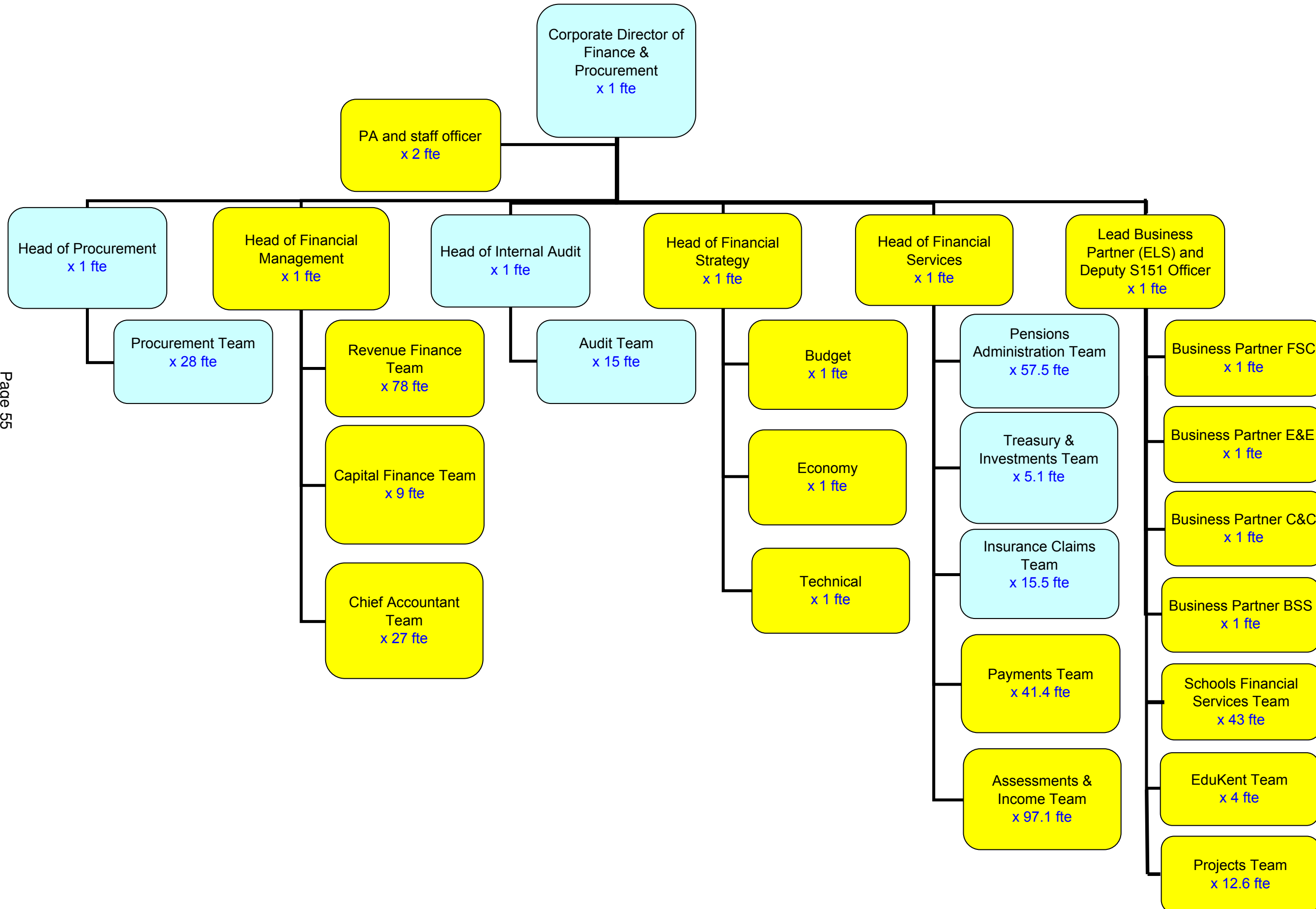
5 TIMETABLE

The provisional timetable for the finance restructure is as follows:

- 1 July & 18 July 2011 secondments made to key posts in the structure and to the Oracle project team
- 1 – 31 July 2011 individuals notified of decisions re voluntary redundancy/early retirement
- 1 July – 30 Sept 2011 detailed work on resources required to support the new structure
- Oct / Nov 2011 reporting proposals to staff, Members and all affected parties
- 1 Nov 2011 90 day formal consultation with staff begins
Job descriptions and person specifications to be finalised
- 1 Feb 2012 formal consultation period ends
- March 2012 appointments made to new structure
- 1 April 2012 new structure operational, interim structure to continue to maintain activities not yet fully supported by self service
- asap after April 2012 interim structure ends, restructure complete

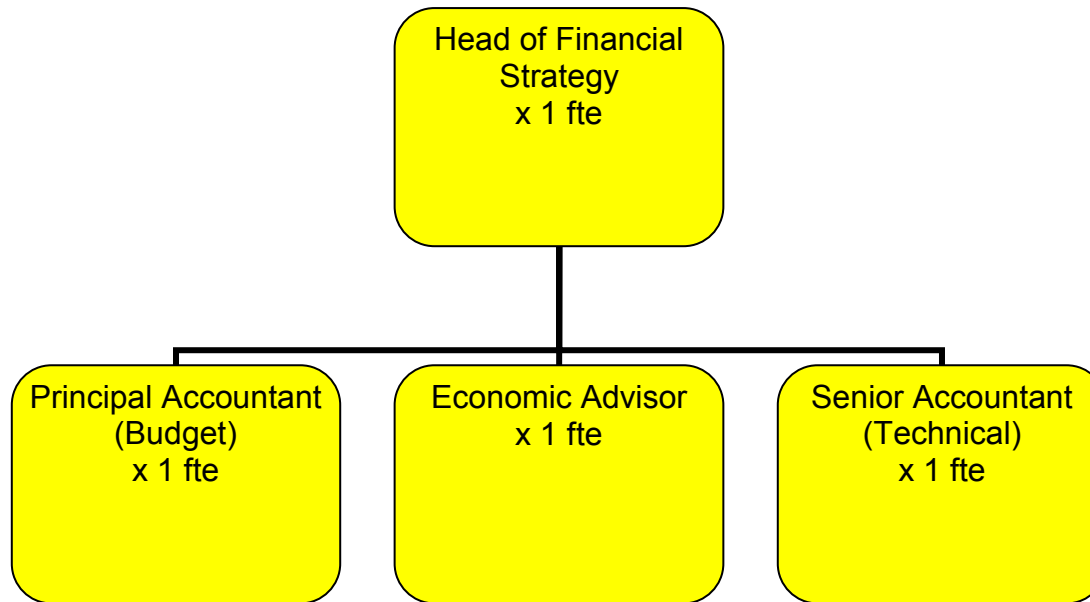
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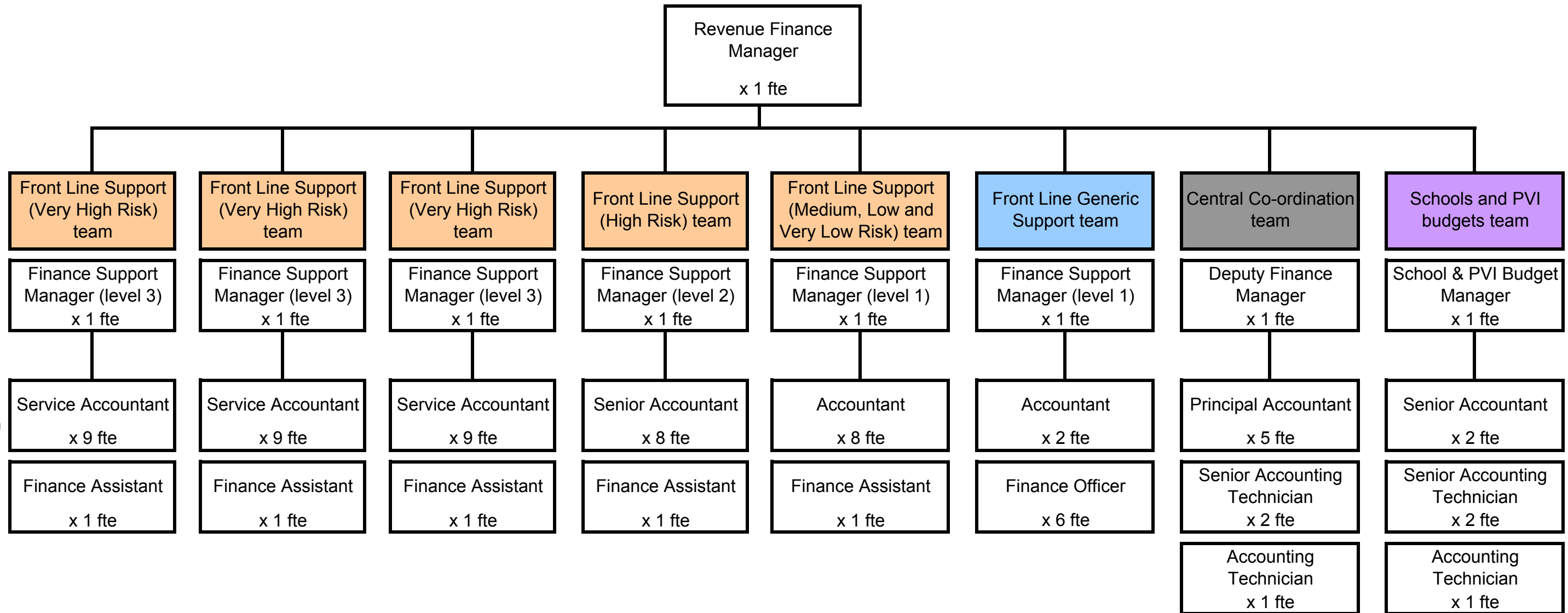
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Finance Strategy Team – Proposed Structure Chart



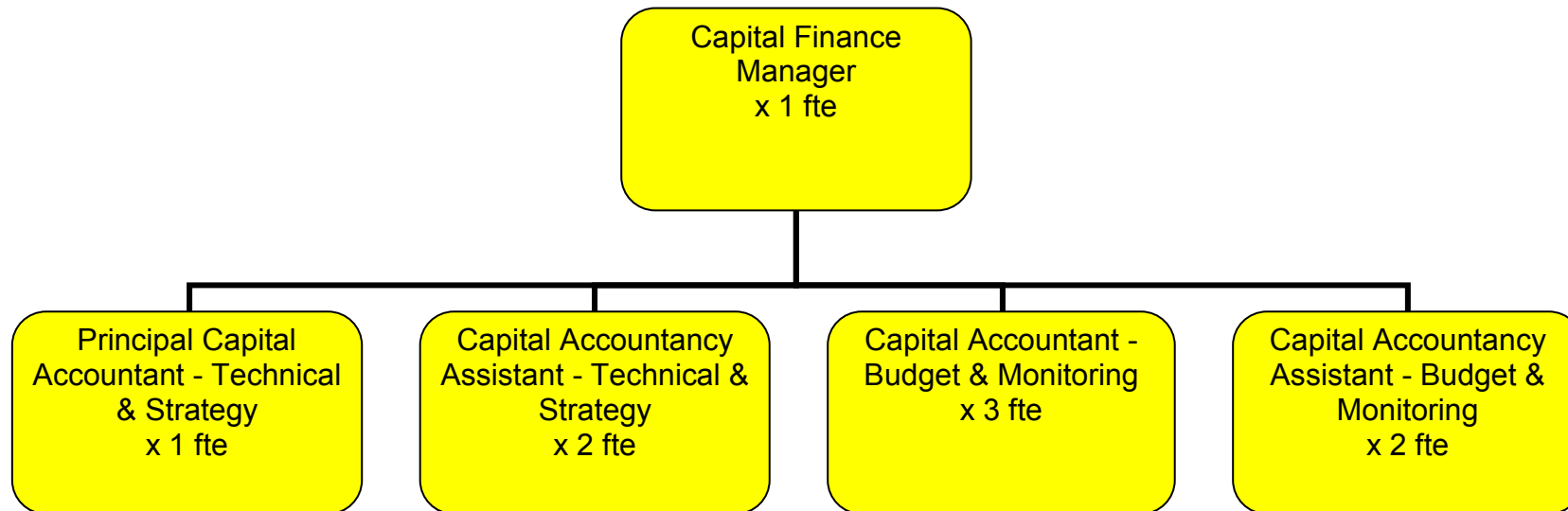
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Revenue Finance Team - Proposed Structure

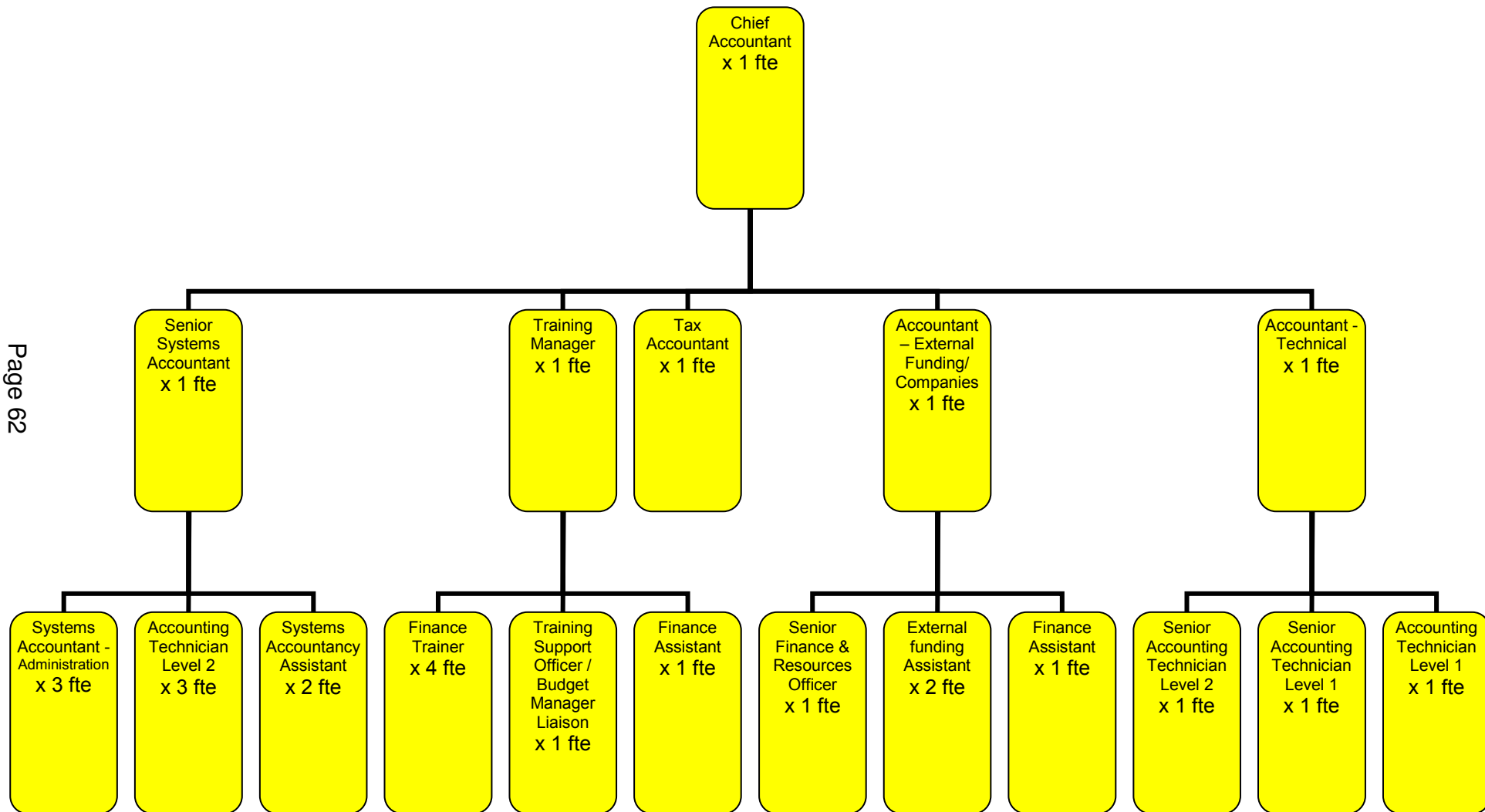


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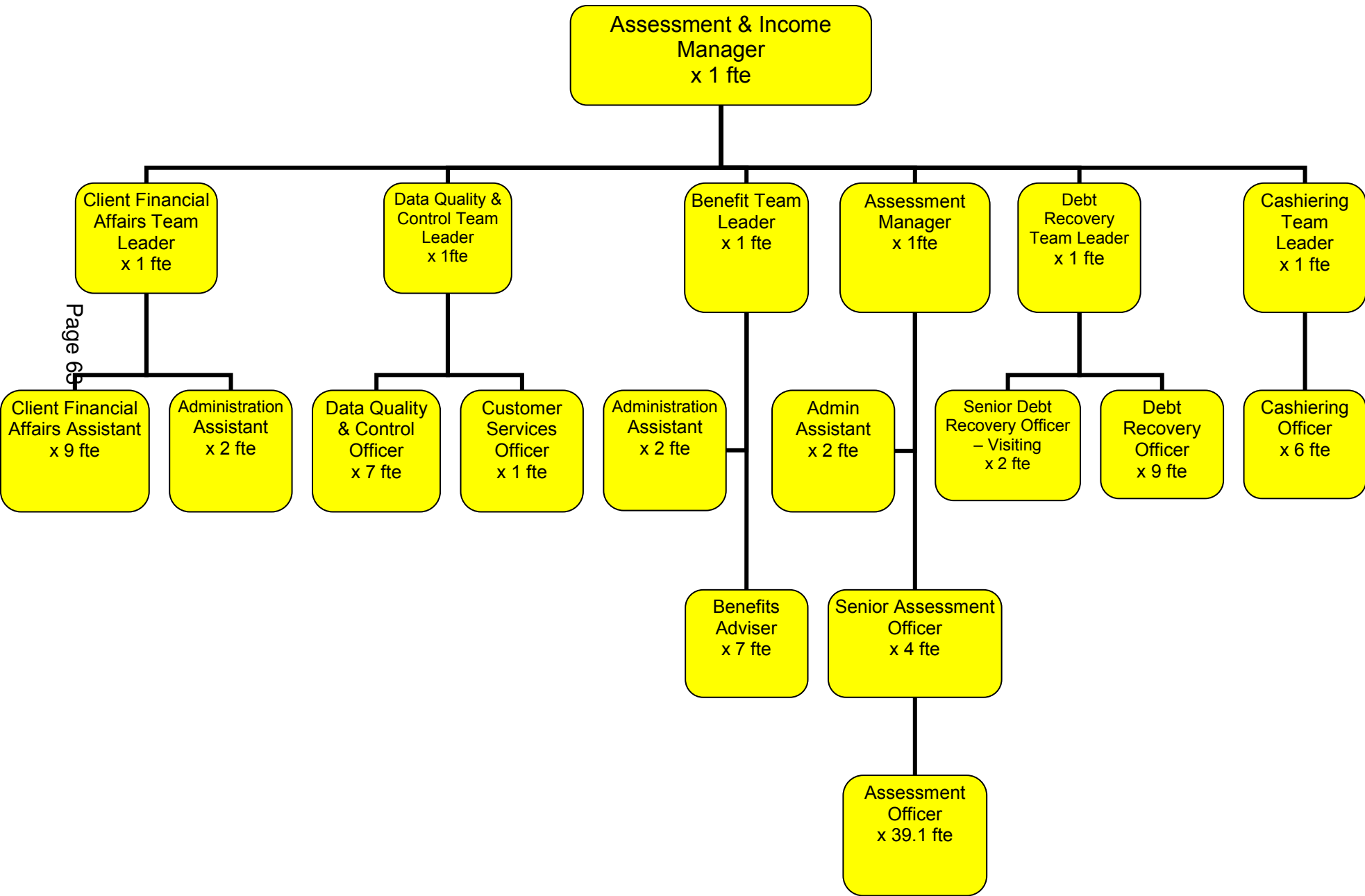
Capital Finance Team – Proposed Structure Chart



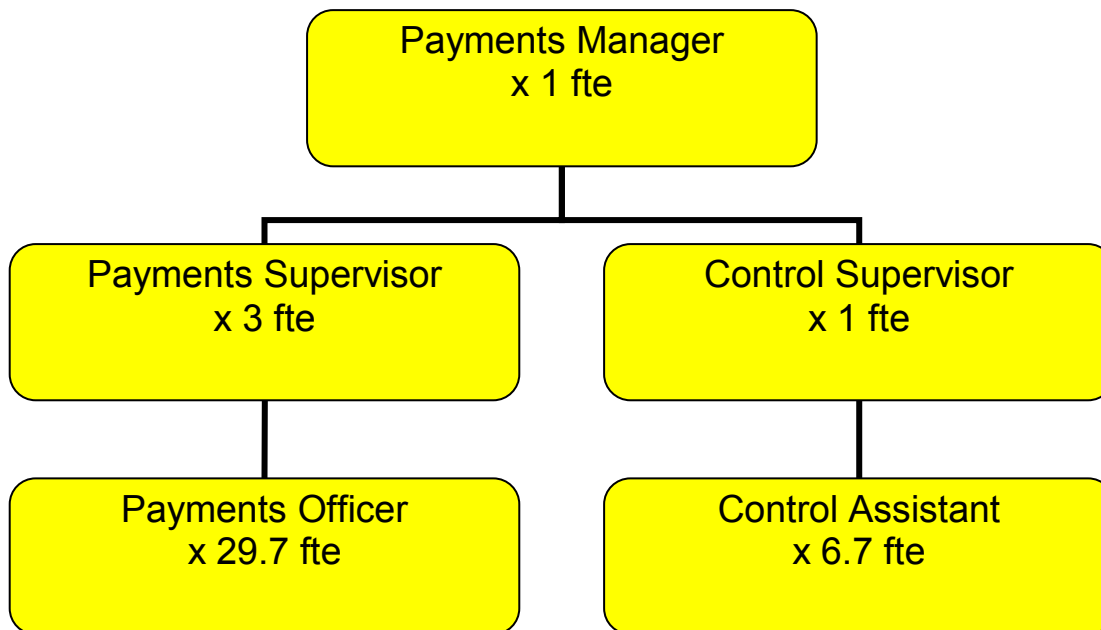
Chief Accountant Team – Proposed Structure Chart



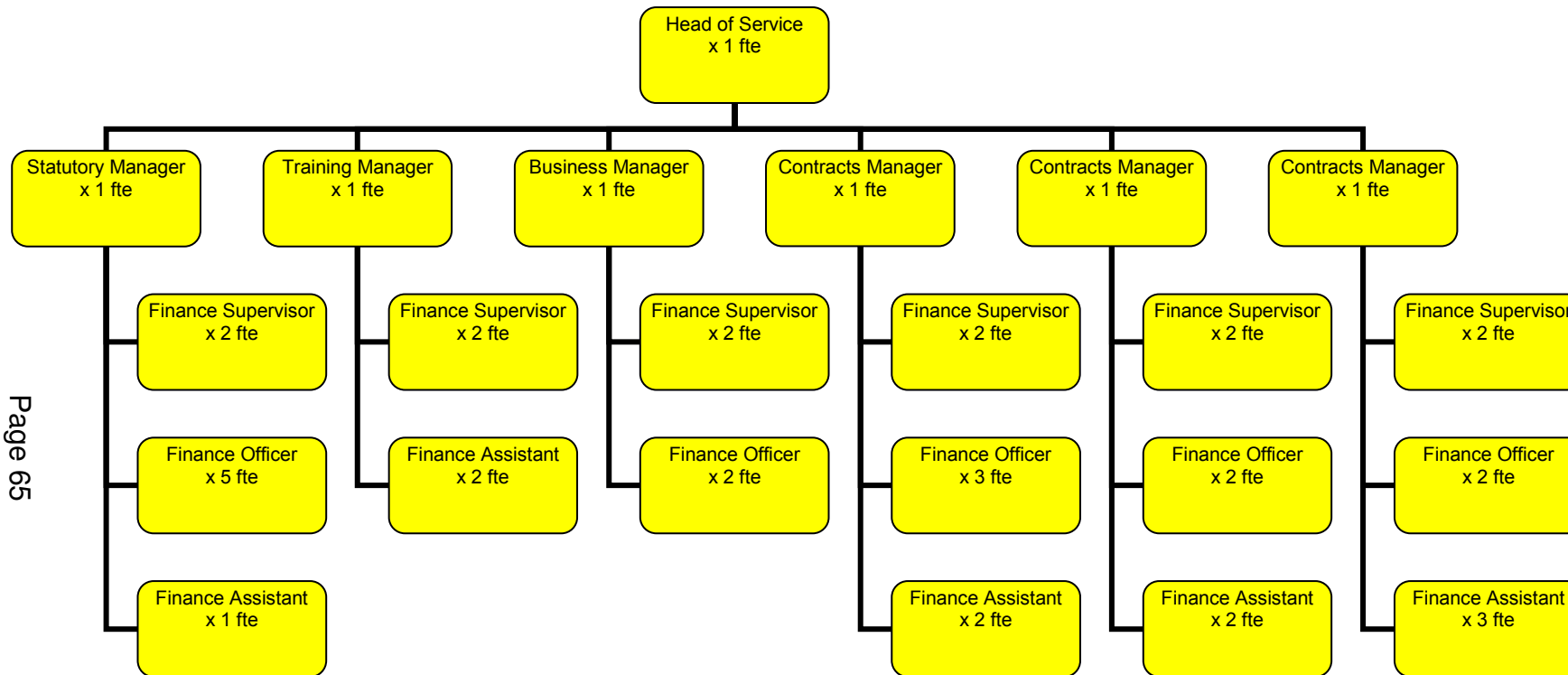
Assessments & Income Team – Proposed Structure Chart



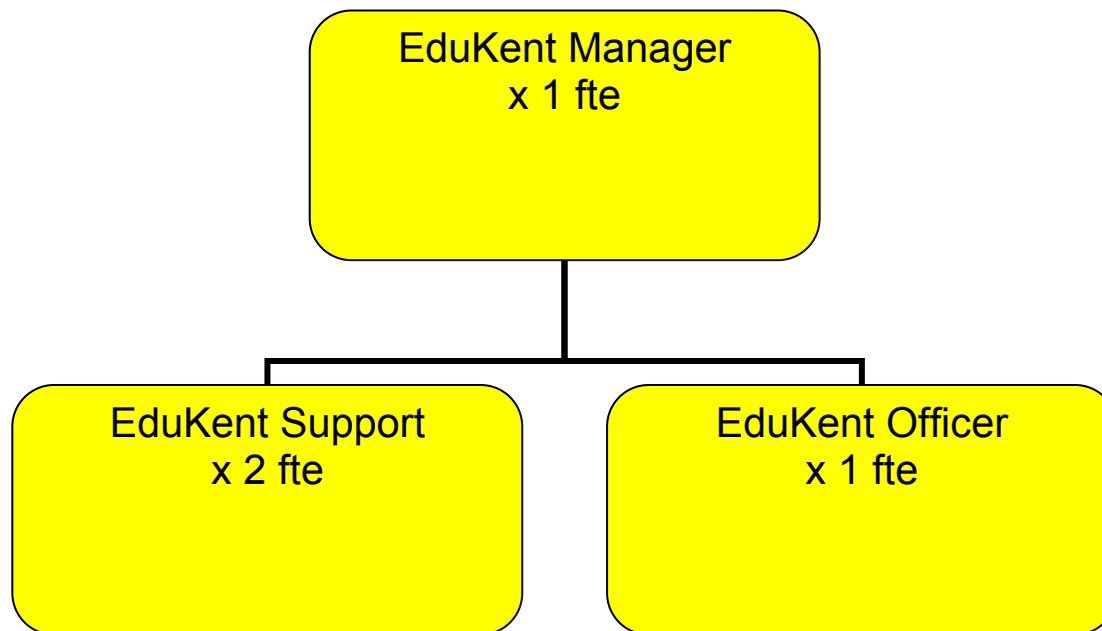
Payments Team – Proposed Structure Chart



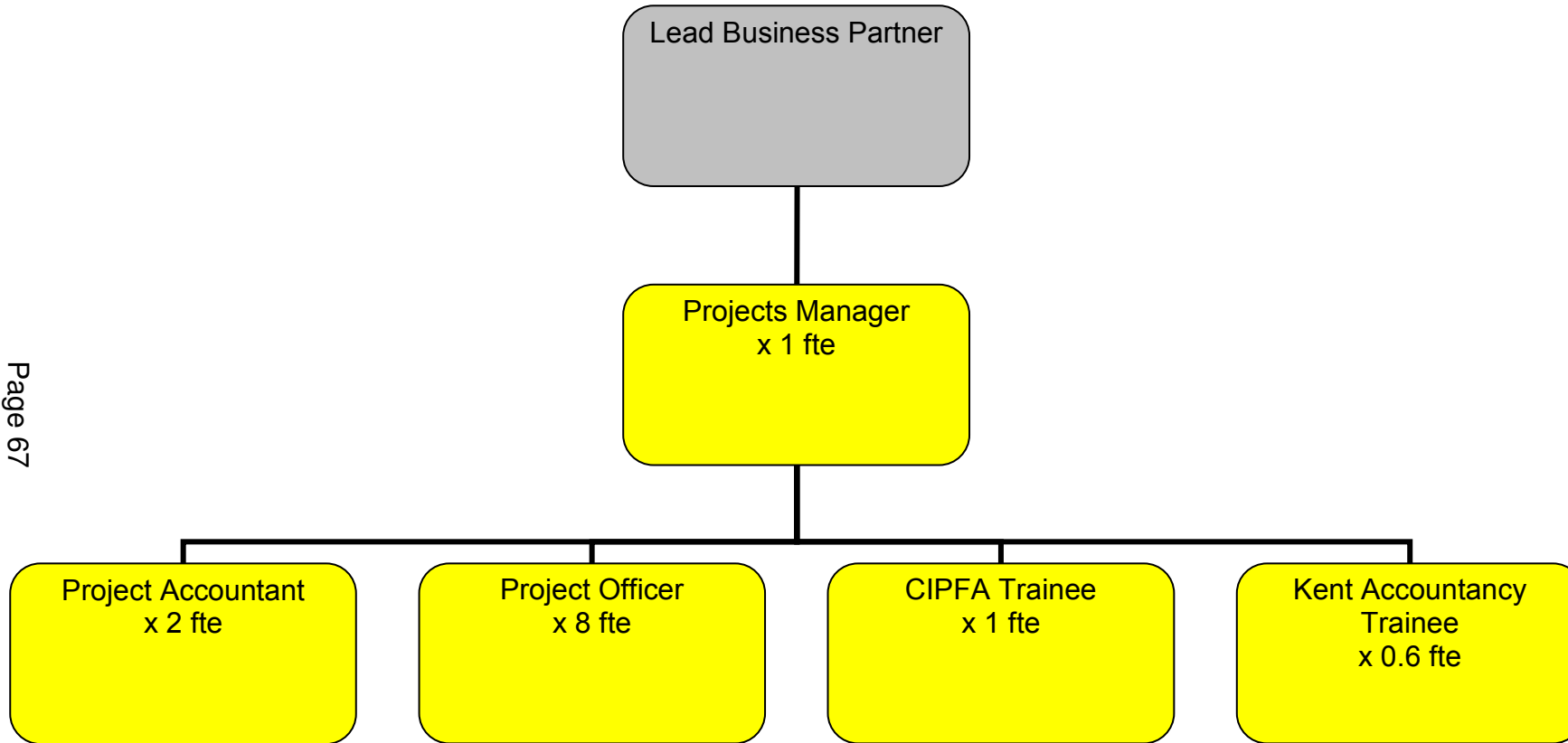
Schools Financial Services – Proposed Structure Chart



EduKent Team – Proposed Structure Chart



Business Partner Project Team – Proposed Structure Chart



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Revenue Finance Team Restructuring

The Revenue Finance Team proposals are by far the biggest area of change and the proposals are based on a number of factors outlined throughout the report. The team will move away from Directorate specific budget and monitoring support teams to a centralised team who will continue to provide support, advice and challenge to budget managers, but by targeting this resource to services according to a risk assessment.

In order to determine the amount of support to be given to each budget a risk matrix has been developed. For each budget line of the published budget book¹ the following core tests were applied:

- Is the gross budget (excluding staffing) greater than £2m?
- Is the gross budget (excluding staffing) greater than £20m?
- Does the budget have an income target of more than £2m?
- Volatility - does expenditure move in line with demand?

Two other tests were considered relevant when it came to determining risk, and these were:

- Risk of un-deliverability of savings
- New service / significant change in service

However these two tests were felt to be more of a variable or one-off nature and therefore do not form part of the core tests. Instead we felt that we needed the ability to discuss and agree with Business Partners the targeting of additional/flexible resource to meet the business/Service Directorates needs. This flexibility has been built into the structure.

Budgets were scored against the four core tests and a score of 1 has been awarded for each successful test. The total score for each budget was then converted into a risk assessment using the following criteria:

Table 1

Total Score	Risk Assessment
4	Very High
3	High
2	Medium
1	Medium
0	Low

Following a review of the budgets in each category the following refinements were made:

- A very low risk category was introduced and applied to low risk budgets where both the staffing budgets are less than £750k and non staffing budgets are less than £150k.
- Where budgets are managed on a locality basis and are assessed as having different risk ratings, an adjustment has been made to raise all locality budgets to the highest risk rating. This specifically relates to Children's Services where East Kent was assessed as very high risk and both Mid Kent and West Kent were assessed as medium risk. Mid and West Kent's risk assessment has been therefore increased to very high so that it is on par with East Kent.

¹ Section 1h (Manager Analysis) of the 2011-12 KCC Revenue Budget approved by County Council 17 February 2011.

- Where embedded staff exist within the service (those spending less than 50% of their time on Finance), their risk rating has been reduced. This specifically relates to Waste, Community Learning & Skills and Legal Services.

The support to managers has been quantified in “number of days support” for ease of calculating fte staffing requirements. For each risk rating, the total number of days support per year which would include face to face meetings, preparation time, queries and travel time has been determined as follows:

Table 2: Total support days per risk rating

Risk Rating	Budget Setting	Monitoring	Year end and ad-hoc queries	Total
Very High	5	42	5	52
High	3	34	3	40
Medium	2	21	2	25
Low	1	8	1	10
Very Low	0.5	7	0.5	8

The total support days per risk rating (as per table 2 above) has been multiplied by the current number of budget managers (including Heads of Service) for very high and high risk budgets and just Heads of Service for medium, low and very low risk budgets. The results have been analysed below in Table 3 below to show each Directorate’s share of the Revenue Finance Team resource:

Table 3: Distribution of Revenue Finance Team resource (revised results)

Dir	Very High Risk	High Risk	Medium Risk	Low Risk	Very Low Risk	Total	
ELS	676	200	100	10	8	994	11%
FSC	4,576	1,080	150	50	48	5,904	68%
CC	0	400	175	150	40	765	9%
EE	364	0	25	80	40	509	6%
BSS	0	0	275	100	136	511	6%
PH	0	0	0	10	8	18	0%
Total	5,616	1,680	725	400	280	8,701	

Assessment, Income and Payments Restructuring

Current Structure

The Council's assessment, income and payments functions have previously been undertaken in 3 main units:

Ex Kent Adult Social Services Exchequer now within FSC

119 fte based primarily in Maidstone and St Peters, Broadstairs. The main functions are:

Client Financial Affairs (15 fte)
 Income Assessment (62 fte)
 Benefit Advisers (13 fte)
 Debt Recovery (8 fte)
 Adult Social Care Payments (15 fte)
 E Commerce (3.4 fte)
 Other (3 fte)

Some of these activities were previously managed corporately and were devolved into KASS 6 years ago and the debt recovery work was devolved 2 years ago.

Ex Children Families & Education

15.9 fte. The main functions are:

Foster Payments (6.5 fte) previously part of Children Families and Education and now within FSC based in Bishops Terrace Maidstone.
 Free School Meals (2.4 fte)
 Asylum (7 fte)

Corporate Exchequer

29 fte based in Sessions House. The main functions are:

Accounts Payable (10 fte)
 Cashiers (7 fte)
 Systems (7 fte)
 Debt Recovery (3 fte)
 Other (2 fte)

There are a total of 163 fte in scope.

Design Principles

In approaching the options for the restructuring the senior finance staff within FSC and BSS have focussed on:

Viability of the service in the future.

The exchequer functions undertaken are essential to the financial operations of the Council. The areas have been subject to significant budget reductions in recent years and the proposals made are carefully considered to ensure that a viable service can be maintained.

Of particular importance are a number of FSC specific issues:

- Management of debt levels is critical for FSC and our proposals actually increase the amount of resource allocated to FSC debt recovery.
- There are still a number of operational problems with Client Billing using Oracle AR.

Savings

We have looked to achieve the 12% savings target allocated to Exchequer. This will primarily be through:

- Reductions in the management overhead.
- New ways of working eg the Assessment staff will mainly work through telephone interviews rather than face to face meetings.

KCC 5 Levels Rule

We have worked to the design principle of 5 levels in the organisation - in Assessment we have had to introduce an additional layer of Seniors as there are 45 Assessment Officers in a number of locations. This approach has been agreed with HR.

Location

Staff are located across the county with the largest number in Sessions House, Brenchley House and St Peters Broadstairs. At this stage of the restructuring process, we are assuming most posts are located close to their current base – there may have to be some changes but these will be minimized as far as possible.

Proposed Structure

The recommended way forward is as follows:

Assessment and Income Unit

All Assessment and Income staff in the Council will be brought together for management purposes in a single unit with 97 fte a reduction of 18 fte (14% in budget). This will mean the Debt Recovery and Cashiers staff within BSS Corporate Exchequer along with the staff assessing free meals in CFE combining with the Client Financial Affairs, Income Assessment Benefits and Debt Recovery staff in FSC. Cashiers can be more closely integrated with other staff working on client billing issues and all debt recovery activity is brought together.

Payments Unit

The Corporate and FSC payments staff plus the Foster payments and asylum team will be combined into a single unit with 41 fte a reduction of 7 fte (21% in budget). The unit will have a manager, at a lower level than the Assessments and Income post, reporting to the Head of Financial Services.

This restructuring will mean a reduction of 25 posts (16% in budget) thus exceeding the target set.

The option of a single unit was very seriously considered but in the end was rejected due to the size of the unit and the spans of control that would produce and the need to maintain high level services to FSC in critical areas.

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

Alex King, Deputy Leader

David Cockburn, Corporate Director, Business Strategy &
Support

To: Corporate Policy Overview & Scrutiny Committee –
3 November 2011

Subject: Business Strategy - Restructure

Classification: Unrestricted

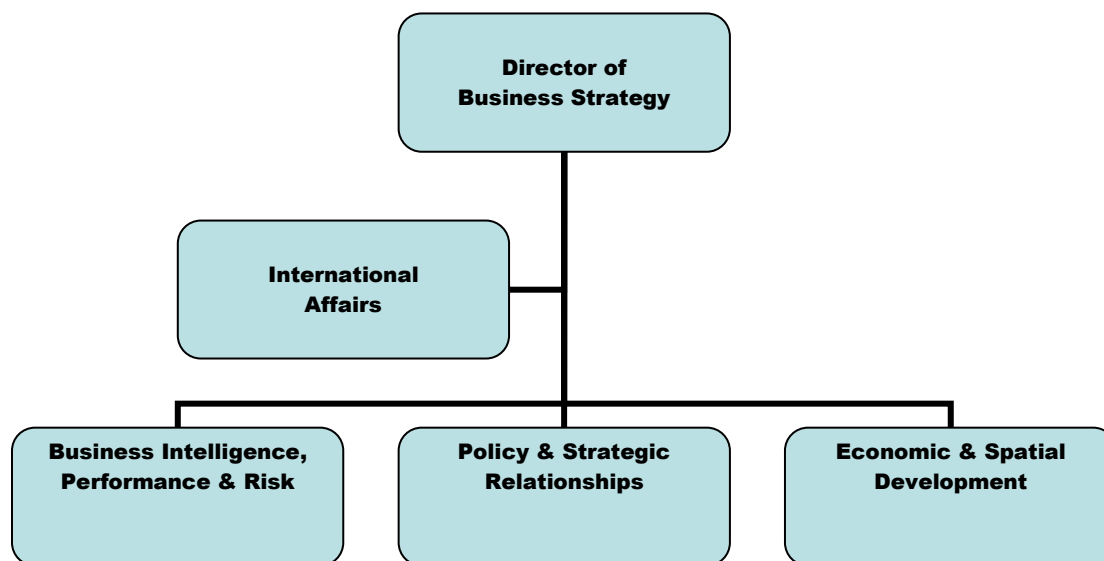
Summary To inform Members of the proposed structure for the new Business Strategy Division, and the process by which the restructuring will take place.

1. Introduction

- 1.1 As part of “Change to Keep Succeeding”, individuals and teams with roles spanning research and evaluation, performance, policy and strategy development, international, partnerships and economic development were brought together to form Business Strategy in April 2011. The new division was created to become the "engine room of change for KCC" – i.e. to serve the whole council and its partnerships and ensure their vision is translated to effective policy, strategy and plans which deliver appropriate outcomes. This covers a range of functions perhaps best described as helping the organisation as a whole to understand "where are we now?", "where do we want to go?", and "how do we get there?".
- 1.2 The current assembly of functions is inevitably one of heritage rather than design and with all central functions targeting a reduction of 30% over a 4 year period, there is now the need to find further cost reductions of 15% in 2012/13 over and above those already achieved.
- 1.3 A new structure has therefore been designed to deliver the vision of Business Strategy as the engine room of change within the reduced cost envelope. An informal consultation took place over the summer to develop the high level ideas, and a formal consultation ran from 21st September to 21st October setting out a detailed proposal. This paper sets out the rationale, timeline and the process by which staff will be appointed to the new structure. It sets out the proposed structure to date, although at the time of writing it is still possible that further minor changes will be made as a result of the formal consultation.

2. Proposed structure for Business Strategy

- 2.1 The Division will be organised into four teams – consolidating the 9 functional areas which exist today:



- 2.2 The **Business Intelligence, Performance and Risk Unit** will draw together core information from both within and beyond KCC to become a critical asset for KCC (supporting the aspiration to operate as One Council) and its partners and customers. The Unit's activities will include reviewing trends, developing insights, supporting learning and enhanced performance, ensuring robust risk management, horizon scanning and scenario planning for the future. It will analyse, enhance and integrate an increasing wealth of data sources whilst improving accessibility to information and reducing the FOI request burden through increased transparency. Its remit will include both qualitative and quantitative evidence and it will focus resource particularly on analysis and development of insight and impactful communication which supports good governance and decision making. It will drive improved performance management across the council as a whole, and specifically provide the Performance Assurance and Delivery Assurance Teams with the information they need to deliver their roles effectively. Additional **corporate risk** resource will be transferred from Finance to build an invigorated function working hand in hand with performance management. A small **Programme Office** function will also be created for KCC to provide performance assurance and support for the development of programme management skills required for the delivery of KCC's significant change portfolio. The potential for **centralisation of KCC's wider performance resource** into Business Strategy is also being reviewed, providing potential to further enhance this critical function.
- 2.3 As KCC's range of external relationships grows and changes including the establishment of the Right to Challenge/Bid, locality agendas, new police commissioning arrangements, Health and Wellbeing Boards, Kent Association of Headteachers, ongoing development of Kent Forum and Ambition Boards etc., it becomes more important to ensure stakeholder management and integration of activities to address shared goals is robust. With this in mind the merged **Policy and Strategic Relationships** function will play a strong role in understanding and helping to coordinate and influence this complex environment, and to support KCC's relationship with and contribution to key strategic partnerships. The

function will have a critical ongoing role in supporting Cabinet and CMT with ad hoc briefings, corporate strategic advice and recommendations, communications and facilitation, leadership of special projects, assuring ongoing alignment of new activities to the vision and oversight and development of the corporate policy and internal management control framework. This function will need to be fleet of foot with on-demand work to prioritise, but will focus approximately 50-60% of its capacity on planned work for CMT/Cabinet. Its technical policy experts will dedicate about 50% of their activity to providing support to Directorates and partner forums and working flexibly across projects in different areas will be encouraged. A wider range of technical expertise will be developed over time. It will develop strong working relationships and networks with experts elsewhere within the organisation and beyond. All Business Strategy staff will be expected to support partnership working in Kent, making connections and ensuring Kent representatives are well informed, but in addition the Policy and Strategic Relationships Team will directly support the Kent Forum and the Kent Joint Chiefs.

- 2.4 Through an ***Economic and Spatial Development Unit***, we will focus on shaping and developing policy and strategy to ensure conditions are right for economic growth in Kent. This Unit comes within the remit of the Regeneration and Economic Development Policy Overview and Scrutiny Committee, and its role is being discussed at their next meeting on 16 November.
- 2.5 The ***International Affairs Unit*** will continue to promote and develop Kent's opportunities with partners further afield, whilst also proactively sharing valuable alternative policy insights, innovation ideas and access to international funding sources.
- 2.6 A reduced cost envelope means that the above will have to be delivered with fewer resources - overall posts will reduce from 87 to 72, whilst also encompassing some new functions (ie Risk (3 posts) and the Programme Office (2 posts)) which means that other functions must be correspondingly reduced. We will therefore be much more rigorous about the commissioning of work to ensure the reduced capacity is tightly targeted on the most important issues. We will also adopt new ways of working, with a strong focus on everyone being part of one overall division, flexibly contributing to the delivery of KCC's priority agendas, with business partners/advisers supporting effective management of workflow, resources, expectations and communication. Members will appreciate, however, that there will be fewer staff overall to produce reports and briefings.
- 2.7 The proposed structure is set out in detail (except for Economic & Spatial Development) in Annex 1.

3. Supporting Staff through the next steps

- 3.1 Staff have been kept well informed about the restructuring from the start through staff meetings and consultation proposals. Responses to the informal consultation during the summer resulted in a number of significant improvements to the proposals put forward under the formal consultation. The formal consultation closed on 21st October, and over 40 responses have been received (a summary of the issues raised is being drawn up). Overall the need for change appears to be well accepted and most comments relate to constructive detail around responsibilities of particular posts in the structure, including the identification of potential gaps to be rectified, and the relationship between the teams. There were some comments on the overall balance of the reduction in posts between business intelligence and policy areas. This however must be seen in the context of a number of factors – a review and significant restructure of research and evaluation

teams performed in 2010, a commitment to new ways of working, some of the current policy ground work being undertaken by business intelligence going forwards, and an identified weakness around information transparency and business intelligence previously identified by members and officers. Potentially, some of the staff currently engaged in policy work could take up posts in business intelligence, so the impact on staff is likely to be more evenly spread than a simple comparison of functions before and after would indicate.

- 3.2 By 4 November responses will have been taken into consideration in finalising the structure and job descriptions, and we will shortly take decisions about which staff are slotted. Assessment and interviews for the most senior posts will take place towards the end of November and interviews for all the remaining posts will be completed as far as possible before Christmas to minimise the period of uncertainty for staff and to enable the new structure to be up and running for the new year.
- 3.3 Every effort is being made to avoid compulsory redundancy. Volunteers for redundancy or early retirement have been sought, although we clearly reserve the right to reject applications where we need to retain the skills/knowledge/experience of the person involved. Any staff who do not secure jobs in the new structure will then be priority candidates for any other job opportunities within KCC. All staff have also been offered employment support via “Workfriend”, which is an online job seekers’ training and redeployment tool – and reminded that Support Line is also available to them on a confidential basis.

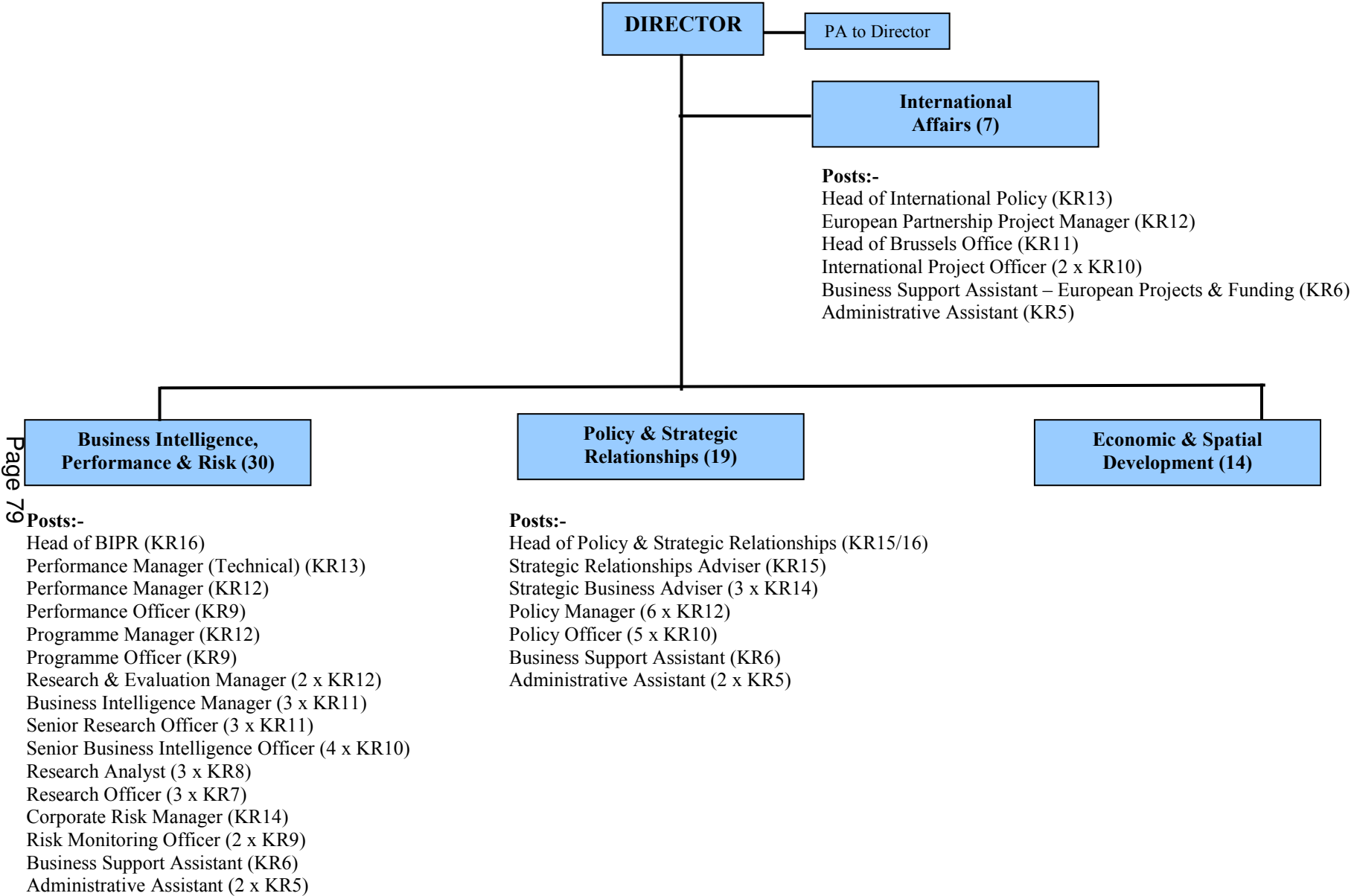
4. Recommendations

- 4.1 The Corporate Policy, Overview & Scrutiny Committee is asked to NOTE the proposals for the restructuring of Business Strategy and the progress to date.

Joss Foster
Director of Business Strategy
Tel: 01622-694134

Background Papers: None

Annex 1 - Future Business Strategy Structure



Total Headcount = 72

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

David Cockburn, Corporate Director for Business Strategy &
Support

To: Corporate POSC

Subject: Community 'Right to Buy' Assets of Community Value &
Community Asset Transfer

Classification: Unrestricted

Summary: As part of the Localism Bill the Government have published details of a Community 'Right to Buy' Assets of Community Value. This paper sets out the current proposals, KCC's response to those proposals and our policy approach to Community Asset Transfer.

1. Background

- 1.1 Under existing legislation [the *Local Government Act 1972 (General Disposal Consent 2003)*], public bodies can transfer assets to community groups at below market value to further local *social, economic and environmental wellbeing*, without seeking the Secretary of State's consent. The '*Right to Buy*' provisions extend this measure by conferring specific rights for community organisations covering public and private assets deemed to be of community value.
- 1.2 The 'Right to Buy' provision is contained within the Localism Bill, and is expected to be enacted in spring 2012. The proposal is essentially a 'Right to Bid' and a 'Right to Delay' the sale of physical assets. It is not designed for retaining public services within communities, but it might be used in conjunction with the 'Right to Challenge' to help achieve this.
- 1.3 There has been a considerable amount of opposition to these provisions particularly the aspects that relate to private land being able to be listed, and also property being listed that operates as a commercial business (i.e. post office, shop etc.) as it is felt that this could encumber owners from doing what they wish with their assets, which might have unintended consequences. The Government feels that this has been partially addressed by setting out a number of exemptions. .

2. Summary of Community 'Right to Buy'

- 2.1 A voluntary or community body with a local connection (including a Parish Council) will be able to identify public or private 'assets' and request that these are placed on a list of '*Assets of Community Value*' to be held, and publicised, by the Local Planning Authority (i.e. District authorities within Kent). A number of

exemptions will apply to listing (these are described in the full process set out in Appendix 1).

- 2.2 Assets can only be nominated by a Parish Council or by “a voluntary or community body with a local connection”.
- 2.3 Assets will have to meet the definition of an ‘Asset of Community Value’. This will be for local determination by the local planning authority. If the Local Planning Authority determines that an asset is of ‘community value’, an asset will be added to a local authority maintained ‘*Assets of Community value*’ list.
- 2.4 If the owner of a registered asset decides to sell it via a freehold sale or the grant or assignment of a lease for at least twenty-five years then the provisions of the Right to Buy will apply. The asset owner must inform the relevant planning authority of the intention to sell. Unless an exemption applies a ‘moratorium period’ will then begin (exact time to be set out in secondary regulation) during which a ‘Community Interest Group’ can inform the Local Planning Authority that they are interested in purchasing the asset, triggering a further moratorium process during which they can put together a bid to purchase the asset.
- 2.6 A ‘Community Interest Group’ is:
 1. A Parish Council; or
 2. A body with a local connection which is constituted in one of the following ways:
 - A company limited by guarantee; or
 - An Industrial and Provident Society (of either sort – a co-operative or a community benefit society);
 - A Community Interest Company; or
 - Any other body which is registered as a charity, including a Charitable Incorporated Organisation.
- 2.7 It is proposed that where a ‘Community Interest Group’ is able to purchase an asset at the price set by the asset owner, and the owner wishes to sell to the ‘Community Interest Group’ a sale can go ahead without waiting for the end of the moratorium window. The reason given is that is that this would enable local authorities to Asset Transfer to community groups without the restriction of a moratorium. If a KCC asset was listed on the register then KCC is bound to secure best value under the Local Government Act 1972 (see section 4).
- 2.8 An owner will have the right to an internal review by the local planning authority to their asset being listed as an asset of community value, and the right of appeal to an independent tribunal against this if they are not satisfied by the result of the internal review. An enforcement regime will be set out in future regulations.

3. KCC response to the Community Right to Buy consultation

- 3.1 In response to the Government consultation on the secondary regulations on Community ‘Right to Buy’, Kent County Council highlighted the following as potential issues (the full response is at Appendix 3):

- The potential misunderstanding by community groups that this could in effect be a 'Right' to protect a local public service;
- That Community Asset Transfer may well be a more appropriate mechanism to use than Community 'Right to Buy';
- The unintended consequences related to private property assets:
- Businesses could become risk averse at investing in new local services because of the extra burdens associated with selling on assets if the business is listed as an asset of community value;
- Communities may lose goodwill in relationships with local landowners who may have been open to supporting a community bid voluntarily. Local landowners and businesses are part of their communities and setting down a legislative approach to community ownership could actually prove counter-productive to the principles of Big Society. (For example, a farmer who may have been willing to give the local community use of a field for a one off/infrequent event, may actually be more reluctant to do this in the future as it could become eligible for listing as a result).
- Non-viable business models could be kept in place for up to 6 months longer causing increased debts or even bankruptcy for small businesses (see appendix 2 for anticipated costs)

3.2 It is important to note that the Community Right to Buy sets out no obligation on the owner of any listed asset to sell to any particular Group or at any price below the market rate (see section 4). Given this, especially in regard to public assets, increased applications to use pre-existing powers under Community Asset Transfer may arise when awareness of the limited scope of the Community Right to Buy becomes more widespread.

4. KCC's approach to Community Asset Transfer

- 4.1 KCC is under an obligation under section 123 of the Local Government Act 1972 to ensure it gets best value (e.g. market value) from its assets but there are exemptions which allow disposal below market value including public partners and registered housing associations.
- 4.2 At present, when assets become surplus to operational requirements, before assets are sold Property & Infrastructure Support write to local Members so they can comment. At this stage, local Members can comment upon any community local groups who may be interested in acquiring assets. A number of parish councils and local community groups have acquired assets from KCC at market value e.g. when have marketed these sites and they have been sold by public auction.
- 4.3 KCC will continue to work with community groups where surplus assets become available and may have benefit to local communities that have a low asset value.

However, the vast majority of surplus assets will secure capital receipts that are integral to KCC's capital programme to modernise services. The proposal under Right to Buy proposals outlines exemptions and this includes any asset required for disposal to fund future services and this will cover the majority of KCC surplus assets

- 4.4 A number of community groups do approach KCC seeking to acquire assets at a nominal sum and these are considered but KCC is governed by the best value requirements under the Local Government Act 1972 so the majority of KCC assets need to be sold at market value to fund the capital investment in the capital programme. There have been some disposals of land at nominal value to other public agencies below market value to fund regeneration projects.
- 4.5 KCC also leases part of its operational accommodation to external parties who are local service providers and local community groups. .
- 4.6 Property and Infrastructure Support are working on a number of policies and guidance for future delivery of services by organisations that run services under the Right to Challenge process in the Localism Bill as part of the Future Service Options working being lead by the Service Improvement and Business Strategy teams.

5. RECOMMENDATION

5.1 The Committee is asked to:

(a) NOTE the report regarding the Community Right to Buy and KCC's approach to Community Asset Transfer.

Background Papers:

- Proposals to introduce a Community Right to Buy – Assets of Community Value: Consultation Paper, CLG, February 2011

Appendices:

- Appendix 1: The Right to Buy Process (in full)
- Appendix 2: Illustrative Costs of Implementing Community 'Right to Buy' from Impact Assessment
- Appendix 3: KCC response to the Community Right to Buy consultation

Officer Contacts:

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David Whittle, Corporate Policy – BSS, Tel: 01622 696969, Email: david.whittle@kent.gov.uk

Appendix 1 – The ‘Right to Buy’ process

Listing of ‘Assets of Community Value’

‘A voluntary or community body with a local connection (including a Parish Council) will be able to identify, public or private ‘Assets’ and request that these are placed on a list of ‘*Assets of Community Value*’ to be held, and publicised, by the existing planning authority (i.e. not County). The principle behind this is to give a ‘Community Interest Group’ the time to put together a bid to purchase an asset that an owner wishes to sell.

Nominating process

Assets can only be nominated by a Parish Council or by “a voluntary or community body with a local connection”. Future Regulations will define what is meant by a ‘voluntary or community body’ and the “conditions that have to be met for a person to have a local connection for the purposes of” nominating assets. It is anticipated by the Government that this definition will be defined as “a body, other than a public or local authority, which may be incorporated or unincorporated, must not be run primarily for profit, and must have a primary purpose concerned with the local authority’s area, or the neighbourhood in which the asset is situated where this is in more than one authority’s area”.

Definition of an ‘Asset of Community Value

Assets will have to meet the definition of an ‘Asset of Community Value’. Buildings or land in a Local Authority’s area is land of community value if in the opinion of the local planning authority:

An actual current use of the building or other land that is not an ancillary use furthers the social wellbeing or social interests of the local community. ‘Social Interests’ are defined as ‘Cultural’; ‘Recreational’; or ‘Sporting’; & it is realistic to think that there can continue to be non-ancillary use of the building or other land which will further (whether or not in the same way) the social wellbeing or social interests of the local community;

Subject to further Regulations, a building or other land in a local authority’s area that is not land of community value, is land of community value if in the opinion of the local authority:

There is a time in the recent past when an actual use of the building or other land that was not an ancillary use furthered the social wellbeing or interests of the local community. The term ‘recent past’ will be left to the local authority to define; &

It is realistic to think that there is a time in the next five years when there could be non-ancillary use of the building or other land that would further (whether or not in the same way as before) the social wellbeing or social interests of the local community.

That land or buildings do not fall within one of the ‘exemptions’, which will be detailed fully in future regulations.

The list of Assets

If the Local Planning Authority determines that an asset is of 'community value', an asset will be added to a local authority maintained 'Assets of Community value' list, until the local authority has been informed that a relevant disposal has taken place, or if they consider that the asset is no longer of community value. An asset will remain on the 'Assets of Community value' list for five years until the local authority has been informed that a relevant disposal has taken place, or if they consider that the asset is no longer of community value.. The *Localism Bill* also makes provision for local authorities to maintain a list of assets that have been nominated unsuccessfully – but it is left to authorities how to organise and publicise these lists.

Asset owners

The Local Authority will be required to undertake reasonable steps to inform the owner and occupier, that an asset is to be added to the list, and the owner will be able to request that a review is undertaken.

Triggering the process

The process will only kick-in if the owner decides to sell the 'asset' via a freehold sale or the grant or assignment of a lease for at least twenty-five years.

Exemptions to listing

Several exemptions will apply to listing, which will be defined fully in Regulations. The exemptions will cover:

- Residential premises (including all land that is included within the title) of all shapes and forms – so mobile homes, boats etc. Exceptions to this would include the residential parts of a pub or shop;
- Operational land as defined in Part 11 of the Town and Country Planning Act 1990 i.e. land used for transport infrastructure and some other related purposes by specified bodies with statutory powers.

Additionally, some disposals, of listed assets, can take place without the local authority being informed or the moratorium periods coming into force. However, the Regulations will stipulate that if an exempted listed asset is sold and then put up for sale the full moratorium rules will apply.

The exemptions will cover:

- All transfers made other than for value (i.e. made as a gift);
- Transfers of land between members of the same family³ (i.e. made as a sale as well as a gift);
- Transfer due to the inheritance of the land;
- Sales by personal representatives in order to pay estate debts or cash legacies;

- Transfers occasioned by resignation or death of partners in a firm or trustees of a trust;
- Transfers between trustees, between a trust and a settler, and between a trust and a beneficiary;
- Business to business transactions of a going concern, where the intention is to continue the existing use of the asset;
- Transfers where the listed asset forms part of a larger estate

(A) Disposals made as a result of binding or pre-existing arrangements. This would include:

- All transfers of land made in pursuance of a court order;
- Transfers not in pursuance of a court order as part of a separation agreement between spouses or civil partners (or ex ditto) or between parents for care of dependent children;
- A transfer for the purposes of any enactment relating to incapacity (if not made in pursuance of a court order);
- Exercise of a pre-existing option to buy, nomination right, pre-emption right or right of first refusal;
- Sale by a lender, either through the lender being in possession of the land or through exercise of a power of sale;
- Disposal of land under bankruptcy proceedings (or other insolvency procedure);
- Disposals of land made under a Compulsory Purchase Order;
- Agreed sale of land which would otherwise be compulsorily purchased;
- Return to a previous owner under the Crichton Down Rules⁴.

(B) Transfers between connected companies;

(C) Disposals of land made under existing statutory provisions that clash with the Assets of Community Value moratorium rules.

The Government do not intend to automatically exclude land that is governed by existing legislation from being listed as an asset of community value. However, where the Assets of Community Value provisions are inconsistent with the rules for disposal of land under other legislation (e.g. if the legislation determines that land must be disposed of in a specified timescale or to whom the land must be sold) then they will provide that the Assets of Community Value provisions do not take precedence, so that the owner of the land would not be subject to the moratorium rules.

(D) Provision of ongoing public service delivery

The Government do not wish to disrupt the delivery of public services. There may be circumstances where public bodies transfer or shift assets and resources for the purpose of ongoing delivery of a particular service or statutory function. The intention is to exempt transfers where assets and resources that are tied to ongoing service delivery are shifted – it is envisaged that this will apply in the case of publicly owned bodies transferring assets for the purpose of ongoing service delivery.

Windows of opportunity i.e. 'Moratorium' periods

Unless an exemption applies, a time window – a 'moratorium period' will apply.

If an 'Asset of Community Value' is placed on the open market and a 'Community Interest Group' informs the Local Planning Authority that they are interested in the asset this will trigger an 'Interim Moratorium of six weeks', during which they can submit a written intention to bid. If no submissions are received then the owner is free to sell;

If a submission is submitted, the process moves into a 'Full Moratorium' period, of six months, during which local groups will be given reasonable time to build a business case to purchase the asset;

If the asset owner does not sell their asset at the end of the 'Interim' or 'Full Moratorium' period, there will be the remainder of the protected period in which they are permitted to sell without triggering another delay. This 'Protected Period' will run for 18 months.

Definition of a 'Community Interest Group'

The definition of a 'Community Interest Group' will be defined in future Regulations, but the indication is that it will be based on the following:

1. A Parish Council; or
2. A body with a local connection which is constituted in one of the following ways:
 - A company limited by guarantee; or
 - An Industrial and Provident Society (of either sort – a co-operative or a community benefit society);
 - A Community Interest Company; or
 - Any other body which is registered as a charity, including a Charitable Incorporated Organisation.

Permitted sales and Asset Transfers

It is proposed that were a 'Community Interest Group' is able to purchase an asset at the price set by an owner a sale can go ahead without waiting for the end of the moratorium window. The reasoning given is that is that this would enable local authorities to asset transfer to community groups without the restriction of a moratorium.

Appeals and Compensation

An owner will have the right to an internal review by the local planning authority and the right of appeal to an independent tribunal against if they are not satisfied by the result of the internal review.

The deadline for owners to make a request for an internal review would be 28 days from the date that the local authority notifies the owner that the asset has been listed. The timescale for the internal review should be completed within 6 weeks of the local authority receiving a written request for an internal review by the asset owner.

Compensation claims will be set out in Regulations. However, it is envisioned they will be considered and paid by the local planning authority and budgeted for in the Government's New Burdens Assessment. Asset owners would have to make a claim for compensation within a specified time period, such as 90 days after the end of the full window of opportunity period (or of the interim period, where the full period did not apply).

An appeal to an independent tribunal would have to be lodged within 21 days.

Enforcement

An enforcement regime will be set out in future Regulations.

Appendix 2 - Illustrative Costs of Implementing Community 'Right to Buy' – from CLG Impact Assessment

In their Impact Assessment of the *Localism Bill* the Department for Communities and Local Government (DCLG) place some illustrative costs of implementing the 'Community Right to Buy' nationally as:

Cost to local authorities in maintaining and publicising a list of designated assets of community value:

One-off cost to set up the list of assets of community value £379,000 (for year 1 only);
Cost of managing the list process and five year review of the list = £2.5m per year (note costs will be lower in the first 4 years).

Cost to asset owners:

Direct costs incurred by owners as a result of the delay in sale caused by the moratorium (e.g. additional maintenance, security and utility costs), estimated as £51,000 per year, however this cost will be recovered from local authorities in the form of compensation claims.

Cost to government:

Providing grants/loans to community groups- £12m (spread over 3 years) - note the loan element will be repayable.

Cost to government of providing resource support to community groups- £13.2m (spread over 4 years).

Summary

1. Kent County Council strongly supports the Government’s commitment to Localism and the Big Society, and we welcome the ambitious direction that has been taken in relation to this agenda since June, particularly through the Localism Bill. That being said, we do have significant reservations about the way in which the provisions for the Community Right to Buy will work in practice, particularly with regards to the restrictions on private property rights.

2. The legislation is, in practice, a right to delay the sale of physical assets rather than a means of retaining services within local communities; however the phrasing of the consultation does not make this distinction clear which may lead to some initial misunderstanding by community groups. For example, retaining a post office building within a community would not in itself retain a postal service function. There are undoubtedly some strong advantages to using the community ‘Right to Buy’ to complement the community ‘Right to Challenge’, if a community group has bid to take on the provision of a service and requires an asset to support this. However this distinction needs to be clearly articulated so that it does not create false expectations and unnecessary frustrations for community groups.

3. As the consultation paper recognises, Scotland has had similar legislation in place since 2004, the ‘Land Reform (Scotland) Act 2003’. Since then, whilst 120 applications have been made to register a community interest in land by 68 groups, only 10 purchases have occurred as a result of the right to buy. However, as the consultation document also acknowledges, the existing legislation laid out in Local Government Act 1972 (General Disposal Consent 2003)’ enables public bodies to transfer assets to community groups at below market value to further local social, economic and environmental wellbeing, without seeking the Secretary of State’s consent. Given this existing legislation, it begs the question whether this additional mechanism is required? Community Asset Transfer will already be considered when viable and there are many examples of this working well. The complex approach set out for the ‘Community Right to Buy’ may be disproportionate to the problem it seeks to address. The more realistic model would be a practical and straightforward approach to Community Asset Transfer, as we have committed to in Bold Steps for Kent, our medium term plan.

Key risks and issues

4. Whilst the consultation sets out over forty individual questions regarding the regulations for the Community Right to Buy, Kent County Council believe there are a number of core issues which stand out and we will therefore limit our response to some general comments and issues raised within the consultation sections. We welcome the aim of the consultation to only set general principles in the formal regulations so as to allow room for local discretion and flexibility. There are, however, a number of risk areas where we believe that some further clarity would be prudent.

Section 3 – Definition of asset of community value

5. The consultation proposals extend the Community Right to Buy to include privately owned assets, in addition to public assets. Kent County Council has strong concerns that the expected benefits of the Community Right to Buy (above and beyond existing asset transfer provisions in LGA 1972) are not sufficient to justify the intrusion into the rights of private asset owners. KCC firmly believes that the scheme should be limited to publicly owned assets, as the most appropriate way of balancing the benefits for community groups versus the wider public.

As the 'Community Right to Buy' is an enforcement approach to promoting community ownership, we are also concerned that it has a number of potential unintended consequences in relation to privately owned assets:

- Businesses could become risk averse at investing in new local services because of the extra burdens associated with selling on assets if the business isn't a success.
- Communities may lose goodwill in relationships with local landowners who may have been open to supporting a community bid voluntarily. Local landowners and businesses are part of their communities and setting down a legislative approach to community ownership could actually prove counter-productive to the principles of Big Society. (For example, a farmer who may have been willing to give the local community use of a field for a one off/infrequent event, may actually be more reluctant to do this in the future as it could become eligible for listing as a result.)
- Non-viable business models could be kept in place for up to 6 months longer causing increased debts or even bankruptcy for small businesses.
- Large businesses such as breweries would most likely find a loophole for exemption from these regulations such as clauses in deeds etc, leaving the burden to fall solely on small and medium size local landowners.

6. One concern from a local authority perspective, in a period where we are all doing our best to manage tight budgets with the minimum impact on front line services, is that this process has the potential to severely curb our ability to manage our assets strategically and deliver on our duty to get best value for all Kent taxpayers. Therefore we would recommend that the factors for deciding whether an asset is judged to be an asset of community value should include an assessment of the owners' ability to manage their estate strategically. This should take place during the process of deciding on the suitability of the asset for listing in discussion with the owner, and before it is on the register so that it would not delay a disposing of an asset where there is a greater public benefit as a whole from a quick sale.

Section 4 – Ways in which assets may be nominated and listed

7. We agree that the process should be open to all individuals or groups with a local connection given that it would be extremely difficult to set out a more restrictive definition for this whilst still including the groups that the new right is intended to support. By their nature, community groups and individuals will not be likely to have a legally defined status therefore the most appropriate means of defining this group will be by a local connection, allowing discretion for the local authority to interpret this on a case by case basis.

Section 5 – Information to be included in community nominations

8. We agree that regulations should specify the minimum information that should be included in a community nomination and that this information should be sufficient to demonstrate a genuine commitment to pursuing the bid so as to avoid vexatious and frivolous bids, such as those simply intended to delay sales, or those done on a purely speculative basis. We also propose that consideration of bids by the local planning authority should include an 'affordability test' to rule out delaying the sale of assets which have a very high market value. It must be recognised that securing funds to meet market prices for assets will prove very prohibitive to many community groups - particularly in the South East. There is no reason to delay a sale of a high value asset by six months if the cost of the asset is well outside of the community's potential purchasing power.

Section 6 – The procedure for listing assets

9. As previously stated, we have significant reservations about the inclusion of private assets in the Community Right to Buy as we believe this will fundamentally infringe on the owner's private property rights. However, if the government is to go ahead with including this category, we fully support the proposal that the owners should be informed before the local authority makes a decision on whether or not to list an asset. Not only is this a matter of courtesy to the asset owner, but as acknowledged in the proposals it is also crucial for the local authority to be aware of any potential reasons which the asset owner may present about the suitability of the asset for listing.

Section 7 – Notification about the inclusions and removal of a listed asset

10. We agree that an asset should be removed from the list of assets of community value once the local authority is aware that it has been sold as a result of a relevant disposal, or if it is no longer considered an asset of community value. There is no reason to keep an asset listed if it isn't truly eligible as this will only cause confusion and ambiguity for community groups. There must be discretion for local planning authorities to exercise common sense about the listing process, so that it can be used in the best way possible to support community groups and asset owners.

Section 8 – Content and publication of the list of assets of community value and the list of land nominated by unsuccessful community nominations.

11. Kent County Council supports the proposal that local authorities should decide the most appropriate ways to publicise the lists and bring them to the attention of the community and other interested parties. This should not be an overly burdensome process as the vast majority of groups and individuals involved will be able to access the information through online publication. Consideration of the need to provide alternative means of communication should be flexible to individuals rather than creating an overly bureaucratic and expensive system.

Section 9 – The right of appeal for landowners

12. Kent County Council believes that the opportunity to appeal an asset listing is an fundamental right for landowners and whilst we agree with the proposed 28 days as an appropriate period for requesting a review, we would also recommend that it should be

for the discretion of the local authority to decide to extend this, if there are mitigating circumstances to explain why an asset owner has been unable to respond within this period, so as to allow for a fair process.

13. The proposals suggest that the appeal mechanism for asset owners regarding listing of their asset would also sit with the local planning authority, so that a district chief executive could oversee an internal review on decision made by their own head of planning – without member oversight. We are very concerned that this could come across to the public as a lack of transparency and democratic accountability in the process and would increase the possibility that an asset owner is dissatisfied with the outcome. We strongly recommend that the internal appeal process is managed through the local authority's planning committee to ensure the process is seen to be transparent, democratic, and includes an oral hearing.

14. Given the level of burden which the scheme potentially has for private owners in terms of delaying disposals of assets and the restrictions this may have on their private property rights, we believe it is absolutely vital that landowners have access to robust external appeal mechanisms. This should include access to court and the Local Government Ombudsmen in relation to due process, but also a tribunal for matters relating to the decision itself so that there is the opportunity to review the factors which informed the original decision.

Section 10 – Length of the windows of opportunity and protected period

15. There is a fundamental conflict in the proposed window of opportunity to allow community groups and individuals to come together to bid for an asset - between the time needed for a small community group to put such a bid together, and the time period which could be considered reasonable to delay a private owner from selling their property. Research into the Scottish scheme by the Joseph Rowntree Foundation suggests that one of the key reasons for the low figures of usage of the scheme was down to the short time period available for the community group to put together a bid, which was six months. Conversely, six months is an extremely long time to expect a private owner to delay the sale of an asset – particularly where it has a cost implication for a small business. We strongly recommend that that the decision on the length of the window of opportunity should not be prescribed in regulation, but should be down to the discretion of the local planning authority, so that the particular circumstances of the case, including the needs of the community group in creating a bid and also the potential impact on the landowner, can be considered. For example, a 3 month option is preferable to six months where a community group is well established and in a good position to develop a bid.

Section 11 – Exempt disposals and permitted sales within the full window of opportunity

16. It is important to allow for flexible approaches to the Community Right to Buy as it will be preferable to find arrangements which meet both the interests of an asset owner and a community group. It should be down to the discretion of local planning authorities to assess the value of such arrangements and qualify which should be deemed relevant disposals.

There needs to be consistency between those groups who are eligible to bid for assets of community value and those groups for whom it would be deemed a 'relevant sale'.

We would propose that this is also subject to the test of having a local connection, but not the further provisions as this could ensure a longer, more drawn out process to community groups where there is commitment from an asset owner to sell to them already. The local authority will have the knowledge to ensure that the group is a suitable group to qualify, so it should be left to their discretion to establish whether a particular group or individual meets the criteria rather than specifying legal entities.

Section 12: Compensation for landowners.

17. Kent County Council believes that it is absolutely vital that private landowners are not out of pocket financially as a result of the new provisions, and there is a need to ensure that the process for compensation is clear and equitable. We note with some concern, however, that the potential cost burden this could involve for taxpayers does not appear to be fully appreciated. In many cases, the sale of a privately owned asset will be triggered because the business it supports is no longer viable, and is making a loss. If this is the case, a delay of the sale by up to six months will almost certainly have a substantial direct cost implication. As a result, it must be recognised that in many cases it will not service the wider public interest for these costs to be incurred at all. Whilst Kent County Council is fully committed to supporting the growth of the Big Society; we have a duty to all Kent taxpayers to achieve best value and a degree of caution is needed to balance these endeavours to support individual groups against the cost to the wider public.

18. The proposals also suggest that this compensation should be paid by the local authority. Unlike the specification that the asset list should be held by the local planning authority the proposals do not make it clear where this burden would fall in two-tier areas. We would recommend that, in two tier areas, the authority responsible for listing assets also has the responsibility for compensation claims, so that there is a strong link between these two duties and an incentive for the local planning authority to undertake considered appraisals of asset nominations.

19. Regarding the review of decisions regarding compensation, we strongly believe that it is a fundamental right for an owner to have the opportunity for a review by a court or tribunal.

Section 13: Enforcement of the Regulations

20. Enforcement of the regulations will be safeguarded effectively in two ways – both through the entry on the local land charges register (which should be automatically cross referenced by the planning authority with the assets of community value listing) and also through the involvement of solicitors in the sale of assets, who should not allow any illegal sale to go through. Given these robust safeguards, we believe that instances where a sale goes through in breach of the regulations are so unlikely as to not be worth outlining in additional provisions through civil court. Furthermore if breaches of these regulations do occur, then this would be a matter of maladministration by the local planning authority, or malpractice by the solicitor given their own obligations within the process and should be dealt with as such. We are extremely wary about the idea of retrospective civil action, as this could open up a very complex and onerous process for the courts.

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By: Peter Sass, Head of Democratic Services

To: Corporate Policy Overview and Scrutiny Committee
3 November 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 – The draft report was shared with key stakeholders and is being finalised for submission to Cabinet on 5 December and County Council on 15 December 2011.
- Educational Attainment at Key Stage 2– Chairman Mr C Wells – The Committee is visiting a number of schools in October/November 2011, and will be holding a number of hearing sessions before the report is prepared for submission to County Council via Cabinet in Spring 2011.
- The Student Journey – Chairman Mr Kit Smith – The Committee has almost completed its evidence gathering sessions with key stakeholders including representatives from business and education, and from young people. It will continue gathering evidence until the beginning of November 2011. Their final report will be submitted to Cabinet in April and to County Council in May 2012.

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. This will be considered at their meeting on 2 November 2011 for inclusion in the Select Committee work programme.

(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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