AGENDA

CABINET

Wednesday, 2nd February, 2011, at 10.00 am	Ask for:	**Karen Mannering / Geoff Mills**
Darent Room, Sessions House, County Hall, Maidstone	Telephone:	**(01622) 694367/ 694289**

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

Webcasting Notice

Please note: this meeting may be filmed for live or subsequent broadcast via the Council's internet site – at the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed.

By entering the meeting room you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes. If you do not wish to have your image captured then you should make the Clerk of the meeting aware.

UNRESTRICTED ITEMS

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

1. Introduction/Webcasting
2. Declaration of Interests by Members in Items on the Agenda for this meeting
3. Minutes of the Meeting held on 10 January 2011 (Pages 1 - 6)
4. Revenue & Capital Budget Monitoring Exception Report (Pages 7 - 14)
5. Medium Term Plan 2011-13 (incorporating the Budget and Council Tax setting for 2011-12) - Update (To follow) (Pages 15 - 66)

   (Please bring with you to the meeting the Draft Budget and Medium Term Plan previously circulated)
6. KCC Companies (Pages 67 - 78)
7. Treasury Management Strategy (Pages 79 - 96)
8. Follow up Items and Decisions from Cabinet Scrutiny Committee - 19 and 24 January 2011 (To follow) (Pages 97 - 110)
9. Other items which the Chairman decides are relevant or urgent

MOTION TO EXCLUDE THE PRESS AND PUBLIC

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

EXEMPT ITEMS

(During these items the meeting is likely NOT to be open to the public)

10. Isle of Sheppey Academy (Pages 111 - 116)

11. Kent Academies Batch 2 Procurement - The Kent Skinners' Academy (Pages 117 - 124)

Katherine Kerswell
Group Managing Director
Tuesday, 25 January 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

CABINET

MINUTES of a meeting of the Cabinet held in the Darent Room, Sessions House, County Hall, Maidstone on Monday, 10 January 2011.

PRESENT: Mr P B Carter (Chairman), Mr N J D Chard, Mr G K Gibbens, Mr R W Gough, Mr P M Hill, OBE, Mrs S V Hohler, Mr A J King, MBE, Mr K G Lynes, Mr R A Marsh and Mr J D Simmonds

IN ATTENDANCE: Ms K Kerswell (Group Managing Director), Mr D Cockburn (Executive Director, Strategy, Economic Development & ICT), Ms A Honey (Managing Director Communities), Mr O Mills (Managing Director - Adult Social Services), Ms R Turner (Managing Director Children, Families and Education), Mr A Wood (Acting Director of Finance), Ms M Peachey (Kent Director Of Public Health), Mr J Burr (Director of Kent Highway Services) and Mr G Mills (Democratic Services Manager (Executive))

UNRESTRICTED ITEMS

1. Minutes of the Meeting held on 29 November 2010

(Item 3)

The minutes of the meeting held on 29 November 2010 were agreed as a true record and signed by the Chairman.

2. Revenue & Capital Budget Monitoring Exception Report

(Item 4 - Report by Cabinet Member for Finance and Acting Director of Finance)

(1) Mr Simmonds gave an update on the current position with both the Revenue and Capital budgets and highlighted the actions being taken within the revenue budget to ensure that the forecast under spend was achieved, since that was an essential contribution to next year's budget. There were recognised pressures with CFE and KASS which would need to be managed. Mr Carter said the Council was still robustly pursuing with government its claims for the payment of asylum costs with a further letter being sent to the Minister. There would a further update to the next meeting. Both Mr Carter and Mr Chard placed on record their thanks to KCC Highways staff, district council partners and others who had all helped to keep Kent moving during the recent round of bad weather. Mr Carter said the allocation of funding to repair pot holes as the weather improved in to the spring remained a priority.

Cabinet then resolved to:

(i) note the latest forecast revenue and capital budget monitoring position for 2010-11.

(ii) agree to the extension of the Member Highway Fund pilot into the 2011-12 financial year so that the unspent balance from 2009-10 and 2010-11 would be rolled forward into 2011-12 in order to complete Member plans for their areas.

(iii) note the changes to the capital programme.

(iv) note that £20.056m of re-phasing on the capital programme would be moved from 2010-11 capital cash limits to future years.

3. Provisional Local Government Grant Settlement 2011-13
(Item 5 - for the report see Section 2 of the Draft Budget Book published on 6 January 2011) (Mr D Shipton from Corporate Finance was present for this item)

(1) Section 2 of the draft Budget Book for 2011/12 comments on KCC's financial and service planning activity in the context of national and public expenditure plans. This part of the Council's Medium Term Financial Plan also explores the context and broad assumptions within which the Budget and MTFP are framed.

(2) Mr Carter detailed the grant settlement and other reductions facing the County Council. The overall effect of these is that for 2011/12 KCC would need to find savings of some £95m and in 2012/13 some £65m. This presented a very significant challenge and the Council would have to become even more innovative and efficient in the way it delivered services. Mr Simmonds said the government grant settlement only covered a two year period and like other local authorities across the country KCC would have to make greater reductions in its budget spend for 2011/12 than had been originally anticipated because of the amount of grant reductions from government which had now been front loaded into year one of the settlement.

(3) Cabinet then discussed the grant settlement in more detail and the effects the reductions would have on specific portfolios and services. Cabinet also noted that a briefing on the settlement for all members of the Council had been arranged for Monday 17 January 2011.

(4) Cabinet noted the current position.

4. Care Quality Commission - Annual Performance Assessment Report for Adult Social Care 2009/10
(Item 6 - Report by the Cabinet Member for Adult Social Services and the Managing Director for Kent Adult Social Services)

(1) This report presented the Annual Performance Assessment Report for Kent Adult Social Services 2009/10 and outlined the Care Quality Commission's view of Kent Adult Social Services Directorate's performance over the last year. The Commission's assessment is that Kent Adult Social Services is "Performing Well". This grading demonstrated consistent performance in a time of major change during which the Directorate was re-structured in order to deliver on the personalisation agenda set out by government. Mr Gibbens said that the Commission had highlighted 6 areas for improvement and an action plan to address these had already been put in place which would be regularly monitored by both KCC and the Commission. Overall the assessment was a significant achievement and he placed on record his thanks to all members of KASS staff and others he had played a part in this achievement.

(2) Cabinet resolved to note the report and the Annual Performance Assessment letter of the Care Quality Commission.

5. Older Person's Modernisation
(Item 7 - Report by Cabinet Member for Adult Social Services; and Managing Director, Kent Adult Social Services)
(Mrs M Howard, Director of Operations, KASS was present for this item)
(The Chairman invited Mrs Dean and Mr Christie to speak on this item)

(1) Mr Gibbens said that this report reflected the considerable amount of work undertaken by KCC and the KASS Directorate in particular since the consultation on these proposals commenced in June 2010. He said the review was all about providing care for older people now and into the future and the challenge was how that was done against a backdrop of changing demographics. So the overall exercise was not about budget savings but looking at providing care for older people with respect and dignity. Now the consultation process was at an end reports on the outcomes were being submitted to both Cabinet and the Kent Adult Social Services Policy Overview Committee which was meeting on 12 January. Following those two meetings Mr Gibbens said he would, as the responsible Cabinet Portfolio Holder take a decision in respect of the 11 individual care homes which had been subject to this process. Once his decisions had been published they would automatically be referred to the meeting of the Cabinet Scrutiny Committee taking place on 19 January 2011. Therefore for the purposes of this meeting of the Cabinet he would be listening carefully to the discussion and would not be expressing any views.

(2) Mrs Howard gave a presentation which supported the comprehensive report which Cabinet had before it. As part of this she explained the reasons why it was necessary for the review to be undertaken and the drivers behind the proposals for change and modernisation. She detailed the proposals in respect of each home and gave a breakdown of the comments which had been received in response to the consultation. She said the proposed changes would see a mixture of modernised residential provision through the re-provision of some services working in partnership with the private sector and through the provision of Extra Care Housing. These changes were needed so that KCC could provide into the future modern fit for purpose care to older people at costs which could be commissioned for less in the independent sector.

(3) The Chairman invited both Mrs Dean and Mr Christie to speak on this item and they both asked a number of questions of detail related to the consultation process, the changes these proposals would mean for current residents and their families, staffing and property management issues and the nature of the partnership arrangements with the private sector. Mr Christie and Mrs Dean thanked the Chairman for the opportunity to speak and on a general point Mrs Dean said the overall way the process for this review had been undertaken was an exemplary piece of pre scrutiny and this should establish a precedent for how similar matters are dealt with in future. At the conclusion of the discussion Mr Carter thanked those who had contributed to the debate and confirmed that once the decisions to be taken by the Cabinet Portfolio holder had been published then they would be referred to the Cabinet Scrutiny Committee which had to be able to fully explore all issues, including those related to property which may need to be discussed under the exempt provisions.

(4) Following further discussion Cabinet noted the contents of the report and the attached 11 reports.

6. Inspection of Safeguarding and Looked After Children Services - Recovery and Improvement Plan
(Item 8 - Report by Cabinet Member for Children, Families and Education; and Managing Director for Children, Families and Education)
(Helen Davies and Malcolm Newsam were present for this item)

(1) This report provided information on the recovery and improvement plan, following the OFSTED Inspection of Safeguarding and Looked after Children Services in Kent. An appendix to the report was circulated at the meeting which set out the Terms of Reference and proposed cross-agency membership of the Improvement Board to be established under an independent Chairman with responsibility for agreeing and monitoring progress on the actions set out in the improvement plan, which would reference a number of quantifiable measures and related processes. There would be quarterly reports to Cabinet on the progress of this work and the Chairman of the Improvement Board would also be making quarterly reports to the Minister.

(2) During the course of discussion Mr Carter said that he had spoken to front line staff whose morale remained very good and whose commitment was focussed on making the changes needed to address the challenges which lay ahead. Mr Carter said he had also spoken with Ministers who had been impressed with the Council's plans to address the findings of the inspection, which included recruiting 3 additional senior managers whose skills and experience would be important in supporting this process. Mrs Hohler said she fully supported all what was in the Cabinet report which demonstrated the Council's total commitment to addressing all the points raised in the inspection report. Mrs Hohler also emphasised a number of individual actions the Council had and would be taking and this would include a review of services for Looked after Children and arrangements being in place to ensure robust monitoring of the performance targets. Mrs Hohler also said that a members' seminar had been arranged for 26 January 2011 so all county councillors would have the opportunity to be briefed in detail on the Council's response to the inspection report.

(3) Mrs Davies paid tribute to staff whose morale remained good and who had been galvanised by the actions which the Council was now taking. Mr Newsam said although having only very recently taken up his duties with KCC he had already been impressed with the level of work being undertaken and the total top level commitment being shown by senior members and managers. The way forward required total commitment, a real sense of urgency and a recognition that the Council's partners also had a key role to play. Katherine Kerswell reminded the meeting that the Improvement and Development Plan was still in draft and therefore would be the subject of ongoing work before being published as a final document.

(4) Cabinet resolved to note the report and the draft improvement plan.

7. Follow up Items and Decisions from Cabinet Scrutiny Committee - 8 December 2010
(Item 9 - Report by the Deputy Leader; and the Head of Democratic Services and Local Leadership)

(1) This report set out the decisions from the Cabinet Scrutiny Committee, items which the Committee had previously raised for follow up and any specific recommendations from the relevant Policy and Scrutiny overview Committees.

(2) Cabinet resolved that the comments and actions detailed in the report be noted and the responses be reported to the Cabinet Scrutiny Committee.

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To: CABINET – 2 February 2011

By: John Simmonds, Cabinet Member – Finance
Andy Wood, Acting Director of Finance

REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT

1. Introduction

1.1 This exception report is based on the monitoring returns for December and highlights the main movements since the November monitoring report presented to Cabinet in January.

2. REVENUE

2.1 There are a number of significant pressures that will need to be managed during the year if we are to achieve an underspend in the current year, which is a fundamental principle in the draft 11-13 MTFP as we are assuming that we can roll forward a £4.5m underspend to help balance the 11-12 budget, (which is based on the forecast outturn position reported to Cabinet in November), together with a further £1m saving from a non-essential spend moratorium for the remainder of 2010-11. The current underlying net revenue position by portfolio, before and after the implementation of assumed management action, compared with the net position reported last month, is shown in **table 1** below.

Table 1: Net Revenue Position before and after Proposed Management Action

Portfolio	**Gross Position £m**	**Proposed Management Action £m**	**Net Position** after mgmt action **£m**		**Movement £m**
			This month	**Last month**	
Children, Families & Education	+3.724	-3.724	-	-	-
Kent Adult Social Services	+1.567	-1.567	-	-	-
Environment, Highways & Waste	-0.313	-	-0.313	-0.313	-
Communities	-0.774	-	-0.774	-0.620	-0.154
Localism & Partnerships	-0.133	-	-0.133	-0.028	-0.105
Corporate Support & Performance Mgmt	-0.298	-	-0.298	-0.256	-0.042
Finance	-6.347	-	-6.347	-5.241	-1.106
Public Health & Innovation	-	-	-	-	-
Regeneration & Economic Development	-0.089	-	-0.089	-0.089	-
Total (excl Schools)	**-2.663**	**-5.291**	**-7.954**	**-6.547**	**-1.407**
Schools	+4.481	-	+4.481	+4.481	-
TOTAL	**+1.818**	**-5.291**	**-3.473**	**-2.066**	**-1.407**

2.2 **Table 2** shows the forecast underlying gross position **before** the implementation of proposed management action, compared with the gross position reported last month.

Table 2: Gross Revenue Position before Management Action

	Variance		
Portfolio	**This Month £m**	**Last Month £m**	**Movement £m**
Children, Families & Education	+3.724	+3.724	-
Kent Adult Social Services	+1.567	+1.939	-0.372
Environment, Highways & Waste	-0.313	-0.313	-
Communities	-0.774	-0.620	-0.154
Localism & Partnerships	-0.133	-0.028	-0.105
Corporate Support & Performance Management	-0.298	-0.256	-0.042
Finance	-6.347	-5.241	-1.106
Public Health & Innovation	-	-	-
Regeneration & Economic Development	-0.089	-0.089	-
Total (excl Schools)	**-2.663**	**-0.884**	**-1.779**

Portfolio	Variance This Month £m	Variance Last Month £m	Movement £m
Schools	+4.481	+4.481	-
TOTAL	**+1.818**	**+3.597**	**-1.779**

2.3 The gross underlying revenue underspend (excluding schools) is currently -£2.663m as shown in table 2 above, but this is expected to increase to -£7.954m by year end, after assuming the implementation of management action, as shown in table 1. The draft 2011-13 MTFP assumes an underspend of £5.5m can be rolled forward to balance the 2011-12 budget. Assuming all of the remaining proposed management action is achieved in 2010-11 and there are no further unbudgeted emergencies, such as further severe weather conditions, then we are already forecasting to exceed this. However, some of this forecast underspend relates to the re-phasing of projects and will be required to roll forward to 2011-12 in order to complete these projects but, after allowing for that, we are still on target to exceed the assumptions in the 2011-13 draft MTFP.

2.4 However, a significant amount of management action is expected to be achieved by year end within the KASS & CFE portfolios. There is a risk that not all of this will be achieved. The position will be closely monitored throughout the remainder of the financial year so that, if necessary, a decision on further action can be taken as soon as possible.

2.5 Table 2 shows that this month there has been a reduction of £1.779m in the overall gross pressure before management action (excluding schools). However within this there are some significant movements. The main movements, by portfolio, are detailed below:

2.6 Children, Families & Education portfolio:

The pressure on this portfolio (excluding schools) remains at £3.724m this month. As reported last month £1.299m of this relates to a shortfall in the Asylum grant for 2008-09 & 2009-10 and the Leader has written to the UKBA Chief Executive challenging the grant settlement – we are still awaiting a response. With regard to the remaining £2.425m, last month it was reported that we were undertaking an exercise to identify management action that would fully cover this pressure. We undertook to provide an update of the key areas of management action in this exception report, with the full detail being provided in the third full monitoring report to Cabinet in April. The key budget areas where we are looking to re-badge expenditure from existing base budgets against underspends in specific grants are:

- £1.250m 14-19 Entitlement – this relates to expenditure on more practical learning options for 14-16 year olds;
- £0.775m Personnel – this relates to termination of employment costs and advice and support to schools;
- £0.400m Interim Headteachers who are deployed to schools to cover short term headteacher vacancies and absences.

2.7 Kent Adult Social Services portfolio:

The latest forecast indicates a pressure of £1.567m, which is a reduction of £0.372m since last month. This movement is made up of a number of small movements, all below £0.1m, on several budget lines including Older Persons Residential and Nursing Care, Learning Disability Supported Accommodation and Other Services and Physical Disability Domiciliary Care. Guidelines for Good Financial Practice are in place to reduce the pressure in order to achieve a balanced budget position by the end of the financial year, which KASS is still hopeful of achieving.

2.8 Environment, Highways & Waste portfolio:

The underspend on this portfolio has remained at £0.313 this month, however this now assumes a significant drawdown from the Emergency Conditions reserve for the costs of the December snow emergencies:

2.8.1 The early December snow emergency was reflected in the last exception report. The costs of this were to be offset against an increased underspend on Waste. Since then, there has been a further snow emergency from 18 December. Total costs of this are still being finalised but it is thought that it will add a further £0.500m pressure to the highways budget. In the absence of any alternative method of funding the pressure within the portfolio, this amount will need to be drawn down from the Emergency Conditions reserve. The extended cold spell is also putting pressure on the normal winter salting budget. If the remainder of the winter is similar to previous years, a pressure of approximately £0.250m is expected. Therefore, if the weather follows its “usual” pattern for January and February, £0.250m of funding may also need to be drawn down from the Emergency Conditions reserve towards the first snow emergency, as some of the waste underspend will be needed to offset the routine salting pressure and will not be available to offset the snow emergency costs.

2.8.2 Assuming that funding is drawn down from the Emergency Conditions reserve equal to the net pressure (that cannot be covered from waste underspending) from dealing with the snow and ice, the portfolio will have an underspend of £0.313m, £0.200m of which is committed for the re-phasing of the MIDAS replacement project, the balance is to contribute towards the £5.5m underspend assumed within the Finance portfolio in the draft 2011-13 MTFP as roll forward to 2011-12 to balance the budget.

2.9 Communities portfolio:

The gross underspend on this portfolio has increased by £0.154m this month from £0.620m to £0.774m. The main movements are:

2.9.1 -£0.108m Registration – an increase in the underspend from £0.114m to £0.222m, which is mainly due to an anticipated increase in the levels of ceremonial income as well as a modest increase in income derived from the registration of births and deaths. Receipts in the last quarter of the year for ceremonies tend to be deposits in relation to ceremonies performed in the following financial year but this year, similar to last, has seen a rise in the number of short term bookings, so income is still being received in relation to 2010-11 ceremonies. Accordingly, the service has forecast an additional £0.100m of receipts in this financial year and are already well on the way to achieving this sum with almost 90% already received.

2.9.2 -£0.031m Libraries – an increase in the underspend from £0.043m to £0.074m. A continuation of the issues reported last month has resulted in an increased underspend this month. Further staff savings of £0.081m have been achieved by bringing forward savings plans, but more notably due to roll-out of Radio Frequency Identification (RFID) self-service technology. However, this is being partially offset by a £0.050m contribution to fund the working capital of a new venture that will digitalise and sell Kent-related images.

2.9.3 Directorate wide - Despite continuing pressures on Coroners and KSS, the Directorate is reporting a net underspend for the year largely as a result of not appointing to vacant roles where possible, accelerating planned savings from future years and also carefully reviewing headroom and commitments within the remaining forecasts to ensure that non-essential expenditure is curtailed wherever possible.

2.10 Localism & Partnerships portfolio:

The forecast underspend for the portfolio has increased by £0.105m from £0.028m to £0.133m and the main changes are:

- -£0.080m Democratic Services due primarily to an underspend on Members IT costs of £0.070m together with the provision for Code of Conduct for which there are no plans to spend.
- -£0.024m Kent Partnerships due to reduced expenditure against the grant received from the Learning Skills Council.

2.11 Corporate Support Services & Performance Management portfolio:

The forecast underspend for the portfolio has increased by £0.042m from £0.256m to £0.298m primarily as a result of the cancellation of the next issue of the Around Kent publication (-£0.029m).

2.12 Finance portfolio:

The forecast underspend for the portfolio has increased by £1.106m this month from £5.241m to £6.347m. This is due to £1.806m further underspending on the debt charges and interest budget. However, this is partially offset by anticipated costs of the council restructure, relating specifically to Personnel & Development and ICT support through the transformation. These projects have been recommended for funding by the Restructure Sub-Group and approved by the Leader, but are not to be funded from the existing Restructure reserve. It is therefore intended that a contribution of £0.700m is made to the Restructure reserve funded from the underspending on the debt charges and interest budget, in order to fund these costs as they arise over the short to medium term, therefore giving a net movement within the portfolio of -£1.106m this month.

3. CAPITAL

3.1 There have been a number of cash limit adjustments this month as detailed in **table 3** below:

Table 3: Capital Cash Limit Adjustments

		£000s 2010-11	*£000s 2011-12*
1	Cash Limits as reported to Cabinet on 10th January	476,156	*416,188*
2	Re-phasing agreed at Cabinet on 10th January		
	Children, Families & Education	-15,946	*15,945*
	Kent Adult Social Services	-761	*761*
	Environment, Highways & Waste	-3,349	*1,463*
3	Modernisation programme 2008-09 - additional external funding - CFE portfolio	207	
4	Development Opportunities - Swadelands - additional external funding - CFE portfolio	400	
5	Virement from KASS to Communities for Ashford Gateway plus	-500	
6	Kent Highways co-location depots - additional grant funding - EHW portfolio		*300*
7	Non-grant supported Land, Part 1 Compensation Claims - additional external funding - EHW portfolio	157	*229*
8	Major Schemes - Preliminary Design Fees - additional grant funding - EHW portfolio	136	
9	PROW - structural maintenance - additional grant & external funding - EHW portfolio	57	
10	Integrated Transport Schemes - additional external funding - EHW portfolio	674	
11	A228 Leybourne & West Malling - reduction in external funding - EHW portfolio	-26	
12	Ashford Ring Road - Reduction in grant funding - EHW portfolio	-30	
13	Sittingbourne Northern Relief Road - reduction in grant funding - EHW portfolio	-16	
14	East Kent Access Phase 2 - additional external funding - EHW portfolio	24	
15	A2 Cyclopark - additional external funding - EHW portfolio	300	
16	Virement to Communities from KASS for Ashford Gateway plus	500	
17	Swale Parklands - additional external funding - Regen portfolio	180	*45*
		458,163	***434,931***
18	PFI	45,101	*88,000*
		503,264	*522,931*

3.2 The current forecast capital position by portfolio, compared with the position reported last month is shown in **table 4** below.

Table 4: Capital Position

	Real and Re-phasing Variance This month	Real Variance Last month	Movement This month
Portfolio			
	£m	£m	£m
Children, Families & Education (CFE)	-1.545	-0.420	-1.125
Kent Adult Social Services	-1.467	-1.023	-0.444
Environment, Highways & Waste	-0.623	-0.623	0.000
Communities	-0.279	0.166	-0.445
Regeneration & Economic Development	0.037	0.037	0.000
Corporate Support Services & PM	1.296	1.484	-0.188
Localism & Partnerships	0.000	0.000	0.000
Total (excl Schools)	-2.581	-0.379	-2.202
Schools	0	0	0
Total	-2.581	-0.379	-2.202

This month there is re-phasing of -£3.1m and a real variance of +£0.5m. -£1.1m of the re-phasing and +£0.7 of the real variance was reported in the previous month. The main movements this month are detailed below:

3.3 Children, Families & Education portfolio:

The forecast for the portfolio has moved by -£1.125m in the last month. Projects subject to re-phasing and overall variances affecting 2010-11 are:

- Primary Improvement Programme (-£0.638m, re-phasing): the majority of the re-phasing relates to a project at Warden Bay Primary School (-£0.664m) this is due to delays in the contractor starting on site in conjunction with a 3 to 4 week delay due to the weather conditions in late November and early December.
- Specialist Schools Programme (-£0.300m, re-phasing): the re-phasing relates to the project at Ursuline College where the impact of changes to BSF and the need for further consultation with Sport England has delayed the progress on the outdoor artificial sports pitch.
- Archbishop Courtenay (-£0.134m, re-phasing): the re-phasing is required as final negotiations relating to the land purchase are still to be completed, this is likely to be finalised within the current financial year.

Overall there is a residual balance of -£0.033m on a number of minor projects.

3.4 Kent Adult Social Services portfolio:

Excluding PFI, the forecast for the portfolio has moved by -£0.444m since the last month. Projects subject to re-phasing and overall variances affecting 2010-11 are:

- Dementia Care Modernisation (-£0.395m, re-phasing): projects have been re-phased due to the ongoing consultation/finalisation of the Directorate Older Persons Strategy.

Overall there is a residual balance of -£0.050m relating to minor re-phasing.

3.5 Environment, Highways & Waste portfolio:

There has been no movement in the forecast since last month.

3.6 Communities portfolio:

The forecast for the portfolio has moved by -£0.445m since last month. Projects subject to re-phasing and overall variances affecting 2010-11 are:

- Ashford Gateway Plus (-£0.465m, re-phasing): the profile of spend has been re-phased but there is no impact on the cost or planned opening date of the building.

Overall there is a residual balance of +£0.020m on a number of minor projects.

3.7 Corporate Support & Performance Management portfolio:

The forecast for the portfolio has moved by -£0.188m since last month. The main variances are detailed below:

- Gateway Multi–channel Service Delivery (-£0.163m, real variance): this is a discrete project which is fully funded by external grant from the Regional Improvement & Engagement Agency and is being undertaken in partnership with other local authorities. It has become apparent that the project expenditure is not capital. All expenditure and funding is being reported through revenue.
- Property Asset Management System (-£0.025m, re-phasing): the re-phasing is due to technical delays in relation to sharing the access database across Authorities.

Overall this leaves no residual balance.

3.8 Capital Project Re-phasing

It is proposed that a cash limit change be recommended for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the re-phasing will be shown. Following last month's Cabinet meeting there were changes made of £20.056m for re-phasing and the table below summarises the proposed re-phasing this month of £2.051m.

Table 5 – re-phasing of projects >£0.100m

Portfolio	2010-11	2011-12	2012-13	Future Years	Total
	£k	£k	£k	£k	£k
CFE					
Amended total cash limits	197,766	259,502	246,046	153,712	857,026
Re-phasing	-1,191	856	335	0	0
Revised cash limits	**196,575**	**260,358**	**246,381**	**153,712**	**857,026**
KASS					
Amended total cash limits	7,773	11,578	4,170	1,521	25,042
Re-phasing	-395	395	0	0	0
Revised cash limits	**7,378**	**11,973**	**4,170**	**1,521**	**25,042**
E,H&W					
Amended total cash limits	152,145	100,277	89,624	250,018	592,064
Re-phasing	0	0	0	0	0
Revised cash limits	**152,145**	**100,277**	**89,624**	**250,018**	**592,064**
Communities					
Amended total cash limits	27,038	12,336	3,392	350	43,116
Re-phasing	-465	465	0	0	0
Revised cash limits	**26,573**	**12,801**	**3,392**	**350**	**43,116**
Regen & ED					
Amended total cash limits	11,516	4,935	3,242	2,980	22,673
Re-phasing	0	0	0	0	0
Revised cash limits	**11,516**	**4,935**	**3,242**	**2,980**	**22,673**
Corporate Support & PM					
Amended total cash limits	14,132	11,512	9,225	2,663	37,532
Re-phasing	0	0	0	0	0
Revised cash limits	**14,132**	**11,512**	**9,225**	**2,663**	**37,532**
Localism & Partnerships					
Amended total cash limits	503	500	500	0	1,503
Re-phasing	0	0	0	0	0
Revised cash limits	**503**	**500**	**500**	**0**	**1,503**
TOTAL RE-PHASING >£100k	**-2,051**	**1,716**	**335**	**0**	**0**
Other re-phased Projects below £100k	-1,017	+753	+89	+175	0
TOTAL RE-PHASING	**-3,068**	**+2,469**	**+424**	**+175**	**0**

Table 6 details individual projects which have further re-phased since being reported to Cabinet on 10th January

	2010-11	2011-12	2012-13	Future Years	Total
	£k	£k	£k	£k	
KASS					
Mental Health					
Original budget	+292	0	0	0	+292
Amended cash limits	+292	0	0	0	+292
additional re-phasing	-224	+224	0	0	0
Revised project phasing	**+360**	**+224**	**0**	**0**	**+584**

4. RECOMMENDATIONS

Cabinet is asked to:

4.1 **Note** the latest forecast revenue and capital budget monitoring position for 2010-11.

4.2 **Note** the intended £0.700m contribution to the Restructure reserve funded from the underspending within the Finance portfolio to cover the anticipated costs of Personnel & Development and ICT support during the transformation of the Council.

4.3 **Note** the changes to the capital programme.

4.4 **Agree** that £2.051m of re-phasing on the capital programme is moved from 2010-11 capital cash limits to future years.

To: Cabinet 2nd February 2011

From: Paul Carter, Leader of the Council
John Simmonds, Cabinet Member for Finance
Katherine Kerswell, Group Managing Director
Andy Wood, Acting Director of Finance

Subject: Budget 2011/12 and Medium Term Financial Plan 2011-13

Summary: To update the Cabinet on the proposed 2011/12 Budget and Medium Term Financial Plan 2011-13 published on 6th January. Cabinet is asked to endorse the proposed budget and Council Tax levels for 2011/12 for submission to the County Council on 17th February 2011.

The update includes:

- Changes to and any further announcement of grants since the draft Budget Book was published

- The final tax base information from District Councils which increases the council tax yield by £1.252m from the £572.4m included in the draft Budget Book

- The balances on District Council collection funds and KCC's share which provides a one-off sum of £1.991m

- The latest forecast for budget pressures in relation to Children's Social Services and further provision, should it be needed, for the Children's Social Care Improvement Plan

- Proposals from Children's Families and Education in response to the reductions in Early Intervention Grant and the loss of Area Based Grants which could not be included in the draft Budget Book

- Recommendations from the Schools Forum in relation to the allocation of Pupil Premium and the transfer of Standards Fund and other grants into the Dedicated Schools Grant

- Changes to the proposed Capital Programme

- Feedback from consultation on the draft budget

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1. Introduction

1.1 The draft 2011/12 Budget and 2011-13 Medium Term Financial Plan (MTFP) was published on 6th January 2011 for formal consultation. These proposals have been developed in the most difficult fiscal circumstances faced for a very long time. In 2011/12 we will lose £58million in Government Grants (excl. schools) and face additional spending pressures of £75million (excl DSG), £34million of which to be funded by additional Government funding through the Learning Disability & Health Reform Grant. We planned to receive an additional £4m through increased Council Tax base and reversal of one-off issues in 2010/11 budget. To balance the 2011/12 budget, the draft Budget and MTFP included efficiency/policy savings and income generation totalling £95million. Despite these difficult circumstances, the 2011/12 Budget includes a Council Tax freeze at the same level as 2010/11.

1.2 At the time the draft proposals were published there were a number of unknown factors which could influence the final budget, these are dealt with in this update:

(1) The Final Local Government Finance Settlement is scheduled to be approved by Parliament on 9th February 2011, however, no significant changes are expected from the Provisional Local Government Finance Settlement (although there may be some minor changes), an update on which was provided to Cabinet on 10th January 2011.

(2) Some grants were still to be announced when the draft budget was published. In particular this related to grants from Home Office and Department for Education. We assumed the Home Office grants would remain at the 2010/11 level and DfE grants would cease altogether. These grants have still not been announced and will have to be treated as in year variations to the approved budget changing gross spend and grant income equally if our assumptions are proved incorrect (a net £nil impact).

(3) District Councils are required to notify preceptors of the updated tax base by 31st January. This is essential to enable Authorities to calculate the level of Council Tax based on the charge for a Band D property and the total Council Tax precept from each Council.

(4) District Councils must also calculate and notify preceptors of any surplus or deficit on their collection funds for the current year. These amounts have to be shared out pro rata to all preceptors and must be taken into account when calculating the overall budget and Council Tax requirements for the following year.

(5) The budget monitoring report to Cabinet on 10th January identified additional pressures on Children's Social Services and Asylum within Children's Social Services. This report identifies the consequential changes to the proposed 2011/12 budget to ensure the budget at the start of the year reflects the very latest forecast activity.

(6) The reductions in the grants transferred into the Early Intervention Grant and the apparent loss of Area Based Grants from DfE were unexpected. The late announcement of these reductions meant that we could not provide any detail in the draft Budget Book and this report includes the proposals to reduce spending in line with the grant reductions.

(7) At the time the draft Budget Book was published we had had no time to discuss the details of the Standards Fund and other grants transferring into the Dedicated Schools Grant (DSG) or the allocation of the Pupil Premium with the Schools Forum as there was insufficient time to analyse all the changes prior to the school holidays. This report includes an update on the allocation of schools' budgets and the impact on grant funded activities within the Children, Families and Education portfolio.

2. Consultation

2.1 We have undertaken a range of consultations to inform the Budget and MTFP. These have included formal consultation on the published draft Budget and MTFP and informal consultation on KCC's spending priorities and Council Tax levels.

2.2 A workshop was held on 2nd October 2010 organised by Ipsos MORI. This is the sixth year that such a workshop has taken place in order to seek views from a representative sample of Kent residents. Having identified that local government would be facing significant cuts in 2011/12, the focus of the workshop was to identify which service areas participants felt we must always continue, and those that were more acceptable to reduce, stop, or charge for. An executive summary from the main report by Ipsos Mori is attached as Appendix 1. The priorities identified by the representative groups have been taken into account when developing the draft Budget proposals.

2.3 A similar workshop session was undertaken with representatives from the Kent Youth County Council (KYCC) on 26th October 2010. As with the public event, KYCC members were given the opportunity to express which service areas should be protected and which services it would be more acceptable to reduce, stop, or charge for. The report to the Youth County Council is attached as Appendix 2.

2.4 Policy Overview and Scrutiny Committees considered the draft Budget and MTFP at their meetings between 11th and 18th January 2011. A summary of the comments and recommendations from each Directorate's January POSC meeting are attached as Appendix 3.

2.5 Cabinet Scrutiny Committee considered the draft 2011/12 Budget and MTFP 2011-13 at its meeting on 24th January 2011, the minutes of that meeting are attached as Appendix 4.

2.6 A forum held with Kent business leaders took place on 26th January 2011. This forum focussed on the proposed 2011/12 Budget and MTFP 2011-13 with a particular emphasis on the benefits and implications for businesses in Kent. The main points raised by the business leaders are attached as Appendix 5.

2.7 We have engaged in both formal and informal consultation on the County Council's budget with Trades Union and professional association representatives. The formal consultation meeting took place on 20th January and the main points raised are attached as Appendix 6. In this year's local pay bargaining we have formally proposed that there should be no cost of living increase for any staff in the Kent Scheme for 2011/12. Trade Unions have requested that all staff earning under £20,000 should have a £250 increase. At the time of writing this report there had still been no formal response from the Employers side.

3. Provisional Local Government Finance Settlement

3.1 The Provisional Local Government Finance Settlement (provisional settlement) was announced on 13th December 2010. This provided the first opportunity to see the impact of the Coalition Government's spending cuts heralded in the Emergency Budget statement and Spending Review 2010 on individual authorities.

3.2 The overall amount for the Department for Communities and Local Government (CLG) was broadly as outlined in the Spending Review 2010, an update on which was provided to Cabinet on 29th November 2010 in the Autumn Budget Statement.

3.3 In our response to the consultation on the provisional settlement, we have welcomed the Government's attempt to simplify the grant system and un-ringfence Specific Grants. However, we have also had to raise our concerns about the unexpected nature of some of the changes (resulting in a greater loss of grant than we had anticipated from earlier announcements) and the misleading nature of the impact of spending reductions.

3.4 The estimated Dedicated Schools Grant (DSG) has changed from the draft budget following confirmation of the transfer of specific grants, adjustment for academies, revision to pupil number estimates and confirmation that the Pupil Premium will be allocated as a separate grant in addition to DSG. Pupil numbers are still an estimate and will be confirmed in the next few weeks following validation of the Annual Census and schools' budgets are due to be finalised by 5th March. As previously reported the final DSG figure will not be known until June.

3.5 The final settlement had not been announced at the time of publishing this paper. An update will be provided to Cabinet at the earliest opportunity after the settlement has been released.

4. Council Tax Base

4.1 KCC's calculation of Council Tax depends on the number of equivalent Band D properties within the area. This constitutes the tax base and is the basis of the precept we make on District Councils. District Councils must notify all preceptors of the tax base by the end of January. This calculation is based on the assessment of the number of properties in each band as at 30th November less each council's estimate for discounts for single occupancy, empty properties, exemptions and collection rates. This is then converted to the Band D equivalent.

4.2 For the purposes of the draft 2011/12 Budget we estimated a Band D equivalent tax base of 546,198.5, yielding £572.436million. This represents a 0.5% increase on the equivalent figure for 2010/11. We are proposing a Council Tax freeze in the 2011/12 Budget, meaning that the Band D rate would remain at £1,047.78 (the same as the 2010/11 Band D rate). This would levy the total council tax yield necessary to fund the proposed 2011/12 Budget.

4.3 The Band D equivalent tax base now notified by District Councils is 547,528, which will yield £573.688m. This figure includes the impact of some districts reviewing the entitlement to single person discounts, which has slightly increased their previously estimated tax bases. The notified tax base represents 0.74% increase on 2010/11 and will yield £1.252m more than estimated in the draft Budget and MTFP.

4.4 We propose that the increased tax base should be used to fund additional pressures in children's social services (see section 6 below) and an additional £100k to protect the highway maintenance budget from the loss of ABG from Department of Transport. £70k is needed for District Council's share of the increased tax yield relating to the reduction in the discount on second homes and the remaining balance is proposed to be held in the Finance portfolio to fund the increased borrowing on the Rushenden Link highways scheme.

4.5 Table 1 below shows the increase in the Authority's Band D equivalent tax base for 2011/12 and previous years.

Table 1 Band D Equivalents	2008/09	2009/10	2010/11	2011/12
Total	535,857.71	540,114.82	543,481.14	547, 528
% Increase	1.0%	0.79%	0.62%	0.74%

5. Collection Funds

5.1 Legislation requires that where a District Council has collected more or less Council Tax than planned that the surplus or deficit on the collection fund must be shared pro rata with all preceptors. Across all District Councils there is an overall surplus of £2.7m, of which KCC's share is just under £2m.

5.2 Cabinet Members should be aware that surpluses and deficits can arise for all sorts of reasons e.g. collection of debts, change in the number of single occupancy discounts, change in number of empty properties, etc. Such factors are unpredictable and the impact results in a one-off adjustment each year which cannot be fully factored into future years' tax bases.

5.3 Table 2 below provides details of KCC's share of the 2010/11 and previous year's surpluses and deficits on collection funds. This is included to demonstrate the relative accuracy of the tax base estimates and the amount from the 2010/11 collection funds which needs to be factored into the 2011/12 Budget.

Table 2 Collection Fund	2008/09 £000	2009/10 £000	2010/11 £000
Ashford	-268,376	245,609	0
Canterbury	0	217,989	0
Dartford	597,517	654,915	840,915
Dover	0	0	0
Gravesham	-750,865	-116,650	- 45,520
Maidstone	77,638	46,396	68,193
Sevenoaks	0	0	0
Shepway	-404,429	-357,926	0
Swale	292,210	431,890	524,950
Thanet	41,414	-244,513	55,209
Tonbridge & Malling	266,318	583,770	0
Tunbridge Wells	378,680	0	547,554
Total	230,107	1,461,480	1,991,301

- represents a deficit

6. Children's Social Services and Asylum Pressures

6.1 The draft budget was based on the latest forecast activity from the full monitoring report for the second quarter reported to Cabinet on 29th November. The exception report on 10th January identified additional pressures, particularly on fostering and Asylum seekers.

6.2 We have revised the sum of £4.8m included in the draft Budget Book for the demand led pressures on children's social services by an additional £1m. This comprises of an additional £1.4m on fostering taking the total pressure to £2.9m (£1.8m on independent fostering and £1.1.m on in-house) and a reduction of £0.4m on the pressures for children aged 16+ staying in care and independent sector residential care.

6.3 We are proposing that the additional one-off funding arising from the surplus on collection funds is added to the £1.5m contingency held in the Finance Portfolio earmarked for the Children's Social Care Improvement Plan. This money would be allocated if necessary as and when the Improvement Plan is agreed.

6.4 We are not proposing any changes to the budget for Asylum seekers for 2011/12 in spite of the pressures reported in the budget monitoring. It is our intention to negotiate with the Home Office to ensure that the strategy agreed last year to resolve the Asylum grant is honoured as the overspends either relate to the UK Border Agency (UKBA) not honouring their commitment to speed up the return to their country of origin for those with "All Rights Exhausted" within 3 months or one-off issues arising from previous year's grant claims. (We are on target to meet our part of the bargain to reduce the cost of housing provision down to an average of £150 per week consistent with the grant provided by the UKBA)

7. Children, Families & Education – Area Based Grant & Early Intervention Grant savings

Area Based Grant

7.1 We are still assuming that £9.182m of Area Based Grants which have not been transferred into either Formula Grant or Early Intervention Grant will not be replaced. We propose to cease the relevant activities based on the ABG originally allocated in the 2008/09 budget. This includes £2.834m of staffing (principally in the Learning Group), £1.505m to provide start-up grants for extended schools, £1.174m saving on home to school transport. Full details are set out in the revised Medium Term Financial Plan submission for CFE attached as Appendix 7.

Early Intervention Grant

7.2 On a like for like basis the Early Intervention Grant has reduced by £11.520m between 2010/11 and 2011/12. We had already proposed a reduction in the contract with Connexions saving £2m in 2011/12 (and a further £3m in 2012/13). Our revised budget proposals include £1.865m reduction in staffing costs (principally those staff funded out of the Sure Start grant for sustainability and workforce which supported staff working in Early Years quality and outcome teams).

7.3 Our revised proposals also include a saving of £2.618m (11%) contribution towards the running costs of Children's Centres (although those centres serving deprived communities will be protected), £3.310m Sure Start funding spent on training and grants to Private Voluntary and Independent (PVI) early years providers, £434k respite efficiencies (once again protecting services for those from deprived families) and £316k reduction in budgets spent within Communities (Positive Activities for Young People, Youth Substance Misuse and Youth Opportunity Fund). Full details of the Early Intervention Grant savings are set out in the revised Medium Term Financial Plan submission for CFE.

8. Schools

8.1 Due to the late announcement, it was not possible to talk to schools about the implications of the settlement before the publication of the "draft for Cabinet" version of the MTP. The DSG figures contained in the draft for cabinet version of the Medium Term Financial Plan 2011-13 and Budget 2011/12 were therefore based on our earlier assumptions on the funding settlement, pressures and savings.

8.2 The funding announcement from the Department for Education were received on 14th December, and they confirmed that the Dedicated Schools Grant (DSG) settlement for 2011/12 is going to be at "flat cash" level, i.e. 0% increase, and that 23 former specific grants are to be mainstreamed into the DSG at their 2010/11 levels. In addition, the announcements confirmed that the minimum funding guarantee for 2011/12 is -1.5%, a negative figure for the first time.

8.3 On 21st January we discussed in detail the pressures and savings facing the DSG budgets with the Schools Funding Forum. The key headlines are:

- We are able to maintain the current funding rates for PVI providers at their 2010/11 levels
- We have made additional funding available for anticipated growth in demand in early years education in the PVI sector, and we have provided additional funding to implement improvements to the local PVI formula as previously agreed

- Within the DSG we have been able to make funding available for schools to fully fund the costs of broadband following the Government's decision to cut the harnessing technology grant in October 2010. This addressed a key concern from schools.
- The impact on the local authority's centrally retained DSG budgets of schools converting to academies now stands at £1.5m. This is based on the current number of schools who have converted, and as more convert this figure will increase and become an in year reduction to manage. We intend to offset some of this reduction by income generation through increased trading activities with academies.

8.4 In addition to the DSG funding settlement, the Government has announced details of the new pupil premium. This will be introduced from 1st April 2011, and will be paid at a rate of £430 for every pupil eligible for a free school meal (January 2011 census) or every pupil who is looked after, and at a rate of £200 for every service child. In total it is estimated that this new grant will total £12m in 2011/12 and must be fully passed to schools with eligible pupils (although schools are free to spend it for any purpose).

9. Capital Programme

9.1 We have made very few changes to the draft Capital Programme. We have updated the programme for the latest rephrasing of projects as reported to Cabinet on 10th January 2011 as part of the Revenue and Capital Budget Monitoring Exception Report.

9.2 We have revised the estimated funding of the Rushenden Link scheme within the Environment, Highways and Waste Portfolio as a result of the loss of SEEDA funding. The additional borrowing is funded from the balance of the additional Council Tax base to increase capital financing revenue budget in Finance portfolio.

9.3 Since the draft programme was published we have had notification of approval of schemes for new academies which includes one new scheme not previously identified in the draft programme and reductions to 3 schemes resulting in a net reduction of £29.432m.

10. Conclusions

10.1 In summary there have been the following changes since the draft revenue 2011/12 budget and MTFP 2011-13 were published:

- Increase in the notified Band D equivalent tax base of 0.74% on 2010/11 (compared to 0.5% in the draft budget proposals), increasing the Council Tax yield from the amount included in the draft Budget by £1.252m to be allocated to CFE, EH&W, L&P and FIN portfolios

- Identification of £1.991m overall surplus due to KCC from District Council collection funds to be earmarked for Children's Social Services Improvement Plan
- Details of the savings proposals in CFE in response to the reduction in Area Based Grant and Early Intervention Grant
- Updates to the Dedicated Schools Grant to take account of the transfer of Standards Fund and other grants, adjustments for academies

10.2 Table 3 summarises the revised proposed budget requirement and proposed Council Tax precept for 2011/12.

Table 3 – Calculation of Council Tax	Published Proposed Budget 2011/12	Revised Proposed Budget 2011/12
Proposed Budget Requirement	£905.825m	£909.206m
Financed from:		
Formula Grant	£316.139m	£316.139m
Council Tax Freeze Grant	£14.325m	£14.325m
New Homes Bonus	£1.400m	£1.400m
Home Office Grant	£1.525m	£1.525m
Area Based Grant		£0.138m
Council Tax collection surplus/deficit	0	£1.991m
Precept requirement from Council Tax	£572.436m	£573.688m
Band D equivalent tax base	546,198.5	547,528
Council Tax Band D rate 2011/12	£1,047.78	£1,047.78
Council Tax Band D rate 2010/11	£1,047.78	£1,047.78
Increase	£nil 0%	

10.3 The final position for the Children, Families and Education Portfolio in relation to the estimated DSG will be subject to recommendations from the Schools Forum and the finalisation of individual school's budgets. Recommendations on the final CF&E Portfolio budget need to be delegated to the Portfolio Cabinet Member.

10.4 Any further notification of grants, particularly affecting CFE and Communities will now have to be reflected as in-year variations under the approved virement procedures.

10.5 We have made changes to the draft capital programme related to academies, the funding for the Rushenden Link road and rephrasing of projects as previously reported to Cabinet. We have also made the consequential increase in the capital finance budget within the Finance portfolio funded from the balance of the additional Council Tax yield resulting from a larger than anticipated increase in the tax base.

10.6 The revised draft Budget Book for County Council includes some other minor presentational changes and we have included a revised order of the A to Z of services in portfolio order to aid the debate on the day.

11. Recommendations

Members are reminded that Section 106 of the Local Government Finance Act 1992 applies to any meeting where consideration is given to matters relating to, or which might affect, the calculation of Council Tax.

Any Member of a Local Authority who has not paid Council Tax for at least two months, even if there is an arrangement to pay off the arrears, must declare the fact that he/she is in arrears and must not cast their vote on anything related to KCC's Budget or Council Tax.

11.1 Cabinet is asked to endorse the following proposals for submission to County Council on 17th February 2011:

(1) the Revenue Budget proposals for 2011/12. Cabinet is asked to note the proposed changes as a result of the equivalent Band D tax base from the estimate included in the published draft Budget, and the surplus/deficit on the District Councils collection funds. Cabinet is asked to endorse the resulting change to overall budget requirement.

(2) The savings proposals outlined in section 7 within Children Families & Education and Communities portfolios as a result of the loss of DfE ABG and Early Intervention Grant.

(3) a requirement from Council Tax of £573.688m to be raised through precept on District Councils.

(4) Council Tax levels for the different property bands as set out below, representing a freeze at the 2010/11 levels.

Council Tax Band	A	B	C	D	E	F	G	H
	£698.52	£814.94	£831.36	£1,047.78	£1,280.62	£1,513.46	£1,746.30	£2,095.56

(5) the Capital investment proposals, together with the necessary borrowing, revenue, grants, capital receipts, renewals, external funding and other earmarked sums to finance the programme. Delivery of the programme will be subject to the approval to spend on individual schemes and the level of Government support available in future years

(6) the Prudential Indicators as set out in Appendix F of the draft MTFP 2011-13

11.2 Cabinet is also asked to endorse the revenue and capital budget proposals set out in the draft 2011/12 Budget and MTFP 2011-13 (as amended as a result of the changes outlined in this report and summarised in Appendix 7 and recommend them to the County Council. A revised 2011/12 Budget Book and MTFP 2010-13 reflecting the changes in this report will be produced for County Council on 17th February 2011.

11.3 Cabinet is asked to agree that the final recommendations in relation to schools budgets and the DSG be delegated to the Cabinet Member for Children, Families and Education.

<u>*Officer Contacts*</u>

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<u>*Background Documents*</u>

Autumn Budget Statement – Cabinet 29th November 2010

Budget 2010/11 and Medium Term Financial Plan 201/11 to 2012/13 considered by Policy Overview and Scrutiny Committees between 11th November 2009 and 19th November 2009

Provisional Local Government Finance Settlement 2011/12 – 13th December 2010

Draft 2011/12 Budget and Medium Term Financial Plan 2010-13 launched 6th January 2011 and considered by Policy Overview and Scrutiny Committees between 11th January 2010 and 19th January 2010

Appendices

Appendix 1 – Executive Summary of MORI Report

Appendix 2 – Report to Kent Youth County Council

Appendix 3 – Summary of comments & recommendations from January POSC meetings

Appendix 4 – Minutes of January Cabinet Scrutiny Committee meeting

Appendix 5 – Summary of main points raised by Kent Business Leaders at the budget meeting on 26th January

Appendix 6 – Summary of main points raised by Trade Union and Professional Association representatives at the meeting on 20th January

Appendix 7 – CFE Revised Medium term Financial Plan

Appendix 1

Executive Summary

Background and methodology
This report details the findings of a citizen workshop designed and conducted on behalf of Kent County Council (KCC) by the social research agency, Ipsos MORI. The workshop, held on 2 October 2010, lasted an entire day and involved intense deliberations by 74 residents on how to best make savings to the Council's 2011/2012 budget. Participants were recruited from across Kent and represented a diverse cross-section of the local population.

Setting the scene
KCC has been consulting the public on budget savings for a number of years, but the Immediate future will be a particularly difficult time for public finances; Local Councils as well as National Government are faced with the challenge of delivering services with a significantly reduced budget. In Kent, this translates to a loss of approximately £90m over the next four years (excluding schools). With additional funding pressures such as an increasingly ageing population also taken into account, the actual reduction in budget can expected to be even larger. Given the sheer size of the savings that need to be made, the citizen workshop was radically changed this year to be more challenging. The day culminated in tasking participants to find £30 million of savings for 2011/2012. The vast majority of participants were keen to rise to the day's challenge and to engage with the proposals put before them. We observed that participants were more aware than any previous year of the fiscal challenges facing KCC. When asked to state what they perceived to be the biggest single challenge Kent faces in the years ahead, the most common response was *'fair and responsible budgeting'*.

Reaching consensus on proposed savings
A total of 20 proposals - each equating to £3 million savings - were debated by the 74 participants, who were split into 5 small groups for ease of discussion. A broad consensus on whether to accept or reject a proposal and associated savings (where 4 of 5 groups agreed), was achieved in 12 service areas. These were:

Accept proposal and £3 million savings	Reject proposal and maintain spend
Redesigning library services	Reducing payment to Foster Carers
Reducing the number of Early Years Advisors	Reducing subsidised bus routes
Reducing eligibility for Home to School Transport provision	Reducing spend on highway maintenance
Withdrawing the Community Wardens service	Reducing availability of waste disposal service
Reducing spend on the Connexions Service	Reducing the number of permanent social workers
Reducing spend on the Freedom Pass	
Switching off street lights between 12-6am	

It is worth noting that earlier in the day, and in line with other survey data, participants stressed the importance of education/schools, healthcare and care for the elderly as the most valuable services provided by KCC. Furthermore, they had generally agreed these areas should be protected the most from a reduction in spending.

Yet, when it came to the budget balancing task towards the end of the day, participants were less dogmatic when considering savings options, with some groups accepting savings proposals in these priority areas.

We found that participants were able to look at each proposal on its own merits and were often guided by very pragmatic considerations. For example, the majority of groups were prepared to see a reduction in the Connexions Service as it was regarded as a poor and under-used service anyway, and that some of its activities could be shifted onto Job Centre Plus or the schools' careers services. Similarly pragmatic reasons were given for favouring some proposals over others. For example, the view that KCC was possibly over-providing (in the case of Home to School Transport), and whether other things were in place to mitigate the impact of the saving (such as OFSTED inspections being a good check on the reduction of Early Years Advisors).

None of these decisions were taken lightly and some of the respondents stated they were reluctant to agree savings but understood that decisions had to be made. Two golden threads were evident throughout the debates. The first related to whether accepting certain proposals still protected the most vulnerable in the community. It was important that those who could not help themselves and those who needed help through no fault of their own were still able to get the support they were used to. The second thread, was that savings should not have knock-on effects in other service areas. For example, the reduction in social workers was thought to be too short term and would result in long term problems with families and child protection. It is also important to note that savings decisions were often made with conditions attached – such as a guarantee that funding in another area would be maintained.

Underlying principles for savings
The 20 proposals could be notionally split into 4 different types of savings. Aside from tasking each group of participants to agree on £30 million of savings, we also wanted to test their tolerance and appetite for different ways of findings savings. These types of savings were first explored during the discussion of three case studies[1], and were presented as:

- Reducing the role of KCC in the provision of that service, radically redesigning the delivery of the service or stopping the service altogether
- Reducing the level of service or service standard
- Changing eligibility criteria
- Introduce or increase service charging.

Again, participants took an extremely pragmatic view and there was little objection in

[1] Findings from these three case studies (care for the elderly; Home to School Transport, and supporting business) are intertwined with those from the 20 specific savings proposals throughout the report; however a separate key findings annex report on each of the case studies can be found in the appendices.

principle to each type of saving presented. How each principle could be applied in a number of different scenarios was judged on a case by case basis. So for example, there was more willingness to see KCC roll back where they were perceived to be over–providing and allowing service users to discharge of their own responsibilities (in the case of some parents using Home to School Transport). Similarly, participants were willing to consider a changing role for KCC in the provision of services where there were plenty of other providers to take up the strain – with the proviso that the Council acts as a guarantor of standards and value for money.

A reduction in the standard of service being delivered was acceptable in some areas, although only after a careful assessment of the consequences or risks of providing a lower quality of provision. The knock-on effect of a reduced service in child protection, foster caring, waste disposal, and highway maintenance was seen to be too greater risk to accept such a savings proposal in these areas.
Participants became more comfortable with the principle of increasing service charges as the day progressed. Ability to pay was important, and charges were seen to be more acceptable for services that residents choose to use for personal pleasure (e.g. leisure services) rather than services needed by the whole community (e.g. waste services – albeit a district service) or used out of necessity (e.g. social care).
As we noted earlier, a golden thread throughout the debates related to protecting those most in need. When polled during the day, three-quarters preferred to protect services for people who most need help, even if that means others are harder hit. It was commonly expressed that more able residents should take more personal responsibility and not use some currently free Council services. As such, changing eligibility criteria as a principle of saving was therefore more acceptable in areas perceived to be 'nice-to-have' rather than in those used by residents who cannot easily help themselves.

Feedback and recommendations for future budget consultation
Although participants found decision making difficult, feedback from the workshop was overwhelmingly positive. This is extremely welcome news given how radically we changed the design of the day from previous years. As the fiscal squeeze will continue for the foreseeable future, it will be important to continue to seek the views of those affected by spending decisions. The success of the deliberative workshop shows there are rewards for having difficult but mature engagement with local citizens. This is how we see future consultations on budgeting developing over the next few years. In particular, participants enjoyed learning more about Council spending and being able to speak directly to Council staff. This suggests that KCC should undertake a more proactive engagement strategy on what the Council is doing to ensure a fair budget, and how it has included citizens and other stakeholders in this process.

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Appendix 2

Kent Youth County Council

Report: KYCC Budget Consultation
To: Kent Youth County Council
From: Dave Shipton – Finance Strategy Manager
Date: 26th October 2010

1. Introduction

On 26 October 2010 six members of the Kent Youth County Council (KYCC) attended a budget consultation afternoon run by Corporate Finance. Given the financial pressures Local Government is facing, the aim of the consultation was to identify which services young people feel:

- We must continue to do however bad things get
- It would be good to carry-on doing if we possibly can
- We can stop if the cuts are as bad as we think they will be
- We should stop doing anyway

The KCC presentation gave participants an overview of: how council tax works, KCC's budget and where our future pressures will come from, the impact of the national picture and Spending Review, and the expected cuts for KCC from 2011/12 onwards.

In addition to the presentation participants undertook three main exercises as a group, these included a service improvement exercise, case study debates and a budget saving exercise.

The purpose of the service improvement exercise was to get participants thinking about the extent to which they feel services should be provided from Council Tax or whether individuals should pay for some services and whether services could be delivered by the voluntary/private sector.

The case study debates focussed on home to school transport and care for older people. The purpose of discussing two case studies was to 'warm the group up' by discussing in depth the feasibility of making savings in two specific areas, before exploring more specific examples of savings in the later 'Budget Savings Exercise'.

For the budget saving exercise participants took on the role of Cabinet Members, and were asked to identify £30m of savings from 20 theoretical options put in front of them, each worth £3m.

Broadly the 20 savings options could be split into four types of savings. As well as tasking the group to achieve £30m of savings, we were also interested in the type of savings they were open to accepting; these are categorised as follows:

- Reducing the role of KCC in service provision, radically redesigning the method of service delivery, or stopping the service altogether
- Reducing the level or standard of service
- Introduce/increase service charging
- Changing eligibility criteria

2 KYCC Conclusions

From this cabinet discussion the following areas were identified as areas KCC must continue to deliver services

- Freedom pass - This service should continue to be delivered by KCC, although considerations must be given to rolling back the service in light of the provision of free transport to school, the KYCC was also in favour of introducing means testing for the freedom pass.
- Nursing and residential care – although the services doe not necessarily have to be provided by KCC it is important for KCC to maintain a lead role in quality assuring the provision of care in private sector homes. The KYCC stressed the importance of maintaining the quality of services, and supported the idea of charging those who could afford to pay for the service.
- Community wardens should continue to be delivered by KCC
- Subsidised bus routes – Service should continue to be provided by KCC although alternatives for a cheaper method of delivery should be explored.

The following areas were identified as areas that should be delivered if possible and/or passed to voluntary/private organisation.

- Library services should be passed to the voluntary sector
- Environment services – increase charges to service user in order to ensure funding.

The following areas were identified as not important:

- Trading Standards
- Arts and Sports – service should be transferred to the voluntary sector
- Connexions

3 Recommendations

Many of these conclusions are in line with the outcomes from the public consultation undertaken with members of the public earlier in October.

KCC Corporate Finance would like to thank KYCC Members for participating in this consultation exercise. We would also like to propose that if this consultation is to take place in future years, a greater number of KYCC Members attend. This is order to ensure a greater range of views are put across and a better representation of all areas of Kent is achieved.

Appendix 3

By: Head of Democratic Services & Local Leadership

To: Cabinet – 2 February 2011

Subject: **MEDIUM TERM FINANCIAL PLAN 2011-14 BUDGET 2010/11 COMMENTS FROM POLICY OVERVIEW & SCRUTINY AND CABINET SCRUTINY COMMITTEES**

Classification: Unrestricted

Introduction

1. The Policy Overview & Scrutiny Committees and the Cabinet Scrutiny Committee considered the budgets that related to their current areas of responsibility. This report provides a summary of the comments on the Draft Medium Term Financial Plan 2011-14 and Draft Budget for 2011/12 made at the following meetings:

Communities Policy Overview and Scrutiny Committee
11 January 2011 (**Annex 1**)

Adult Services Policy Overview and Scrutiny Committee
12 January 2011 (**Annex 2**)

Corporate Policy Overview and Scrutiny Committee
13 January 2011 (**Annex 3**)

Joint meeting of the Children, Families and Education Policy Overview and Scrutiny Committees
14 January 2011 (**Annex 4**)

Environment Highways and Waste Policy Overview and Scrutiny Committee
18 January 2011 (**Annex 5**)

Regeneration and Economic Development Policy Overview and Scrutiny Committee
19 January 2011 (**Annex 6)**

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ANNEX 1

Communities Policy Overview and Scrutiny Committee
11 January 2011

31. Draft Budget and Medium Term Financial Plan
(Item B4)

(1) The Committee considered the Draft Budget proposals relating to the Communities Directorate's as set out in the Draft Budget 2011-12 and the Draft Medium Term Financial Plan (MTFP) 2011-2013 and also the report which was circulated specifically relating to the key areas of these documents for Communities Directorate.

(2) Mr Hill and Mr Tilson introduced the draft Budget and Medium Term Financial Plan for the Communities Directorate. Mr Hill and Officers answered questions from Members about the following issues:-

(3) Mr Tilson confirmed that the "new library and community centre, Cheeseman's Green, Ashford" (page 151 of the draft MTFP) was the only project which was reliant on specific grants and/or external funding and would only go ahead if the funding was achieved.

(4) Mr Tilson explained that in relation to Youth Centres that benefit from an 80% reduction in rates because a charity is accommodated onsite, there was legislation pending which may withdraw this exemption and a pressure has been provided for accordingly.

(5) In response to a question Mr Tilson confirmed that in the Registration and Community Learning and Skills services, the user did pay for the elements that were not paid for by grants or Government contribution but that a small KCC budget was prevalent for Registration. In relation to Adult Education, if enrolment figures fall this can cause a funding pressure, as it is difficult to react quickly to reduce costs. It was important to get the right mix of fixed and variable costs in order to react for a change in the enrolment figures and to balance the books. He stated that it was also a mid to long term aspiration for the Registration service to be cost neutral, or as close as.

(6) Regarding funding for Supporting People, Mr Tilson explained that the partner agencies in receipt of cascaded funding e.g. Borough/District Councils, were aware of funding cuts driving the need to do things differently, for example providing floating support, and we were working closely with all partners. In relation to Community Safety, Borough/District Councils had been consulted and there were partnership arrangements in place or negotiations ongoing.

(7) In relation to budgets which had been un-ring fenced, Mr Hill stated that the responsibility rested with the County Council to decide how to allocate these funds.

(8) Mr Tilson explained how the County Council's capital programme was funded and explained the term of prudential borrowing.

(9) In response to a further question on Supporting People, regarding floating support, Mr Tilson stated that services and the way in which they were delivered were under review. The intention is to provide one countywide approach to create an efficient and cost effective service that continued to protect the most vulnerable people in Kent. The resulting plan would be shared with the Committee when it was available.

(10) In response to a question on the reduced figure for the contribution towards the running costs for The Bridge (page 93 – Draft Budget) from £32,000 to £2,000, Mr Tilson explained that £32,000 had been added to the base budget, not reduced, and that the £2,000 was the inflation element in future years e.g. they were not yearly increases but the movement in the base budget. He also gave an explanation of the £838,000 in 2012/13 (page 93 – Draft Budget) for Review of service provision – creation of commissioning budget and how this needed to be viewed in tandem with the gross savings that are identified on the following page to get back to the £0.9m Youth Service saving that is identified in the Budget MTP paper.

(11) There were a number of questions relating to the Youth Service and in response Mr Hill stated consideration was being given to re-modelling the Youth Service including commissioning more work in the voluntary and private sectors, where capacity existed already or had the potential to increase in the future. He undertook to ensure that when a plan had been developed it would be shared with the Committee.

(12) RESOLVED that the revenue and capital budget proposals included within the Medium Term Financial Plan 2011/13 be noted and the comments made by Members on the revenue and capital budget proposals be fed into the Cabinet Budget meetings and County Council in February.

ANNEX 2

Adult Social Services Policy Overview and Scrutiny Committee

12 January 2011

105 - Draft Revenue and Capital Budgets 2011/12 and Medium Term Financial Plan 2011 - 2013

The Chairman secured the Committee's agreement to consider this item as urgent business, as the papers could not be placed in the public domain with the required five clear days' notice, due to the late publication of the draft budget.

1. Miss Goldsmith introduced the report and she and Mr Mills and Mrs Howard answered questions from Members. The issues highlighted in Members' comments and in answers to questions were as follows:-

a) KASS headings in the published budget book showed net budgets reductions in some service areas. Some/many of these had been caused by the end of some specific grants including Transforming Social Care Grant. Some payments to the voluntary organisations were time limited specifically whilst this grant funding existed. No cuts to specific voluntary organisations are proposed other than for this reason;

b) KASS had strategies in place to address these reductions, as well as ways to generate income, and these are listed on pages 89 and 90 of the budget book;

c) the ongoing increase in the number of clients using Direct Payments to buy services would lead to reduced expenditure on residential services;

d) the KCC was previously expecting to lose £5m of funding (a reduction of 50% from the former level) when the Preserved Rights formula changed, but this expected loss had not materialised. Similarly, other funding which the KCC had feared would move from specific grants to formula funding had not changed;

e) Members expressed the opinion that the layout of the budget book made it difficult to follow, and some entries did not show enough detail to give a helpful picture. Miss Goldsmith undertook to advise Members outside the meeting of specific details requested; and

f) the headings presented in the budget represented the headlines only, and if these were agreed by the Council in February, the detail of the budget would then be worked out, using the Fairer Charging guidance.

2. RESOLVED that the information given in the report and in response to Members' questions be noted, with thanks.

ANNEX 3

Corporate Policy Overview and Scrutiny Committee

13 January 2011

32. Budget 2011/12 and Medium Term Financial Plan 2011/14
(Item B5)

(1) The Committee considered the Chief Executives Departments (CED) Draft Budget proposals set out in the Draft Budget 2011-12 and the Draft Medium Term Financial Plan (MTFP) 2011-2013 and also the report which was circulated specifically relating to the key areas of these documents for this Department.

(2) Mr Wood, Mr Shipton and Mr Simmonds introduced the Draft Budget 2011-12 and the Draft MTFP 2011-2013 for the Chief Executives Department and Financing Items and then answered questions from Members about the following issues:-

(3) Clarification was sought on the "Reduction in Member Allowances & Overheads" of £200,000 (page 99 of the Draft Budget). Mr Simmonds explained that there would be full details by 1 April 2011. This reduction reflected the new Directorate and Cabinet Member responsibilities and would depend on the way that the Cabinet was restructured and the number of Deputy Cabinet Members.

(4) Mr Shipton explained that currently they did not know where the staffing efficiencies would occur, it was expected that that they would be delivered through natural turnover and not filling vacancies, which would emerge during the year. Business units had been given a target figure. The top tier re-structuring had already delivered savings and it was expected that further savings would be delivered as this process went though the next tier.

(5) Mr Simmonds explained that £750, 000 had been allocated for savings from the top tier review. He stated that in the Finance Unit it was difficult to say were the staff saving would come from, as finance staff from the directorates were being re-absorbed into the Finance Unit. Mr Shipton stated that unit staffing figures would be available for the final version of the Budget Book following the County Council agreement of budget (as has been the case in previous years).

(6) In relation to savings from "changes to human resources policies" (page 102 of the Draft Budget), Mr Shipton stated that Ms Beer was working on a proposal and this would be the subject of a consultation.

(7) Mr Shipton confirmed that the largest part of the "other" savings of £1.7million was the reduction in the cost of employer's pension contributions from 2.31% to 2.1% which would save a significant amount (£526,000) with little direct impact on staff.

(8) In response to a question on what budget consultation would be carried out following the cessation of consultation work by Ipsos MORI, Mr Shipton explained that although the work of Ipsos MORI had been helpful in obtaining in depth feedback from a small group, he confirmed that they were looking at other ways of achieving this including using on line consultation.

(9) Mr Shipton stated that the un-ring fenced grants for LINks could now be used to contribute to the funding of Healthwatch.

(10) RESOLVED that the revenue and capital budget proposals included within the Medium Term Financial Plan 2011/13 be noted and the comments made by Members on the revenue and capital budget proposals be fed into the Cabinet Budget meetings and County Council in February.

ANNEX 4

Joint meeting of the Children, Families and Education Policy Overview and Scrutiny Committees

14 January 2011

55. Draft Revenue and Capital Budgets 2011/12 and Medium Term Financial Plan 2011 - 2013

(Report by Mrs S Hohler, Cabinet Member, Ms R Turner, Managing Director)

(1) The Committee considered the Children, Families and Education Directorate's Draft Budget proposals set out in the Draft Budget 2011/12 and the Draft Medium Term Financial Plan (MTFP) 2011/2013. Also circulated was a revised page of Appendix A relating to the correct page numbers of the Managing Directors comments.

(2) Mr Abbott and Mr Ward introduced the draft Budget and draft Medium Term Financial Plan for this Directorate. Officers answered questions from Members about the following issues:-

(3) Members were given the opportunity to make comments and ask questions that included the following:

(4) In response to a question by Mr Tolputt, Mr Abbott advised that it was not the Schools Funding Forum's role to control the distribution of the funds. Most decisions remain the responsibility of Members. He advised that he was preparing an analysis with options for the Schools Funding Forum to consider but due to the late publication of crucial information by government during the last week of the autumn term it had not been possible to share this with schools in advance of meeting with the Forum.

(5) In reply to a question by Mr Pugh, Mr Abbott advised that with regards to the impact of the budget on Children's Centres, he was currently working on the proposals and impact on the Centres. He advised that the current £60m budget would be reduced to £50m next year, which would have a significant impact on the Centres and other associated services in the Centres.

(6) Mr Vye suggested that the spread of figures within the Budget Book made it difficult to see how savings could be made. He considered that the local authorities support services for schools were crucial in achieving the prescribed levels of attainment and that there would now have to be a charge to the schools for our support services. He commended the work undertaken to achieve the £1.3m projected underspend in Special Educational Needs (SEN) transport and acknowledged the increase in the parental contribution on transport to schools. He then questioned why the local authority was still being cautious. In response Mr Abbott, referring to page 86, advised that in addition to the specific savings on SEN transport of £½m there were also

savings with the ban on single occupancy taxis and with the savings on transport procurement.

(7) RESOLVED that:

(a) the responses to Members questions and comments on the revenue and capital budget proposals for the Children, Families and Education as detailed above be noted; and

(b) the comments be fed into the Cabinet Budget meetings and County Council in February 2011.

ANNEX 5

Environment Highways and Waste Policy Overview and Scrutiny Committee

18 January 2011

5 Budget 2010/11 and Medium Term Financial Plan 2011-13
(Item B3 – Report by Mr Nick Chard, Cabinet Member for Environment, Highways and Waste; and Mr Mike Austerberry, Executive Director of Environment, Highways and Waste)

(1) The Committee considered budget proposals for the Environment, Highways and Waste Directorate, with reference to the KCC published budget consultation paper issued on 6 January 2011. Members were invited to comment on the key issues on the proposed budget changes for the services provided by the EHW Directorate.

(2) The total of the proposed savings and income generation required in order to meet the indicative cash limit for 2011/12 was £11.9m. The majority of the savings would come from efficiencies (£6.9m) and new income streams (£0.8m).

(3) The biggest element of the new income would be from increasing the cost of the Freedom Pass from £50 to £100. The cost to children in receipt of a free school meal would remain at £50 and it would become free to looked after children.

(4) The efficiencies would be a combination of management reductions, streamlining and reduced assessment, and improvements in procurement and contracting in highways and waste. Because of the level of savings required, efficiencies and new income were not sufficient and some service reductions would also be required (£4.1m).

(5) The largest of the reductions would correspond with the government reductions in ABG for highways and transportation, resulting in a reduction of £1.7m from road safety (mainly safety camera partnership) and sustainable transport initiatives. The transport offer would be reduced slightly, with the removal of support to those socially necessary but uneconomic bus routes that provided the least added value (£0.6m) and also the removal of the 9:00 - 9:30 discretion on concessionary fares (£0.6m). Third party recycling credits currently passed on to national bodies would be removed and the household waste recycling opening hours would be reviewed. There would also be savings across the environment and planning services, the most significant of which would be reductions in the level of public rights of way maintenance and countryside access services. It was proposed that no inflation was added to highways fees and charges for the new financial year. This continued the freeze in highways fees and charges in 2010/11 and would be a small help to business at this difficult economic time.

(6) The starting point for the capital programme was the existing published capital programme for 2010/13. The only significant change to the capital programme was the 28% reduction in government funding for the combined highways maintenance and integrated transport programmes. Frontline road surface was protected as far as possible from the reduction and the split between maintenance and integrated transport programmes was set out in the detailed capital budget in appendix D of the budget book, and in appendix 3 of the report.

(7) There followed a question and answer session which included the following issues:-

(a) Mrs Tweed asked if it would be possible to stagger payments for the Freedom Pass, after the initial payment of £50. Members supported the idea and Mr Hall undertook to look into this suggestion.

(b) Mr Harrison referred to

(i) the Coastal Protection service, and the payments to District Authorities towards the cost of coastal protection improvements. Mr Hallett stated that the payments were ‘historic loans’ for infrastructure at the 5 Coastal District Councils several years ago;

(ii) no provision having been made for an annual % increase on the freedom pass and asked if building that fact into costs could be investigated; and

(iii) the Countryside Access service and which portfolio would it be responsible to following the proposed re-organisation.

(c) Mrs Cole stated that having recently attended meetings of the Dartford Youth Advisory Group, students were struggling to meet the cost of a Freedom Pass, and asked if it would be possible to implement a direct debit system. Mr Hall undertook to look into the suggestion.

(8) RESOLVED that the revenue and capital budget proposals, together with the responses made to Members questions be noted.

ANNEX 6

Regeneration and Economic Development Policy Overview and Scrutiny Committee

19 January 2011

53. Draft Revenue and Capital Budgets 2011/12 and Medium Term Financial Plan 2011- 2013
(Item B8)

Mr D Shipton, Finance Strategy Manager, was in attendance for this item.

The Chairman secured the Committee's agreement to consider this item as urgent business, as the papers could not be placed in the public domain with the required five clear days' notice, due to the late publication of the draft budget.

1. Mr Shipton introduced the report and responded to questions and comments from Members. The issues highlighted were as follows:-

a) the budget document which would be considered by the County Council in February would be presented in portfolio order, to aid the traditional debate, as well as the A-Z order of services currently used for the draft budget book. For the Regeneration & Economic Development Portfolio the proposed spending on project activities is shown on page 74 of the A to Z and strategic staff costs are shown on page 81 as part of the CED Directorate Management & Support. At this stage in the restructure proposals, it is not appropriate to identify budgets for individual units as this could only be presented for the old structures. It is intended that the final budget book will show budgets for new unit structures. The year-on-year change for the Regeneration and Economic Development Portfolio is shown on page 95. Members at some earlier POSC meetings had commented that the A to Z budget book format was difficult to follow;

b) the report which had been prepared for the POSC contained more detail than included in the draft budget book, and provided detail of the staff costs included under the CED heading to reconcile the total proposed budget for the portfolio of £5.224m for 2011/12. Most of the reduction compared to the budget of £6.361m for 2010/11 will arise from reprioritisation of project activity; and

c) the Cyclopark project listed in the report under the Revenue budget was being progressed under the headings of two portfolios – Regeneration will show the revenue costs and Environment, Highways and Waste the capital project.

2. The Chairman invited the Cabinet Member, Mr Lynes, to comment on the portfolio's budget. Mr Lynes said the budget for his portfolio was small in comparison to those of other portfolios, and entirely project-driven. Projects which are valued by the KCC and its partners will continue, always working to find new ways to achieve their aims. He explained the method used to calculate the budget; taking all lines back to zero and adding in funding based on agreed priorities. The Regeneration unit would seek to save on FTE posts, and if it proved possible to make more savings than planned, he would seek to be allowed to put those savings into the Regeneration Fund. He reminded Members that the Regeneration Fund had supported projects across portfolios other than his own, and as such was a practical example of cross-directorate working.

3. RESOLVED that the information given in the report and in response to Members' questions be noted, with thanks.

Appendix 4

KENT COUNTY COUNCIL

CABINET SCRUTINY COMMITTEE

MINUTES of a meeting of the Cabinet Scrutiny Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Monday, 24 January 2011.

PRESENT: Mrs T Dean (Chairman), Mr L Christie, Mr R F Manning, Mr A R Chell, Mr R E King, Mrs J P Law, Mr R J Lees, Mr R L H Long, TD, Mr J E Scholes, Mr C P Smith, Mr M J Whiting and Mr A Sandhu, MBE (Substitute) (Substitute for Mr M J Jarvis)

PARENT GOVERNORS: Mr P Myers

ALSO PRESENT: Miss S J Carey, Mr P B Carter and Mr J D Simmonds

IN ATTENDANCE: Mr K Abbott (Director Resources and Planning Group), Mr D Shipton (Finance Strategy Manager), Mr A Wood (Acting Director of Finance), Mr P Sass (Head of Democratic Services and Local Leadership) and Mr A Webb (Research Officer To The Cabinet Scrutiny Committee)

UNRESTRICTED ITEMS

54. Budget 2011/2012 and Medium Term Financial Plan 2011 - 2013
(Item 4)

(1) The Chairman explained that the debate on the Budget would follow the order of the Medium Term Financial Plan (MTFP).

(2) Mr Simmonds introduced the Budget, explaining the aim had been to preserve frontline services, particularly to vulnerable people. In doing so, the administration had sought not to stop any services entirely, although some savings had to be proposed which changed the way services were delivered e.g. introducing self service in libraries. He emphasised that the Council had looked at every single aspect of spending and adopted a priority led approach to determining where savings should be proposed (rather than salami slicing from all services). Replying to a question about whether it was difficult to see where the cuts had ben made in the Budgetwere, Mr Simmonds explained that it was clear, by portfolio in Appendix B where savings had been made and it had been made clearer by identifying whether savings were efficiencies or policy led.

(3) Responding to a comment that it was difficult to see where the reduction of approximately 1500 posts would be, Mr Simmonds explained that Managing Directors had undertaken to achieve these efficiencies throughout the year. The Leader added that in some Directorates conversations had already begun

about the lower tiers. Mr Wood explained that there were around 960 vacancies across the authority as at November 2010, although some were posts that would need to be filled.

(4) Referring to a need to front load staff reductions, the Chairman asked when Members would know the effects of this in terms of post reductions. The Leader responded that there might be some announcements before the end of February, with different parts of the organisation at different stages in the process (e.g. Environment, Highways and Waste were already beginning to look at interviewing for posts in the new structure). Mr Simmonds and Mr Wood explained that Finance were in the process of evaluating the tasks the unit had to undertake and which were essential and non-essential, and the risks associated with each, and the structure would emerge over the next three months.

(5) Mr Manning expressed a view that, given that savings had been forced on the Council by Government, the focus should be on finding the £95 million of savings and that there was not a need to scrutinise staff cuts as part of the debate on the Budget. Mr Christie thought that it was not unreasonable to ask where posts were going to go, since it was impossible to reduce 1500 posts without affecting services. Responding to a question from Mr Christie about whether the turnover of 10% of staff had been factored into the plans to reduce posts, the Leader explained that this would enable the reshaping of the organisation without significant compulsory redundancies, since 1500 posts corresponded to 10% of the workforce, and that there were already approximately 900 vacancies in the organisation.

(6) The Leader explained that there was a desire to give staff certainty and reshape the organisation as quickly as possible but that it was difficult to identify what services would be stopped, because of the move to different and creative means of service delivery. There would be reductions to staff within Children, Families and Education (CFE), as the Council began to deliver the Secretary of State’s more minimalistic approach; in Highways, as highways maintenance would be a priority and traffic improvement schemes would not take place over the next three to four years; and in Libraries, as the service was modernised through the use of technology. Mr Simmonds added that the Budget set out savings through efficiencies, policy savings and changes to procurement and this should give Members some indication where savings would be made within Directorates. Mr Wood’s team had been as specific as possible about savings through the introduction of an A-Z of services in the Budget Book.

(7) The Chairman stated that it was difficult to see from the A-Z where reductions had been made without being able to compare the previous year’s spending. Mr Shipton explained that officers had included the previous year’s approved net budget in the A-Z so that direct comparisons could be made; however the Chairman made the point that it was not possible to easily ascertain how exactly savings would be achieved or how the amounts had changed between 2010/11 and proposed for 2011/12. A view was expressed that it was common in such situations for a strategic direction to be set, and

further detail to be worked up in the future; if Members and Finance Officers had waited until all the detail was available, they would be criticised for not making the information available sooner. The Leader concurred with this view, stating that the Corporate Management Team and Cabinet had agreed the proposed Budget was deliverable, and that the next stage would be look at the staffing levels required to balance the books.

(8) Mr Simmonds explained that over the previous few months, Members and officers had looked at the efficiency and cost of each of the more than 300 services delivered by the Council, had had detailed discussions with Directorates and had asked whether the Council should continue to do certain things and whether certain services could be reduced.

(9) Mr Christie stated that he recognised that Government had imposed budgetary limits upon Councils and cited the example of Manchester City Council, which was facing problems implementing the savings. Referring to announcements that the Council would save £20 million in staff costs, he asked whether the need to make the saving had caused KCC to look at how staff cuts could make up that amount or whether the Council had looked at how many posts could be reduced and that happened to equate to £20 million. Assuming that the headings 'modernisation' and 'improvement' corresponded to staffing reductions, Mr Christie referred to savings of £21 million, £5 million and £4 million in the CFE, Kent Adult Social Services (KASS) and Communities Directorates respectively and asked for the detail used to arrive at these figures.

(10) The Leader responded that the Council would need to reduce the cost of procurement, change service specifications, reduce staff costs or raise income, and it could be assumed that staff reductions would comprise part of the necessary savings. Using schools as an example, the Leader cited the direction of travel of Government and stated that changes in the Budget book reflected this, with more funding being given to schools and support services provided by the Council being reduced. Mr Simmonds added that Manchester had admitted that they had not made savings in previous years, but that Kent had been more proactive in anticipating the cuts; it was the element of front-loading which had taken the Council by surprise. Miss Carey stated that the savings that KCC was seeking to make, including staff reductions, were in-line with those of neighbouring authorities.

(11) Mr Manning made the point that uncertainty affected staff morale and performance, and asked when Members would know where the reductions would take place. Mr Wood explained that, in the case of Finance, this would probably be May with some colleagues in other Directorates further on in the process, while others were further behind. The Budget book assumed the process would take ten months.

(12) Using his own unit as an example, Mr Wood explained that initially officers had been asked to identify savings within their teams, but when the new structure of the Council had been agreed at County Council, and it was clear the Finance function had been centralised, officers had looked at how

they could make savings of 30% over the next 2-3 years across the piece, rather than proceed with reductions in the Directorates. A draft would be presented to the Finance Strategy Board, then to Senior Management Teams and then to the Policy Overview and Scrutiny Committees (POSCs) before staffing changes could be confirmed. Mr Simmonds added that in some cases, contractual obligations would have an impact on the staff changes.

(13) Mr Christie requested that, in addition to the response from KCC to consultation on the Provisional Local Government Grant Settlement for 2011/12 which accompanied the agenda, a copy of the previous year's response be provided.

(14) The remainder of the discussions related to specific elements of the budget book

Introduction

(15) Responding to a question as to whether the funding settlement received by Kent was disadvantageous compared to other Councils, including its neighbouring or comparator authorities, Mr Simmonds explained that one area it had been affected more than other Councils was connected to 'damping', which meant that those authorities least dependent on Government Grant funding compared with council tax faced the largest proportionate reductions. Mr Shipton explained that there had not been a detailed comparison with other Councils in the Budget book at this stage due to the complexity of grant changes, but an initial comparative exercise by KCC officers had shown Kent had fared slightly worse than the average for all County Councils and a comprehensive exercise would be undertaken once the information was available.

(16) Miss Carey informed Members that there was going to be a review of Local Government funding, and this is why there had only been a two year settlement. There would be a need to press for fairer and more transparent funding. Replying to a question about whether Kent had received a response to its request for an earlier review of the funding formula, and whether any indication had been given about what changes may be made, the Leader responded that the Government's intent was to reduce the amount of recycled non-domestic rates and allocate spending to where commercial and domestic council taxes were collected, to reduce the amount of recycled money from the treasury. South East England Councils would be producing a report evaluating the various funding options, including the option put forward by Government, to arrive at a solution which was needs-based and transparent.

(17) The Leader explained that he, Mr Simmonds and Mr Shipton had met with the Parliamentary Under Secretary of State for Communities and Local Government, and on asking about the timeframe for the funding review, had been informed that it was expected to be completed by June. Mr Shipton added that this would take effect from the 2013-14 settlement onwards.

(18) Responding to a question about whether Kent had been treated unfavourably as a result of damping, Mr Simmonds explained that the Council's fears about what might happen to Preserved Rights grants had not been realised, but the Council had been worse hit by the education budget remaining static, cuts to education grants such as the Early Intervention Grant and in-year cuts that had taken place the previous May. On the question of whether Kent had more academies than other councils, the Leader responded that Kent was at the higher end, but that as the largest council it had more schools than other local authorities.

(19) There was a discussion about how Kent had fared in terms of funding allocated on the basis of deprivation, and whether more of this money had been allocated to Councils in the North of England. Mr Shipton commented that there was no particular pattern to the funding changes, except that they depended on the grants that Councils previously received and which had now been cut (e.g. the majority of the former recipients of the Working Neighbourhoods Fund had benefitted from the new Transitional Grant). The Leader added that where Councils were dependent on grants in addition to the Revenue Support Grant, for example due to areas of high deprivation, when grants had been amalgamated this had meant some Metropolitan authorities had seen a larger reduction in funding. Mr Christie requested a comparative table of how each Council had fared as a result of the grant settlement.

(20) Referring to the Council's response to the Government consultation, the Chairman made the comment that the situation regarding some of the grants was still undecided, and asked if it could be assumed that these grants were being discontinued. Mr Shipton explained that in the Budget, it had been assumed that all the grants in Table 5 on page 27 of the Budget book would be discontinued, except those from the Home Office which would be announced by the end of January. This would amount to a loss of approximately £10 million in grant funding.

(21) Regarding the capitalisation of redundancy costs, the Leader explained that the Local Government Association had been pushing for relaxation of the rules. Officers had assumed that this would not be able to be capitalised and would instead need to be dealt with under revenue. The assumption was that the £4 million in the Budget for modernisation would meet all redundancy costs.

(22) Responding to a question about Pupil Premiums, the Leader explained that he had attended a meeting of the Schools Forum the previous Friday where the matter was discussed. The premium allocated more money to schools with high deprivation indicators, and there had been a discussion that resolved that the Council should use the regulation that allowed it to seek the Secretary of State's approval to vary the allocation of existing targeted funding to avoid double funding. Mr Abbott stated that the premium amounted to £430 for each qualifying pupil, and £200 for each child from a service family, but this amount could treble through the lifetime of the process.

(23) Regarding the removal of the Early Intervention Grant (EIG), Mr Abbott stated that he was working through the issue with a number of managers, and a number of proposals were being worked up. There was a one off pressure arising from the fact that the funding would cease on 1 April, but some contractual obligations could not be terminated before this date. All the detail of how the EIG pressures would be dealt with would be available in the Budget Book that went to County Council. The Leader suggested that debates on how cuts resulting from the EIG reductions would be achieved could take place at the relevant POSCs, and that proposals could be circulated for wider Member consultation.

Revenue Strategy

(24) Mr Christie referred to the lowering or stopping of pension contributions (a 'pension holiday') and asked why the Council was confident that it would not create problems in the future, with demographic predictions suggesting that people were living longer and therefore drawing their pensions for longer. Mr Simmonds explained that the actuarial review had analysed the liabilities and assets of the pension fund, the diversification of its investments had created income which had enabled the fund to maintain its capital position in adverse market conditions, and he was confident that the fund would be able to meet its liabilities. Mr Christie asked whether the impending report from the Hutton Review of public service pensions could have a significant impact, and whether it was taken into account; Mr Scholes, Chairman of the Superannuation Fund Committee, responded in the affirmative.

(25) Referring to paragraph 3.14, Mr Christie asked for more information about the £5 million that had been set aside for a Big Society Fund, including whether it would only be available during the next financial year. The Leader explained that the fund was to encourage new social enterprises and entrepreneurship, and for existing social enterprises to expand. The criteria for which money could be bid for would need to be worked out, but there would be several key themes such as creating job opportunities, aiding community cohesion and health delivery in line with the aspirations of Equity and Excellence.

(26) The Chairman made the point that some social enterprises could be of relatively small scale, and asked whether the Council would have difficulty in engaging so many small organisations. The Leader explained that the detail around how social enterprises would be engaged and how the money would be allocated was still being worked on.

(27) The Chairman referred to the fact that the Moderate level of eligibility for Adult Social Services had been maintained and asked whether this was because it was cheaper for the Council to do so. Mr Simmonds responded by saying that work had been done within KASS which looked at the effect on councils which had changed to more stringent criteria, and the result had been that their costs had increased. Mr Wood commented that those councils which had raised their eligibility criteria had experienced a steeper

demographic increase against the budget in the ensuing 2-3 years, although there was not evidence to be certain of a link.

(28) There was a discussion around the management of risk. A question was raised about the fact that a number of risks in the Corporate Risk Register were allocated to officers who were leaving the organisation. Mr Wood explained that every departing officer was asked a series of questions about the risks they were holding as part of the handover, and where appropriate, risks would be transferred to a new named owner. The Chairman referred to the risk related to Organisational Transformation, and asked whether risks relating to the restructure had changed since they were first reported to the Corporate POSC. Mr Wood explained that they had not changed significicantly, since the Council was still early on in the process and it was not possible to see if the risks had been mitigated.

(29) Mr Wood explained that by the time the Budget was reported to Cabinet the following week, this section would be updated to reflect the known tax base position from the district councils and the balance on their collection funds. The amount in the draft budget for the increased cost of children's social services would also need to be revised because of the increasing numbers of children in foster care since the original draft. These revisions would then result in the final position.

*Capital Strateg*y

(30) Referring to Table 14 on page 46 of the Budget Book, a question was asked why Developer Contributions were rising while less was being spent on Capital projects. Mr Wood explained that this was for longer term projects, and citing the example of Eastern Quarry development, explained that programmes were slowing down over the next two years but would gain momentum again in the future. If they were projected into the future, Developer Contributions would be shown to be increasing further still.

(31) The Chairman asked whether, in paragraph 4.21, the additional use of borrowing in the 2011-14 plan to accelerate improvements in facilities and address backlog maintenance issues would arrest or reverse the backlog of school buildings maintenance (£17 million) and roads (approximately £400 million). The Leader responded that the 80% reduction in devolved capital to schools and the cancellation of the Building Schools for the Future (BSF) programme would have an impact, but over the previous 10-12 years the Council had had some good years in terms of school maintenance and renewal programmes, resulting in stock that was in much better condition than in a number of years previously. The current year's schools maintenance budget of £14 million, which was a combination of revenue and capital, had been retained in the Budget Book, but the backlog maintenance figures might go up in the medium term, until the Government were in a position to be more generous with capital funding for schools. On the subject of roads, the Leader stated he was hopeful that the Council would be able to maintain its current position, with highways maintenance being a top priority but with less invested in new projects such as traffic calming or crossings, due to a reduction in

resources from £110 million to £80 million. The Leader agreed with the Chairman's assertion that, rather than addressing backlog issues, the Council may be in a position where the backlog may increase over the next two years, due to the challenging financial circumstances.

(32) Mr Simmonds explained that, despite an increase to the cost of borrowing of 1% from the Public Works Loan Board, the Council had managed to maintain a capital investment of £772 million over the next three years, and this would benefit Kent businesses.

Treasury Strategy

(33) The Chairman asked for an update on the position regarding the Council's deposits in Icelandic banks. Mr Simmonds explained that a dividend from Heritable had taken the amount recovered from that bank to over 50% and that there were two important cases coming up – Landsbanki in February, and Glitnir in March – where KCC's preferential creditor status would be under review. If the court cases went as expected, the Council could receive between 90% and 92% of its original investment. With time the economy would improve, meaning that the banks' underlying assets would increase in value; the worst case scenario would be that the Council would receive about 30 - 35% of its original investments. The position was clear under Icelandic law, and the Icelandic Government's priority was to maintain a good relationship with the European Union, which would increase the likelihood of the money being returned.

(34) Mr Wood explained that the current financial year was the first time that the Council had to formally write the impact of potential losses into the accounts, in accordance with guidelines from the Chartered Institute of Public Finance and Accountancy (CIPFA). To employ the previous year's thinking, where it was written into the accounts but did not impact, the Council would have to set aside approximately £6 million. Mr Wood explained that this figure was arrived at by calculating the lost interest into the future, but that the Council was already budgeting for the reduced interest received from the Icelandic investment, and would therefore need to adjust one of the figures in conjunction with the external auditor to avoid double counting. Responding to a question about how much of the original £50 million had been recovered, Mr Simmonds explained that the £9 million from Heritable constituted the total amount received to date.

(35) In relation to paragraph 5.8, a question was asked about when the sub-committee of the Cabinet had been established. Mr Simmonds explained that it was established in 2008 and that the last meeting was in December 2010; the issue of the Icelandic bank deposits had been discussed regularly by the Committee since the financial crisis.

(36) The Chairman spoke about a local authority bank which had been promoted by the Local Government Association, whereby local authorities pool their investments, and asked whether the Council had any intention to invest in such a bank. Mr Simmonds explained that a Treasury Management

paper would be going to Cabinet on 2 February, but that the issue would need to be explored in greater detail in the future. Mr Christie raised the concern that investing in a local authority bank would not spread the risk, and Miss Carey added that there was a likelihood of councils wanting access to funds at the same time.

Risk Strategy

(37) In relation to the roles and responsibilities set out in paragraphs 6.8 and 6.9, a question was asked about who was responsible for understanding the detail relating to risks and ensuring they were captured. Mr Wood explained that the ownership lay with CMT but the person overseeing the recording of risk was the Head of Audit and Risk. Mr Long added that the Governance and Audit Committee also took a continuing interest in the monitoring of risk. Referring to paragraph 6.26, which detailed the reporting between the Head of Audit and Risk and the Governance and Audit Committee, the Chairman asked whether the Informal Member Group on Budgetary Issues could also receive risk updates. Mr Simmonds thought the Governance and Audit Committee the most appropriate forum for Members to be kept updated on risk.

Appendices

(38) Making reference to page 78 of the 'A-Z of services' and the report to Cabinet on 10 January, Mr Christie inquired where exactly the pressure lay relating to Asylum Seekers and explained that when it had become a pressure the previous year, a figure of £3 million was quoted and special precept was being considered. The Leader stated that the Council had done a deal with the Home Office the previous year, that involved bringing down the weekly costs of looking after asylum seekers, but the Home Office was now suggesting that the terms of the deal were different to what was previously negotiated. Mr Abbott explained that the budget proposals reflected this previous agreement, and corresponded to a reduction of the unit cost of looking after asylum seekers from £200 to £150 per week. One of the issues that had arisen related to an agreement with the UK Border Agency that they would repatriate asylum seekers who had exhausted all rights of appeal, but this routinely took over a year to happen, yet the asylum seekers were no longer funded after three months. The Leader explained that Members and officers would be meeting the Immigration Minister jointly with the London Borough of Hillingdon to press the Home Office to honour the agreement.

(39) Referring to the footnote on page 83, Mr Christie inquired whether the Chancellor's announcement that pay would not be frozen for those earning less than £21,000 per annum and increases to inflation, the costs of rail travel and fuel, and VAT had been taken into account when arriving at the decision to freeze the pay of lower paid staff and whether it had been a political decision. The Leader explained that decisions about pay had not yet been taken, but the Budget book was based on a 0% increase in pay. He added that it would be interesting to reflect on Mr Christie's suggestion, and asked officers what a 1% increase for staff earning under £21,000 would cost. Mr

Wood estimated that this would cost just under £1 million excluding schools. (*Post meeting note: Mr Shipton confirmed that the figure for non-schools staff would be £932,000 and for schools staff an estimate was between £1.4 million and £1.5 million*).

(40) The Chairman referred to a statement by the Prime Minister about pursuing the concept of a ‘living wage’, and the approach by London Citizens to companies in the City of London to suggest that they took up this idea. All four companies which had adopted this policy had seen significant benefits, such as a reduction in staff turnover. The Leader explained that this had not yet been considered but that it would be an interesting piece of research to undertake, although allowances would need to be made for the significant variations in the cost of living throughout Kent.

(41) Mr Christie sought a definition of ‘socially necessary but uneconomic bus routes’, as mentioned on page 92 of the Budget Book. The Leader explained that a tendering process was currently underway which might lead to savings through better procurement. There were some services where the subsidy amounted to as much as £10 per passenger, and there was a need to rationalise timetables to make the best use of resources without isolating people who depended on the services. Mr Christie went on to ask about the removal of the 9am – 9.30am discretion on Concessionary Fares, and whether the £600,000 saving was based on usage from the previous year. The Leader explained that it was difficult to ascertain the exact cost, but £600,000 represented the amount demanded by district councils to run the service. There were plans to move to an ‘Oyster Card’ model, which would provide better information on the usage of the service. The Leader also informed Members that the Head of Transport and Development had been asked to approach bus companies to see if they would extend the concession free of charge.

(42) On the introduction of a parental contribution for denominational and selective transport, referred to on page 86, the Chairman asked for detail on the level of contribution expected, and how this related to the Freedom Pass. The Leader explained that the intention was to recover approximately 50% of the cost of providing this transport.

(43) Regarding transport for people with Special Educational Needs (SEN), a question was asked about why there was a discrepancy between the reduction from £18.74 million to £17.54 million on page 79 of the Budget Book and the savings of £500,000 on page 86. Mr Abbott explained that the £500,000 was the saving identified to reflect the underspend in the current year, and that there was also a saving of £100,000 to reflect the reduction in single occupancy taxi journeys but also a reduction due to the changes to the Area Based Grant relating to extended right to free travel, which it had been assumed would no longer be available.

(44) Responding to a question about whether there would be a grant from Government available for the adoption of Healthwatch nationwide, Mr Shipton

explained that there would be a grant, but it was not expected to be available until 2013/14.

(45) Referring to the reduction in reserves of £9 million in 2011/12 mentioned on page 211, Mr Christie inquired whether auditors would give a qualified opinion on this and whether it represented a risk. Mr Simmonds explained that the money had been taken from long term reserves such as Private Financial Initiatives which would not mature until 2019/20, that the money would eventually need to be repaid, but that the Council had weighed up the risks and judged that it was a prudent measure to take. Mr Wood added that there was no risk, and explained that reserves helped smooth out the impact of varying expenditure over a number of years. Category 1 reserves represented the Council planning ahead for upcoming financial commitments, but in this case the reserves could be used to even out the impact of the front-loading of grant reductions from Government, but the money would be there to meet the financial commitments when they arose.

(46) There was a discussion about Category 3 reserves. Mr Wood explained that officers expected there were no plans to reduce the Emergency Conditions Reserve as part of the general draw-down of reserves.

(47) The Chairman referred to the reduction of £400,000 to voluntary sector organisations detailed on page 86, and asked whether the Council was making any other reductions to the voluntary sector. Mr Wood explained that officers were hoping to draw together a briefing note to set out voluntary sector reductions across the piece, including from which organisations that funding was being reduced. Mr Simmonds explained that the intention was for funding to go to frontline services, and there were some organisations with increasingly heavy overheads so discussions would be taking place around the conditions under which this funding would be made available. Responding to a question about whether this would delay the provision of funding to organisations such as Age Concern, to which the Council was a major contributor, Mr Simmonds responded that the Cabinet Member, Adult Social Services had already made announcements around Age Concern at the Adult Social Services POSC. Mr Abbott explained that the £400,000 in the budget book had been identified the previous year as a result of examining the 23 local partnerships and looking at how savings could be achieved through more countywide procurement.

(48) Referring to page 71, under Contributions to Voluntary Organisations, Mr Christie identified a £1.5 million gap between the 2010/11 and 2011/12 net expenditure and asked for the detail behind it. Mr Wood undertook to ask for a formal response from KASS.

(49) In response to a question about whether £4.07 million was sufficient for workforce reduction over the next two years, Mr Wood explained that although just over £4 million was predicted to still be in the reserves at the end of the current year, there would be an additional £4 million put into the reserves in the next year and another £3.5 million the year after, which would provide approximately £12 million for meeting redundancy costs, which officers felt

was sufficient to meet redundancy costs over the next 2-3 years. Mr Wood also clarified that this sum did not include the £750,000 that was being saved as a result of the top tier restructure, although there would be costs associated with that process. Instead £750,000 represented the saving that was being made.

(50) The Chairman referred to the £162 million announced by the Secretary of State for Health, and asked how much of this Kent would receive and what the purpose of this grant would be. Mr Wood explained that the funding would be transferred to Councils and would have to be spent in the current year on services that benefitted Health; if Kent were to get its normal share of nationwide funding, it would amount to approximately £3 million.

(51) In response to a question about the Members Highway Fund on page 149, Mr Wood explained that the reason why no spend was shown for 2010/11 was because most of the money was being spent in a manner which was not deemed capital expenditure under the rules and was instead shown as revenue spend.

(52) Mr Manning posed a question about how the £75 million allocated to the Council through the Private Finance Initiative was accounted for in terms of cash flow. Mr Wood explained that the Council received a grant to meet its costs in any given year. Responding to a follow up question about a similar risk arising to the Asylum Seeker situation, with Government not honouring its commitments, Mr Wood explained that most grants have conditions attached to them so this could not happened.

(53) The Committee asked that formal thanks be recorded to the Finance team for their hard work in preparing the Budget.

RESOLVED: That the Cabinet Scrutiny Committee:

(54) Thank Mr Carter, Mr Simmonds, Ms Carey, Mr Wood, Mr Shipton and Mr Abbott for attending the meeting and answering Members' questions.

(55) Ask that the Cabinet Member, Finance, provides a copy of the letter sent by KCC to Government in response to the Provisional Local Government Grant Settlement 2010-11.

(56) Ask that the Cabinet Member, Finance, provides a table of the reduction in Government grants to other local authorities in England compared to Kent.

(57) Welcome the assurances given by the Leader that proposals on how reductions to the Early Intervention Grant will be implemented in Kent be put before Members for consultation, including through the relevant Policy Overview and Scrutiny Committee.

(58) Welcome the suggestion given by the Leader that research into implementation of a 'living wage' in Kent be undertaken, including mapping the variations in cost of living across the county.

(59) Ask the Group Managing Director to consider whether changes to the risks that the Council faces also be reported to the Cabinet Scrutiny Committee, no less frequently than every six months.

(60) Ask that the Cabinet Member, Finance, provides detail of the number of users of concessionary bus fares over the previous year, and how this relates to the £600,000 identified savings from providing this service from 9.30am.

(61) Ask that the Managing Directors of all Directorates affected provide detail of any reductions in funding to the voluntary sector.

(62) Formally commend Finance Members and Officers for their hard work during the run up to the publication of the budget.

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Appendix 5

Summary of main points raised by Kent Business Leaders at the budget meeting on 26th January

KENT COUNTY COUNCIL

BUSINESS CONSULTATION FORUM

Notes of a meeting of the Business Consultation Forum held at the Village Hotel, Maidstone on Wednesday, 26 January 2011.

PRESENT:- **KCC:** Mr K G Lynes (in the Chair) and Mr J D Simmonds. Andy Wood, Acting Director of Finance and Dave Shipton, Finance Strategy Manager.

BUSINESS COMMUNITY: Kate Austen, PodPlus; Tim Bentley, Kent Ambassador; Steven Boxall, Regeneration X; Debbie Cameron, IoD Kent; Miranda Chapman, Pilory Barn Creative; Robert de Fougerolles, Kent Ambassador; Olga D'Silva, Zen Languages; Jill Edwards, Mid Kent College; Clive Emson, Clive Emson Auctioneers; David Holmes, Shepherd Neame Ltd; Katie Holmes, Chilston Park Hotel; Douglas Horner, Kent Ambassador; Andrew Ironside, Canterbury Christ Church University; Ray Johnson, Independent Insurance Services; Ian Legg, Kent Ambassador; Chris Long, Groundzero Productions Ltd; Graham Mead, Kent Messenger; Brigadier John Meardon, Canterbury Cathedral; Allan Mowatt, The Kent Foundation; Kirsty Newbury, Kent Film Office; William Opie, Bennett Opie Ltd; Adrienne Robins, Quantum Public Relations; David Rowls, Action Plus Media; Charlie Vavasour, Quantum Public Relations; and Ed Weeks, Cripps Harries Hall.

KCC OFFICERS: Allison Campbell-Smith, Programme Manager; Karen Mannering, Democratic Services Officer; Theresa Bruton, Head of Regeneration Projects; Liz Gilbert, Project Co-ordinator, Regeneration & Economy; and Serena Palmer, Graduate Accountant.

1. Introduction

Mr Lynes welcomed everyone to the meeting. Kent County Council published its Medium Term Plan 2011-13 (Incorporating the Budget and Council Tax Setting for 2011-12) for consultation on 6 January 2011, in line with the agreed process. Copies had been circulated prior to the meeting.

2. Medium Term Plan 2011-13 (Incorporating the Budget and Council Tax Setting for 2011-12) – Update

(1) Mr Shipton gave a presentation on the budget proposals for 2011/12.

(2) The presentation included information on –

- The scale of the challenge (the 10%) – which means KCC finding £160m savings over the next 2 years
- The £95m challenge for 2011/12
- National Context – Emergency Budget & Spending Review; which Government Departments had been hit hardest; what might the future bring

- Local Context – priority-led budgeting; economic development; what KCC currently spent; revenue and capital funding 2010/11; revenue grants losses; grant cuts; extra spending; unavoidable pressures £26m; new priorities £15m; the £95m savings challenge; £38m efficiency savings; £6m increases in charges; £15m reserves and one-offs; £36m reducing services; Council Tax freeze proposed by KCC; business rates; capital investment

(3) There followed a question and answer session. Comments from the floor included the following:

- KCC continue to assist those wishing to set up small businesses, to encourage them to remain in Kent
- KCC continue to champion Kent Businesses and within the bounds of procurement legislation should seek to source supplies and services from local businesses
- KCC should continue to support the tourism sector
- Clarify the funding/programme for Local Enterprise Programme
- Support for improving the presentation of budgets to make them more meaningful to the public and those outside the council and suggestions for further improvements
- Support for continuing partnership working
- KCC should continue to support improved Broadband installation coverage across the County
- Landfill charges and how collection authorities can help to reduce the cost for the County
- Use of Consultants

3. Mr Lynes thanked all those present for attending the meeting and for their feedback. The meeting had proved very useful with an informative exchange of views. He stated that any further questions/queries would be welcomed.

Appendix 6

Summary of main points raised by Trade Union and Professional Association representatives at the meeting on 20th January

FORMAL BUDGET CONSULTATION MEETING
20 January 2011
Garden Room, Oakwood House

Attendees:
John Simmonds – Cabinet Member (Finance) Paul Royel – Head of Employment Strategy, Colin Miller – Reward Manager, Andy Wood – Acting Director of Finance, Dave Shipton – Finance Strategy Manager

Unions:
David Buss - UNISON, Zoe Van Dyke – UNISON, Frank Macklin – GMB, Liz Heaney – NAYCEO, Mark Dawkins – ASCL, John Walder – NUT, Trevor Desmoyers-Davis NASUWT, Eddie Walsh - UNITE

Dave Shipton made a comprehensive presentation regarding the Budget for 2011/12 (a copy of which is attached with these notes).

KEY POINTS WERE:

- Government ministers have stated that the reduction in funding for 2011/12 was 1.8% for KCC, the reality is it is more like 10%. Key factors in this are:-
    - Reduction in Government Grants
    - Unavoidable spending pressures
    - New local spending priorities
    - The need to freeze Council Tax
- This equation equates to £160m reduction over the next 2 years. £95m in the first year and £65m in the second.
- Local Government is facing the biggest reductions in funding of all Government departments (and is expected to deliver savings earlier than other services).
- Provisional Grant Settlement is for 2 years. Previously it covered 3 years.
- KCC budget is 'priority led' as set out in Bold Steps For Kent.

Grant Cuts
- £58m (excluding Dedicated Schools Fund) equivalent to 10% of all grants on a like for like basis with grants originally allocated for 2010/11.
- A number of separate grants have been transferred into Formula Grant which allows the Authority complete discretion to decide how and where the money is spent. Previously money would have been allocated to spend in specific areas and activities as required under the terms of the grant.

Unavoidable Pressures
- £26m including contractually enforced price increases, and demands for services such as concessionary fares, vulnerable adults/older people, children placed in care etc.

New priorities
- £15m includes Capital Finance, Big Society Fund, IT Infrastructure and consequences on Children's Social Services of recent OfSTED inspection.

Savings

- £95m from grant cuts and spending pressures to be met from a combination of Efficiency savings (£38m), Income generation (£6m), Use of reserves and one-offs (£15m), and Policy changes (£36m)

Efficiencies

- Includes £20m from staffing (estimated approx 700 posts), £11m from procurement (services and property running costs), £4m from debt management

Income

- Includes uplift in existing charges for social services clients in line with benefits uplift, some new charges for social services clients and increased income from schools, legal and commercial services

Reserves

- Drawing down £14m from long-term reserves but adding £5m to short-term reserves to cover emergencies, plus £6m from under-spend in current financial year.

Policy Savings

- Includes some changes to service delivery but no services will cease entirely

Schools

- Schools grant protected in cash terms although 23 separate grants will now be transferring to delegated budgets. This could result in some schools losing and some schools gaining.
- No loss of more that 1.5% per pupil.
- Devolved Capital Grants reduced by 80%.

KCC Capital

- Reductions in Capital programme
- School maintenance funds sustained.

QUESTIONS & COMMENTS

C **Freedom Pass – the increase in cost to £100 is likely to make this unaffordable for those families less financially well off.**

A Sustaining the Freedom Pass is a Member priority with over 26,000 young people taking this up. The cost will not increase for any young person in receipt of Free School Meals or in Care. Members will be considering how increased costs can be mitigated for families with several children eligible for the scheme.

Q **Staffing Reductions – projected £20m savings to come from reductions in staffing and policy changes. Does this £20m include the loss of approximately 200 jobs in the Library Service?**

A The overall efficiency savings (£38m) include the introduction of self service in the bigger libraries but as yet this has not been translated into staff reductions and would be in addition to the £20m saving on staff efficiencies.

Q **Kent Youth Service – restructuring has already taken place with savings of £512,000. KYS have recently been informed that further savings of £1m need to be made. Is this additional to the £512,000?**

A A separate detailed response will be provided but in essence any new savings will be on top of the savings already implemented where these are ongoing and reduce the base budget of the services in much the same way KCC is having to make £95m of savings in addition to the £30m to £40m delivered per annum over the last 4 years.

Q **Out of hours use of school facilities – Communities being able to access facilities such as gymnasiums etc would surely mean quicker wear and tear on buildings and equipment?**

A There has been heavy investment in sports facilities and equipment for schools which realistically only gets used 20% of the time. There is a need to encourage schools to engage with their communities for example allowing Adult Ed to use premises for classes etc. This would be a better use of resources, but would still no be nowhere near 100% use.

C **There is a need to continue the debate on what quality local services really cost as well as looking at a 'needs' budget.**

A KCC have not and are not intending to stop doing anything that we currently do. In some areas there has been a need to increase prices or make savings through restructuring the way services are provided (and in some instances this may mean different access times, etc.), the budget has therefore been built on maintaining services to meet the needs of Kent residents.

C **The new format for the Budget Book/MTP is very helpful, and clearly indicates the areas where savings will be made.**

Q **Finance Revenue Budget – some items are indicated as 'parked', what does this mean? Also how do the policy savings link up with savings indicated under HR?**

A Means that these have yet to be allocated to Directorates. This information will come from the next levels of the restructuring process. Savings from changes to Terms & Conditions will affect all Directorates and separate proposals will be taken to County Council.

C **Debt income collection – particularly in KASS there are payments from Service Users and which go uncollected.**

A All debt owed to KCC will be reviewed and we closely monitor debt levels and collection rates.

Q **KASS management have indicated that there will be a move to more commissioned services. How has this been taken on board?**

A Approximately £410m is already spent on procured care services within KASS and Children's Services. The budget includes detailed proposals for 2011/12 and an outline for 2012/13 but the vision for KASS to move to a commissioning only body will be rolled out over a longer period.

Q **Debt Management relating to Council Tax – what are the figures on unpaid/uncollected Council Tax?**

A Districts are responsible for the collection of Council Tax. Most are already reporting no deficit and collection rates of around 99%. Figures are expected in the next week or so and will be included in the Cabinet report on the 2nd February 2011.

Q **Investments – how are these performing?**

A Currently a low return due to low interest rates and KCC low risk investment strategy, although this in turn has meant low interest rates on repayments for our own debts.

Q Draw down of long term reserves – how much is in reserve in total?

A Currently approximately £48m which is forecast to reduce to £28m by 2015. KCC is planning to drawdown a further £14m towards the 2011/12 budget but this will have to be repaid sometime in the future before the original long term financial commitments start to impact.

Q The Budget Book reports £4m fund to include redundancy costs, is this held centrally, and how is it accessed/allocated?

A Fund is available to be reclaimed by Directorates for redundancies achieved through the restructure. There are strict criteria to be met when accessing funds.

Appendix 7

CFE Revised Medium term Financial Plan

Changes highlighted in light yellow relate to DSG
Changes highlighted in light green refer to additional Children's Social Services pressures
Changes highlighted in turquoise relate to previously un-detailed savings in relation to ABG and EIG)

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By: **John Simmonds, Cabinet Member for Finance**
Roger Gough, Cabinet Member for Corporate Support Services & Performance Management

Andy Wood, Acting Director of Finance
Geoff Wild, Director of Law & Governance

To: **Cabinet 2 February 2011**

Subject: **KCC Companies**

Classification: **Unrestricted**

Summary

To recommend to Cabinet the approach to be taken in the forthcoming report to Audit and Governance on a Protocol for KCC Companies

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Introduction

1. Given the existence and likely future increase in the number and variety of company interests that are held by the Council, there is a need to introduce a Protocol, in the form of a framework of rules, governing how KCC-owned companies are to operate.

2. KCC currently has 20 companies as shown in **Appendix A**, although 5 of these are dormant at present. Whilst there is no suggestion that these have been established incorrectly, it is thought appropriate that such entities are brought together in governance terms to ensure best practice across the council.

The proposed process

3. Following discussions between officers and Members, it is agreed that there is a need for a general Protocol together with a specific Cabinet report for all KCC companies, involving the following three stage process:

   (a) a report to Governance & Audit Committee proposing a general Protocol governing all KCC companies

   (b) a report to the relevant Cabinet Member(s) seeking formal endorsement (followed by referral to Scrutiny if required) in respect of each new KCC company, setting out the terms on which the company is being formed, what Council policies do (or do not) apply, the appointment of directors, within what limits those directors are expected to operate, etc

   (c) once the rules for a particular company have been established then such rules should be enshrined in the Memorandum of Association and Articles and/or in some form of agreement with the directors

   (d) any further changes required to be made, e.g. as to KCC policies applicable or the appointment of new directors, should be reported to the relevant Cabinet Member(s) for formal approval

Recommendation:

4. Cabinet is requested to endorse the terms of the general Protocol, which will be put before Governance & Audit Committee for approval.

Author: Geoff Wild Tel: 01622 694302

Email: geoff.wild@kent.gov.uk

There are no background papers.

Protocol relating to companies in which KCC has an interest

1. In relation to companies in which the Council has an interest, it is imperative that they are set up, managed and run according to rules of good governance so that risks are mitigated. This protocol aims to establish processes and provide additional controls to ensure such rules are in place.

2. Anyone within the Council intending to set up a company should refer to the 'Guidance on Local Authority Companies' document on KNET. A robust business case must be provided which gives a cost benefit analysis, considers the accounting and tax implications for the Council and identifies any risks to the Council. The business case must go through the Governance and Audit Trading sub group who will examine this and make recommendations. In light of the recommendations the relevant Cabinet Member shall approve the company's business case. Where the company is intending to exercise the power to trade pursuant to section 95 of the Local Government Act 2003, the business case shall contain enough detail to satisfy the requirements of this Act and be similar to that required by the Council for major capital projects.

3. This Protocol relates to the following companies:

   (a) in the case of companies with issued share capital, those companies in which the Council's interest is more than 1% of the issued share capital, where those shares are held other than for solely investment purposes

   (b) in the case of any company without shares, where the Council is a member

   (c) any company of whatever sort in which the Council nominates one or more directors or itself is (or has the right to be) a company director

4. In the case of a company formed or controlled by the Council (or where the Council has, or can reasonably have, input into the wording of the Memorandum and Articles), the following provisions must appear in the company's Articles:

   (a) The registered office shall be specified as: Sessions House, County Hall, Maidstone, Kent ME14 1XQ (care of the Corporate Director of Finance and Procurement).

   (b) The Corporate Director (or Managing Director) within whose remit the company's business lies, shall be responsible for nominating a secretary for the company from among his/her staff. A register of all company secretaries will be maintained.

   (c) Any Member or officer of the Council who is appointed as a director or secretary of that company shall not be appointed in their own private capacity but shall be appointed as a nominee of the Council, which shall have the power to remove and replace such director or secretary as it may see fit.

   (d) It shall be the responsibility of the Council's representative on the board to make whatever arrangements may be necessary to ensure the company makes a full annual report of its activities to the Cabinet within three months after the end of its financial year.

(e) No Member or officer of the Council who is appointed as a director or secretary of that company (or who represents the Council at any meeting of the company or of the board) shall receive any income from the company unless the Council's Corporate Director of Finance and Procurement so agrees in writing in advance. If any income is received by a Member or officer, it must be documented in the relevant Register of Interests and published on the Council's website.

5. In respect of any company to which this Protocol applies the following rules shall also apply (even if not included in the company's Articles):

(a) Any director of the company who is nominated by the Council (and any person authorised to represent the Council at a meeting of the company or of the board) shall be appointed by the Cabinet or relevant Cabinet Member in accordance with the decision making procedures set out in the Council's Constitution.

(b) Any person authorised to represent the Council at a meeting of the company (where the Council is a member of the company) or of the board (where the Council is a director of the company) shall follow such directions as to the operation of the company as may be determined by the Cabinet or relevant Cabinet Member from time to time in accordance with the decision making procedures set out in the Council's Constitution.

(c) Directors nominated by the Council shall (so far as permitted by law and their duties to the company as directors) follow such directions as to the operation of the company as may be determined by the Cabinet or relevant Cabinet Member from time to time in accordance with the decision making procedures set out in the Council's Constitution.

(d) Members or officers representing the Council on any board shall only take decisions which are in accordance with the company's articles and any Council policies that are to apply to the company.

(e) Where Members or officers of the Council incur expenses as a result of their involvement in the company, this shall be claimed by them from the company as the Council's Corporate Director of Finance and Procurement may direct.

6. In any situation where a Member or officer of the Council (or any member of their close family) is (in their private capacity) a member, director or secretary of a company of which the Council is also a member or director, or in respect of which the Council has the right to nominate one or more directors, then such Member or officer shall notify the Corporate Director of Finance and Procurement of this in writing as soon as they become aware of the same. These should be documented in the relevant Register of Interests or Statement of Related Party Transactions, The purpose of this is to prevent the company becoming a local authority company without the Council becoming aware of it.

7. The Council shall only become a member or director of a company following a decision of the Cabinet or relevant Cabinet Member taken in accordance with the decision making procedures set out in the Council's Constitution. When

seeking such a decision any report to the Cabinet or relevant Cabinet Member shall state:

(a) the Council's rights of membership and to nominate directors (or to itself become a corporate director)

(b) the purpose of the company and of the Council's involvement

(c) the identity of the initial nominated directors and secretary and any person who is intended to be authorised to represent the Council at a meeting of the company (where the Council is a member of the company) or of the board (where the Council is a corporate director of the company)

(d) what Council policies (if any) are to apply to the company. It is assumed that if none is specified then no Council policies will apply and the company directors will be free to set their own policies different from those of the Council

(e) any other limits the Councils' Corporate Director of Finance and Procurement or Monitoring Officer recommend be placed on the activities of the company.

9. Once the decision process is completed, the company shall be formed and the Council Members and officers involved with the company shall ensure (so far as it is within their remit) that the relevant policies are applied by the company.

10. This Protocol shall also apply to companies already in existence and as regards such companies:

(a) a decision dealing with all the relevant matters set out in this Protocol is to be taken under the decision making procedures set out in the Council's Constitution by Cabinet or the relevant Cabinet Member as soon as reasonably practicable and

(b) the Articles to such companies shall (where appropriate and reasonably practicable) be amended as soon as possible

11. Both as regards companies already in existence and companies yet to be formed, all Members and officers of the Council should, from the date of adoption of this Protocol, act (so far as is reasonably practicable) as if the Articles had already been amended as required by this Protocol, whether or not this has in fact happened.

12. Members and officers of the Council who are running KCC companies must seek appropriate advice from time to time to ensure that:

(a) they and the company are operating within the law, specifically where they intend to change or expand the business activities of the company

(b) they are aware of the extent of their potential personal liabilities, conflicts of interest and any indemnities or insurance cover provided by KCC that may apply to them.

13. KCC Legal Services and KCC Finance between them have produced 'Guidance on Local Authority Companies' that covers these issues in detail and will update and expand this as necessary from time to time.

14. In order that Members and officers of the Council can be fully aware at all times of the extent of KCC's interests in local authority companies and their exposure to potential legal, financial and reputational risks, the Corporate Director of Finance and Procurement shall maintain an accurate, complete and up-to-date record of all companies in which KCC has an interest, clearly identifying those that are trading. Members and officers of the Council are required to supply timely information to the Corporate Director of Finance and Procurement so as to ensure that these records can be fully and properly maintained.

15. Pursuant to Part II of the Local Authorities (Companies) Order 1995, where a company is regulated by KCC (i.e. KCC either controls or has serious influence over it) then the company must provide any Member of the council who requests it such information as that Member reasonably requires for the proper discharge of their duties (but not so as to require breach of any law or of any obligation to a third party).

16. Members and officers representing the Council on the board of any company will at all times comply as appropriate with the County Council's Code of Member Conduct and the Officers Code of Conduct as set out in the Constitution from time to time.

17. Under Appendix 2 Part 2 of the Council's Constitution, the Selection and Member Services Committee is responsible (inter alia) for "making appointments and nominations on behalf of the Council to serve on outside bodies (except those needing to be made by the Leader in connection with a delegation by him of his functions, the list of those appointments to be agreed between the Leader and the Committee from time to time)". Where a decision to appoint rests with the Leader, then the formal decision of the Cabinet or relevant Cabinet Member under paragraph 6 of this Protocol shall act as such appointment. Where the decision rests with the Selection and Member Services Committee, then such appointment shall not take effect unless and until the Committee has resolved to make such appointment.

18. Company directors' duties are codified in Companies Act 2006. There are seven specific duties:

    (a) to act within powers
    (b) to promote the success of the company
    (c) to exercise independent judgement
    (d) to exercise reasonable skill and care
    (e) to avoid conflicts
    (f) to declare any interest in a proposed transaction

19. As a matter of general principle, the overriding duty of any director in considering an item before the company is to vote in accordance with the interests of that company. In the case of a director who is also an elected Member, or an officer of KCC, this might give rise to a conflict with the interests of KCC.

20. Directors and company officers are responsible for keeping accounts and making relevant returns to the Registrar of Companies.

21. Elected Members and council officers are under a specific obligation (under the Local Authorities (Companies) Order 1995) to report back to the council through the Trading sub group on their involvement in outside companies to which they have been nominated by KCC. Any changes to companies' structure should also be reported to this group.

22. Various breaches of obligation can lead to a director having personal liability or being disqualified from acting as a director. In particular, failure to declare an interest is a criminal offence.

23. KCC's insurance arrangements do not provide an indemnity for Members and officers involved with outside bodies when they act:

    (a) solely on behalf of an outside body
    (b) outside their delegated powers, i.e. in a decision-making capacity rather than as advisors or observers
    (c) outside the authority's statutory powers

24. Companies should purchase directors' and officers' liability insurance to protect their directors and officers against claims of negligence, breach of duty, trust, default, etc. Directors should liaise with the company to ensure that such a policy of insurance is maintained at all times, and covers the director as much as it can.

25. KCC may exceptionally give a wider indemnity to specific members/officers where the council specifically requires that person to become a director for KCC business reasons. KCC would insist that such a wider indemnity only dealt with anything not covered by the company's insurance.

26. More detail on indemnities and insurance can be found in the advice note "Members & Officers Indemnity" prepared by the Finance Unit to which reference should be made.

27. There can be a tendency to assume that a new venture requires a new legal entity, and that therefore a new project should be commenced in a new company. This is not necessarily the case. There are a limited number of situations where a limited company might be appropriate. These are:

    (a) (a) Where there is trading to be carried out under the provisions of section 95 of the Local Government Act 2003. Section 95 provides a specific power to trade but the Act says that such trading must be carried out through a limited company. It must be noted that not all trading by KCC is necessarily under the provisions of Section 95. There are other cases where trading can be carried on under other powers (and where therefore a limited company may not be needed). Examples of these other powers are:

        i. Where what is being done is the provision of goods and/or services to another public body under the provisions of the Local Authorities (Goods and Services) Act 1970,whether a particular organisation is a public body for the purposes of that Act is specified in regulations.

        ii. Where what is being done is incidental to the main function that is being carried out. An example of this might be a library occasionally selling books as part of a promotion of reading. This power will be fairly tightly interpreted. If the main purpose of the activity is to raise money that will not be considered incidental to the original function.

iii. Where what is being done is use of surplus capacity. An example might be a council landscape service having raised too many plants and selling off the surplus to the public. If the activity requires the taking on of additional staff or the procurement of new services or equipment then it will almost certainly not come within this category.

(b) Where for some other specific reason it is advised that a limited company be formed. Typically these reasons will include the wish to take the activity out of the mainstream of KCC activity – either so as to encourage external funding or involvement, or to permit employment of staff outside KCC's usual terms and conditions for directly employed staff, e.g. Kent Top Temps.

28. Whatever power is being used, and whether a company is being formed or not, care must be taken not to exceed the scope of activity permitted by such powers.

29. More detail on companies generally can be found in the advice note "Local Authority Companies" prepared by the Corporate Director of Finance and Procurement and the Director of Governance and Law to which reference should be made.

Author's name and title:

Date:

	Co No	Company/Trust	Division	Status	Registered Office	Type - CLG (with no share capital)	Type - CLS	Date of Incorporation [Nb: *Trading Order issued in July 2004]	Share Capital	Directors	C Secretary	Board members	Contact	Comments	Last Accounts	Last Returns	Co Search done	KCC Control 100% share capital	Influence >= 20% voting rights	KCC has no control or influence	Unknown
	Active companies < 50% control																				
4	02608373	Association of Tourist Attractions in Kent	R&ED	Active - trading	Ridge Cottage, Speldhurst, Kent, TN3 0LE	Private, Ltd by Guarantee, no share capital		07/05/91		F Warrington - used to be director but resigned				Networking purposes only	31/03/2009 (TOTAL EXEMPTION SMALL)	31/05/11	✔				
5	03068263	Groundwork Kent and Medway		Active	48 Canterbury St, Gillingham, Kent, ME7 5UN	Private, Ltd by Guarantee, no share capital, S30 Cos Act		09/06/95	0	No				KCC officer attends for networking purposes only	31/03/2009 (GROUP)	09/06/10	✔				
6	03114198	Aylesham and district Community Workshop Trust	R&ED	Active	Ackholt Road, Aylesham, Canterbury, Kent, CT3 3AJ	Private, Ltd by Guarantee, no share capital, S30 Cos Act		16/10/95	0	No				SEEDA heavily involved, KCC owns property rented to the Trust at a peppercorn rent.	31/03/2009 (FULL)	14/09/10	✔				
8	03294664	The Individual Learning Co Ltd		Active	37 St Margarets St, Canterbury, Kent, CT1 2TU	Private, Ltd by Guarantee, no share capital		19/12/96	0						31/03/2009 (TOTAL EXEMPTION SNMALL)	19/12/09	✔				
9	3284438	The North Kent Architecture Centre Ltd	R&ED	Active	The Historic Dockyard,Main Gate Rd, Chatham, Kent ME4 4TZ	Private, Ltd by Guarantee, no share capital						Mike Bodkin (officer)	Gillian.Willavoys@kentarchitecture.co.uk	Other guarantors are MedwayC, UoGreenwich & Chatham Historic Dockyard Trust.	31/03/09	27/11/09	✔				
12	04400592	Kent Tourism Alliance Ltd became Visit Kent Ltd from 21.3.08	R&ED	Active	3 The Precincts, Canterbury, Kent, CT1 2EE	Private, Ltd by Guarantee, no share capital		21/03/02		Kevin Lynes KCC member, Theresa Bruton KCC officer, Nigel Bunting Shepherd Neame Ltd, Michael Bedingfield Tourism South East, Colin Carmichael Canterbury CC, Amanda Cottrell Chairman, Simon Curtis Medway Council, Juliana Delaney Continuum Group, Bill Ferris Chatham Historic Dockyard,Robin Hales Sevenoaks DC, Sandra Matthew-Marsh CE, John Meardon Caanterbury Cathedral				To carry on busi and activities as may promote, market,advertise and develop nationally and internationally the tourist industry in the county of Kent and all bodies, entities, persons associated and involved therein: etc	31/03/2009 (FULL)	21/03/10	✔				
7	03230721	Locate in Kent Ltd (as amended on 5/5/2000)	R&ED	*Active - trading on commercial basis	35 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4AQ	Private, Ltd by Guarantee, no share capital		29/07/96	£0 - ltded liability up to £1 per member towards asset of co in event of co winding down. Three equal shareholders – the Chairman, the Kent Developers Group and Kent County Council.liability £1 per member	Alex King	S Draper	Sir Brandon Gough Chairman Paul Wookey CEO Locate in Kent Alex King Kent County Council Barbara Cooper Kent County Council Kevin Lynes Kent County Council David C Brooks-Wilson Noble-Wilson Ltd Andrew Blevins Liberty Property	Paul Wookey 01732-520700	Locate in Kent was formed in 1997, as a subsidiary company of the Kent Training and Enterprise Council. It became independent of the Kent Training and Enterprise Council on 1 April 2000 at which time its membership structure changed to three equal shareholders – the Chairman, the Kent Developers Group and Kent County Council.	31/03/2010 (SMALL) draft 31/3/05 showed res of £132k(audited) dir fees charged	29/07/10	✔		✔		

13	05259365	Trading Stds South East Ltd		Active	Mid Surrey Area Office, Bay Tree Avenue, Kingston Rd, Leatherhead, Surrey, KT22 7SY	Private, Ltd by Guarantee, no share capital		*14/10/2004	0 - all members contributes to assets of the Co.19 SE Authorities			For larger authorities, is the Trading standards director or Head of service. For smaller authorities - the Trading Standards director.			31/01/2009	14/10/2009	✔		
16	03000723	Business Support Kent Community Interest		Active	85 High Street Chatham, Kent, ME4 4EE		Private Ltd Co. Community Interest Company	12/12/94		No					31/03/2009 (FULL)	12/12/09	✔		
	04410176	East Kent Spatial Development Company	R&ED	Active	Kent Innovation Centre, Broadstairs	Company Limited by guarantee				D Tucker, V Carter, P Cudsin, C Moore, K Harvey (SEEDA), D Ashworth HCA, K Lynes KCC, R Latchford TDC. D Spalding CEO	D Tucker (SEEDA)	Member Organisations: SEEDA, KCC TDC,DDC SDC CCC HCA			31/03/10	05/04/10			
	Active > 50% control																		
21	05242899	Kent County Trading (KCT) Ltd	Commercial Services	Active - holding co	Commercial Services, Gibson Drive, Kings Hill, West malling ME19 4QG		Private Ltd Co	*27/09/2004	£2 - wholly owned by KCC	Cllr Mike Snelling		Cllr Mike Snelling			31/03/09	27/09/09	✔	✔	
22	05242900	Kent Top Temps Ltd - [Kent Temps Ltd to 14/12/04]	Commercial Services	*Active - trading on commercial basis - started 4th April 2005 Subsidiary co. of KCC owned Co.	Commercial Services, Gibson Drive, Kings Hill, West malling ME19 4QG		Private Ltd Co	*27/09/2004	£1000 divided into 1000 shares of £1 each; **Issued 2 shares - wholly owned by KCT?? Share trfd fr Duport.	min-1; Kevin Harlock, Laurence Faulkner, M Snelling	Laurence Faulkner	Laurence Faulkner, Michael Victor Snelling	Laurence Faulkner; KG Phillips, LS(x4393) DX No 123693?	Co set up by Duport Associates Ltd, whose cos **Duport Secretary Ltd and Duport Director Ltd were the first director, secretary and also the shareholders (1 share each); resignation fr dir and sec sighted BUT NOT SHARE TRANSFERS	31/03/09	27/09/09	✔	✔	
14	05505567	Produced in Kent (PINK) Ltd	R&ED	KCC and Hadlow College have equal voting powers	Bourne Grange Stables, Tonbridge rd, Hadlow, Kent TN11 OAU		Not for profit Private Company Limited by guarantee	*12/07/2005		Julian Barnes, Stephen Clarke,Paul Hannah, William Opie, Timothy Piper, Michael Solomon, Andrew Wickham	Stephanie Durling (officer)	Andrew Wickham (KCC) Paul Hannah(Hadlow College)		Provides for any liabilities to be agreed in the same ratios as the funding is provided i.e. 150:50 = 3:1	31/03/2009	12/07/10	✔		
	07320291	Kent Cultural Trading Limited	Lib and Arch	Active	Lib and Arcives Springfield			20/07/10		Des Crilley, Lesley Spencer and Mike Hill									
	05858178	Kent County Facilities Ltd	Commercial services	Active	Commercial services			26/06/06							31/03/09	26/06/10			
	Dormant companies																		
2	02341975	Kent Training Centres Ltd	Legal & Democratic Services	Active - dormant (co registered to protect	KCC Regeneration & Projects Division, Invicta House, Kent, ME14 1XX	Private, Ltd by Guarantee, no share capital		01/02/89	£0	Sue Maglona Stoneham	Nana Bowen (officer)				30/09/2009 (DORMANT)	15/07/10	✔		✔
15	02965139	Kentish Fayre Ltd	R&ED	Active - dormant (co registered to protect name)	Strategic Planning Directorate, Economy & Environment Division, Invicta House, Kent, ME14 1XX	Private, Ltd by Guarantee, no share capital	Private Ltd Co	05/09/94	Authorised SC £100 Ord shs - Issued - 2 @ £1 shs to Econ Dev Unit,	All directors resigned beginning of April - current dir is A King, Julie Monkman (officer)	Stephanie Durling (officer)	Alex King		sp Novella has Memorandum and Articles	30/09/2009 (DORMANT)	05/09/09	✔	✔	
20	4447738	Invicta Innovations Ltd	Legal & Democratic Services	Dormant	c/o Regeneration and Economy KCC, Invicta House, ME14 1XX		Private Ltd Co	27/05/02	3 @ £1 held by R Neame	Robert H B Neame				SP has Co on file:	31/3/2009 (Dormant)	03/09/10	✔	x	
	05858177	Kent County Supplies Ltd	Commercial services	Active Dormant	Commercial services			26/06/06							31/03/09	26/06/10			

	Kent Access Ltd	Legal & Democratic Services	Active Dormant (co-registered to protect name)		Company Limited by guarantee		2 @ £1			Nana Bowen (officer)					

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By: Cabinet Member for Finance
Acting Director of Finance

To: Cabinet – 2 February 2011

Subject: **TREASURY MANAGEMENT STRATEGY**

Classification: Unrestricted

Summary: To propose a Treasury Management strategy for 2011-12.

FOR DECISION

INTRODUCTION

1. The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the Department for Communities and Local Government's (CLG's) Investment Guidance.

2. CIPFA has defined Treasury Management as:
"the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

3. The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are integral elements to treasury management activities and include Credit and Counterparty Risk, Liquidity Risk, Market or Interest Rate Risk, Refinancing Risk and Legal and Regulatory Risk.

4. The strategy takes into account the impact of the Council's Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators and the outlook for interest rates.

5. The purpose of this TMSS is to approve:

   - The Treasury Management Strategy for 2011-12
   - Prudential Indicators
   - The revised list of Counterparties and investments

6. The Council approved the adoption of the CIPFA Treasury Management Code at its February 2010 meeting and has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

7. All treasury activity will comply with relevant statute, guidance and accounting standards.

BALANCE SHEET AND TREASURY POSITION

8. The underlying need to borrow for capital purposes, as measured by the Capital Financing Requirement (CFR), together with Balances and Reserves, are the core drivers of Treasury Management Activity. The estimates, based on the current Revenue Budget and Capital Programmes, are:

	31/03/2011	**31/03/2012**	**31/03/2013**	**31/03/2014**
	£m	**£m**	**£m**	**£m**
Total CFR	1,315	1,312	1,300	1,274
Less existing profile of Borrowing	(1,096)	(1,096)	(1,096)	(1,096)
Cumulative Maximum Borrowing Requirement	**219**	**216**	**204**	**178**
Balances & Reserves	(318)	(318)	(318)	(318)
Cumulative Net Borrowing Requirement / (Investment Capacity)	**(99)**	**(102)**	**(114)**	**(140)**

9. The Council's level of physical debt and investments is linked to these components of the Balance Sheet. Market conditions, interest rate expectations and credit risk considerations will influence the Council's strategy in determining the borrowing and investment activity against the underlying Balance Sheet position. The Council does not anticipate that net physical external borrowing (i.e. net of investments) will exceed the Capital Financing Requirement.

BORROWING AND RESCHEDULING STRATEGY

10. The Council's profile of long term debt is attached at Appendix 1. Its balance of actual gross borrowing plus other long-term liabilities is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

11. The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e not net of investments) and is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). It is measured on a daily basis against all external borrowing items on the Balance Sheet and has been set on the estimate of the most likely, prudent scenario with sufficient headroom over and above this to allow for unusual cash movements.

Authorised Limit for External Debt relating to KCC assets and activities

	2010 -11 Approved £m	**2010 -11 Revised £m**	**2011-12 Estimate £m**	**2012-13 Estimate £m**	**2013-14 Estimate £m**
Borrowing	1,168	1,182	1,198	1,200	1,202
Other Long Term Liabilities					
Total	**1,168**	**1,182**	**1,198**	**1,200**	**1,202**

Authorised Limit for External Debt managed by KCC including that relating to Medway Council (pre Local Government reorganisation)

	2010 -11 Approved £m	**2010 -11 Revised £m**	**2011-12 Estimate £m**	**2012-13 Estimate £m**	**2013-14 Estimate £m**
Borrowing	1,219	1,232	1,244	1,244	1,244
Other Long Term Liabilities					
Total	**1,219**	**1,232**	**1,244**	**1,244**	**1,244**

12 The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Operational Boundary for External Debt relating to KCC assets and activities

	2010 -11 Approved £m	**2010 -11 Revised £m**	**2011-12 Estimate £m**	**2012-13 Estimate £m**	**2013-14 Estimate £m**
Borrowing	1,128	1,142	1,158	1,160	1,162
Other Long Term Liabilities					
Total	**1,128**	**1,142**	**1,158**	**1,160**	**1,162**

Operational Boundary for total debt managed by KCC including that relating to Medway Council etc

	2010 -11 Approved £m	2010 -11 Revised £m	2011-12 Estimate £m	2012-13 Estimate £m	2013-14 Estimate £m
Borrowing	1,179	1,192	1,204	1,204	1,204
Other Long Term Liabilities					
Total	**1,179**	**1,192**	**1,204**	**1,204**	**1,204**

13. The Acting Director of Finance has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Cabinet.

14. In conjunction with advice from its treasury advisors the Council will keep the following borrowing options under review.

- PWLB loans
- Borrowing from other local authorities
- Borrowing from institutions such as the European Investment Bank and directly from Commercial Banks
- Borrowing from the Money Markets

15. After the Comprehensive Spending Review announcement on 20 October the PWLB still in relative terms is the most attractive source of funds albeit at a higher cost than previously. The types of PWLB borrowing that are considered appropriate for a low interest rate environment are:

    - Variable rate borrowing
    - Medium-term year Equal Instalments of principal (EIP) or Annuity Loans
    - Long-term Maturity loans, where affordable

16. Capital expenditure levels, market conditions and interest rate levels will be monitored during the year in order to minimise borrowing costs over the medium to longer term and maintain stability. The differential between debt costs and investment earnings, despite long term borrowing rates being at low levels, remains acute and this is expected to remain a feature during 2011-12. The “cost of carry” associated with medium- and long-term borrowing compared to temporary investment returns means that new fixed rate borrowing could entail additional short-term costs. The use of internal resources in lieu of borrowing may again, in 2011-12, be the most cost effective means of financing capital expenditure. The borrowing undertaken in 2010, including advance

borrowing in 2011 has put the Council in a strong position and we will not be forced to borrow at disadvantageous times.

17. PWLB variable rates are expected to remain low as the bank rate is maintained at historically low levels for an extended period. Exposure to variable interest rates will be kept under regular review and options will be considered in conjunction with the Authority's Treasury Advisors.

18. The Council has £381.8m loans which are LOBO loans (Lender's Options Borrower's Option) of which £110m of loans are currently in or will be in their call period in 2011-12. In the event that the lender exercises the option to change the rate of terms of the loan, the Council will consider the terms being provided and also repayment of the loan without penalty. The Council may utilise cash resources for repayment or may consider replacing the loan(s) by borrowing from the PWLB. The default response will however be early repayment without penalty.

19. The rationale for rescheduling loans would be one or more of the following:

- Savings in interest costs with minimal risk.
- Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
- Amending the profile of maturing debt to reduce any inherent refinancing risks.

20. Borrowing and rescheduling activity will be reported to the Treasury Advisory Group, Governance & Audit Committee and the Cabinet.

21. The following Prudential Indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

All the Council's existing external debt is held at fixed interest rates.

	2010 - 11 Approved %	**2010 - 11 Revised %**	**2011-12 Estimate %**	**2012 -13 Estimate %**	**2013 - 14 Estimate %**
Upper Limit for Fixed Interest Rate Exposure	**100**	**100**	**100**	**100**	**100**
Upper Limit for Variable Interest Rate Exposure	**30**	**30**	**50**	**50**	**50**

22. The Council will also limit and monitor large concentrations of fixed rate debt needing to be replaced. Limits in the following table are intended to control excessive exposures to volatility in interest rates when refinancing debt.

Maturity structure of fixed rate borrowing	**Existing level at 30/10/10 %**	**Lower Limit for 2011-12 %**	**Upper Limit for 2011-12 %**
Under 12 months	0.6	0	25
12 months and within 24 months	5.2	0	40
24 months and within 5 years	9.6	0	60
5 years and within 10 years	11.9	0	80
10 years and within 20 years	12.6	10	25
20 years and within 30 years	15.0	5	25
30 years and within 40 years	12.0	5	25
40 years and within 50 years	11.1	10	25
50 years and above	22.1	10	30

INVESTMENT POLICY AND STRATEGY

23. Guidance from CLG on Local Government Investments in England requires that an Annual Investment Strategy be set.

24. The Council's investment priorities are:

- Security of the invested capital;
- Liquidity of the invested capital
- An optimum yield which is commensurate with security and liquidity.

25. Investments are categorised as “Specified” or “Non Specified” investments based on the criteria in the CLG Guidance. The Acting Director of Finance under delegated powers will undertake the most appropriate form of investment in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be subject to consultation with Treasury Advisory Group and key decisions will be taken by Cabinet.

COUNTERPARTIES

26. The current counterparties used by the Council are:

- Debt Management Office
- Barclays
- HSBC
- Lloyds Banking Group

- Royal Bank of Scotland
- Nationwide

Santander UK has been suspended since April 2010. The DMO has a £450m limit. All the financial institutions have a £40m limit except Nationwide which is £20m.

27. The criteria applied to the approval of a counterparty as agreed by Cabinet are:

    - Access to the Government Credit Guarantee Scheme
    - Credit rating (Council's minimum long-term counterparty rating of A+ across all three rating agencies, Fitch, S&P and Moody's)
    - Credit Default swaps
    - Share Price.
    - Reputational issues
    - Exposure to other parts of the same banking group.
    - Country exposure

    The period of access to the Credit Guarantee Scheme is now over so it is proposed that this is replaced with the criteria: "A strong likelihood of Government intervention in the event of liquidity issues based on systemic importance to the UK economy".

28. Clearly the overwhelming criteria for the Council is the security of funds, even now the Council could achieve significantly higher returns but has taken a deliberate decision not to do so. Effectively any decision to use a counterparty other than the Government Debt Management Office means taking on an element of risk. The 5 counterparties which we currently use meet the criteria above, including the amended criteria.

29 Proposed New Counterparties

On 8 December Arlingclose presented a range of options on counterparties and other types of investment to the Treasury Advisory Group. Officers have also had discussions with Sector on the same subject. The conclusions of the group are set out below with recommendations on how to proceed:

Counterparty	**Rationale**	**TAG Recommendation**
National Westminster Bank plc	Part of the RBS group but with a separate credit rating.	ADD - but maintain a £40m limit across RBS and Nat West.
Standard Chartered Bank	Recently uprated to meet our credit ratings with very low credit default swap rates.	ADD – with £20m limit

Clydesdale Bank	Meet criteria but not previously included due to ownership by National Australia Bank. Major Australian bank in a strong economy.	ADD – with £20m limit
Debt Management Office Treasury Bills	Short dated financial instruments issued by UK Government with maturities of 1, 3 or 6 months. Issued by the Debt Management Office with implied AAA rating as DMO is a Government agency. Rate of return broadly twice fixed deposits with the DMO but with no additional risk and improved liquidity.	ADD - maintain £450m limit for the DMO.
Money Market Funds	Very tightly regulated AAAm funds none of which have ever failed in the UK. Investing in a very wide range of financial securities. Widely used by local authorities and offering rates a little above base rate. However, they will have exposure to overseas banks and to financial instruments the Council would not invest in directly.	NO - TAG will investigate in 2011 and come back to Cabinet with recommendations.
Sterling Government Money market Funds	Relatively new and operating as a MMF but only holding UK Government guaranteed investments. Rates a little below base rate.	NO – tend to have lower rates and no greater security than Treasury Bills.
CCLA Public Sector Deposit Fund	A AAAm Money market Fund. Heralded earlier in the year in conjunction	NO - observe developments.

	with the Local Government Association. Has not yet received Financial Services Authority approval. Major issues to be overcome.	
Other Local Authorities	Previously considered by TAG and rejected on the basis of ease of explanation.	NO
Gilts and Bonds	Major investment for the Pension Fund – complexity issues.	NO - TAG to investigate in 2011 and come back to Cabinet with recommendations.
European Investment Bank (and other supra-national) bonds	Used by many Arlingclose local authority clients. Very strongly capitalised and AAA rated. Eurozone concerns weighing at present on minds of some.	NO - TAG to investigate in 2011 and come back to Cabinet with recommendations.

30 The Council's investments at 7 January 2011 are detailed in Appendix 3.

31 The Council's investments are made with reference to the outlook for UK bank rate and money market rates.

32 In any period of significant stress in the market the default position will be for investments to be made with the Debt Management Office.

33 The Council with its treasury advisors will continue to analyse and monitor key indicators and credit developments. The Acting Director of Finance with the Cabinet Member for Finance can suspend a Counterparty at any time.

34 In 2010 Cabinet agreed to extend the maximum duration of investments from 6 months to 12 months.

35 Interest rates on short term deposits are likely to remain at very low levels for an extended period. But the massive uncertainty in credit markets is also likely to remain. Therefore at this stage it is recommended that we retain 12 months as the longest period for any deposit – there is no case in this market for deposits for over 12 months.

OUTLOOK FOR INTEREST RATES

36 The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, is attached at Appendix 2. The Council will reappraise its strategy from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates.

BALANCED BUDGET REQUIREMENT

37 The Council complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

MONITORING AND REPORTING ON THE TREASURY OUTTURN AND PRUDENTIAL INDICATORS.

38 Treasury activity is monitored regularly and reported to TAG monthly, Governance and Audit Committee quarterly and Council half yearly. The Prudential Indicators will be monitored through the year by the Acting Director of Finance and reported to Cabinet.

ICELAND

39 Around 120 UK local authorities had £1billion deposited in Icelandic banks. Many other bodies such as Cambridge and Oxford Universities, many charities and the Audit Commission had funds in Iceland. KCC had £32 million in Icelandic banks, the Pension Fund £16 million and the Fire Authority £1 million giving a total of £50 million. The split of this was:

- Heritable, an Icelandic owned but UK based bank - £18m
- Landsbanki - £17m
- Glitnir **-** £15m

40. In September/October 2008 the world experienced its largest financial crisis for a century. The world's banking system was undermined by the exposure of major financial institutions to the so called sub-prime US mortgages. For a period banks were no longer prepared to lend to each other which meant there was insufficient funds for them to function. Governments provided huge financial support to the banks. In the UK alone support to banks totals £547bn and the Government also took major share holdings in Royal Bank of Scotland and Lloyds Group. One of the main reasons why UK local authorities had placed money with the Icelandic banks was because they had no exposure to the US sub-prime market and at the time the banks had a top star credit rating. What undermined the Icelandic banks was that the Icelandic Government did not have the funds to step in and bail out the banks in the same way as the UK Government could

41. The latest position on the Icelandic banks is:

- Heritable is in administration in the UK with Ernst & Young the appointed administrator. Heritable was a viable bank which was forced to cease trading by the Financial Services Authority when its parent Landsbanki became insolvent. The forecast recovery is 79-85%. To date we have received £9.1m or 50.1p in the £.

- Landsbanki and Glitnir are being managed through processes in Iceland under Icelandic law. Both Landsbanki and Glitnir have very substantial assets, mainly outside Iceland and they are increasing in value so there is a good prospect of recovery. Under Icelandic law depositors are preferred creditors and they should receive a full payout before any other creditors are paid. If preferred creditor status holds in Iceland we are forecast to make an 86% recovery on Landsbanki and 100% on Glitnir.

This gives a projected overall recovery, with depositor priority, of around 90%.

42. When the crisis hit UK local authorities KCC put itself at the forefront of leading the recovery work. A KCC officer is one of 2 local authority representatives on the small Heritable Creditors Committee and a KCC officer together with a representative from the Local Government Association represent local authorities on the Landsbanki and Glitnir Informal Creditors Committee which liaises with the banks Resolution Committees.

43. The court hearings to determine the depositor preference issue in Iceland take place in February for Landsbanki and March for Glitnir. UK local authorities are working as a group in these actions and KCC has been selected as a test case by our legal advisers for each of the banks due to the strength of our underlying records. We expect it to be a matter of weeks after the hearings that a verdict is given.

44. The www.kent.gov.uk website is regularly updated for news on developments in Iceland.

OTHER ITEMS

45 Training

CIPFA's Code of Practice requires the Acting Director of Finance to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. This training will focus on the Treasury Advisory Group members but all members can attend the Financial Management Development Programme Treasury Management module.

46 Investment Consultants

The Council is currently out to tender for treasury advisors and the appointment will be made by the Treasury Advisory Group.

RECOMMENDATION

47 Members are asked to approve:

(1) The Treasury Management Strategy for 2011-12

(2) The 2011-12 Prudential Indicators

(3) The revised list of Counterparties and investments as recommended by TAG:

- Addition of NatWest, as part of the RBS group limit of £40m,
- Addition of Standard Chartered and Clydesdale banks each with a limit of £20m
- UK Treasury bills, maintaining the DMO limit of £450m

Nick Vickers
Head of Financial Services

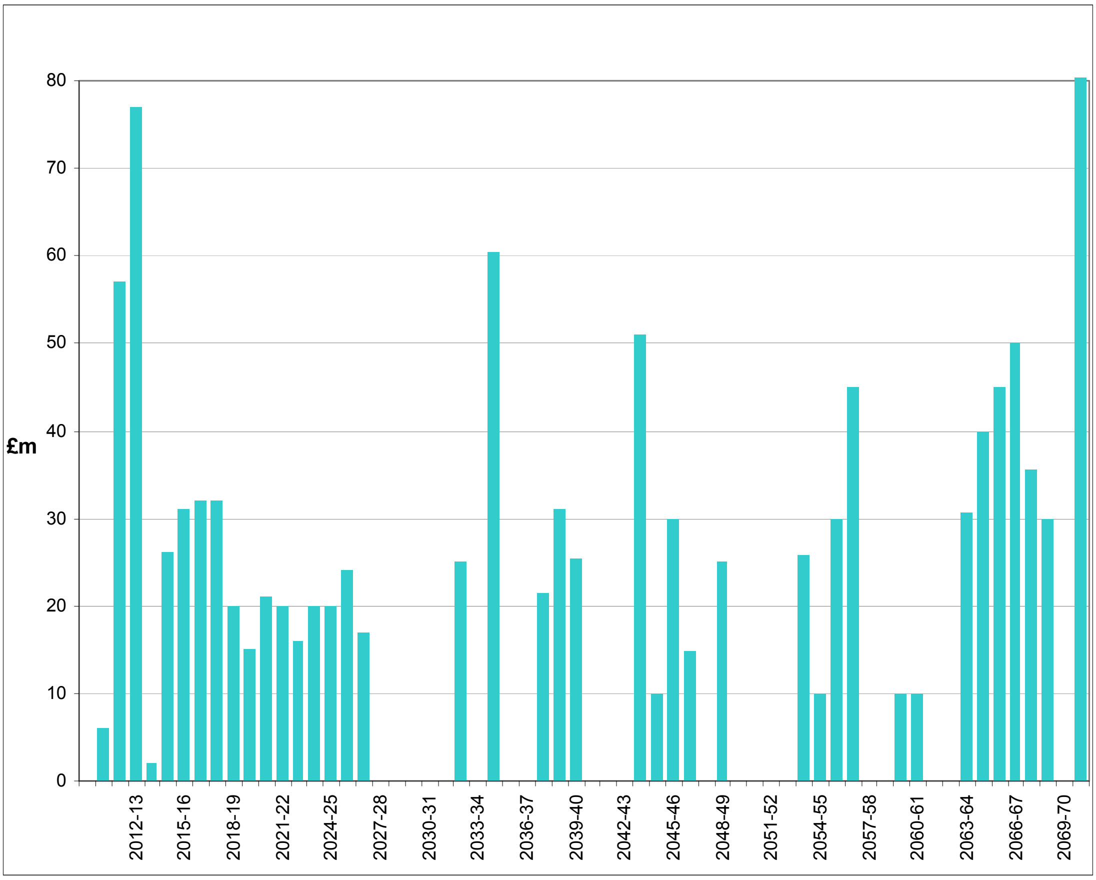
Ext: 7000 4603

Alison Mings
Treasury and Investments Manager

Ext 7000 6294

APPENDIX 1

KENT COUNTY COUNCIL
LONG TERM DEBT MATURITY PROFILE



APPENDIX 2

Arlingclose's Economic and Interest Rate Forecast (November 2010)

	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
Official Bank Rate											
Upside risk	-	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**0.50**	**0.50**	**0.50**	**0.75**	**1.00**	**1.25**	**1.50**	**2.00**	**2.50**	**2.75**	**2.75**
Downside risk	-	-	-	- 0.25	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50
1-yr LIBID											
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**1.50**	**1.75**	**2.00**	**2.25**	**2.50**	**2.75**	**3.00**	**3.25**	**3.50**	**3.50**	**3.50**
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50
5-yr gilt											
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**2.00**	**2.25**	**2.75**	**3.25**	**3.50**	**3.75**	**4.00**	**4.00**	**4.00**	**4.00**	**4.00**
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25
10-yr gilt											
Upside risk	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Central case	**3.50**	**3.75**	**3.75**	**4.00**	**4.25**	**4.50**	**4.75**	**4.75**	**4.75**	**4.75**	**4.75**
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25
20-yr gilt											
Upside risk	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50
Central case	**4.25**	**4.50**	**4.75**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25
50-yr gilt											
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**4.25**	**4.25**	**4.50**	**4.75**	**4.75**	**4.75**	**4.75**	**4.50**	**4.50**	**4.50**	**4.50**
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25

- The recovery in growth is likely to be slow, uneven and more "Square root" than "V" shaped.
- The initial reaction to the CSR is positive but implementation risks remain.
- The path of base rates reflects the fragility of the recovery and the significantly greater fiscal tightening of the emergency budget. With growth and underlying inflation likely to remain subdued, the Bank will stick to its lower for longer stance on policy rates.
- Uncertainty surrounding Eurozone sovereign debt and the risk of contagion will remain a driver of global credit market sentiment.

Underlying assumptions:

- The framework and targets announced in the Comprehensive Spending Review (CSR) to reduce the budget deficit and government debt are the same as announced in June and focus on how the cuts are to be distributed. The next big fiscal milestone will be the Office Of Budget Responsibility's assessment of the CSR's implications for growth, employment and inflation.
- The minutes of the Monetary Policy Committee's meeting suggest an increased likelihood of further Quantitative Easing. Money supply is weak and growth prospects remain subdued. The analysis and projections in November's Quarterly Inflation Report will give the Bank of England the opportunity to re-evaluate the outlook for economic activity and inflation and the fiscal impact of the CSR.
- Consumer Price Inflation is stubbornly above 3% will likely spike above 4% in January as VAT, Utilities and Rail Fares are increased.

- Unemployment remains near a 16 year high at just under 2.5 Million. And is set to increase as the Public Sector shrinks. Meanwhile employment is growing but this is due to part time work, leaving many with reduced income.
- Recently announced Basel III capital/liquidity rules and extended timescales are positive for banks. Restructuring of UK bank balance sheets is ongoing and expected to take a long time to complete. This will be a pre-condition for normalisation of credit conditions and bank lending.
- Mortgage repayment, a reduction in net consumer credit and weak consumer confidence are consistent with lower consumption and therefore future trend rate of growth despite Q3’s fairly strong performance.
- The US Federal Reserve downgraded its outlook for US growth; the Fed is concerned enough to signal further QE through asset purchases might be required. Industrial production and growth in the Chinese economy are showing signs of slowing. Both have implications for the global economy.

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APPENDIX 3

Instrument Type	Counterparty	Amount	End Date	Interest Rate	Territory
Fixed Deposit	Dexia Bank	£10,000,000	31/10/11	0.505	Belgian Bank
	Total Belgian Bank Deposits	**£10,000,000**			
	Total Icelandic Bank Deposits	**£42,020,774**			
Fixed Deposit	Bank of Scotland	£5,000,000	22/03/11	1.3	UK Bank
Same Day Call Deposit	Bank of Scotland	£15,000,000	n/a	0.85	UK Bank
Fixed Deposit	Barclays Bank	£5,000,000	31/05/13	6.8	UK Bank
Same Day Call Deposit	Barclays Bank	£10,000,000	n/a	0.7	UK Bank
Fixed Deposit	Barclays Bank	£5,000,000	21/01/11	0.78	UK Bank
Fixed Deposit	Barclays Bank	£10,000,000	17/03/11	1	UK Bank
Fixed Deposit	Barclays Bank	£5,000,000	08/08/11	1.09	UK Bank
Fixed Deposit	Barclays Bank	£5,000,000	06/09/11	1.17	UK Bank
Fixed Deposit	HSBC	£4,300,000	10/01/11	0.35	UK Bank
Fixed Deposit	HSBC	£5,400,000	11/01/11	0.35	UK Bank
Fixed Deposit	HSBC	£24,300,000	25/01/11	0.35	UK Bank
Fixed Deposit	HSBC	£5,100,000	24/01/11	0.35	UK Bank
Fixed Deposit	Lloyds TSB	£5,000,000	05/04/11	1.17	UK Bank
Fixed Deposit	Lloyds TSB	£5,000,000	05/07/11	1.3	UK Bank
Fixed Deposit	Lloyds TSB	£5,000,000	07/10/11	1.6	UK Bank
Fixed Deposit	Lloyds TSB	£5,000,000	09/01/12	2	UK Bank
Same Day Call Deposit	Royal Bank of Scotland	£25,000,000	n/a	1.15	UK Bank
LIBOR Fixed Deposit	Royal Bank of Scotland	£5,000,000	20/09/11	1.00188	UK Bank

APPENDIX 3

LIBOR Fixed Deposit	Royal Bank of Scotland	£5,000,000	18/10/13	1.3385	UK Bank	
Fixed Deposit	Royal Bank of Scotland	£5,000,000	06/01/12	1.4	UK Bank	
	Total UK Bank Deposits	**£159,100,000**				
Fixed Deposit	Nationwide Building Society	£5,000,000	07/02/11	0.85	UK Building Society	
Fixed Deposit	Nationwide Building Society	£5,000,000	07/03/11	1	UK Building Society	
Fixed Deposit	Nationwide Building Society	£5,000,000	05/05/11	0.74	UK Building Society	
Fixed Deposit	Nationwide Building Society	£5,000,000	06/06/11	0.85	UK Building Society	
LIBOR Fixed Deposit	Principality Building Society	£5,000,000	21/04/11	1.33663	UK Building Society	
	Total UK Building Society Deposits	**£25,000,000**				
Fixed Deposit	Debt Management Office	£3,700,000	10/01/11	0.25	UK Govt.	
Fixed Deposit	Debt Management Office	£1,750,000	12/01/11	0.25	UK Govt.	
Fixed Deposit	Debt Management Office	£5,000,000	12/01/11	0.25	UK Govt.	
Fixed Deposit	Debt Management Office	£6,000,000	13/01/11	0.25	UK Govt.	
Fixed Deposit	Debt Management Office	£6,000,000	19/01/11	0.25	UK Govt.	
Fixed Deposit	Debt Management Office	£7,000,000	18/01/11	0.25	UK Govt.	
Fixed Deposit	Debt Management Office	£8,700,000	17/01/11	0.25	UK Govt.	
Fixed Deposit	Debt Management Office	£15,000,000	21/01/11	0.25	UK Govt.	
Fixed Deposit	Debt Management Office	£8,200,000	10/01/11	0.25	UK Govt.	
	Total UK Govt. Deposits	**£61,350,000**				
	Grand Total of All Depsits	**£297,470,774**				

Highways Business Plan IMG – Gulley Emptying Schedules (10 December 2008)

Cabinet portfolio: Mr N Chard

Synopsis: The report to Cabinet Scrutiny Committee consisted of the minutes of the Highways Business Plan IMG held on 2 December 2008. During that meeting, it was resolved that gulley emptying schedules would be provided to Members after the County Council elections.

Reason for call-in: The minutes of the Highways Business Plan IMG of 2 December 2008 formed an item on the Cabinet Scrutiny Committee agenda of 10 December 2008. The Chairman asked that the request from the IMG be actioned.

Recommendations and responses:

1. Highways Business Plan IMG 02.12.08:
That a list of gulley schedules be supplied to all Members after the elections

The gulley emptying schedules would be issued to Members in the next few weeks.

Date of response: 21 July 2010 Date actioned*:* Not applicable

Members have received a map showing gulley emptying routes and schedule information would be available in the next few weeks

Date of response: 15 September 2010 Date actioned*:* 15 September 2010

Members will begin to be provided with the gulley emptying schedules from 18 October onwards

Date of response*:* 11 October 2010 Date actioned: 19 October 2010

Notes:
20.10.10 A spreadsheet detailing the number of gullies in each parish and when they had been or were due to be emptied was circulated to Members on 19 October 2010. At the meeting of the Cabinet Scrutiny Committee on 20 October 2010, the Chairman expressed concern that the information requested by the Committee had still not been received. The Chairman and Vice-Chairmen will be meeting with officers to discuss a way forward

Following a meeting between the Chairman and the Director of Highway Services, a briefing note has been provided to the Committee on this issue, and further information is expected to be provided to Members before the meeting of Cabinet Scrutiny Committee on 8 December.

20.12.10 - details of 'hotspots' was provided to all Members of the Cabinet Scrutiny Committee, and Mr Burr has requested that if Members have any additional local information Highways would be glad to hear from them. A follow-up report on progress will be provided to Cabinet Scrutiny Committee in the New Year

10.01.11 – A report on the interim approach to the delivery of the highway drainage service was provided to the Cabinet Scrutiny Committee on 10 January.

19.01.11 – The Chairman asked that this item remain outstanding until Mr Burr has provided a final report detailing how the schedules will be handled. This report is expected in Autumn 2011.

Kent Design Guide: Parking Consultation (9 December 2009)

Cabinet portfolio**:** Mr N Chard

Synopsis: The report to Cabinet Scrutiny Committee consisted of the decision notice which was signed by the Cabinet Members in May 2009; the report which recommended that the Quality Audit and Residential Parking Interim Guidance Notes be approved for adoption by Kent County Council and by Kent's District Councils; the report to the Kent Planning Officers' Group in October 2008 on the consultation responses to the Kent Design Guide Review; and the full list of consultees.

Reason for call-in: The Chairman explained that this call in was as a result of her being approached as Chairman of the Committee and that it was a decision made by two Cabinet Members in May 2009. The meeting was not to discuss the decision relating to the guidance, but to consider whether the consultation process in this instance was satisfactory.

Recommendations and responses:

3. Ask that the KCC consultation protocol be circulated to all Members, as the Committee was concerned that the protocol might not have been properly applied in this instance and that the Scrutiny Board and/or Corporate POSC be asked to examine whether the Consultation Protocol needed to be amended, in the light of the concerns expressed about this particular consultation, i.e. whether the list of consultees was full and appropriate; whether the method of consultation was appropriate; and whether steps should have been taken to chase up non-respondents.

A report was presented to Environment Highways and Waste Policy Overview and Scrutiny Committee on this issue at its meeting on 29 July 2010.

The following recommendations were agreed:

a) Endorse the testing of the robustness of IGN3 described in Section 4 and receive a report on the outcomes when they are available.
b) Acknowledge the concerns of the Kent Developers' Group, and the work that is being undertaken to address these concerns, and encourage further dialogue at appropriate levels to understand the actual implications of and opportunities presented by IGN3, and its interpretation at local level.
c) Note that public consultation on Ashford Borough Council's draft Residential Parking SPD offers developers and designers an opportunity to make further representations on the implications of 'IGN3 based guidance', having regard for the need to address the problems of some past approaches.
d) Acknowledge the widespread concern among residents concerning parking in recent residential developments, and the social and cost implications arising from the problems caused, and welcome collaborative working approaches that are seeking to avoid replication of these problems in future developments.

Date of response: 29 July 2010 Date actioned: 29 July 2010

Notes:

15.09.10 – The Chairman and Vice-Chairmen of the Cabinet Scrutiny Committee are due to discuss this issue with the Director of Environment, Highways and Waste

08.10.10 - The Head of Transport & Development has met with the Chairman and Spokespersons of the Cabinet Scrutiny Committee. Concerns have been raised by several development companies and Members and officers of KCC about the discounting of garages and tandem parking from the minimum guidance levels for certain areas. In particular, it has been argued that this will have the 'unintended consequences' of reducing densities of development and degrading the quality of the streets. As a consequence, there has been some pressure for IGN3 to be amended. Because the Kent Planning Officers Group (KPOG) owns IGN3, any review would only be meaningful if it was commissioned by KPOG. After all, IGN3 was endorsed for interpretation at LPA level. A report to address these issues will be taken to KPOG on 29 October, and the Chairman and Spokesmen have been asked to be kept informed of the results of the discussion.

19.01.11 - At Cabinet Scrutiny Committee, the Chairman explained that since the Secretary of State for Communities and Local Government had announced a removal of the limit on parking spaces in new developments and that approximately half of district councils had signed up to the Guidance, Mr Burr would be reassessing whether IGN3 would be adopted on a countywide basis and producing a report on his findings.

Review of SEN Units – Outcome of the Evaluation of the Lead School Pilot (15 September 2010)

Cabinet portfolio: Mrs S Hohler

Synopsis: The report set the context for the SEN Unit Review, presented the findings of the Lead School Pilot evaluation and made recommendations and proposals for the development of a new SEN Strategy to meet the special educational needs of Kent children and young people.

Reason for call-in: This item was called in to enable Members to ask questions about the outcome of the Lead School Pilot, the consultation process and the future funding of SEN Units.

Recommendations and responses:

1. Ask the Managing Director, Children, Families and Education to ensure that the CFE (Vulnerable Children and Partnerships) Policy Overview and Scrutiny Committee is given a formal opportunity to monitor progress of the SEN review at all appropriate stages.

A report will be taken to the CFE (Vulnerable Children and Partnerships) Policy Overview and Scrutiny Committee.

Date of response: 30 September 2010 Date actioned*:* awaiting date

Kent Connexions and Work Related Learning Services Contract 2010-2013: Budget Saving Options (20 October 2010)

Cabinet portfolio: Mrs S Hohler

Synopsis: The original paper outlined the proposed budget saving options for the Kent Connexions and Work Related Learning Services Contract 2010-2013.

Reason for call-in: Members wanted more information on the basis of the decision that was taken under urgency procedures to reduce Connexions funding by £5 million over the final two years of the contract.

Recommendations and responses:

1. Ask the Cabinet Member, Children Families and Education to ensure that the proposed revisions to the Connexions Budget and services would be brought back to the Cabinet for consideration prior to implementation in April 2011, so that this Committee can consider whether to call-in the proposals for examination.

Final decisions on all KCC budgets for implementation in the next financial year, including that of Connexions will be achieved through KCC's budget setting process in the New Year.

Date of response: 11 November 2010 Date actioned: TBC

3. Ask that the Managing Director, Children Families and Education provide comparative information on the performance of other organisations in helping NEETs into employment.

As explained at the Committee, the only comparative information that can be relied upon is that from other Local Authorities in respect of comparison of the percentage of NEETs. This is because "comparative information on the performance of other organisations in helping NEETs into employment" is often held by private sector contractors who would deem this information to be "commercial in confidence" and would not agree therefore to make it publicly available. Consequently there is no consistent comparative national data on this specific topic.

However, Kent's favourable position on NEETs is shown on the table below

Latest available (2010) Comparison to Statistical Neighbours

	July	*August*	*September*	*Average*
Nottinghamshire	*5.0%*	*5.4%*	*4.5%*	*4.9%*
Kent	*5.2%*	*5.2%*	*5.6%*	*5.4%*
Staffordshire	*5.5%*	*5.8%*	*6.9%*	*6.1%*
Worcestershire	*6.3%*	*6.6%*	*5.9%*	*6.2%*
Warwickshire	*5.8%*	*6.3%*	*6.4%*	*6.2%*
West Sussex	*5.9%*	*6.3%*	*7.2%*	*6.5%*
Swindon	*7.7%*	*8.2%*	*5.2%*	*6.8%*
East Sussex	*7.3%*	*7.6%*	*6.8%*	*7.2%*
Essex	*7.5%*	*8.1%*	*8.6%*	*8.1%*
Northamptonshire	*6.9%*	*7.6%*	*9.9%*	*8.3%*

Date of response: 11 November 2010 Date actioned: 11 November 2010

Note: 20.12.10 The Chairman is in discussion with officers about the provision of comparative information on the performance of other organisations in helping NEETs into employment.

10.01.11 A confidential Cabinet report on the tendering process has been provided to the Committee.

19.01.11 The confidential Cabinet report was due to be considered by the Committee in closed session. Due to the length of the debate on Older Person’s Modernisation, this was deferred until the meeting of Cabinet Scrutiny Committee on 9 February.

Inspection of Safeguarding and Looked After Children Services (8 December 2010)

Cabinet portfolio: Mrs S Hohler

Synopsis: This report to Cabinet summarised the outcome of the Ofsted Inspection of Safeguarding and Looked After Children Services in Kent

Reason for call-in: Members wanted more information on the Inspection of Safeguarding and Looked After Children Services, including why the risk of the judgement had not been identified earlier.

Recommendations and responses:

3. Welcome the assurances given by the Leader of the Council, the Cabinet Member for Children, Families and Education and the Managing Director, Children Families and Education that the points made during the discussion at Cabinet Scrutiny Committee will be included as part of the recovery plan. These are as follows:

a. **that a review of the governance arrangements relating to safeguarding would be carried out, including the future role of the Policy Overview and Scrutiny Committees and the Children's Champion Board.**
b. **that the current reward policy for front line social workers be reviewed, to ensure the right staff are recruited and retained within the authority.**
c. **that a rota between working within Safeguarding and with Looked After Children be considered, to reduce staff 'burn-out'**
d. **that concerns around the caseload and training levels of staff are examined**
e. **that the previous culture of silence from social workers is examined to ascertain why it had become ingrained within the organisation, and to avoid this happening again**
f. **that the use of the Integrated Children's System is reviewed to ensure it is fir for purpose and being used as effectively as possible**
g. **that the Council work more closely with the Courts to help reduce the amount of experienced social workers' time depleted through lengthy proceedings**
h. **to explore ways in which Members can be involved in Serious Case Reviews, if necessary with bespoke Member training for this purpose**
i. **that all Members who serve on the relevant Overview and Scrutiny bodies should be strongly encouraged to be more robust and challenging in performing their role to hold decision-makers to account for their actions, including being better prepared with searching questions prior to the meeting, and that opportunities for specific training on scrutiny questioning techniques should be taken up.**
j. **that the need for a 'triage' system be highlighted, in order to effectively prioritise referrals**

*Responses a to j (*apart from action i which is an action for the party whips*) are being considered for inclusion in the recovery plan. An updated recovery plan will be circulated to the Cabinet Scrutiny Committee on 19th January.*

4. Ask the Leader of the Council that the outcome of the meeting with the Minister to discuss safeguarding and looked after children services in Kent be reported back to the Cabinet Scrutiny Committee.

5. Ask the Cabinet Member to ensure that the outcomes of the review into the circumstances surrounding the judgement be reported back to the Cabinet Scrutiny Committee, given the seriousness of the subject.

6. Ask the Cabinet Member to provide a report on the actual number of social worker posts and historical data on the number of vacancies within the Children, Families and Education Directorate since April 2009.

7. Ask the Cabinet Member to provide a report on the number of safeguarding referrals to the Children, Families and Education Directorate from different agencies since April 2009.

A report will be produced for Cabinet Scrutiny on 19th January encompassing responses 4 to 7. The author of this report is Helen Davies/Victoria Widden.

Note: 19.01.11 At the meeting of the Cabinet Scrutiny Committee, it was explained that the Committee had been promised a copy of the County Council's improvement plan. Since this was not due to be finalised until the end of January, the Chairman suggested that the Committee would not pursue the item further until the improvement plan had been produced.

Bold Steps for Kent - The Medium Term Plan to 2014 (8 December 2010)

Cabinet portfolio: Mr P Carter

Synopsis: The report to Cabinet asked Cabinet to endorse of the latest draft of Bold Steps for Kent and make a recommendation to County Council to approve the final version at its meeting on the 16th December 2010.

Reason for call-in: Members wanted more information on Bold Steps for Kent – The Medium Term Plan to 2014.

Recommendations and responses:

5. Ask the Leader that any data on the increase in Small and Medium Enterprises (SMEs) accessing KCC contracts be made available

Noted and this will be programmed in within the work stream referred to above

8. Ask the Leader that ways of engaging members of the public in the Big Society who are not members of Local Strategic Partnerships or other similar bodies be addressed in the Medium Term Plan.

Noted. Officers are working on ideas for how the Big Society can really take effect within Kent and how Kent County Council can help that. There are no assumptions in that work stream that only members of LSP's will be engaged in this.

Note: 19.01.11 The Chairman explained that the original request in recommendation 5 was that evidence be provided to the Committee that the activity being undertaken by KCC regeneration staff was being successful in encouraging more SMEs to access the Council's procurement process. It was resolved that Committee was still awaiting this information.

In respect of recommendation 8, the Committee resolved that it will await a report from officers on their proposals relating to the Big Society.

Older Person's Modernisation (19 January 2011)

Cabinet portfolio: Mr G Gibbens

Synopsis: The report to Cabinet provided a summary of the consultation, shared the final reports and sought sign-off of the recommendations in order for the Cabinet Member for Adult Social Services to make his decisions. All of the 11 individual Cabinet Member decisions were called in for scrutiny by the Cabinet Scrutiny Committee.

Reason for call-in: Members wanted more information on consultations, the movement away from direct provision of services, comparative costs of public and private sector service provision and other issues.

Recommendations and responses:

1. Thank Mr Gibbens, Mr Mills, Ms Howard and Mr Weiss for attending the meeting and answering Members' questions.

2. Welcome the assurances given by the Managing Director, Kent Adult Social Services, about the appointment of an independent arbiter, who would be able to hear grievances from affected residents who felt their services were not equivalent or better in the future.

3. Ask the Managing Director, Kent Adult Social Services, to provide an example of a typical care contract to the Committee, in relation to concerns about future costs of any care contract in respect of Extra Care Housing,

4. Ask the Managing Director, Kent Adult Social Services, that additional information be provided about ongoing protection of terms and conditions for any staff transferred under Transfer of Undertakings (Protection of Employment) Regulations to new providers, and how long staff would enjoy this protection.

5. Welcome the assurances given by the Managing Director, Kent Adult Social Services, that further information would be provided to the Committee about the frequency of future inspections by the Care Quality Commission (CQC) of new facilities, recognising the fact that CQC does not regulate Extra Care Housing.

6. Welcome the continuing assurances given by the Managing Director, Kent Adult Social Services, that staff affected by the Older Person's Modernisation programme would be supported through the changes in the usual way by KCC.

7. Welcome the commitment from the Managing Director, Kent Adult Social Services, that the Freedom of Information request from Ms Baldwin be responded to as quickly as possible.

8. Request that the Managing Director, Kent Adult Social Services, provide a report on the details of new legislation relating to pension provision in the private sector, and how this will affect the comparative cost of private sector care provision.

9. Request that the Director of Governance and Law be asked to give his professional opinion as to whether a possible lack of advice and information for the public about the fact that choices in the consultation were restricted, due to

the conditions of the Private Finance Initiative bid to Government, had invalidated the consultation process.

10. Welcome the assurance from the Cabinet Member, Adult Social Services, that he will be as flexible as possible about the timeframe for closure of Sampson Court, if there is a reasonable bid from a social enterprise to take over its operation.

11. Express regret that some local Members were not involved more fully in the process of considering the options relating to each site, and ask that the Group Managing Director urgently raise with the Corporate Management Team the issue of full, timely and ongoing involvement of local Members in the development stage of any decisions affecting their division. The Committee would like to draw Members' attention to:

A) Paragraph 22 of Appendix 2 Part 4 of the Constitution:

> ***Involvement of Local Members***
>
> ***22. (1) In exercising these delegations or in preparing a report for consideration by the Cabinet or a Cabinet Member, officers shall consult the relevant Local Member(s) on any matter that appears to specifically affect their division.***
>
> ***(2) Any objection by a Local Member to a proposed course of action shall be the subject of consultation with the relevant Cabinet Member.***
>
> ***(3) All reports to the Cabinet or a Cabinet Member shall include the views of Local Members.***

B) Recommendation R6 from the Informal Member Group on Member Information's report of December 2008:

> ***R6. A Local Member Notification Protocol be developed, and electronic alerts introduced to systems, indicating when members need to be consulted and informed and by whom, with current contact details.***

C) Communications from the Director of Governance and Law to Senior Managers, for example from November 2007, reminding officers of the need to keep Local Members informed and involved in matters affecting their divisions, as enshrined in the Constitution.

D) Paragraph 4 of the Procedure for writing and preparing reports to Cabinet, Cabinet members, committees and the council (http://knet2/policies-and-procedures/reports-to-cabinet-cabinet-members-committees-and-the-council/reports-to-cabinet-cabinet-members-committees-and-the-council):

> ***4. For a proposal which relates to a particular area of the County, it is particularly important that you consult all the local Members concerned***

12. Welcome the assurance from the Managing Director, Kent Adult Social Services, that a list of what the Council expects to be included in any formal agreement about levels of service provided under alternative arrangements for residents be provided to the Committee.

Budget 2011/2012 and Medium Term Financial Plan 2011 - 2013 (24 January 2011)

Cabinet portfolio: Mr J Simmonds

Synopsis: Every year the Council sets its Budget for the next financial year and its Medium Term Financial Plan (MTFP). The final Budget and MTFP are approved at County Council in February.

Reason for call-in: Cabinet Scrutiny Committee is part of the yearly cycle of meetings to discuss the Budget. Various elements of the Budget 2011/12 and Medium Term Financial Plan 2011-2013 were discussed during the meeting of the Cabinet Scrutiny Committee.

Recommendations and responses:

1. Thank Mr Carter, Mr Simmonds, Ms Carey, Mr Wood, Mr Shipton and Mr Abbott for attending the meeting and answering Members' questions.

2. Ask that the Cabinet Member, Finance, provides a copy of the letter sent by KCC to Government in response to the Provisional Local Government Grant Settlement 2010-11.

3. Ask that the Cabinet Member, Finance, provides a table of the reduction in Government grants to other local authorities in England compared to Kent.

4. Welcome the assurances given by the Leader that proposals on how reductions to the Early Intervention Grant will be implemented in Kent be put before Members for consultation, including through the relevant Policy Overview and Scrutiny Committee.

5. Welcome the suggestion given by the Leader that research into implementation of a 'living wage' in Kent be undertaken, including mapping the variations in cost of living across the county.

6. Ask the Group Managing Director to consider whether changes to the risks that the Council faces also be reported to the Cabinet Scrutiny Committee, no less frequently than every six months.

7. Ask that the Cabinet Member, Finance, provides detail of the number of users of concessionary bus fares over the previous year, and how this relates to the £600,000 identified savings from providing this service from 9.30am.

8. Ask that the Managing Directors of all Directorates affected provide detail of any reductions in funding to the voluntary sector.

9. Formally commend Finance Members and Officers for their hard work during the run up to the publication of the budget.

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