AGENDA

CORPORATE POLICY OVERVIEW COMMITTEE

Friday, 14 November 2008 at 10.00 am
Darent Room, Sessions House, County Hall, Maidstone

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

Tea/Coffee will be available 15 minutes before the meeting

Membership (14)

Conservative (10): Mr E E C Hotson (Chairman), Mr R H C Bliss, Mr R B Burgess, Mr B R Cope, Mr J A Davies, Mr C G Findlay, Mr R W Gough, Mr J E Scholes and Mr J D Simmonds

Labour (3): Ms A Harrison (Vice-Chairman), Mr C Hart and Mr D Smyth

Liberal Democrat (1): Mrs T Dean

UNRESTRICTED ITEMS

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

Item No

A. COMMITTEE BUSINESS

A1 Substitutes

A2 Declaration of Interests by Members in items on the Agenda for this meeting.

A3 Minutes (Pages 1 - 8)

B. ITEMS FOR CONSIDERATION

B1 Financial Monitoring Report: Corporate Services 2008/09 (Pages 9 - 10)

B2 Medium Term Financial Plan - 2009-12 - CED (Pages 11 - 36)

B3 Effect of Downturn in the economy on Corporate Services (Pages 37 - 44)

B4 Information and Communications Technology (ICT) (Pages 45 - 56)

C. SELECT COMMITTEE WORK

There is nothing to update the Committee on at this time.

EXEMPT ITEMS

(At the time of preparing the agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public)

Peter Sass
Head of Democratic Services and Local Leadership
(01622) 694002

Thursday, 6 November 2008

Please note that any background documents referred to in the accompanying papers maybe inspected by arrangement with the officer responsible for preparing the relevant report.

KENT COUNTY COUNCIL

CORPORATE POLICY OVERVIEW COMMITTEE

MINUTES of A meeting of the Corporate Policy Overview Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Friday, 26 September 2008.

PRESENT: Ms A Harrison (Vice-Chairman), Mr R B Burgess, Mr B R Cope, Mr J A Davies, Mr C G Findlay, Mr R W Gough, Mr C Hart, Mr J E Scholes, Mr J D Simmonds and Mr D Smyth

ALSO PRESENT: Mr A H T Bowles and Mr R A Marsh

IN ATTENDANCE: Miss A Cambray (Climate Change Project Manager), Mr D Cockburn (Director Of Business Solutions & Policy), Mrs S Garton (Head of County Performance and Evaluation Manager), Mr R Hardy (Head of Improvement And Engagement), Ms J Hill (Performance Manager), Ms L McMullan (Director of Finance), Ms T Oliver (Director Of Strategic Development And Public Access), Mr D Oxlade (Head Of Policy), Ms D Smith (Policy Manager), Ms P Smith (County Manager - Supporting Independance Programme), Mr A Wood (Head of Financial Management) and Ms C McKenzie (Greener Kent Manager)

UNRESTRICTED ITEMS

99. Membership
(Item A2)

RESOLVED that it be noted that Mr R W Gough has replaced Mr L B Ridings as a Member of this Committee.

100. Minutes - 28 May 2008
(Item A4)

RESOLVED that the minutes of the Meeting held on 28 May 2008 are correctly recorded and that they be signed by the Chairman, subject to it being recorded that Mr Hibberd was a substitute for Mr Burgess,

101. Dates of meetings in 2009
(Item A5)

RESOLVED that the following dates for meetings in 2009 be noted:-

14 January
26 March
8 July
25 September
13 November

All meetings will commence at 10.00 am

102. Draft Towards 2010 Annual Report
(Item B1)

(Mrs S Garton, County Performance and Evaluation Manager, Mr R Hardy, Head of Improvement and Engagement, Ms Carolyn McKenzie, Greener Kent Manager, Ms L McMullan, Director of Finance, Ms T Oliver, Director of Strategic Development and Public Access, Mrs Debbie Smith - Policy Officer (Public Health) and Miss Pauline Smith - County Manager - Supporting Independence Programme were present for this item.)

(1) Mrs Garton presented the report which set out the process for finalising the second Towards 2010 Annual Report prior to approval by County Council on 16 October 2008 and a draft of the report on progress on the 13 targets which came within the remit of this Committee. Each of the officers responsible for these targets gave a brief overview and invited comments from Members.

(2) Members questions and comments included the following:-

- In response to a question Ms McMullan stated that the there was not a hard government target for KCC spend with Kent Based Small Medium Sized Enterprises (SME's), however the current figure for KCC was 65% of total expenditure. The Government has quoted a figure of 35% which KCC were exceeding.
- Ms McMullan gave Members some feedback from the meeting that Mr Chard and Mr A King had had with representatives of the Federation of Small Business and undertook to supply a resume of this meeting to Members.
- Page 17 – 2nd bullet point – 20% of Highways contracts outside of the Alliance contracts, in response to a question on whether this was related to the percentage of work for SME's, Ms McMullan stated that the intention was that this work should not simply be provided by one supplier and that there was an opportunity for work to go to smaller Kent based contractors.
- The Chairman of the Governance and Audit Committee informed Members that a Trading Activities Sub-Group had been established to ensure that KCC contracts were transparent and that there was greater communication with the private sector.
- In response to a question on funding for film, Ms Oliver stated that SEEDA and the SWEDA were the only development agencies which did not invest in film. This put Kent at a disadvantage when competing against other areas of the UK to attract film companies to use Kent as a location. Ms Oliver stated that attracting of EU money usually required a project bid which was not necessary appropriate for attracting film production companies. She was however submitting an Interreg bid.
- Target 9 -a Member stated that it was important to have an indication of an actual target rather then just to "reduce".
- In response to a question on whether her team were working with Borough/District Councils and other local agencies that do good work on the ground to make sure that KCC adds value, Ms P Smith explained that part of her role with the Supporting Independence programme was to facilitate conversations at a local level, it was essential that issues were owned locally, and she was also able to take an independent Kent wider view and see how this linked in at the local level.

- Target 18 – 1,000 apprenticeships offered by a Kent Apprenticeship scheme – clarification was sought of whether these were in addition to the apprenticeships already being offered by Kent Companies. Ms P Smith confirmed that the 1,000 were facilitated by the Kent Apprenticeship scheme and were in addition to those already being offered by other organisations.
- In response to a question Ms P Smith confirmed that apprentices received a minimum of £80 a week, and not the minimum wage. A large number of apprentices on the Kent Apprentice Scheme achieved full employment with 3 – 6 months.
- Ms P Smith confirmed the impact of the economic climate on the Apprenticeship scheme was monitored.
- In response to a question on how to ensure that working neighbourhood funding was paid to the relevant District Council to use in their area rather that being use to support current KCC services, Ms P Smith confirmed she would wish to ensure that this money was used to make real sustainable change in the area and would be working with employers on this.
- Target 19 – in response to a question on whether the 78% of young people with the Kent Community Project teams who had been supported into further education came from across Kent, Ms P Smith confirmed that this was the case.
- Target 24 – Kent TV – In response to a question on funding, Ms Oliver confirmed it would be a Member decision on the ongoing funding for Kent TV and highlighted the savings made through publications as a result of Kent TV existing. The current financial year has a target of £200k saving and this was on course to be met. Income generation was proving more difficult in the current financial climate but efforts were being focused on larger corporate sponsors. The Kent TV Board of Governors decided not to focus on smaller-scale advertising as local media companies were concerned about the impact on their revenue generation.
- Ms Oliver clarified that the reference to “customer profiling” on page 34 referred to the means by which we were working with partners to try to understand more about the customers who were using the Gateways in order to provide the most effective services.
- Members requested the Webcast viewing figures for each Committee.
- Target 41 – In response to a request for examples of new builds, Ms McKenzie referred to Turner Contemporary and the Kent Highways Depot.
- Ms McKenzie clarified that “very good” in relation to BREEAM standards was not the highest standard as there was also excellent and exceptional.
- Target 48 – In response to a question from a Member, Mrs Garton explained that “Healthy Eating” came under Target 51 which was within Children, Families and Education Policy Overview Committee’s remit.
- The issue of retailer re-sizing children’s clothes (i.e. making them larger within the same age range), which re-enforced the trend towards childhood obesity was mentioned.
- Target 48 – the importance of ensuring that any funding for physical exercise initiatives focused on sustainability and that it supported activities that people wanted to undertake was emphasised.

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

103. Corporate Services Budget Monitoring 2008/09
(Item B2)

(1) Ms McMullan presented a report which set out the forecast outturn against budget for the Chief Executives Department and the Financing Items Budget for the year 2008/09. Ms McMullan highlighted the forecast variance and the end of year underspend. The report set out the main reasons for the forecast underspend.

(2) There was discussion around the challenges of LABGI Scheme (Local Authority Business Growth Incentives Scheme). Ms McMullan informed Members that this was being reviewed and that she and Mr Chard had given evidence to a government Select Committee in relation to this.

(3) Regarding the Kent Enterprise find, Ms McMullan explained that the contribution from this to the revenue fund was a one off amount spread over two years.

(4) RESOLVED that the projected outturn figures for the directorate as at the first quarter be noted.

104. CPA Corporate Assessment response and draft performance improvement plan
(Item B3)

(1) Mr Hardy presented the draft Performance Improvement Plan relating to the comments and conclusions of the Corporate Assessment report which was attached as Appendix 1 to the report. He reminded Members that the assessment had been extremely positive and the PIP should considered in this context.

(2) Comments from Members were invited and included the following:-

- Mention was made of the comment relating to Kent's Strong Brand and self promotion and the impression that this can give partners.
- The issue of a Members right to information and the time that it sometimes takes for a request to be acknowledged and the information received was raised.
- Although it was acknowledged that at lot of good work was being carried out through overview and scrutiny, it was recognised that there was still a lot that could be done across the piece to improve.
- It would be helpful to Members who served on both District/Borough Councils and the County Council if there could be as much consistency as possible between the two in relation to issues that affected both authorities.
- Pages 58/59 – Overview and Scrutiny – a key challenge referred to was backbenchers and opposition Members having access to papers ahead of a decision being made, in order to understand the options that had been considered and rejected.
- In relation to the County Councils relationship with Borough/District Councils it would appear that the CPA inspectors were saying that KCC was making progress, but it still had a long way if measured against its aspirations.
- Page 66 – in relation to KCC being seen to be over keen to claim credit, it was suggested that this perception could come from some press releases which tended not to acknowledge funding received from central government.

- Page 73 – the importance of all plans containing SMART targets with measurable outcomes was emphasised, although it was accepted that not all National Indicators contained SMART targets.

(3) RESOLVED That the comments made by Members be noted and the draft Performance Improvement Plan attached as Appendix 1 to the report be agreed.

105. Comprehensive Area Assessment: Joint Inspectorate Consultation
(Item B4)

(1) The Committee received a report presented by Mr Hardy which outlined the proposals contained in the joint consultation paper on the new assessment framework for the Comprehensive Area Assessment (CAA) which was published on 29 July 2008 by the Audit Commission, the Commission for Social Care Inspection, the Healthcare Commission, HM Inspectorate of Constabulary, HM Inspectorate of Prisons, HM Inspectorate of Probation and Ofsted. The consultation period was due to close on 20 October 2008. The report highlighted four issues that could form the basis of KCC's response to the document.

(2) Mr Hardy emphasised the importance of the new assessment clearly identifying the responsible organisation so that the County Council was not held to account for outcomes that were not within its control.

(3) Members comments and suggestions were invited to assist with formulating the response. The following comments and suggestions were made by Members:-

- The proposal to shift the burden from service-based assessment to a corporate focus should be welcomed.
- There in no indication of a change in timescale or a light touch approach to demonstrate that it is different from the Comprehensive Performance Assessment.
- In order for the CAA to work there have to be true partnership arrangements.

(4) RESOLVED that:- (a) the comments on the proposals and contributions to the response be noted.

(b) That the Chairman and Spokesmen for this Committee be authorised to sign off the final response on behalf of the Committee alongside the responsible Cabinet Member.

(c) That the Audit Commission be invited to brief elected Members on how the CAA process is expected to work.

106. Chief Executives Department Annual Complaints Complaints, Complements and Enquires Report
(Item B5)

(1) Mr Hardy introduced a report which provided Members with information about the operation of the Chief Executives Department complaints and representations procedure between 1 April 2007 and 31 March 2008. Every Policy Overview

Committee would be receiving a similar report relating to their Directorate. It was intended to submit a report to the next meeting of this Policy Overview Committee on the complaints process across the authority. Mr Hardy informed the Committee that he chaired an internal review group which was drafting a protocol which would set out the way in which complaints were to be dealt with across the authority. This document would be submitted to this Committee.

(2) Members made a number of comments on the report which included emphasising the importance of standardising response times across Directorates and definition of what constituted a complaint so that the Council had a consistent approach. Also it was requested that in future this information should is broken down to business unit level.

(3) RESOLVED that the report be noted.

107. Localism: A Strategy for Success
(Item B6)

(1) Mr Bowles introduced the report on behalf of the Leader of the Council which set out details of the ongoing discussions with Councils in Kent on the preferred models of engagement with the Local Community. He explained that there had been further meetings since the report had been published, between County Council and District Council colleagues. It was anticipated that 3 or 4 pilots would be rolled out earl next year.

(2) The importance of having regular feedback to Members on this and progress with the recommendations of the IMG on Going Local was emphasised. Also raised was the issue of devolving Health Scrutiny powers to District Councils Mr Bowles undertook to ensure that there was regular feedback to Members on Localism issues.

(3) RESOLVED that the report be noted.

108. KCC International Activities Annual Report 2007/08
(Item B7)

(1) Mr Oxlade presented the third International Activities Report which covered the diverse range of international work in which the County Council was involved. It was intended to formally publish the report following, incorporating the views of Members and other comments and observations.

(2) A Member requested that in future information on the programme, objectives and feedback of visits made by officers to other countries be made available to Members, and a process should be put in place to make Members aware of these visits so that they can seek further information if they wish. Mr Oxlade assured Members that there was a robust monitoring process in place for foreign visits.

(3) The International Affairs Group was congratulated on their efforts with Ashford Eurostar Campaign.

(4) A Member noted that the keynote speaker at the European Business Network had been a shadow minister and mentioned that shadow speakers had been the keynote speaker at all three events mentioned in the report. Mr Marsh stated that

event organisers attempted to get the best available speaker from Central Government but on occasions there was no on available and a shadow Minister was invited.

(5) The issue of KCC seeking permanent representation on Interreg Committees was discussed by Members

(6) RESOLVED that the 2007-8 Annual Report, the comments made by Members and the future challenges it has identified be noted.

109. A summary of progress towards delivering Kent County Council's Climate Change Action Plan (which implements Select Committee on Climate Change recommendations as adopted by Council in January 2007). An overview of the next phase of opportunities for Chief Executive's Department (CED).
(Item B8)

(1) Miss Cambray reminded Members that the Select Committee on Climate Change had published its recommendations in October 2006. Kent County Council produced its first response in January 2007 and committed to a series of actions since drawn together in a Climate Change Action Plan, overseen by the Cabinet Working Group on Climate Change. She presented a report which summarises progress and outlined further opportunities for CED to contribute to the next phase of the programme.

(2) Members referred to the Group Source Heat Pump's being used at a new Village Hall. Also mentioned was ICT and reducing KCC's carbon footprint.

(3) RESOLVED that:- (a) progress made to date be noted,
(b) the proposed next steps for CED be endorsed;
(c) officers from the CED report back on progress to the POC at six-monthly intervals.
(d) an item be placed early on the agenda for the next meeting to enable Members to discuss the issues further.

110. Select Committees - update
(Item C1)

(1) The Committee received a report which updated them on the Select Committee Topic Review programme which included the Select Committee on Accessing Democracy and outcomes from the meeting of the POCC on 10 September 2008.

(2) The Chairman reminded Members that in accordance with the Constitution meetings of the Policy Overview Committee could last up to 4.00pm and therefore they should book the whole day in their diary for these meetings

(3) RESOLVED that the updated be noted.

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By:	Paul Carter, Leader Alex King, Deputy Leader Nick Chard, Cabinet Member for Finance Alan Marsh, Cabinet Member for Health Peter Gilroy, Chief Executive
To:	Corporate Policy Overview Committee – 14 November 2008
Subject:	Financial Monitoring Report: Corporate Services 2008/09
Classification:	Unrestricted

For Information

1. **Introduction**

1.1 This is the second report to this Committee on the forecast outturn against budget for the Chief Executive's Department and the Financing Items budget for the year 2008/09.

2 Forecast Outturn

2.1 The detailed monitoring reports for the first quarter for the Chief Executive's Department and the Financing Items budget were presented to the September meeting of this Committee. The only movement reported in the following month's report, to Cabinet on 13 October, was an increased forecast spend of £29k in Democratic Services, due to increased transport costs. The following is therefore the latest reported position.

a) Chief Executive's Department

The forecast variance at year-end is an underspend of £249k. The main reasons for the forecast underspend, after the implementation of management action, can be summarized as:

Unit	**£'000**	**Reason**
Legal Services	-218	Additional internal and external legal work
Kent TV	-200	Reflects the anticipated re-phasing of second year spend following confirmed profile of £1.2m cost over 2 years. Initial cash limits based on £600k per annum.
Democratic Services	147	Delayed staff savings and increased transport costs
Personnel & Development	22	Reduced levels of income resulting from staff vacancies
Total	-249	

b) Financing Items

The latest reported forecast for the Financing Items budgets is a net underspend of £0.6m. This reflects:

Unit	£'000	Reason
Debt charges and interest on cash balances	-2,266	Lower levels of borrowing in 07/08 and 08/09 and better rates for new borrowing than assumed
Commercial Services	300	Shortfall on income from roundabout sponsorship
LABGI	1,349	Reduction in estimated LABGI grant
Total	-617	

2.2 The projections shown above are prior to the Icelandic banks issue and the general deterioration in the liquidity and confidence in the banking sector. However, they equally exclude the positive impact in the current year of the deferred capital schemes reported to Cabinet in October.

2.3 While Councils are still waiting for guidance from the Audit Commission on the accounting treatment for any deposits frozen in Iceland, it is estimated that any interest potentially lost in 2008/09 can be broadly absorbed by the saving in debt interest from the deferred capital schemes. The very latest projections will be reported to Cabinet on 1 December 2008.

2.4 The Economic Management Group met on 3 November and reviewed whether or not the strategy for placing deposits in the future should be altered. This could have a significant impact on future interest earned. More information may be available on this issue as a verbal update to this meeting.

3 Recommendations

3.1 Members of the Corporate POC are asked to note the projected outturn figures for the directorate.

Background Documents:

1) Cabinet 15 September 2008 and Corporate Policy Overview Committee 26 September 2008 – Revenue and Capital Budgets, Key Activity and Risk Monitoring

2) Cabinet 13 October 2008 – Revenue Monitoring Exception report

Officer Contact:
Andy Wood, Head of Financial Management. Ext 4622

By: Paul Carter, Leader
Alex King, Deputy Leader
Nick Chard, Cabinet Member for Finance
Alan Marsh, Cabinet Member for Health
Peter Gilroy, Chief Executive

To: Corporate Policy Overview Committee – 14 November 2008

Subject: Medium Term Financial Plan 2009-10 to 2011-12 for the Chief Executive's Department

Classification: Unrestricted

Summary: To update the Committee on the Autumn Budget Statement report to Cabinet on 15 September 2008 and any later announcements by Government departments.

To provide a strategic summary of the service enhancements for the next three years for the functions that this Committee exercises overview.

Members are invited to comment on the key issues for the services provided by the Chief Executive's Directorate.

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1. Introduction

1.1 The Autumn Budget Statement report by the Leader, Cabinet Member for Finance, Chief Executive and Director of Finance to Cabinet on 15 September 2008 set out the national and local context for KCC's medium term plan (MTP) for the period 2009-12 to 2011-12.

1.2 This report expands on that report, updates for the latest developments, looks in more detail at specific elements in the directorate medium term plan, and invites Members to comment on the key issues for the services provided by the Chief Executive's Directorate.

2. Background

2.1 This paper summarises the current budget position for 2009-10 and is based on submissions to Corporate Finance as part of the Medium Term Plan process. Indicative cash limits for 2009-10 and 2010-11 were approved by County Council in February 2008 in the MTP for 2008-11. These figures are being updated for known changes such as transfers of activities or staff between portfolios and the forthcoming provisional local government finance settlement, expected in late November or early December.

3. Latest Developments: National Context

3.1 There are a number of national factors to take into account.

3.2 The government's Comprehensive Spending Review 2007 which was published on 9 October 2007 set out national spending plans for the next three years, 2008-11. The overall position and direction of the UK and world economy has continued to clearly and significantly deteriorate since that point.

3.3 Inflation is running at 5.2% (CPI) and 5.0% (RPI), well above the levels assumed in the government's spending plans and well above the level of our indicative grant settlement increase.

3.4 The latest OECD forecast issued in September predicts growth of just 1.2% for 2008 in the UK and shrinkage in the economy for the latter two quarters of 2008-09, which meets the working definition of a recession, two successive quarters of negative growth. This growth is around half the medium term level assumed in the government's spending plans.

3.5 The "credit crunch" continues to provide instability in financial markets and credit markets. There are clear spill over effects on the ability of any one individual or organisation to lend and borrow, to know whom it is "safe to do so", at what is a "reasonable" rate of interest for the "risk" involved. These consequentially affect the ability of individuals and organisations to fund planned capital expenditure, thus limiting proven demand for assets, limiting the ability for counterparties to sell assets at a firm "market" price. KCC is less directly affected by the "credit crunch", but not exclusively insulated, from the wider effects that we are all experiencing in every day life.

3.6 There are no significant changes to our budget assumptions which were set out in the Autumn Budget Statement in September. Key assumptions remain:

- 3.2% formula grant increase for each of the next two years (although net of LABGI losses this is worth an effective 2.0% in 2009-10) given the pre-announced provisional local government finance settlement;
- Approximately 1% reduction in cash terms each year for Area Based Grant on like for like basis as some initial start up grants cease (Area Based Grant will increase by approximately £32m in 2009-10 to allow for the transfer of Supporting People grant into ABG – but this is merely a transfer and not new money);
- Specific grants (which are increasingly primarily targeted at education and children's services and of course ring-fenced) increase as set out in the three year local government finance settlement (e.g. DSG headline increases of 3.4% for 2009-10, 4.1% for 2010-11, Sure Start, Early years and Childcare headline increases of 10.6% for 2009-10 and 13.9% for 2010-11);
- 5% maximum increase in council tax per annum given the threat of capping but equally a desire to keep actual council tax increases as low as practicable;
- Council Tax base grows by 1% in 2009/10, then by 0.5% thereafter;
- That there is no deterioration beyond that already provided for in the collection fund as the housing market stalls;
- A limit on pay having due regard to the Chancellor of the Exchequer's stipulation to all pay review bodes that public sector pay increases must be contained within a 2% limit;

- That specific grant changes and risks do not adversely move against us, but if they do and funding is directly reduced, we will have no option but to reduce services;
- That Dedicated Schools Grant is sufficient to meet all government promises on service extension and minimum funding guarantees;
- That costs of asylum seekers are fully met and reimbursed by government;
- That we have fully captured updated pressures on our services (pay, prices, demographics, demand, legislation, impact of the "credit crunch" etc.);
- That we deliver significant efficiencies and savings in specific services and through a series of cross cutting reviews of services.

4. The Current Budget for the Chief Executive's Department and Financing Items

4.1 The 2008/09 approved budgets for the Portfolios under the oversight of this POC started the year as follows:

Portfolio	Gross £'000	Income £'000	Net £'000
Corp. Supp. & Ext. Affairs	41,485	16,827	24,658
Policy & Performance	12,360	6,934	5,426
Finance	142,300	35,626	106,674
Public Health	957	0	957
Total	197,102	59,387	137,715

Since the start of the year, a number of adjustments have been made to the budget, most significantly, the transfer of Legal & Democratic services from the Policy & Performance Portfolio to the Corporate Support & External Affairs Portfolio.

Further detail is provided in Appendix 1. The figures in Appendix 1 show the latest approved cash limits, which will include in-year adjustments, virements, and roll-forward from 2007/08, and are therefore different from the base budgets shown in the above table.

4.2 At the macro level, this budget provides for the following outcomes, outputs and service improvements:

- Support to service directorates in delivering front-line services
- Public access services, such as Gateways
- The corporate costs of running the County Council
- The financing costs of the capital programme
- The commercial trading arm of KCC

The costs and activity levels associated with the main budgets for CED services are outlined in Appendix 2, which are intended to provide Members with more detail from which they can suggest any change in service policy and priorities and possible areas for budget savings.

4.3 As reported in the quarterly monitoring reports for 2008/09, there are spending pressures and savings in the following areas:

Unit	Projected variance £'000	Reason for variance
Legal Services	-218	Additional internal and external legal work
Kent TV	-200	Reflects the anticipated re-phasing of second year spend following confirmed profile of £1.2m cost over 2 years. Initial cash limits based on £600k per annum.
Democratic Services	147	Delayed staff savings and increased transport costs
Personnel & Development	22	Reduced levels of income resulting from staff vacancies
Debt charges and interest on cash balances	-2,266	Lower levels of borrowing in 07/08 and 08/09 and better rates for new borrowing than assumed
Commercial Services	300	Shortfall on income from roundabout sponsorship
LABGI	1,349	Reduction in estimated LABGI grant
Total	-866	

The on-going impact of these variations in to the medium term is included in the pressures and priorities shown in Appendix 4.

5. Priorities for the Medium Term Plan

5.1 The overall direction for the CED directorate is now well established, and attached at Appendix 3 is a copy of the current Medium Term Service Priorities for CED, which will shape our contribution to Section 3 of the new Medium Term Plan. Members are asked to suggest how these should change for the next three years.

5.2 Members will appreciate, from the information in Section 3 of this report, that the financial framework for the medium term will be very tough for all Directorates and comes at a time when demand for services has never been higher, both because of more people needing our services and because of greater public expectations.

5.3 Whilst the Directorate is implementing modernisation changes that will increase efficiency and effectiveness, there does need to be awareness of the need to consider some potentially difficult decisions affecting the directorate in the medium term

5.4 Areas of spending priority for which significant additional funding is suggested include:

Pay; £887k in 2009/10 – this reflects a provision for the 2009 pay award

Gateway; £950k across the 3 years – the current capital funding will provide for 17 Gateways across the County.

Debt servicing to support capital investment; £2,174k - this sum reflects the recommendation by the Chief Officer Group to fund capital investment from within the CED revenue budget, subject to completion of a full business case to demonstrate the benefits of those investments. The majority of this relates to two key projects:

- The extension of the IT asset maintenance fund to cover server environments
- The Better Workplaces project, which will rationalise existing offices

Financing Costs; £14,297k in 2009/10 – this reflects the expected cost of repaying new borrowing required to fund the existing approved capital programme. Any changes to the borrowing requirement as a result of changes to the approved capital programme will impact on this pressure

5.5 The position is summarised in the following table:

	2009/10	2010/11	2011/12
	£'000	£'000	£'000
Existing pressures in published MTP 2007- 2010			
Pay	863	880	
Prices			
Legislative			
Demand	100	-63	
Towards 2010	150	200	
Service Improvements	18,207	19,392	
New pressures			
Pay	24	24	923
Prices	326	492	400
Legislative	1,362	20	-20
Demand	-21	1,071	3,429
Towards 2010	200	100	300
Service Improvements	1,748	1,779	15,230
Total	**22,959**	**23,895**	**20,262**

5.6 More detail on the pressures on individual Portfolio level is provided in Appendix 4

5.7 The Comprehensive Spending Review 2007 confirmed Government's expectation of a 3% efficiency saving on gross budgets per annum for local government budgets. If applied strictly across the board, that would mean an annual efficiency saving of £5.9m per annum for the portfolios covered by this Committee.

5.8 The POC is asked to prioritise the functions and budget that it has oversight of and indicate what types and areas of savings, efficiencies and income generation, broadly, might be achievable and acceptable, if there were a savings requirement on the gross budget of:

1%; which equates to just under £2m in 2009/10, then a further £2m in 2010/11 and a further £2m in 2011/12
2%; and
3%;

5.9 To assist and remind Members of the current position, the current budgets for the functions they have oversight of are attached at Appendix 2 to this report.

6. Recommendation

6.1 Members are asked to:

a) Note and comment on the above proposals.
b) Scrutinise the pressures attached to this report as shown at Appendix 4
c) Identify and express their relative priorities for services and to indicate, broadly, areas and types of savings, efficiencies and income generation that they consider could realistically be achieved.

Officer Contact
Andy Wood
Head of Financial Management
01622 694622 (Ext 4622)
andy.wood@kent.gov.uk

Background Documents:

- Cabinet 15 September 2008; The Autumn Budget Statement
- 2008/09 CED Business Plans
- 2008-11 Medium Term Plan and Budget Book
- Corporate POC 28 May 2008; Item B1 Financial Monitoring report and 2007/08 Business Unit Operating Plan Outturn Monitoring

Appendix 1

Budget Book Heading	2008/09 Current Cash Limit		
	G	I	N
	£'000s	£'000s	£'000s
Public Health portfolio			
Kent Department of Public Health	**1,401**	**0**	**1,401**
Corporate Support & External Affairs portfolio			
Personnel & Development	10,208	-4,458	5,750
Information Systems	22,411	-6,976	15,435
Corporate Communications	1,307	-94	1,213
International Affairs Group	461	-113	348
Strategic Development & Corporate Management	2,674	-14	2,660
Legal Services	5,326	-5,726	-400
Democratic Services	4,648	-18	4,630
Dedicated Schools Grant		-2,789	-2,789
Contribution to IT Asset Maintenance Reserve	2,424		2,424
PFI Grant		-656	-656
Total CS&EA	**49,459**	**-20,844**	**28,615**
Policy & Performance portfolio			
Policy & Performance	1,149	-340	809
Kent Partnerships	456	0	456
Kent Works	940	-740	200
Total P&P	**2,545**	**-1,080**	**1,465**
Finance Portfolio			
Strategic Management	1,530	-184	1,346
Finance Group	20,554	-15,722	4,832
Property Group	16,930	-7,693	9,237
Insurance Fund	3,479		3,479
County Council Elections	255		255
Workforce Reduction	1,468		1,468
Environment Agency Levy	359		359
Joint Sea Fisheries	264		264
Audit Fees & Subscriptions	800		800
Interest on Cash Balances / Debt Charges	125,295	-29,896	95,399
Contribution from Commercial Services		-6,210	-6,210
Public Consultation	100		100
Member Community Grants	848		848
Local Priorities	595		595
Local Scheme spending recommended by Local Boards	656		656
Transferred Services Pensions	22		22
PRG	6,176	-7,902	-1,726
Contribution from Reserves	-2,400	0	-2,400
Income from Kings Hill	-1,000	0	-1,000
ABG Safer Stronger Communities	1,384		1,384
LABGI income	-1,851	-1,349	-3,200
Total Finance	**175,464**	**-68,956**	**106,508**
Total	**228,869**	**-90,880**	**137,989**

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Review of Corporate Budgets

	Expenditure			Income			2008/09	
	Employees	Running Costs	Total	Internal	External	Total	**Base Budget**	Cost Driver / Unit Cost / Main Activities i.e. justification of spend
Public Health	**121.5**	**835.5**	**957.0**			**0.0**	**957.0**	£121.5k is the salary cost associated with the department. The department currently hosts the LINKs Budget (£492k), of which £472k is in the process of being transferred to E&R directorate who are responsible for monitoring the contract with the host organisation. £300k is the Kent Health Watch budget leaving £43.5k as the budget for all other running costs of the department. This breakdown does not include £250k, formerly with CFE for the T2010 Target 50 campaign which transferred recently.
Personnel & Development								
Schools Personnel Service	2,214.3	209.8	2,424.1	-1,862.6	-75.0	-1,937.6	**486.5**	Provide personnel administration and consultancy to schools purchasing the service. Undertake a range of services on behalf of the LEA on a commercial contract basis. The net budget provides for CRB checks for schools and delivery of specialist training and workshops to schools and other educational establishments. Base budget has subsequently been transferred to CFE.
Communities, E&R, CED Personnel Service	716.7	24.4	741.1	-129.2		-129.2	**611.9**	Manage organisational change and provide professional, expert advice and support to managers on all staff matters. Provided to Communities, Environment & Regeneration and Chief Executive's Department. Largely organised on casework basis, for example grievance, disciplinary and restructuring. Areas of specialism developed and applied across all directorates e.g. sickness management. To ensure engagement, development and retention of staff and excellent people management practices. Minimise risk to KCC from Employment Tribunals arising from inappropriate management activity. Unit cost = £122 per head
Employee Relations Unit	194.9	29.6	224.5	0.0		0.0	**224.5**	Development of employment policy and practice. Specialist advice and training in employment law. Formal and informal consultation and negotiation with Trades Unions. Management of redeployment forum. All delivered on behalf of whole authority.
Pay and Rewards team	265.9	17.0	282.9	-34.2		-34.2	**248.7**	Deliver a Reward strategy which underpins KCC's goals to recruit and retain a highly skilled and motivated workforce. Continually improve approaches to pay management and employees benefits and ensure KCC meets its obligations in respect of Equal Pay. Development and implementation of all reward projects, policy and practice. Management of Total Contribution Pay process. Research on pay trends and specialist advice on market position to ensure pay is competive and fair, including the appropriate use of market supplements. Management of Job Evaluation and ongoing development of pay structures for KCC. Input to annual pay bargaining process. Ongoing development, management and enhancement of staff benefits for KCC employees and introduction of Total Reward approach. Administration of Staff Club and Help Fund. Unit cost = £9 per head (including schools)
Employee Services	1,992.4	191.2	2,183.6	-173.4	-78.0	-251.4	**1,932.2**	Provide advice and guidance to support the delivery of an integrated service for appointment, ongoing employment, transfer and leaving protocols. Manage, verify, deliver and reconcile the timely and accurate payment of all non-schools KCC staff and Members including all related statutory returns in accordance with HMRC's requirements. Facilitate rapid and compliant recruitment and selection for all posts required by the authority in line with legislation and KCC's policies and procedures. Provide advice and support on CRB practice and operate a processing service for checks ensuring full compliance. Manage the relationship/contract arrangements with KCC's recruitment advertising agency. Processing, validating and payment of all employee expenses in line with the appropriate legislative requirements. Unit cost = £121 per assignment.
Personnel & Information Services	405.7	8.6	414.3	0.0		0.0	**414.3**	Meet KCC's workforce information requirements for external, statutory, corporate and directorate purposes. Develop systems to ensure maximum functionality from Oracle HR. Unit cost = £21 per assignment
Equalities team	182.4	50.1	232.5	0.0		0.0	**232.5**	Provide advice on increasing access to employment for diversity groups, work to eliminate discrimination in the workplace and support the diversity staff groups.. Unit cost = £19 per head.
Staff Care Services	550.0	366.4	916.4	-405.7	-28.1	-433.8	**482.6**	As the corporate client ensure the provision of occupational health, counselling, workplace mediation and coaching services provided by Commercial Services. Unit cost = £40 per head
Wellbeing Healthchecks	0.0	75.0	75.0	0.0		0.0	**75.0**	3 year programme of voluntary health checks for employees to check for early warning signs of underlying health problems and the provision of advice on healthy living. Provided by an external contractor with some internal support with the communication and marketing.
P&D Management	353.2	108.5	461.7	0.0		0.0	**461.7**	The director or P&D, senior managers and the PA team for the unit. Additional costs for the running of the unit eg supplies and services.
Learning & Development	774.1	630.8	1,404.9	-903.7	-20.0	-923.7	**481.2**	Design, commission and procure learning and development solutions to meet the needs of the business, individuals and external customers. Operates as a business unit, generating income from service receivers. Deliver a coaching service across KCC and take the professional lead on Organisational Development for KCC. Unit cost = £40 per head (corporate activity)
Health & Safety	190.6	34.4	225.0	0.0		0.0	**225.0**	Provide the professional lead, advice, development and training across KCC to ensure that all directorates maintain the safety and welfare of staff, clients and the public. Through this approach, ensure risk to KCC is minimised and all statutory requirements are met. Provide specific H&S advice within the Chief Executive's Department.
Strategy 4 Staff	158.6	208.3	366.9	0.0		0.0	**366.9**	All development and delivery to ensure the implementation of KCC's Strategy for Staff. These are key projects such as the Staff Survey, benchmarking activity and developing strategies to build the organisation's people capacity and lead on delivering KCC's Strategic Workforce Plan. Deliver a range of communication initiatives to maximise employee engagement. Costs include management and support costs. Unit cost = £11 per head. In addition, specific funding provision is made for the Senior Managers Development Programme and Investors in People.
Rewards Strategy	0.0	107.0	107.0	0.0		0.0	**107.0**	Annual stage payment to external provider for the development and management of the Kent Rewards site.
	7,998.8	**2,061.1**	**10,059.9**	**-3,508.8**	**-201.1**	**-3,709.9**	**6,350.0**	

Review of Corporate Budgets

	Expenditure			Income			2008/09	
	Employees	Running Costs	Total	Internal	External	Total	**Base Budget**	Cost Driver / Unit Cost / Main Activities i.e. justification of spend
Information Systems								
Non-service catalogue	5,104.0	1,141.0	6,245.0	-5,042.0	-1,100.0	-6,142.0	**103.0**	Services provided under individual agreements E.g. EIS and schools.
Desktop	3,964.2	120.8	4,085.0			0.0	**4,085.0**	Unit cost = £283. Provision of email, antivirus, electronic filing, print, desktop computers, protection from threats, manage software agreements .
Network - data	869.9	4,002.1	4,872.0			0.0	**4,872.0**	Unit cost = £360. Provision of WAN and LAN services to 400+ sites. Manage monitor, protect & maintain data network.
Network - voice	225.5	478.5	704.0			0.0	**704.0**	Unit costs = £47. Managing & maintaining the voice networks across KCC.
Data centre	54.0	929.0	983.0			0.0	**983.0**	Unit costs = £36. Source & maintain machine space hosting infrastructure for application and desktop servers and storage.
Applications - KSSiP	1,029.5	446.5	1,476.0			0.0	**1,476.0**	Unit costs = £903. Manage, monitor & maintain enterprise wide finance, personnel & payroll systems.
Applications - Others	2,503.6	360.4	2,864.0			0.0	**2,864.0**	Unit costs = £240. Maintain integrity for service directorate IT and individual unit (business systems) & web-based applications.
Targeted Savings			0.0	-853.0		-853.0	**-853.0**	
Contribution to IT Asset Maintenance Reserve	4,880.0		4,880.0	-2,456.0		-2,456.0	**2,424.0**	
	18,630.7	**7,478.3**	**26,109.0**	**-8,351.0**	**-1,100.0**	**-9,451.0**	**16,658.0**	
Business Solutions & Policy								
BS&P Core team	715.8	487.7	1,203.5			0.0	**1,203.5**	Provides cross-cutting support, planning and monitoring/benchmarking functions. Also includes training, agency/temporary staff, financing items, as well as technical test/development and proof of concept activity to take forward KCC's technical innovation ambitions.
Kent Partnership	381.6	74.8	456.4			0.0	**456.4**	Main focus is to initiate and guide joint action by the public, private and voluntary and community sectors on the key issues facing Kent in order to deliver the countywide community strategy, the Vision for Kent.
Central Policy	835.6	-11.5	824.1	-340.2		-340.2	**483.9**	Supports the development of corporate policy through forward thinking, research and joint working with partners to drive change and improvement within the organisation.
Performance Management	359.7	-103.9	255.8			0.0	**255.8**	Ensures that the authority strives for continuous improvement in its performance by providing a focus for improvement; ensuring systems are in place to provide quality data, challenging submissions to ensure robustness and keeping everyone informed of KCC's corporate performance.
European Affairs Group	361.8	99.6	461.4		-113.2	-113.2	**348.2**	Provide a corporate voice for KCC and Kent in Europe. Seeking to maximise the benefits of being the 'gateway to Europe' by promoting Kent's interests, facilitating the participation of KCC Directorates in European programmes and projects and strengthening the EU dimension within wider KCC policy formulation.
Kent Works	850.0		850.0		-850.0	-850.0	**0.0**	
	3,504.5	**546.7**	**4,051.2**	**-340.2**	**-963.2**	**-1,303.4**	**2,747.8**	
Legal								
Commercial Team	1,534.0	48.4	1,582.4	-467.8	-1,490.8	-1,958.6	**-376.2**	34.4fte's - responsible for all property and commercial legal matters, including sales, purchases and leases; PFI; planning law advice including pre-application advice, breaches of planning and environmental law, planning Inquiries and planning prosecutions; advice on highways law including public rights of way and village greens; right to buy; company, trust and charity law; partnerships with outside bodies; planning agreements, community infrastructure and planning blight procedures; building and engineering contracts; tenders and contracts for the provision of goods and services; compulsory purchase orders, advice on common land matters; legal charges; land compensation claims; etc. Surplus generated through external and third party funded
Community Team	2,102.1	143.0	2,245.1	-261.7	-2,499.1	-2,760.8	**-515.7**	47.5 fte's - responsible for advice and pre-court preparation on litigation cases at all levels up to the House of Lords, including advocacy in the Magistrates' and County Courts, employment tribunals; specialist advice in the areas of housing possession, disrepair, debt recovery, employment, judicial review, and licensing. Also specialist advice in the areas of child protection, fostering and adoption, residential and community care, mental health, asylum and criminal injuries compensation. Surplus generated through external probation and litigation work.
Disbursements		1,000.0	1,000.0	-1,000.0		-1,000.0	**0.0**	Case Expenses paid on behalf of clients and recouped at cost. 82% external Counsel Fees, mainly relating to children in Care.
Administration	399.3	98.8	498.1		-6.5	-6.5	**491.6**	9.6 fte's - The Head of the Legal & Democratic Services Unit is the Director of Law & Governance who is also Monitoring Officer for KCC and the Kent & Medway Fire and Rescue Authority. An Office Manager + 5.6fte's supports the work of the Unit, with responsibility for managing quality assurance and the support functions, including Legal Records. 2 fte's Finance support including support to Democratic Services
	4,035.4	**1,290.2**	**5,325.6**	**-1,729.5**	**-3,996.4**	**-5,725.9**	**-400.3**	
Democratic Services								
Secretariat	1,317.1	163.3	1,480.4		-18.3	-18.3	**1,462.1**	32fte's - responsible for organising and clerking Council, Cabinet, Committee, Local Board and other Member meetings; maintaining the master copy of the Constitution; advising on meeting and decision-taking procedures; producing the KCC diary; processing decisions by Cabinet Members; keeping the official record of all Council, Cabinet, Committee and Cabinet Member decisions; compiling and publishing the Forward Plan of Key Decisions; undertaking Topic Reviews for Select Committees; processing all applications for Member Community Grants, Small Community Capital Grants and Local Schemes Grants; arranging the appointment of Members to serve on outside bodies; organising school admission and transport appeals and Social Services Complaints Review Panels.
Member Services	125.1	2,258.9	2,384.0			0.0	**2,384.0**	3fte's - The Head of Democratic Services & Local Leadership is responsible for Members' Code of Conduct; register of Members' interests; secretarial services; advice and information; allowances and expenses; chauffeurs and transport arrangements; conference attendance and training; staff support to Lord Lieutenant, Chairman of the Council and minority group leaders.

Review of Corporate Budgets

	Expenditure			Income			2008/09	
	Employees	Running Costs	Total	Internal	External	Total	Base Budget	Cost Driver / Unit Cost / Main Activities i.e. justification of spend
Data Protection	77.7	12.6	90.3			0.0	**90.3**	2fte's - The Corporate Access to Information Co-ordinator is responsible for ensuring that KCC complies with the legislation that gives people a right of access to publicly-held information; including the Freedom of Information Act 2000, the Data Protection Act 1998, the Environmental Information Regulations 2004 and the Re-use of Public Sector Information Regulations 2005. Other responsibilities include Corporate Policy and co-ordination; Data Protection registration and notification; Freedom of Information Publication Scheme & Asset Register, and liaison with the Information Commissioner's Office. The Co-ordinator also manages the handling of corporate complaints made to the Chief Executive.
Local Boards	588.7	105.0	693.7			0.0	**693.7**	32fte's - responsible for organising and clerking Council, Cabinet, Committee, Local Board and other Member meetings; maintaining the master copy of the Constitution; advising on meeting and decision-taking procedures; producing the KCC diary; processing decisions by Cabinet Members; keeping the official record of all Council, Cabinet, Committee and Cabinet Member decisions; compiling and publishing the Forward Plan of Key Decisions; undertaking Topic Reviews for Select Committees; processing all applications for Member Community Grants, Small Community Capital Grants and Local Schemes Grants; arranging the appointment of Members to serve on outside bodies; organising school admission and transport appeals and Social Services Complaints Review Panels.
	2,108.6	**2,539.8**	**4,648.4**	**0.0**	**-18.3**	**-18.3**	**4,630.1**	
Strategic Development Unit								
Chief Executives Initiative		127.4	127.4			0.0	**127.4**	To provide one-off funding to allow investigation of new initiatives etc
Strategic Development Unit	1,007.9	1,209.4	2,217.3	-14.0		-14.0	**2,203.3**	Running costs of the Gateway roll-out (£723k); Kent Graduate Programme provides 12 graduates posted throughout KCC (£340k); Kent TV (£600k); Kent Film Office promoting the use of Kent as a location for filming etc; Also includes Chief Executive's support team of 4 fte's (£125k).
	1,007.9	**1,336.8**	**2,344.7**	**-14.0**	**0.0**	**-14.0**	**2,330.7**	
Corporate Communications								
Corporate Communications	771.3	155.5	926.8	-36.0	-2.0	-38.0	**888.8**	The Corporate Communications Unit increases awareness, understanding and support for Kent County Council, its objectives, policies and services among Kent residents and key decision-makers. They ensure KCC employees understand KCC's aims and their contribution towards them by promoting effective, quality internal communication.
CC Kent County Show	0.0	91.8	91.8	-56.2	0.0	-56.2	**35.6**	KCC's presence at the County Show.
CC Around Kent		288.8	288.8	0.0	0.0	0.0	**288.8**	This is a quarterly magazine, 620,000 copies distributed to all households in Kent as well as to Libraries, Tourist Information centres etc.
	771.3	**536.1**	**1,307.4**	**-92.2**	**-2.0**	**-94.2**	**1,213.2**	
PFI Grant					**-656.0**	**-656.0**	**-656.0**	Specific Grant on PFI schemes
Dedicated Schools Grant					**-2,789.0**	**-2,789.0**	**-2,789.0**	Share of Grant to cover overheads
Finance Group								
County Finance	1,040.2	312.4	1,352.6	-54.0	-159.6	-213.6	**1,139.0**	**£687.5k** of the Salaries budget funds the 9.14fte Corporate Finance management team and support staff. Management team is made up of 4 ftes - Dir of Finance, Head of Financial Serv, Head of Financial Management and contracted Head of Audit. Management support has 3.14 fte and 2.0 ftes are CIPFA trainees, funded by directortes, as shown on internal income line £54k. The remainder of the salaries budget (£353k) funds the on-going impact of previous years staff redundancies and early retirements. Savings are about to accrue as some of these come to an end, and this will fund some of our strategic finance initiatives. The external funding includes the contribution from the Pension Fund for one of the Management Team posts. The main elements in the running costs budget include Kent Benefits Partnership (£150k) and the cost of annual asset valuation (£80k) and a small allocation to buy-in external specialist advice as and when required on issues vital to the current or future financial health
Internal Audit & Risk	1,193.9	102.3	1,296.2	-24.6	-658.8	-683.4	**612.8**	**Internal Audit Team of 15.9 ftes** provide delivery of the Audit plan - 2230 audit days;Maintain database of controls/risks linked to the business objectives of the council; Provide annual Audit Opinion to support Annual governance Statement; Provide 500 days of advice/information on risks & controls to all; Investigate financial irregularities; Lead on the strategy and facilitation of risk management across the Council; Raise External income by providing services to Kent County Fire Services. **The Insurance section of 15.6 ftes** - provide Insurance arrangements to cover the Council's assets and risks and advice on insurance and risk management issues; The team deals with 4500 claims a year. It is funded from the KCC's Insurance Fund.
Pensions\Treasury\Investments	1,799.3	555.1	2,354.4	-93.5	-2,373.3	-2,466.8	**-112.4**	**Pensions team of 53 ftes,** funded from KCC's Superannuation fund and **Treasury Investments of 5 ftes**,. These teams mamage the investment strategy, asset allocation and investment manager monitoring for the £2.5bn Kent Pensions Fund; Undertake cash investments (£350m) and long term borrowing (£900m); Pensions administration for the 220 employers participating in the Kent Pensions Fund, covering 40,000 scheme members and 50,000 pensions (and deferreds). Administer the Police and Firefighters pensions schemes.
Exchequer Services	1,052.7	-33.6	1,019.1		-39.6	-39.6	**979.5**	**35 Ftes** process and pay 400,000 invoices through Accounts Payable and iProcurement; Manage the Council's debt management system, accounts receivable and control debt recovery processes; Bank, allocate and reconcile income to the Council
Procurement	212.2	34.5	246.7	-100.0		-100.0	**146.7**	Develop and maintain the Council's Procurement Strategy and the associated rules and regulations for the procurement; Develop the Council's eProcurement strategy.

Review of Corporate Budgets

	Expenditure			Income			2008/09	
	Employees	Running Costs	Total	Internal	External	Total	Base Budget	Cost Driver / Unit Cost / Main Activities i.e. justification of spend
Accounting & Budgeting								
Finance Support	326.6	6.5	333.1			0.0	**333.1**	Team of 6 provides Financial Support and advice to all CED budget managers; Undertake MTFP, budget build and closing of accounts activities. Co-ordinate the development and manage the provision of professional accounting, budgeting, costing and financial management services to Senior Managers in CED and lead in the delivery of Ad hoc projects. Assist CED budget managers in the preparation of 3 year financial plans in accordance with the Authority's and Department's MTFP.
MAT	379.3	42.2	421.5		-27.1	-27.1	**394.4**	Team of 9 - Prepare and produce the final accounts, ensuring that statutory deadlines are achieved. Report, advise and guide on the revenue and capital budget monitoring position of the Council to Cabinet on specified dates. Provide advice and guidance on best accounting practice and the correct treatment of VAT and tax and ensure proper financial records are maintained. The team also generates external income by providing services to Kent&Essex Sea Fisheries and Kent Fire&Rescue.
FSG	273.3	42.8	316.1			0.0	**316.1**	Team of 5 - Provide Medium Term Financial Planning and Budgeting for both revenue and capital budgets. This includes prioritisation of resource allocation, together with public consultation on Budgets and Council Tax proposals, and the publication of KCC's MTFPs. Provide the £2.2bn revenue budget and the £438m capital budget, and precept on district councils for Council Tax. Provide financial research, pro-actively lobby to support and enhance KCC's funding position and appraise the financial impact of major developments and initiatives.
Ext Funding	99.4	26.3	125.7			0.0	**125.7**	Co-ordination of external funding activity
Finance Systems		927.5	927.5		-90.9	-90.9	**836.6**	Annual charges for Oracle Software/maintance and Microgen Banking Systems. Partly funded by the Superannuation and Insurance Funds.
	6,376.9	**2,016.0**	**8,392.9**	**-272.1**	**-3,349.3**	**-3,621.4**	**4,771.5**	
Financing Items								
Insurance Fund		3,479.0	3,479.0			0.0	**3,479.0**	Self-funded insurance for KCC, with stop-losses limiting our liability
County Council Elections		255.0	255.0			0.0	**255.0**	Contribution to a reserve that funds all County Council elections and by-elections
Workforce Reduction		1,500.0	1,500.0			0.0	**1,500.0**	To cover redundancy costs associated with delivery of budget savings
Environment Agency		359.0	359.0			0.0	**359.0**	
Joint Sea Fisheries		264.0	264.0			0.0	**264.0**	
Audit Fees & Subscriptions		800.0	800.0			0.0	**800.0**	External audit fees to the Audit Commission, and small provision for certain annual subscriptions
Interest on Cash Balances/Debt Charges			0.0		-9,477.0	-9,477.0	**-9,477.0**	Interest received on cash holdings and investments
Contribution from Commercial Services			0.0		-6,210.0	-6,210.0	**-6,210.0**	Return budgeted from Commercial services' trading activities
Public Consultation		100.0	100.0			0.0	**100.0**	Various public consultation, including the annual budget consultation day with the public
Member Community Grants		840.0	840.0			0.0	**840.0**	£10k allocation to each of the County Council's Members
Debt Charges		105,478.0	105,478.0			0.0	**105,478.0**	Debt repayments relating to current and previous years borrowing needed to fund the capital programme
Local Scheme spending recommended by Local Boards		893.0	893.0			0.0	**893.0**	£400k is allocated to Local Boards for local priorities. The remainder is direct grants to District Councils from money raised from 'second homes'
Transferred Services Pensions		22.0	22.0			0.0	**22.0**	
PRG			0.0		-1,726.0	-1,726.0	**-1,726.0**	Amount of PRG required to fund spending plans within directorates
Contribution from Reserves			0.0		-2,400.0	-2,400.0	**-2,400.0**	One-off use of reserves that were no longer necessary
Income from Kings Hill			0.0		-1,000.0	-1,000.0	**-1,000.0**	Revenue streams go into the King's Hill reserve, for annual allocation into support to the revenue budget
ABG Safer Stronger Communities		1,384.0	1,384.0			0.0	**1,384.0**	Budget held for allocation to District partners
LABGI income			0.0		-3,200.0	-3,200.0	**-3,200.0**	No longer budgeted for from 2009/10 as current scheme comes to an end
	0.0	**115,374.0**	**115,374.0**	**0.0**	**-24,013.0**	**-24,013.0**	**91,361.0**	
Property								
FM Contracts	110.1	14.9	125.0	-50.1	-24.0	-74.1	**50.9**	Income from non-Strategic buildings. Base budget is £50k not £50.9k
SHQ Offices & FM Staff	399.4	1,062.6	1,462.0	-9.6	-32.0	-41.6	**1,420.4**	Budget to deliver services specified, cleaning, cartering, reception, portering etc.
Brussels Office	26.0	112.6	138.6	-50.0	-88.6	-138.6	**0.0**	Costs of Brussels Office - netted off by external income re tenants
FM Maintenance		255.8	255.8			0.0	**255.8**	Income which is divided across all Strategic buildings for Planned maintenance, resultant and responsive work.
Landlord Maintenance		454.1	454.1			0.0	**454.1**	Maintenance costs of plant etc. at KCC Offices
Kingshill	163.1	121.5	284.6			0.0	**284.6**	Budget to deliver services specified, cleaning, cartering, reception, portering etc.
Clover House	76.5	59.1	135.6			0.0	**135.6**	Budget to deliver services specified, cleaning, cartering, reception, portering etc.
Post & Dispatch	185.8	27.9	213.7			0.0	**213.7**	Cost to run postrooms and maintain machinery, franking charges are cross charged to Directorates
Kroner House	134.5	128.4	262.9			0.0	**262.9**	Budget to deliver services specified, cleaning, cartering, reception, portering etc.
Meeting Room Lettings	60.1	284.3	344.4	-330.2	-14.2	-344.4	**0.0**	Costs associated with provision of meeting facilities - recharged accordingly
Oakwood	134.9	1,473.6	1,608.5	-803.5	-1,246.7	-2,050.2	**-441.7**	Key conference facility - income generating. Net income covers overheads. This is being put onto a formal trading account basis.
Disposals	233.7	49.5	283.2	-283.2		-283.2	**0.0**	Disposal costs netted off receipt
Mouchel Estates Contract		884.0	884.0	-254.0		-254.0	**630.0**	external fees in relation to outsourced estates management operations

Review of Corporate Budgets

	Expenditure			Income			2008/09	
	Employees	Running Costs	Total	Internal	External	Total	Base Budget	Cost Driver / Unit Cost / Main Activities i.e. justification of spend
Estates Team	430.9	19.5	450.4	-101.4		-101.4	**349.0**	staff costs related to in-house advice & support and management of outsourced supply chain
County Wide Offices	57.0	5,804.0	5,861.0	-989.9	-130.0	-1,119.9	**4,741.1**	rent payments in relation to County Office estate
Maintenance & Minor Work	359.5	126.1	485.6	-485.6		-485.6	**0.0**	Provision and management of building maintenance activity across the estate - staff costs
Maintenance Contract		589.6	589.6	-104.3		-104.3	**485.3**	external fees in relation to outsourced maintenance operations
Environmental Consultancy		329.1	329.1	0.0		0.0	**329.1**	external fees in relation to outsourced environmental operations
Classcare			0.0	0.0		0.0	**0.0**	Indemnity scheme run for schools - funded by schools
Contract Performance & Financial Monitoring	231.0	1.2	232.2	-232.2		-232.2	**0.0**	payment and monitoring of spend for operational activity - funded by directorates
Capital Projects	1,182.8	42.2	1,225.0	-1,225.0		-1,225.0	**0.0**	staff costs directly related to delivery of capital programme - funded by directorates
Office Transformation	61.3	138.7	200.0	-200.0		-200.0	**0.0**	staff and ancillary costs related to delivery of Better Workplaces programme
Resources	414.4	96.0	510.4	-186.5		-186.5	**323.9**	staff and ancillary costs related to delivery of Enterprise database, SLA negotiations and management of key asset information
PEF receipts income			0.0		-700.0	-700.0	**-700.0**	Second stage of the 'one-off' contribution to the revenue budget.
Director of Property	600.8	67.6	668.4	-228.3	-38.9	-267.2	**401.2**	Strategic management of property function
	4,861.8	**12,142.3**	**17,004.1**	**-5,533.8**	**-2,274.4**	**-7,808.2**	**9,195.9**	
Strategic Management								
Chief Officers	296.4	168.4	464.8			0.0	**464.8**	Chief Executive's salary and running costs, including subscription fee to Local Government Association (£135k)
Pensions	959.7	0.0	959.7		-112.6	-112.6	**847.1**	Costs associated with Pensions of Pre local government review in 1998 And the income is the proportion recharge to Medway
Staff Club	90.3	15.0	105.3		-71.0	-71.0	**34.3**	Administration of the Virtual staff club and subsdising events for all KCC staff. The income is contribution made by staff towards the various events.
	1,346.4	**183.4**	**1,529.8**	**0.0**	**-183.6**	**-183.6**	**1,346.2**	
							0.0	
TOTAL	**50,763.8**	**146,340.2**	**197,104.0**	**-19,841.6**	**-39,546.3**	**-59,387.9**	**137,716.1**	

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3.34 PUBLIC HEALTH

In progressing towards the MTP priorities listed by theme in Section 1, the following service-specific objectives and priorities demonstrate how the Portfolio will focus activities and continue to deliver core services to the highest standard possible.

3.34.1 Overall objectives of the Portfolio

- To provide strategic leadership in tackling the public health issues in the County, in partnership with the NHS;
- To work with partners to implement the strategies outlined in Living Life to the Full, which was agreed by Kent County Council on 6 September 2007 and subsequently agreed by the 2 PCT Boards in Kent;
- To influence the strategies and plans of Kent County Council, all Local Government, NHS, Public Sector and Voluntary Health Sector Organisations with a view to contributing to the improvement of health and reducing health inequalities;
- To build on existing partnerships with district councils and the voluntary sector to support the delivery of health improvement outcomes especially through the Local Area Agreements (Kent Agreement Outcome 16 - To promote the health of Kent's residents and reduce health inequalities by addressing variations in health across the County);
- Ensure co-ordination of Choosing Health activity across NHS and KCC and monitor progress. Lead on monitoring and performance management of Public Health targets in "Kent Agreement 2";
- Identify key public health priorities and targets for the Kent Agreement;
- Progress work on the portfolio specific and relevant cross cutting targets in the "Towards 2010" plan;
- To highlight and mainstream good practice across all organisations and agencies throughout Kent;
- To establish an effective system of information sharing and analysis to promote good evidence based practice, including a Kent Public Health Observatory; and
- To develop policy and new methods that promote more effective public health interventions.

3.34.2 Medium Term Service Priorities

- To promote the concept of healthier living in Kent and highlight the effect of obesity by taking forward the recommendations arising out of the Kent County Council Obesity Select Committee completed during the latter part of 2006;
- To promote a greater awareness of the effects of drugs and alcohol on the health of people by establishing an Informal Members Group to review the studies carried out elsewhere within the Country and advertise that at a seminar(s) involving businesses from all sectors of the community;
- To underpin County Council awareness of the issues surrounding Public Health by working with Directorates and Cabinet Members on all issues

concerning Public Health and provide clarity about current public health activity;

- To establish a Public Health Team, Public Health Observatory and Public Health Partnership Board (for the latter involving representatives from the NHS, KCC, Kent district councils, Voluntary Organisations and relevant local businesses) to ensure all aspects of Public Health are considered. This leads to the production of an Annual Public Health Plan;

- To work with colleagues in the NHS, Voluntary Organisations and District Councils with a view to ensuring Local Involvement Networks are established throughout Kent on a local basis to replace the Patient & Public Involvement Forums which are due to cease at the end of March 2008;
- To ensure that an external body is commissioned to undertake an annual-for-three-years independent evaluation of the Public Health Department; and
- To assist the transfer of resources from the acute sector into preventative services through the Local Delivery Plan process.

3.34.3 Risk Assessment

The Key Risks to the work carried out within the Public Health Department are:

- The establishment of a Public Health Department is to enable clarity of functions between KCC and PCT's. As such the Department is working at the cutting edge;
- The raising of public expectations needs to be handled very carefully about what can be achieved;
- Different styles of management and administration between the three partners;
- In light of the role of the Public Health Department there are only extremely limited funds available. The role is to encourage and initiate rather than arrange and fund. Any ideas or concepts must therefore be funded from elsewhere, bringing with it the need to liaise very closely with a range of partners across local and central government to ensure commitment to any scheme;
- Financial issues for both the NHS and the County Council which could affect the delivery of joint plans;
- Loss of focus on outcomes; and
- Essentially the department is a small unit relying on effective partnerships to deliver its agenda and problems that affect key partners (funding, organisational change, changing priorities etc.), have a significant impact upon the department.

3.35 CORPORATE SUPPORT AND EXTERNAL AFFAIRS

In progressing towards the MTP priorities listed by theme in Section 1, the following service-specific objectives and priorities demonstrate how the Portfolio will focus activities and continue to deliver core services to the highest standard possible.

3.35.1 Overall Objectives of the Portfolio

The overall objective of the Portfolio is the continued provision of efficient services in support of the front-line business of the service portfolios. The County Council's European and international relationships are also managed within this portfolio.

For Corporate Support and External Affairs the key objectives are focussed upon:

- Delivering KCC's Strategy for Staff, refocusing elements when appropriate to support the delivery of excellent front line customer services to the people of Kent;
- Working collaboratively with the business to deliver value for money ICT products and services that enable KCC to better serve the people of Kent;
- Offering advice and guidance on the use of Information Technology to maximize the business benefits of current systems and support the delivery of new products and services;
- Maximising the benefits to Kent of the County Council's European and international work; and
- Roll-out the Gateway model across the County.

3.35.2 Medium Term Service Priorities

- Ensure the successful implementation of the "Towards 2010" initiatives delegated to the portfolio;
- Assist with work on "The Kent Agreement 2" targets;
- Establishing and promoting Gateways to enhance public access to all public services;
- Providing across the organisation a robust, agile and modern ICT environment, in response to directorate demand and service modernisation;
- The use of ICT infrastructure to free up staff through greater flexibility and innovation leading to more devolution and empowerment to the appropriate level within the organisation, and automating routine tasks;
- Delivery of access to the most cost effective technology to achieve maximum service benefits from technology investment;
- Underpin KCC's programme of efficiency review and organisational change through working with Directorates to enable the migration of services to electronic service delivery (via the web etc.), building on process improvements delivered through the value for money programme;
- Support of service functions to realise the potential ICT systems and infrastructure implemented in support of modern flexible working practices such as wireless networking, remote access and home working;
- Develop HR systems and procedures that enhance and support directorate priorities;
- Deliver the workforce development strategy that will identify future leadership potential and meet the business needs of the future;
- Contribute to the organisation retaining its 4 star CPA rating;
- Embed into the organisation valued management development programmes;

- Maximise efficiencies and enhance personnel services through the integrated Employee Services Centre;
- Maximise opportunities to generate new (external) income;
- Continue to lead and develop KCC's and Kent's participation in the EU Interreg IV programmes; franco-british cross-border programme (IVA); transnational co-operation programme (IVB); and inter-regional co-operation programme (IVC); and
- Maximise the uptake of European funding to support the work of KCC directorates and partners in Kent.

3.35.3 Risk Assessment

The most significant risks faced by the Portfolio are:

- Increasing demand for IT services in response to the modernisation agenda;
- Ability to retain flexibility to respond to both increases and decreases in demand from service directorates without disproportionately increasing costs or exposure to future costs;
- Renewal of the WAN /LAN contract; and
- Reduction of European funds coming into Kent.

3.36 POLICY AND PERFORMANCE

In progressing towards the MTP priorities listed by theme in Section 1, the following service-specific objectives and priorities demonstrate how the Portfolio will focus activities and continue to deliver core services to the highest standard possible.

3.36.1 Overall Objectives of the Portfolio

The Policy and Performance function provides the County Council with the strategic capacity to ensure it continues to be a high performing organisation with a relentless focus on service delivery, service improvement and in putting the customer first, all of which requires robust internal performance management and policy co-ordination. The Portfolio is focused on challenging the status quo as a means of driving change and securing the best for Kent residents by influencing the national political agenda.

The Kent Partnership is grouped with this portfolio for business purposes and the work of both units is jointly co-ordinated.

The County Council's Legal and Democratic Services and Localism functions also operate from within this portfolio.

Thus, key objectives include:

- Providing the corporate policy framework to guide long-term change within the Authority in order to deliver political and policy objectives;

- Through dynamic public policy support, ensuring the development and implementation of UK and European legislation in the interest of Kent's residents and businesses;
- Continuing to deliver a robust performance management framework to underpin and sustain the excellence status of KCC in service delivery;
- Ensuring policy co-ordination within the Authority and between its local, District, County, Regional and national partners;
- Securing new levels of enhanced partnership working to deliver corporate objectives;
- Promoting understanding of KCC and its role and services among Kent residents and increase awareness of the reputation of KCC as an excellent authority amongst Kent and national organisations and key influencers;
- Supporting the democratic process by providing a comprehensive legal, Member support and secretariat service in all areas of the council's business; and
- Drive and support the Localism agenda including delivering the outcomes from the Informal Member Group – Going Local.

3.36.2 Medium Term Service Priorities

The Local Government and Public Involvement in Health Act receiving Royal Assent in November 2007, the publication of Government's Comprehensive Spending Review 2007 and the new "Governance of Britain" proposed legislative programme all herald important legislative changes for the County Council.

Thus, the portfolio has the following priorities:

- Give support, intelligence and guidance to senior Members and officers in shaping KCC's approach to meeting the challenges in implementing the Act and related statutory and non-statutory guidance;
- Provide high level policy capacity across the county council, identifying and understanding the new challenges facing Kent and stimulating thinking to develop new ways of delivering improved services;
- Maximise the benefits of the intelligence-led corporate policy formulation capacity of the County Council;
- Bind the work of partners into co-ordinated joint action on behalf of the communities of Kent to influence both Government and those who influence Government to support key Kent policies and programmes;
- Initiate and guide joint action by the public, private, voluntary and community sectors to deliver the key corporate policy objectives in the "Vision for Kent", "Towards 2010", "The Kent Agreement 2" and Annual Plan;
- Strengthen the community leadership role of the County Council through the Kent Partnership;
- Co-ordinate and support the work of the Kent Public Service Board in their work to improve local services and secure cost efficiencies to be reinvested in frontline service;
- Develop and undertake some form of consumer monitoring through the Kent Residents' Panel, and other forms of consumer intelligence feedback as a key feedback loop into service improvements;

- Actively contribute to the creation and operation of the Kent and Medway Citizen's Panel;
- Give leadership and support to the consultation and community engagement processes across KCC;
- Co-ordinate critical monitoring reports for the "Towards 2010" targets;
- Progress work on the delivery, governance and performance framework for "The Kent Agreement 2" which starts in April 2008;
- Manage the annual unit Business Planning process across KCC;
- Publish the KCC Annual Plan;
- Contribute to national activity such as the LAA Performance Management Framework; CPA development;
- Ensure preparation for CPA in order to maintain 4 star status;
- Provide proactive legal advice and representation to staff in all directorates;
- Increase our external income from provision of legal services; and
- Co-ordinate our compliance with the Data Protection and Freedom of Information Acts.

3.36.3 Risk Assessment

The key risks to manage are:

- The failure of KCC to retain its CPA four star status and subsequent impacts on reputation, freedoms and flexibilities, staff morale and ultimately on service delivery;
- The effect of legislative and Government changes on the health and function of the County Council arising from the Local Government White Paper, Lyons Inquiry and CSR07;
- Reduction of European funds coming into Kent; and
- Underperformance on "The Kent Agreement 2" leading to smaller financial rewards than anticipated as well as loss of reputation.

3.37 FINANCE

In progressing towards the MTP priorities listed by theme in Section 1, the following service-specific objectives and priorities demonstrate how the Portfolio will focus activities and continue to deliver core services to the highest standard possible.

3.37.1 Overall Objectives of the Portfolio

The overall objective of the portfolio is to manage the corporate finances of the Authority and to provide a property strategy to support the delivery of KCC's business.

For the Finance Portfolio the key objectives are focused upon:

- Participation in the continued development of both service and corporate policy and provide a lead role in the development of medium term planning;

- Develop a strategic approach to demonstrating value for money in the delivery of the Council's services;
- Develop an excellent finance function through staff development and performance management;
- Continue the excellent performance of the in-house treasury management function to reduce borrowing costs and increase investment income;
- Promote proactive approaches to risk management across the Council;
- Optimise external funding;
- Improve Kent's share of resources and funding;
- Support service delivery by providing an independent and objective evaluation of our clients' ability to accomplish their business objectives and manage their risks effectively;
- Through Commercial Services, continue the key role of market regulator through its presence as an operator in the market place, as well as direct intervention. In this manner it is able to pursue best value to both Kent County Council and its partners;
- Use Commercial Services to generate increased external income to support the County Council's budget; and
- Strategically manage Kent's property portfolio.

3.37.2 Medium Term Service Priorities

- Assist with the work in delivering the targets of the "Towards 2010" plan;
- Assist with work on "The Kent Agreement 2" targets;
- Support activities that will deliver the Supporting Independence Programme;
- Embed processes within the Council to demonstrate value for money and achievement of Government and local efficiency targets;
- Through the further development of the Oracle financial and associated business systems improve the quality of financial information available to Members and service managers, and streamline financial processes to reduce the amount of manual intervention;
- As the administering authority for the Kent Pension Fund continue to develop the investment strategy to meet strategic investment objectives and deliver high quality administrative services;
- Developing shared services and exploring new and innovative work with partners which contribute to income generation;
- Develop audit services that will contribute towards the council's ability to stay excellent, including value for money reviews and fraud awareness training;
- Sustaining and re-invigorating our core businesses and rigorously exploiting opportunities for new business will be major drivers for the next three years;
- Identifying and progressing opportunities for new areas of income generation, including those enabled by limited company status and other changes in legislation;
- Closer working with other service partners in Local Government, the Health Sector, Police and Fire, and in so doing, to reduce duplication of effort and bureaucracy in line with the efficiency agenda;
- Continued effective market regulation, moving into new markets as necessary to improve value and choice for KCC;

- Property Asset Management strategy aimed at maximizing the value of the portfolio through intelligent investment and usage policies;
- Development of Office Transformation Strategy aimed at releasing value and maximizing flexible workspace opportunities;
- Support the delivery of a large and varied Capital Programme including key regeneration driven investments such as Turner Contemporary; and
- Maximising flexible workplace opportunities.

3.37.3 Risk Assessment

The following represents our major budget risks:

- Changes to interest rates, affecting the cost of borrowing and investment returns;
- Ability to retain flexibility to respond to both increases and decreases in demand from service directorates without disproportionately increasing costs or exposure to costs;
- Property Group external contracts for Estates and Environmental Management to be renewed/replaced;
- Resolving realistic SLAs with front-line directorates alongside revenue savings requirements;
- Possible changes in the accounting treatment of some treasury management activity;
- Change in External Audit provision;
- Dependency upon delivery of capital receipts as per agreed programme with implications upon cash flow of non-delivery;
- Ability of the Enterprise Fund to identify and realise receipts for fund investment; and
- Non payment from Government of asylum costs incurred in Kent in addressing this national issue.

Appendix 4

Public Health Portfolio Revenue Budget

	2009-10	2010-11	2011-12
	£'000	£'000	£'000
Base budget b/f from 2008/09	957		
Pay:			
Cost of Living	3	3	3
	3	**3**	**3**
Service Strategies & Improvements:			
Base funding of staff	50	0	0
	50	**0**	**0**
Total potential pressures	**53**	**3**	**3**

Corporate Support & External Affairs Portfolio Revenue Budget

		2009-10	2010-11	2011-12
		£'000	£'000	£'000
Base budget b/f from 2008/09		24,658		
Pay:				
	Cost of Living	634	646	658
		634	**646**	**658**
Prices:				
	KPSN annual RPI increase	85	87	88
	Employee Services running costs	27	0	0
	Rent Reviews - Brenchley Contact centre	0	155	0
		112	**242**	**88**
Government/Legislative Pressures:				
		0	**0**	**0**
Demand/Demographic Led:				
	Change in the demand upon ISG support as directorates move to more mobile IT devices	100	0	0
		100	**0**	**0**
Delivery of Towards 2010 Targets:				
	Gateways	350	300	300
		350	**300**	**300**
Service Strategies & Improvements:				
	Increase contribution to IT\Asset Maintenance Reserve	73	1,376	0
	Prudential borrowing costs for extension of Oracle Self Service Development	5	30	25
	Support, testing & implementation for Oracle Release 12	50	0	-50
	Maintenance of Recruitment Management System	27	0	0
	Health & Safety Training	10	-10	0
	KCC Staff Survey	0	25	-25
	Part-time Help Fund Administrator post	15	0	0
	Delivery of Accredited Manager Programme	10	0	0
	Delivery of Reward Strategy on behalf of Directorates	25	0	0
	Web Platform (to be funded from savings on publicity costs)	240	0	0
	Revenue contribution to extend asset maintenance reserve to server environments supporting business systems (predicated on up-front capital investment bids)	349	-147	1,853
	Prudential borrowing costs for Connecting with Kent	0	5	39
	Ending of part of funding stream of Kent Film Office	0	75	0
	Extend the Kent TV Pilot net of savings	400	0	0
	Prudential/revenue borrowing for Web development and extn of IT asset maint reserve	168	928	443
	Member Induction Training	30	0	0
	Provision of IT and IT Support to Members	100	0	0
		1,502	**2,282**	**2,285**
	Total Potential pressures	**2,698**	**3,470**	**3,331**

Policy and Performance Portfolio Revenue Budget

	2009-10 £'000	2010-11 £'000	2011-12 £'000
Base budget b/f from 2008/09	5,426		
Pay:			
Cost of Living	27	28	30
	27	**28**	**30**
Service Strategies & Improvements:			
Kent Agreement 3 - need for detailed analysis of performance data	0	50	0
Development support to lead change programme to improve how KCC collects, analyses and responds to customer complaints and feedback	50	0	0
Kent CAN (VCS) Big Lottery Fund Programme - match funding over 2008/11	44	0	0
	94	**50**	**0**
Total potential pressures	**121**	**78**	**30**

Finance Portfolio Revenue Budget

	2009-10	2010-11	2011-12
	£'000	£'000	£'000
Base budget b/f from 2008/09	106,674		
Pay:			
Cost of Living	223	227	232
	223	**227**	**232**
Prices:			
Rent Reviews - Brenchley	0	15	60
Energy & FM Contracts	213	235	251
	213	**250**	**311**
Government/Legislative Pressures:			
Suitability Surveys (non schools)	50	0	-50
Condition Surveys (non schools)	250	0	0
Legionella	250	0	0
Change of accounting treatment for some of the staff of Corporate Property Unit	812	20	30
	1,362	**20**	**-20**
Demand/Demographic Led:			
Dilapidations	-21	1,008	-571
Increase in Employer's Pension Contribution	0	0	4,000
	-21	**1,008**	**3,429**
Service Strategies & Improvements:			
PRG Income committed to other portfolio spend	-251	1,977	0
Workforce reform provision	2,000	1,500	0
Provision for collection fund deficit	1,500	0	0
Financing costs	14,297	14,899	12,045
Better Workplaces - Borrowing Cost for capital bids plus new running costs	100	463	925
Base shortfall in Government Grant	638	0	0
Support, testing & implementation for Oracle Release	25	0	-25
	18,309	**18,839**	**12,945**
Total Potential Pressures	**20,086**	**20,344**	**16,897**

By:	Paul Carter, Leader Alex King, Deputy Leader Nick Chard, Cabinet Member for Finance Alan Marsh, Cabinet Member for Health Peter Gilroy, Chief Executive
To:	Corporate Policy Overview Committee – 14 November 2008
Subject:	Effect of the downturn in the economy on Corporate Services
Classification:	Unrestricted
Summary:	Members are asked to note the impact that the economic downturn is having, or could have, on the Chief Executive's Departmental budgets

1. BACKGROUND

1.1 The global and UK economic position has fundamentally shifted over the past year and by any independent assessment that shift is a deterioration, and one likely to worsen. The consequences and likely impacts are wide spread.

1.2 This report provides a brief commentary on the national position, how this could affect KCC, and more specifically what the impact and potential impact is on the Chief Executive's Department's budgets.

2. KEY FACTS AND FIGURES - SOME HEADLINES

2.1 The Consumer Price Index hit 5.2% in September. The Retail Price Index was 5.0%. The CPI has never been higher, since the current methodology began in 1997.

2.2 CPI and RPI have both been on an upward trajectory, but CPI has now crossed over with RPI (in terms of which measure is highest) and it is likely RPI will start to fall sooner than CPI as house prices fall (lower house price means lower depreciation to charge on house costs in RPI indices) and that interest rates will come down further still (if inflation worries permit).

2.3 Worryingly, the Bank of England's assessment is that people's expectations of inflation have risen and there is a danger that this will spill over into wage demands which in themselves become inflationary, pushing up the costs of goods and services which become even more inflationary.

2.4 The three main causes of the current high inflation measures are the escalation in fuel prices, food prices, and other commodities. A depreciating Sterling (which recently touched a twelve year low against a basket of world currencies and is currently at a five year low against the US dollar) is adding to the pressures (making imports dearer still in Sterling terms). Oil reached a record $145 a barrel in the summer but has since dropped significantly given the concerns over a global slowdown and falling demand for oil (now trading at $62 a barrel – 28 October 2008 – despite OPEC agreeing to cut production to try and limit supplies and raise prices). This should mean the rapid spike in prices and consequent impact on inflation should work relatively rapidly but painfully through the global economy and be reflected in lower inflation in future years.

2.5 These increases have had a knock on effect on gas and electricity prices, exacerbated by the Pound falling against the US Dollar. European gas contracts are mostly indexed to oil prices and as the UK is a net importer of gas, wholesale prices have risen but are falling back in the short term. A not insignificant element of gas is also actually used to generate electricity (around one third comes from burning gas) putting price pressure here too, although prices are expected to ease back before the turn of the year. The further gas and electricity price rises for consumers we have recently seen were thus inevitable in the short and medium term and, crucially, substantially added to inflation levels particularly for low earners, pushing yet more people into fuel poverty (where more than 10% of disposable income is spent on heating and lighting).

2.6 Individual inflation faced by consumers varies according to their spending patterns, and headlines are often misleading. Those on low incomes whose spending on food and fuel is a disproportionately larger amount of disposable income are actually facing much higher levels of inflation and hence more people are being pushed into fuel poverty.

2.7 At the same time as spiking inflation rates we have seen bank base rates moving significantly downwards. The Bank of England’s Monetary Policy Committee cut base rates to 4.5% in October 2008, following three separate 0.25% percentage cuts since their most recent peak in autumn 2007 at 5.75%. The Bank of England is facing a clear dilemma over future interest rates: rising and rapidly escalating consumer and retail prices well above the long run 2% target should result in a tightening of monetary policy and increases in interest rates but to do that at a time when the economy has slowed significantly runs the risk of pushing the economy further into recession.

2.8 The Bank of England has clearly decided that the risk of recession in the medium to longer term outweighs the currently reported high levels of inflation and we can expect further base rate cuts to come.

2.9 Figures released by the Office for National Statistics in October 2008 confirmed what has been assumed for some time, the UK economy is indeed entering recession. The economy shrank for the first time (by 0.5%) in 16 years between July and September 2008.

2.10 Meanwhile we have seen turmoil in the financial and credit markets result in the failure, or nationalisation, or forced private sector takeover, of a range of UK and international banking institutions. Seizure in the credit markets having affected the banks ability to lend to each other has spilled over into their inability or desire to lend to households and companies. As debts come due for refinancing there is increased risk of failure by individuals and entities to secure new lines of credit and a risk of rising business failures and mortgage repossessions in the 'real economy'.

2.11 In a measure to ease the current credit situation, Government announced an intention to help SMEs by ensuring local authorities, amongst others, reduce payment terms from the general 30 days down to 10 days. This would almost inevitably require additional staff, at least in the short term, but the higher cost to KCC would be the loss of interest from our daily cash holdings. This could be anything upwards of £0.5m

3 IMPACT ON KENT COUNTY COUNCIL AND THE CHIEF EXECUTIVE'S DEPARTMENT BUDGETS

3.1 The impact in general terms on KCC will be felt during this financial year and beyond. The major concerns include:

- Level of price increases requested by private and voluntary sector service providers
- Increasing numbers of people needing access to public services
- Increase in rate of 'wealth depletors'
- Failure to realise capital receipts
- Government's increasing levels of borrowing, allied to falling tax receipts, and the potential impact on future grant settlements

3.2 We will continue to monitor the general state of the economy and ensure KCC is ready to act and react wherever possible, to mitigate the impact the downturn in the economy has on our resources.

3.3 The more direct impact the downturn is having, or could potentially have, on the Chief Executive's Department's budgets is provided below, by service unit.

3.4 Finance

3.4.1 The much reported problems with the Icelandic banks has put the spotlight on our treasury management function. The audit of our policies and procedures continues. We remain focussed on recovering as much of the £50m as possible, of which £24m is core KCC funds. Until we have some clarity on the outcome, it is not possible to say what the precise financial impact on the budget will be. In the current year, we expect the savings on debt charges as a result of the review of the capital programme, to broadly offset any possible loss of interest from the £24m. Members will be kept fully informed of the outcome of this issue.

3.4.2 While the forecast drop in interest rates is good news for borrowing, it is not such good news for interest income from cash and investments. Our revenue budget currently assumes £9m of interest, but this may need revising down for the 2009/10 budget given the forecast drop in bank base rate. However, any loss of interest earned is likely to be offset by the saving on interest payments associated with our borrowing to fund our capital programme.

3.4.3 The stagnation of the building industry means that assumed growth in the Council Tax base, resulting from new properties, is under threat. While the forecast growth of 1% for the 2009/10 tax base still looks sound, future years' projections will need to be carefully monitored.

3.5 Property

3.5.1 The Property group were tasked with delivering £184m of capital receipts between 2008/09 and 2010/11 to fund our capital programme. When it became evident that this was not going to be possible, a recommendation was made to, and approved by, County Council to establish a second Property Enterprise Fund (PEF2).

3.5.2 The basis of PEF2 is built on the assumption that land and property values will return to their January 2008 values within five years. Despite all that has happened in the economy, even since PEF2 was approved in September 2008, there is no intelligence to suggest that this is a false assumption. Indeed, the Centre for Economics and Business Research (CEBR) has predicted that house prices will recover to their 2007 peak, in 2013 (BBC News web-site 27/10/08). However, PEF2 will be carrying a deficit of up to £85m, so it is important that a very close eye is kept on land and property values throughout the next five years. On a positive side, lower interest rates, if they happen, would reduce the costs of operating PEF2, and if they happen quickly, aligned with the government's intervention in the banking sector to stimulate borrowing to individuals and business, it may improve the outlook for the building industry and land values.

3.5.3 The Property Group are beginning to see signs of the supply chain in the construction industry becoming a little less stable and it is apparent that there is considerable nervousness in the construction market. On the positive side, current tenders are being received at less than expected figures as contractors reduce their margins to accommodate the downturn in workloads. This results in lower costs to KCC, but it poses a greater risk of insolvency during construction, and therefore could result in higher overall costs and delays in project delivery.

3.5.4 A number of SMEs are looking to diversify, mainly away from house building into more general building activity. This is leading to increasing competition for KCC funded projects, even relatively small revenue projects.

3.6 Commercial Services

3.6.1 Based on gas and electricity purchases made in October, the energy costs for the main KCC buildings (which account for approximately 70% of KCC consumption), compared to pre-October contract rates, show electricity is up by 62% and gas up by 18%, for the period to March 2009.

3.6.2 There is increasing competition from scholastic equipment and stationery suppliers, who are offering significant discounts to schools if they move from County Supplies to them.

3.6.3 There is also increasing pressure from suppliers at annual price negotiations. While many are keen to retain KCC business, they are having to respond to higher costs and are likely to press for RPI increases as allowed under the terms of many of the contracts, whilst previously many costs have been held.

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3.6.4 There is increased competition for hard landscape and small building works, as a result of the current house-building stagnation.

3.6.5 More positively, it has been easier to recruit temporary staff into Kent Top Temps, and therefore they have been able to fill many more of KCC's temporary vacancies than previously. Also, recent tenders for Home to School transport are at costs less than current prices.

3.7 Business Solutions and Policy

3.7.1 There has been little impact on ISG, but there may be opportunities to keep any price increases to a minimum as providers in the IT services market look to retain existing business.

3.7.2 There is an issue about Brussels based staff who are paid in pounds but have to spend euros - some have seen a 20% reduction in real pay. Equally, the ability to maximise European funding (which only pays a percentage) is starting to be compromised by the need to trim expenditure so this type of activity tends to be down-played because of the longer pay-back time-scales.

3.8 Legal Services

3.8.1 With the opening up of the legal markets and the relaxation of the restrictions on local government lawyers being able to work for the wider market, there is the potential for KCC Legal Services to capitalise on these opportunities, as are the opportunities to work in partnership with our local government colleagues in raising standards across the public sector and driving out real efficiencies. There is no evidence that this opportunity is diminishing, and could in fact increase as the market looks for increased value for money.

3.8.2 The demand for legal services, both internally and externally, continues to increase. The bringing in of more external legal work will continue to subsidise the internal provision. Work for Legal Services continues to increase – up 21% in hours and 30% in value for the first six months of this year compared with last year.

3.9 Strategic Development Unit

3.9.1 The economic climate is having a negative impact on the Kent Film Office as a lot of the productions that currently come to Kent are independent film makers - these are often partly financed by private individuals and these private individuals are harder to find in times of economic difficulty. It is also having an impact as companies are more likely to go to places that are offering money to film; Kent is not. Kent has actually seen an increase in the number of filming days in the County but these have mainly been lower budget productions, therefore bringing proportionately less to the Kent economy.

3.9.2 Kent TV - It is going to be increasingly difficult to get sponsorship and /or advertising revenues as there is not as much advertising/marketing money in the pot and people are more likely to stick with proven advertising techniques rather than new ones at such times. There is an outside chance that people with less disposable income will be less likely to have broadband in their own homes (in other words broadband take-up may slow down) which may affect viewing but we have no evidence of this. On the plus side, with fewer people travelling abroad, more people may turn to Kent TV for information on holidays or days out in the County.

3.9.3 Gateways - partner organisations' ability to pay a contribution for the space they occupy or would like to occupy, is something to bear in mind, although there are no immediate concerns.

3.10 Personnel & Development

3.10.1 There has not yet been a notable rise in the number of applicants for job vacancies, but it is anticipated that there will be an increasing pool of candidates available, particularly from the private sector, in many types of work. This provides an opportunity for the Authority to improve still further the quality of recruits to KCC.

3.10.2 Pressure on business unit budgets means that managers will have to look carefully at whether vacancies should be filled, and Personnel and Development will be working closely with managers to look for creative solutions to cover the work resulting from vacancies without necessarily recruiting more people.

3.10.3 Some of our staff may find themselves in personal financial difficulties in the current economic conditions and we will be ensuring that we offer support and advice to staff on how they can help themselves if this happens.

3.10.4 Opportunities to work with other public sector organisations on the provision of HR services is likely to increase in the current climate, in the same way as is noted for Legal Services. There are opportunities to work in partnership with our local government colleagues in raising standards across the public sector and driving out real efficiencies. The same is true of other potential areas of income generation across HR as value for money becomes an absolute necessity for organisations in all sectors. It is possible, however, that the opportunities to generate external income in learning and development will become more challenging as training budgets are often first to be reduced in times of economic difficulty. The uptake of training programmes within KCC will be monitored.

3.11 General

3.11.1 Corporate Services rely significantly on income from schools, other local authorities and agencies, and the other KCC directorates. As the financial belt tightens for all of these customers, we will have to continue to innovate, modernise and offer high quality value for money services, in order to retain existing service levels. Failure to do so will reverberate across KCC and beyond, and failure is therefore not an option.

4 SUMMARY

4.1 The Chief Executive’s Department is by no means immune from what’s happening to businesses and residents of Kent as a result of the current economic climate. We will need to adapt as conditions change. We will need to provide high quality services if we are to retain market share in what will become increasingly competitive markets. However, as both purchaser and provider of services, we can also benefit from the up-side of increasing competition.

4.2 The Chief Executive’s Department faces a number of significant financial risks. These will, of course, appear on our risk register and named officers will be accountable for managing those risks, putting in place mitigation, and for ensuring that we revise our financial forecasts as the economy and the general financial landscape changes.

5 RECOMMENDATIONS

5.1 Members are asked to note the impact that the current economic condition is having, or could have, on the Chief Executive’s Department’s budgets.

Background Documents: None

Officer Contact:
Andy Wood, Head of Financial Management, Ext 4622

By: Alex King – Deputy Leader of the Council

Peter Bole – Head of ICT Commissioning

To: Policy Overview Committee – 14/11/08

Subject: Information and Communications Technology (ICT)

Classification: Unrestricted

Summary: A report on the status of current ICT operation, contribution of technology in delivery of the council's strategic objectives, and an update on the ICT medium term investment programme.

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1. Operational Status

1.1 Background

1.1.1 Corporate Policy Overview Committee were presented with a comprehensive overview of the development, performance and delivery of ICT services in January 2008. Progress towards the targets and objectives highlighted at that time are identified in this report, alongside an assessment of operational performance and draft proposals outlining the next steps in exploiting technology in support of service outcomes.

1.2 Operational Performance

1.2.1 Two major interruptions to ICT service availability have been experienced over the past year. Following failure of cooling systems at a third party computer hosting facility, in March 2008 there was a major breakdown of the hardware running the SWIFT social care systems used by adult services. In October 2008 a software failure in one of the council's two Exchange email systems, required a full rebuild to restore service, leaving 50% of users without email or electronic calendar services for two and a half days working days.

1.2.2 In response to the SWIFT hardware issues, the backup system located at Kroner House, was instigated. Technically this was successful, with essential service data only being unavailable for a short period. The subsequent requirement to operate from the backup provision for a sustained period, while the primary system hardware was replaced, proved unsatisfactory. The 30% capacity of the backup system was sufficient to maintain access to data, but not to support normal operation of direct service.

1.2.3 On the failure of one of the two ‘clusters’ of email servers on 29 October 2008, the initial software fault with the email system was quickly rectified. In the email environment such faults are not necessarily that unusual or an unexpected occurrence. What was different on this occasion was the inability to resume service quickly due to the corruption of the log files which exist to support recovery in just these circumstances. In effect to restore service, technical teams had to resort to a full system recovery from backup tape, which while effective, was time consuming due to the size of the email environments managed by the council.

1.2.4 The loss of service in both cases was as a consequence of the electronic equivalent of mechanical breakdown, hardware in one case, software in the other and not indicative of systemic, planning or implementation failures sometimes highlighted within public services. In both cases the backup and recovery provisions worked as planned and the response from the in-house team and third party support was commendable, requiring teams to work around the clock over a number of days. The fact remains that despite the success of the business continuity actions considerable disruption to service was experienced.

1.2.5 As the probability of breakdown is an ever present constant when managing systems, planning for this eventuality is at the heart of the council’s approach to systems management. The cross directorate resource directors group constantly reviews and assesses the balance between cost and potential service disruption. For most ICT services the target availability is set in excess of 99%. In the case of email for example the service had been running continuously without interruption for just under 5 years, prior to the downtime in October 2008.

1.2.6 An assessment of the impact on directorates and direct service is being carried out as part of a review included in the management actions initiated following these two incidents. This will inform decisions on any change in what is assessed as an acceptable level of risk arising from possible systems failure. The cost of further reducing current level of risk, of less than 1% downtime per annum is disproportionately expensive when compared to the cost of delivery of existing service levels. A detailed business case will be required before any change to the risk/investment profile is considered.

Other actions include:

- Implementing increased capacity for SWIFT backup systems
- Longer out of hours maintenance windows for systems
- Confirmation of suitability of technical architecture by both IBM and Microsoft
- Procurement of offline email facilities to reduce the size (and restore times) of online data

1.2.7 While it is entirely appropriate to highlight service exceptions and the successful response, these should be assessed in the context of the full range of services provided by the ICT function. Performance throughout the year as regularly monitored by the resource directors group is reflected in the following table:

1.2.8 Availability for the year to date:

Service	Target Availability	Year to Date	Forecast Outturn	Measured Period
Desktop	99.4%	99.2%[1]	99.6%	8 - 17:30 Mon to Fri
Networks[2]	99.0%	99.7%	99.8%	8 – 18:00 Mon to Sat
Data Centre	99.5%	100%	100%	24/7
Corporate Applications	99.0%	99.8%	99.8%	8 - 17:30 Mon to Fri
Directorate Applications[2]	99.0%	98.4%[3]	98.9%	8 - 17:30 Mon to Fri

[1] Includes email downtime [2] Service Credits Paid [3] Includes SWIFT downtime

1.2.9 Financial management. In summary the 3% savings identified in the medium term financial plan, to be delivered by the unit within the 2008/9 financial year are being achieved through:

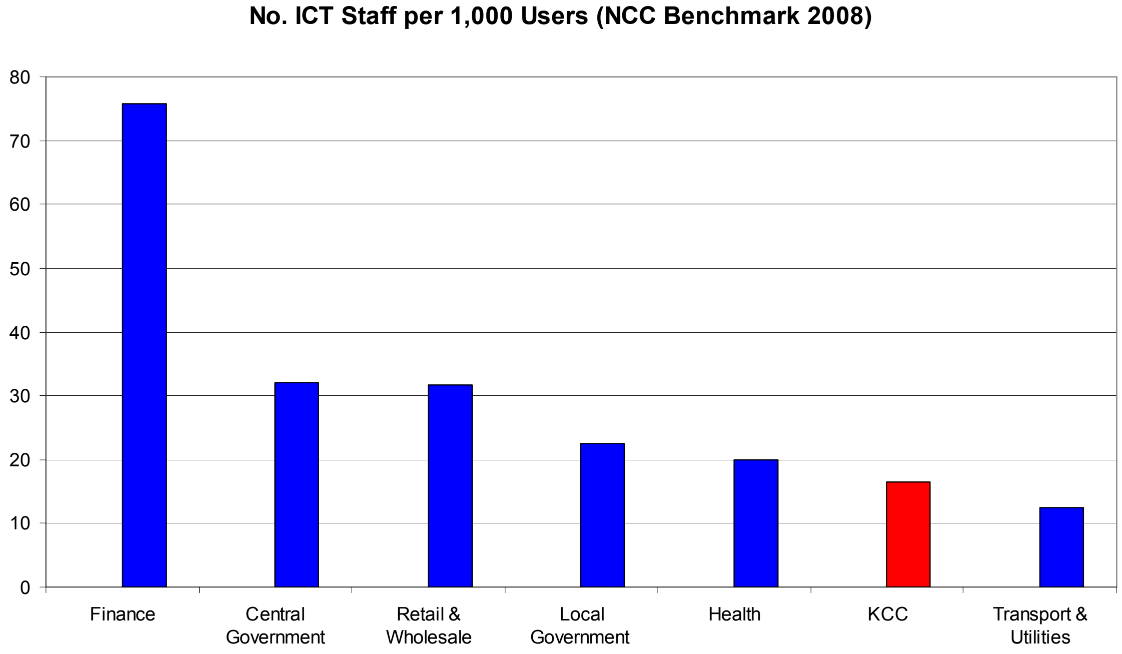
- Agreed reductions in service
- Management action by service directorates to reduce demand/increase funding
- Alternative provision for print services to reduce print overheads and carbon emissions

At the present time the unit is forecasting and outturn of £164K, reflecting the additional pressures and cost arising from response to the failure of SWIFT hardware earlier in the year. Management actions to close this gap have still to be identified.

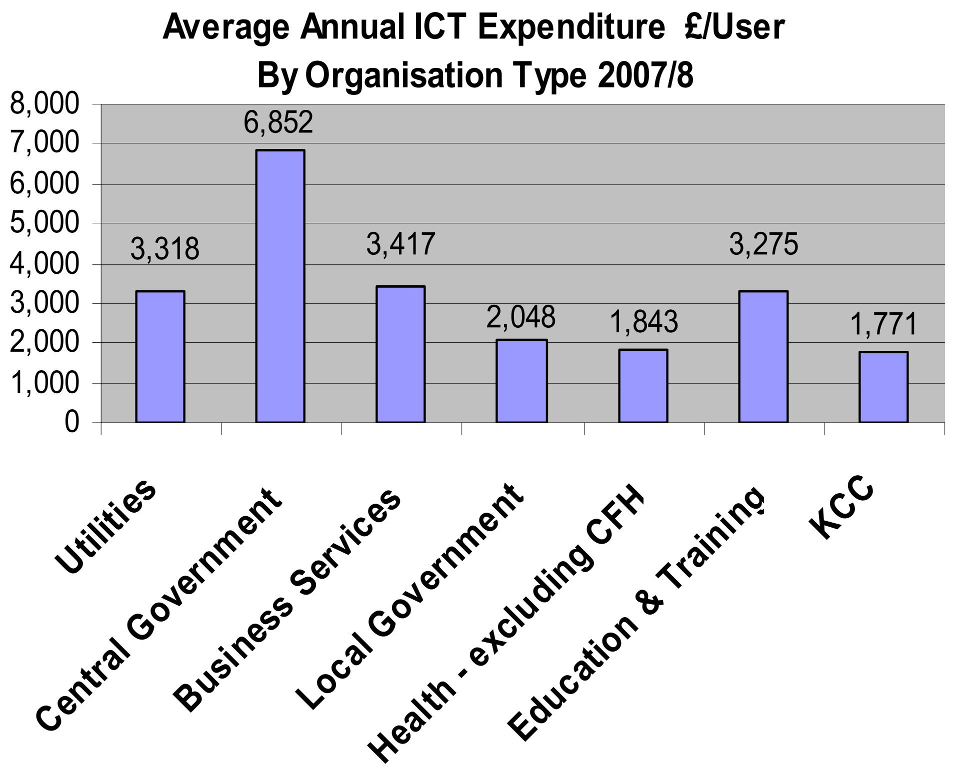
1.2.10 The approach and commitment of information services has continued to be recognised. The unit achieved accreditation against the Customer Services Excellent Standard which has recently superseded the Charter Mark.

1.2.11 Performance in benchmarks against both public and private sector ICT also remains strong as illustrated in the following 2008 National Computing Centre benchmarks.

1.2.12


No. ICT Staff per 1,000 Users (NCC Benchmark 2008)
80
70
60
50
40
30
20
10
0
Finance
Central Government
Retail & Wholesale
Local Government
Health
KCC
Transport & Utilities

1.2.13


Average Annual ICT Expenditure £/User
By Organisation Type 2007/8
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
3,318
6,852
3,417
2,048
1,843
3,275
1,771
Utilities
Central Government
Business Services
Local Government
Health - excluding CFH
Education & Training
KCC

2 ICT Programmes and Projects

2.1 The major programme of work reported in January was progress towards establishing a Kent Public Services Network. The contract with UNISYS was signed in July of this year and the implementation of the network; due to be completed in March 2009 is well underway.

- The KPSN network core has been operational since 29th September. The switch-over from the schools network was achieved without any service disruption.
- The remaining KPSN network hubs will be delivered by mid-December except for Sevenoaks and Tonbridge which are expected in January 2009.
- Of 1090 sites, orders for 1000 have been placed with Unisys. 90 clusters remain, which are complex but should be ordered by mid November.

2.2 The benefits and savings to public service as a consequence of this partnership are already delivering tangible returns. Through aggregating demand Kent and Medway local authorities have been able to avoid over £350K of additional cost that would have been incurred had each authority progressed a discrete link to the mandatory cross government secure network.

2.3 KPSN provides connectivity to over 1000 sites and includes links to all Kent Local Authorities, Police and Fire and Rescue services. Thanet DC and Canterbury CC both committed from the outset to migrating their internal sites to the network in additional to using KPSN for inter agency links. In the past two weeks both Tonbridge and Malling DC and Shepway DC have entered into a Memorandum of Understanding to adopt a similar strategy as their current provision reaches end of contract.

2.4 Dialogue with other councils continues with Medway Council assessing the economic benefits of the KPSN approach for corporate sites as well as Medway schools. The expansion of the partnership is an extremely positive outcome and a reflection of the effort of ICT teams across Kent's public services to make a significant contribution to the Kent Commitment.

2.5 Progress on the directorate projects highlighted in January report:

- Connection of KCC Network to new NHS N3 national network – **Implemented**
- Integrated Children's Services (ICS) System - **Implemented**
- CFE Billing System for Contracted Services - **Implemented**
- Technology element of Kent Highways Programme – **Final stage**
- ICT infrastructure for Children's centres - **Underway**
- Upgrade of call management systems (Telephony) - **Underway**

- Library Systems Renewal - **Underway**
- KASS Mobile Working Project – **Underway**

There are currently 32 medium to large ICT projects on the projects register, with a further 29 subject to pre project, feasibility, business case or other analysis activity.

3. ICT Strategy

3.1 Since January of 2008 the ICT strategy has been revised and updated to consider how further benefit might be derived from the deployment of technology. Until now the emphasis for ICT Strategy has been on the common areas of infrastructure that supports and underpins the council's strategic objectives.

Of the critical areas of ICT service delivery:

- Desktop Services
- Network Access
- Data Centres
- Application Systems

Long term sustainable solutions have been put in place for two of the four through the technology refresh programme (TRP) and the Kent Public Services Network (KPSN).

3.2. The system failures already referenced in this report, has served to underline the dependence of direct service on technology and also reflects the ICT related risks listed in the council's strategic risk register. In specific response to the potential risk to vulnerable clients following SWIFT hardware failures, changes have been proposed to the strategy for application systems and data centre provision to mitigate the risk to service of potential under investment in ICT or any lack of recognition of interdependencies.

3.3 Hosting (Data Centre) Strategy

3.3.1 The current strategy to use an outsourced hosting service was informed by the short term avoidance of capital investment in internal facilities that were at capacity. The benefits of reconsidering this approach are:

(i) Reduction in overheads. Revenue costs of the current solution are higher than the previous internal arrangement and offer little opportunity to reduce in-house overheads, due to the requirement to maintain 'nodes' within county and the monitoring of third party provision. (It was KCC staff who identified and flagged the failure at the third party site).

(ii) External provision reduces our flexibility and level of control in the event of a failure. The risk of potential delays in restoring service following failure is clearly influenced by the number of third party providers involved in the delivery of a service. The commitment of council staff to "do whatever it takes" was again demonstrated in the two incidents this year.

(iii) The flexibility to respond to changes in economic and environment demands would be increased by adopting a public sector solution. The success of the KPSN approach has increased cross agency enthusiasm for multi agency ICT solutions. Medway Unitary Council and 5 district councils have expressed interest in progressing a joint solution with the county council.

(iv) The ability to exploit infrastructure in support of strategic objectives e.g. economic regeneration, support for SME's, multi agency working, income generation opportunities. Two commercial companies involved in delivering ICT services to the public sector have approached the council requesting that we host computers delivering out of county services on their behalf.

(i) Despite the use of professional third party hosting, the level of service failure has been higher than was the case with in-house provision. Financial compensation has been provided, which would not be the case with internal services, but best value would ideally be reflected by continuity of service not through receipt of compensation following failure.

3.4 Application Systems Strategy

3.4.1 Investment in software is driven entirely by the requirement for line of business systems in support of direct service. The importance of enabling service directorates to determine direction is recognised in the ICT strategy which specifies recommended technical architectures not the individual solutions to be adopted.

3.4.2 Opportunities for improving current strategy are targeted at addressing and avoiding the potential disadvantages of an approach that might otherwise give rise to system 'silos' and inefficiency.

3.4.3 Strategy for achieving sustainable systems. Application life cycles currently comprise capital investment in infrastructure and implementation plus subsequent revenue stream. Unlike the approach now taken with the TRP and Networks delivery, this does not deliver a sustainable solution as it fails to address the finite and predictable life of the hardware and software. The successful strategies behind TRP and KPSN were facilitated by a corporate investment programme.

3.4.4 Reduced overheads and improved resilience through use of common infrastructure. Service driven projects deliver maximum functionality in support of business requirement. The benefits can be less clear when the solution incorporates dedicated infrastructure. This reduces opportunity for aggregation, leads to potential increased cost and possible compromise on ICT service levels. E.g. many of our systems lack formal disaster recovery

(DR) provision as a consequence of decisions based on system specific risk/cost assessment. Were all our systems based on a common hardware platform, rather than a dedicated solution for each application, this would allow a single affordable DR solution to be considered.

3.4.5 Revenue streams for post implementation support of systems form part of gross budgets subject to efficiency savings. The resource directors group continue to work to find methods to ring fence funding for support of systems considered critical to direct service. This work has highlighted the contradiction of savings targeted at the technology essential to improve service efficiency.

3.4.6 Procurement is key to many council services. ISG make full use of the specialist procurement services available through the strategic procurement unit and KCS. In addition ICT supplier and procurement experts are retained within the function to ensure that business requirements are reflected in technology aspects of contracts. It is important that these skills be applied throughout the procurement process and in subsequent contract management and not simply as an advisory service.

3.4.7 Governance and evaluation to reduce risk. The approach adopted by the Procurement Board which both mandates and monitors adherence to agreed standards has been adopted by the ICT Board. This will ensure that we retain the benefits of the service driven application strategy, while achieving best value from aggregation of common components across systems.

3.4.8 The changes to strategy outlined have formed the basis of medium term financial plan proposal. By extending the successful 'sustainable ICT' strategy, already applied to desktop and network technologies, there is an opportunity to both reduce the total cost ownership (TCO) of systems and achieve a marked reduction in risk to services dependant on technology.

3.4.9 The capital investment initiatives proposed will establish:

- a common infrastructure platform for line of business systems
- multi agency public sector hosting facilities (data centre)
- integration of voice and data infrastructure

4. Medium Term Investment

4.1 The 'Towards 2010' priorities are fully reflected within the principle areas for ICT infrastructure investment and the momentum of strategic initiatives reported in January has continued.

4.2 Connecting Kent.

4.2.1 This programme has supports the implementation and expansion of broadband and other ICT infrastructure in Kent. The last three telephone exchanges in Kent were broadband-enabled via Connecting Kent grants in

April 2007. However, significant areas remain across Kent where broadband is not available, due to factors such as distance from the exchange.

4.2.2 The Connecting Kent programme has approached the broadband market on behalf of four of the most significant "not spot" areas (Barham, Sutton-by-Dover, Tilmanstone and Ulcombe - covering over 1,500 properties in total) seeking proposals to provide a broadband service in each area. The cut-off date for submissions is 21st November 2008. Indications are that we will receive a number of proposals for each area, covering wireless, broadband over powerline, and wire-based services.

4.2.3 We are actively engaged with the parish council and broadband activists in each affected community, and will be passing the proposals received for each community to them to evaluate and choose their preferred option. They will then apply for a capital grant from Connecting Kent to cover the set-up costs – leaving the on-going service as self-funding.

4.2.4 Connecting Kent plans to engage with suppliers regarding Kings Hill to look at the potential of funding a "fibre to the cabinet" deployment there, with the dual aims of improving the existing poor broadband coverage of the area and providing data on the viability of retrofitting other communities in Kent with fibre. This will help communities and businesses to maintain the advantage derived from the county's early investment in broadband infrastructure.

4.2.5 With the development of the of successful partnership approach to KPSN, opportunities to exploit other areas of shared infrastructure have been investigated by Kent's public agencies. The move of Medway Unitary Council into their new strategic headquarters at Gun Wharf, Chatham has introduced a significant opportunity to extend the technology partnership across Kent public services and provide a route to delivery of the updated strategy for data centres referenced above.

4.2.6 Gun Wharf is the former site of Lloyds of London's data centre operation, with a significant part of the premises being high quality computer machine space. As the county council's current external provision, located in Manchester and docklands, is fully utilised, there is an opportunity to work with Medway and other Kent authorities to develop capacity within Kent and Medway, reducing the overall cost of ownership and investing in systems infrastructure able to be deployed in support of the regional macro economy.

4.2.7 A memorandum of understanding has been reached with Medway regarding shared use of county wide data centre facilities. This will provide second site resilience for both Kent and Medway. The basis of the understanding is for participating authorities to achieve mutual benefit through reduced revenue costs and is not structured as an income generation exercise for public sector partners.

4.3 Improving Service Accessibility - Connecting with Kent

4.3.1 Council officers have participated in a second 'Web Jam' an extensive online dialogue over the internet around a structured series of questions. This event was organised and hosted by IBM who invited leading organisations from both private and public sector from across the globe to participate in their internal debate on the "Enterprise of the Future". This was a valuable learning opportunity prior to our progressing a council web jam with Kent residents in 2009.

4.3.2 As the strategic authority the council has taken on direct support for public agencies with insufficient capacity to develop and sustain their own services, including website development and support for parish council's and voluntary agencies, which continues to well used service.

4.3.3 From the original proof of concept implemented in support of the Whole System Demonstrator programme, there are now 30 online secure collaboration portals supporting communications across multiple agencies being provided through the Kent Connects partnership..

4.3.4 The video conferencing facility extensively tested by the same project, is now in frequent use. This has substantiated the financial and carbon savings achievable through the use of this technology and a programme to install similar capability in major meeting rooms in the office estate to reduce in county travel costs is being planned.

4.3.5 Following the council's success in winning the joint Microsoft, Local Government Chronicle and SOCITM Innovate08 concept award, the project to deliver self help online tools to community groups is now being planned. This project demonstrates the use of so called 'Web 2.0' technologies in helping deliver personalisation of services.

4.3.6 Analysis is being undertaken to identify opportunities for using ICT capacity across Kent's public services to deliver direct support into the community. As both the KPSN and data centre projects evolve any potential to use this infrastructure in supporting SME's response to the more demanding financial climate, should be exploited.

4.4 Technology Refresh

4.4.1 The programme is nearing the end of the first full cycle of replacement. Under former strategies the council would at this stage be starting to prepare MTFP bids for a future capital replacement of desktop devices. With the arrangements instigated through TRP, replacement of the earliest TRP machines installed will now proceed as part of the continuous programme of renewal funded by the asset maintenance reserve.

4.4.2 This allows directorates to develop business change around a known technology refresh cycle where appropriate devices can be selected in support of business requirements. TRP is already making a major contribution to the Better Work Places (BWP) programme by allowing appropriate technology to be deployed in support of the change in working profiles identified by the BWP programme.

4.4.3 Outside of the initial scope of technology refresh rationalisation of print provision is also being progressed. The council has published a specification for a printing service to replace existing capacity. Evidence from a study undertaken at Kroner House and proof of concept in Invicta House indicates that between a 15 to 20% reduction in print overheads and carbon emissions will be achieved as part of this initiative.

5. Conclusion

5.1 There has been an effective response to the demands on ICT support as a consequence of the increasing dependence on technology. ICT strategy is constantly reviewed and updated in line with the changing profile of our ICT use.

5.2 Strategic initiatives remain closely aligned with the objectives and targets outlined within the 'Vision for Kent'. Projects and initiatives with technical work streams continue to be delivered to time and budget.

6. Recommendation

6.1 The Policy Overview Committee Members are asked to note the report.

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Extension 1910

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