AGENDA

CABINET

Monday, 14th July, 2008, at 2.00 pm	Ask for:	**Karen Mannering / Geoff Mills**
Media Centre, Margate, 11-13 King Street, Margate, Kent CT9 1DA	Telephone	**(01622) 694367/ 694289**

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

1. Declaration of Interests by Member in Items on the Agenda for this meeting
2. Minutes of the Meeting held on 16 June 2008 (Pages 1 - 14)
3. Presentation by Mr C Wells, Cabinet Member for Children, Families and Educational Achievement, relating to Working Neighbourhood Fund
4. Revenue & Capital Budget Monitoring Exception Report; Impact of Current Economic Situation on the Council; and Roll Forward of Remaining 2007-08 Underspend (Pages 15 - 24)
5. Adoption of the Isle of Grain to South Foreland and Medway Estuary and Swale Shoreline Management Plans (Pages 25 - 40)
6. Kent & Medway Mental Health and Social Care NHS Partnership Trust - Foundation Trust Application (Pages 41 - 46)
7. Other items which the Chairman decides are relevant or urgent

Peter Gilroy
Chief Executive
Friday, 4 July 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.

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KENT COUNTY COUNCIL

CABINET

MINUTES of a meeting of the Cabinet held at Sessions House, County Hall, Maidstone on Monday, 16 June 2008.

PRESENT: Mr P B Carter (Chairman), Mr N J D Chard, Mr M C Dance, Mr K A Ferrin MBE, Mr G K Gibbens, Mr R W Gough, Mr M Hill, Mr A J King, OBE and Mr K G Lynes and Mr C Wells.

OFFICERS: Mr P Gilroy (Chief Executive), Mr G Badman (Managing Director of Children, Families and Education), Ms M Blanche, (Senior Policy Manager – Asylum & Migration), Ms A Honey (Managing Director, Communities), Ms C Lwin (Co-Director Regeneration and Economy) was present on behalf of the Managing Director for Environment and Regeneration, Mr O Mills (Managing Director for Adult Social Services) and Mr M Lemon (Head of Policy) was present on behalf of Meradin Peachey Director of Public Health .

UNRESTRICTED ITEMS

1. Minutes of the Meeting held on 12 May 2008
(Item 2)

The Minutes of the meeting held on 12 May 2008 were agreed as a true record.

2. Revenue & Capital Budget Outturn 2007-08 and Associated Matters
(Item 3)

(1) The report set out the provisional Revenue & Capital Budget Outturn for 2007-8. It detailed where Revenue projects had been rescheduled and/or were committed and where there was under or overspending. Details for the proposals for the use of the part of the Revenue Budget under spending were provided which reflected the projects where there was already a commitment of spending in 2008-09.

(2) The report also included details of:-

(a) the re-phasing of the projects funded from the Performance Reward Grant;
(b) Final Monitoring of Key Activities for 2007-08;
(c) the year end prudential indicators and impact on reserves; and
(d) the report included details of Capital Budget Outcomes and Achievements in recent years.

(3) Mr Chard congratulated Members and officers for achieving a £7.889m provisional outturn against portfolio budgets and noted the £4.984m increase in school reserves.

(4) Cabinet noted that the pressure on Asylum was now being shown as breakeven, pending the outcome of two Special Circumstances bids for 2007/08.

(5) Mr Badman expressed the view that the increase in school reserves was not specifically a Kent issue but was being replicated elsewhere nationwide. He added that having looked at the formula and the reasons why an underspend was occurring he could not find an explanation. Mr Badman then said that he had commissioned some work to

explore with staff why these underspends may be arising and to look at the Direct Schools Grant formula as one of the funding elements.

(6) Mr Carter said that with rising fuel costs and the impact of these increases on County Council services it would be prudent to take this into account when recommending the apportionment of the £5m underspend to the July meeting of the Cabinet.

(7) Mr Ferrin spoke of the pressures on his portfolio including inflationary pressures, interest rates etc. These pressures had already had a significant impact on a whole range of raw materials. He added that analysts were finding it difficult to predict the National Inflation Rate and he urged Cabinet to bear this in mind as the County Council move towards agreeing a new three year settlement with the Government in 2009.

(8) The Chief Executive said that together with Mr Chard and Ms McMullan a comprehensive paper would be prepared for Cabinet which would be shared with the Informal Member Group Budgetary Issues.

(9) Mr Carter also said that it would be useful to have a report at the September meeting of Cabinet on how working in partnership with District Councils and other public bodies that the Local Area Agreement 1 had been a success.

(10) Cabinet agreed to:-

(a) note the provisional outturn position for 2007-08;

(b) agree the requests for roll forward of part of the 2007-08 revenue underspending into 2008-09 as detailed in Appendix 1 to the report to fund existing commitments;

(c) note that the remaining underspend will be allocated at the July meeting of Cabinet following a review of the expected impact of the current economic conditions upon Kent County Council's services in 2008-09;

(d) note the re-phasing of the projects funding from the Performance Reward Grant as summarised in Appendix 2;

(e) note that the final monitoring of the key activity indicators for 2007-08 as detailed in Appendix 3;

(f) note the final monitoring of the potential indicators for 2007-08 as detailed in Appendix 4;

(g) note the impact of the 2007-08 provisional revenue budget outturn on reserves;

(h) note the capital budget outcomes and achievements in recent years as detailed in Appendix 5;

(i) note that the 2008-09 Capital Programme will be adjusted to reflect the re-phasing and other variances of the 2007-08 Capital Programme;

(j) note that contrary to the school's previous forecasts, the school's revenue and capital reserves have increased by some £22m;

(k) agree that a report on the impact of the current economic conditions be prepared for a future meeting of the Cabinet and shared with the Informal Member Group Budgetary Issues; and

(l) a report on the success of Local Area Agreement 1 be prepared for the September meeting of Cabinet.

3. Consideration of the draft KCC Annual Plan 2008-09 and process for publishing the final approved version

(Item 4 – Report by Mr Paul Carter, Leader of the County Council and Peter Gilroy, Chief Executive)

(1) The Cabinet had before them the latest draft of the Kent County Council Annual Plan 2008-09 which would be before the County Council for approval on 19 June 2008. The Governance and Audit Committee checked the compliance of the Kent County Council Annual Plan with the statutory requirements prior to its publication by delegating this to a cross-party group of the Governance and Audit Committee which met on 4 June 2008.

(2) The Annual Plan would once again be published on a CD. The CD would also include the Vision for Kent, Towards 2010, the Kent Agreement, Supporting Independence documents, Medium Term Plan, the Children Families, Health and Housing Education Directorate Annual Review, Kent Adult Social Services – Active Lives and the People of Kent.

(3) Copies of the Kent County Council's Annual Plan are sent to all Members of the County Council, the Authority's principal partners and relevant voluntary organisations, senior Kent County Council managers and external auditors amongst others. Copies would also be sent to all libraries and KCC offices, open to the public as in previous years. A copy of the Annual Plan would be available on the County Council's website by the end of June.

(4) Cabinet agreed to note the arrangements for publishing the Kent County Council Annual Plan 2008-09 and to recommend the Draft KCC Annual Plan 2008-09 to County Council for approval on 19 June 2008.

4. Policy Framework

(Item 5 – Report by Mr Paul Carter, Leader of the County Council and Mr Peter Gilroy, Chief Executive)

(1) The Policy Framework had been reviewed and the following amendments had been suggested by the Communities Policy Overview Committee:-

(a) to include the Kent Strategy for 2012 Olympic Games; and

(b) the Childrens & Young People Plan.

(2) Suggested deletions from the Policy Framework were:-

(a) the Adult Education Development Plan;

(b) the Young Person's Substance Mis-Use Plan: and

(c) the Trading Standards Food Service Plan.

(3) Cabinet agreed that the revised list of Plans and Strategies which constitutes the County Council's Policy Framework be submitted to the County Council for approval and the County Council Constitution be amended accordingly.

5. Better Days for People with Learning Disabilities in Kent
(Item 6 – Report by Kevin Lynes, Cabinet Member for Adult Social Services and Oliver Mills, Managing Director for Kent Adult Social Services) (Dee Watson, Business Change Manager was present for this item)

(1) The Cabinet had before them a revised copy of the document Better Days for People with Learning Disabilities in Kent. The document restated the current Member-agreed strategy for the modernisation of learning disability day services.

(2) The report also restated the refreshed and accessible strategy for consultation "What Makes a Good Day" and the questionnaire. It also provided brief details and outcomes of the consultation on the programme.

(3) Cabinet noted that the findings of the consultation were presented to and discussed at the Adult Social Services Policy Overview Committee on 29 January 2008 and attached final documents were presented to and approved by the Kent Partnership Board for people with learning disabilities on 8 May 2008.

(4) Cabinet commented that there should be on-going monitoring of this work by the Adult Social Services Policy Overview Committee.

(5) Mr Mills informed Cabinet of the presentation on 'Valuing People Now' which would be evaluated in a year's time.

(6) Cabinet:-

(a) agreed and approved the document "Better Days for People with Learning Disabilities in Kent"; and
(b) noted that Kent Adult Social Services would monitor levels of satisfaction with services from both people with learning disability and family carers as changes are implemented.

6. Ashford's Future: Proposed Formalisation of the Ashford's Future Partnership Board and the related incorporation of a Special Purpose Vehicle
(Item 7 – Report by Mr Roger Gough, Cabinet Member for Regeneration and Supporting Independence and Mr Adam Wilkinson, Managing Director, Environment & Regeneration) (Mike Bodkin, Head of Urban Regeneration was in attendance for this item)

See Record of Decision on Pages 9 -11.

7. The Education and Skills Bill

(Item 8 – Report by Mr Mark Dance, Cabinet Member for Operations, Resources & Skills and Mr Graham Badman, Managing Director, Children, Families, Health & Education)

(1) Cabinet noted that the Education & Skills Bill had been described as landmark legislation. It builds on the aspiration first set out in the Fisher Education Act 1918 (which raised the school leaving age from 12 to 14) that young people should remain in at least part-time education until the age of 18 – a provision that was never enacted as a result of the post World War 1 austerity.

(2) The Education Skills Bill proposed the implementation of many of the key changes recommended in the 2006 Leitch Review of Skills Final Report: Prosperity for All in the Global Economy – World Class Skills. That report made a series of recommendations, accepted by Government, that increased participation in learning by both young people and adults was essential to realise the Leitch ambition that the UK had achieved world class skills by 2020. This would bring key benefits to young people and adults, employers, the UK economy and wider society.

(3) One of key Leitch recommendations was that once, the Government's 14-19 diploma reforms were successfully on track, the law should be changed so that all young people must remain in full or part time education or workplace training up to the age of 18.

(4) At this stage it was very difficult for the County Council to estimate the likely cost implications for increased participation to the age of 18 for Kent. This is because the detailed methodology used by the Department of Children, Schools and Families (DCSF) in estimating the national costs provided in the impact assessment was not clear. The County Council's best estimate was that the cost of increasing participation from the current 74% level of participation in education and training by 17 year olds in Kent (latest available data for 2005) compared to the 76% national level is that this cost could cost around £29m annually.

(5) The County Council's provisional cost estimate for increased participation by young people with Special Educational Needs (SEN) is that this would cost £623,000 annually (£515,000 for the cost of young people continuing to participate in special schools; £29,000 for those with severe and complex needs and an additional £79,000 for pupils in specialist units attached to mainstream schools).

(6) The County Council's provisional cost estimate for additional transport costs arising from the increased participation requirement was estimated at £358,000 annually (£173,000 for young people continuing in school sixth forms or Further Education Colleges; £138,000 for those continuing in special schools and £47,000 for those with severe and complex needs or staying on in specialist units).

(7) There would undoubtedly be significant transport costs for individual schools and colleges in transporting young people between schools and colleges to facilitate local access to the new 14-19 Diplomas being delivered by local consortia arrangements of providers. The additional funding being allocated for the implementation to the new 14-19 Diplomas included the scarcity factor to recognise some of the additional costs of transport in rural areas, but this was likely to be significantly below the additional funding the institutions would need to find for additional minibuses to transport young people between institutions.

(8) Cabinet noted that total additional annual cost for Kent could therefore amount to £30m.

(9) Cabinet noted that the main provisions of the Bill, raising the participation age first to age 17 and then to 18 were expected to be implemented from 2013 and 2015 respectively. Most of the other provisions in the Bill would be subject to recommencement orders where Ministers would have a degree of discretion of over what particular provisions are implemented.

(10) Cabinet commented that the implications of the Education and Skills Bill could not be separated from the demise of the Learning Skills Council.

(11) Cabinet noted the implications of the Education Skills Bill, including the significant likely future costs which the County Council would have to bear.

8. Annual Governance Statement - Draft

(Item 9 – Report by Nick Chard, Cabinet Member for Finance, Lynda McMullan, Director of Finance and Janet Dawson, Head of Audit and Risk)

(1) Kent County Council is required to prepare an Annual Governance Statement. The requirement was introduced in the good Governance Framework CIPFA/SOLACE 2007 which sets out six principles of Corporate Governance underpinned by a number of supporting principles and specific requirements.

(2) The Annual Governance Statement should include an evidence-based overview of how the Authority has adopted the principles of the Framework and that it adheres to its requirements.

(3) Cabinet noted that the Director of Finance had submitted the Annual Governance Statement along with supportive evidence to the Chief Executive recommending that they sign the Statement for inclusion in the final accounts.

(4) The Annual Governance Statement would be presented to the Governance and Audit Committee on 30 June.

(5) Cabinet agreed to note the Annual Governance Statement.

9. Dartford Crossing Tolls

(Item 10 – Report by Mr Keith Ferrin, Cabinet Member for Environment, Highways & Waste and Mr Adam Wilkinson, Managing Director, Environment & Regeneration)

(*Mick Sutch, Head of Planning & Transport Strategy was in attendance for this item)*

(1) Cabinet noted the response to the Department for Transport's proposals for tolls at the Dartford Crossing.

(2) Under present arrangements the County Council had received £1m per annum in supported borrowing for local integrated transport schemes in Kent and Thameside but last year the County Council did not spend this as we were a floor-funded authority.

(3) With the introduction of a local discount scheme, locally targeted funding (to Kent County Council and Thurrock Council, Essex) would be discontinued and the remaining

profits from the tolls would go towards national transport projects. From April this year, Kent County Council was receiving a twelfth of £1m per month in grant until the local discount scheme is introduced later this year.

(4) In its response the County Council supported the retention of tolls at the crossing at the current levels if urgently needed local and strategic improvement schemes in the County, such as M25 Chevening – Godstone (Junctions 5 to 7), M20 Coldharbour to Wrotham (Junctions 3 to 5) and M25/M26 east facing slip roads at Sevenoaks and funded but considered that if there was no benefit to the wider community in Kent, the tolls at the crossing should be withdrawn.

(5) As a result of the proposals the net profits from the Crossing currently at £50m per year would increase, yet transport spending in Kent would reduce. The response was also critical of the proposed discount scheme which has chosen to give reduced crossing charges to residents living in an arbitrary area where, say people living in Stanford-le-Hope in Thurrock would benefit yet residents in Gravesend would not, despite being some 4 kilometres cross to the Crossing.

(6) Cabinet noted the report.

10. The Sub-National Review and Kent's Response

(Item 11 – Report by the Managing Director of Environment and Regeneration)(Dick Feasey, Development Planning Manager was in attendance for this item)

(1) Cabinet noted the Government's objectives and proposals for the Sub-National Review and discussed each of the substantial areas of change and what Kent's potential response would be to the Consultation document. The consultation period expired on Friday, 20 June 2008.

(2) During the discussion on this item the Leader informed Cabinet that at a recent meeting of the Leaders in the South East Regional Assembly area (which is cross-party) there was unanimity that any replacement for the Regional Assembly should not be an unelected quango and that 50% of the membership should be elected Members.

(3) Cabinet agreed that the Cabinet Member for Regeneration and Supporting Independence should agree the views to be sent to Government with final wording of such correspondence.

11. Decisions from Cabinet Scrutiny Committee – 21 May 2008

(Item 12 – Report by Head of Democratic Services and Local Leadership)

This report sets out the decisions from the Cabinet Scrutiny Committee held on 21 May 2008 and invited responses from Cabinet.

Exempt Item

(Open Access to Minutes)

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

13. Local Involvement Network (LINk)

(Item 14 – Report by Mr Graham Gibbens, Cabinet Member for Public Health and Mr Peter Gilroy, Chief Executive) (Mary Blanche, Senior Policy Manager was in attendance for this item)

(Mr Chard made a cautionary declaration on the basis that his wife might be connected with one of the organisations) who might have tendered to be the Host Organisation for the LINk)

See Record of Decision on Pages 12 and 13.

KENT COUNTY COUNCIL
RECORD OF CABINET DECISION

DECISION TAKEN ON	Cabinet 16 June 2008	DECISION NO. 08/01193

Ashford's Future: Proposed Formalisation of the Ashford's Future Partnership Board and the related incorporation of a Special Purpose Vehicle

(Item 7 – Report by Mr Roger Gough, Cabinet Member for Regeneration and Supporting Independence and Mr Adam Wilkinson, Managing Director, Environment & Regeneration)

(Mike Bodkin, Head of Urban Regeneration was in attendance for this item)

(1) The Ashford's Future Delivery Board is an informal partnership comprising the key organisations with a role to play in delivering successful, sustainable growth in Ashford. The founding partners comprise of Ashford Borough Council, the County Council, the South East England Development Agency (SEEDA) and English Partnerships (EP).

(2) Whilst the informal partnership had worked effectively to date, the Ashford growth area was entering a new phase of delivery. Given the scale of infrastructure that is needed to be provided to support the doubling size of the town, it was acknowledged that Ashford's Future Partnership would need to adapt and strengthen its programme and project management capacity. Accordingly, it was proposed that the current arrangements be revised to ensure the efficient delivery of key projects and the securing of resources.

(3) Cabinet noted that it was proposed to rename the current Ashford's Future Delivery Board (AFDB) to The Ashford's Future Partnership Board (AFPB) and to put in place revised membership arrangements. The AFPB would continue to be a public sector-led partnership retaining the responsibility for developing and championing the overall programme of development for Ashford.

(4) A Partnership Agreement between the four founder partners, Ashford Borough Council, Kent County Council, SEEDA and EP would be established through a formal (though not a legally binding) decision making framework and would replace the existing informal arrangements on which the partnership had been operating. Partner decisions would include the formal approval of the programme for development and agreeing funding priorities, committing founder partners to support the growth agenda, the allocation of Growth Area Funding and similar monies and in the future – tariff funding.

(5) The AFDB had also agreed on the incorporation of a company limited by guarantee to act as a Special Purpose Vehicle (SPV) to support the delivery of the Ashford's future programme. The company would have four public sector directors and four private sector directors including a private sector chairman, Robyn Pyle.

(6) The founding partners were each in the process of seeking their necessary approvals to participate in the SPV and revised AFPB. The proposed SPV would ensure:-

(a) the delivery of key projects to include bringing forward town centre sites where a number of different partners are involved in delivery, addressing a number of infrastructure constraints, (including transport and flood risk management) and provided a more focussed better co-ordinated and better resourced structure. Attached to the report was a list of priority projects for the SPV which had been endorsed by the AFDB; and

(b) to provide a programme management function on behalf of the AFPB. In this role, the SPV would ensure that all organisations with a responsibility for projects were identified in the Partnership's Programme for Development, were delivered on time and on budget and would report to the AFPB.

(7) Cabinet noted the staffing and structure for the SPV including the implications for the County Council which included legal issues, financial implications, partner role contributions and risks.

(8) Cabinet agreed that subject to:-

(a) a full risk assessment being undertaken by the Chief Executive and the Director of Finance on the consequences of decisions made by the AFDB and the SPV;

(b) the Director of Law & Governance reviewing and approving the proposed reporting regime of the SPV to the AFPB and being satisfied this facilitates robust scrutiny by the AFPB as Programme Management function; and

(c) approval of finalised arrangements by EP, SEEDA, Department for Business Enterprise and Regulatory Reform (DBERR) (if required in respect of EP and SEEDA) and the Department of Committees and Local Government (DCLG) in respect of all AFPB and SPV arrangements and in particular in respect of DCLG's funding of such arrangements, that:-

(i) the County Council become a member of Ashford's Future SPV;

(ii) authorise Kent County Council entry into a Partnership Agreement and Members' agreement as outlined in the report to Cabinet;

(iii) to make appointments to represent the County Council on the AFBP and of a representative to attend general meetings of the SPV and exercise the County Council's voting rights as a member of the SPV on behalf of the County Council;

(iv) to delegate sufficient authority to such appointees to enable them fully to exercise the rights and discharge the duties relating to such appointments, acting as necessary of such in consultation with the Director of Law and Governance and Director of Finance;

(v) to nominate a director on the SPV Board to manage the company on behalf of the company members on such terms as the Director of Law and Governance shall approve;

(vi) delegate authority to the Managing Director of Environment and Regeneration in consultation with the Cabinet Member for Environment and Regeneration and the Director of Law and Governance to approve the final versions of the following document on behalf of the County Council:-

- the SPV Memorandum and Articles Association;
- the Members agreement;
- the Partnership Agreement and authorise the Director of Law and Governance to execute those documents on behalf of the County Council.

(vii) to request all County Council Managing Directors to consider the implications of the proposed Ashford's Future SPV and programme for development on their service areas; and

(viii) note that a further report will be submitted, seeking approval of the terms of the Ashford's Future Programme for Development for SPV Business Plan.

The reasons for this decision are set out above and in the Cabinet report.

Background Documents: Available from the Author below:

1. Partnership Agreement
2. Memorandum and Articles of Association
3. Members Agreement
4. Accountable Body Procedures – report to ABC Executive
5. Ashford's Future Programme for Development
6. The relationship between the AFPB and the SPV
7. The proposed SPV staffing structure
8. Genecon Report
9. Bell Report

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signed (Chief Executive) date

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Decision Referred to Cabinet Scrutiny				Cabinet Scrutiny Decision to Refer Back for Reconsideration				Reconsideration Record Sheet Issued				Reconsideration of Decision Published
YES		NO		YES		NO		YES		NO		

KENT COUNTY COUNCIL
RECORD OF CABINET DECISION

DECISION TAKEN ON	Cabinet 16 June 2008	DECISION NO. 08/01194

Local Involvement Network (LINk)

Item 14 – Report by Mr Graham Gibbens, Cabinet Member for Public Health and Mr Peter Gilroy, Chief Executive) (Mary Blanche, Senior Policy Manager was in attendance for this item)

(Mr Chard made a cautionary declaration on the basis that his wife might be connected with one of the organisations) who might have tendered to be the Host Organisation for the LINk)

(1) Cabinet considered a paper setting out the two key roles for the County Council in meeting its obligations relating to the establishment of a LINk for Kent. These were:-

(a) to stimulate a wide public interest in LINks and to encourage debate as to what would make an effective LINk for Kent;

(b) to appoint a host organisation, to set up and support the creation of a LINk for Kent.

(2) Cabinet then noted the procurement process which had been undertaken for the host organisation, which because of the size of the contract, had been subject to the European Union rules and had been published in the Official Journal of the European Union.

(3) Two organisations returned their tender documentation by the return date of 6 April 2008. The evaluation of process of tenders was noted.

(4) Cabinet agreed that the County Council should:-

(a) enter into detailed negotiations with organisation B for the delivery of a LINk service in Kent; and
(b) subject to the Chief Executive being satisfied with the detailed terms and conditions the Chief Executive, following consultation with the Cabinet Member for Public Health be authorised to enter into the contract on behalf of the County Council.

The reasons for this decision are set out above and in the Cabinet report.

Background Documents:

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signed (Chief Executive) date

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Decision Referred to Cabinet Scrutiny			
YES		NO	

Cabinet Scrutiny Decision to Refer Back for Reconsideration			
YES		NO	

Reconsideration Record Sheet Issued			
YES		NO	

Reconsideration of Decision Published

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To: CABINET – 14 July 2008

By: Nick Chard, Cabinet Member – Finance
Lynda McMullan, Director of Finance

1) REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT
2) IMPACT OF CURRENT ECONOMIC SITUATION ON THE COUNCIL
3) ROLL FORWARD OF REMAINING 2007-08 UNDERSPEND

1. Introduction

1.1 This is the first exception report for 2008-09, which identifies a number of significant pressures that will need to be managed during the year if we are to have a balanced revenue position by year end. This report includes an analysis of the impact of the inflationary pressure on the economy and more specifically, KCC. Further details are provided in section 2.

1.2 There are a number of issues which we are facing in 2008-09 which are likely to affect the timing of delivery of our capital programme. Most relevant, is the impact of the falling land and property values, and how KCC can respond. This, and other issues are considered, in section 4.

2. 2008-09 REVENUE MONITORING POSITION BY DIRECTORATE & PORTFOLIO

A summary of the forecast revenue pressures, excluding schools, is shown in **table 1** below:

Portfolio	**Forecast Variance £m**	**Pressure/Saving**
Operations, Resources & Skills	+0.995	Increasing cost of Home to School Transport contracts due to rising fuel prices
Children, Families & Educational Achievement	+3.064	Continuation of the pressures experienced in 2007-08 on Fostering and Independent Sector Residential Care, partially offset by underspends on Adoption and Grants to Voluntary Organisations. This reflects a continuation of the budget imbalance reported in the outturn report. Also, pressure on Sure Start grant funded projects and legal costs.
Kent Adult Social Services	+1.551	Demographic pressures & more complex needs
Environment, Highways & Waste	+1.000	Half year impact of increase in electricity prices on Street Lighting contract.
Regeneration & Supporting Independence	0	
Communities	+0.206	Coroners Service – continuation of pressures experienced in 2007-08 ie costs of long inquests, pathology fees and mortuary attendants.
Public Health	0	
Corporate Support & External Affairs	0	Pressure on ISG services, looking to be managed through greater demand for chargeable services
Policy & Performance	0	
Finance	-0.054	Savings on debt charges due to the lower level of borrowing required in 2007-08 (-£1.302m) Reduction in LABGI income (+£0.461m) Continuation of the change in accounting treatment in 2007-08 of the indirect staffing costs of the Corporate Property Unit, which were previously capitalised (+£0.787m)
Total (excl Asylum)	**+6.762**	
Asylum	+5.000	Same grant rules and unit costs as 2007-08 assumed. Increasing number of referrals.

Portfolio	Forecast Variance £m	Pressure/Saving
Total (incl Asylum)	**+11.762**	

1.2 The £11.762m pressure shown in table 1 above is before the implementation of management action. Directorates are currently working to identify options to reduce these pressures with the intention of delivering a balanced budget position (excluding Asylum) by 31 March 2009. Details of management action plans will be reported in the next monitoring report to Cabinet.

2.1 *Children, Families & Education (CFE) Directorate:*

2.1.1 **Operations, Resources & Skills portfolio:**

Within this portfolio, pressures have been identified on the Home to School Transport (HTST) budgets as a result of the impact of rising fuel prices, as follows:

- **+£0.480m Mainstream HTST**
- **+£0.481m SEN HTST**
- **+£0.034m Home to College Transport**.

2.1.2 **Schools Delegated:**

Schools' revenue reserves increased by 7.2% to £67.6m (excluding Unallocated Schools reserves of £11.7m) and capital reserves increased by 31.3% to £17.0m at the end of 2007-08 financial year. Back in October 2007, the DCSF consulted through the update on School Finance Regulations to introduce a retrospective 5% redistribution of schools' revenue reserves. In a statement at the end of October 2007 to Local Authorities, Jim Knight, Minister for Schools confirmed that whilst he would not be introducing this proposal in the current CSR period he would continue to monitor the overall level of surplus balances. If the levels reported do not show a significant reduction then the DCSF will come forward with further action for the next CSR period.

The LA has consulted its Schools' Funding Forum regarding the levels of school reserves and agreed with them that we will challenge those school's who have had consistently high levels of revenue reserves over the past 5 years. A copy of the initial letter sent via email to all headteachers and chairs of governors is attached at Appendix 1 for information. Schools' with the highest levels of reserves will be required to explain why they are holding them at these levels and may be subject to recovery of some of their accumulated balances. Any reserves recovered will need to be re-distributed amongst Kent schools' (as per DCSF regulations) and we will discuss this with the Forum at the next meeting.

The first monitoring returns from schools are due in October and an update on the schools' forecast movement on their reserves during 2008-09 will be provided as soon as the information is available.

2.1.3 **Children, Families & Educational Achievement portfolio:**

A number of pressures have been identified within this portfolio, which largely reflects a continuation of the pressures experienced in 2007-08, as follows:

- **+£1.0m Advisory Service Kent (ASK) (Early Years)** – this pressure is on Sure Start grant funded projects in 2008-09. The total grant funding for 2008-09 (excluding Children's Centre funding) is at a similar level to last year, however the Directorate has additional targets for 2008-09 that the DCSF have now set, linked to the Outcomes, quality and inclusion strand of the grant, where our performance is subject to external monitoring and assessment against the National indicators. KCC is committed to containing spend within the totality of the grant and is therefore looking at balancing this pressure.

- **+£3.0m Independent Sector Residential Care** - In 2007-08 the independent sector residential care budget overspent by £3.158m. This overspend had been forecast throughout the year and the early indications are that the pressure on this service, due to increased demand and high cost placements, will continue into 2008-09. We are therefore forecasting a £3m overspend on this budget line at this early stage of the financial year.

- **+£0.792m Fostering** - In 2007-08 the fostering service budget overspent by £2.0m. Like independent sector residential care, this overspend had been forecast throughout last year. The latest monitoring suggests that the pressure on this budget line will continue into 2008-09 with a net overspend of £0.792m. This is made up of forecast overspends on County Fostering team of £0.400m, Independent Fostering Agencies of £1.236m and a forecast underspend on other fostering lines of £0.844m.
- **+£0.466m Other Services Support** – this represents a continuation of the pressure in 2007-08, which mainly relates to Legal Services charges.
- **-£1.863m Grants to Voluntary Organisations** - as in previous years, and as recently reported as part of the 2007-08 outturn, this budget has consistently underspent with the saving being used to offset the pressures elsewhere in Children's Social Services (Independent Sector Residential Care and County Fostering Team) and this situation continues into 2008-09 with an underspend of £1.863m forecast on the grants to voluntary organisations budget. This reflects the historic budget imbalance between the Children's Social Services budget lines, and not a reduction in the level of grants to be paid, which will be maintained at historic levels. This underspend needs to be secured to offset the pressures reported above, therefore ***Cabinet are requested to agree a virement of £1.863m from Grants to Voluntary Organisations to Independent Sector Residential Care (£1.463m) and County Fostering Team (£0.400m) for 2008-09, and a similar base adjustment in the 2009-12 MTP, to correct this underlying issue.***
- **-£0.331m Adoption** - The Adoption service as a whole is forecasting an underspend of £0.331m. Adoption allowances are forecast to underspend by £0.576m which is partly offset by an overspend on the County Adoption Team of £0.245m.

2.1.4 **Asylum:**

We are currently forecasting direct spend of £14m, with an additional £0.5m of indirect costs. Our current estimate of income is £9.5m, leaving a funding shortfall of £5.0m for the 2008-09 financial year. The income estimate assumes the same grant rules and unit costs as for 2007-08, as no grant rules have been issued for the current financial year and therefore forecasts may alter if grant criteria change.

It should be noted that the number of referrals in April (48) and May (49) have been much higher than the same period in all of the last four financial years, when they ranged from between 19 and 32.

All grants now fall under the Home Office, with the grant for 18+ Care Leavers having transferred from DCSF on 1st April 2008.

Work is continuing with officials from Home Office and DCSF to address the issues of under-funding in previous years, and establish a more robust method for the ongoing funding for these services.

2.1.5 **Other CFE issues:**

The CFE Directorate, as part of the 2008-11 MTP, has agreed savings of £6.1m across both portfolios that need to be achieved, as any shortfall will just add to the budget pressures identified above. Cabinet Members and SMT recognise how important it is that these savings are achieved and have set up a specific quarterly monitoring process looking at the progress managers are making in achieving these savings.

The Directorate is committed to the roll-out and development of Local Children's Services Partnerships arrangements. However there is no specific funding for this.

2.1.6 **CFE Directorate Management Action:**

Following the 2007-08 Outturn, the implications for 2008-09 and future years have been discussed in detail with both Cabinet Members and CFE SMT. Directors are currently reviewing their budgets with the task of coming back to Finance with information on what options they have for further savings. Clearly with the scale of overspend the Directorate is facing this year on the back of large and challenging MTP savings, these options are likely to have a negative impact on service delivery. Details of any savings options will be included in the next report to Cabinet and in the Directorates 2009-12 MTP submissions.

The CFE directorate has initiated a piece of work jointly with colleagues from Corporate Finance to review the Independent Sector Residential Care and Fostering budget lines.

CFE Finance are reviewing the School Finance regulations to explore what options we have to utilise some of the DSG (non-delegated) reserve, which represents the unspent DSG for central expenditure rolled forward from 2007-08.

2.2 Kent Adult Social Services:

The initial forecasts indicate a pressure of £1.551m. It should be noted that detailed forecasts are currently being worked on, in order that next months report is more firmly based. Over the forthcoming weeks, the KASS SMT will be working to ensure that management action plans are in place to reduce the pressure, in order to achieve a balanced position by the end of the financial year. This forecast pressure assumes that all savings identified within the Medium Term Plan will be achieved. Work is on-going with Areas to identify methods of accurately tracking progress against each saving on a monthly basis.

The main reasons for the £1.551m pressure are detailed below:

2.2.1 **Older People -£0.802m** – the main issues are:

2.2.1.1 -£0.334m Residential Care – April showed a reduction of 23 permanent placements from March, however initial estimates for May indicate this reduction has been offset with an increase, bringing the figure back up to the level in March. There are currently 2,894 placements compared with 3,034 at this time last year. The directorate will review the level of cash limit against this heading in light of the continued reduction in placements and the budget pressure against domiciliary care.

2.2.1.2 -£0.753m Nursing Care – this follows a further drop of six placements in April. As with residential care, if client numbers continue to fall there may be a need to review the level of cash limit and if necessary, request a virement.

2.2.1.3 +£0.725m Domiciliary Care – this budget remains very difficult to forecast with great accuracy at this early stage, as it is the most volatile activity line within the portfolio. Demographic pressures continue alongside extra demand for packages of care to keep people out of residential care.

2.2.1.4 -£0.530m Other Services – the Managing Director's Contingency of £0.512m has been released to offset the overall budget pressure.

2.2.2 **Learning Disability Care +£1.790m** – the main issues are:

2.2.2.1 +£1.052m Residential Care – this includes estimates of costs for clients known to be coming into residential placements during the year ahead. Alongside demographic growth within this client group, there is increasing pressure relating to new and existing clients whose needs are becoming more complex. This is particularly true for those clients coming through transition from childhood.

2.2.2.2 +£0.554m Domiciliary Care – as with Older People, this budget remains very volatile and difficult to estimate at this early stage. High cost packages of care are increasingly required to keep clients with more complex needs out of residential care.

2.2.3 **Physical Disability +£0.099m** – small underspends against most budget lines are off-setting much of the pressure on residential care, which is detailed below:

2.2.3.1 +£0.479m Residential Care – this results from similar pressures experienced within Learning Disability residential care. A detailed piece of work will be undertaken to look in further depth at this budget line.

2.2.4 **<u>Assessment & Related +£0.696m</u>** – As a result of this pressure there is currently a freeze on all non-essential posts. The cost of increments is not funded on the assumption that staff turnover will cover this cost, however there is some evidence, including from the staff survey, that the level of turnover is reduced on previous years, and this has impacted on the forecast.

Although there has been no increase in the number of staff within care management for a number of years, there is clear evidence of increase in the number of referrals made to the Directorate. Between 2004 and 2007 there was a 25% increase in referrals to care management, but more importantly the number of referrals leading to a formal assessment, and therefore potentially a service, increased from 78% to 88%.

The move towards more self directed support should mean less support is needed from professionals. There are also a number of initiatives to modernise the service, particularly through mobile technology. However, it should be recognised that as more clients remain within their own homes and receive more complex packages of care in a community setting, the support from care managers is higher than if they were in traditional residential placements.

2.3 Environment, Highways & Waste portfolio:

A £1.0m pressure is reported which reflects the indication that the renewal of Street Lighting electricity contracts in October 2008, will be more expensive than budgeted. A Management Action Plan will be put in place to mitigate the effects of this price rise.

Waste Contracts are also affected by the rise in inflation indices by approximately £0.5m, although the lower start point for the year for waste tonnage as compared to the budget assumption is expected to offset these higher costs this year.

Increases in inflation indices generally are expected to hit all services, but particularly Highway Maintenance, Supported Bus Services, the Freedom Pass Scheme and Waste contracts. Precise impacts are not yet entirely clear, but will be closely monitored and reported during the year. The assumption in these projected outturn figures is that spend on highway maintenance will be contained within existing cash limit, and on that basis there would be a reduction in the amount of work delivered.

2.4 Communities:

A £0.206m pressure is reported which relates to a continuation of the pressures experienced in 2007-08 on the Coroners Service. This pressure is made up from the following:

- Long Inquests – costs associated with long inquests quadrupled between 2006-07 and 2007-08 and there is no indication, given the current trend that this activity is slowing down in 2008-09. We currently anticipate a pressure of £0.047m in 2008-09.
- Pathology Fees – costs of pathology fees are increasing due to increased activity from 2007-08, resulting in a forecast pressure of £0.072m in 2008-09, as current trends indicate no apparent slowdown in activity.
- Mortuary Attendants & Other Coroner related fees – there is a pressure of £0.087m which relates to a continuation of the increased activity experienced in 2007-08.

The additional £0.2m included in the 2008-09 budget received through the MTP was for the increased charges from PCT's for storing bodies, therefore there is no additional funding for any of the pressures highlighted above. Communities Finance staff will be working closely with the Coroners Unit to produce a detailed action plan to quantify and address the extent of the unavoidable pressures. If these pressures cannot be contained within the Coroners Service, the directorate will look to implement management action elsewhere across the directorate.

2.5 *<u>Chief Executives Directorate and Financing Items budgets:</u>*

2.5.1 **Finance portfolio:**

- +£0.787m Corporate Property Unit – this pressures reflects the impact in 2008-09 of the change in accounting treatment adopted at the year end of 2007-08 for the indirect staffing costs which were previously capitalised. This will be included as a pressure in the draft 2009-12 MTP but remains unfunded for the current year. Options for compensating savings are being investigated.
- +£0.461m Local Authority Business Growth Incentives (LABGI) – The Government has reconsidered all aspects of the approach used to distribute the resources available for year 3 of this scheme. As a result, the best case scenario is that we will receive £0.461m less income than we previously expected. However, the Government has retained some funding to cover the potential outcomes of existing Judicial Reviews against the LABGI scheme. We have assumed that not all of this will be required and that we will receive a further distribution, but if this does not happen, or we receive less from this second distribution than we have assumed, then our loss of income compared to the budget assumption could increase up to a worst case scenario of £1.215m.
- -£1.302m Debt Charges and interest – this is a direct result of the lower level of borrowing required in 2007-08 due to the significant re-phasing on the capital budget, partially offset by a reduction in interest due to reductions in the base rate since the budget was set.

A change in the regulations around the Minimum Revenue Provision (MRP) (minimum repayment of outstanding debt) is currently being assessed to establish the impact on the revenue debt charges budget. There are several options and the current preferred method is to use the asset life as a means for calculating MRP for 2008-09 onwards, whereas previously it was a straight 4% of outstanding debt. The calculations are currently being worked through to establish what impact this change will have. The policy will be presented to Cabinet and full Council for approval during this financial year.

3. POTENTIAL INFLATION PRESSURES FACING KCC

3.1 KCC, like almost all other organisations and individuals, is facing significant additional inflation pressures due to much higher fuel and energy prices, generally rising inflation (both RPI and CPI) and the risk that the expectation of higher general inflation will feed through to higher costs both now and in the longer term.

3.2 The last year has seen some tumultuous increases in commodity prices and products derived from base commodities. Between May 2007 and 2008 the Office for National Statistics has estimated increases of:

- 84% for crude oil
- 72% for Gas
- 10% for electricity

- 31% for metal ores and quarried/aggregate products
- 21% for manufactured basic metal products (i.e. iron and steel)
- 11% for imported iron and steel
- 8% for fabricated metal (e.g. structural materials, forging, pressing of steel)

- 13% for other manufactured mineral products (e.g. glass, cement, concrete etc.)

The impact is already being felt on portfolios as detailed in section 2 of this report.

3.3 As a consequence of the above increases, some of the issues facing us immediately are:

- A 10% increase in the cost of highway maintenance work.
- A 20% increase on energy costs, which impacts on street lighting and all buildings
- A 10% increase in fuel costs that impacts significantly on the budgets for;
  - Waste
  - Home to school transport
  - Public transport
  - Car allowances

The budgets for the above items of expenditure total some £185m.

- Pressure from impact of general economic situation, including fuel costs, on the renewal price of contracts

3.4 An approximate, worst case full year cost, can be priced. This could be as much as an additional full year £25m of pressures, of which £12m could be ascribed directly to the high cost of all fuels. To set this in context the full price inflation provision for 2008-09 after mitigation action taken by the Council was just £15.7m.

This means the impact is too large to expect this level of cost pressure to be wholly accommodated within existing individual portfolio cash limits in the current year, without impacting on service delivery.

3.5 The estimated impact of this in the current financial year is likely to be around £7m unless service delivery is substantially reduced. On this basis, the remaining underspend rolled-forward from 2007/08, of £5.111m, is recommended to be set-aside to part-compensate for this unavoidable pressure.

3.6 The medium term plan was set by county Council in February 2008. This included a number of assumptions, including an estimate of the likely impact of pay and prices increases over the medium term, including £22.7m for 2009-10.

3.7 Over the coming months, we will have to consider many options for responding to the additional inflationary pressure on the 2009-12 medium term plan. If the impact is as high as an additional £25m per year (see paragraph 3.4), there will be no easy options. Consequently it is entirely appropriate to fully consider the options as soon as possible.

4. 2008-09 CAPITAL MONITORING POSITION BY DIRECTORATE

Early indications of the major movements on the capital programme for 2008-09 are detailed below. It must be recognised that a significant element of the 2008-09 capital expenditure is planned to be funded from capital receipts (£69.222m). Therefore, in the current economic climate there must be some doubt as to whether this level of capital receipts can be realised, which could result in the need to defer projects. This situation is being very closely monitored and options for dealing with a likely lower level of receipts are being considered. Once completed, a paper will be presented to Cabinet for decision.

4.1 Operations, Resources & Skills portfolio:

- +£2.631m Maintenance Programme 2008-09 – Current estimates indicate a £2.6m pressure on the maintenance budgets in this financial year. The maintenance budget for 2008-09 was reduced in the MTP following a reduction in the level of DCSF Modernisation funding, some of which is used to fund the Maintenance Programme. However the demands upon the maintenance budget remain at historic levels. This pressure is made up of 3 major elements:
  - +£1.2m Schools Access Initiative
  - +£0.8m Condition Programme
  - +£0.6m Planned Preventative Maintenance
- +£1.078m PFI Schools All Weather Pitch Provision – this relates to the provision of pitches at Hugh Christie School (£0.653m) and The North School, Ashford (£0.425m). The North School all weather pitch is an extra cost directly linked to the provision of the additional 8FE classroom block. (In addition to the £0.425m cost forecast for 2008-09, £0.270m was spent in 2007-08).
- The Academy Programme – the current MTP profile of expenditure needs revising and work is underway to both re-profile the Academy Programme and to reflect revised costs in line with additional government funding. A revised profile will be reported to Cabinet once this exercise is complete.

4.2 Kent Adult Social Services portfolio:

- +£0.417m Broadmeadow – mediation discussions with contractors have now been finalised and further negotiations are due to take place around how this pressure is to be funded.

4.3 Environment, Highways & Waste portfolio:

- -£1.0m East Kent Access Phase 2 - re-phasing into 2009-10 as Government final approval has still to be achieved. Land possession and start on site are now expected towards the end of the financial year.
- Re-shaping Kent Highways Services Accommodation – the budget for 2008-09 is £6.95m before the addition of roll forward from 2007-08, but there is potential for this scheme to significantly re-phase now that we are not going ahead with the Wrotham site. Different options for the Wrotham replacement are currently being considered. Although the budget allocation will be required for the potential purchase, design and development of a new site, until a final decision is made we will not know the impact on the current phasing of the project.
- Rushenden Link Road – the budget for 2008-09 is £12.6m, before the addition of roll forward from 2007-08, but it is likely that this project will significantly re-phase into future years. Due to the delays in SEEDA securing the land and satisfying the planning permission conditions, the contractor cannot hold the price to the original tender. SEEDA has not formally secured agreement from DCLG to the revised funding and spend profile. We will therefore need to re-tender and as a result the earliest start date is December 2008. The precise impact on the current phasing is difficult to quantify at this point in the process.

4.4 Regeneration & Supporting Independence portfolio:

- +£0.130m Kent Thameside Delivery Board – additional costs of the project are to be met by revenue contributions from partners.

4.5 Communities portfolio:

- Gravesend Library - we are clarifying with the conservation/planning officers what we can do with the 'toy shop' facade. We are also finalising who the partner services will be and therefore the overall space requirements. It is likely that there will be some re-phasing compared to the current budget provision, but the spending profile will only be confirmed by the QS when the detailed requirements have been agreed, which is currently expected to be in the late summer.

4.6 Corporate Support & External Affairs portfolio:

- KCC has recently signed a contract for the new Kent Public Services Network. It is likely that there will need to be a realignment of the capital/revenue budgets

4.7 Finance portfolio:

- An underspend of £0.787m on the Capitalisation of Works, which is due to the change in accounting treatment, adopted in 2007-08, of the indirect staffing costs of the Corporate Property Unit which were previously capitalised, but upon latest guidance, these costs must be charged to revenue.

4.8 **Risks and Options around Realising Capital Receipts in the Current Economic Climate:**

As highlighted in this report, the current national economic climate is impacting on our ability to realise capital receipts at the values previously estimated and assumed at the time of setting the budget. We need to consider our course of action in dealing with the impact of this. There are several options:

1. We defer, where possible, projects which are reliant on capital receipt funding. However, we do not know how long it will be before property values return to what they were and therefore whether it is realistic to defer projects for an indeterminable amount of time.
2. We go ahead with the projects but defer disposing of the assets until prices improve and therefore have to find alternative short term funding (although we don't know how long this will be).
3. We go ahead with the asset disposal, within reason, and projects will have to be scaled back to the lower level of resources available.
4. A mixture of the above.

A review of all capital receipts is currently underway. Once this is complete, it is proposed that the capital budget is recast to reflect the impact of the findings and a revised capital programme will be presented to Cabinet for approval.

5. ROLL FORWARD OF 2007-08 UNDERSPEND

5.1 The provisional revenue outturn for 2007-08 was an underspend of £7.889m excluding schools. At it's meeting in June, Cabinet agreed the roll forward of £3.651m into 2008-09 relating to committed projects and the roll forward of the Adult Education overspend of £0.873m. In view of the potential inflation pressures facing KCC, as outlined in section 3 above, Cabinet is asked to agree that the residual underspend from 2007-08 of £5.111m is set-aside as a contingency against the current economic climate.

6. RECOMMENDATIONS

Cabinet is asked to:

6.1 **Note** the initial forecast revenue and capital budget monitoring position for 2008-09, and the potential impact of the inflationary pressures on the current and future years budgets.

6.2 **Agree** the revenue virement and base adjustment of £1.863m within the Children, Families & Educational Achievement portfolio as detailed in section 2.1.3 above. The grants to voluntary organisations budget has historically underspent with the saving being used to offset pressures elsewhere within Children's Social Services, therefore this adjustment will not affect the historic level of expenditure on grants to voluntary organisations, it will simply correct a base budget imbalance.

6.3 **Agree** that the remaining £5.111m of uncommitted 2007-08 revenue budget roll forward be set-aside as a contingency against the current economic climate.

APPENDIX 1

Copy of Letter sent to all Headteachers and Chairs of Governors

Dear Colleague,

School Reserves

As the accounts for 2007-08 have now closed, this has given me the opportunity to review the overall schools' position in relation to revenue and capital balances. Schools' revenue reserves have increased by £4.5m to a total of £67.6m representing an increase of 7.2% on last year. Schools' capital reserves have increased by £4.2m to a total of £16.9m, representing an increase of 32.9% on last year. From the latest information I have the balances held by Kent schools as a percentage of their annual budget are now one of the highest in the south east and also above the national average.

As you will be aware there were proposals from the DCSF last year to impose a 5% retrospective redistribution of schools' surplus revenue balances in addition to the existing Balance Control Mechanism (BCM). Jim Knight (Minister for Schools) decided not to implement such a proposal but made it clear that if Local Authorities and schools' are not seen to be "managing the level of revenue balances over the next three years" then the DCSF will use its powers to implement further action.

If you have not yet submitted your three year plan, please ensure that this is returned immediately. As you are aware the DCSF required all authorities to introduce the Balance Control Mechanism in January 2007 and as part of that process the Statutory team are currently reviewing all three year plans alongside the analysis of year end reserves and where there is concern regarding the balances held, schools will be contacted individually within the next two weeks. It is clear that we will need some discussion with a number of schools about why they are holding large reserves and whether there is a case to claw back some of that for subsequent redistribution by the Schools' Funding Forum to other schools.

Please contact Janet Laflin, Principal Accountant, Statutory Team on (01622) 221694 if you have any queries.

Yours sincerely,

Keith Abbott
Director – Finance & Corporate Services

(Note - the figures quoted in the first paragraph of this letter for schools capital reserves differ to the figures quoted in the outturn report and in section 2.1.2 of this report as they exclude the capital reserves balances which relate to closed schools)

By: Keith Ferrin, Cabinet Member Environment, Highways & Waste

Adam Wilkinson, Managing Director, Environment & Regeneration

To: Cabinet 14th July 2008

Subject: Adoption of the Isle of Grain to South Foreland and Medway Estuary and Swale Shoreline Management Plans.

Classification: Unrestricted

Summary: This paper provides an overview of the coastal management policies contained within the Isle of Grain to South Foreland and Medway Estuary and Swale Shoreline Management Plans. It seeks approval for the adoption of these policies.

Introduction

1. A Shoreline Management Plan (SMP) is a high level, non-statutory document that determines the coastal defence policy for a stretch of coastline for the next 100 years. They are living documents that need to be reviewed on a regular basis to ensure that the policy options, and the data that these decisions are based on, remain up to date.

2. In 2006 Kent County Council adopted the revised South Foreland to Beachy SMP and was one of the first county councils to adopt an SMP.

3. In 2007 the management policies of the Isle of Grain to South Foreland SMP were reviewed and a new SMP for the Medway Estuary and Swale was produced. These two documents complete the SMPs for the county. The review process included an Elected Members Forum, with Andrew Bowles representing Kent County Council and Mike Harrison representing the South East Regional Flood Defence committee.

4. The SMP is accompanied by an Action Plan, which aims to facilitate the implementation of the policies and sets a framework for monitoring progress.

5. The final stage of the SMP's production is the formal adoption by each local authority and the Environment Agency. It has been suggested that Kent County Council should also formally adopt the SMP to add more weight to policies that are so critical to the sustainable management of flood and erosion risk within the county. The adoption would also strengthen the relationship between the SMP and planning within the county. This would be in line with the Council's adoption of The South Foreland to Beachy SMP in 2006. Copies of the two plans are available in the member's room.

Development of the Shoreline Management Policies

6. The plan has been developed in line with latest Government (Defra) guidance and has two main influences, technical assessment and democratic input.

7. The plans have been developed by the South East Coastal Group and all decisions made by the group are agreed with Elected Members to make sure the decisions are democratic and to ensure that local interests are being properly

represented. To make sure that the plan was properly informed about local issues and interests, a stakeholder group was consulted, with key stakeholders attending workshops to input into the development of the plan.

8. The main factors influencing the policy recommendations for each section of coastline are protection of people, property and infrastructure, economics, technical viability and environmental protection/ enhancement. The shoreline is divided into policy units and shoreline management policies are recommended for each over three epochs: 0-25 years; 25-50 years; and 50 -100 years.

Overview of coastal management policies

9. The majority of the Kent coast has a policy of the hold the line (maintaining or changing the standard of protection) to allow for the long-term protection of the county's major coastal urban areas and infrastructure. Within these two new plans, policies of managed realignment and no active intervention have been selected for some stretches of coastline.

10. Managed realignment allows the shoreline to move backwards or forwards, with management to control or limit movement. This control is often achieved with a defence structure set further in land. Managed realignment is seen as a more sustainable policy option, which also provides the re-creation of intertidal habitat lost through coastal squeeze, amenity benefits and natural flood storage areas.

11. For the Isle of Grain to South Foreland SMP managed realignment has been identified as the most sustainable policy option for the following policy units (see appendix 1 for managed realignment policy units):

(a) To commence in the short-term (0-25 year period): Warden Point to Leysdown-on-Sea (with localised hold the line to protect the low-lying sections); Leysdown-on-Sea to Shell Ness.

(b) To commence in the medium term (25-50 year period): Allhallows-on-Sea to Grain; Faversham Creek to Sportsman Pub: Reculver Towers to Minnis Bay.

(c) To commence in the long term (50-100 year period): Sportsman Pub to Seasalter

12. A number of managed realignment policies have been selected for the Medway estuary and Swale. In some instances, these policies include localised hold the line to protect villages, infrastructure and other development (see appendix 1 for managed realignment policy units).

(a) Managed realignment policies including localised hold the line: Colemouth Creek to Bee Ness Jetty; Kingsnorth Power Station to Cockham Wood; North Halling to Snodland; Snodland to Allington Lock; Allington Lock to North Wouldham; Motney Hill to Ham Green; East of Upchurch to East of Lower Halstow; Murston Pits to Faversham.

(b) Managed realignment policies to commence in the short-term (0-25 year period): Wouldham Barksore and Chetney Marshes; Shellness to Sayes Court; Sayes Court to North Elmley Island.

(c) Managed realignment policies in the medium term (25-50 year period): The Strand to west Motney Hill; North Elmley Island to Kingsferry Bridge; Kingsferry Bridge to Rushenden.

13. The proposed managed realignment policies have been recommended to allow the shoreline to revert to a more naturally functioning profile – none of the policies will result in a large breach. Some managed realignment policies may result in the loss of property, land and freshwater habitat, therefore any detailed proposals for implementing these managed realignment polices would first be subject to further detailed investigation and consultation.

14. A no active intervention policy means there will be no investment in coastal defences or operations. Within the two SMPs the no active intervention policies generally relate to stretches of coast where this is already the current management practice and natural shoreline protection is provided by cliff fall debris or accreting material. These areas include:

(a) Isle of Grain to South Foreland SMP: Minster Slopes to Warden Bay; Reculver Country Park; Minnis Bay to Westgate-on-Sea; Cliftonville (Fulsam Rock to White Ness); Whiteness to Ramsgate; Ramsgate Harbour to north of River Stour; South of River Stour to Sandwich Bay Estate; Oldstairs Bay to St Margaret's Bay; South Foreland

(b) Medway Estuary and Swale SMP: Hoo Marina to Lower Upnor; Ham Green to East of Upchurch; Funton to Raspberry Hill; Medway Islands

Implications

15. Budget/Financial implications: none direct to Kent County Council, however adoption of the plans may increase access to capital funding for flood defence works in the future.

16. Sustainability: the SMP is designed to balance the needs of people with the natural environment were possible. Because of the highly developed nature of the coastal strip, there is little opportunity to revert to a more natural coastline and some loss of intertidal area and beaches will have to be accepted in the long term. The SMP recommends continuing to allow the cliffs to erode where lives are not put at risk and has identified possible opportunities for intertidal habitat creation through managed realignment to offset loss of designated intertidal habitats. Detailed studies will be required in the future to ascertain the viability, timescales and impacts of implementing managed realignment.

17. Legal: the provision of coastal defences is a permissive power and operating authorities are not required to provide or maintain defences that are unsustainable. The South East Coastal Group and affected local authorities will be seeking clarification over possible property blight issues for residents intending to sell property where the medium or long-term policy is to realign the defences inland. A Defra policy report into coastal adaptation that will provide guidance on assistance to people who are affected by changes in coastal management policy is also awaited.

18. Planning Implications: relevant departments in Kent County Council will need to consider appropriate planning policy in areas where the medium or long-term policy is to realign the defences inland.

19. No other implications have been identified.

Consultations

20. Public Consultation on the draft SMPs was undertaken between May and September 2007, resulting in 29 responses, incorporating 64 comments overall, to the

two plans. As a result of the consultation no changes were made to the Medway Estuary and Swale SMP. The Isle of Grain to South Foreland SMP had one change, which split the Faversham Creek to Seasalter policy unit into two sections and delayed the managed realignment in the Sportsman's Pub to Seasalter sub-section to the final epoch.

Local Members

21. Local members have already been consulted on the SMP, through the elected member's forum.

Conclusion

22. The SMPs have been prepared to a rigorous standard in strict accordance with national guidance and have been subject to consultation. Adoption of the SMPs will assist with the long term planning of the coastline and inform future plans and strategies of the county council and its partners. The plans have limited implications for people and property and will assist in attracting resources for essential flood defence works in the future.

23. It should be noted that the other relevant authorities have adopted the SMPs.

Recommendations

24. The following recommendations are made to Cabinet:

(a) Endorse and adopt the Shoreline Management Plan, the preferred management policies and the Action Plan. Policies to be adopted under the understanding that these will be subject to further detailed investigation and consultation.
(b) Endorse and adopt preferred management policy as a development planning consideration.
(c) Request that the Planning Committee note the policies within the SMP and take due regard of the coastal flooding and erosion risk areas when determining planning applications.

Background documents

(a) Isle of Grain to South Foreland Shoreline Management Plan, 2007
(b) Medway Estuary and Swale Shoreline Management Plan, 2007
(c) SMP Consultation reports

Author Contact Details

Linda Davies, Director, Environment and Waste, E&R

✉ linda.davies@kent.gov.uk ☎ 01622 221500

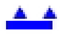
Elizabeth Holliday, Team Leader Natural Environment and Coast, Environment and Waste, E&R

✉ elizabeth.holliday@kent.gov.uk ☎ 01622 221487

APPENDIX 1

MAPS OF MANAGED REALIGNMENT POLICIES FOR ISLE OF GRAIN TO SOUTH FORELAND AND MEDWAY ESTUARY AND SWALE SHORELINE MANAGEMENT PLANS

The following maps illustrate sections of coastline with a policy of managed realignment in either the first (0-25 years) or second/third epochs (25-100 years), indicated by the symbol:

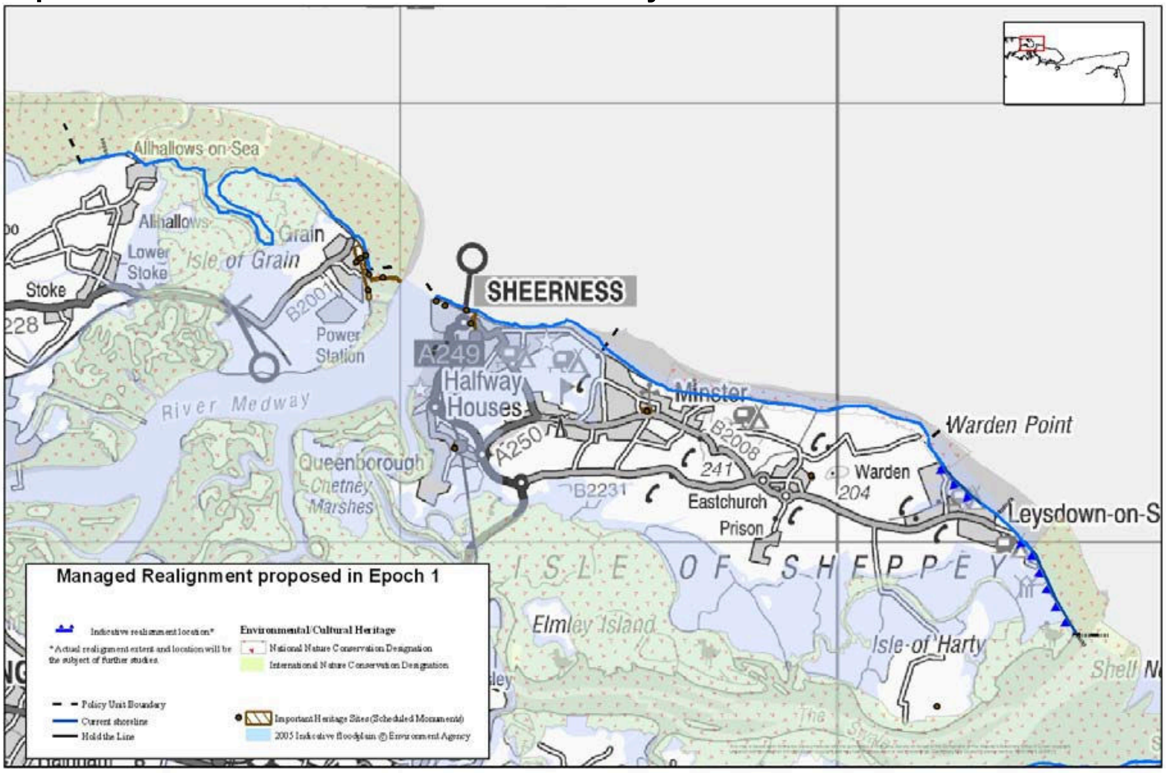


The proposed managed realignment policies have been recommended to allow the shoreline to revert to a more naturally functioning profile – none of the policies will result in a large breach.

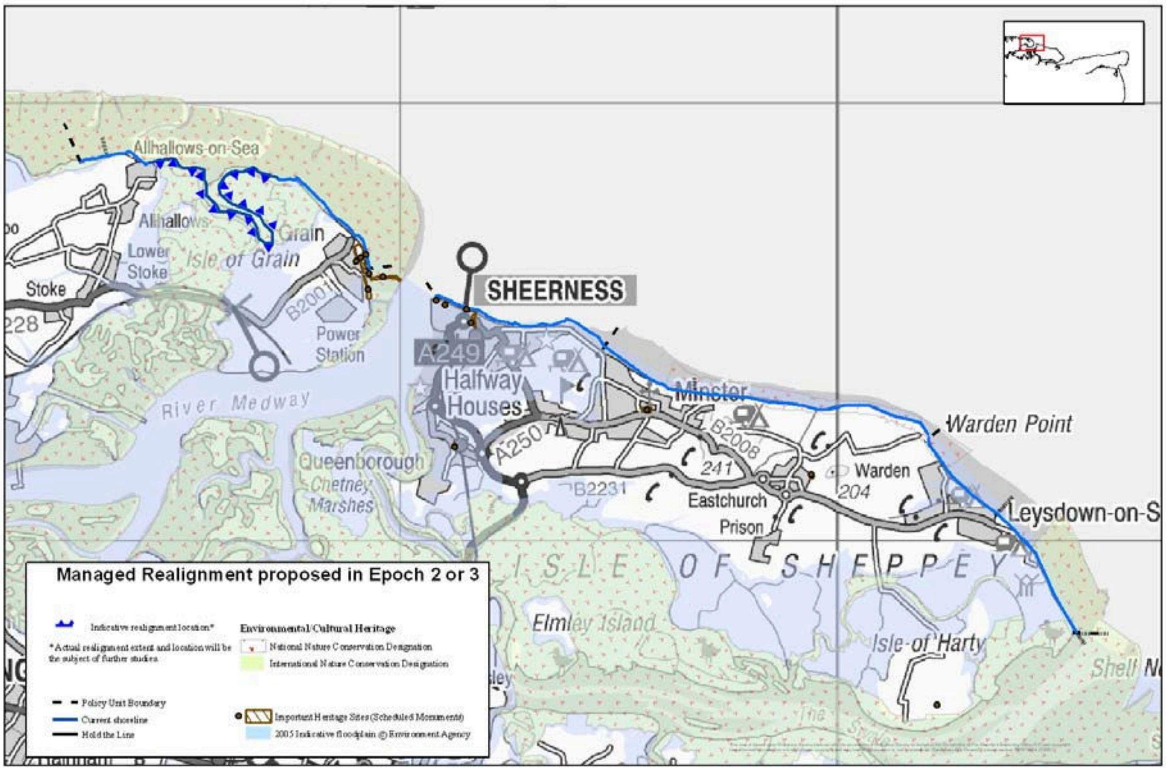
It should be noted that the linear extent of this realignment is shown for indicative purposes only and that the actual extent and location will only be determined following further, more detailed studies.

ISLE OF GRAIN TO SOUTH FORELAND SHORELINE MANAGEMENT PLAN

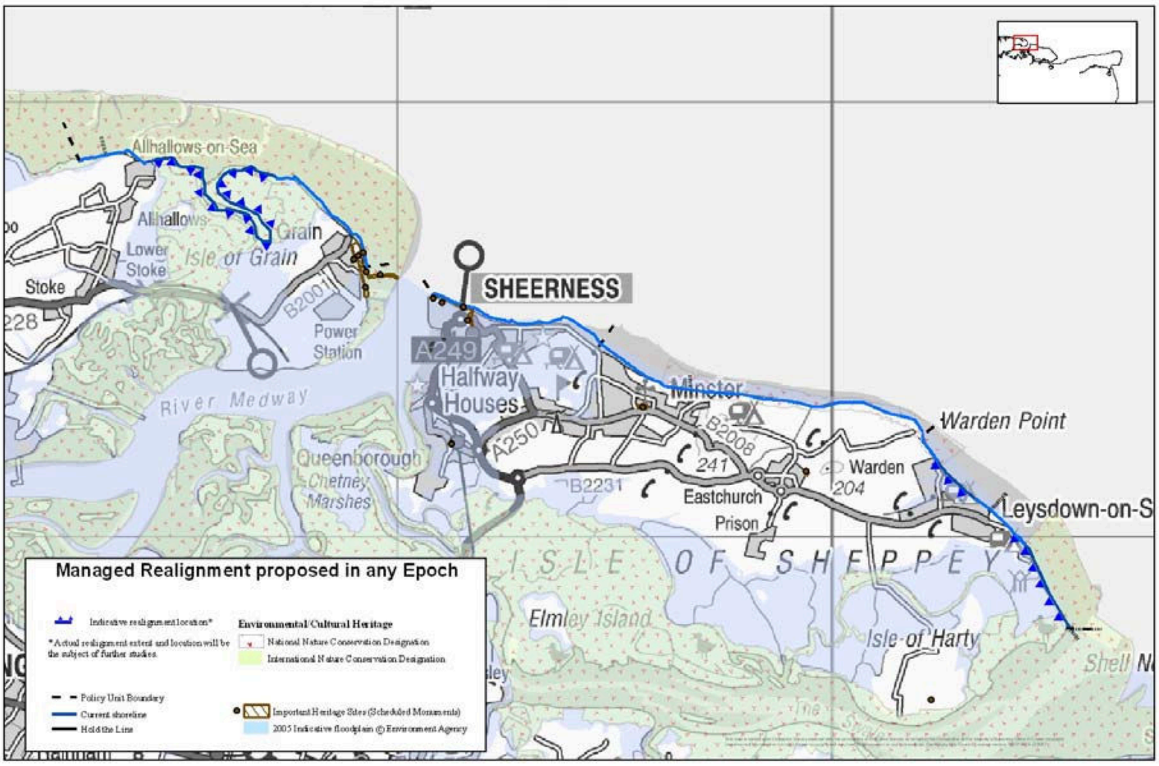
Map 1a – Allhallows-on-Sea to Shell Ness 0-25 years



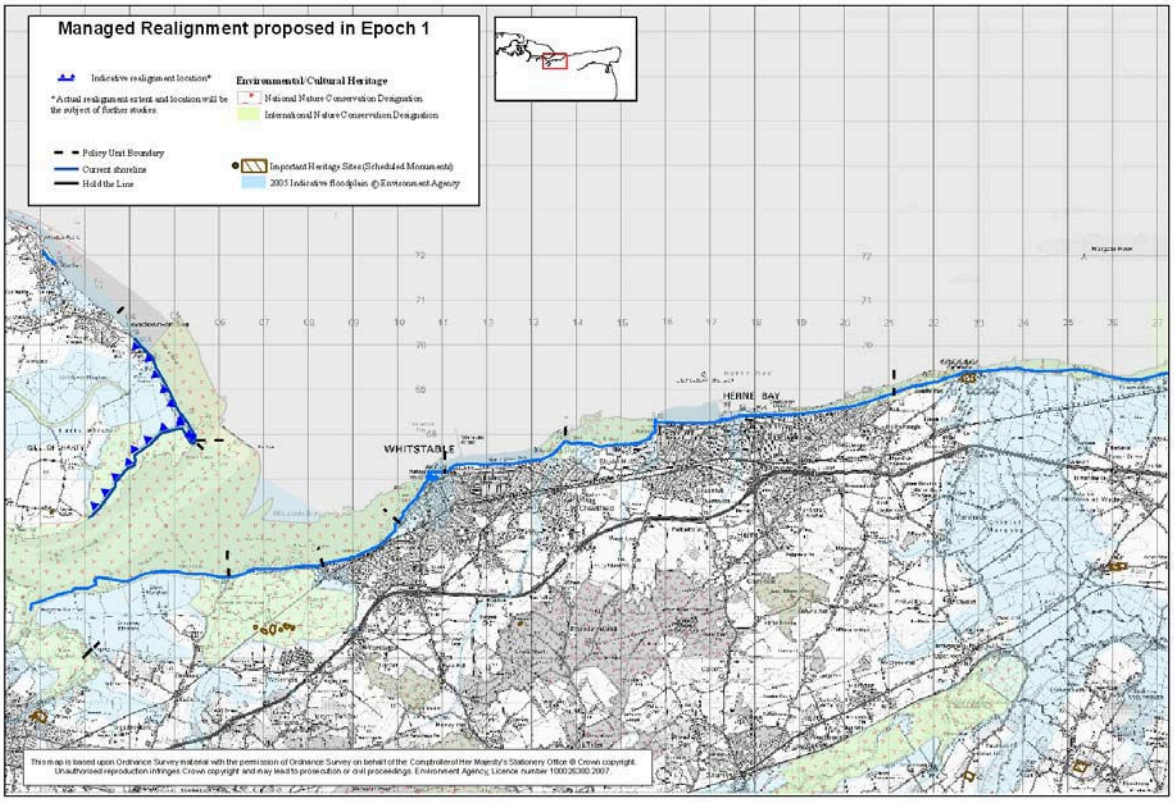
Map 1b – Allhallows-on-Sea to Shell Ness 25-100 years



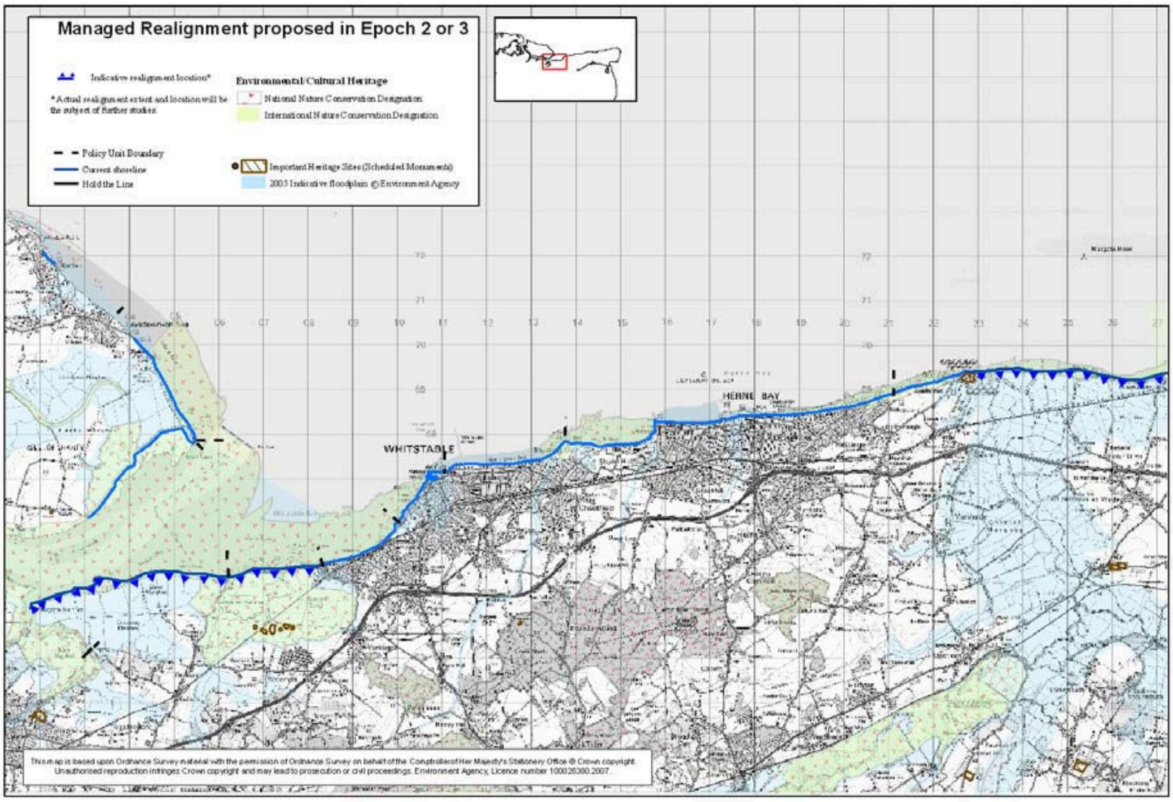
Map 1c – Allhallows-on-Sea to Shell Ness over the 100 year plan period



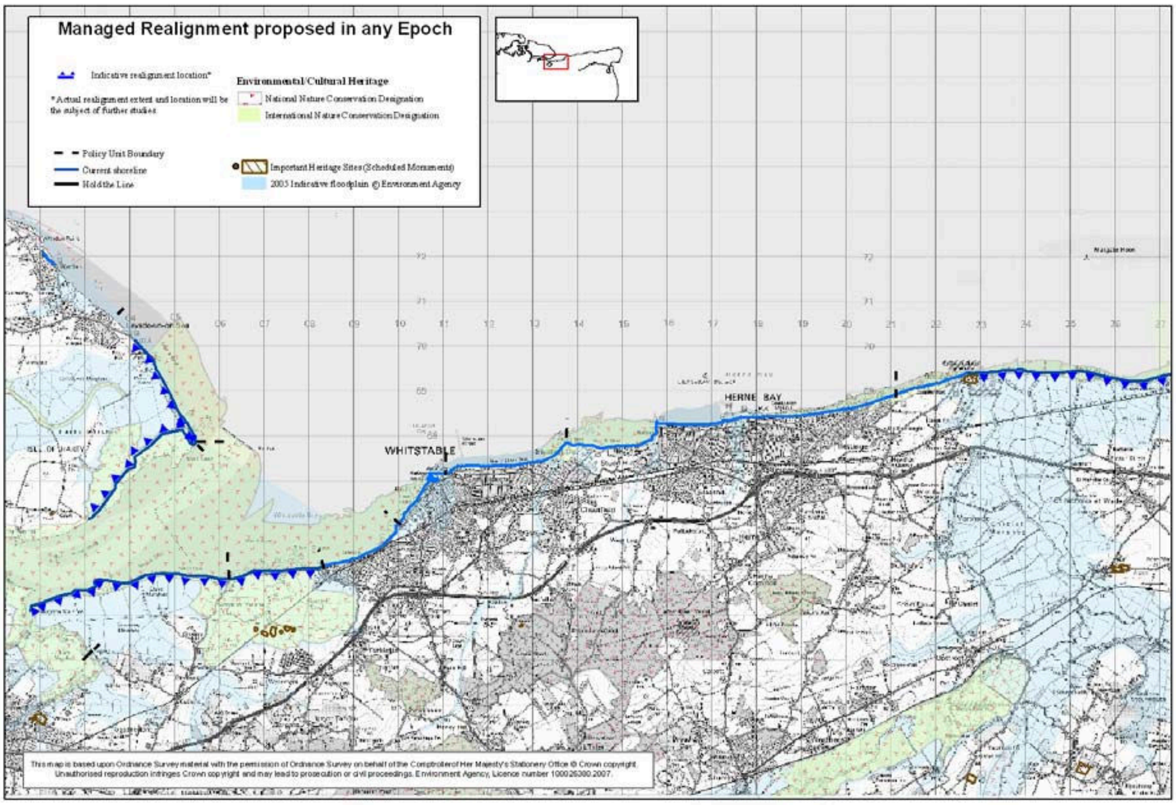
Map 2a – Leysdown on Sea to Minnis Bay 0-25 years



Map 2b – Leysdown on Sea to Minnis Bay 25-100 years



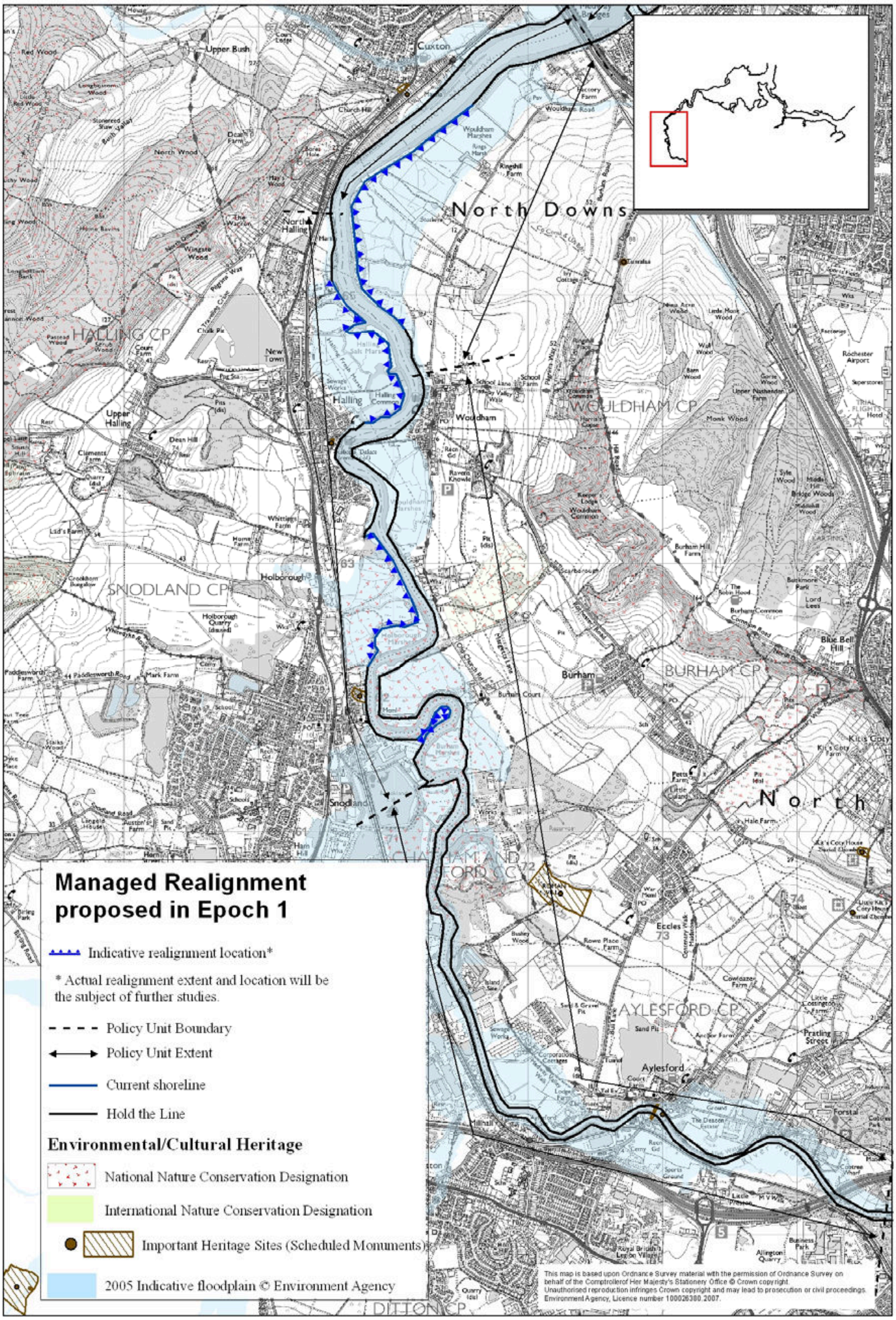
Map 2c – Leysdown on Sea to Minnis Bay over the 100 year plan period



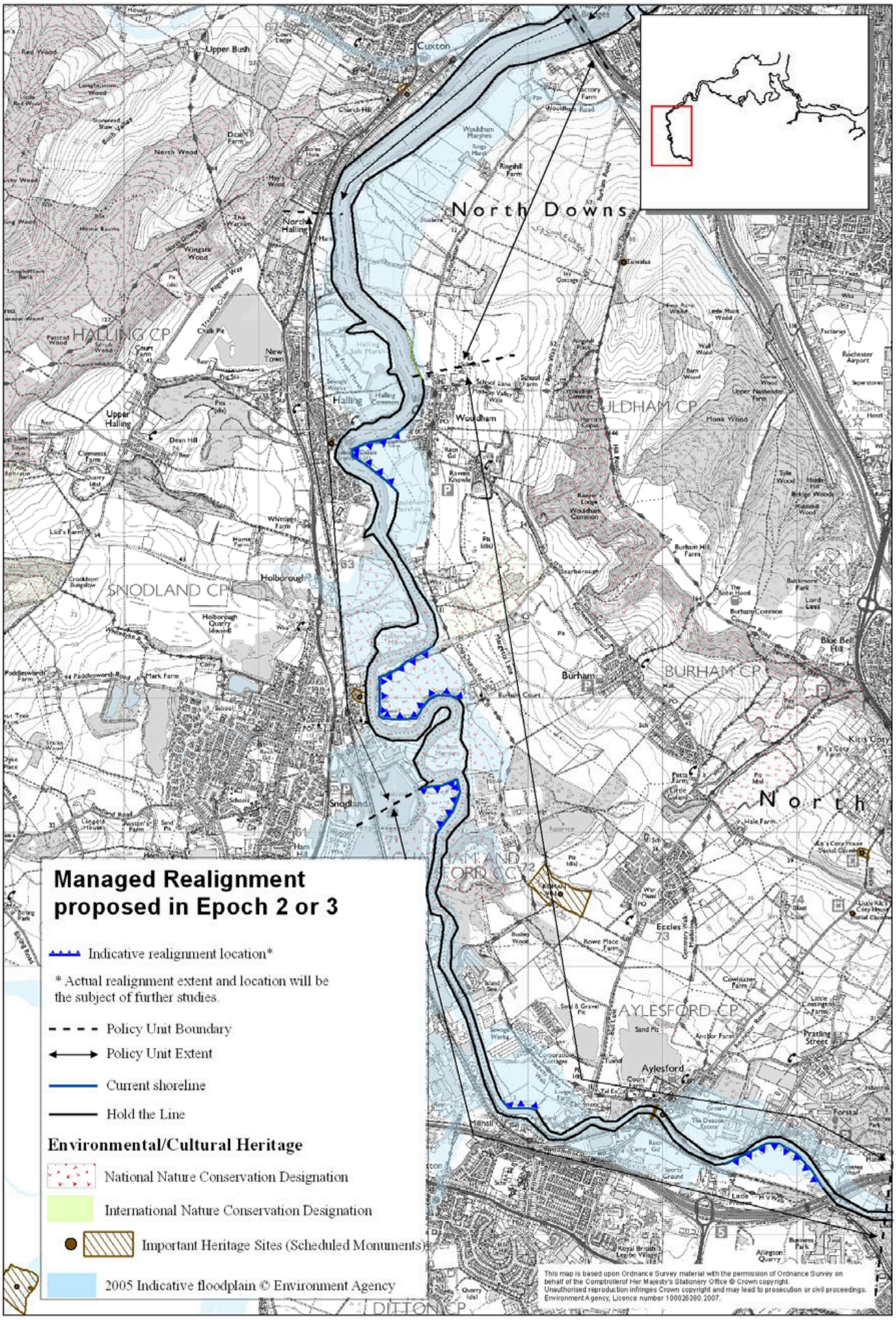
N.B.No further managed realignment policies for Isle of Grain to South Foreland SMP east of Minnis Bay

MEDWAY ESTUARY AND SWALE SHORELINE MANAGEMENT PLAN

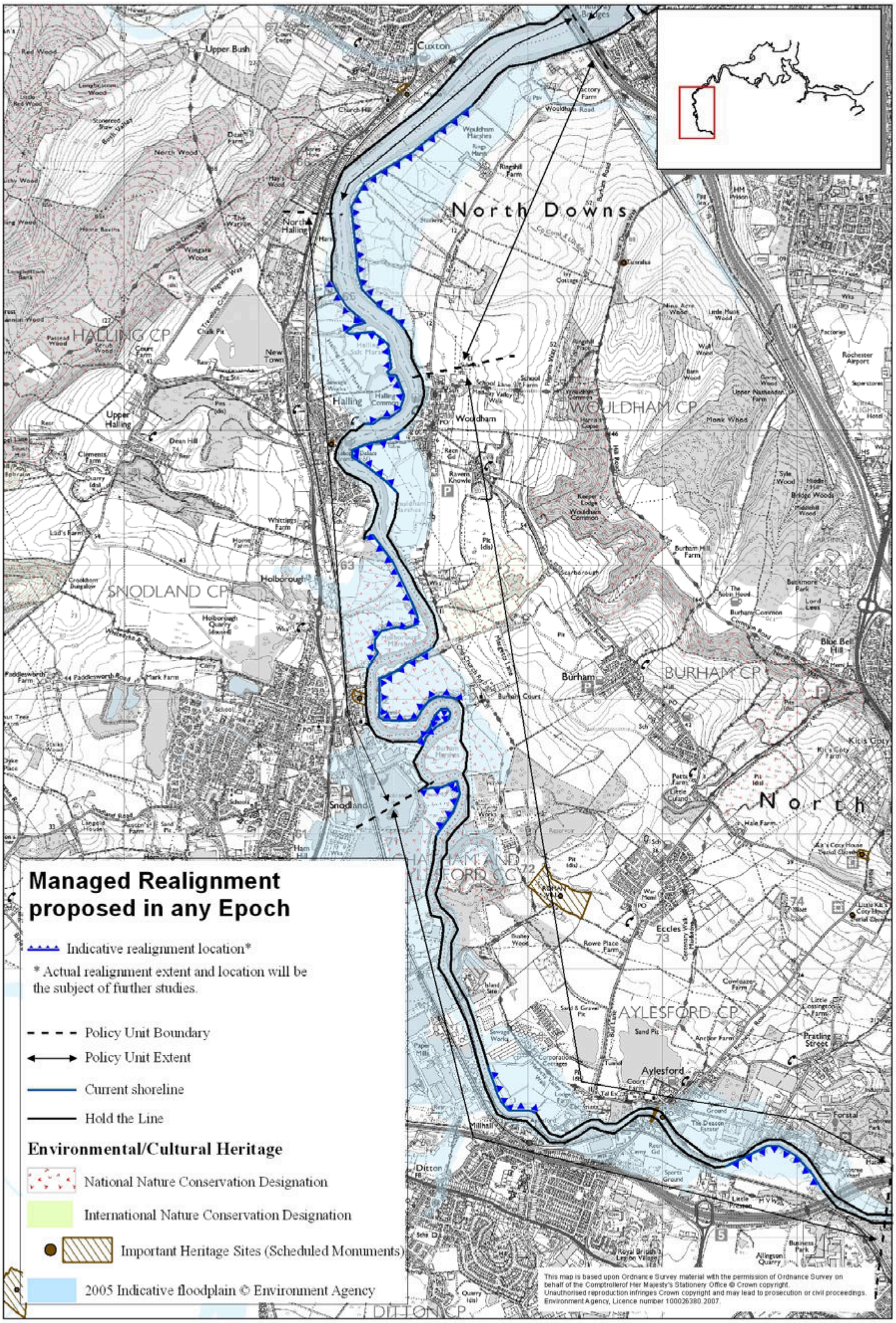
Map 3a – Inner Medway (South Of Medway Bridge to Allington Lock) 0-25 years



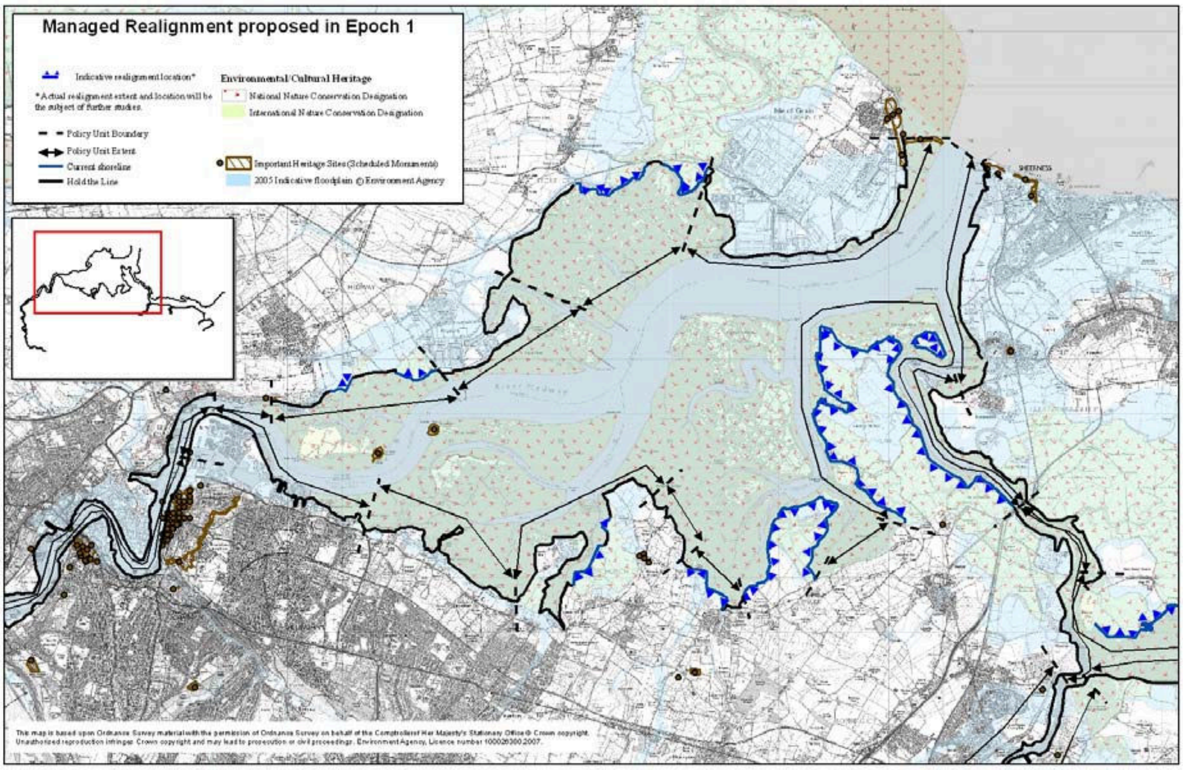
Map 3b – Inner Medway (South Of Medway Bridge to Allington Lock) 25-100 years



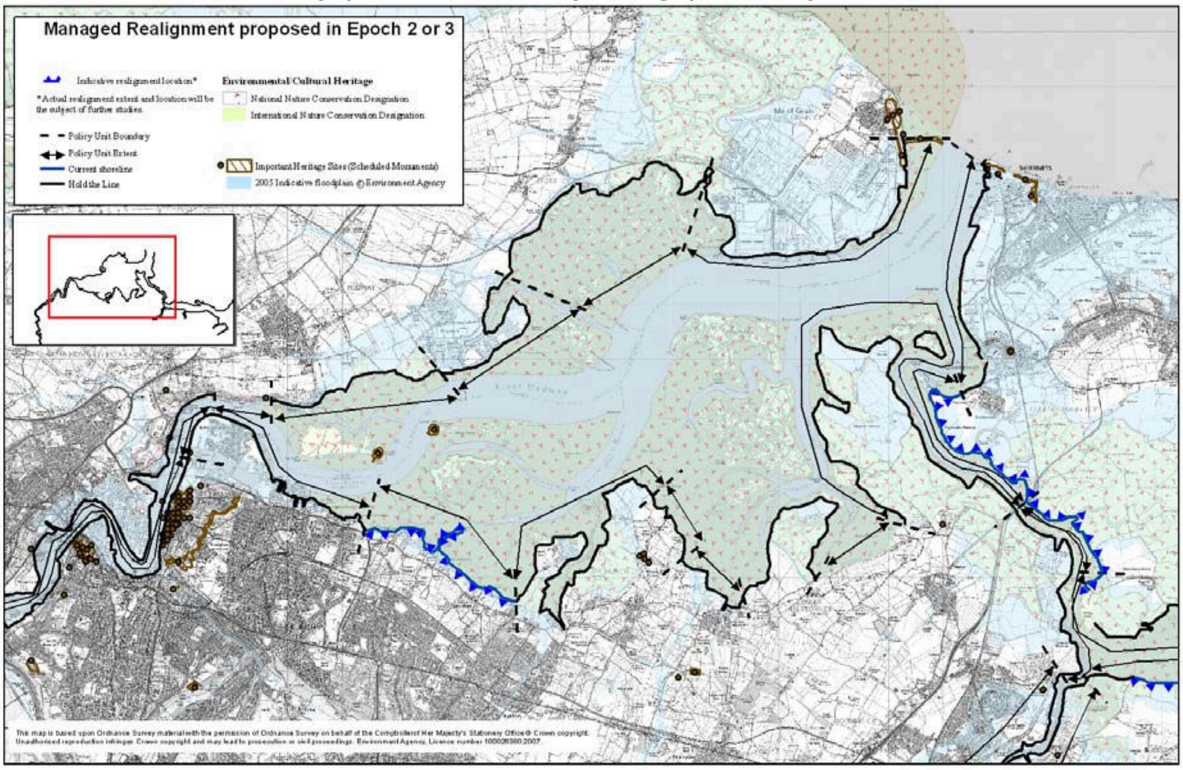
Map 3c – Inner Medway (South Of Medway Bridge to Allington Lock) over the 100 year plan period



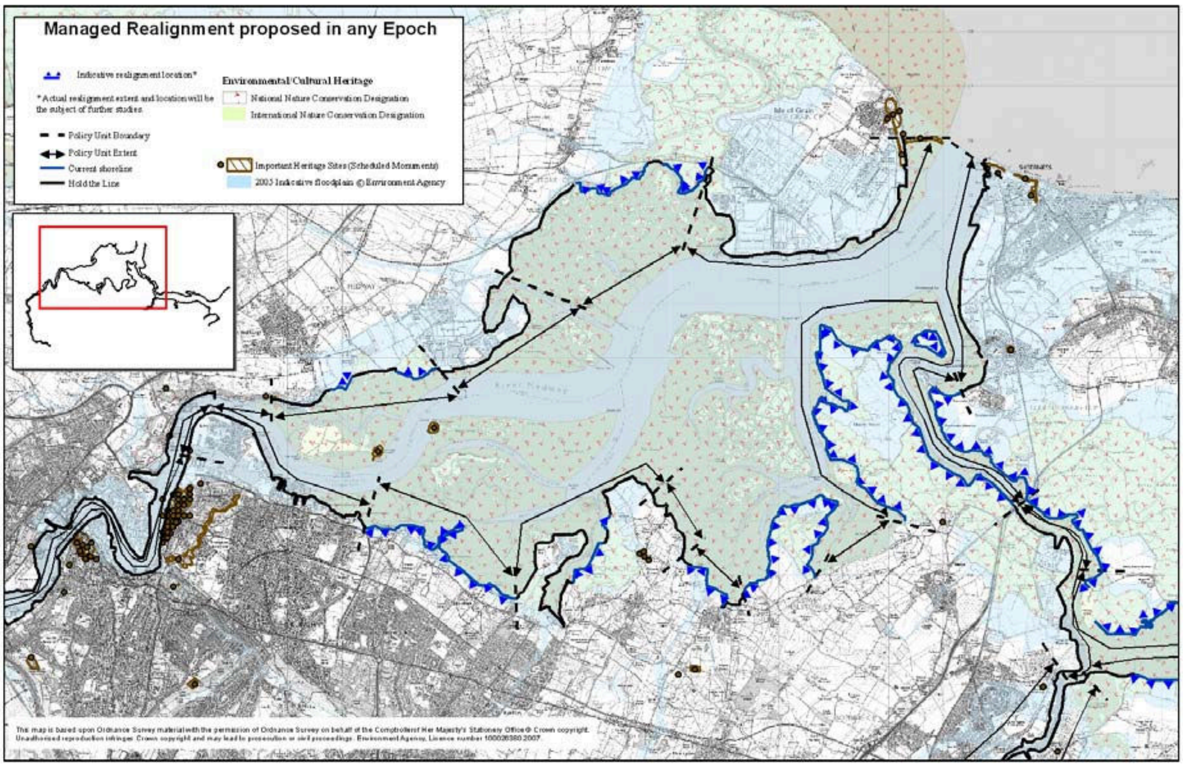
Map 4a – Outer Medway (North of Medway Bridge) 0-25 years



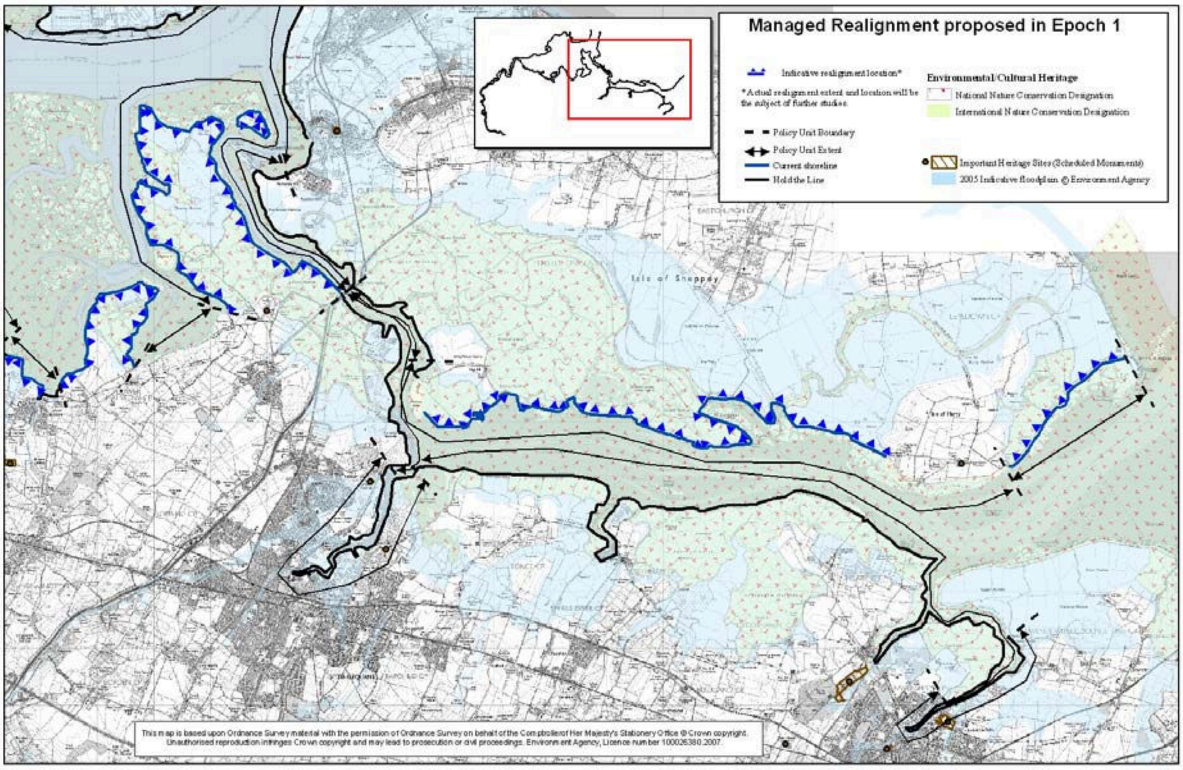
Map 4b – Outer Medway (North of Medway Bridge) 25-100 years



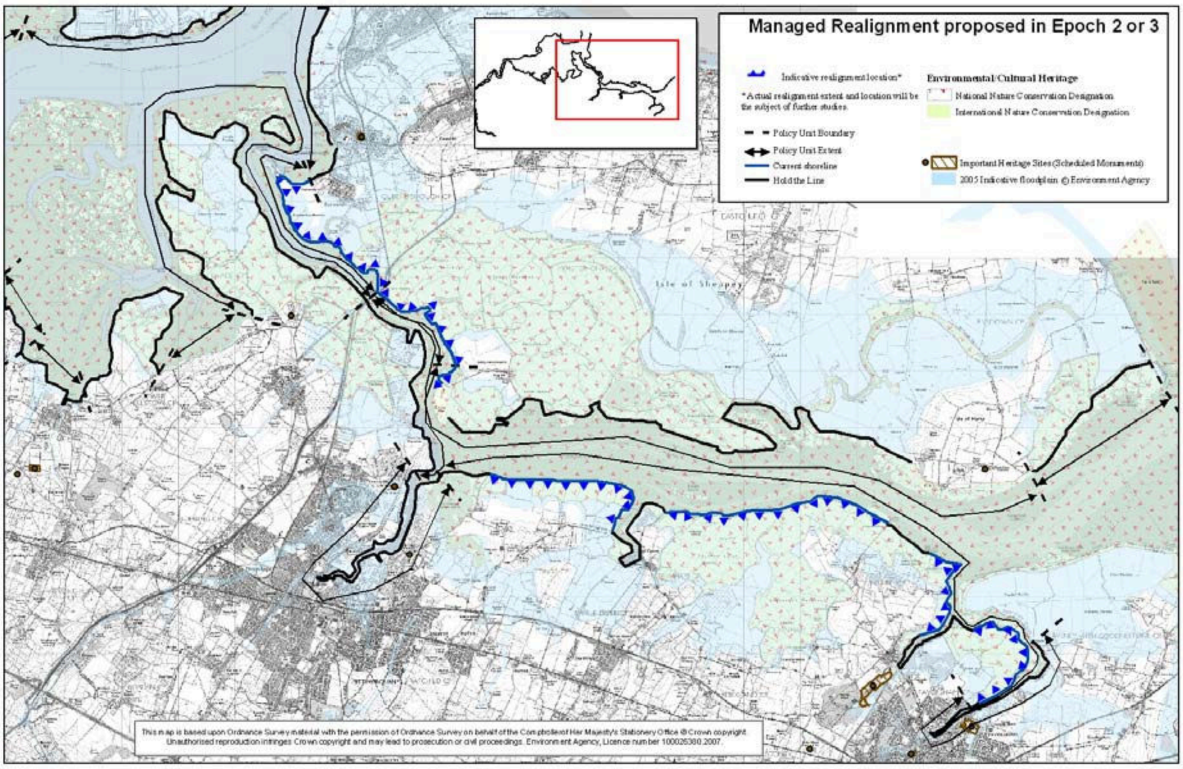
Map 4c – Outer Medway (North of Medway Bridge) over the 100 year plan period



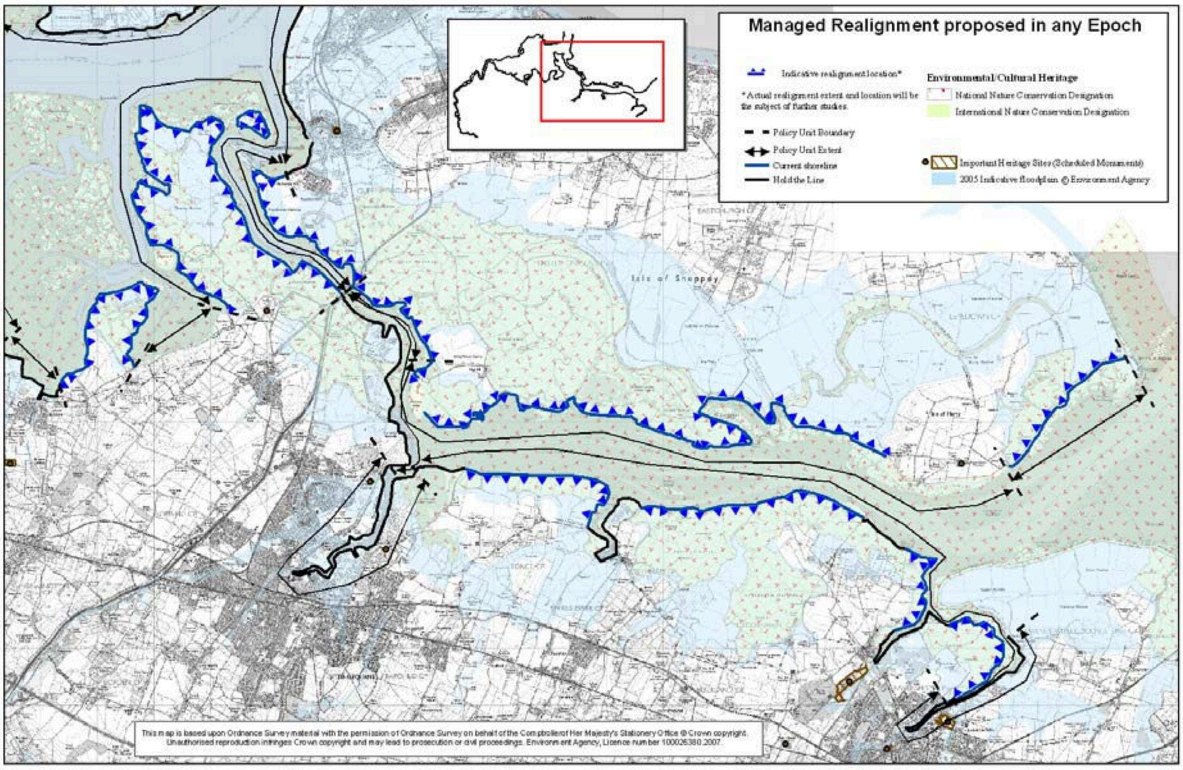
Map 5a – Swale 0-25 years



Map 5b – Swale 25-100 years



Map 5c – Swale over the 100 year plan period



By:	Kevin Lynes, Cabinet Member for Adult Social Services Oliver Mills, Managing Director, Kent Adult Social Services
To:	Cabinet – 14 July 2008
Subject:	**KENT & MEDWAY MENTAL HEALTH AND SOCIAL CARE NHS PARTNERSHIP TRUST – FOUNDATION TRUST APPLICATION**
Classification:	Unrestricted

Summary: This report seeks endorsement of KMPTs application for Foundation Trust status.

1. KCC integrated its mental health services and related purchasing budgets into the NHS's specialist mental health services in 2002 when 2 specialist mental health trusts were established in Kent. These were brought together into the single Kent & Medway Partnership Trust (KMPT) in 2006/07, along with the continued full integration of services from KCC and Medway Council, including continuing the secondment of KCC specialist staff.

2. Just as all NHS Trusts are required to progress between 2006 and 2010, KMPT is currently preparing an application to Monitor, the Government-appointed independent regulator of Foundation Trusts, to achieve Foundation Trust (FT) status. This is a detailed and exacting assessment process designed to ensure that successful applicants are strong, viable organisations in terms of service quality and patient care, with secure finances, strong leadership and excellent managerial and public-facing governance arrangements.

3. A Briefing Paper from the Trust is attached (Appendix 1) which includes extracts from the presentation made by the Chairman, Peter Smallridge, to the Adult Social Services Policy Overview Committee (ASSPOC) on 30 May 2008. The Chief Executive, Erville Millar, will be at Cabinet to give a brief introduction and answer questions.

4. Senior Adult Social Services staff have worked closely with the Trust to make sure that, in wishing to support the Trust's application, the importance KCC attaches to values of excellence in social care and commitment to improving people's life chances is embedded in the Trust's vision for the future of mental health services in Kent and that these meet the standards KCC expects of a fully-integrated and person-centred mental health service.

5. Notwithstanding the Section 75 arrangements that are in place to manage the operational and financial arrangements between KCC and the Trust, KCC is not a party to the application for FT status.

6. In the course of arriving at a recommendation on behalf of the County Council to Cabinet, the Trust's application has been discussed at the ASSPOC on 30 May 2008 to which all Members of the Council were invited, and at the Health Overview & Scrutiny Committee, most recently on 13 June 2008. Members of those Committees have had the opportunity to question the Chairman and Chief Executive of the Trust.

7. The key issue for KCC is that the Trust continue to deliver excellent core services for the most vulnerable clients for whom the County Council has a statutory responsibility. KCC will hold the Trust, including an FT, to account through its contract under Section 75 of the NHS Act 2006. In addition the Trust needs to manage the transfer of learning disability services to the PCT so that the proper revenue baseline is established and the capital assets are safeguarded. The Trust needs to ensure that the proposed governance arrangements work effectively for a wide range of statutory and voluntary partners and in the best interests of service users and their carers.

8. The Trust is currently approaching the end of the Strategic Health Authority's 'due diligence' process which quality assures the application process and the how the service development, organisational and financial viability of the application has been documented and evidenced. This process includes the Kent and Medway PCTs. There are no indications that the South East Coast NHS Strategic Health Authority will hold back the application being formally submitted to Monitor, subject to technical financial matters around historical accounts being resolved. The earliest that the Trust could 'activate' FT status is February 2009.

9. The position of the seconded social care staff from KCC will remain unaffected by the move to Foundation Trust status. If the application is successful, KCC will continue to give careful consideration to the best interests and position of the seconded staff.

Recommendation

10. Cabinet is asked to:-

(i) ENDORSE the application for Foundation Trust status, and
(ii) NOTE that, subject to Monitor's granting of Foundation Trust status, KCC will enter contractual arrangements with the new Trust which best promote joint working arrangements to secure better outcomes for people in Kent using specialist mental health services

Steve Leidecker
Director of Operations
Tel: 01622 694592
Email: steve.leidecker@kent.gov.uk

Background documents: None

Kent and Medway NHS and Social Care Partnership Trust

Kent County Council Cabinet Briefing – June 2008

Erville Millar
Chief Executive, Kent and Medway NHS and Social Care Partnership Trust [KMPT]

Foundation Trust Application

Kent and Medway NHS and Social Care Partnership Trust [KMPT] is in the process of applying for Foundation Trust [FT] authorisation. FTs are independent `Public Benefit Corporations' as established under the Health and Social Care Acts of 2003 and 2006 and are free from the control of the Department of Health [DH] and the Strategic Health Authority [SHA]. They are regulated by Monitor, the independent regulator of FTs. To achieve authorisation NHS Trusts have to demonstrate that they are well managed, financially viable and legally constituted.

The authorisation process is a rigorous and testing process and the Trust is presently in the SHA / DH phase. This phase requires the Trust to produce a 5 year business plan and integrated financial model, proposed constitution, membership strategy and governance rationale. The phase also includes an exacting `historic due diligence [HDD]' assessment of our application by independent auditors. We have negotiated a delay in the HDD process to the beginning of August 2008, supported by both the SHA and DH, to allow our full approved accounts for the two years that the Trust has been operating to be used rather than the year prior to merger. The planned authorisation date of 1 February 2009 remains unchanged.

	2007
Diagnostic Phase	February – April
	2008
SHA / DH Phase	January – September
Consultation	January – March
Historic Due Diligence [HDD]	August
Secretary of State Support	September
Monitor Phase	October – December
	2009
Authorisation	1 February

Figure 1: FT Application Timeline

Whilst FTs are free from the centralised control of the DH and the SHA they remain fully within the NHS and continue to provide their core healthcare services to the public free at the point of delivery. FTs are prevented from increasing income from private health care provision.

KMPT believe that attaining FT authorisation will provide the Trust a significant freer and more flexible environment to operate and thrive within. FTs operate in the style of commercial organisations, they have rolling accounts and are able to retain any financial surpluses and can invest such surpluses into new or existing services. They are free to establish new partnerships with private, third sector and voluntary organisations to strengthen service quality and delivery. As an FT the Trust will be better able to deliver high quality, safe, sustainable and affordable mental health services and remain the provider of choice.

KMPT is an improving organisation; it has always met its financial targets and has been steadily improving its performance as measured through its Auditor Local Evaluation [ALE] scores and other indicators. The Trust has a good reputation and established partnership arrangements and service agreements with commissioners. It is the only comprehensive provider of secondary mental health services in Kent and Medway. The Trust has identified that further work is needed to develop customer relations and information systems and reduce reference costs. Over the next five years the Trust, with the support of commissioners, intends to compete in new market areas such as providing low secure forensic services, psychological therapies and children and young people's services. The Trust will also expand its current market in relation to primary care mental health services and psychological therapies, which are relatively low cost to enter. Strategic service developments over the next five years include the redesign of secondary mental health services in Eastern and Coastal Kent, strengthening services for children and younger people, advancing psychological therapies and increasing market share in specialist forensic services. The Trust is ceasing loss making services that are not part of Trust core business.

Central and distinctive to the Trust's service delivery today and in the future is its partnership with social care partners, particularly Kent County Council [KCC]. The ability for the Trust to work in partnership with KCC, which includes the valuable contribution of seconded social care staff, to provide holistic, fully-integrated, person centred services that not only aid recovery but help people to truly flourish and to be part of communities, families and neighbourhoods is a real strength in establishing the Trust as the provider of choice. A t the regional level the Trust is a signatory to both KCC and Medway Council's Local Area Agreements [LAAs], which identify target s to improve services for vulnerable adults and young people. In addition the Trust highly regards initiatives such as KCC's Apprenticeship and Economic Regeneration Schemes as key drivers to provide employment opportunities and secure our region's firm economic base. At a personal level the Trust is committed to working with KCC to transform and broaden the social care programme and give people more choice and control over their health and social care thereby increasing personalisation in the delivery of mental health services. These, along with formal links with Care Service Improvement Partnership [CSIP] and National Social Inclusion Programme, will establish and promote the public health initiatives that reduce stigma, increase social inclusion, employment, housing and leisure activities that are key to the holistic service provision. The strength of our partnerships, such as that with KCC, will be a significant strategic advantage as healthcare moves into a competitive provider market. The Trust is the only comprehensive provider of secondary mental health services in Kent and Medway and has developed its strategies to reflect the objectives of the local health and social care economy. The majority of the population is served by KCC with the remainder served by Medway Council.

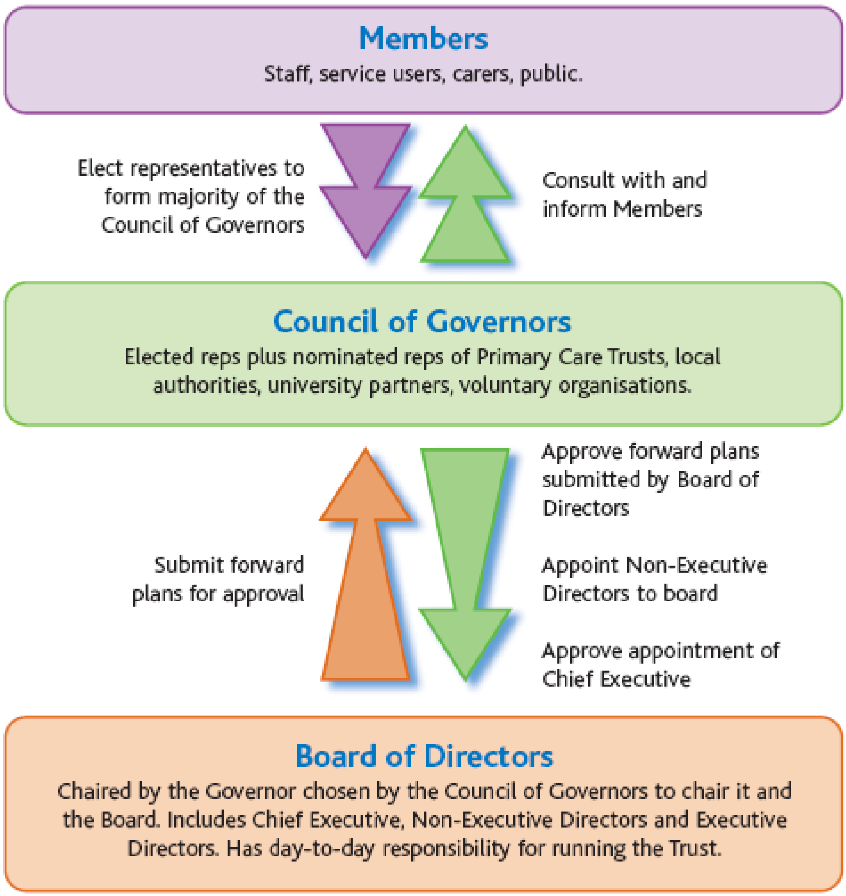


Figure 2: FT Governance Structure

The Trust aspires to play a full role as a corporate citizen. Central to this aspiration is to keep partners, stakeholders, staff, service users and the public central to all planning and service delivery. As an FT the Trust will establish a Council of Governors. The Council of Governors will provide a forum for both appointed Governors, representing our partners and stakeholders, and for elected Governors, representing our staff and local communities, to play a full part in formulating the Trust's long term strategy and holding the Board of Directors to account to deliver that strategy.

Group	**Organisation**	**Number of Governors**
NHS	Primary Care Trusts	3
	Acute trusts	1
Local Authority	Kent County Council	2
	Medway Council	1
Partner Organisations	Business Link	1
	Police Service	1
	National Offender Management Service	1
	Academia	1
	Voluntary Sector	3
Total Appointed Representative Governors		**14**

Group	Organisation	Number of Governors
Staff	East	1
	West	1
	Medway	1
	Trust-wide	1
Total Non-Public Constituency Governors		**18**
Public	East	7
	West	7
	Medway	6
Total Public Governors		**20**
TOTAL GOVERNORS		**38**

Figure 3: KMPT Council of Governors

The Council of Governors will have real, genuine powers through their assigned statutory duties of appointing, and removing if necessary, the Chairman and Non-Executive Directors and setting their remuneration, terms and conditions; appoint / remove the external auditors; approve the appointment of the Chief Executive; receive the Trust's Audit Plan and scrutinise the Annual Plan.

Additionally the Council of Governors may be asked to assist the Trust in other ways such as monitoring patient surveys, recruiting members, organising constituency meetings, etc. We are planning to hold Governor elections in the Autumn 2008 and to have a shadow Council of Governors operating by the end of the year.

The Trust has established a comprehensive structure to its proposed Council of Governors and has included those organisations who provide real partnership with the Trust. The complement of governors includes the statutory requirement to have a majority of governors representing the public. The Trust proposal not to have a separate service user constituency was supported by the public during the consultation phase held at the beginning of the year. The Trust felt strongly that having a service user constituency would only add to the stigma of mental health illness. The Trust does not ask other individuals to declare if they have a mental illness, for example, Non-Executive Directors.

Overall, financial evidence, market assessments and development planning supports the view that the Trust is in a stable financial position with a good market share, established relationships with commissioners, and the potential to extend business. The Integrated Business Plan [IBP] outlines how the Trust will build on these strengths and continue to innovate and improve for the well-being of the local community. The Trust’s long term financial modeling indicates that the Trust will remain financially strong when implementing its planned service development plans.

In conclusion, the Trust is keen to continue to work in partnership with the community, stakeholders, local authority and other partners, and to be confidently accountable through its governance arrangements that it will deliver excellent core services.

Robert Knibbs
Foundation Trust Project Director, KMPT