



## AGENDA

## CABINET

**Monday, 28th April, 2014, at 10.00 am**  
**Darent Room, Sessions House, County**  
**Hall, Maidstone**

Ask for: **Louise Whitaker**  
Telephone: **(01622) 694433**

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

### **Webcasting Notice**

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### **UNRESTRICTED ITEMS**

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

1. Introduction/Webcasting
2. Apologies  
To receive notification of apologies and substitutions
3. Declaration of Interests by Member in Items on the Agenda for this meeting  
To receive any declarations of interest made by Members in relation to any matter on the agenda. Members are reminded to specify the agenda item number to which it refers and the nature of the interest being declared.
4. Minutes of the Meeting held on 24 March 2014 (Pages 3 - 14)  
To consider and approve the minutes of the previous meeting.
5. Other items which the Chairman decides are relevant or urgent

6. Select Committee - Commissioning - Final Report (Pages 15 - 112)  
To receive a report of the Chairman of the Select Committee on Commissioning, Mr Mike Angell, containing the final report of the Select Committee for consideration and comment before it is considered by full council on 15<sup>th</sup> May 2014.
7. Revenue and Budget Monitoring Report (Pages 113 - 250)  
To receive a report of the Deputy Leader & Cabinet Member for Finance and the Corporate Director of Finance and Procurement providing the budget monitoring position for January 2013-14 for both the revenue and capital budgets.
8. Strategic Economic Plan and Kent & Medway Growth Deal (Pages 251 - 288)  
To receive a report of the Leader containing the Kent and Medway Growth Deal, submitted as part of the South East Local Enterprise Partnership Strategic Economic Plan to Government on March 31<sup>st</sup> 2014 and setting out the anticipated next steps.

**Peter Sass**  
**Head of Democratic Services**  
**Wednesday, 16 April 2014**

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

**KENT COUNTY COUNCIL**

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**CABINET**

MINUTES of a meeting of the Cabinet held in the Darent Room, Sessions House, County Hall, Maidstone on Monday, 24 March 2014.

PRESENT: Mr P B Carter, CBE (Chairman), Mr D L Brazier, Mr G Cooke, Mr M C Dance, Mr G K Gibbens, Mr R W Gough, Mr P M Hill, OBE, Mr J D Simmonds, MBE, Mr B J Sweetland and Mrs J Whittle

ALSO PRESENT: Mr A King MBE, Mr D Daley, Mr R Truelove

**UNRESTRICTED ITEMS****45. Minutes of the Meeting held on 21 January 2014**

*(Item 3)*

The minutes of the previous meeting held on 21 January 2014, were agreed as a correct record and signed by the Chairman.

**46. Other items which the Chairman decides are relevant or urgent**

*(Item 4)*

None

**47. Learning Disability Partnership - Presentation**

*(Item 5)*

The Leader introduced the Learning Disability Partnership in attendance to make a presentation to Cabinet and welcomed the opportunity to hear from its members.

The Cabinet Member for Adult Social Care and Public Health, Mr Gibbens spoke to the item. He also welcomed the officers and partnership members present. He explained that he co-chaired the Learning Disability Partnership Board and he stressed the importance of the Board and the issues which it considered, such as transition, employment and skills. He commended the recommendation to continue the work of the Board and further strengthen its activities.

Tina Walker, Co-Chair of the Learning Disability Partnership Board, asked that Penny Southern, Director of Learning Disability and Mental Health, address Cabinet. Ms Southern thanked Cabinet for the opportunity afforded to the partnership to put forward the views of its members and to highlight issues of importance for people with Learning Disabilities in Kent. She emphasised that people with Learning Disabilities not only wanted to be heard but wanted to participate in the improvement of services for themselves and their peers.

Members of the partnership and Ms Southern made representations on Health Services, Employment, Housing, Keeping Safe, Transport, Transition, Safeguarding, Finance and Voting; highlighting one issue, asking one question and evidencing one

way in which people with Learning Disabilities had already helped to address the issue. [The full presentation is published on line as an appendix to these minutes].

The Leader acknowledged the depth and breadth of the issues covered and the importance of the questions put to Cabinet. Owing to the time constraints of the formal meeting environment he suggested that Cabinet Members provide full responses for those questions following the meeting.

He hoped that year on year services for those people with learning, and physical, disabilities were improving, acknowledging that there was more that could be done to support people to engage in the activities about which they had spoken.

The Cabinet Member for Specialist Children's Services, Mrs Whittle spoke to the item. She requested an opportunity to attend the Partnership Board in order to address the issues of transition and the newly produced single plan for Education, Health and Social Care more fully.

The Cabinet Member for Education and Health Reform, Mr Gough, reported that the Health and Wellbeing Board had received a presentation from Ms Southern in October. He conceded that take up of Health Checks by people with Learning Disabilities was not as high as he would like and work toward better understanding the health needs of people with Learning Disabilities, and to provide training of GPs and nurses was underway and would continue. He welcomed the opening of new facilities at East Kent College, to which the Leader had previously referred and hoped that more, similar, facilities would be available in the future.

The Cabinet Member for Economic Development, Mr Dance addressed the issue of housing, raised during the presentation. He was pleased to have been made aware of the issues that were being faced and would like to work with developers and people with learning disabilities in the future to ensure that where possible needs and wants could be met. The Leader agreed and considered that identifying extra care and supported housing opportunities within the social housing elements of housing strategies, to be produced with the Boroughs, would be critical to resolving the issues identified by the Board.

The Cabinet Member for Environment and Transport, Mr Brazier, spoke regarding transport provision and the restrictions on free travel described by the LD Board. He assured those present that he would investigate the matter fully.

The Cabinet Member for Communities, Mr Hill, referred to his responsibility for Community Safety and thanked Sam Holman for the questions she had put forward and the work done already to raise awareness of hate crimes and improve safeguarding. Ms Holman expanded on the 'Shop Safe' scheme which helped vulnerable people to identify safe places to report bullying or abuse and in response Mr Hill welcomed the opportunity to learn more about it and to consider how best to support its further development.

The Cabinet Member for Commercial and Traded Services, Mr Sweetland thanked the Board members for the presentation. He spoke of his responsibilities which included the councils traded services and felt that there may be an opportunity for those services to work more closely with the Board to create employment opportunities. In addition he offered to investigate the possibility of advertising the

Board's publications on the council's website. He offered to meet with the Board separately to discuss further.

The Cabinet Member for Corporate and Democratic Services, Mr Cooke addressed the meeting. He referred to the work already taking place relating to democratic involvement and stressed the importance of people with learning disabilities understanding how to get on to the electoral register and how to vote. This work would need to be undertaken in partnership with the Borough Councils, who were responsible for administering such matters.

The Deputy Leader and Cabinet Member for Finance, Mr Simmonds spoke on finances. He reported the funding requests received already from the FSC and Education directorates and urged others to also make requests for funding to which he would have regard when putting forward the council's annual budget for approval by the full council. He also offered to speak to the Learning Disability Board about personal financial responsibility and managing money.

Mr Gibbens responded to some of the comments made. He stressed the importance of the council's safeguarding work and the strong commitment of Cabinet and the Leader to ensuring the safety of all of the county's vulnerable residents. He reminded members that safeguarding was not only the responsibility of his and Mrs Whittle's portfolio's but something that each member must consider in their own areas of work. Ms Southern had mentioned 'Winterbourne' an investigation uncovering systemic abuse at a private hospital in Bristol, and the continued commitment of the council was necessary to avoid ever having such an issue arise in Kent.

Mr Gibbens invited Mrs Whittle to the next meeting of the Partnership Board to talk about transition.

Finally he offered a guarantee, supported by the Leader, that each Cabinet Member would produce a full response to the questions put to them by members of the Board and hoped that these could be considered by a future meeting of the Board.

The Leader summed up; he was pleased that the direction of travel for services to people with learning disabilities was positive but acknowledged that there was always more that could be done. He confirmed Mr Gibbens assurance that full responses would be provided by Cabinet Members to questions put and that he would attend the Board meeting at which they were considered.

It was RESOLVED that:

1. The Kent Partnership Board be supported to continue
2. That work continue to ensure that the KPB is utilised in order to make life better for people with Learning Disabilities in Kent
3. That each Cabinet Member produce a full response to questions put, in consultation with the relevant Director, to be considered by a future meeting of the Board.
4. That Mrs Whittle attend the next meeting of the Board to talk to an item regarding 'Transition'

5. That the Leader attend a future meeting of the Board when the full responses referred to in 3. are considered.
6. That the supporting evidence put forward as part of the presentation be circulated to relevant Cabinet Members.

**48. Select Committee Report - Kent's European Relationship**  
(Item 6)

Mr King, Select Committee Chairman, Mr Truelove and Mr Daley were in attendance to speak to the report of the Select Committee.

Mr King introduced the report to Cabinet. In particular he referred to the following:

- i. That the committee had achieved a great deal in a short time. The condensed timetable had been necessary in order that any recommendations from the Committee could be in place before the latest round of EU funding (2014 – 2020) began.
- ii. That in a time of financial austerity, EU funding was crucial to finance some areas of the Council's work.
- iii. The report had cross-party support from the Conservative, Labour and Liberal Democrat Groups but that regretfully UKIP had withdrawn from the process after the first meeting, citing concerns about the timetable. To that end he assured members that the procedures followed by the committee in order to manage the timely production of the report were in order and adequate.
- iv. That the potential funding available over the next 6 years was in the region of £100million and the thrust of the recommendations within the report was that the County Council must work in a way that maximises income and influence.
- v. That two specific recommendations were worthy of note at this time, firstly ensuring the necessary infrastructure was in place to allow the Eurostar to continue to stop at Ashford as it would be crucial to the future economic success of Kent, and specifically East Kent. Secondly, the International Affairs Group had long achieved cultural benefits and provided opportunities for school children to learn about Europe. Building relationships such as these with our European neighbours would, he believed, strengthen our community in financially and politically uncertain global times.

Mr Truelove also spoke to the item, he highlighted:

- i. That the Select Committee had been a constructive investigation into a complex and often technical matter but that the parties involved had found consensus on the recommendations and he thanked officers and those who gave evidence for helping to facilitate that consensus. The recommendations were evidence based, it was clear that the County had benefited considerably from EU funding in the recent past and that this could not only continue but increase over the next six years.
- ii. It would not only be necessary to maintain the skills already possessed in-house but potentially to add to the skills and resources available to enable the Council to benefit from EU funding.
- iii. The need to convince businesses in Kent of the benefits of the export market in order that economic growth was not limited to Kent, or even to the U.K.

- iv. That the recommendations within the report were not affected by the possibility of a referendum on EU membership. Should a referendum take place the result could not be predicted at this stage, but if it were to signal an exit by the UK it was unlikely that funding streams already accessed would be ceased.

Finally Mr Daley spoke to the item and raised for consideration by members, the following:

- i. That the report set out in detail, the operational work that was being done by the County Council in order to access funding and identified areas in which this work could expand.
- ii. That the evidence received from managers had showed a lack of understanding of the international work of the council and of opportunities to access further funding in Europe. It was crucial that awareness among the councils senior managers was raised.
- iii. That the terms of reference for the Committee had, amongst other things, sought to identify benefits and disbenefits of the council's work in Europe but the evidence had shown that the relationship was largely positive.
- iv. That more work should be conducted to investigate the benefit and cost of continuing and expanding the Hardelet project.
- v. That in line with comments made previously by Mr King, the connectivity of Ashford to Europe was crucial to the future economic prosperity of the county and particularly the East of the County.

The Leader thanked the Group representatives from the Select Committee for attending and for the production of a comprehensive report. He acknowledged the financial opportunities inherent in the relationship of the council with Europe and agreed that utilising it efficiently in order to benefit residents and businesses of Kent was critical. There would be a report to the next meeting of the Council which would include an Executive response to the recommendations and allow a full debate by members.

The Cabinet Member for Economic Development, Mr Dance, briefly responded before the full debate at Council, he thanked the committee members for the comprehensive report and believed it would be a useful tool for members and officers. He was grateful that the recommendations were in line with his thoughts on managing and developing KCC's relationship with Europe and accessing further funding. He used as an example of the magnitude of the matter at hand, the Horizon 20:20 fund, the total of which was £78 billion.

It was resolved that Cabinet support the following recommendations to Council:

1. That the Select committee is thanked for its work and for producing a relevant and balanced document.
2. That the witnesses and others who provided evidence and made valuable contributions to the Select Committee are thanked.
3. That the Council's comments on the report and its recommendations are welcomed

## **49. Revenue and Capital Budget Monitoring for 2013-14 - Quarter 3**

*(Item 7)*

Cabinet received a report providing the budget monitoring position for December 2013-14 for both revenue and capital budgets and which also included an update on key activity data.

The Deputy Leader and Cabinet Member for Finance, Mr Simmonds introduced the report and in particular referred to the following:

### Revenue Budget:

- i. That the underspend had increased, since the last report, to £9.5 million before management action but monies ring-fenced for Social Fund spending for 2013-14 and 2014-15 would reduce this figure to £6.3million, increasing to £6.8million with management action.
- ii. That £4million of the predicted underspend had already been committed to the 2014-15 budget and therefore it would be crucial that this minimum underspend figure were achieved.
- iii. It was important to note that the report being considered did not include the full financial impact of the flooding at Christmas and New Year, but the recent announcement that a grant of £8.6million would be received from Central Government would reduce any impact and allow work on road maintenance and other repairs to continue at pace. In addition, work continued to produce a bid to the Bellwin Scheme to further negate any impact of the floods and help with recovery costs.
- iv. That a return of £2.1million of costs related to unaccompanied young people seeking asylum continued to be pursued from the Government and that although negotiations were complicated and on-going he was cautiously optimistic that some agreement could be reached following positive results for other local authorities with the same issue.
- v. Pressures remained on SEN transport and Children Services but both areas showed slight improvement in this round of reporting.
- vi. Government funding had increased by £1million since the last report.

### Capital Budget:

- i. A working budget of £315million was reported with a forecast spend of £253million, creating a variance of £62million. However, a large proportion of this, £60million, was a result of rephasing, the reasons for which were included within the report.

Corporate Director for Finance, Andy Wood added to the comments made; he reported that:

- i. That of the £174million distributed by Government to those areas worst affected by flooding, £45million was allocated to councils in the South East and £47million to Councils in the South West. Allocations were being assessed by Finance officers to ensure that they were fair and correct.



- ii. That the underspend continued to increase and an important contribution had been made, approximately £2million, by managers reviewing and limiting spending where possible over the last two months.

It was RESOLVED that:

<b>CABINET</b> <b>Quarter 3, 2013-14 – Revenue and Capital Budget Monitoring Report</b> <b>24 March 2014</b>	
1.	That the latest monitoring position on both the revenue and capital budgets be noted
2.	That the changes to the capital programme as detailed in the actions column in table 2 of the annex reports be agreed.
3.	That the latest Financial Health Indicators and Prudential Indicators, as reported in appendix 1 and appendix 2 respectively, be noted
4.	That the directorate staffing levels as at the end of December 2013 as provided in section 7, be noted.
<b>REASON</b>	
1,3 & 4	In order that the Cabinet is fully appraised of the financial impact of the delivery of policy and projects.
2.	In order that the budget accurately reflects Directorate and Departmental need and necessary accounting tasks to that end can be undertaken.
<b>ALTERNATIVE OPTIONS CONSIDERED</b>	The report details events that have already occurred for the purposes of monitoring. Virement recommendations put forward are optimal.
<b>CONFLICTS OF INTEREST</b>	None.
<b>DISPENSATIONS GRANTED</b>	None.

#### **50. Quarterly Performance Report - Quarter 3** *(Item 8)*

Cabinet received a report providing the performance monitoring position for Quarter 3 of 2013-14.

Richard Fitzgerald, Performance Manager, Strategic and Corporate Services was in attendance to speak to the item and raised the following points for particular consideration by members:

- i. That 60% of indicators were improving and over 50% on target or performing above target
- ii. Children’s Social Services was now achieving good performance and in particular adoption services had shown significant improvement.

- iii. That the percentage of schools in Kent rated as 'good' or 'improving' continued to rise and the number of schools falling below the government floor target for GCSE results had significantly reduced and was close to national average.
- iv. That the figures showed continued good performance in highway repairs, despite the challenges presented by the poor weather and recent floods.
- v. That a significant increase in jobs created from monies secured through the Regional Growth Fund had been recorded.

The Cabinet Member for Economic Development spoke to the item; he referred to the work carried out in relation to the Regional Growth Fund and the real benefits that had been for businesses and job creation in the County.

The Cabinet Member for Education and Health Reform, Mr Gough, added the following information for consideration:

- i. That the general performance trend in Education continued to be positive. Overall attainment data and schools rated 'good' or 'outstanding' both continued to improve.
- ii. That the number of schools 'in category' was still above target but had improved since the turn of the year and it was predicted that the target would be met by the end of the year.
- iii. That figures relating to those young people not in education, employment or trainings (NEETS) had been subject to a statistical blip in the last report; a result of new capturing methods related to the raise in participation age, but had now returned to expected levels.
- iv. That the number of young people in apprenticeships had declined in 2013 but that this had been a national trend during which Kent had continued to perform better than many of its peers.

The Cabinet Member for Adult Social Care and Public Health commented to highlight the following points:

- i. That performance relating to delivery of NHS Health Checks was still below target. Work continued with the main provider, Kent Community Health Trust to improve performance and the Secretary of State had also highlighted this as a key priority.

It was RESOLVED that the performance report be noted.

## **51. Co-ordinated Admissions Schemes for 2015** (Item 9)

Cabinet received a report containing for consideration the proposed scheme for transfer to Primary and Secondary schools in September 2015 including the proposed process for non-coordinated In-Year Admissions, and seeking determination of the various criteria and proposed admission numbers there in.

The Cabinet Member for Education and Health Reform introduced the report, and asked Head of Admissions & Transport, Scott Bagshaw to relay the detail before reporting that admissions performance had been very strong; secondary admissions currently sat at 83.5% parents achieving first preference and 97.4% receiving one of

their stated preferences. Pressures in this area would continue to grow and it was crucial that the schemes put forward continued to be robust in order to avoid families missing out on their preferred schools.

Mr Bagshaw addressed the committee to expand on the comments of the Cabinet Member, he reported:

- i. That no changes to the scheme were proposed for 2015, other than minor variances to some of the dates in order to simplify operational matters for some of the schools.
- ii. That as the co-ordinated schemes were not subject to change this year, no public consultation had been undertaken in line with legislative requirements, but schools had been consulted and all had agreed to the proposals set out in the report.

Patrick Leeson, Corporate Director for Early Years reiterated that all schools in Kent had signed up to the scheme and welcomed this continued co-operation in light of the varied and changing nature of education provision in the county.

It was RESOLVED:

<b>CABINET</b> <b>Co-ordinated Admissions Schemes for 2015</b> <b>24 March 2014</b>	
1.	That the Coordinated Primary Admissions Scheme 2015/16 incorporating the In Year admissions process as detailed in Appendix A be agreed
2.	That the Co-ordinated Secondary Admissions Scheme 2015/16 incorporating the In Year admissions process as detailed in Appendix B be agreed
3.	That the oversubscription criteria relating to Community and Voluntary Controlled Infant, Junior and Primary schools in Kent 2015/16 as detailed in Appendix C (1) be agreed
4.	That the oversubscription criteria relating to Community and Voluntary controlled Secondary schools in Kent 2015/16 as detailed in Appendix D (1) be agreed
5.	That the Published Admissions Number for Community and Voluntary Controlled Infant, Junior and Primary Schools 2015/16 as set out in Appendix C (2) be agreed
6.	That the Published Admissions Number for Community and Voluntary Controlled Secondary Schools 2015/16 as set out in Appendix D (2) be agreed
7.	That the relevant statutory consultation areas for Kent Primary Schools 2015/16 as detailed in Appendix C (3) and the relevant statutory consultation areas for Kent Secondary Schools 2015/16 as set out in Appendix D (3) be agreed
REASON	

1-7 inclusive	In order that the Council has a co-ordinated approach to admissions that all schools have agreed to adhere to thereby enabling statutory provision requirements to be met and percentage of parents receiving first or second place preferences to be raised.
ALTERNATIVE OPTIONS CONSIDERED	No changes were proposed from the 2014 scheme which was the outcome of extensive consultation and consideration of options.
CONFLICTS OF INTEREST	None.
DISPENSATIONS GRANTED	None.

**52. Early Years and Childcare Strategy 2014-17**  
(Item 10)

Cabinet received a report containing a summary of the consultation responses received regarding the proposed Early Years and Childcare Strategy 2014 - 2017 and seeking approval of the draft Strategy.

The Cabinet Member for Education and Health Reform introduced the item and put forward the following information for particular consideration:

- i. That the consultation responses received had been largely positive.
- ii. That the strategy was intended to build on achievements already made in attainment and the closing of attainment gaps
- iii. That the strategy reflected the development of national government policy and in particular the policy direction relating to the expansion of provision for two year olds and the improvement of settings for delivery.
- iv. That the strategy included a focus on integration with children's centres and developing 0-11 provision and boosting collaborations between settings to improve provision by creating a self-sustaining system of improvement.

Patrick Leeson, Corporate Director for Education, Learning and Skills added to the comments of the Cabinet Member he referred to:

- i. The ambitious strategy target, the highest in the country, for provision of early education and childcare provision for two year olds of 6,500 places over two years
- ii. The achievement of 87% of early years provision in Kent now being considered to be 'good' or 'outstanding' and the reduction of the achievement gap to be amongst the lowest in the country.
- iii. The need for continued work to ensure that vulnerable families in Kent could access and benefit from the provision available, through strengthened targeting methods

Alex Gamby spoke to draw the attention of members to the inclusion in the strategy of focused supported interventions that would enable providers to better identify

possible gaps in achievement before they had occurred and also provide support for a heightened response to those potential gaps by providers.

The Leader welcomed the strategy and reminded members that it would continue to be developed over its lifetime. It would be modified to drive and react to changes in the preventative arena in particular. He considered that it would be necessary as part of the preventative agenda to link the strategy with Children’s Centres, CCG’s and the Health agenda more fully, in order that the Council could provide joined-up services for parents and families. In response Patrick Leeson assured the Leader that the document would be refreshed on an annual basis.

It was RESOLVED:

<b>CABINET</b>	
<b>Early Years and Childcare Strategy 2014-17</b>	
<b>24 March 2014</b>	
1.	That the Early years Strategy 2014-17 be agreed
2.	That the Early years Strategy be refreshed annually
<b>REASON</b>	
1	In order that the Council has a clear direction for Early years provision in the County
2.	In order that the strategy can accurately reflect the changing face of Early years provision, particularly in relation to preventative services.
<b>ALTERNATIVE OPTIONS CONSIDERED</b>	The strategy was consulted upon before being submitted for approval.
<b>CONFLICTS OF INTEREST</b>	None.
<b>DISPENSATIONS GRANTED</b>	None.

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**From:** Mike Angell, Chairman of the Select Committee

**To:** Cabinet - 28<sup>th</sup> April 2014

**Subject:** Select Committee: Commissioning

**Classification:** Unrestricted

**Future Pathway:** County Council 15<sup>th</sup> May

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**Summary:** To receive and comment on the report of the Select Committee on Commissioning and Procurement

**Recommendations:**

Cabinet is asked to:

1. Make comments on the report and recommendations of the Select Committee and support its consideration by Council on 15<sup>th</sup> May 2014
2. Support the following recommendations for County Council:
  - The Select committee is thanked for its work and for producing a relevant and balanced document.
  - The witnesses and others who provided evidence and made valuable contributions to the Select Committee are thanked.

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**1. Introduction**

1.1 This timely review has sought to demonstrate how Kent County Council could improve its skills and approach to commissioning, with a particular focus on removing barriers to entry for the provision of KCC services, particularly for small to medium sized enterprises (SMEs) and members of the voluntary, community and social enterprise sector (VCSE); and maximise added value. There is a significant challenge in redesigning services and transforming ways of working to have better services in terms of results, value for money and efficiency.

1.2 Commissioning is increasingly central to the approach to redesign services, joining up resources to focus on outcomes in the most effective and efficient way, taking a whole system approach and different ways of achieving improved outcomes. KCC needs to become better at commissioning, targeting resources and choosing the right mechanism to best achieve desired outcomes.

1.3 Having been agreed at a meeting of Scrutiny Committee on 12<sup>th</sup> November, the Select Committee was established in December 2013 with its first meeting on 16<sup>th</sup>

December. It began its work immediately to gain an insight into the review topic, focusing on Commissioning within KCC as an organisation, potential barriers to providers and social value.

## **2. Select Committee**

### **2.1 Membership**

The Select Committee was chaired by Mr Mike Angell. Other committee members were Mr Matthew Balfour, Mr Nick Chard, Mr Tom Gates, Mr Clive Pearman, Mr Mike Baldock, Mr Gordon Cowan, Mr Hod Birkby, Mr Martin Vye.

### **2.2 Terms of Reference**

The terms of reference agreed by the Select Committee on 16<sup>th</sup> December 2013 were:

- a) to determine what KCC needs to do to become a better commissioning authority, with a particular focus on removing barriers to entry for the provision of KCC services from new providers, particularly small to medium sized enterprises (SMEs) and members of the voluntary, community and social enterprise sector (VCSE).
- b) to consider if the authority is using its commissioning processes to ensure it meets its duties under the Social Value Act
- c) to examine how, in becoming a commissioning authority the voluntary, community and social enterprise sector (VCSE) can play a more important role in the provision of KCC services
- d) to make recommendations around the role of KCC as a commissioning authority and the programme of activity through Facing the Challenge that will move the authority to have a commissioning focus and improve how we do commissioning.

The issues agreed to explore were:

- a) the strategic context and our role as a commissioning organisation
- b) the costs of entry into KCC commissioning and procurement exercises, and if these costs present a significant barrier to new providers
- c) how any barriers to entry for new providers might be mitigated or removed
- d) the extent to which KCC decommissions and re-commissions services based on provider performance
- e) How KCC can best discharge its responsibilities through the Social Value Act
- f) the type of social benefits that should be sought through commissioning /procurement practices (e.g. apprenticeships)
- g) the extent that social value requirements be sought throughout the KCC supply chain



### 2.3 Evidence

The review commenced by looking at existing research and national papers. The committee gathered evidence during January and early February 2014, through 9 half-day hearings, briefing papers and written evidence from providers including VCS and SME, Infrastructure Organisations, representative bodies, and Officers with Commissioning or procurement roles. A list of those who took part or were invited to submit written evidence is detailed in Appendix 1.

### 2.4 Timescale

The Select Committee met for the first time on 16<sup>th</sup> December and conducted a series of interviews in January and February 2014, and invited written evidence during this period. It is planned that the committee's report be considered by a meeting of the County Council on 15<sup>th</sup> May 2013.

## 3. The Report

3.1 The key points and themes of the report's recommendations include:

- need for an approach that builds 'whole systems' thinking, networks of supply, enables communities to define and shape their own outcomes, and can utilise 'co-creation of value – ensuring services are innovative, have capacity to improve and be responsive and are integrated.
- need to actively improve skills and approach to commissioning, increasingly undertaking both market shaping and market development activity
- SMEs and the third sector are highly valued and can bring significant added value, recognise all sectors have a place and value to add, and so promote a balanced mixed economy of providers, a blended approach. However, either across the county or in individual localities VCS/SME organisations COULD potentially provide the best value service and bring additional social value
- Three significant themes emerged during the review – to promote opportunities, to remove barriers, and to build capacity. The recommendations focus on
  - Clearly defining our Commissioning vision and establishing the hierarchy of priorities and importance of social value
  - Fostering better relationships between commissioning and providers, and culture of collaboration
  - Ensuring excellent, appropriate and timely communication
  - Building excellent engagement and development of the Market
  - Simplifying and standardising procurement processes further to remove existing barriers to both VCS and SME and ensuring processes are proportionate
  - Promoting the use of and availability of opportunities for VCS and increasing SME participation in procurement
  - taking greater account of social value in evaluation of tenders /services
  - Embedding outcome focus, culture of collaboration and performance management.

3.2 An executive summary of the report is attached as Appendix 2. To obtain a copy of the full report please contact the report author (details below).

#### **4. Conclusions**

4.1 We welcome the report and would like to congratulate the Select Committee on completing this piece of work.

4.2 We would also like to thank all the witnesses who gave evidence to the Select Committee, and the officers who supported it.

4.3 Mr Mike Angell, Chairman of the Select Committee, will present the report to Cabinet and the Committee would welcome your comments.

#### **5. Recommendations**

5.1 Make comments on the report and recommendations of the Select Committee and support its consideration by Council on 15<sup>th</sup> May 2014

5.2 Support the following recommendations for County Council:

- The Select committee is thanked for its work and for producing a relevant and balanced document.
- The witnesses and others who provided evidence and made valuable contributions to the Select Committee are thanked.

Research Officer to the Review:  
Philippa Cracknell  
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## Appendix One: Evidence Gathering.

**A list of contributors - All provided written evidence prior to meeting with the Committee.**

### **Tuesday 14<sup>th</sup> January 2014**

Judy Doherty, Business Transformation and Programmes Manager, KCC

### **Tuesday 21<sup>st</sup> January 2014**

John Burr, Principal Director of Transformation, KCC

Mark Lobban, Director of Strategic Commissioning, KCC

Henry Swan, Head of Procurement, KCC

### **Wednesday 22<sup>nd</sup> January 2014**

Dean Benson, Contract Director - Transportation, Amey

Sam Buckland, Audit Manager, Internal Audit, KCC

### **Wednesday 29 January 2014**

Keith Harrison, Chief Executive Action with Communities in Rural Kent

Roger House, Chairman, Kent & Medway Federation of Small Businesses with

Tim Colman, Director of Partnership Working Limited &

Alison Parmar, Development Manager, Kent & Medway Federation of Small Businesses

Jan Perfect, Chief Executive, Case Kent

### **Thursday 30<sup>th</sup> January 2014**

Peter Heckel, Director, Project Salus

Carolyn McVittie, Managing Director, Stepahead Support

Thom Wilson, Head of Strategic Commissioning (Children's), KCC

### **Monday 3<sup>rd</sup> February 2014**

Angela Slaven, Director of Service Improvement, KCC

Nigel Baker, Head of Integrated Youth Services, KCC &

Andy Jones, Planning and Development Manager, KCC

Jason Martin, Director, CAP Enterprise

### **Tuesday 4<sup>th</sup> February 2014**

Karen Sharp, Head of Public Health Commissioning, KCC

Ryan Campbell, Chief Executive, KCA &

Karen Tyrell, Director, Development and Marketing, KCA

Sean Kearns, Chief Executive. CXK &

Stephen Bell, Director of Business Development, CXK

### **Thursday 6<sup>th</sup> February 2014**

Peter Turner, Chief Executive, Carers First &

Lorraine Williamson, Chief Executive, Crossroads Care East Kent

Diane Aslett, Development Officer, Age UKs in Kent Consortium with

Nigel Vian, Chief Executive, Age UK North West Kent &

Gillian Shepherd Coates, Chief Executive, Age UK Sevenoaks and Tonbridge

Emma Hanson, Head of Strategic Commissioning - Community Services, KCC

### **Friday 7<sup>th</sup> February 2014**

Christy Holden, Head of Strategic Commissioning (Accommodation Solutions), KCC

Adrian Adams, Chief Operating Officer, Kent & Medway Care Association / Research Fellow at University of Kent with  
Gill Gibb, Member of the Kent Care Homes Association &  
Ann Taylor, Chair of the Kent and Medway Care Alliance Board &  
Clare Swan, Member of the Board of the Kent Care Homes Association  
Comments received as written evidence.

**Evidence gathering - Written Evidence to the Select Committee.**

To complement evidence heard by members of this Select Committee during their witness hearings; KCC commissioners from across the directorates and a selection of organisations from across Kent were invited to submit their views regarding “How KCC can become a better commissioning authority – in particular removing barriers to small to medium businesses, voluntary agencies and the social enterprise sector?” for the final session on written evidence , Friday 7th February 2014.

Twenty-two organisations from across Kent were invited to send in written evidence. The organisations invited to comment were:

1. A range of Voluntary Agencies and Social Enterprises: both providers and infrastructure organisations;
2. Contracted Youth Services providers;
3. Organisations who had been both successful and unsuccessful in procuring KCC contracts

# Findings of the Commissioning Select Committee

## **“Better Outcomes, Changing Lives, Adding Social Value”**

The Commissioning Select Committee Report, which examines how KCC could become better at commissioning public services for better outcomes with a focus on the VCS and SME sector.

FINAL REPORT

## **FOREWORD TO THE SELECT COMMITTEE REPORT ON COMMISSIONING**

The subject is very complex and the witnesses have given evidence in a way that has shown that they desire to help in developing improvements to the commissioning of services.

The Social Value element has been difficult to quantify but the report does show that much can be achieved by way of inclusion in contracts.

Some important issues are member involvement in oversight, simplification of process and relationship with providers. The latter point emphasises that service provision by sources outside the County Council is an extension of the Council's determination to provide high standards of service to our residents.

I hope that you enjoy reading the report and I look forward to receiving the action plan.

In presenting this report I thank the Members of the Committee for their time and commitment. Altogether the Members of the Committee have participated with energy and addressed the task in an example of cross party collaboration. I would like to thank the research team headed by Philippa Cracknell and assisted by Jude Sage. In addition Democratic Services have been very helpful in taking minutes and giving guidance with the process.

Mr Mike Angell (Chairman)



# Contents

<b>Glossary and Acknowledgements</b> .....	5
<b>Executive Summary</b> .....	7
<b>1 Background</b> .....	16
1.1 The Select Committee Membership.....	16
1.2 Terms of Reference and Scope of the Select Committee .....	17
1.3 Methodology .....	17
<b>2 Introduction – Context and Overview</b> .....	18
2.1 Definitions of Commissioning .....	18
2.2 The Social Value Act and definition of Social Value .....	19
2.3 Local Context:.....	20
<b>Key Findings</b> .....	22
<b>3 The Commissioning Landscape</b> .....	22
3.1 The Commissioning Landscape in Kent and a blended approach.....	22
3.2 What is successful Commissioning?.....	24
<b>4 Making sure KCC is an Excellent Commissioner</b> .....	26
4.1 Emerging themes.....	26
4.2 KCC’s Commissioning Direction .....	27
4.3 Roles, Responsibilities and Skills .....	27
4.4 Relationships .....	29
4.5 Outcome Focused .....	32
4.6 Joined up Commissioning.....	34
<b>5 Engagement &amp; Communication</b> .....	36
5.1 Market Engagement .....	36
5.2 Engagement for better commissioning .....	36
5.3 Improving Communication.....	39
<b>6 KCC’s approach to procuring goods, services and works</b> .....	42
6.1 Our procurement processes .....	42
6.2 Making it easier to tender to supply Kent services.....	43
<b>7 Market Development</b> .....	50
7.1 Support to VCSE and SMEs.....	50
<b>8 Contracts, Risks, Grants,</b> .....	54



8.1	Length of Contracts .....	54
8.2	Aggregation and Disaggregation .....	54
8.3	Working with Consortia .....	56
8.4	Incentives, Payment by Results (PBR) and type of contract.....	56
8.5	Contracts .....	58
8.6	Payment Practices.....	59
8.7	Use of grants .....	59
8.8	Risk.....	60
8.9	Effective Contract management.....	63
<b>9</b>	<b>Member Role .....</b>	<b>66</b>
9.1	Governance of Contract Management.....	66
9.2	Training.....	67
<b>10</b>	<b>Social Value .....</b>	<b>68</b>
10.1	Embedding Social Value.....	68
10.2	Measuring Social Value .....	70
	<b>Appendices .....</b>	<b>74</b>
	<b>Appendix One: The Scope of the Review .....</b>	<b>76</b>
	<b>Appendix Two: Evidence Gathering.....</b>	<b>80</b>
	<b>Appendix Three: Social Innovation Lab for Kent.....</b>	<b>84</b>
	<b>Appendix Four: About Bonds .....</b>	<b>86</b>
	<b>Bibliography.....</b>	<b>88</b>

## Glossary and Acknowledgements

Activities	what an organisation does with its inputs in order to achieve its missions
Impact	any change resulting from an activity, project or organisation. It includes intended as well as unintended effects, negative as well as positive, and long term as well as short term
Inputs	resources that contribute to a programme or activity including income, staff, volunteers and equipment
IPC	Institute of Public Care
ITT	Invitation to Tender
NCVO	National Council of Voluntary Organisations
Outcomes	benefit or changes for participants or intended beneficiaries
Outputs	countable units and direct products of a programme or organisation's activities
PIN	Prior Information Notice
PQQ	Pre Qualification Questionnaire
PBR	Payment by results contracts
IFG	Institute for government
CGF	Calouste Gulbenkian Foundation
VCSE	voluntary, community and social enterprise sector

Comments or quotations within the report are from comments made at evidence sessions held by the Select Committee or from written evidence received.

### **The Select Committee would like to thank ...**

the external witnesses, organisations and KCC Officers who gave up their time to give evidence to assist with this review by attending hearings, submitting written evidence, or taking part in informal consultation or advice-giving.

All the information received, whether or not it has been included in the final report, has contributed to the Select Committee's knowledge and appreciation of the issues.

Our thanks go to our Research Officers, Philippa Cracknell and Jude Sage whose patient toil to inform views and opinions with evidence underpins all that follows, and to Democratic Services for their support.



## Executive Summary

This report examines how KCC can improve the commissioning of KCC services, with a particular focus on removing barriers to entry for the provision of KCC services, particularly for small to medium sized enterprises (SMEs) and members of the voluntary, community and social enterprise sector (VCSE); how the voluntary, community and social enterprise sector (VCSE) can play a more important role in the provision of KCC services and considers if the authority is using its commissioning processes to ensure it meets its duties under the Social Value Act.

The issues considered include

- the strategic context and our role as a commissioning organisation,
- the costs of entry into KCC commissioning and procurement exercises,
- how any barriers to entry for new providers might be mitigated or removed,
- the extent to which KCC decommissions and re-commissions services based on provider performance,
- how KCC can best discharge its responsibilities through the Social Value Act and the extent that social value requirements be sought throughout the KCC supply chain

### **Commissioning and the Key Challenges:**

A successful commissioning approach can be used to redesign services, join up resources to focus on outcomes in the most efficient and effective way; taking a whole-system approach and totality of resources to consider different ways of achieving improved outcomes. It has been identified as an area for corporate improvement that KCC actively improves its skills and approach to commissioning, increasingly undertaking both market shaping and market development activity. KCC needs to become better at commissioning, optimising and targeting resources, choosing the right mechanism to best achieve desired outcomes, ensuring open and fair competition for public sector contracts, across sectors, and removing barriers from entry to the market.

The key challenges for Kent are:

- Commissioning strategically, ensuring equitable services are available across Kent
- Ensuring KCC has a firm grip on cost and quality
- Ensuring KCC embeds a culture of performance management with all providers
- Developing a better understanding/evidence base regarding return on investment, including how to monitor preventative services for their impact in demand management and prevention,
- Promoting and supporting 'whole systems thinking'; collaboration and joint working with providers across sectors, developing 'circles' of support networks to support independence and reduce crisis situations.

## **The Commissioning Landscape in Kent and a blended approach**

There is a range and breadth of commissioning activity across KCC in established service areas (e.g. Social care) and new service areas (e.g. public health). There are a large number of VCSE organisations and businesses in Kent, delivering services related to KCC's core business. There is no guarantee, that a) there are always VCSE organisations or SMEs available to deliver services in any particular area of business or b) that organisations have the capacity to deliver.

The drive is to get the best possible service for service users, with a focus on outcomes for individuals, within the budget set by the County Council and to seek additional social value. It is about choosing the right mechanism and best provider to deliver the services, whether in-house, private, VCSE or SME. It is not an automatic link between commissioning and outsourcing, or especially outsourcing problems, but using commissioning as a common base to commission both internally and externally delivered services. The key is linking the right service capability to the right objectives, and securing that capability.

The evidence encapsulated three things:

- commissioning is a very dynamic and changing process
- there is a big difference in commissioning a service and commissioning a product so need different approaches in recognition of this
- SMEs and the third sector are highly valued and bring significant added social value, but should be recognised that all sectors have a place and value to add, and as such there should be a balanced mixed economy of providers (private, VCS, SME and in-house), a blended approach.

There remains a tension between the need to aggregate demand in the market to achieve economies of scale, and the desire to promote local economic growth by focusing significant spending locally, and a balance to be found between larger long term contracts and SME and local supplier support, and a need to maximise added value.

However, either across the county or in individual localities VCSE and SME organisations COULD potentially provide the best value service and bring additional social value.

The potential of public sector spending to support added social value and local economic development is widely recognised, and KCC procurement has the potential to create significant business and growth opportunities through increased participation by small and medium sized businesses (SMEs), as well as improving access to their creativity and innovation. It is recognised that the Voluntary Sector makes key contributions for example to reducing crime, to the environment and has become a powerful agent for social inclusion and enhancing community capacity, breaking barriers, reaching families, building greater self-reliance and social mobility. The sector has enhanced knowledge and information about what is happening locally and insight into local needs; the ability to adapt

to changing needs and innovate, and is especially adept at developing connections and relationships.

Nationally small and medium sized business and VCS organisations have found that bidding for public sector contracts can be over bureaucratic, time-consuming and expensive. This has been recognised most recently by Lord Young's report, *Growing Your Business*, published in May 2013, and by Lord Heseltine's report *No Stone Unturned* which was published in March 2013. Although there is much good practice evident, small business and VSCE organisations still face hurdles to competing with larger firms for public sector contracts – therefore missing out on opportunities for business while the public sector misses opportunities for potential growth and innovation, (HM Govt.) and is an issue reflected in Kent.

The Committee, aware of the economic and social value voluntary, community not-for-profit organisations and SMEs provide, would like to maximise where appropriate the use of these organisations with the capacity and skills needed to achieve the outcomes KCC has determined to be important.

### **What is successful commissioning?**

There is an increasingly complex commissioning environment with challenges and opportunities for commissioners and providers, not least in how to join up services better at a local level and meet needs in an integrated, holistic and transformative way that delivers results over the long term. Complex commissioning seeks to create integrated services that are co-designed with service users and take a more collaborative approach. The 'Beyond Big Contracts' (ISS and CGF) report emphasised this could include for instance more personalised support, co-designed cross-sector services with service users, providers, cross sector commissioners and agencies working together; an integrated front line and more flexible services.

There is need for an approach that builds 'whole systems' thinking, networks of supply and can utilise 'co-creation of value – ensuring services are innovative, have capacity to improve and be responsive and are integrated. To commission services successfully KCC will need to be outcomes focussed from needs assessment through to monitoring of contracts; joined up; excellent at specifying services with complex outcomes; and create space and environment for innovation and social value.

To take advantage of commissioning, KCC needs to explore how communities can define and shape their own outcomes; maximise the potential of the Social Value Act, and build skills and capacity.

### **Next Steps**

The Select Committee heard evidence of the range and breadth of commissioning activity across KCC service areas and engagement to improve our commissioning practices and support providers including VCSE and SMEs – with examples of good practice, partnership, innovation and steps being taken to improve how KCC commission. There is much to be acknowledged but there is still a journey to make. To be an intelligent client

and commissioner, KCC has to adopt a number of different roles such as shaping markets, enabling social capital of local communities and promoting enterprise as well as procuring and providing services; linking the right source of capability (e.g. user led group, SME, VCSE, private provider or in-house service) for a particular objective and use the right mechanism to secure it (e.g. grant funding, commissioning model, contract).

Three significant themes emerged during the review – to promote opportunities, to remove barriers, and to build capacity.

VCSE and SMEs consistently highlighted a need for measures focused on process simplification, better promotion of opportunities, creating room for innovation, breaking down of contracts into smaller lots where feasible and their early and positive engagement.

As an organisation there is a need for us to focus on:

### **Clearly defining our Commissioning Policy/Strategy, Roles and Responsibilities**

- defining our strategy and establishing the hierarchy of priorities and importance of social value,
- setting clear roles and responsibilities in the commissioning and procurement cycle and tasks to be undertaken
- becoming more complex in what we do, taking a cross-department approach to activities – looking at joined up commissioning and thinking across KCC
- strengthening the role for Member oversight within Contract management and Commissioning
- skills and behaviours are a concurrent theme that runs behind the key issues in this report – Market engagement, relationships, communication, contract management.

### **Excellent, appropriate and timely communication**

- keeping providers informed and raising levels of awareness, and promotion of opportunities to engage SMEs, VCSE
- enabling planning and positive networking to build stronger bids by giving earlier notification and information to organisations regarding services authority wanting to commission

### **Excellent engagement and Market development**

- building better working relationships between commissioning and providers, and culture of collaboration, encouraging partnership working with providers.
- greater understanding of capabilities of service sector, informed service design and improving quality of specifications, to ensure can commission intelligently and are an intelligent client, with excellent pre-market engagement and Co – design and Co –production of services and outcomes
- building capacity ahead of opportunities becoming available

- enabling of innovation (through market engagement, development of specifications, the choice of commissioning models and contract types)
- to support market development and improve the capability, skills and capacity of organisations to tender, and ensure have initiatives to support and develop potential of SMEs and VCSE
- seeking to use and promote VCSE and SMEs wherever possible but maintain mixed economy/ a blended approach

### **Simplifying and standardising procurement processes further**

- removing existing barriers to both VCSE and SME and ensuring processes are proportionate, (adopting a standardised shorter PQQ; simplifying processes for smaller procurements/low value contracts; streamlining financial appraisal; adopting a 'lot' approach where possible; e-tendering easily navigable and simple to use)
- availability of opportunities for VCSE and increasing SME participation in procurement
- making it easier to enter into new markets
- taking greater account of social value in evaluation of tenders /services

### **Embedding outcome focus and excellent Contract management**

- outcomes that are measureable, achievable yet challenging
- capabilities to contract manage with robust performance management, clear responsibilities, supportive and clear targets for improvement if needed
- work to get the personality processes right for collaboration internally and externally and to support culture change
- need to take some level of risk and be risk aware not risk averse

### **Maximising Social Value**

- important to incorporate and recognise social value in our commissioning and procurement of services
- recognise that quantifying all social value can be difficult
- clarify the social value or social benefits KCC are looking for and importance of community influence and in deciding social value



## The Recommendations of the Committee:

Our challenge to the whole of KCC and to the sectors involved is to work more collaboratively to shift culture and deliver better outcomes through a mixed economy.

The recommendations from this report seek to improve how KCC commissions services and mitigate some of the barriers for VCSE and SME Providers.

In the spirit of challenge to officers to drive improvement in our commissioning the evidence points directly to 6 key points:

- We can improve our commissioning
- Can develop a mixed economy – eclectic, using both big and small providers from all sectors and KCC in-house provider units, with key role for VCSE and SMEs
- Can further support and encourage VCSE and SMEs to provide services directly or as part of the supply chain.
- Can support social and micro enterprises to grow and deliver outcomes
- Can improve contract monitoring and contract management
- Can take more account of social value

### **Commissioning Landscape**

**1:** Support the development of a balanced and mixed economy of potential service providers, balancing cost and maximising where appropriate the use of VCSE and SME organisations with the capacity and skills needed to achieve the outcomes required.

### **KCC as an excellent Commissioner**

**2:** Clarify KCC Commissioning objectives and approach, and develop a KCC Commissioning Strategy.

**3:** Define roles, responsibilities and relationships in the commissioning cycle, agree who is best placed to carry out the different tasks and decide when and how legal advice should be considered in the procurement cycle.

**4:** Develop the culture of commissioning and contract management, with an ethos of collaborative relationships.

**5:** Extend the Kent Compact or similar agreement to include private sector providers working with VCSE organisations.

**6:** Invest time defining the desired outcomes and measures (quantitative and qualitative), ensuring these are user and communities focused and evaluate impacts (not outputs), using Co-production of outcomes and measures where appropriate.

**7:** Improve how we join up commissioning across the authority. There is a need for better collaboration and partnership building across silos and with providers.

### **Engagement and Communication**

**8:** Provide more opportunities to co-design and co-produce services where appropriate, to capture the value of what organisations are already doing, and ideas to innovate.

**9:** Need to ensure that specifications are 'fit for purpose' - reflect market engagement, identify level of need and desired outcomes, allow innovation and flexibility leading to better contracts.

**10:** Actively consider how service users and stakeholders can have greater input and influence in the specification, and service users in the evaluation of tenders.

**11:** Ensure appropriate and timely communication throughout the market engagement and tendering processes – about timeliness, communicating reasons for changes, levels of awareness.

**12:** Promote contracting opportunities to VCSE and SMEs and Better or enhanced promotion of the Kent Business Portal to increase awareness (including with small and micro enterprises), and for the Portal to be more easily navigable.

**13:** Extend the use of the portal to enable other local Authorities to promote contract and subcontracting opportunities, broadening potential access for VCSE and SMEs.

### **Procurement Process**

**14:** Strengthen our processes to access and utilize knowledge of Commissioners and potential providers - KCC should consider within the current tendering process and complying with procurement law how KCC can strengthen our understanding of the local knowledge and experience of organisations, for example by incorporating

- visits to existing services of potential providers
- reflecting knowledge of past performance/experience of working with a provider, both good and not so good.

**15:** Simplify and standardise procurement processes further to remove or minimise procurement process barriers by:

- introducing reduced and less onerous requirements for low value contracts (e.g. financial evidence - self certification/documentation for low risk/low value followed by a more detailed analysis if proceed to award stage, proportionate pre qualification)
- simplifying and standardising the core and online PQQ, retaining the flexibility to add additional questions for more complex service areas
- having better co-ordination of Commissioning and co-ordinating the diary of tenders across KCC where possible and introducing a plan of tenders

- Giving earlier notice of intention to put contract out to tender and more time for the completion and submission of tenders.

**16:** Promote opportunities to VCSE and SMEs through publication of lower value contracts (i.e. £5K) and greater transparency regarding low value contracts that are available.

**17:** Reflect Social Value sufficiently in our procurement decisions – need to actively consider how much of each procurement decision should be assigned to Social Value, and not only between price and quality.

### **Support to develop the Market and build capacity**

**18:** Actively consider how best to support the development of the market and build capacity, particularly how best to provide support to VCSE and to SMEs.

### **Contracts and Grants**

**19:** Break down larger contracts into smaller lots, wherever practical.

**20:** Requirement for prompt payment terms all the way down our procurement supply chain continues to be built into contracts; and improve monitoring of this requirement to ensure compliance.

**21:** Recognise there is a clear role for ‘smart’ grants that are innovative and outcome based. Need to ensure that their use is transparent and are time and task specific, and monitored / evaluated for success.

**22:** Improve the capabilities to performance manage contracts; and ensure the capacity to monitor and evaluate performance and support improvement when appropriate.

**23:** Stipulate that all contracts have clearly scheduled performance reviews and evaluate outcomes/outcome evaluations – for instance ensure contracts have schedule of reviews

**24:** Complete the Contracts register to include all contracts over 50k – and include details of the named contract manager, and Lead Director.

**25:** Manage internally provided Services with as much rigour for outcomes, and performance management as other providers.

### **Member Role**

**26:** Further work is undertaken to the member role and what mechanism would best strengthen member oversight of commissioning, procurement and contract management; and member involvement earlier in the process and pre market engagement; and members are supported through training.

### **Social Value**

**27:** To maximise and give greater recognition to Social Value, incorporate consideration of social value questions in tender evaluation criteria and procurement decisions where possible, and develop a Social Value Charter.

# 1 Background

## 1.1 The Select Committee Membership (Conservative 5, UKIP 2, Lab 1, Lib Dem 1)



Mike Angell



Matthew Balfour



Nick Chard



Tom Gates



Clive Pearman



Mike Baldock



Hod Birkby



Gordon Cowan



Martin Vye

## **1.2 Terms of Reference and Scope of the Select Committee**

The Select Committee on Commissioning and Procurement was established by the Scrutiny Committee on 12 November 2013 to make recommendations to KCC to support the improvement in commissioning KCC services.

The terms of reference agreed by the Select Committee on 16<sup>th</sup> December 2013 were:

- a) to determine what KCC needs to do to become a better commissioning authority, with a particular focus on removing barriers to entry for the provision of KCC services from new providers, particularly small to medium sized enterprises (SMEs) and members of the voluntary, community and social enterprise sector (VCSE).
- b) to consider if the authority is using its commissioning processes to ensure it meets its duties under the Social Value Act
- c) to examine how, in becoming a commissioning authority the voluntary, community and social enterprise sector (VCSE) can play a more important role in the provision of KCC services
- d) to make recommendations around the role of KCC as a commissioning authority and the programme of activity through Facing the Challenge that will move the authority to have a commissioning focus and improve how we do commissioning.

The issues to explore are given in summary below and are expanded in Appendix 1 for reference:

- a) the strategic context and our role as a commissioning organisation
- b) the costs of entry into KCC commissioning and procurement exercises, and if these costs present a significant barrier to new providers
- c) how any barriers to entry for new providers might be mitigated or removed
- d) the extent to which KCC decommissions and re-commissions services based on provider performance
- e) How KCC can best discharge its responsibilities through the Social Value Act
- f) the type of social benefits that should be sought through commissioning /procurement practices (e.g. apprenticeships)
- g) the extent that social value requirements be sought throughout the KCC supply chain

## **1.3 Methodology**

The review commenced by looking at existing research and national papers. The committee gathered evidence during January and early February 2014, through hearings, briefing papers and written evidence from providers including VCSE and SME, Infrastructure Organisations, representative bodies, and Officers with Commissioning or procurement roles.

A list of those who took part or were invited to submit written evidence is detailed in Appendix 2.

## 2 Introduction – Context and Overview

### 2.1 Definitions of Commissioning

- 2.1.1 There is no singular, overarching definition of commissioning and there are many associated terms such as ‘procurement’, ‘purchasing’ and ‘contracting’. Some popular definitions are

*“Commissioning is the cycle of assessing the needs of people in an area, designing and then achieving appropriate outcomes. The service may be delivered by the public, private or civil society sectors.”  
(Modernising Commissioning Green paper 2011)*

*“Assessing the needs of the population in an area, designing then securing the delivery of services” (Cabinet Office. LGA July 2013)*

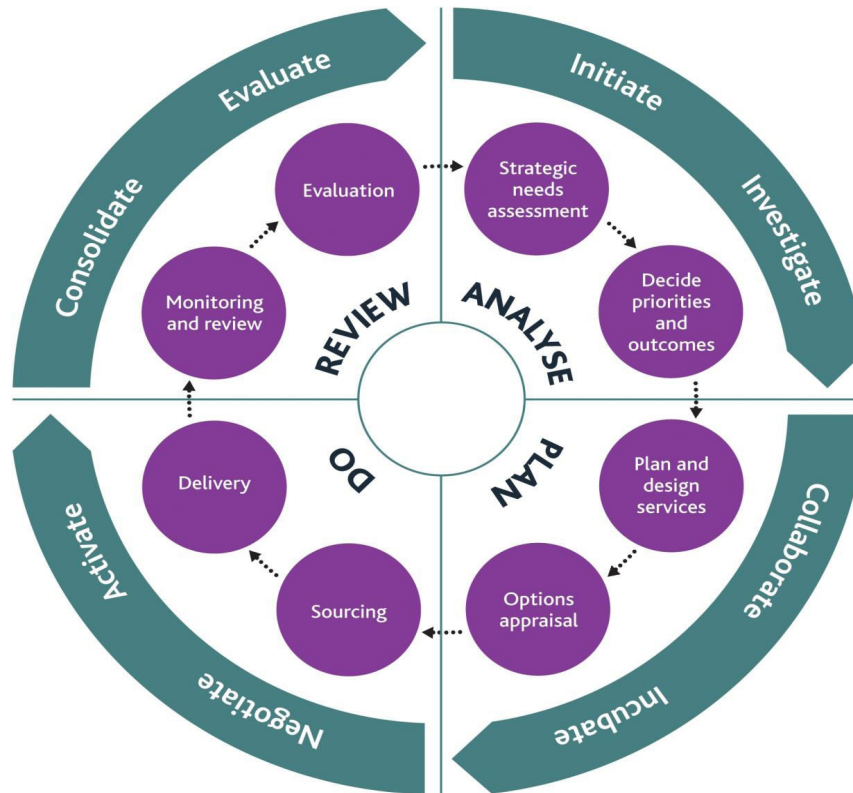
- 2.1.2 Commissioning describes the strategic process of designing services and choosing delivery agents. It is often described as a cycle of activities including assessment of needs, securing services, contract management and evaluating outcomes. Procurement is the means by which you secure the services needed.

*“Procurement is the process of acquiring goods, works and services from third parties... the aim is to achieve best value for money, taking into account social value and ensuring quality of procurement decisions taking account of quality and cost” (LGA 2013)*

Figure 1 shows a graphical representation of a commissioning cycle.

- 2.1.3 The term ‘Complex Commissioning’, signifies a change in the commissioning environment, driven by social, economic and operational shifts and refers to the emergence of collaborative arrangements that respond more effectively to a range of interrelated user needs – thinking across service boundaries to address the root causes of demand, such as family breakdown. (ISS CGF Beyond Big Contracts). The traditional ‘commissioning cycle’ is a more simple view of the complex commissioning process. Associated concepts are co-production, asset based approaches, market management, outcome based commissioning, social value, decommissioning. (CLLR June 13).

**Figure 1:** A graphical representation of a commissioning cycle



Source: CGF, ISS. Beyond Big Contracts

## 2.2 The Social Value Act and definition of Social Value

2.2.1 The Government has published the [revised Statutory 'Duty of Best Value'](#) and the '*Public Services (Social Value) Act*' which both see more recognition of 'Social Value' in commissioning & procurement processes. The Act legislates to give charities, social enterprises and employee-led mutuals a better chance of competing for contracts, as there is a requirement for all public sector contracts to give consideration during the pre-procurement stage for provisions relating to social outcomes and 'Social Value'. However in doing this it does not exclude businesses - allowing small for-profit businesses run by local entrepreneurs and private sector companies who take their corporate social responsibility seriously and could be considered as undertaking a social role, to compete fairly, equitably and transparently for contracts in accordance with EU procurement rules.

2.2.2 The *Public Services (Social Value) Act*'s legislates that at the pre-procurement stage of the commissioning process local Authorities must consider:

1. "consider how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area" - section 1(3)(a);
2. "consider how, in conducting the process of procurement, [the authority] might act with a view to securing that improvement" - section 1(3)(b); and



3. "consider whether to undertake any consultation as to the matters that fall to be considered under subsection (3)" - clause 1(7).("the Social Value Duties")

2.2.3 'Social Value' is really the added value received when a supplier, as part of fulfilling a contract, also contributes to the public good in ways that go beyond simply meeting the basic contract terms. To use an analogy – it is the additional value gained from each £1 invested, a form of 'planning gain'. Some examples of 'Social Value' in practice might be sourcing food locally with impacts both on local employment and the environment; a transport company that tenders to run bus services and offers to provide added value through the delivery of a dial-a-ride service, or a housing management company which wins a contract to undertake property maintenance work and provides 'Social Value' by committing to employ local apprentices, quantified as for the interests of a community. The 'Social Value' outcomes desired may differ on a case by case basis.

2.2.4 The following definitions were offered by a 2009 NHS commissioned project into 'Social Value':

*" 'Social Value' is the additional benefit to the community from a commissioning/procurement process over and above the direct purchasing of goods and services'."*

*"Social value can be distinguished from the wider notion of public value or the narrower concept of individual value. It represents delivery of the collective desired needs of individuals who share common expectations through increased social capital, citizen well-being and entrepreneurialism."*

## **2.3 Local Context:**

2.3.1 Public Service models are changing nationally. Local Authorities are facing reductions in public spending, future significant increase in demand for services and increased public expectation about quality of services.

2.3.2 It is a time of transformational change and redesign of services, new partnerships and ways of working, to potentially have better services in terms of results, value for money and efficiency.

2.3.3 Commissioning is fundamentally linked to the core themes of 'Bold Steps' and KCC's policy framework – to help the Kent economy grow (developing a mixed market economy, commissioning and procurement supporting Kent businesses and not for profit organisations by tendering in ways that allow them to be competitive and deliver value), to put the citizen in control by understanding needs and needs reflected in service (enabling communities to be more resilient, designing services) and to tackle disadvantage through commissioned services and social value, such as apprenticeships.

- 2.3.4 A successful commissioning approach can be used to redesign services, join up resources to focus on outcomes in the most efficient and effective way; taking a whole-system approach and totality of resources to consider different ways of achieving improved outcomes.
- 2.3.5 In meeting Facing the Challenge and Whole Council Transformation KCC is commissioning more of its services. The fundamental objective of the approach is to ensure KCC becomes an outcome focussed organisation – affecting how KCC undertakes service redesign, strategic planning and manage performance effectively. It has been identified as an area for Corporate improvement that KCC actively improves its skills and approach to commissioning, increasingly undertaking both market shaping and market development activity. Facing the Challenge proposes the establishment of a professional corporate team with a specific role to embed commissioning arrangements, ensure robust internal challenge, consider how to improve capacity to do market development and shaping activities, define skills required for staff engaged in commissioning activity, identify opportunities for joint commissioning across the authority (and with partner organisations) and develop a mechanism to monitor the effectiveness of our commissioning activity.
- 2.3.6 KCC needs to become better at commissioning, optimising and targeting resources, choosing the right mechanism to best achieve desired outcomes, ensuring open and fair competition for public sector contracts, across sectors, removing barriers from entry to the market for the provision of KCC services, particularly for small to medium sized enterprises (SMEs) and members of the voluntary, community and social enterprise sector (VCSE) who play a vital role in supplying goods and services. In October 2012 the new commissioning structure for Families and Social Care was established with three distinct teams; Children’s commissioning, Adult Community Support and Adult Accommodation Solutions.
- 2.3.7 The key challenges for Kent include
- Commissioning strategically to end the postcode lottery and ensure equitable services are available across Kent
  - Ensuring have firm grip on cost and quality
  - Ensuring embed a culture of performance management with all providers
  - Developing a better understanding/evidence base regarding return on investment, including how to monitor preventative services for their impact in demand management and prevention, ensuring evaluation criteria includes social value and social return on investment.
  - Promoting and supporting ‘whole systems thinking’, collaboration and joint working with providers across sectors, developing ‘circles’ of support networks to support independence and reduce crisis situations.
  - Considering the best way to contract with providers that allow new providers to enter the Kent market, through duration of contract, including from Community Interest companies

# Key Findings

## 3 The Commissioning Landscape

### **3.1 The Commissioning Landscape in Kent and a blended approach**

- 3.1.1 There is a range and breadth of commissioning activity across KCC in established service areas (e.g. Social care) and new service areas (e.g. public health). There are a large number of VCSE organisations and businesses in Kent, delivering services related to KCC's core business.
- 3.1.2 There is no guarantee, that a) there are always VCSE organisations or SMEs available to deliver services in any particular area of business or b) that organisations have the capacity to deliver. The drive is to get the best possible service for service users, with a focus on outcomes for individuals, within the budget set by the County Council and to seek additional social value.
- 3.1.3 The evidence gathered by the Select Committee encapsulated three things:
- commissioning is a very dynamic and changing process,
  - there is a big difference in commissioning a service and commissioning a product so need different approaches in recognition of this,
  - SMEs and the third sector are highly valued and bring significant added social value, but should be recognised that all sectors have a place and value they can add. There should be a balanced mixed economy of private, VCSE, SME and in-house commissions, or blended approach, and a place for contracts and robustly monitored time and task specific grants.

There is a balance to be found between larger long term contracts and SME and local supplier support, and remains a tension between the need to aggregate demand in the market to achieve economies of scale, and the desire to promote local economic growth by focusing significant spending locally.

- 3.1.4 However, either across the county or in individual localities VCSE/SME organisations COULD potentially provide the best value service and bring additional social value.
- 3.1.5 The public sector in the UK spends £230 billion a year on the goods, services and works it needs to deliver public services (HM Govt). The potential of public sector spending to support local economic development is widely recognised. Public sector procurement has the potential to create significant business and growth opportunities through increased participation by small and medium sized businesses (SMEs), as well as improving the public sector's access to their creativity and innovation. SMEs are an important engine for growth, both nationally and for the Kent economy.

- 3.1.6 There are many examples of small suppliers delivering significant benefits to the public sector through greater innovation, at comparatively lower cost base than larger businesses. Recent data from the Office of National Statistics Annual Business Survey 2012 shows that, on average, SMEs create around £34 of gross value added to the UK economy for every £100 of turnover, while the comparative figure for large businesses is £27. Similarly research looking at effect of local spend found that every £1 spent by a local authority with local SMEs generated an additional 63p benefit for their local economy compared to 40p for larger firms. (Centre for Local Economic Strategies for the FSB.)
- 3.1.7 The voluntary sector is not a homogenous group and it should be recognised that there are considerable differences in their sizes and resources and levels of reliance on public funds. NCVO's 2013 almanac focuses on the 'voluntary sector,' comprising of 162,177 voluntary organisations, over half of which are micro-organisations with an income of less than £10,000, compared to 0.3% of the sector comprised of 507 major organisations with multi-million pound turnovers that generate 47% of its income (ISS Beyond Big Contracts report.)
- 3.1.8 The voluntary sector makes key contributions for example to reducing crime, to social inclusion, to the environment and has become a powerful agent for social inclusion and enhancing community capacity, breaking barriers, reaching families, building greater self-reliance and social mobility. The sector has enhanced knowledge and information about what is happening locally and insight into local needs; ability to adapt to changing needs and innovate and is especially adept at developing connections and relationships. It was reported that for some voluntary sector organisations that for every £1 spent there is match funding of £10 (Action with Communities in Rural Kent).

*"Local VCSE organisations share the commitment to having strong communities, local people in skilled jobs, reduced crime and social isolation. They have "skin in the game" as their activities, and futures, are in Kent."*

*"We are able to draw on the support of our volunteer mentors who either provide office support, fundraising or use their knowledge and expertise to help move young people into positive progression."*

- 3.1.9 Nationally the main barriers recognised include the
- Capacity and skills to bid for and deliver contracts effectively
  - Awareness of potential procurement opportunities
  - Lack of understanding or knowledge of operation of local government
  - Bureaucratic nature of local procurement practices

- Lack of awareness and understanding of SMEs , and how to engage with them and what they could offer
- Need for procurers to achieve economies of scale in their procurement practices

(FSB summary)

3.1.10 Small and medium sized business and VCSE organisations have found that bidding for public sector contracts can be over bureaucratic, time-consuming and expensive. This has been recognised most recently by Lord Young’s report, *Growing Your Business*, published in May 2013, and by Lord Heseltine’s report *No Stone Unturned* which was published in March 2013. Although there is much good practice evident, small business and VSCE organisations still face hurdles to competing with larger firms for public sector contracts – therefore missing out on opportunities for business while the public sector misses opportunities for potential growth and innovation, (HM Govt.) and is an issue reflected in Kent. Significantly if organisations are unable to win tenders and therefore not gain income from contracts their sustainability may be threatened.

3.1.11 The Committee, aware of the economic and social value voluntary and community not-for-profit organisations and SME provide, would like to maximise where appropriate the use of these organisations with the capacity and skills needed to achieve the outcomes KCC has determined to be important.

**Recommendation 1:**

Support the development of a balanced and mixed economy of potential service providers, balancing cost and maximising where appropriate the use of VCSE and SME organisations with the capacity and skills needed to achieve the outcomes required.

**3.2 What is successful commissioning?**

3.2.1 Successful commissioning ultimately means commissioning public services for better outcomes - delivering the right outcomes at the right cost. At the heart of which it is vital that the needs of service users and communities are put first and foremost.

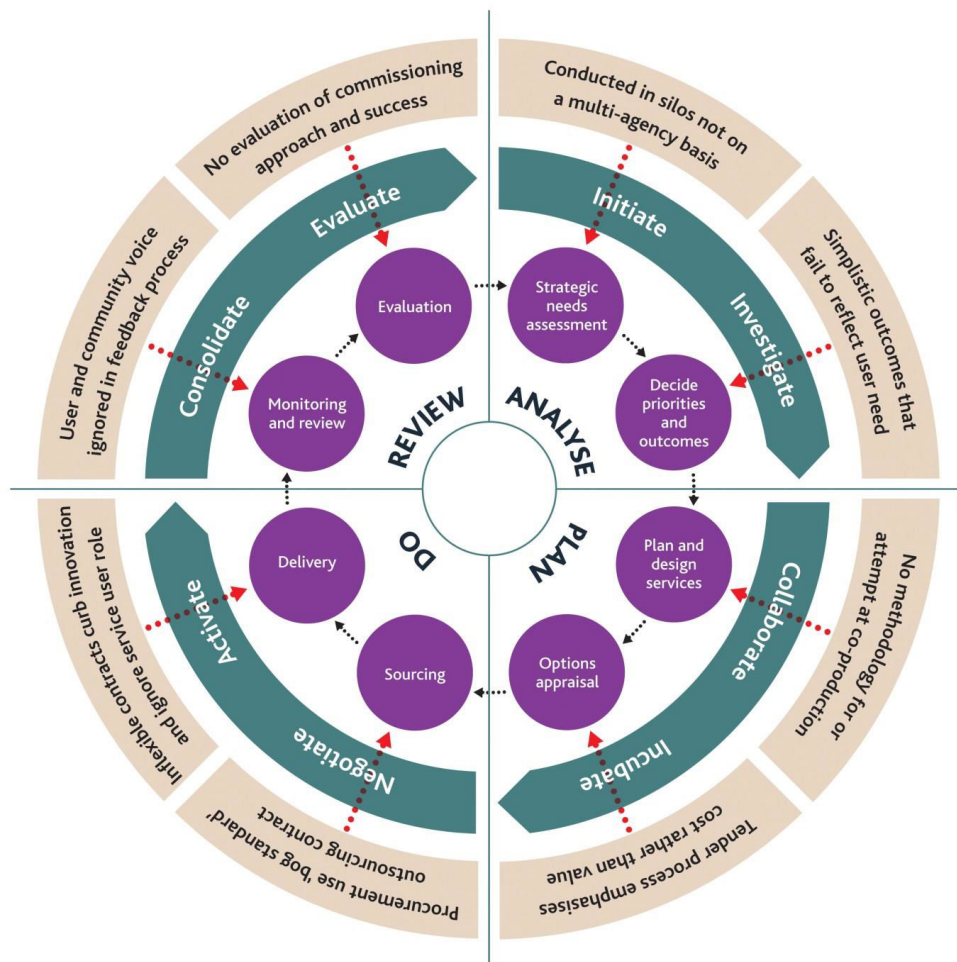
3.2.2 There is an increasingly complex commissioning environment with challenges and opportunities for commissioners and providers, not least in how to join up services better at a local level and meet needs in an integrated, holistic and transformative way that delivers results over the long term. Complex commissioning seeks to create integrated service that are co-designed with service users and take a more collaborative approach. The ‘Beyond Big Contracts’ (ISS and CGF) report emphasised this could include for instance more personalised support, co-designed

cross-sector services with service users, providers, cross sector commissioners and agencies working together; an integrated front line and more flexible services.

3.2.3 There is need for an approach that builds ‘whole systems’ thinking, networks of supply and can utilise ‘co-creation of value – ensuring services are innovative, have capacity to improve and be responsive and are integrated. To commission successfully KCC needs to be outcomes focussed from needs assessment through to monitoring of contracts; joined up; excellent at specifying services with complex outcomes; and create space and environment for innovation and social value. To take advantage of commissioning KCC need to explore how communities can define and shape their own outcomes (see market engagement), maximise the potential of the Social Value Act, and build skills and capacity.

Are KCC and the markets ready for a complex commissioning environment?

Figure 2: Structural weaknesses in the complex commissioning environment.



Source: Collaborate: CGF, IFG. Beyond Big Contracts. 2014

## 4 Making sure KCC is an Excellent Commissioner

### 4.1 Emerging themes

4.1.1 The Select Committee heard evidence of the range and breadth of commissioning activity across KCC service areas and engagement to improve our commissioning practices and support providers including VCSE and SMEs – with examples of good practice, partnership, innovation and steps being taken to improve how KCC commissions, for example:

- improved performance management - introduction of performance monitoring for some contracts through re-let, and re-let of inherited contracts; and financial reclaim for poor performance/non delivery of contract
- growth of new social enterprises and support to grow business, e.g. The Community Chef
- support to providers to understand the commissioning process
- introduction of the Kent online Business Portal
- shift to being outcome focused and improvement in raising standards of delivery
- drive and commitment of officers
- innovation from providers e.g. protecting gullies from theft, using tablets to share information directly.

4.1.2 There is much to be acknowledged but there is still a considerable journey to take. Three significant themes emerged during the review – to promote opportunities, to remove barriers, and to build capacity. VCSE and SMEs consistently highlighted a need for measures focused on process simplification, better promotion of opportunities, creating room for innovation, breaking down of contracts into smaller lots where feasible and early and positive engagement of VCSE and SMEs.

In summary as an organisation there is a need to

- bring up to date the terms and conditions and to introduce regular performance monitoring for some contracts (e.g. Accommodation Solutions)
- clearly define our commissioning strategy and hierarchy of priorities
- clarify roles and responsibilities in the commissioning and procurement cycle
- further mitigate existing barriers to both VCSE and SME (e.g. proportionate requirements to value of contract –PQQ, insurances, financial evidence)
- give flexibility and allow room for innovation within specifications
- improve joining-up of commissioning and thinking across KCC
- build better working relationships between commissioning and providers, and culture of collaboration
- ensure contract management is robust, and has the capacity to performance manage and evaluate services
- use frameworks in a more sophisticated way
- consider the role of members and Member oversight

- support market development and improve the capability, skills and capacity of organisations to tender, and consider how best to support and provide training for VCSE and SMEs
- improve communication, timeliness
- mitigate barriers of time, cost of legal advice and additional costs associated with TUPE, pensions, financial risk where possible

## 4.2 KCC's Commissioning Direction

4.2.1 Although KCC's key documents set out a path of transformation for KCC there is not enough clarity as an organisation about what KCC is trying to achieve through commissioning and the hierarchy of priorities, for example is it value for money, improved outcomes, budget delivery, local, using the voluntary sector and SME organisations; and whether KCC has clarity on local choices in service delivery being different to other areas in Kent.

4.2.2 Clarifying KCC's strategy will make it easier for officers to deliver the intended goal. A strategy could set out KCC's commissioning direction, objectives and commitment to excellent commissioning and core aims of KCC's commissioning approach; provide clarity around what KCC means by commissioning, procurement and contract management; outline basic principles of approach and the types of relationships wanted with providers. e.g. the London Borough of Croydon Strategy.

### **Recommendation 2:**

Clarify KCC Commissioning objectives and approach, and develop a KCC Commissioning Strategy.

## 4.3 Roles, Responsibilities and Skills

4.3.1 There are some excellent commissioners in Kent, but this can vary. Commissioners have a clear mix of skills, some have expertise in contract management, some in needs analysis and service design. There is a lack of clarity and clear definition around roles and responsibilities of staff in the commissioning cycle, and it has been identified as an area for corporate improvement that KCC actively improves its skills and approach to commissioning and ensures capability to deliver excellent commissioning. The key points are:

- 'muddying' of commissioner/operations role. There is a tendency for some commissioners to be involved very closely undertaking a role more similar to that of a service manager, rather than a contract manager who gives support to a contracted provider.
- lack of clarity in roles and responsibilities for commissioning/procurement officers, and who is best placed to undertake which tasks in the cycle.
- unclear about when and how legal advice should be sought in the commissioning cycle



- difference in core goals for commissioning and procurement, although potentially a shared goal of best value. The perception is procurement are often driven by the need to procure service for the best price, with key drivers to save money, manage risk, and support Kent business.
- better reach of procurement to challenge and advise commissioners on risk, and generally good working relationships.
- an identified need to improve commissioning skills and capabilities to deliver excellent commissioning/contract cycle activities
- skills and behaviours is a concurrent theme that runs behind the key issues in this report – Market engagement, relationships, communication, contract management.

4.3.2 KCC used to run a "Procurement Forum" where all the contracts officers for the different Directorates, together with Legal, Finance and Procurement, would meet monthly to discuss current issues and planned future procurements. It was suggested a forum of this nature be reinstated.

*“As KCC becomes more of a commissioning body it is essential that appropriately qualified staff are involved fully at the beginning of the process and this would include lawyers, commissioners, procurement specialists, and contract managers. This will ensure that there is effective sharing of information and learning at the outset. It will be easier then to establish when expertise is required and long term efficiencies would be created.”*

4.3.3 It is recognised that the social care commissioning function needs to modernise and transform, that roles are clearly defined and staff are supported to develop skills and capabilities for our evolving commissioning environment. There is a clear commitment to develop the necessary skills and capabilities within social care through a programme of training and development, based on the Institute of Public Care Certificate of Credit in Commissioning and Purchasing for Public Care (IPC).

4.3.4 IPC are supporting KCC Families and Social Care to:

*‘ ... develop and adopt a Strategic Commissioning Operating Framework, based on best practice, to standardise commissioning arrangements across the Directorate and within localities.*

*This includes commissioning arrangements for both adults and children’s services, but also specific operational teams such as Older People’s and Physical Disabilities, and Learning Disabilities and Mental Health commissioner ... and to develop*

- *a Strategic Commissioning Operating Framework*
- *a Strategic Commissioning Roles and Responsibilities diagram*

- *a Strategic Commissioning Skills Framework and Self-Assessment and analysis*
- *a programme of support and development, both generic to the whole group and specific to teams.*

*Core to which is to*

- *Ensure a common understanding of the principles and language of strategic commissioning*
- *Support and adopt good commissioning practice at every level and across every group*
- *Embed the Strategic Commissioning Operating Framework across the Directorate, and*
- *Encourage commissioning behaviours which actively support and facilitate the development of good quality care across Kent.'*

### **Recommendation 3:**

Define roles, responsibilities and relationships in commissioning cycle, agree who is best placed to carry out the different tasks, and decide when and how legal advice should be considered in the procurement cycle.

## **4.4 Relationships**

4.4.1 Relationships are changing, being broken and reformed, and are important throughout commissioning, from pre-market engagement to contract management. Social sector organisations are encouraged to collaborate and there is an increase in subcontracting through use of larger contracts. There is a concern that this growth in sub-contracting arrangements and provider consortia will lead to commissioners becoming less connected to smaller and social sector providers. Commissioners and providers need to work together to improve service co-ordination and outcomes, so collaborative relationships are key. It can take time to build trust.

4.4.2 It is evident that there is an awareness of what constitutes good practice, and evidence of that being realised in certain aspects of pre-market engagement, but evident there is

- a disconnect between commissioners and providers;
- much is dependent on capacity, trust and appetite for collaborative arrangements

- often no partnership between commissioners and providers , for example at tender stage specifications not always reflect the pre-procurement engagement and co-design that has taken place. (see market engagement)
- require open, timely communications so providers can plan and work as effectively and efficiently as possible when tendering

4.4.3 It is good practice in managing a contract that a good relationship between KCC and the contractor is built. ‘Good’ here means: insistent on delivering to contract, evidencing outcomes, but supportive at the same time. The relationships with and approaches of contract managers/commissioners are variable. Some were referred to more like a ‘head teacher/pupil relationship’, with monitoring meetings akin to ‘a police interview’, and low morale.

*“with some commissioners there is a real sense of battle fatigue from so much change. This is not good for moral at any level”*

4.4.4 It is not a partnership and need targets and outcomes but there is a balance, and those monitoring contracts need to have particular attitudes and skills. There is a need for better collaboration and partnership building. It is about the kind of culture KCC wants and needs as the backbone to its commissioning cycle and how KCC can challenge ‘the human effect’ and the issue that may have some officers who ‘cannot communicate effectively or are rude’. It is paramount that work to get the personality processes right for collaboration internally and externally and support culture change.

*“.. recognise the need for SME social care providers to work together and be represented at a strategic level to generate a continuum of cost effective, flexible, responsive, and integrated and community facing services. However this is dependent upon the capacity, trust and appetite of not only suppliers but also KCC for collaborative working arrangements. To date in our experience there is limited evidence of any real desire to have a partnership between commissioners and providers. Culturally this needs addressing and local authority attitudes need changing through training and coaching.” (A Provider Association).*

4.4.5 Relationships are also changing within the voluntary sector. Some organisations are forming consortia, retaining their individuality but having a stronger market position and capability to tender and deliver contracts; others are not, some becoming lead organisations. It was reported commissioning to some extent is restricting the informal sharing of ideas that used to happen with other organisations as **they** are now ‘competitors’.

*"It is also stops organisations sharing information and best practice, as those who might benefit are usually business rivals."*

4.4.6 With a growth in subcontracting arrangements, organisations can be more reliant on winning tenders from large contracted partners. Commissioners encourage larger organisations to utilise the services of SMEs and VCSE through the supply chain, and opportunities are advertised on the Kent Business Portal. The Kent Compact is an agreement between KCC and the voluntary sector and how they will work together. With the changing relationships and more sub-contracting it is perhaps time to invite the private sector to come to the 'Compact Table' so can reflect the Compact in subcontracting arrangements. For example

- Hampshire County Council has a small business friendly concordat - a voluntary non-statutory code of practice to make it easier for Small and Medium Sized Enterprises (SMEs) to do business.
- Herefordshire has a compact and makes it clear this does not apply to the private sector (p4) but there is an expectation that private contractors wishing to deliver public services will adhere to the Compact.

4.4.7 With regards to National providers there is a fear and perception of them having the resources to place 'loss leader bids' to gain control or take a foothold in the market. There is a concern of KCC commissioning via prime providers (whether national private or national VCSE organisations) and that smaller VCSE entities do not benefit from subcontracting, being offered only the hardest cases or those which are not profitable. Subcontracting can work, but needs monitoring in early stages with regard to quality and amounts expected for different organisations, and that management fees are reasonable.

**Recommendation 4:**

Develop the culture of commissioning and contract management, with an ethos of collaborative relationships.

**Recommendation 5:**

Extend the Kent Compact or similar agreement to include private sector providers working with the VCSE organisations.

## 4.5 Outcome Focused

4.5.1 There is a genuine shift and embedding of outcomes focus through outcomes-based contracts. However, there are still concerns about some being more output focused; and the ability to measure and difficulties in tracking provider impact.

4.5.2 Difficulties with measuring outcomes and impacts include for example:

- the causal issues are not straightforward
- it takes scarce time to undertake
- it takes time before some results are apparent
- it's difficult to measure prevention

Evaluation is nevertheless important to understand the impacts services have, identifying the contribution to build resilience and manage demand.

4.5.3 It was reported that often when evaluating or monitoring there is a tendency to look at outcomes by quantitative metrics that look at scale rather than impact of service. Evaluation needs to include qualitative measures and impact of service. It is a culture change.

*'targets need to be achievable but be challenging, clear and agree how it is going to be measured' (Provider)*

*"The tender did not focus on quality outcomes ... and current 1 year .. tender remains focused on the lowest cost for a time and task orientated service" (Provider Association)*

Also targets can work both ways, especially in collaborative relationships and showing that as a client we are equally committed.

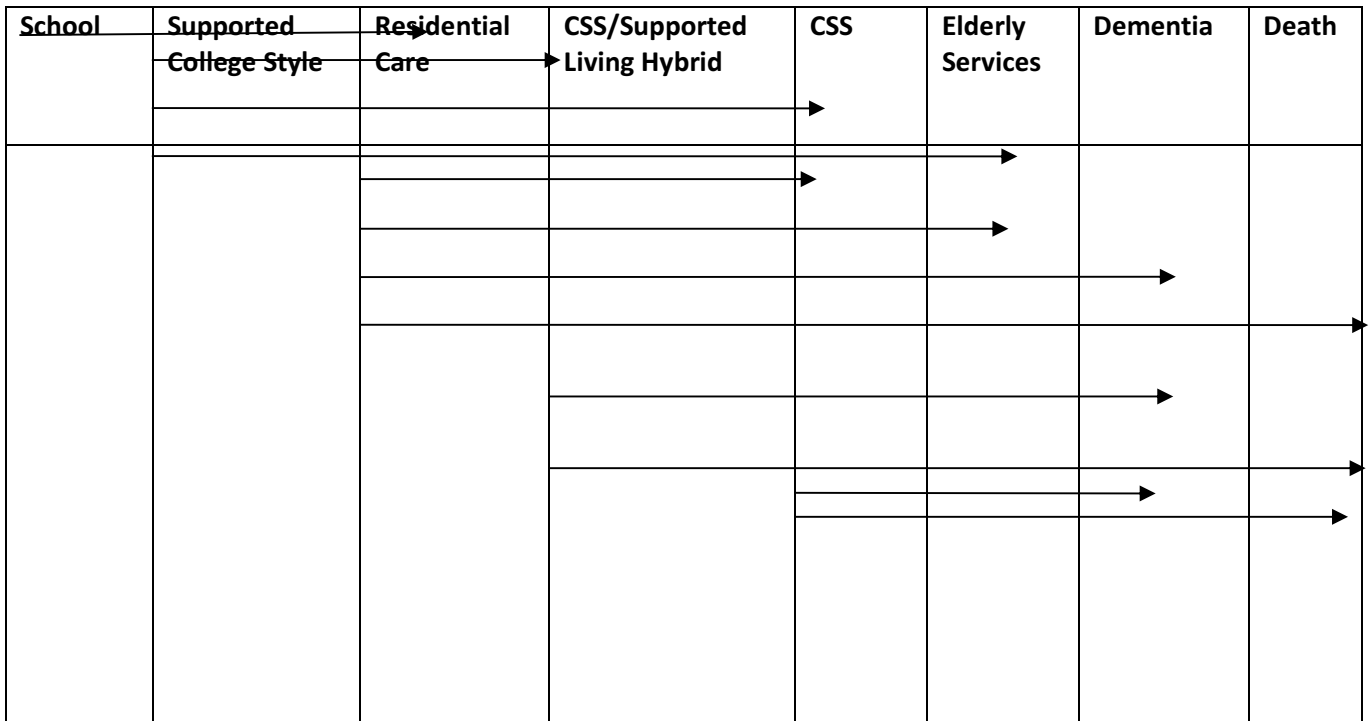
*'in spirit of partnership included target measures for KCC as a client – accuracy of details, information' (Amey Contract)*

4.5.4 Understanding the community needs and defining the outcomes is critical for specifying and securing the right services to achieve them. The outcomes need to be defined through insight, and understanding communities, taking account of community needs, provider models, community assets and resources to give more user-focused commissioning. There is a move nationally towards the co-production of outcomes.

4.5.5 In responding around the tender for Supporting Independence a case study outlined the care and opportunities a provider could offer to support independence as a continuum of services that can be accessed by individuals as appropriate to changing needs and circumstances over the course of their life cycle, or as a journey (Figure 3). The case study exemplifies the case for longer-term

commissioning, and may mean taking some risks and looking at longer term outcomes.

**Figure 3: WHOLE OF LIFE CARE CYCLE**      Age 18 - ?? transition



Source: a provider case study, submitted as additional information. February 2014.

4.5.6 The key messages to ensure we define the right outcomes and secure the right services are to

- invest time in understanding the community, gathering insights and knowledge including from providers;
- recognize it can take several years of dedication and care to develop someone to be more independent and needs recognising;
- working to co-produce outcomes, involving service users and communities in defining outcomes;
- to look longer term and at continuum of services for an individual.

**Recommendation 6:**  
 Invest time defining the desired outcomes and measures (quantitative and qualitative), ensuring these are user and communities focused and evaluate impacts (not outputs), using Co-production of outcomes and measures where appropriate.

## **4.6 Joined up Commissioning**

- 4.6.1 A more complex commissioning environment requires an approach that responds effectively to a range of interrelated user needs – thinking across service boundaries, creating integrated services that are co-designed, are more collaborative and join up the commissioning of services. ‘Facing the Challenge’ reflects the importance of joined-up commissioning as part of KCCs’ transformation.
- 4.6.2 Strategic Commissioners and a recent contract review identified a number of examples where providers were delivering the same or very similar work commissioned by Directorates across the Authority, and some different. There is a current lack of joined up thinking, and an opportunity to avoid duplication of services by looking across the Authority. It is about being person centred and ensuring commissioning strategies focus on the client and bridge across directorates, so no silo working and better linkages.
- 4.6.3 There is a need to improve how we join up commissioning across the Authority, with agreed outcomes and metrics, and one Lead to monitor performance. It is not only about linking up across directorates but how KCC could effectively pool funds with partners to join up across sectors to achieve outcomes. It was highlighted that as commissioning becomes more sophisticated and community-led there are opportunities to consider what else a provider can do when while they are with a particular client, group or in an area. There is potential to work more collaboratively, pool budgets, resources and expertise in pursuit of improved services and outcomes.

### **Recommendation 7:**

Improve how we join up commissioning across the authority. There is a need for better collaboration and partnership building across silos and with providers.





## 5 Engagement & Communication

### 5.1 Market Engagement

- 5.1.1 The importance of engagement with providers and service users is critical. Embedding community engagement and influence and engaging with the market are essential in order to understand needs, capabilities and improve services. Through a better understanding of needs, and capabilities of the sector Commissioners can secure the most appropriate, effective and efficient outcomes. Providers and VCSE particularly play a key role in the knowledge they have and understanding of localities and local needs, and in shaping services to improve outcomes.
- 5.1.2 Engagement with potential suppliers is carried out on a project by project basis. Supplier engagement or 'Meet the Market' events are undertaken for all major procurement activity, and SMEs and social enterprises are invited to attend so that where appropriate businesses can be encouraged to work together in consortia. This pre-procurement market sounding also provides an important opportunity to engage with potential suppliers on the jobs and skills, training issues and supply chain opportunities.
- 5.1.3 'Meet the Market' events are used to engage with the market, encourage networking, and importantly to gather ideas to inform specifications. They provide a useful walk through for providers of the process to follow, and are a useful mechanism through which to encourage VCSE and SMEs to register an interest in providing a service. Equally engagement with the Market and potential service providers is essential in truly understanding what the sector is capable of.

### 5.2 Engagement for better commissioning

- 5.2.1 Better commissioning through better understanding of needs and better specifications will mean the right services are commissioned and procured – need this right before procure services. Pre market engagement is vital in designing and commissioning excellent services and having real and meaningful pre engagement with providers including the VCSE and SME sector is important for service design ahead of tender, and the detail and quality of specifications to allow service innovation and added social value.
- 5.2.2 It was reported that
- Final specifications that come out for tender often
- do not reflect the pre-market discussions
  - are too rigid, imposing ideas, limiting the room for innovation and additional value to be added.

and

- Market Events although useful are not as inclusive as perhaps they could be, inviting those known to services and not advertised or communicated widely, giving rise to a concern that SMEs and smaller organisations may miss opportunities.
- there is a reluctance to share innovative ideas in open forum with ‘competitors present’ as these may be a unique selling point for a service, and is an issue acknowledged by providers and commissioners

*“appears to be a disconnect within KCC between commissioning, Operations and procurement – this is frustrating for providers, who after extensive negotiations and attempts at co-production with commissioners are then faced with tenders that do not represent the understandings they believe to have been developed in the run up to the process”*

*“It is also stops organisations sharing information and best practice, as those who might benefit are usually business rivals.”*

*One of the “main reasons could not proceed to tender ... our ethos of co-producing and personalising services means we begin by working alongside people closely to shape the direction a service takes. We recognised that the service specifications were prepared with contributions from people currently being supported ... however without being able to visit the services to meet people face to face, listen to views ... felt could not prepare a tender of the quality expected and that was true to our principles”*

- 5.2.3 It is essential that we have real and meaningful engagement between commissioners and providers. Pre-market engagement and importantly, listening to service users adds real benefit in the designing of services and outcomes prior to specifications being published. Understanding needs and engaging to inform specifications is imperative, as providers commented service commissioners often are not clear what service is wanted moving forward. Specifications should have a good level of need and outcomes identified and not be too rigid as need to allow innovation and flexibility, leading to better contracts with the right specifications, flexibility and leverages.
- 5.2.4 With regard to greater transparency and service design the possibility of launching a new service "Solutions Exchange", to help public sector organisations go the market to ask for ideas and solutions to problems before they commence the formal procurement process was highlighted. This would provide an opportunity for SMEs to pitch new proposals to public bodies and have the opportunity to understand what contracts the public bodies were considering procuring in the short to medium term.

- 5.2.5 A different approach through greater co-design and co production: Co-production and co-creation are a key component part to a successful commissioning approach. The focus should not be about whether the service is public, private or social but about how design service and secure services and obtain maximum benefit, hold providers to account on performance and how innovation is supported to deliver improved social outcomes. (CGF, IFG).
- 5.2.6 It is evident in both research literature and through experience that it is essential to consider how service users and stakeholders are included in the development of the intended service and specification. The best solutions potentially come from the people who are closest to the issue; this could be service users, residents, or frontline staff/providers. In developing the best possible specifications and services in Kent, community consultation and provider engagement could potentially go further to actively involve people in the design of services that they are going to use or deliver.
- 5.2.7 Within Adult Community Support co-production is at the heart of their ethos:

*‘ seek to work with wide range of stakeholders to understand need and ensure that services are developed to reflect what people need to live independent lives.*

*... working with providers and people using services to develop our commissioning strategies, service specifications and evaluation criteria.*

*In recent commissioning activities people using our services formed part of the evaluation process with their perspective being weighted and used as part of the overall scoring.’*

- 5.2.8 The work of the KCC Social Innovation Lab (SILK) supports this approach, and the SILK methodology for example provides creative and innovative ways to engage with people and approach projects, and enables a collective ownership and responsibility for project design, delivery and outcomes for projects. SILK and the Strategic Commissioning Unit in Families and Social Care are using a person-centred co-production method to develop Kent as a Dementia Friendly Community. This programme is working across Kent from which it is anticipated a range of collaborative service design and sustainable community projects will emerge cutting across education, health, care, housing, voluntary, arts and leisure, faith, business, community and family. (see Appendix 3: further details about the SILK methodology).
- 5.2.9 If KCC wishes to capture the value of what organisations are already doing, and ideas to innovate then it should and needs to offer more opportunities to co-design

services. Using a different model of engagement such as a Co-design method of commissioning would utilize the full potential and skills of the market including VCSE and SMEs and the insights of service users in co-production.

**Recommendation 8:**

Provide more opportunities to co-design and co-produce services where appropriate, to capture the value of what organisations are already doing, and ideas to innovate.

**Recommendation 9:**

Need to ensure that specifications are 'fit for purpose' and reflect market engagement, identify level of need and desired outcomes, allow innovation and flexibility, leading to better contracts.

**Recommendation 10:**

Actively consider how service users and stakeholders can have greater input and influence in the specification, and service users in the evaluation of tenders.

### 5.3 Improving Communication

5.3.1 Good communications between KCC and providers is vital, and important whether for instance to invite them to attend an event or feedback on a recent tender. The evidence highlighted a need:

- for appropriate communication about changes to process or withdrawing contract tender, especially after providers have written tender submissions
- to raise levels of awareness to potential providers in the VCSE and SME community.
- for timeliness of communications, for example giving early notification of tenders coming out, timely feedback

5.3.2 The need for excellent, appropriate and timely communication and engagement is vital to

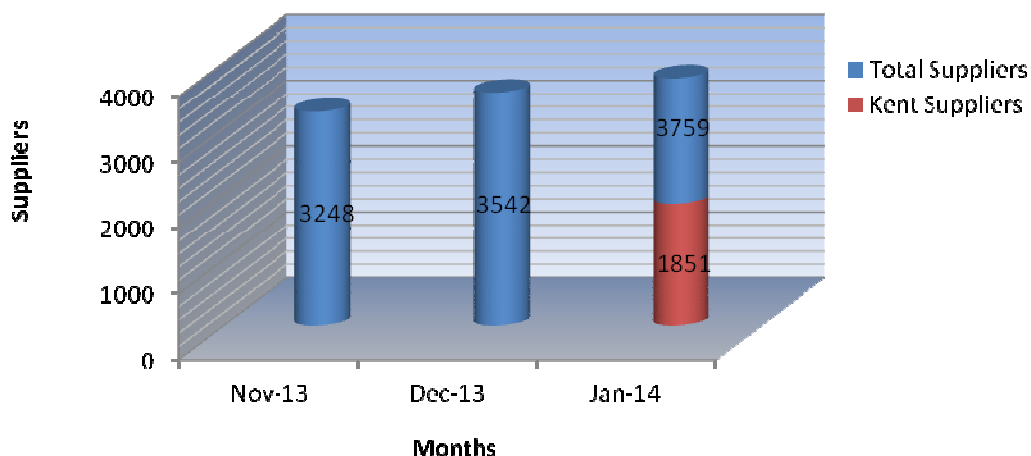
- **Keep providers informed** of changes to process or reasons for withdrawal of contract tender after providers have spent time writing submissions
- **Raise level of awareness** to potential providers in VCSE/SME community, and give early notification and information to organisations regarding services wanting to commission, and to **promote opportunities** to VCSE and SMEs.
- to ensure pre market engagement allows **greater understanding of the potential** of the service sector, informs service design and quality of specifications and allows room for innovation.

### 5.3.3 Advertising Tenders and e-Communication

The 'Kent Business portal' ([www.kentbusinessportal.org.uk](http://www.kentbusinessportal.org.uk)) was developed to advertise tender opportunities with not only KCC but also several of Kent District Councils, Medway Council and the Kent Fire and Rescue Service. KCCs main contractors can now also advertise sub-contract opportunities, and this allows both VCSE organisations and SMEs to see sub-contract opportunities on larger projects that might otherwise be out of their reach.

5.3.4 There has been a steady increase in the number of suppliers registering on the portal. (Figure 3).

**Figure 3: Number of Suppliers on the Kent Business Portal**



5.3.5 It is important that potential service providers of all sizes and from all sectors of the market are aware of the Kent portal, and that KCC continues to promote it. For example KCC Economic Development sponsored the Kent Construction Expo in November 2013 in association with the Kent Invicta Chamber of Commerce. One of the main highlights of the Expo event was the showcasing of the developing Business Portal and an opportunity for small businesses to have face to face meetings with most of the major companies that have recently secured large contracts with the County Council.

### 5.3.6 Making it easier to engage, find opportunities & use the Kent Business Portal

Although the picture of numbers of businesses registering on the portal is a positive one it remains a concern that some of those the Committee spoke with (both SME and VCSE providers) were unaware of the Kent business portal and generally referred to the SE portal. There is a concern that many of the smaller and micro

social enterprises are not 'hooked' in to this and are therefore potentially missing opportunities for their businesses.

- 5.3.7 Despite the positive figures there was a lack of awareness of the Kent Business portal and also confusion evident around the SE portal and Kent Business portal. It was also reportedly difficult to navigate. Promoting opportunities by extending the use of the portal, allowing registered organisations to advertise their sub-contracting opportunities to other suppliers is a positive step. Work to develop and extend the use of the Kent portal further should be supported.
- 5.3.8 Currently all Kent County Council opportunities with a life value of £50,000 or above are advertised online via the Kent Business Portal. The Committee deliberated whether there should be a consideration of the value of contracts to be included in the portal and tendering, and whether the level should remain the same or be raised leaving the flexibility to the Local Authority to find solutions for low value contracts through informal processes to reduce bureaucracy and costs. Currently for transactions valued at more than £8,000 but less than £50,000 at least 3 written quotations must be sought). However as reflected previously to assist Small and micro enterprises there is also a need for publication of lower value contracts (i.e. £5K) and greater transparency regarding low value contracts that are available.

**Recommendation 11:**

Ensure appropriate and timely communication throughout the market engagement and tendering processes – about timeliness, communicating reasons for changes, levels of awareness.

**Recommendation 12:**

Promote contracting opportunities to VCSE and SMEs and Better or enhanced promotion of the Kent Business Portal to increase awareness (including with small and micro enterprises), and for the Portal to be more easily navigable.

**Recommendation 13:**

Extend the use of the portal to enable other local Authorities to promote contract and subcontracting opportunities, broadening potential access for VCSE and SMEs.

## 6 KCC's approach to procuring goods, services and works

### 6.1 Our procurement processes

6.1.1 The County Council's procurement processes have a key focus on supporting Kent businesses. Procurement recognise the need to be open, transparent and proportionate in order to reduce barriers to entry for small and medium sized businesses and social enterprises. Procurements three drivers are firstly to save money, then to manage risk, and then support Kent business. Following its recent report, *Local procurement: making the most of small businesses*, the FSB produced a charter designed to promote positive procurement between small businesses and local authorities. The charter sets out 15 best practice recommendations to encourage a better procurement process for local small firms. It was reported that the approach to procurement taken by the County Council is consistent with the charter's recommendations.

6.1.2 For all procurements over £50,000 in value, it is a County Council requirement that a procurement plan must be prepared. The plan has a wide ranging check list of requirements that include Social Value and how the procurement will support Kent businesses.

6.1.3 The County Council has a target of 60% for contract expenditure with first and second tier Kent businesses (where second tier comprises sub-contractors or suppliers to the main contractor that KCC is paying directly). In 2012-13 for example, KCC's expenditure with Kent suppliers (first tier) was £571million, which represents about 58% of contract expenditure, and increases through use of sub-contractors or local suppliers in the second tier.

6.1.4 The two figures below illustrate spend by business size and sector.

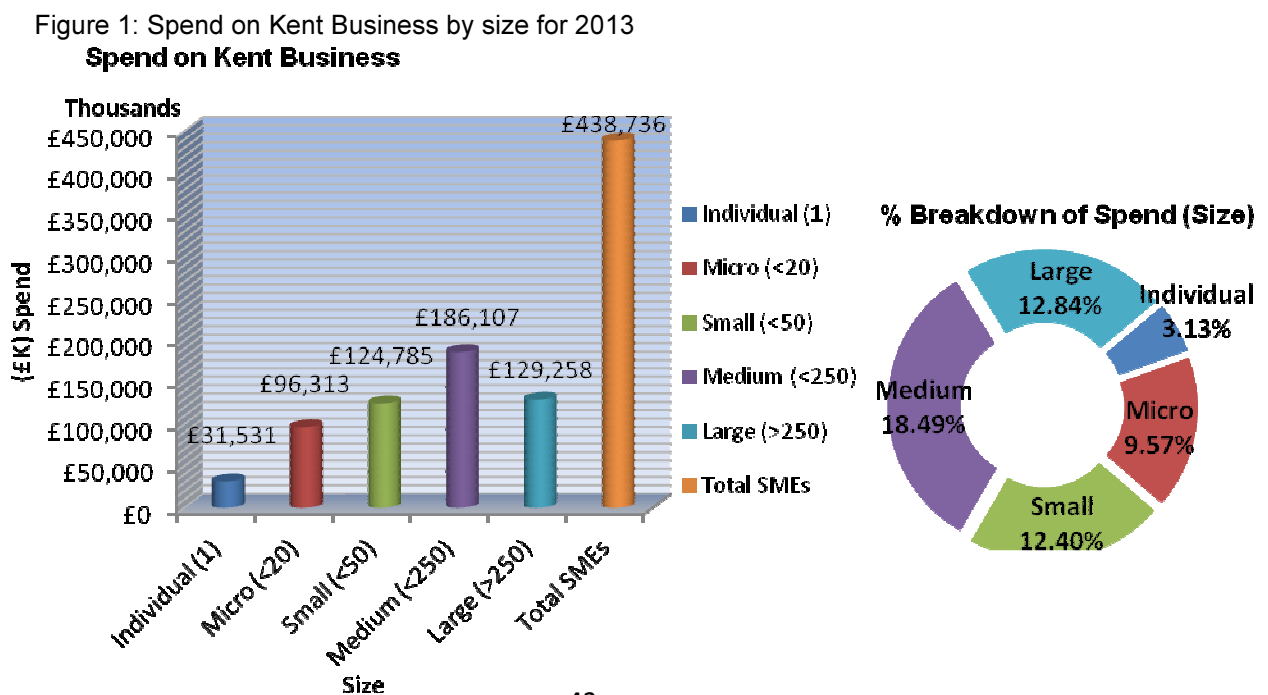
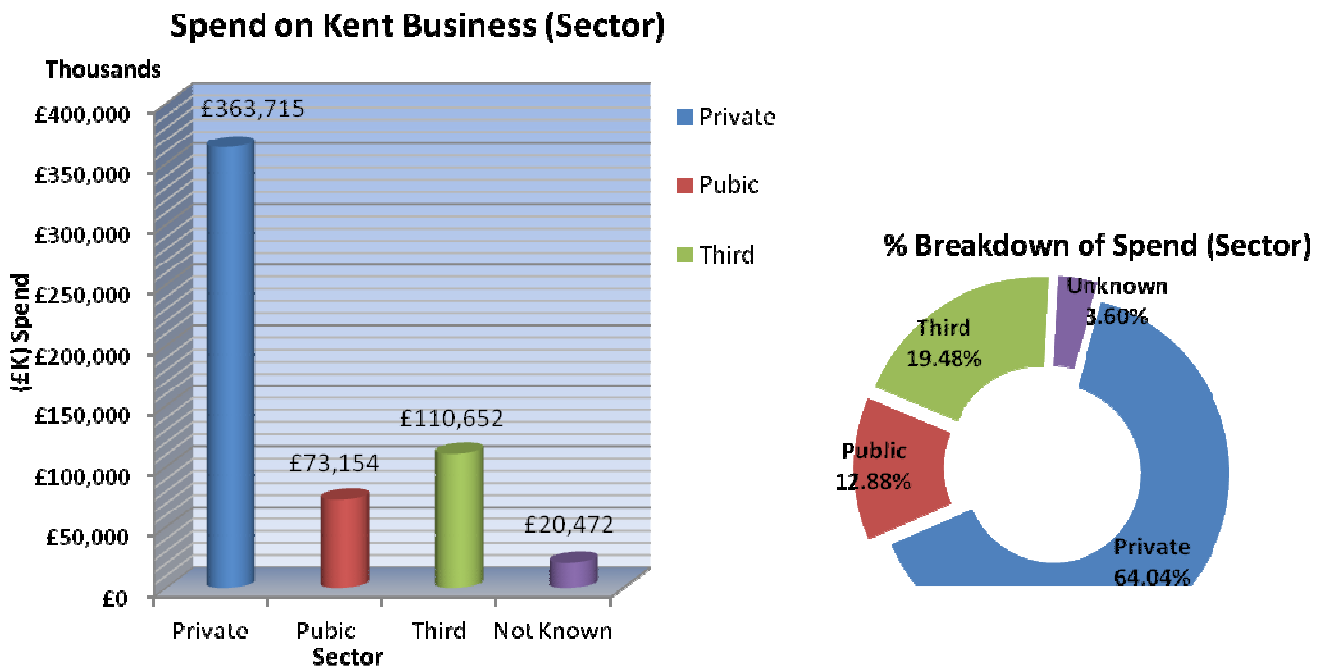


Figure 2: Spend on Kent Business by Sector for 2013:



## 6.2 Making it easier to tender to supply Kent services

6.2.1 There is evidence of significant improvements in Kent's procurement, however both the VCSE and SME sectors still face some hurdles in accessing opportunities through our tendering processes. If these can be addressed it would help to ensure it is easier for potential providers to enter the market and be able to compete for contracts.

*Transparency – "Extending the reach of the Mystery Shopper scheme so that it spot-checks public bodies, to make sure that their procurement is small business friendly. This scheme currently only investigates reports of unfair treatment"*

### 6.2.2 Local Knowledge and Bid writing:

The importance of ensuring local understanding and knowledge is factored into the tendering process was highlighted. There is a concern that some organisations have teams of experienced central bid writers, giving them an advantage. In order to drill into evidence of quality of provision and understanding rather than quality of central bid writers, Commissioners and Procurement Officers ask/ensure that the local managers are present for interviews (not only central bid writers) who if successful will deliver and manage the service.

6.2.3 To strengthen understanding of local knowledge and experience of organisations, it was suggested as potentially beneficial if KCC considered how to incorporate visits to existing services of potential providers as part of the tender process to get a real flavour of what was delivered on the ground as opposed to only on paper. There was a similar concern raised by Commissioners that knowledge of past



performance/experience of working with a provider (either good or not so good) is not reflected or taken into account in considering tenders for new work.

6.2.4 It was commented that there was still a need for plain language to be used in documentation, supporting guidance, ITTs etc. This is a KCC standard.

6.2.5 Capacity of SMEs and VCSE's to tender.

There are issues around the capacity of VCSE and small /medium organisations to tender. Organisations commented that the time taken for the process remains disproportionate for a small organisation, and a considerable length of time is required to complete the PQQ and tenders. Kent's PQQ is currently long compared to some other LA's.

*"Our estimate is that we spend around £20,000k per annum in staff time monitoring, exploring and developing bids. While successful bids include some management costs this cost of being active in the tender process can't be recovered. This capacity is beyond the reach of most smaller voluntary sector organisations."*

6.2.6 'Small business: Great Ambition' sets out actions government plan to take to assist SMEs to grow and remove barriers they face to access public contracts. The possible legislation in 2014 – includes abolishing PQQ for low value contracts and standardising core PQQ for high value contracts to reduce complexity and cost. When this is applied to procurement to make public sector contracts more accessible for Small-Medium Enterprises (SMEs) the changes implemented will remove some of the barriers that SMEs face when bidding for public contracts.

6.2.7 The size of the PQQ Kent uses is about and is a reflection of the level of risk and willingness of KCC to take risk. Procurement are working to standardise the PQQ and this needs to continue at pace. An option is to consider self-certification on low value contracts and then more detailed analysis if proceed to award stage.

*"Some of the tenders take so long to complete and it becomes unviable. We are a small CIC and don't have the time required to spend on ITT's only to find it wasn't suitable for us, or we didn't get any success in our application."*

*"Time involved to wade through the processes is disproportionate for a small organisation. ... The true cost has not been recognised ... have agreed not to go ahead with trying to secure commissioned services as a result. However there is still a need for the work to be done and we are still recognised as being able to do it"*

*"Commissioning is top heavy on admin and this knocks out the small organisations despite their flexibility and excellent front line knowledge"*

*“If it was more efficient and easier there would be more small organisations taking part but we have only to look around and see that these organisations are not taking part in the commissioning process in large numbers, squeezed out by bigger groups.”*

*“Small and local still has a useful presence if allowed to survive!*

6.2.8 Timescales are a significant issue for both VCSE and SMEs, and present a significant challenge to VCSE organisations and SMEs without tender writing teams:

- Invitations to Tender (ITT) often come out at the same time for different services, and can be especially the case and demanding for organisations which work across Directorates, resulting in several to complete at same time.
- The timing for completing/submitting tenders most often falls over key holiday breaks like Christmas when officers are away, and is reported as a recurrent pattern.
- The length of time to complete and return tenders is often short – often only three weeks. Presenting particular difficulties for consortium bids.
- Time between award of contract and mobilisation is often short and could be longer for more complex services and where more complex bid arrangements.
- PIN notice period could be longer, raising awareness and allowing time for supply chain preparation in time to tender, consortia bids etc.
- Slipping timescales, for example where the process has changed along route, or appeals are made prior to final award of Contract, so the length of time before funded to supply a service is longer than anticipated. This funding and time delay may be critical to a smaller business or organisation.
- More time for consideration of TUPE issues, transition of staff. Commissioning needs to be planned more carefully - enough time needs to be built in to the process to allow for the procurement to be carried out correctly. On larger procurements, more consideration should be given to employment (TUPE) and pensions matters.
- Give sufficient time for mobilisation – recruiting staff safely takes time, some can deploy existing staff temporarily to help with set-up, but this should not exclude new providers from the marketplace.

*“If tenders are too long or do not allow enough time to respond this will make it hard for smaller organisations to put in a response.*

*The staff time needed has costs for the organisations and offering a support package alongside tenders may prove beneficial. (The cultural arts tender around wellbeing festivals and interventions is a recent example of this approach)”*

6.2.9 Bidding for a contract with KCC can be of significant cost to contractors and a barrier to smaller providers, with no guarantee of success. Costs include time, the development of expertise in order to compete in a tender process, seeking legal advice, and any resultant TUPE and pension requirements if successful. The complexities of bidding are recognised by large providers and they will often have the infrastructure that allows them to participate, but smaller providers often do not have this.

*Financial arrangements, insurances or other thresholds being set at an unnecessarily high level within specifications etc. can deter new providers." (Written Evidence - KCC Staff)*

*"Any provider is more likely to lose a contract on retendering than to retain it, and the average 'hit rate' for winning a new contract bid is between 20-40%, which is standard in the sector ... most of this expenditure is unproductive and is loaded into the cost of successful bids" ... "We don't think there is a single satisfactory 'answer' to this; longer contract terms, more streamlined processes etc. may work in some instances but be detrimental in others.*

*We would like to see a more 'intelligent' approach where tendering costs, are tailored against anticipated benefit."*

The transfer of TUPE staff can also create an inequality in an organisations workforce as different Terms and conditions to those already there. Also once successfully on a framework these have not necessarily led to the levels of work anticipated. There should be a clear understanding about size and amount of work expected, and for our frameworks to become more sophisticated.

*" It should be made clear to bidders that there is no guarantee of work if they are successful in gaining access to a Framework Agreement. Many of the other large P&IS contracts specifically exclude guaranteed work for the contractor. Once potential bidders know these limitations, they can weigh up whether it is worth them taking part in the procurement exercise."*  
*(Written evidence - Legal, KCC)*

*"The transfer of TUPE staff creating an inequality in organisations workforce as currently unable to meet public sector pension benefits."*

*TUPE – " this was one of the deciding factors not to tender as not prepared to award some members of staff these benefits and not others, and are not in a financial position to take these costs on."*

#### 6.2.10 Evidence for New providers

Kent supports a mixed economy of providers with genuine roles for both the VCSE and SMEs. There is however on balance a difficulty for new organisations to win new contracts and also for organisations to enter markets without specifically related previous experience and evidence of what they could do and is inherently linked to KCCs appetite for risk. There is an opportunity perhaps on frameworks to gain experience through smaller lots of work, or through working as part of a second tier supply chain. It was also suggested that developing a new rating service for small firms could be useful. It could give an opportunity for providers to rate public bodies on their procurement processes but also for Public bodies to have the opportunity to rate their suppliers so that small businesses that win contracts can start to build up their reputations.

*“New providers suffer from the ‘chicken and egg’ scenario – they can’t win tenders as they do not have references from previous providers. Perhaps eligibility onto smaller contracts such as Frameworks may be won on a ‘provisional’ basis to allow new providers to ‘prove’ themselves”*

6.2.11 Smaller contracts could be used to help micro small enterprises to gain evidence and make the step up – KCC need to offer opportunities for this to happen. There is a need to make contract opportunities easier to find by the publication of lower value contracts (i.e. £5K) and greater transparency regarding low value contracts that are available. For SME’s – including the voluntary sector – contracts as low as £5,000 can be of considerable interest, yet tend not to be publicised. However, an opposing view is that (in consensus to consultation) is that the threshold for publishing contract opportunities should be increased from £10,000 so that, for very low value contacts, public bodies would retain the flexibility to carry out their own informal process, reducing bureaucracy and costs. Any process must be transparent and promote opportunities for small and micro businesses and smaller VCSE.

*“Part of the education process for new businesses is to learn how to work up the ladder. Small businesses need to start with low value, low risk contracts and the challenge for commissioners is to publicise such contracts.” FSB*

#### Procurement Decisions and analysis

The ratio of analysis used in procurement decisions is variable across the organisation. Price is a significant driver within our decisions with a 70:30 split, and sometimes a more even split of 60:40. To provide an opportunity to maximise Social Value there should be a consideration of how much of each procurement decision should be given to Social Value considerations, and how this could be achieved in practice.

6.2.12 The Adult Community Support Team have included stipulations in all recent evaluation criteria regarding the Social Value Act. In for example the Carers Short Breaks specification 20% of the 60% quality score was based on social value, and is a welcome step in decisions to reflect potential added Social Value. On the other side Social Value is increasingly difficult when have to balance budget, so need to consider cross directorate policy to move from cost/quality analysis to consider 40% cost + 40% quality + 20% social value within specification/tender where appropriate.

**Recommendation 14:**

Strengthen our processes to access and utilize knowledge of Commissioners and potential providers - KCC should consider within the current Tendering process and complying with procurement law how KCC can strengthen our understanding of the local knowledge and experience of organisations, for example by incorporating

- visits to existing services of potential providers
- reflecting knowledge of past performance/experience of working with a provider,

both good and not so good.

**Recommendation 15:**

Simplify and standardise procurement processes further to remove or minimise procurement process barriers by:

- introducing reduced and less onerous requirements for low value contracts (e.g. financial evidence - self certification/documentation for low risk/low value followed by a more detailed analysis if proceed to award stage, proportionate pre papers or discontinuing PQQ where appropriate)
- simplifying and standardising the core and online PQQ, retaining the flexibility to add additional questions for more complex service areas
- better co-ordination of Commissioning and co-ordinating the diary of tenders across KCC where possible and introducing a plan of tenders
- giving earlier notice of intention to put contract out to tender and more time for the completion and submission of tenders.

**Recommendation 16:**

Promote opportunities to VCSE and SMEs through publication of lower value contracts (i.e. £5K) and greater transparency regarding low value contracts that are available

**Recommendation 17:**

Reflect Social Value sufficiently in our procurement decisions – need to actively consider how much of each procurement decision should be assigned to Social Value, and not only between price and quality.



## 7 Market Development

### **7.1 Support to VCSE and SMEs**

- 7.1.1 It is essential that the market develops and is supported to have the skills, capacity and capability to deliver the services that are needed for the future. The key question is how should and can KCC best support VCSE and SMEs?
- 7.1.2 There are a number of organisations that support the voluntary and community sector at national, regional and a local level.

#### National Infrastructure

Two of the most significant are the National Council for Voluntary Organisations (NCVO) and the National Association for Voluntary and Community Action (NAVCA)

#### Regional Infrastructure

RAISE is the main organisation operating at a regional level. It was established in 1999 and is the support organisation for the voluntary and community sector in South East England. Its remit is to work in partnership with policy-makers, stakeholders and funders to increase the potential of the sector and to improve quality of life within the communities they serve. RAISE has a particular focus on supporting health and social care.

#### Local Infrastructure (LIOs)

The term Local Infrastructure Organisations (LIO's) is generally understood to refer to Councils for Voluntary Service (CVS's) and Volunteer Centres (VC's). These organisations provide local infrastructure support to voluntary and community sector groups and organisations and contribute to overall community capacity.

In Kent there are six CVS's that together cover the whole of the county. They vary in size with some serving one district and others serving up to four districts. Three CVS's have integrated Volunteer Centres and there are also seven separate local Volunteer Centres. All receive some funding from KCC and some receive district council funding.

Other organisations operating in and providing support services to the sector in Kent includes Action for Communities in Rural Kent which has a focus on rural communities. The latter is a voluntary organisation but supports rural business as well as community and volunteer-led groups.

- 7.1.3 It was noted that KCC provides feedback to suppliers, as required under the Remedies Directive, but offers to spend additional time where requested with small businesses and social enterprises to help ensure that their tendering

capability might be improved for future procurement calls. Micro and small enterprises often lack understanding of the procurement process including an understanding of which contracts they should and should not bid for and the mechanics of completing tender documents. Procurement is also considering the re-introduction of bidder training days to provide help to Kent businesses on how to complete tender documentation.

*“It would be helpful to advise small business about what is available and what would be good to bid for as well as what not to bid for. Training could be offered at procurement workshops and “meet the buyer” events.” FSB*

#### 7.1.4 The key points raised are that there is

- a focus on how the sector can support KCC – but little about what may help commissioners understand about sector, or shared experience of how operate
  - a clear need in the sector for support regarding the tender process
  - a need for support for VCSE and SMEs importantly on how to complete a tender and tender information, what to include, how much, what information to provide and how, particularly for organisations as ‘frontline experts’, with no central bid writing teams.
  - support provided for VCSE by infrastructure organisations across Kent. Although these organisations provide valuable information and training to the sector it is not necessarily equitable,
  - provision of some direct community services under contract by LIO’s, and as a result some providers believe that the support work suffers and are conflicting remits.
  - a view that some local infrastructure organisations do not fully represent or network for other VCSE in the wider sector
  - a concern around the closure of the recent Kent CAN, an organisation that operated in and provided support services to the sector in Kent, which had a county wide focus,
  - a significant skills gap for some organisations
  - a value in providing assistance to organisations once successfully tendered, to enable them to deliver a good service under contract e.g. shared training opportunities between provider and client
- and
- although market events provide a useful walk through the procurement process they cannot and do not however provide enough support on how to actually complete a tender

7.1.5 There is a shift in relationship between the public sector and VCSE sector with increasing need for organisations to have the ability to tender successfully within a mixed market, and play a key role in managing demand and building resilience.



Therefore it is important that consideration is given to how best to support VCSE within an evolving and complex commissioning environment.

7.1.6 The key question is how can KCC best provide infrastructure support for the VCSE and SMEs to enable the market to develop? How should KCC ensure that everywhere in Kent has access to good support to develop the market, build capacity and improve tendering skills – infrastructure grants? consortia? framework contracts? market development specialists?

7.1.7 Other authorities have considered the issue of support and market development for VCSE for example:

- **Worcestershire** moved away from a grant to a consortium of infrastructure bodies and replaced this with £750,000 investment to build a managed market of support and build capacity in VCSE, commissioning support from a framework contract with providers from private, public and voluntary sectors. It provides support for financial sustainability, marketing, procurement, outcomes, professional support (HR, Legal).
- **Oxfordshire** moved to a single contract for infrastructure services in April 2012

7.1.8 Adult Social Care are preparing a specification for the purchase of a new time limited Adult Social Care Voluntary Sector Market Development Service to work with voluntary and community sector organisations. It should play an important contribution to the infrastructure support that Families and Social Care commission or provide to support voluntary and community organisations to be sustainable and deliver positive outcomes for vulnerable adults. It is anticipated that this will provide key support for

- training or 1-1 mentoring to identify potential funding opportunities; writing bids and completing the tender process.
- enabling networking and collaborations amongst VCSE
- developing and sharing professional skills
- information, advice and guidance website offering portal access to e-learning, workshop details, links to best practice and guidance, how to access the Kent Business Portal, examples of tender submissions

7.1.9 It was evident that there is much support existing and is clearly valued, and experience of different models within the Country, but on balance this needs to be looked at with providers to ensure the support is the best it can be. There is an intrinsic value in ensuring the VCSE sector **and SMEs have** the support **needed** to build capacity and develop. There needs to be further consideration of this issue in greater detail to ensure that both VCSE and SMEs have the support needed, and potential for joined up commissioning.

**Recommendation 18:**

Actively consider how best to support the development of the market and build capacity, particularly how best to provide support to VCSE and to SMEs.

## **8 Contracts, Risks, Grants,**

### **8.1 Length of Contracts**

- 8.1.1 The length of contracts is important as they need to be commissioned with an optimum length to seek innovation and for a provider to make a fair return. It was highlighted that increasing contract awards to 3 years in length is a vast improvement that allows services to fully develop their models of delivery and integrate them with other relevant services. It supports small organisations with sustainability and enables them to work with service users and communities to achieve long term outcomes and mutually supportive environments. It is an improvement on the historic yearly rolling contracts, often with no formal review of the contract taking place.
- 8.1.2 It was commented on that some contracts do tend to change hands every 3-6 years. It is then hard to engender loyalty amongst frontline staff, who are likely to be TUPEd to someone else in the future however well or poorly they perform. Senior staff have to repeatedly win new contracts to replace likely losses in order to retain work and their positions.

*“ This fast-moving storm of contract turnover includes tangible elements of antipathy and fear, affecting the aspirational desire to ‘do good’ which is one of the traditional strengths of the voluntary sector.”*

- 8.1.3 The length of contract also impacts on how effectively a contract can be managed regarding performance or measured regarding outcomes of a new model of service. There needs to be confidence in baseline data of inherited contracts and time to work with a provider to improve performance if need be before a re-let is on the horizon. It is a balance - if contracts are not long enough can we get the innovation are looking for? There are early contract costs for a provider from TUPE, redundancy costs etc in year one of a contract so organisations need time to cover costs and make a return.
- 8.1.4 With regards to risk, moving away from annual contracts to 2, 3 or 5 year contracts creates more certainty, allows time for innovation, providers to plan, build capability and improve services.

### **8.2 Aggregation and Disaggregation**

- 8.2.1 There is sometimes a balance to be found between larger long term contracts and SME and local supplier support. There is a clear tension between need to aggregate to achieve economies of scale and need to disaggregate to promote local growth. Dis-aggregation of contracts into smaller lots that are accessible to SME's is increasingly common across the UK – with LA's such as Basingstoke and Deane Borough Council leading the

way in this process to the point where they have won an award for their “small business friendly” approach to procurement. The recently announced changes to EU Procurement Legislation will also include “encouragement” to split large contracts in to small lots.

- 8.2.2 In following a policy of supporting smaller Kent businesses in its approach to procurement it might be argued that KCC is missing out on economies of scale. But it should be recognised that aggregation does not always result in better value, and each procurement needs to be assessed in its own rights.

*“... the aggregation of contracts to the point where their value excludes small suppliers”*

*“Arguably, the bigger organisations have a more efficient base. Certainly they have greater leverage to negotiate a contract but they do not necessarily provide a more efficient service!”*

As outlined earlier in the report additional benefit generated for every £1 invested can be greater from smaller businesses than large organisations. The increased use of Kent suppliers and contractors is due partly to the consideration of contract size and breaking down procurements into packages which not only deliver value for KCC but also enable small and medium sized businesses to compete.

*“Breaking potentially a very large contract into smaller, more manageable contracts is a key method of reducing barriers to entry especially for smaller organisations.”*

8.2.3 Key points:

- Acknowledge there is a challenge in delivering services at a provider volume which is efficient for KCC to manage
- Contracts vary in size for example from district, CCG area and county- wide
- Aggregation excludes small suppliers
- Disaggregation into accessible or smaller lots increases availability of low value contracts, to enable smaller organisations and SMEs to tender.
- Emerging role of VCSE as subcontractor on larger contracts, and concerns regarding this new relationship
- Contracts can be too large for an individual VCSE, so need time to build relationships and consortia to strengthen bid and opportunity for success
- small or specialist providers – sector is forming partnerships but takes time
- Risk/disaggregation: Many LA’s are now introducing contract terms that are proportionate to the risk involved in that particular procurement exercise

**Recommendation 19:**

Break down larger contracts into smaller lots, wherever practical.

### **8.3 Working with Consortia**

8.3.1 It is recognised that it can be difficult to manage a very large number of small contracts or for small organisations to bid for larger contracts. Organisations are encouraged to network, work together and strengthen their position and capacity to deliver for larger contracts through collaborative bids and establishing a consortia. To enable smaller organisations to work with the Council and compete for larger projects it is important that we enable them to work with other smaller organisations to combine their resources. This is applicable to both private sector SMEs and VCSE organisations, and is encouraged for example through 'Meet the Market events', however the Council needs to manage its risk with clear rules on how to address this.

8.3.2 The key issue for the authority that needs to be considered is the Council can only contract with one lead organisation, so if a consortium is being proposed prior to contract award the consortia must set its self, up as a formal partnership or joint venture. An alternative option is the Council contract with a lead body that then sub-contracts their partners. There have been issues with this type of arrangement in the past where the lead body has decided not to continue working with its partners post tender, or do not split work/finances evenly/fairly. VCSE can be hesitant around Consortia with regards to their long-term interest, as organisations need to retain their individuality and there are both good and not so good consortiums depending how they have been set up.

*“lead organisation takes the cream, gives little work to others or leaves the VCSE organisations with the risks or most difficult challenges.”*

8.3.3 It also needs to be recognised that it takes considerable amount of time to form Consortia and set up the necessary agreements, legalities and deciding on who is the lead person/organisation. There need to be better timescales to build partnerships and consortia reflected in procurement process and timelines. Although organisations are encouraged to collaborate and establish consortia there is a requirement of KCC to contract with one body, so these need to be set up as a formal partnership or joint venture.

### **8.4 Incentives, Payment by Results (PBR) and type of contract**

8.4.1 A key question is how providers can be rewarded or incentivised to continually perform well - if an organisation is performing well, should there be a presumption that it will be re-commissioned?

8.4.2 Payment by Results while serving to increase quality and competitive services in the market place may also act as a barrier to access to smaller organisations. Particularly when the PBR period crosses to a new financial year, the uncertain financial income may automatically eliminate smaller and newly established providers from entering the process.

8.4.3 There is also concern that Payment by Results,

*“ if brought in too aggressively as has happened on some contracts elsewhere in the country, effectively bars everyone but the national private (and some VCSE) organisations from tendering due to the risk to income and cash flow that this brings. Charities especially have a legal duty to safeguard their assets and activities, and are traditionally very risk-averse.”*

*“ Building an incentive into the procurement process to make further savings seems to remove a tool by which commissioners can pursue best value from the resource available to them. We are not clear how the resulting savings are allocated – do they sometimes end up funding something which may be of less priority?”*

8.4.4 It is agreed there should be a consideration of rewards if a provider performs well, but not through automatic extensions. There should be the possibility of negotiating an extension of contract if a provider has performed excellently, delivered outcomes, and brought innovation and/or additional social value. Some contracts have included possible extensions. De-commissioning is always a possibility at the end of a contract, but de-commissioning just to test the market is damaging to VCSE organisations and SMEs.

*“Some consideration of protection for good performance, and provision for positive bonuses and incentives, might help create a more aspirational and productive market.”*

8.4.5 It was highlighted that KCC should invest now in an approach that will generate the necessary innovation across the independent care sector to drive up standards and drive down costs in services by building strategic ‘whole systems’ thinking across the service supply side; as currently much innovation is restricted through tight specifications or models used. To reflect the need for encouraging best service design and innovation the Committee considered the value of using a different approach to procuring services and contract type by using a more negotiated style contract, where design of initial specifications is followed by the design of detailed models with selected providers to co-design service and outcome specifications in detail.

*“One model, which has been trialled in some areas, is for the process to choose a provider which has the best fit with the requirements, rather than choosing the best proposed service. The service is then specified post-award in partnership with the provider. This would allow commissioners to properly test a model, rather than trust what has been written in a tender.”*

*“The lack of engagement or providing dynamic purchasing opportunities to the VCSE restricts the opportunity for innovation”*

*“The use of a three year commissioning framework at early stages of commissioning protected existing providers but blocked all new entrants including charities and voluntary sector organisations in Kent.”*

*“KCC need to keep frameworks more open to accommodate new and emerging VCSE organisations and at the least have an annual framework intake or review”*

## **8.5 Contracts**

8.5.1 Other barriers to entering a tender include the financial costs that organisations incur in seeking external advice on contract law. This is an area of support required to ensure organisations can enter arrangements confidently. Contracts should set out rights and responsibilities on both sides, with clear protections and the remedies in event of problems. With a risk a-verse nature and uncertainty around contracts, organisations need to seek costly legal advice. Having successfully tendered for a service there are concerns around the subsequent contracts and KCCs approach and that contract terms can be disproportionate to risk involved. For example in a particular contract evidenced there was a concern highlighted by a provider from their legal advice regarding a bias in KCC’s favour giving unilateral abilities to change terms within the contract, areas being contradictory of others, and no course to discuss these. Contracts should be to be more proportionate to the risks involved (see also 8.8).

*“ The financial costs that we would incur in seeking external advice on contract law. We do not have this expertise in house.”*

*“ Solicitors identified 11 areas which raise concern for us ..”*

*“wrote regarding concerns... the outcome was a letter from KCC insisting sign the contract and suggesting when tendered had tacitly accepted all terms and conditions. If they didn’t sign they would jeopardise their providing of services and accordingly they signed as felt had no choice.”*

8.5.2 The concerns in summary included

- KCC entirely controlling order/price – little scope for any negotiation
- Contradiction over travel expenses and price
- Time limits are short and possibly should be more realistic
- Need for several indemnities, their appropriateness, and risk of event occurring

- Rights of KCC to unilaterally change terms of an order- 'unusual, unfair and not advised'. Need clear terms for this and also for provider to have withdrawal without liability
- Unilateral rights to decide what is in an invoice
- Must comply with 'fussy payment procedures'
- Whilst a 5 year agreement – is really a rolling contract with 3 months' notice servable by either party at any time.

## 8.6 Payment Practices

- 8.6.1 Payment practices have traditionally been a controversial area for local authorities. The County Council will usually contract on 30 days net payment, but now has a target of paying contractors in 14 days which has been delivered in 90% of contracts. The FSB confirmed that this did not appear as an issue with Kent. KCC also has clauses in its contracts to require contractors to pay their subcontractors/suppliers in a timely manner. However, Procurement commented that there is always room for improvement and the need to improve monitoring and ensure compliance is recognised.
- 8.6.2 Requiring prompt payment terms all the way down a public procurement supply chain will ensure that SMEs have access to money when it is due. SMEs and smaller VCSE do not have the same access to credit that larger companies do and can be unfairly prejudiced when payments are not made within a reasonable period impacting on their cash flow.

### **Recommendation 20:**

Requirement for prompt payment terms all the way down our procurement supply chain continues to be built into contracts; and improve monitoring of this requirement to ensure compliance.

## 8.7 Use of grants

- 8.7.1 There is much transition for the VCSE sector from KCC funding being grant based to a commissioning focus and need to tender for contracts. Some organisations commented that although grants are really useful there had been issues around uncertainty year to year if a grant would continue or not, often only being agreed at the very last minute, making it difficult to manage expectations, delivery etc. Three year contracts giving more certainty and time to innovate were welcome.
- 8.7.2 There is a significant concern if grants were to disappear as they support many organisations doing valuable work, and who may not yet have the capacity/skills to tender. In some circumstances grant funding may have a role in capacity building.



*"Put in place a grant scheme for SME's that are contributing to KCC's work but that do not have the infrastructure or experience to bid for larger contracts. This would be about recognition of social and community value.*

Some organisations, due to the uncertainty and shift to Commissioning have sought different revenue so are not reliant on KCC. KCC Adults Social Care funded a total of £19,173,673.27 in 2013-14 in grants, ranging from the smallest of £536.75 (West Kent) to largest of £1,006,305.22 (Thanet & South Kent). The grants length of agreements, ranges from 3 months to 3 years, (the smallest and largest grants are for a year).

- 8.7.3 There is a clear vital role and place for grants in our blended approach - blended in terms of provider sectors delivering services and also in nature of funding models. Grants can provide support to innovate services, pilot ideas and then if proved successful can then move project to a contract basis. It is a held view that although grants have a significant role they should be time and task specific to support the innovation or development of services, enabling services to try out something new, be clearly monitored for performance and outcomes, with a clear and transparent process supporting their use.

#### **Recommendation 21:**

Recognise there is a clear role for 'smart' grants that are innovative, and outcome based. Need to ensure that their use is transparent and are time and task specific, and monitored /evaluated for success.

#### **8.8 Risk**

- 8.8.1 For start-up organisations the biggest issue is absence of a financial track record. For Local Authorities it is a matter of mitigating risk. Both sides need to build trust. The Appetite for risk is a significant barrier, demonstrated in KCCs non-willingness to take risk illustrated in current requirements for providers for low value contracts; very tight specifications limiting innovation; and VCSE organisations Trustees or Board traditionally are very risk averse, and often 'feeling out of its depth in entering into a contract'.

*"Trustees can be very risk averse – it is imperative for organisation to have the correct trustee skill mix (including commercial savvy)."*

- 8.8.2 There is a need to take some level of risk, and KCC 'Won't progress or innovate services if doesn't take an element of risk'. One of the key aims from Bold Steps for Kent is to manage risk through developing clear processes and appropriate governance (not being risk averse but risk aware). A contractor is responsible for the delivery of services, but ultimately KCC as contract holder has responsibility for failure of a contract.

*"There needs to be a sense of realism that outsourcing does not discharge the Authority to deliver against its statutory or moral duty, furthermore the Authority will be held to account by the general public for any failures of outsourced services, examples such as G4S in providing security at the Olympic games and failures in providing adult social care by Castlebeck Care even impacted on the Care Quality Commission.*

*Finding the right partner organisation who will share risk and protect the reputation of the Authority, Client and therefore customers is paramount - identifying such qualities must be fundamental at all levels of the engagement and then procurement process."*

Both KCC processes to secure services and contract providers should be more proportionate to the risks involved for particular contracts.

*"Many LA's are now introducing contract terms that are proportionate to the risk involved in that particular procurement exercise."*

- 8.8.3 Financial risk is being transferred to providers, and providers are concerned with their own financial viability. They are concerned about the financial risks of payment by results contracts (PBR) and can be unwilling to try different approaches. The VCSE are generally risk averse and PBR type of contract may prevent sector applying if too aggressively introduced. The VCSE have a duty to safeguard their assets and own core activities of charity.

*" .. concern that Payment by Results, if brought in too aggressively as has happened on some contracts elsewhere in the country, effectively bars everyone but the national private (and some VCSE )organisations from tendering due to the risk to income and cash flow that this brings. Charities especially have a legal duty to safeguard their assets and activities, and are traditionally very risk-averse."*

- 8.8.4 KCC is bound by the Public Procurement Regulations and its own Constitution and cannot unilaterally mitigate or remove barriers set by them, including financial barriers and how these might be eased. Legal, Finance and Procurement have met to discuss how the financial barriers might be eased and reportedly have adopted a more flexible system recently. This system still recognises that KCC must protect public money and is under a duty to get the best deal for its council tax payers that it can. There is a value in supporting organisations and small enterprises to tender and the offer of interest-free loans to enable an organisation to get started on delivering the service is a real benefit but has implications for KCC.

*“Broadly speaking, new providers are a riskier proposition than established entities and KCC has to recognise that - we cannot support new businesses at the expense of a more robust deal we could get with another provider.”*

*“Financial checks need to ensure that companies that are new or have a low income are not prevented from applying”*

There is obviously a clear tension between the levels of risk taken and the need to ease financial requirements, and support the small and micro enterprises.

#### 8.8.5 Bonds:

There is a need to balance risk, take some risks and support/incentivise risk taking to improve outcomes. Work by CGF and IFG highlight the need to specify types of innovation sought and incentivise them through partnership models, and payment and funding arrangements. Risk can be balanced by specifying for example the proportions of payment at risk if PBR targets are not met; payment of interim outcomes, looking at levels of risk transfer through the supply chain.

*For example:*

*The Greater London Authority Social Impact Bond supporting rough sleepers, pays providers a significant sum if those on the programme are in non-hostel accommodation for 6 months as well as longer term outcomes. (From CGF ISS)*

8.8.6 Offering a bond against productivity / performance could support small businesses to bid for and successfully deliver a contract. Contract terms need to be proportionate to the value of the contract. (Appendix 4 gives more details about Bonds).

*“For example it is not reasonable to require £10m public liability insurance to bid for a contract for small value contracts.”*

8.8.7 Recent Consultation “Making public sector procurement more accessible to SMEs’ stated that there is some evidence that the requirement, at the selection stage of procurements, for a performance bond to provide contracting authorities with a financial guarantee in the event of contractual problems, is excessive and often not proportionate to contract values and risk. It also may discriminate against smaller businesses. Larger businesses which have access to substantial capital and assets, or other sources of finance, find it much easier to provide such bonds. But for SMEs, such bonds may only be obtained at the expense of overdraft facilities. This can prevent them from bidding. Respondents commented that performance bonds should only be considered for very high value complex procurements and believed

that better guidance on the use of financial guarantees that advocated a more risk based approach would be a sensible way of addressing the topic.

## **8.9 Effective contract management**

- 8.9.1 Effective contract management is vital to ensure that resources are used effectively and best value obtained. Contract monitoring that is robust is essential to ensure priorities as set out in contracts with strategic partners are delivered effectively. Successful contract management is integrally linked to the culture and mind-set of both the manager and the provider; the capabilities and relationships.
- 8.9.2 The capability and skills to manage contracts, is variable and there is scope for improvement. Important have consistency and excellence in contract management - some contracts have not had regular monitoring of performance indicators (e.g. residential care), contract monitoring that is remote and impersonal, or where changes in the process take place without consultation. Contract management expertise is needed. KCC need to ensure contracts are well procured, set up and managed.
- 8.9.3 Although there is some excellent practice and recent re-lets of some contracts introducing robust performance management, there is a need
- for clearly defined roles and responsibilities for contract managers
  - for people monitoring to be as skilled as the provider, but who do not take responsibility for service
  - to ensure both the capabilities of Contract Managers, with continued support via training/guidance; and also to ensure the capacity to monitor and evaluate performance. KCC is still accountable and owns risk
  - to understand outputs and measures to be used, ensuring set meaningful outcomes, and ensure quality of measures
  - to ensure that all contracts have performance reviews and evaluate outcomes – for instance a schedule of reviews, building a range of monitoring mechanisms into contracts, including for example quarterly and annual reporting and periodic benchmarking.
  - to ensure the Contracts Register is completed. Although much improved there is still work to do regarding number of contracts KCC has and for what services. The Contract register should include all contracts over £50k – and it is proposed this includes details of the named contract manager, and lead director
- 8.9.4 How KCC manages underperforming contracts to improve is vital. Some contracts may not be performing as well as they could, but are not underperforming to an extent they need to be cancelled. Ultimately it is in the best interests to support a provider to improve through the management steps taken when a contract is not

performing at optimum level. It is important that the necessary sanctions are in place for underperforming contracts, for instance agreed improvement plans with clear targets. It is not always about financial sanctions and ultimately it is about improving service.

- 8.9.5 There is a perception that internal services are not performance managed in the same way as external contracts. Internal services should be managed with as much rigour for outcomes, treated on a level playing field as external providers. The need for establishing robust internal challenge has also been identified in Facing the Challenge as a role for the new proposed central team.

**Recommendation 22:**

Improve the capabilities to performance manage contracts; and ensure the capacity to monitor and evaluate performance and support improvement when appropriate.

**Recommendation 23:**

Stipulate that all contracts have clearly scheduled performance reviews and evaluate outcomes/outcome evaluations – for instance ensure contracts have schedule of reviews.

**Recommendation 24:**

Complete the Contracts register to include all contracts over 50k – and include details of the named contract manager, and Lead Director

**Recommendation 25:**

Manage internally provided Services with as much rigour for outcomes, and performance management as other providers.



## **9 Member Role**

### **9.1 Governance of Contract Management**

- 9.1.1 Members play a vital role to ensure commissioning and procurement deliver savings, improve outcomes and support SMEs and VCSE; maximising benefits of contracting with SME, VCSE underpinned by social value. Procurement, commissioning and contract management are an integral part of council business and spending, and are critical to delivery of services and strategic importance. Members have a vital part to play in that process. If KCC is to maximise the value it can obtain from the VCSE and SMEs then clear guidelines need to be established from the top of the organisation.
- 9.1.2 Clearly, Cabinet Members and Cabinet Committees play a crucial role, and there is oversight provided by portfolio holders and Procurement Board - However, there is a role for all elected members:
- having greater oversight of contract management
  - being involved earlier, being involved in discussions of new service models and engaging the market and communities, tapping into for example connection with Kent residents – around specification stage dependent on contracts, size etc
  - engaging with small or new providers
- 9.1.3 The key questions are:
- What is the Member oversight of contracts?
  - What is the oversight of reviews undertaken with providers at key stages of the contracts? What does evaluation show? Where we are at?
  - Where are we with de-commissioning – or what next?
  - Through what mechanism should Member oversight be strengthened?
- 9.1.4 It is worth exploring the concept of having a cross-party strategic group, that can examine the work of commissioning throughout the organisation, and the contracts that result to see whether guidelines are being followed. There needs to be increased transparency. For example in Harrow contracts have to be signed off by another portfolio holder with commercial responsibilities. There is a role for a clearly defined Member Group or Contracts Board feeding into the process. It would need to be clearly defined through strong terms of reference, and agreed where it could add most value and have clear purpose.
- 9.1.5 The Group or Board should have access (confidential) to any contracts, and re-mitt to talk with both commissioners and procurement teams; would need a committed leader as chairman; and jointly set their Group or Board agenda. All Members

should be encouraged to acquaint themselves with the commissioning outcomes in their local areas, and their specialist areas of interest; referring any concerns to the strategic group. There should be a focus on:

- Contract management – 3 key aspects (cost reduction, performance and service improvement).
- Working with Members and officers to ensure Social Value Act embedded in everything
- Considering what evidence there is of
  - investigation of work being done by VCSE SME organisations in the area of interest to the commissioners?
  - commissioners taking regard of the scope and value of this work?
  - commissioners having had dialogue with potential providers from these sectors?
  - the procurement process allowing for co-design of the service that will achieve the outcomes desired?
- Whether the specification /contract reflect pre-procurement work.
- Is there an understanding that innovation by providers during the duration of a contract will be rewarded?
- Is there consistent contract monitoring and performance management, without frequent changes of process, which is both rigorous and supportive?

## 9.2 Training

9.2.1 In order to support the changing landscape and increased role of commissioning it was agreed that training, to raise awareness and understanding should be available to all Members. This will support and better equip them in their roles locally regarding commissioning and create knowledge - getting people to understand what is happening now. Training for Members around commissioning, procurement, contract management is in the early stages of being developed in co-ordination with Democratic Services.

### **Recommendation 26:**

Further work is undertaken to the member role and what mechanism would best strengthen member oversight of commissioning, procurement and contract management; and member involvement earlier in the process and pre market engagement; and members are supported through training.



## 10 Social Value

### 10.1 Embedding Social Value

- 10.1.1 Social value is key to the success of having strong and safe communities, a skilled and employed local workforce, good quality of life for Kent citizens, and reduced crime and social isolation. VCSE and SMEs are a major part of achieving this.

*"A number of recent reports – including the 2013 Federation of Small Businesses report on Public Sector Procurement – have shown that procuring from small, local, organisations has a major impact on the economic sustainability of the area, both in pure fiscal and social terms.*

*Pan-European research showed that as a country emerges from recession 84% of business is generated by SMEs which are more likely to take on new staff, recruit staff locally and therefore have a greater impact on the employment of young. KCC needs to support and enable SMEs to employ young people. "*

*"Supporting the development of key life skills and harder outcomes in disadvantaged young people not only delivers a social benefit but economic benefit as well. In addition to improving life chances and wellbeing, commissioning services that address these issues will bring a clear economic gain to Kent County Council through an increase in economic activity and a decrease in welfare claims."*

*"VCS can bring significant value through things such as match funding, volunteer time ... a wide network of partners who add value to programmes, through providing referrals, programme delivery, work experience, education, training opportunities and provide specialist support for young people where additional needs are identified."*

- 10.1.2 As we move to an ever more complex and joined up commissioning environment there needs to be 'Whole systems thinking across service supply looking at co-creation of value'. It was reported 'Social Value' is recognised on a case-by-case basis, and that the breadth and diversity of our services mean that a one-size-fits-all definition of 'Social Value' may not be appropriate or practical to encompass all KCC services. However, KCC must comply with the legislative requirements of 'Statutory Duty of Best Value', the Public Services (Social Value) Act and the 'Community Right to Challenge'. This means it is important for KCC to consider how best to incorporate and recognise 'Social Value' in its commissioning and procurement framework. There are a number of successful examples that have helped KCC to achieve both better value for money and enhanced social outcomes for services in our contracting process, for example:

**Highways** – the recent re-let of the contract saved the council money whilst providing more local apprenticeships and opportunities to sub-contract to local businesses;

**Youth Service** – negotiations were held with Locality Boards to use an outcomes based local commissioning framework and dynamic purchasing model to reduce the burden on small VCSE organisations (e.g. reducing PPQ criteria and requirements for proof for several years accounts history). Creating smaller, shorter contracts that appeal to local VCSE providers – enhancing chance of success at procurement stage.

- 10.1.3 There is evidence of added social value through access to funding, creation of jobs and apprenticeships:

*"We have successfully applied for additional funding from various charitable organisations and trusts, and received hundreds of donations from individuals over the years bringing many extra thousands of pounds worth of support to Kent's Carers and into the Kent economy."*

*"We only used Kent businesses unless the specialist skills were not available in Kent, on a practical level it was easier for them as a company to use local business."*

*"As a company ... we employed 8 or 9 apprentices and last year ran an Apprentice of the Year award, the winner of that award was rewarded with a permanent job organising all our training. ... All apprentices brought value to contract and the majority end up being employed full time and the approach was worthwhile and builds for the future."*

*"..... a focus on the quality of an apprenticeship, a basic apprenticeship is a million miles away from the additional resources that third sector organisations often put into them"*

- 10.1.4 Although some excellent examples are highlighted, Social Value however does not yet appear to be embedded in what KCC do at strategic or commissioning level, and can at times be difficult to quantify. It was highlighted that many of our tenders have not specifically mentioned social value, or the added value an organisation could bring. It is evident that some companies have listened to conversations at market engagement events and included information in their tenders despite no set specific questions around social value. This perhaps shows expertise in tendering, listening acutely but there is a concern that processes need to ensure all companies can demonstrate the additional value they could bring.

- 10.1.5 Within Adult Services commissioning for community support all recent commissioning activities have included stipulations in evaluation criteria regarding the Social Value Act. The recently commissioned Carers short breaks service

tender required providers to evidence how they will provide social value through the delivery of the service. The question formed part of the quality section of the evaluation. Quality was weighted @60% of total score and of this 20% weight was allocated to social value questioning (price being 40%). Could this be included on all tenders (unless contract of size going out to OJEC) to ensure social value is reflected and recognised on a case-by-case basis in individual tender specifications and contracts? The question included was

*“Q3. Describe how your service delivery model considers social value and shall improve the social, economic and environmental well-being of Kent society?”*

- 10.1.6 The Social Value Act is an important factor in public sector commissioning, and reflecting this other authorities have established Social Value Charters or produced ‘social value toolkits’, to inspire and create social value and indicate intention to maximise social value available from commissioning or procurement activities, for example ‘Inspiring and creating Social Value in Croydon’. A Social-Value toolkit for commissioners’. Strategic Commissioning (Community Support) are working with Corporate Procurement to understand and develop commissioning guidelines, including adopting the Birmingham City Council approach and having a Charter that all contractors sign up to.

*Birmingham Social Value Act Charter sets out guiding principles to which Birmingham City Council adheres to and invites its contracted suppliers, the wider business community other public sector bodies and third sector organisations to adopt. It includes how they can improve economic, social and environmental well-being and describe social outcomes that will result from their activities.*

- 10.1.7 A charter and guidelines could raise the profile of social value strategically, emphasise KCCs own priority of social value in commissioning and ensure it is embedded. KCC are in early stages of considering developing a toolkit for commissioners and /or charter for providers. Is this something KCC should put in place?

## **10.2 Measuring Social Value**

- 10.2.1 There is an expectation for all providers to demonstrate how their work makes a difference and adds social value. As this becomes embedded into commissioning processes organisations need to measure and evidence how they create social value. NAVCA stated there are number of different tools and approaches being used and developed, and implications for smaller providers. Providers need to keep up-to-date with how social value requirements are factored into KCC commissioning and procurement processes, the different approaches to social value, and the use of monetary and non-monetary values. For example Social Return on Investment (SROI) is one model used which can evaluate what has happened or estimate potential value created; another, ‘Your Value!’ developed by

Community Matters so that voluntary and community groups can demonstrate their social value.

- 10.2.2 NAVCA states that it is unclear what will be the most appropriate ways for organisations to think about, choose and evidence added social value or how measuring progress or achievement should be incorporated within contracts, grants. Research by the Third Sector Research Centre (NAVCA) indicates there are benefits and limits to different approaches, and uncertainty around judgement, potential for manipulation of what is measured through what indicators are used, and how it is reported.
- 10.2.3 There needs to be clear discussion about what value is sought for specific contracts with providers and service users, and how this will be measured. The SROI network promotes the involvement of stakeholders in both prioritising what is to be valued, discovering what outcomes have arisen, and in developing indicators.

*“We should forget that social value is objective, fixed, and stable, when in fact it is subjective, malleable, and variable. We cannot have a generic approach to all commissioning and procurement activity. Do we have a social value framework? The Competitive Dialogue procedure of procurement offers more flexibility during the dialogue stage to discuss the fulfilment of social benefit objectives as a two-way dialogue matching KCC’s aspirations with each bidder’s although I recognise that this can only be used for certain types of commissioning activity.”*

*“Recent tenders have not asked about wage levels or aspirations, about the % of skilled management posts which will be located in Kent for example. Some have not even mentioned Social Value at all. Whilst unfortunately this area will ultimately become another easy one for larger companies to pay lip service to, KCC can ensure at least some minimum criteria which will benefit Kent citizens are adhered to. Minimum proposals here would include ensuring a high profile of Social Value throughout the tender documentation; including a mention of KCC’s own priority of Social Value in commissioning (eg through skilled local jobs, improving wages etc.); and mentioning a commitment to a diversity of providers (subject to the usual legal limitations in tenders) to include national and local organisations, charities etc.”*

10.2.4 The evidence highlighted there is a need to

- give greater recognition of the social value VCSE brings and the role that they can play in working with the council to discharge its responsibilities through the Social Value Act

- look at approaches to measure social values - social return on investment
- recognise 'Social Value' outcomes desire may differ on a case by case basis
- clarify the social value KCC is looking for and strategic direction
- engage with the community and local knowledge about what the issues are to be resolved – greater understanding of the types of social benefits to be sought – skilled training, apprenticeships, local management posts, wage levels, % of local suppliers, fair payment - meaningful consultation with communities would allow significant specifications to be put to ITT.
- consider how KCC could incorporate and reflect social value in tender questions, evaluation criteria, and procurement decisions, raising its profile and level of importance

*"KCC needs to decide what benefits it requires and whether these are compatible with the Public Procurement Regulations - there can be no discrimination based on Kent businesses or people."*

**Recommendation 27:**

To maximise and give greater recognition to Social Value, incorporate consideration of social value questions in tender evaluation criteria and procurement decisions where possible, and develop a Social Value Charter.



# Appendices





## Appendix One: The Scope of the Review

**Scope:** The issues are explored in more detail to give a broader picture of the questions that the Committee considered when exploring this topic.

**What can we learn from current experience?**

**What do we need to do next to become a better commissioning authority – to remove barriers to entry for providers?**

**How, in becoming a commissioning authority can the voluntary, community and social enterprise sector (VCSE) play a more important role.**

**Role as Commissioning Organisation and Strategic Context**

- What is Commissioning?
- Do we understand as an organisation what we want or are trying to achieve? Are we sufficiently focused - are we a provider organisation or commissioning organisation?
- Do we have a clear understanding of our role as a commissioning organisation?
- What is our commissioning strategy?
- Are there any strategic barriers to achieving the transformation Kent needs through commissioning? How might we mitigate these?
- Is there clarity around budgets and commissioners ability to enact the strategic direction?
- What does successful commissioning look like? What do we do well and what can we improve? Are we an intelligent client? Do we know what we want & don't want?
- How do we balance our service requirements and budget of council and using the VCSE sector?
- Where can County Council Members add most benefit within a commissioning organisation?

**Market Development - What are the costs of entry into KCC commissioning and procurement exercises and do these costs present a significant barrier to new providers?**

- What are the costs of entry into KCC commissioning? Is access to the market equitable?
- How does this affect the sectors? Business return/profit?
- What does this mean from a provider perspective?

**Market Development - How might any barriers to entry for new providers be mitigated or removed?**

- What are the barriers for providers? How might these be mitigated? e.g. costs of insurance, contract length, capacity, skills, Legal/Type)

- How proportionate is paperwork to spend/contract value? What have we/can we do online to reduce burdens?
- How much of our provision is with VCSE, SME's? What are our targets/guidelines for procuring Kent business? Services from VCSE? SMEs?
- How are we supporting VCSE? How can the VCSE play a more important role in the provision of KCC services as we become a commissioning authority? What else might we do?
- How do we work with SME's? What else might we do?
- What are the implications of subcontracting? What are the learning points about large suppliers using SME's/VCSE's? What might we do to support large private suppliers and VCSE sector working together?
- How is Kent actively shaping and developing the market, what else might we do?
- How have consortiums been successful in entering the market? How have these worked in practice - what might they/we do differently?
- What part does the construction of the proposal and contract type chosen influence which providers tender?
- Can VCSE sector and SME's build own capacity? Maintain rate of growth?

## **Commissioning/Contract Management –**

### **Do we decommission / re-commission services based on performance?**

- Why is re-commissioning/de-commissioning important? Are the processes clear?
- Do we have a clear picture of what we are spending and with whom?
- How are we developing the market through decommissioning and re-commissioning? What are the benefits of particular procurement models (e.g. Dynamic purchasing model)?
- How is decommissioning influenced by nature of service and market?
- Contract monitoring – What are the realities of outcome focused commissioning? How successfully are we monitoring outcome focused contracts? Are the outcomes specified the right ones for contract – activity or outcome based? Do we understand model procuring into/service pathways and key part supplier plays, interdependencies and specific attributable outcomes? What can we learn?
- How do we reward providers for past performance? Do we assess past experience of providers in procurement process? How can we build previous experience of providers into procurement process?
- What is our approach to managing contracts, in particular poorly performing providers? What do we need to get better at?
- Is there clarity of roles between commissioner and provider/supplier? Do we understand our role as a commissioning organisation and have the skills to support this? Are we good commissioners?
- How can the right commissioning and contract management help meet KCC's savings targets? In managing contracts what do we do well, what should we do better? How might we modernise our approach? Do contracts include good specifications and the necessary levers? How have other LA's approached this e.g. Essex?
- How should we balance the need for contracts that give time for innovation, companies to make a return and enable Kent to decommission and ensure good market development? Within our contracts is there capacity through length of contract for service re-design and innovation?

- What are our relationships like with suppliers – how could these be better?
- What impact does length of contract have on providers entering the market, performance managing a provider on outcomes, provider gain and added social value?

### **How can KCC best discharge its responsibilities through the Social Value Act**

#### **What type of social benefits should be sought through commissioning and procurement?**

- Are we meeting the duties of the social value act?
- How can we use commissioning to ensure meet duties under social value act?
- How have we worked with providers to achieve social value? (e.g. apprenticeships, waste)
- Do our procurement systems allow wider public value judgements to be included in the assessment of tenders so that the added value of the voluntary and community sectors can be recognised in the decision about procuring our goods and services?
- How does the nature of the added social value depend on the procurement model, sector or individual provider?
- To what extent should social value requirements be sought throughout the KCC supply chain?

#### **What can we learn from current experience? What do we need to do next to become a better commissioning authority?**



## Appendix Two: Evidence Gathering

**A list of those who attended meetings with the committee. All also provided written evidence prior to meeting with the Committee.**

### **Tuesday 14<sup>th</sup> January 2014**

Judy Doherty, Business Transformation and Programmes Manager, KCC

### **Tuesday 21<sup>st</sup> January 2014**

John Burr, Principal Director of Transformation, KCC

Mark Lobban, Director of Strategic Commissioning, KCC

Henry Swan, Head of Procurement, KCC

### **Wednesday 22<sup>nd</sup> January 2014**

Dean Benson, Contract Director - Transportation, Amey

Sam Buckland, Audit Manager, Internal Audit, KCC

### **Wednesday 29 January 2014**

Keith Harrison, Chief Executive Action with Communities in Rural Kent

Roger House, Chairman, Kent & Medway Federation of Small Businesses with

Tim Colman, Director of Partnership Working Limited &

Alison Parmar, Development Manager, Kent & Medway Federation of Small Businesses

Jan Perfect, Chief Executive, Case Kent

### **Thursday 30<sup>th</sup> January 2014**

Peter Heckel, Director, Project Salus

Carolyn McVittie, Managing Director, Stepahead Support

Thom Wilson, Head of Strategic Commissioning (Children's), KCC

### **Monday 3<sup>rd</sup> February 2014**

Angela Slaven, Director of Service Improvement , KCC

Nigel Baker, Head of Integrated Youth Services, KCC &

Andy Jones, Planning and Development Manager, KCC

Jason Martin, Director, CAP Enterprise

### **Tuesday 4<sup>th</sup> February 2014**

Karen Sharp, Head of Public Health Commissioning, KCC

Ryan Campbell, Chief Executive, KCA &

Karen Tyrell, Director, Development and Marketing, KCA

Sean Kearns, Chief Executive. CXK &

Stephen Bell, Director of Business Development, CXK

### **Thursday 6<sup>th</sup> February 2014**

Peter Turner, Chief Executive, Carers First &

Lorraine Williamson, Chief Executive, Crossroads Care East Kent

Diane Aslett, Development Officer, Age UKs in Kent Consortium with

Nigel Vian, Chief Executive, Age UK North West Kent &

Gillian Shepherd Coates, Chief Executive, Age UK Sevenoaks and Tonbridge

Emma Hanson, Head of Strategic Commissioning - Community Services, KCC

### **Friday 7<sup>th</sup> February 2014**

Christy Holden, Head of Strategic Commissioning (Accommodation Solutions), KCC

Adrian Adams, Chief Operating Officer, Kent & Medway Care Association / Research Fellow at University of Kent with

Gill Gibb, Member of the Kent Care Homes Association &

Ann Taylor, Chair of the Kent and Medway Care Alliance Board &

Clare Swan, Member of the Board of the Kent Care Homes Association

Comments received as written evidence.

## **Evidence gathering - Written Evidence to the Select Committee.**

To complement evidence heard by members of this Select Committee during their witness hearings; KCC commissioners from across the directorates and a selection of organisations from across Kent were invited to submit their views regarding “How KCC can become a better commissioning authority – in particular removing barriers to small to medium businesses, voluntary agencies and the social enterprise sector?” for the final session on written evidence , Friday 7th February 2014.

Twenty-two organisations from across Kent were invited to send in written evidence. The organisations invited to comment were:

1. A range of Voluntary Agencies and Social Enterprises: both providers and infrastructure organisations;
2. Contracted Youth Services providers;
3. Organisations who had been both successful and unsuccessful in procuring KCC contracts





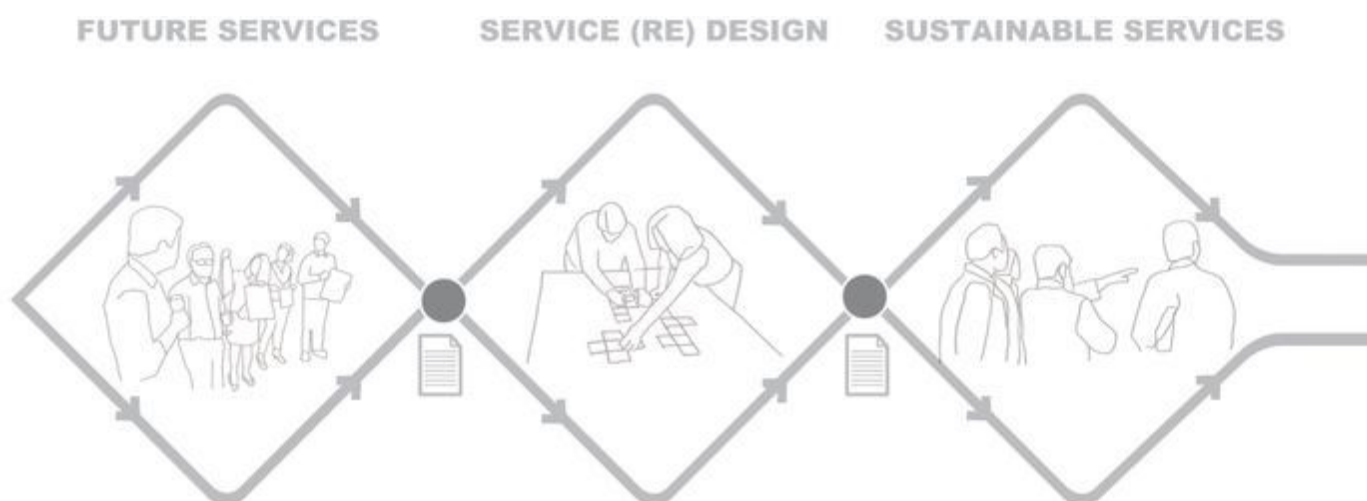
## Appendix Three: Social Innovation Lab for Kent

**SILK** is a small team based within Kent County Council that was set up in 2007 to ‘do policy differently’. Over the past 4 years they have been doing projects which have demonstrated the benefits of working in a different way and have developed a Methodology and Toolkit which provide a structure for the way they work.

SILK believe that the best solutions come from the people who are closest to the issue; this could be service users, residents or frontline staff. SILK go much further than community consultation and believe that people should be actively involved in the design of services that they are going to use or deliver. The SILK Methodology provides creative and innovative ways to engage with people and approach projects, and enables a collective ownership and responsibility for project design, delivery and outcomes.

### Methodology

Each project will fall into one of three diamonds: **Strategic / Policy**, **Service Re-design**, or **Creating Sustainable Communities**:



Once the type of project has been identified it will follow four phases:

Initiate | Create | Test | Define. This is illustrated in the SILK Project Planner:

Silk Project Planner: The four phases:

### Initiate

- Get the right people involved
- Collectively create a project plan
- Decide who else needs to know about the project

### Create

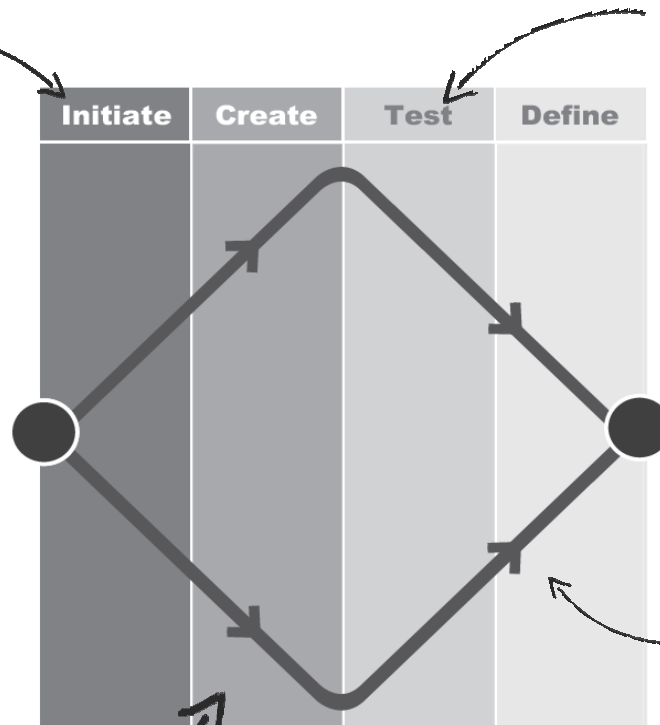
- Gather as many insights as possible
- Involve a wide range of people
- Create ideas that can be tested in the next phase

### Test

- Test the ideas that were suggested in the Create phase
- You will need to keep testing until a model that works is found
- Testing can involve trial runs, prototypes or 'mock ups'

### Define

- Once a model has been tested and is known to work it can be defined and consolidated
- The final output may be a report that captures what has been done alongside



The **Method Deck**, designed by SILK can then be used to choose which methods should be used during each phase of the project. The Method Deck and Project Planner allow for the project to be planned collectively in groups, with everyone having ownership over the decisions and course the project will take. It is a flexible project methodology and can be adapted as the project progresses.

## Appendix Four: About Bonds

A bond is a form of loan or IOU: the holder of the bond is the lender (creditor), the issuer of the bond is the borrower (debtor), and the coupon is the interest. Bonds provide the borrower with external funds to finance long-term investments, or, in the case of government bonds, to finance current expenditure.

Bonds usually have a defined term, or maturity, after which the bond is redeemed.

Being a creditor, bondholders have absolute priority and will be repaid before stockholders (who are owners) in the event of bankruptcy.



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From: John Simmonds, Deputy Leader and Cabinet Member for Finance & Procurement  
Andy Wood, Corporate Director of Finance & Procurement  
Corporate Directors

To: CABINET - 28 April 2014

Subject: (1) **REVENUE AND CAPITAL BUDGET MONITORING FOR 2013-14 - JANUARY**  
(2) **KEY ACTIVITY MONITORING FOR 2013-14 - JANUARY**

Classification: **Unrestricted**

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## 1. SUMMARY

1.1 This report provides the budget monitoring position for January 2013-14 for both revenue and capital budgets, including an update on key activity data. As explained in the report to Cabinet in October, this report is presented in the pre-election portfolio structure, and will be for the remainder of the financial year.

1.2 The format of this report is:

- An executive summary which provides a high level financial summary and highlights only the most significant issues
- There are eight annexes to this executive summary report, as detailed below:
  - **Annex 1** **Education, Learning & Skills Directorate** incl. Education, Learning & Skills portfolio
  - **Annex 2** **Families & Social Care Directorate - Children's Services** incl. Specialist Children's Services portfolio
  - **Annex 3** **Families & Social Care Directorate - Adult Services** incl. elements of Adult Social Care & Public Health portfolio
  - **Annex 4** **Enterprise & Environment Directorate** incl. Environment, Highways & Waste portfolio and elements of Regeneration & Economic Development portfolio
  - **Annex 5** **Customer & Communities Directorate** incl. Customer & Communities portfolio
  - **Annex 6** **Business Strategy & Support Directorate - Public Health** incl. elements of Adult Social Care & Public Health portfolio
  - **Annex 7** **Business Strategy & Support Directorate (excl. Public Health)** incl. elements of Regeneration & Economic Development, Finance & Business Support, Business Strategy, Performance & Health Reform and Democracy & Partnerships portfolios
  - **Annex 8** **Financing Items** incl. elements of Finance & Business Support, Business Strategy, Performance & Health Reform and Democracy & Partnerships portfolios

## 2. RECOMMENDATIONS

**Cabinet** is asked to:

- i) **Note** the latest monitoring position on both the revenue and capital budgets.
- ii) **Note** and **agree** the changes to the capital programme as detailed in the actions column in table 2 of the annex reports.

## 3. SUMMARISED REVENUE MONITORING POSITION

3.1 The net projected variance against the combined portfolio revenue budgets is an underspend of -£14.119m. However, it has been agreed that funding for Social Fund awards is ringfenced for the period 2013-14 to 2014-15 and there is some re-phasing of projects, detailed in section 3.6, which will require roll forward to 2014-15, therefore this changes the position to an underspend of -£9.793m as shown in the headline table below. However, since budget managers submitted their January forecasts, it has become apparent that the waste and transport forecasts have deteriorated as a result of increased waste tonnages in the last quarter of the year and more up to date information on operator payments and journey numbers from our external provider, MCL transport services. The headline table below has therefore been updated to include the estimated impact of these changes, but these are not reflected in the annexes to this report as further work is required to verify this data. The annexes to this report provide the detail, which is summarised in Tables 1a and 1b below.

This new style of reporting does not attempt to explain movements month on month, but explains why we have a forecast variance. However, we will report the headline movement, which for this month is a £4.103m increase in the forecast underspend (excluding schools), as shown in table 1a. This is mainly due to: **ASC&PH** - a general improvement in the overall position, specifically within residential care for both learning disability and older people; **C&C** - there is a general improvement in the position of many units particularly Youth, mainly as a result of the release of unrealised creditors, further underspending on the Social Fund, lower contract values within the Local Healthwatch and Complaints Advocacy service and additional Registration income; **F&BS** - the position now reflects a drawdown from the flood repairs reserve to cover the costs of the recent storms and floods; **BSP&HR** - capitalisation of security costs within Property and the release of contingencies which are now known not to be required this year; **D&P** - there is some further re-phasing of Facing the Challenge costs into 2014-15, as well as the release of the residual balance in the County Council elections reserve now that the final costs of the May elections have been confirmed.

### 3.3 HEADLINE POSITION (EXCL SCHOOLS) (£'000)

	Cash Limit	Variance Before Mgmt Action	Management Action	Net Variance after Mgmt Action	Last Report	Movement
<b>Portfolio Totals</b>	+976,392	-14,119	-	-14,119	-10,016	-4,103
Adjustments: - Committed roll forward/ re-phasing <i>(see section 3.7 for detail)</i>		+4,326	-	+4,326	+3,174	+1,152
<b>Underlying position</b>	<b>+976,392</b>	<b>-9,793</b>	-	<b>-9,793</b>	-6,842	-2,951
- estimated revisions to waste & transport forecasts based on latest information <i>(see sections 3.6f &amp; 3.6g)</i>		+1,200	-	+1,200	-	+1,200
<b>Revised position</b>	<b>+976,392</b>	<b>-8,593</b>	-	<b>-8,593</b>	-6,842	-1,751

3.4 **Table 1a** Portfolio position - net revenue position **before and after** management action together with comparison to last report

Portfolio	Budget	Net Variance (before mgmt action)	Proposed Management Action	Net Variance (after mgmt action)	Last Report	Movement
	£'000	£'000	£'000	£'000	£'000	£'000
Education, Learning and Skills (ELS)	55,766.0	-977	-	-977	-1,088	+111
Specialist Children's Services (SCS)	152,464.9	+2,891	-	+2,891	+2,906	-15
Specialist Children's Services - Asylum	280.0	+346	-	+346	+349	-3
Adult Social Care & Public Health (ASC&PH)	335,281.8	-652	-	-652	-417	-235
Environment, Highways & Waste (EH&W)	151,689.9	+1,092	-	+1,092	+1,170	-78
Customer & Communities (C&C)	76,032.6	-4,738	-	-4,738	-3,531	-1,207
Regeneration & Economic Development (R&ED)	3,882.2	-	-	-	-	-
Finance & Business Support (F&BS)	136,000.0	-10,390	-	-10,390	-8,805	-1,585
Business Strategy, Performance & Health Reform (BSP&HR)	56,924.2	-385	-	-385	+83	-468
Democracy & Partnerships (D&P)	8,069.9	-1,306	-	-1,306	-683	-623
<b>TOTAL (excl Schools)</b>	<b>976,391.5</b>	<b>-14,119</b>	<b>-</b>	<b>-14,119</b>	<b>-10,016</b>	<b>-4,103</b>
<i>Schools (ELS Portfolio)</i>	-	+9,252	-	+9,252	+9,304	-52
<b>TOTAL</b>	<b>976,391.5</b>	<b>-4,867</b>	<b>-</b>	<b>-4,867</b>	<b>-712</b>	<b>-4,155</b>

**Table 1b** Portfolio/Directorate position - gross revenue position **before** management action

Portfolio	Budget £'000	Variance £'000	Directorate					
			ELS	FSC	E&E	C&C	BSS	FI
			£'000	£'000	£'000	£'000	£'000	£'000
			annex 1	annexes 2&3	annex 4	annex 5	annexes 6&7	annex 8
Education, Learning and Skills (ELS)	55,766.0	-977	-977					
Specialist Children's Services (SCS)	152,464.9	+2,891		+2,891				
Specialist Children's Services - Asylum	280.0	+346		+346				
Adult Social Care & Public Health (ASC&PH)	335,281.8	-652		-237			-415	
Environment, Highways & Waste (EH&W)	151,689.9	+1,092			+1,092			
Customer & Communities (C&C)	76,032.6	-4,738				-4,738		
Regeneration & Economic Development (R&ED)	3,882.2	-			-		-	
Finance & Business Support (F&BS)	136,000.0	-10,390					-262	-10,128
Business Strategy, Performance & Health Reform (BSP&HR)	56,924.2	-385					-385	-
Democracy & Partnerships (D&P)	8,069.9	-1,306					-1,240	-66
<b>TOTAL (excl Schools)</b>	<b>976,391.5</b>	<b>-14,119</b>	<b>-977</b>	<b>+3,000</b>	<b>+1,092</b>	<b>-4,738</b>	<b>-2,302</b>	<b>-10,194</b>
<i>Schools (ELS Portfolio)</i>	-	+9,252	+9,252					
<b>TOTAL</b>	<b>976,391.5</b>	<b>-4,867</b>	<b>+8,275</b>	<b>+3,000</b>	<b>+1,092</b>	<b>-4,738</b>	<b>-2,302</b>	<b>-10,194</b>

### 3.6 The **Revenue** Budget Monitoring headlines are as follows:

- a) The reported forecast includes emergency costs relating to the autumn and winter storms and flooding of approximately £2.3m, within the EH&W and C&C portfolios. The emergency conditions reserve balance of £0.809m has been drawn down to offset these costs and this draw down is reflected within the F&BS portfolio. Since the last report we have received £8.6m from the Department of Transport in the form of a grant. This grant is split between capital and revenue, £3.2m is for capital expenditure incurred by 31 March 2014 and £5.4m is for revenue, which is reflected within the E&E annex 4 and will be transferred to the flood repairs reserve for funding the existing response to severe wet weather damage. The current forecast assumes £1.524m is drawn down in 2013-14 into Financing Items to offset the forecast costs currently reflected within EH&W and C&C, leaving approximately £3.9m for costs incurred in 2014-15. This grant is our allocation relating to the severe weather recovery grant of £70m and the additional highways funding of £103.5m. In his budget speech, the Chancellor announced that an additional £200m (£168m for England) would be used to set up a potholes challenge fund. The guidance on this should be available within the next few weeks. This will be a competitive bidding process. We are currently estimating that our Bellwin claim, which has to be submitted before the 30th June, will be in the region of £3m, this will provide £1.2m above the threshold of £1.8m.
- b) The reported underspend after allowing for roll forward/re-phasing commitments, is now -£8.593m, after allowing for the anticipated change to the waste and transport forecasts. The approved 2014-15 budget assumes that £4m underspend from this financial year is used to support next years budget, so we are on track to exceed this target.
- c) Specialist Children's Services still have significant financial pressures being highlighted in 2013-14, with a net overspend of £3.237m (incl Asylum) now being reported. There are pressures both in relation to agency staff and costs relating to looked after children.
- d) The position reflected in this report for Asylum is a pressure of £0.346m, however this assumes that we invoice the Home Office for £2.166m of costs deemed as ineligible against the current grant rules.
- e) The underspend reported for Adult Social Care of -£0.237m assumes a drawdown from the NHS Support for Social Care reserve of £6.554m to fund the ongoing impact of 2012-13 winter pressures and investment in services to deliver the transformation savings.
- f) There is a £2.6m underspend as a result of lower than budgeted waste tonnage, reflecting a continuation of the impact of the new operating policies implemented in October 2012 at Household Waste Recycling Centres to stop accepting commercial waste at sites, however this reduces to a £1.854m underspend due to other pressures on the waste budgets. However, this is based on tonnages up to December but provisional tonnages for January to March are high and suggest that this underspend will reduce, with initial estimates of a reduction in the underspend of in the region of £1m, and if verified this will be reflected in the outturn report.
- g) Within the EH&W portfolio, costs of the find and fix programme of pot hole repairs (£4.139m), together with the emergency response costs (£1.706m) and additional spend on pot hole repairs (£0.5m) resulting from the storms and flooding are being partially offset by underspending on other services, predominately waste (-£1.854m), transport services (-£1.077m), particularly concessionary fares and subsidised bus routes, highways management budgets (-£0.9m) and an underspend on the winter salting runs budget as a result of the mild winter. However, latest figures suggest that the underspending on transport services is reducing by approx £0.2m mainly as a result of increased operator payments relating to the Freedom Pass. If verified this will be reflected in the outturn report.

- h) The forecast currently assumes unused Public Health grant of £1.730m will be transferred to a new Public Health reserve for use in future years, in line with Government guidelines. This is largely as a result of a delay in some new projects within the Kent Drug and Alcohol Service and an underspend on public health staffing due to vacancies and delays in recruitment. However, there are ongoing discussions with NHS England regarding liability for dispensing costs and if we are successful in recovering these from NHS England then the underspend and consequent transfer to reserves will increase by approx. £0.6m.
- i) An underspend of £1.375m is forecast against the Kent Support & Assistance Service budget for awards (the Social Fund responsibilities which transferred from the DWP from 1 April 2013), which will be required to roll forward to 2014-15 in line with key decision 12/01939 which agreed that funding for this scheme should be ringfenced for the period 2013-15. This reflects initial take up of the new scheme in the first ten months, which is steadily increasing as expected.
- j) There has been a further large improvement in the forecast against the DSG budget this month, with a significant contribution to the DSG reserve of £2.234m now forecast for 2013-14, a movement since last month of £2.5m. This is largely as a result of the re-phasing of some School Improvement projects into the summer term of 2014-15.
- k) The overall reported position includes £6.006m of additional Government funding announced since the budget was set. However, a shortfall of £0.497m against the Education Services Grant is anticipated as a result of schools converting to academies during this financial year, resulting in an underspend of £5.509m reported against the unallocated financing items budget within the F&BS portfolio.

#### **Details of Committed Roll Forward/Re-phasing requirements**

The headline table on page 2 shows that within the current forecast revenue position there is a requirement to roll forward £4.326m to 2014-15. This relates to:

▪ re-phasing of Kent Youth Employment programme in to 2014-15 and 2015-16 (see annex 1)	+1,376 k
▪ re-phasing of Vulnerable Learners placements in to 2014-15 (see annex 1)	+126 k
▪ re-phasing of Kent Safeguarding Children Board spend in to 2014-15, reflecting our base budget commitment to the partnership agreement (see annex 2)	+273 k
▪ re-phasing of EU ROCK (Regions of Connecting Knowledge) project in to 2014-15, to provide match funding to fulfil our obligation to the partnership agreement. This is a transport links project to enhance rail services in Europe (see annex 4)	+46 k
▪ re-phasing of purchase of specialist equipment for Kent Scientific Services for testing of cargo at Manston airport. This equipment is required in order to increase the income of the unit as reflected in the 2014-17 MTFP, however this is now dependent on the future of Manston airport, hence why the purchase has been delayed (see annex 5)	+110 k
▪ underspend on Kent Support & Assistance budget for awards (see annex 5)	+1,375 k
▪ re-phasing of the Government funded project to integrate Ghurkhas and their dependents into the community and to improve their English language skills (see annex 5)	+153 k

▪ re-phasing of Kent Drug & Alcohol Service, reflecting our base budget commitment to the pooled partnership budget (see annex 5)	+56 k
▪ re-phasing of Health Reform budget (to support the development of seven new Health and Wellbeing Boards to be aligned with the NHS Clinical Commissioning Groups) (see annex 7)	+87 k
▪ re-phasing of costs of expert advisors regarding Property litigation work into 2014-15 (see annex 7)	+27 k
▪ re-phasing of training programmes funded from the Independent Sector rolled forward from 2012-13, which is to be spent over the period July 2013 to January 2015 (see annex 7)	+141 k
▪ re-phasing of Facing the Challenge costs (see annex 7)	+556 k
	<hr/> +4,326 k

### 3.8 Revenue budget virements/changes to budgets

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

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process, including the inclusion of new 100% grants (i.e. grants which fully fund the additional costs) awarded since the budget was set.
- Cash limits for the A-Z service analysis have been adjusted since the previous report to Cabinet to reflect a number of technical adjustments, including the further centralisation of budgets and to reflect where responsibility for providing services has moved between directorates/portfolios.

#### 4. SUMMARISED CAPITAL MONITORING POSITION

4.1 The working budget for the Capital Programme 2013-14 is £256.220m. This has been adjusted to reflect the 2014-17 capital budget set by County Council on 13 February 2014. The forecast outturn against this budget is £224.917m giving a variance of -£31.303m. The annexes to this report provide the detail, which is summarised in table 2 below.

4.2 **Table 2** Portfolio/Directorate capital position

Portfolio	3 Year Cash Limit £'000	2013-14 Working Budget £'000	2013-14 Variance £'000	Real Variance £'000	Re-phasing Variance £'000	Annex
Education, Learning and Skills	210,018	121,184	-13,867	-1,061	-12,806	1
Specialist Children's Services	1,325	1,925	-	-	-	2
Adult Social Care & Public Health	92,858	4,398	-24	+808	-832	3
Environment, Highways & Waste	193,789	62,193	-3,579	+62	-3,641	4
Customer & Communities	11,263	4,469	-664	-86	-578	5
Regeneration & Economic Development	103,407	29,649	-4,167	-	-4,167	7
Finance & Business Support	-	-	-	-	-	N/A
Business Strategy, Performance & Health Reform	46,534	32,402	-9,002	-650	-8,352	7
Democracy & Partnerships	-	-	-	-	-	N/A
<b>TOTAL</b>	<b>659,194</b>	<b>256,220</b>	<b>-31,303</b>	<b>-927</b>	<b>-30,376</b>	

Page 120

4.3 The **Capital** Budget Monitoring headlines are as follows:

- a) The majority of schemes are within budget and on time.
- b) £30.376m of the £31.303m variance is due to rephasing expenditure into future years. The main projects comprising the rephasing are:
  - ELS** - £7.1m on the basic need programme and £2.8m on the Special Schools Review Programme to reflect a more realistic profiling of costs, and £1m on the Annual Planned Enhancement Programme.
  - EHW** - £1m on Integrated Transport Schemes due to further detailed design work required and £1m on Member Highway Fund to account for commitments finalised in the latter part of the financial year.
  - BSP&HR** - £3.5m on New Ways of Working (NWOW) due to reprofiling to reflect the strategy, £3.3m on Modernisation of Assets due to the complexity of some projects and linking in with the NWOW programme, and £1.1m on Sustaining Kent - Maintaining the Infrastructure due to technical difficulties.
  - R&ED** - £3.3m on LIVE Margate as a strategic review was undertaken, £1.6m on Broadband to reflect the payment profile and £1m on TIGER, together with bringing forward £2.9m on the Regional Growth Fund due to updated forecasts to align with loans committed.
- c) The remaining £0.927m of the £31.303m variance relates to anticipated real overspends and underspends on a number of projects, all of which are funded, or the most appropriate funding options are being considered.



#### 4.4 Capital budget virements/changes to budgets

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

### 5. CONCLUSIONS

- 5.1 The position has improved by £2.951m since the last report, and after taking into account the requirements to roll forward, a £9.793m underspend is currently forecast. In addition, the revenue headlines above have highlighted an expected worsening in the position on the waste and transport budgets within EH&W to the tune of approx. £1.2m, which would reduce this position to an underspend of £8.593m. If verified this will be reflected in the outturn. The 2014-15 budget assumes that a £4m underspend will be delivered in the current year to support next years budget, and although this forecast shows that we are on track to exceed this target we must bear in mind that this forecast position assumes the Home Office meet the costs of Asylum (£2.166m), and includes £5.509m of additional Government funding notified since the budget was set.
- 5.2 There are a number of ongoing emerging issues that have been addressed in the 2014-17 MTFP and these are highlighted in the annexes to this report and/or in the headlines above.

### RECOMMENDATIONS

**Cabinet** is asked to:

- i) **Note** the latest monitoring position on both the revenue and capital budgets.
- ii) **Note** and **agree** the changes to the capital programme as detailed in the actions column in table 2 of the annex reports.

### 7. BACKGROUND DOCUMENTS

None

### 8. CONTACT DETAILS

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**EDUCATION, LEARNING & SKILLS DIRECTORATE SUMMARY**  
**JANUARY 2013-14 MONITORING REPORT**

1. REVENUE

1.1		Cash Limit	Variance Before Mgmt Action	Management Action	Net Variance after Mgmt Action
	<b>Total (excl Schools) (£k)</b>	+55,766	-977	-	-977
	<b>Schools (£k)</b>	-	+9,252	-	+9,252
	<b>Directorate Total (£k)</b>	<b>+55,766</b>	<b>+8,275</b>	-	<b>+8,275</b>

1.2 **Table 1** below details the revenue position by A-Z budget:

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross £'000	Income £'000	Net £'000	Net £'000		
<b>Education, Learning &amp; Skills portfolio</b>						
<b>Delegated Budget:</b>						
Schools & Pupil Referral Units Delegated Budgets	734,866.9	-734,866.9	0.0	+9,252	+1,904  +7,348	Drawdown from school reserves for 26 expected academy converters and 2 school closures  Expected drawdown of reserves for remaining Kent schools based on schools nine month monitoring
<b>TOTAL DELEGATED</b>	<b>734,866.9</b>	<b>-734,866.9</b>	<b>0.0</b>	<b>+9,252</b>		
<b>Non Delegated Budget:</b>						
Strategic Management & Directorate Support budgets	6,931.7	-7,382.1	-450.4	-781	+598  -1,000  -151  -214  -14	New Kent Integrated Adolescent Support Service managed by ELS but covering services across directorates  <i>DSG variance for contingency held to cover additional redundancy costs for academy conversions and PRU reorganisations which have now been delayed until 2014-15</i>  <i>DSG variance - directorate wide supplies and services</i>  <i>DSG variances over a number of headings, all less than £100k in value</i>  Other minor variances

Budget Book Heading	Cash Limit			Variance	Explanation		Management Action/ Impact on MTFP
	Gross £'000	Income £'000	Net £'000	Net £'000	£'000		
<b>Children's Services - Education &amp; Personal</b>							
- 14 - 19 year olds	4,778.0	-1,335.8	3,442.2	-1,559	-1,376	Kent Youth Employment programme placements - this underspend will need to be rolled forward to be spent on placements which straddle the financial year, with the scheme continuing until 2015-16.  -126 Vulnerable Learner placements - this underspend will need to be rolled forward to cover placements which extend beyond the end of the 2013-14 financial year  -57 Other minor variances	
- Attendance & Behaviour	3,833.9	-2,671.4	1,162.5	-346	-170	Increased penalty notice income from pupils being absent from school <i>(includes a DSG variance of -£121k)</i>  -125 <i>DSG variance - underspend on individual tuition</i>  -51 Other minor variances	
- Connexions	5,696.6	0.0	5,696.6	0			
- Early Years & Childcare	7,376.4	-5,991.6	1,384.8	-531	-284	Graduate Leader staff vacancies, reduction in courses and additional income for the provision of training <i>(DSG variance -£267k)</i>  -183 <i>DSG variance - reduced demand for sustainability grants paid to Early Years settings</i>  -127 <i>DSG variance - Quality and Outcomes team staff vacancies and general non staff spend</i>  +63 Other minor variances	
- Early Years Education	50,900.0	-50,900.0	0.0	+723	+1,206	<i>DSG variance - additional week of provision for 3 &amp; 4 year olds falling in the 2013-14 financial year which has not been funded within the DfE DSG settlement.</i>	There will be an increase in DSG for 2014-15 as it will be based on a more up to date count of children in early years settings and this increase has been reflected in the 2014-17

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP	
	Gross £'000	Income £'000	Net £'000	Net £'000			
					+1,527 -2,010	<i>DSG variance - greater than budgeted number of hours being provided for 3 &amp; 4 year olds due to increased parental demand</i> <i>DSG variance - reduced demand for 2 year old placements</i>	
- Education Psychology Service	3,004.4	-400.0	2,604.4	-440	-234 -166 -40	Traded income from schools for non statutory psychology services Staff vacancies Other minor variances	This additional income has been reflected in the 2014-17 MTFP
- Individual Learner Support	8,642.4	-7,579.0	1,063.4	-262	-98 -65 -99	Head of Inclusion and Support budget part year vacancies and general non staffing underspends ( <i>includes a DSG variance of -£67k</i> ) Minority Community Achievement Service (MCAS) income from schools in excess of costs Other minor variances	
- Statemented Pupils	5,491.1	-5,491.1	0.0	-934	-681 -253	<i>DSG variance - budget allocated for statemented support is not required for 2013-14 and offsets the reported pressure on independent and non maintained special school placements (reported below)</i> <i>DSG variance - changes to provision of some statemented support services and to numbers of pupils receiving support</i>	
	89,722.8	-74,368.9	15,353.9	-3,349			
<b>Children's Services - Other Children's</b>							
- Safeguarding	310.2	-87.5	222.7	-49			
<b>School Budgets:</b>							
- Independent Special School Placements	20,841.0	-20,841.0	0.0	+386	+386	<i>DSG variance - Increased number of pupils in independent and non maintained special school placements</i>	This pressure has been addressed in the 2014-17 MTFP
- PFI Schools Schemes	23,810.0	-23,810.0	0.0	0			

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross £'000	Income £'000	Net £'000	Net £'000		
- Exclusion Services	1,835.7	-1,835.7	0.0	-106	-106 <i>DSG variance - Underspend on non-delegated pupil referral units</i>	
	46,486.7	-46,486.7	0.0	+280		
<u>Schools Services:</u>						
- Non Delegated Staff Costs	2,742.2	-2,639.2	103.0	+12		
- Other Schools Services	7,595.1	-7,189.8	405.3	-74		
- Redundancy Costs	1,188.7	-1,188.7	0.0	+564	+564 <i>DSG variance - Expected increase in school based staff redundancy costs and DSG funded central staff</i>	
- School Improvement	11,034.8	-8,719.0	2,315.8	-1,417	+678 Costs of intervention and prevention work with schools in or at risk of going into special measures, together with costs associated with maintaining and improving school Ofsted ratings  +69 Higher costs for the provision of training and development courses in excess of additional income generated  -1,047 <i>DSG variance - Expected drawdown of reserves for school improvement projects will now be required in 2014-15 financial year as projects extend into the summer term</i>  -494 Release of unspent non ringfenced grant income from previous financial years  -394 <i>DSG variance - Underspend on School Improvement collaboration projects which will continue into the summer term</i>  -83 Increase in income generated by the Improving Together Network scheme  -146 Other minor variances, all less than £100k in value	
- Teachers & Education Staff Pension Costs	7,954.0	-2,684.0	5,270.0	+175	+241 Increase in annual capitalisation payments  -66 Other minor variances	This pressure has been addressed in the 2014-17 MTFP
	30,514.8	-22,420.7	8,094.1	-740		

Budget Book Heading	Cash Limit			Variance	Explanation		Management Action/ Impact on MTFP
	Gross £'000	Income £'000	Net £'000	Net £'000			
<u>Transport Services</u>							
- Home to College Transport & Kent 16+ Travel Card	3,174.2	-1,720.0	1,454.2	-425	+493	SEN pupils receiving Home to College transport	A net saving has been reflected in the 2014-17 MTFP
					-918	Income from the 16+ travel card in excess of costs	
- Mainstream HTST	11,517.3	-20.0	11,497.3	-1,054	-1,054	Lower than budgeted numbers of pupils travelling, the full year impact of transport policy changes and price rises following the renegotiation of contracts being less than expected	Further savings related to the transport policy changes have been reflected in the 2014-17 MTFP
- SEN HTST	17,207.5	0.0	17,207.5	+2,143	+3,043	Higher than budgeted numbers of pupils travelling with overall costs also influenced by other factors (see section 2.2) including an increase in re-negotiated contracts due to fuel price rises	Additional funding for increased demand has been provided in the 2014-17 MTFP
					-900	Recoupment income for transport provided for other local authority pupils with special needs to Kent schools	
	31,899.0	-1,740.0	30,159.0	+664			
<u>Assessment Services</u>							
- Assessment & Support of Children with Special Education Needs	7,319.1	-4,932.4	2,386.7	+764	+551	<i>DSG variance - recoupment expenditure for Kent children with special education needs in other local authority schools</i>	
					+294	<i>DSG variance - prior year hospital recoupment claims from other local authorities for Kent children who received education whilst in hospital</i>	
					-81	Other minor variances	
TOTAL NON DELEGATED	213,184.3	-157,418.3	55,766.0	-3,211			
- <i>Transfer to(+)/from(-) DSG reserve</i>				+2,234	+2,234	<i>transfer to DSG reserve to offset - £2,218k of DSG variances explained above, together with other smaller DSG variances</i>	

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross £'000	Income £'000	Net £'000	Net £'000		
TOTAL NON DELEGATED after tfr to/from DSG reserve	213,184.3	-157,418.3	55,766.0	-977		
<b>Total ELS portfolio</b>	<b>948,051.2</b>	<b>-892,285.2</b>	<b>55,766.0</b>	<b>+8,275</b>		
<b>Assumed Mgmt Action</b>						
- ELS portfolio				0	After allowing for roll forward requirements of £1,502k, the directorate has a residual underlying pressure of £525k (excluding schools). The directorate will try to balance this position by investigating the possibility of rebadging expenditure already incurred, against grant funding, where it is eligible and there is scope to do so.	
<b>Total Forecast <u>after</u> mgmt action</b>	<b>948,051.2</b>	<b>-892,285.2</b>	<b>55,766.0</b>	<b>+8,275</b>		

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

### 2.1 Number of schools with deficit budgets compared with the total number of schools:

	2010-11	2011-12	2012-13	2013-14
	as at 31-3-11	as at 31-3-12	as at 31-3-13	projection
Total number of schools	538	497	463	436
Total value of school reserves	£55,190k	£59,088k	£48,124k	£38,872k
Number of deficit schools	17	7	8	19
Total value of deficits	£2,002k	£833k	£364k	£2,367k

#### Comments:

- The information on deficit schools for 2013-14 has been obtained from the schools 9 month monitoring and show 19 schools predicting a deficit at the end of the year. The Local Authority receives updates from schools through budget monitoring returns from all schools after 6 months, and 9 months as well as an outturn report at year end but these only include information relating to the current year. School's Financial Services will be working with these 19 schools to reduce the risk of a deficit in 2013-14 and with the aim of returning the schools to a balanced budget position as soon as possible. This involves agreeing a management action plan with each school.
- It should be noted that, based upon the three year planning returns submitted by schools in May/June, the number of schools in deficit is forecast to reduce to eight in 2014-15 (with a value of £6.3m) and then rise to 24 in 2015-16 (with a value of £12.6m). However, all of this is before any management action. In line with existing policies, Finance staff, together with colleagues in ELS are now working to draw up recovery plans with each of these schools in order to avoid the deficit position from arising, whilst maintaining or improving standards of attainment. The position currently forecast by these schools is largely a reflection of the impact of four years of flat cash settlements for schools, and for some, the impact of falling rolls.
- KCC has a "no deficit" policy for schools, which means that schools cannot plan for a deficit budget at the start of the year. Unplanned deficits will need to be addressed in the following year's budget plan, and schools that incur unplanned deficits in successive years will be subject to intervention by the Local Authority.
- The total number of schools is based on the assumption that 26 schools (including 6 secondary schools and 20 primary schools) will convert to academies before the 31st March 2014. In addition, 2 schools are closing and 1 new school is opening.
- The estimated drawdown from schools reserves of £9,252k includes a drawdown of £1,904k relating to an assumed 26 schools converting to academy status and 2 schools closures, together with a drawdown of £7,348k for the remaining Kent schools, as reflected in their 9 month monitoring returns.



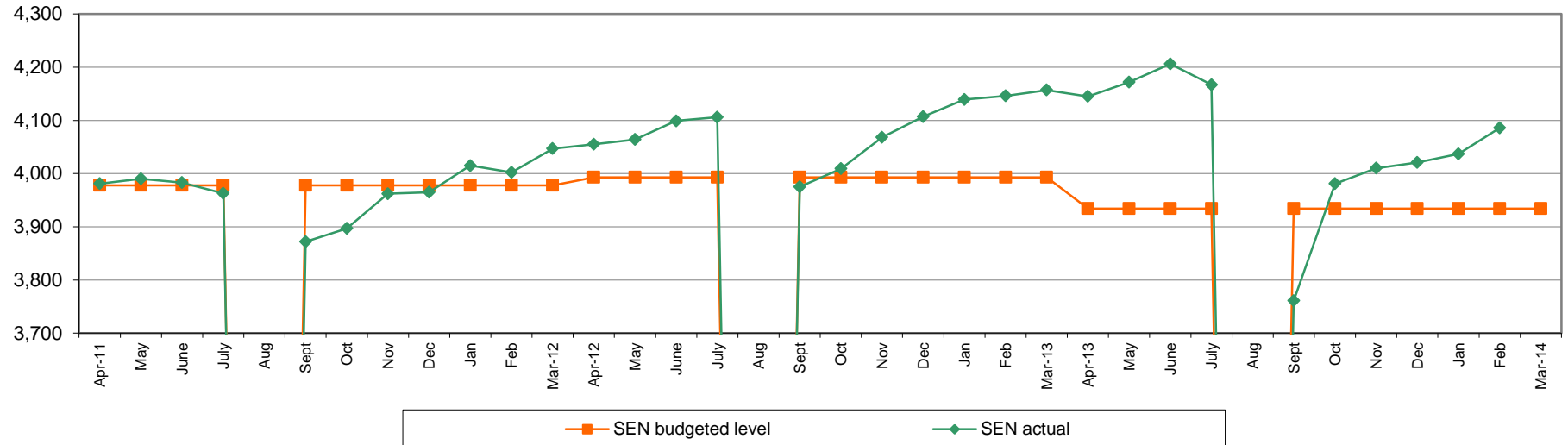
## 2.2 Number of children receiving assisted SEN and Mainstream transport to schools

	2011-12				2012-13				2013-14			
	SEN		Mainstream		SEN		Mainstream		SEN		Mainstream	
	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual
Apr	3,978	3,981	18,982	17,620	3,993	4,055	17,342	16,757	3,934	4,145	14,667	14,119
May	3,978	3,990	18,982	17,658	3,993	4,064	17,342	16,788	3,934	4,172	14,667	14,119
Jun	3,978	3,983	18,982	17,715	3,993	4,099	17,342	16,741	3,934	4,206	14,667	14,106
Jul	3,978	3,963	18,982	17,708	3,993	4,106	17,342	16,695	3,934	4,167	14,667	14,093
Aug	0	0	0	0	0	0	0	0	0	0	0	0
Sep	3,978	3,872	18,982	16,282	3,993	3,975	17,342	13,698	3,934	3,761	14,667	10,300
Oct	3,978	3,897	18,982	16,348	3,993	4,009	17,342	13,844	3,934	3,981	14,667	11,258
Nov	3,978	3,962	18,982	16,553	3,993	4,068	17,342	13,925	3,934	4,010	14,667	11,267
Dec	3,978	3,965	18,982	16,556	3,993	4,107	17,342	13,960	3,934	4,021	14,667	11,296
Jan	3,978	4,015	18,982	16,593	3,993	4,139	17,342	13,985	3,934	4,037	14,667	11,314
Feb	3,978	4,002	18,982	16,632	3,993	4,146	17,342	14,029	3,934	4,086	14,667	11,368
Mar	3,978	4,047	18,982	16,720	3,993	4,157	17,342	14,051	3,934		14,667	

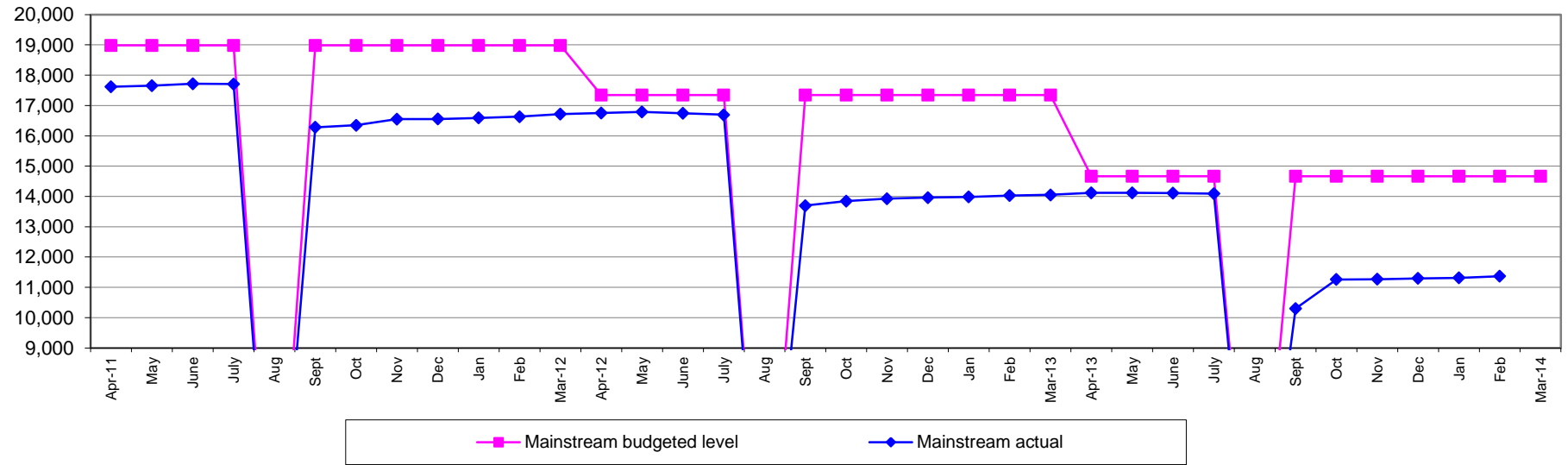
## Comments:

- **SEN HTST** – The number of children travelling is higher than the budgeted level and there are also a number of other factors which contribute to the overall cost of the provision of transport such as distance travelled and type of travel. A pressure of +£3,043k is therefore reported in table 1, which is offset by £900k recoupment income from other local authorities for the transport of their pupils to Kent schools.
- **Mainstream HTST** – The number of children receiving transport is lower than the budgeted level, therefore an underspend of -£1,054k is reported in table 1

Number of children receiving assisted SEN transport to school



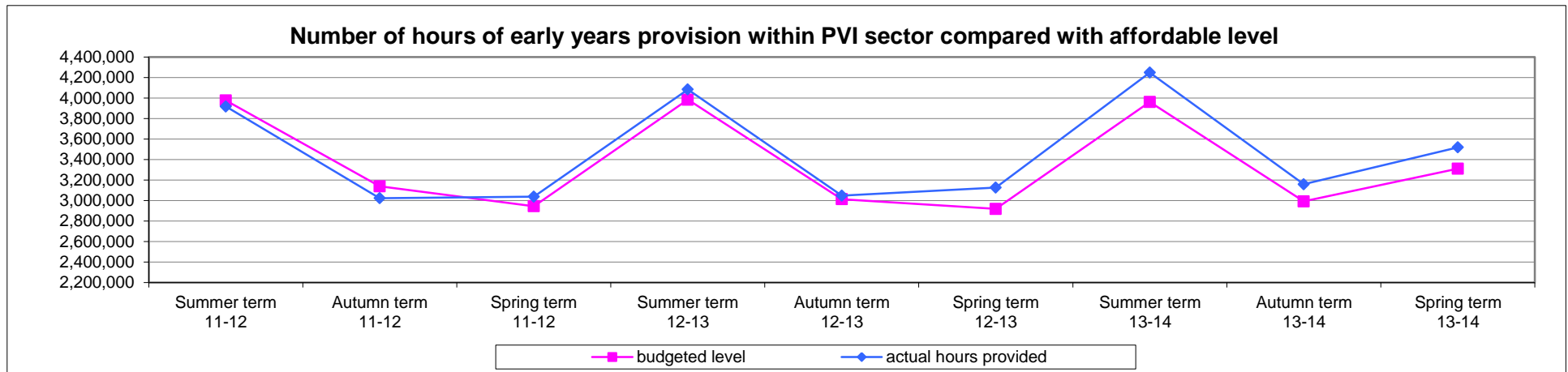
Number of children receiving assisted Mainstream transport to school



2.3 Number of hours of early years provision provided to 3 & 4 year olds within the Private, Voluntary & Independent Sector compared with the affordable level:

	2011-12		2012-13		2013-14	
	Budgeted number of hours	Actual hours provided	Budgeted number of hours	Actual hours provided	Budgeted number of hours	Actual hours provided *
Summer term	3,976,344	3,917,710	3,982,605	4,082,870	3,961,155	4,247,461
Autumn term	3,138,583	3,022,381	3,012,602	3,048,035	2,990,107	3,158,318
Spring term	2,943,439	3,037,408	2,917,560	3,125,343	3,310,417	3,518,673
<b>TOTAL</b>	<b>10,058,366</b>	<b>9,977,499</b>	<b>9,912,767</b>	<b>10,256,248</b>	<b>10,261,679</b>	<b>10,924,452</b>

\* The figures for actual hours provided are constantly reviewed and updated, so will always be subject to change



Comments:

- The budgeted number of hours per term is based on an assumed level of take-up and the assumed number of weeks the providers are open. The variation between the terms is due to two reasons: firstly, the movement of 4 year olds at the start of the Autumn term into reception year in mainstream schools; and secondly, the terms do not have the same number of weeks.
- The current activity suggests a pressure of £2.733m, which is due to an additional week of provision for 3 and 4 years olds falling in the 2013-14 financial year which has not been funded within the DfE DSG settlement and additional hours as a result of increased parental demand. As this budget is entirely funded from DSG, any surplus or deficit at the year end must be carried forward to the next financial year in accordance with the regulations and cannot be used to offset over or underspending elsewhere within the directorate budget, therefore this pressure will be transferred to the schools unallocated DSG reserve at year end, as reflected in table 1 of this annex.
- It should be noted that not all parents currently take up their full entitlement and this can change during the year.

### 3. CAPITAL

3.1 The Education, Learning & Skills Directorate has a working budget - excluding schools - for 2013-14 (which has now been updated to reflect the 2014-17 budget set by County Council on 13th February 2014) of £121,184k. The forecast outturn against the 2013-14 budget is £107,317k giving a variance of - £13,867k.

3.2 **Table 2** below details the ELS Capital Position by Budget Book line.

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
<b>Rolling Programmes</b>									
Annual Planned Enhancement Programme	24,255	12,498	-932	-932	-£1000k Rephasing +£68k Real - grant	Rephasing on the Schools Access Initiative programme for works which will be completed in 2014-15. Tendering timescales have led to rephasing on projects. Real variance due to transfer back of grant for reduced mobile hire costs at St Johns/Kingsmead.	Green		Increase cash limit by £68k
Devolved Formula Capital Grants for Pupil Referral Units	537	200					Green		

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status 1	Explanation of Project Status	Actions
<b>Individual Projects</b>									
<b>Basic Need Schemes - to provide additional pupil places:</b>									
Future Basic Need Schemes	43,506	31,097	-7,053	-7,053	Rephasing	Additional time is being spent on planning applications to ensure robustness. This is delaying project start dates but will ensure delays are not encountered at a later stage. Completion dates remain unaffected.	Green		
Dunton Green	800	0				Project now included in Future Basic Need Schemes (above).	Green		
Goat Lees Primary	2,194	2,951	-94	-94	Rephasing		Green		
Repton Park Primary School, Ashford	19	210	-210	-210	Rephasing	Awaiting agreement of final accounts.	Green		
Ryarsh Primary	169	169					Green		
<b>Modernisation Programme - Improving and upgrading school buildings including removal of temporary classrooms:</b>									
Modernisation Programme - Wrotham	8	4					Green		
Modernisation Programme - Future Years	5,992	201					Green		

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status 1	Explanation of Project Status	Actions
St Johns / Kingsmead Primary School, Canterbury	1,544	1,513	-68	-68	Real - grant	Transfer back of grant for reduced mobile hire costs to Annual Planned Enhancement.	Green		Reduce cash limit by £68k
<b>Special Schools Review - major projects supporting the special schools review</b>									
Special Schools Review phase 1	24	664					Green		
Special Schools Review phase 2	40,330	3,780	-2,780	-2,780	Rephasing	Re-profiling of the SSR budget to reflect latest forecasts.	Green		
The Wyvern School, Ashford (Buxford Site)	1	2					Green		
<b>Primary Improvement Programme</b>	85	236					Green		
<b>Academy Projects:</b>									
Academies Unit Costs	778	1,183	-733	-733	Rephasing	Re-profiling of costs to reflect the revised profile of Academy build costs.	Green		
Maidstone New Build, New Line Learning	0	31					Green		
Longfield New Build	0	358					Green		
Maidstone New Build, Cornwallis	0	67					Green		
Spires New Build	0	2					Green		
Marsh Academy, New Romney	888	887					Green		

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status 1	Explanation of Project Status	Actions
The John Wallis C of E Academy	7,615	6,217					Green		
The Knowle Academy Sevenoaks	13,557	12,248					Green		
Dover Christ Church	10,119	500	-500	-500	Rephasing	Delays to pre-contract agreement, contracts not yet signed.	Green		
Astor of Hever (St Augustine's Academy), Maidstone	9,236	10,049					Green		
Duke of York	21,816	19,424					Green		
Wilmington Enterprise College	7,387	6,898					Green		
Isle of Sheppey Academy	6,108	2,234					Green		
Skinner's Kent Academy, Tunbridge Wells	489	1,278	62	62	Real - grant		Green		
<b>Building Schools for the Future Projects:</b>									
BSF Wave 3 Build Costs	2,104	905	-300	-300	Real - capital receipt	There is no refresh of ICT equipment therefore budget to support this is no longer required.	Green		
BSF Unit Costs (including SecTT)	0	669					Green		
<b>Other Projects:</b>									
Nursery Provision for Two Year Olds	2,468	100					Green		
Schools Self Funded projects - Quarryfield / Aldington Eco Centre	0	32					Green		

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status 1	Explanation of Project Status	Actions
Specialist Schools	0	140					Green		
Platt CEPS	0	101					Green		
One-off Schools Revenue to Capital	1,881	1,999	-288	-288	Rephasing	Remaining projects span financial years.	Green		
Unit Review	1,108	1,258	-823	-823	Real - prudential	Good design and cost management reduced overall project costs.	Green		
Vocational Education Centre Programme	0	148	-148	-148	Rephasing	Budget rephased while awaiting outcome of potential joint venture between Swan Valley vocational centre and Paramount.	Green		
Sevenoaks Grammar Schools annexe	5,000	731					Green		
Hartsdown Academy - contribution to 3G pitch		200					Green		
<b>Total</b>	210,018	121,184	-13,867	-13,867					

## 1. Status:

Green – on time and within budget

Amber – either delayed completion date or over budget

Red – both delayed completion and over budget



**FAMILIES & SOCIAL CARE DIRECTORATE SUMMARY**  
**CHILDREN'S SERVICES SUMMARY**  
**JANUARY 2013-14 MONITORING REPORT**

1. REVENUE

1.1		Cash Limit	Variance Before Mgmt Action	Management Action	Net Variance after Mgmt Action
	<b>Total excl Asylum (£k)</b>	+152,465	+2,891	-	+2,891
	<b>Asylum (£k)</b>	+280	+346	-	+346
	<b>Total (£k)</b>	<b>+152,745</b>	<b>+3,237</b>	-	<b>+3,237</b>

1.2 **Table 1** below details the revenue position by A-Z budget:

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
<b>Specialist Children's Services portfolio</b>						
Strategic Management & Directorate Support budgets	5,979.8	-175.0	5,804.8	-480	-121 -308 -51	underspend on staffing budgets Reduction in commitments against the improvement budget (previously shown against Safeguarding line in error) Other minor variances
<b>Children's Services - Children in Care (Looked After)</b>						
- Fostering	38,164.1	-336.0	37,828.1	+722	+391 +283 -52	In House: Forecast 1,025 weeks above affordable level In House: Forecast unit cost £5.18 above affordable level In House: management action to reduce pressure Management action is in place to speed up and increase the number of adoptions which will reduce the demand on in house fostering.

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross £'000	Income £'000	Net £'000	Net £'000		
					£'000 +470 Independent Sector (IFA): Forecast 495 weeks above affordable level +112 Independent Sector (IFA): Forecast unit cost £10.37 above affordable level -153 Fostering: further management action to reduce pressure  -55 Independent sector (IFA): other minor variances -67 Staffing underspend -133 Small reduction in fostering related payments and Kinship placements -74 Other minor variances	The recent in-house fostering recruitment campaign is resulting in more in-house and fewer independent sector placements, which will reduce costs. Also, new IFA placements are being purchased under a new framework contract which should result in new placements being at lower cost. However due to the transfer of lower need placements to in-house providers, the average unit cost for IFA placements is likely to increase. The impact of this management action has started to be reflected in the forecast activity shown in sections 2.2 & 2.3 but further management action is still expected to be delivered and the effects of this will be seen in the outturn report.
- Legal Charges	7,345.4	0.0	7,345.4	+1,193	+804 Increase in legal fees and court charges, due to an increase in number of proceedings.	

Budget Book Heading	Cash Limit			Variance	Explanation		Management Action/ Impact on MTFP
	Gross £'000	Income £'000	Net £'000	Net £'000			
					+389	Increase in court fee pricing	This demand pressure has been addressed in the 2014-17 MTFP, together with a saving expected as a result of reduced demand from alternative delivery models
- Residential Children's Services	15,371.2	-1,799.9	13,571.3	+33	+574	Independent residential care: Forecast 196 weeks above affordable level	
					-780	Independent residential care : Forecast unit cost -£322.24 below affordable level of £3,249.20	
					+148	Independent residential care: reduction in income	
					-102	Secure Accommodation: reduction in placements	
					+352	Increase in the number of independent residential placements for disabled children	
					-98	Saving on in-reach nursing due to reduction in charges from district health authority	
					-61	Other minor variances	
- Virtual School Kent	2,163.6	-718.9	1,444.7	+119	+151	Staffing pressure due to additional agency workers to undertake the Electronic Personal Education Plan (ePEP) project	
					-32	Other minor variances	
	63,044.3	-2,854.8	60,189.5	+2,067			
<b>Children's Services - Children in Need</b>							
- Children's Centres	15,957.4	-112.6	15,844.8	-1,171	-1,171	Minor variances spread across the 97 centres	
- Preventative Services	16,098.0	-1,559.0	14,539.0	+689	+536	Pressure on commissioned services	
					+167	Additional children receiving support through disability day care	
					+92	Increase in direct payments	
					-106	Other minor variances	
	32,055.4	-1,671.6	30,383.8	-482			

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
<b>Children's Services - Other Social Services</b>						
- Adoption	11,088.7	-3,707.5	7,381.2	+229	-745 Underspend due to rebadging of eligible spend to the Adoption Reform Grant.  +300 Increase in number of adoption payments as a result of the management action, referred to in Fostering above, to speed up and increase the number of adoptions.  +497 Increase in number of guardianship payments partly due to a reduction in Kinship placements reported in Fostering above, together with a general increase in the number of guardianship payments.  +177 Increased costs of commissioned management service	
- Asylum Seekers	11,883.3	-11,603.3	280.0	+346	+975 Pressure relating to under 18 UASC due to costs exceeding grant payable  +319 Pressure relating to under 18 UASC due to ineligibility  +1,133 Pressure relating to over 18's due to ineligibility, of which £730k relates to All Rights Exhausted (ARE) clients  +1,082 Pressure relating to over 18's due to costs exceeding grant payable (see activity section 2.6 below), of which £255k relates to ARE clients  -997 Gateway grant not required for infrastructure costs and therefore available to offset other pressures	

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross £'000	Income £'000	Net £'000	Net £'000		
					£'000 -2,166	Invoice to Home Office for net pressures outlined above, excluding costs for the first 25 care leavers, naturalised clients, care leavers age 21 and over not in education and care leavers age 24 and over (as these clients either fall within KCC's social care responsibilities or we should no longer be supporting them at all)
- Leaving Care (formerly 16+)	4,555.1	0.0	4,555.1	+941	+219 +722	Pressure on staffing budgets Additional young people requiring this service, in order to provide stability and continuity whilst they continue their education.
- Safeguarding	4,401.9	-440.7	3,961.2	-499	-227 -273  +1	Underspend on staffing Underspend on Kent Safeguarding Children Board (KSCB) - this represents KCC's share of the underspend of the KSCB Board, and will need to be rolled forward in 2014-15 to fund our commitment to the partnership agreement  Other minor variances
	31,929.0	-15,751.5	16,177.5	+1,017		
<u>Assessment Services</u>						
- Children's social care staffing	45,247.8	-5,058.5	40,189.3	+1,115	+1,115	Pressure on staffing budgets. Partly due to appointment of agency staff to bridge the gap until new cohort of social workers take up posts
<b>Total SCS portfolio</b>	<b>178,256.3</b>	<b>-25,511.4</b>	<b>152,744.9</b>	<b>+3,237</b>		
<b>Assumed Mgmt Action</b>						
- SCS portfolio						
<b>Total Forecast <u>after</u> mgmt action</b>	<b>178,256.3</b>	<b>-25,511.4</b>	<b>152,744.9</b>	<b>+3,237</b>		

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

## 2.1 Number of Looked After Children (LAC) :

		No. of Kent LAC placed in Kent	No. of Kent LAC placed in OLAs	TOTAL NO. OF KENT LAC (excluding Asylum)	No. of OLA LAC placed in Kent	TOTAL NUMBER OF LAC IN KENT
2011-12	30-Jun	1,371	141	<b>1,512</b>	1,330	<b>2,842</b>
	30-Sep	1,419	135	<b>1,554</b>	1,347	<b>2,901</b>
	31-Dec	1,446	131	<b>1,577</b>	1,337	<b>2,914</b>
	31-Mar	1,480	138	<b>1,618</b>	1,248	<b>2,866</b>
2012-13	30-Jun	1,478	149	<b>1,627</b>	1,221	<b>2,848</b>
	30-Sep	1,463	155	<b>1,618</b>	1,216	<b>2,834</b>
	31-Dec	1,455	165	<b>1,620</b>	1,144	<b>2,764</b>
	31-Mar	1,494	147	<b>1,641</b>	1,200	<b>2,841</b>
2013-14	30-Jun	1,485	155	<b>1,640</b>	1,197	<b>2,837</b>
	30-Sep	1,465	152	<b>1,617</b>	1,182	<b>2,799</b>
	31-Dec *					
	31-Mar					

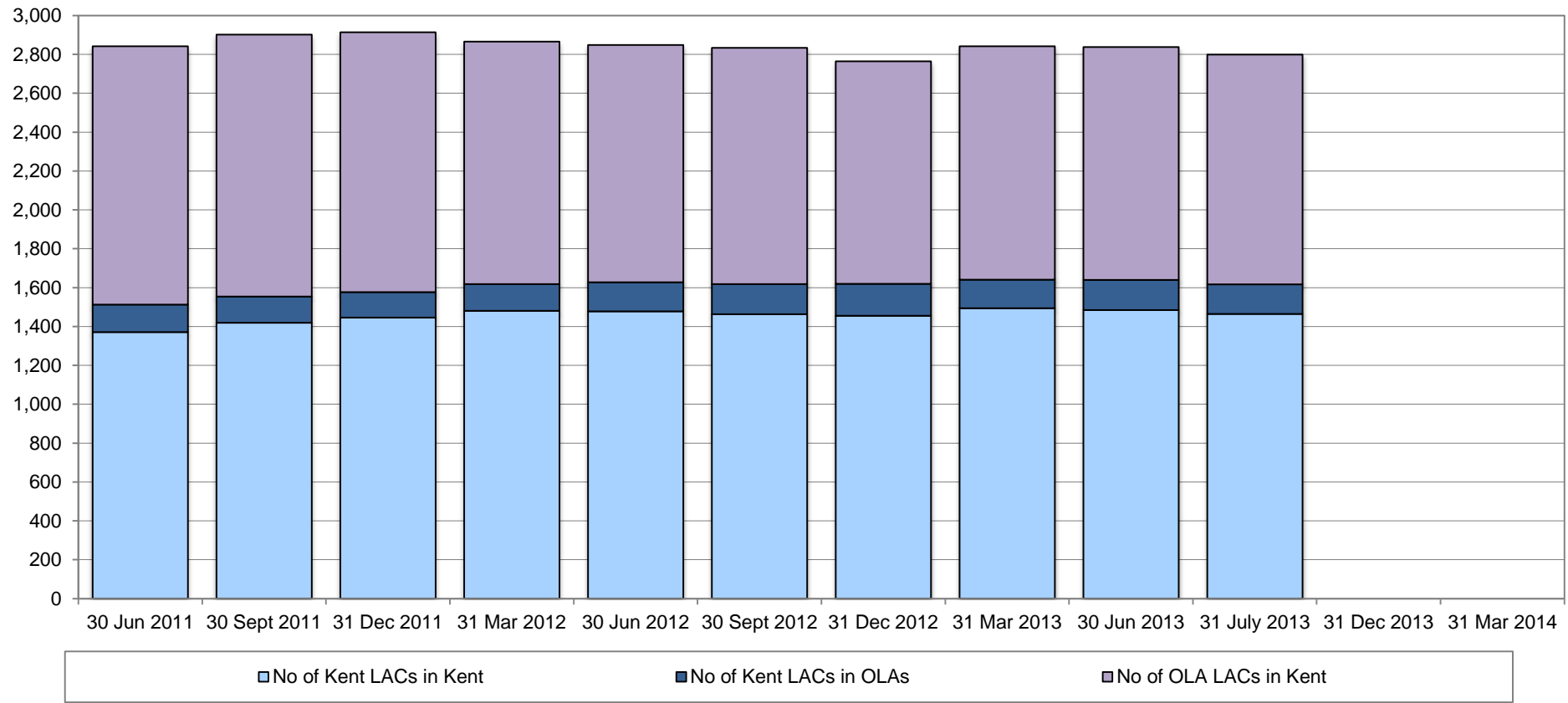
\* Numbers of Children in Care, and the breakdown by categories previously provided to Cabinet, are not available for the 3rd quarter reporting. A new IT system has been implemented for Children's Social Care and figures have not yet been released as they are still pending validation following the migration of data from the previous system (ICS) to the new system (Liberi). This data will be provided within the outturn report.

## Comments:

- Children Looked After by KCC may on occasion be placed out of the County, which is undertaken using practice protocols that ensure that all long-distance placements are justified and in the interests of the child. All Looked After Children are subject to regular statutory reviews (at least twice a year), which ensures that a regular review of the child's care plan is undertaken.
- The figures represent a snapshot of the number of children designated as looked after at the end of each quarter, it is not the total number of looked after children during the period. Therefore, although the number of Kent looked after children had reduced by 23 as at quarter 2 of this financial year, there could have been more (or less) during the period.
- The generally higher number of looked after children since the 2013-14 budget was set (Q3 12/13) has placed additional pressure on the services for looked after children, including fostering and residential care. £1.5m of rolled forward underspending from 2012-13 was approved by Cabinet on 15 July to address this issue.

- The OLA LAC information has a confidence rating of 70% (as at quarter 2) and is completely reliant on Other Local Authorities keeping KCC informed of which children are placed within Kent. The Management Information Unit (MIU) regularly contact these OLAs for up to date information, but replies are not always forthcoming. This confidence rating is based upon the percentage of children in this current cohort where the OLA has satisfactorily responded to recent MIU requests.
- This information on number of Looked After Children is provided by the Management Information Unit within FSC Directorate.

**Number of Looked After Children**

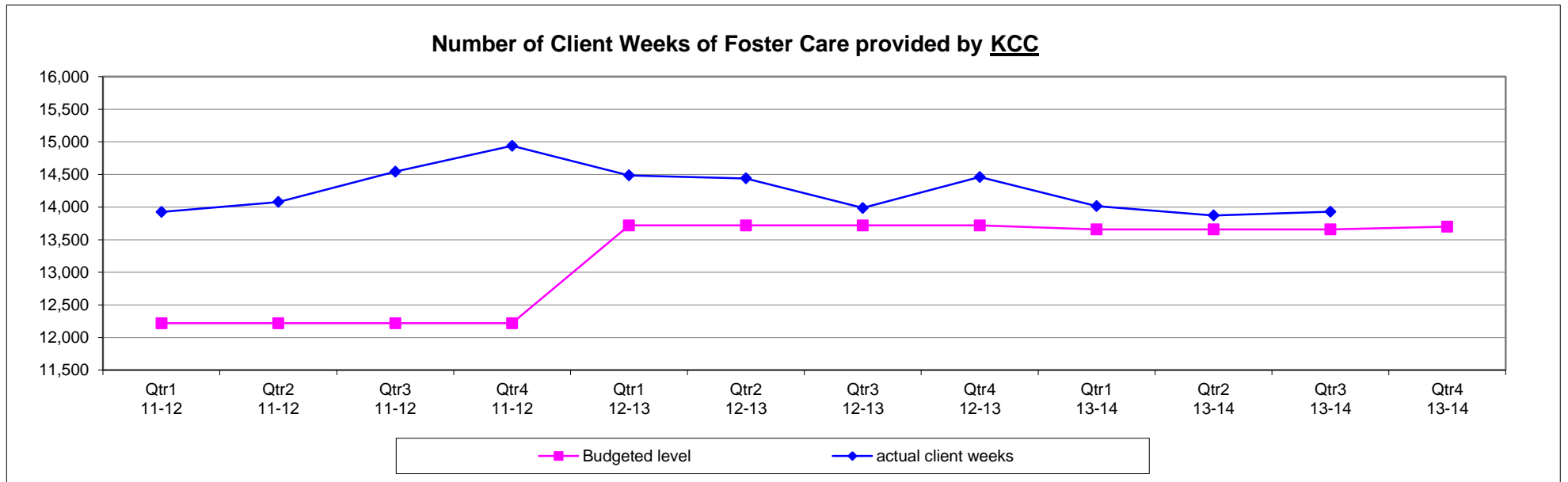


2.2 Number of Client Weeks & Average Cost per Client Week of Foster Care provided by KCC:

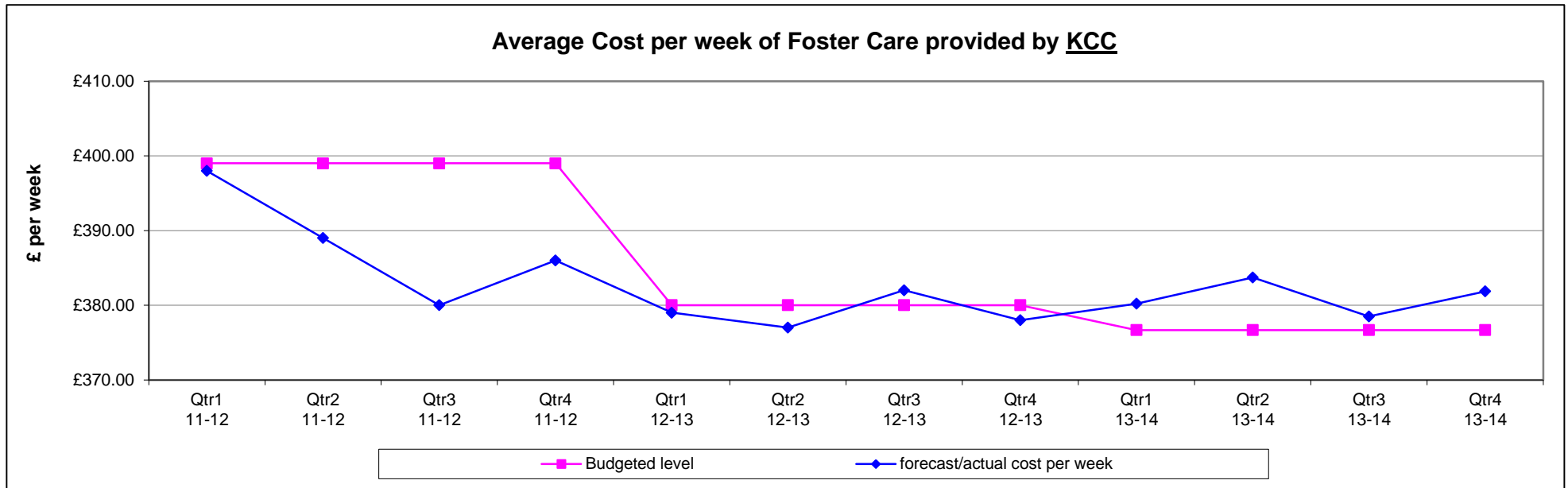
	2011-12				2012-13				2013-14			
	No of weeks		Average cost per client week		No of weeks		Average cost per client week		No of weeks		Average cost per client week	
	Budget level	actual	Budget level	forecast /actual	Budget level	actual	Budget level	forecast /actual	Budget level	actual	Budget level	forecast
Apr to Jun	12,219	13,926	£399	£398	13,718	14,487	£380	£379	13,659	14,014	£376.67	£380.22
Jul to Sep	12,219	14,078	£399	£389	13,718	14,440	£380	£377	13,658	13,871	£376.67	£383.72
Oct to Dec	12,219	14,542	£399	£380	13,718	13,986	£380	£382	13,658	13,929	£376.67	£378.50
Jan to Mar	12,219	14,938	£399	£386	13,718	14,462	£380	£378	13,700	4,759	£376.67	£381.85
	<b>48,876</b>	<b>57,484</b>	<b>£399</b>	<b>£386</b>	<b>54,872</b>	<b>57,375</b>	<b>£380</b>	<b>£378</b>	<b>54,675</b>	<b>46,573</b>	<b>£376.67</b>	<b>£381.85</b>

January position

Number of Client Weeks of Foster Care provided by KCC







#### Comments:

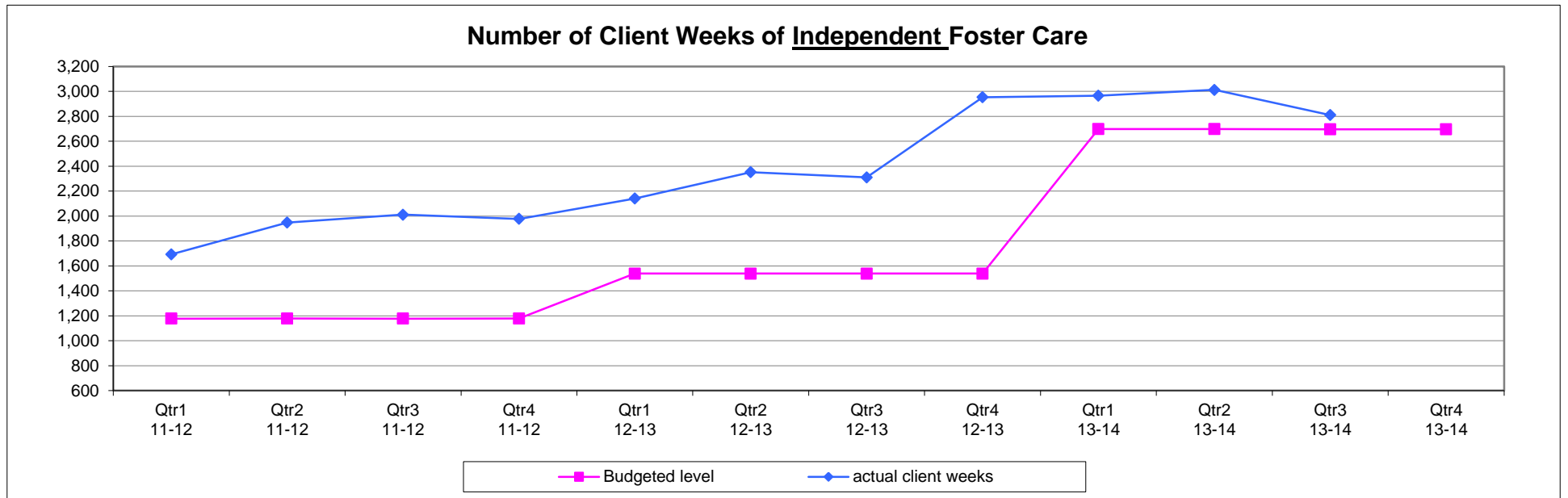
- The actual number of client weeks is based on the numbers of known clients at a particular point in time. This may be subject to change due to the late receipt of paperwork.
- The budgeted level has been calculated by dividing the budget by the average weekly cost. The average weekly cost is also an estimate based on financial information and estimates of the number of client weeks and may be subject to change.
- The 2013-14 budgeted level has changed from what was reported to Cabinet on 15 July in the 2012-13 outturn report, reflecting the realignment of budgets reported to Cabinet on 16 September.
- The forecast number of weeks is 55,700 (excluding asylum), which is 1,025 weeks above the affordable level. At the forecast unit cost of £381.85 per week, this increase in activity gives a pressure of £391k, as shown in table 1.
- The forecast unit cost of £381.85 is +£5.18 above the budgeted level and when multiplied by the budgeted number of weeks, gives a pressure of +£283k, as shown in table 1.
- Overall therefore, the combined gross pressure on this service is £674k (£391k + £283k).

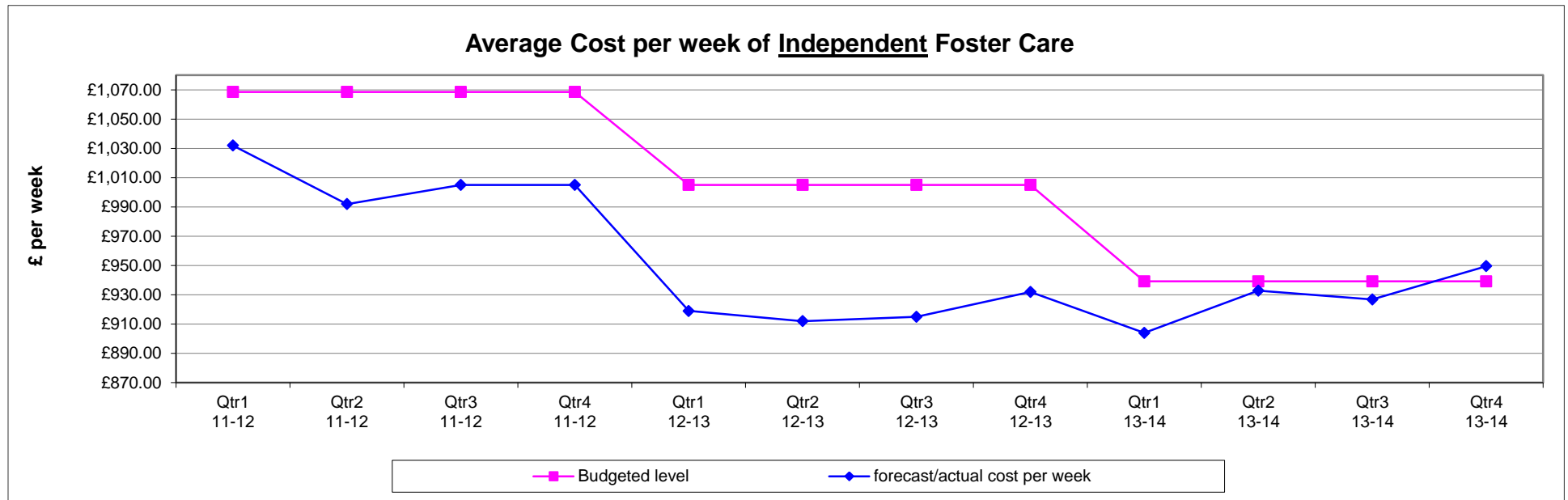
2.3 Number of Client Weeks & Average Cost per Client Week of Independent Foster Care:

	2011-12				2012-13				2013-14			
	No of weeks		Average cost per client week		No of weeks		Average cost per client week		No of weeks		Average cost per client week	
	Budget level	actual	Budget level	forecast /actual	Budget level	actual	Budget level	forecast /actual	Budget level	actual	Budget level	forecast
Apr to Jun	1,177	1,693	£1,069	£1,032	1,538	2,141	£1,005	£919	2,697	2,964	£939.19	£904.01
Jul to Sep	1,178	1,948	£1,069	£992	1,538	2,352	£1,005	£912	2,697	3,012	£939.19	£932.83
Oct to Dec	1,177	2,011	£1,069	£1,005	1,538	2,310	£1,005	£915	2,696	2,810	£939.19	£926.83
Jan to Mar	1,178	1,977	£1,069	£1,005	1,538	2,953	£1,005	£932	2,696	861	£939.19	£949.56
	<b>4,710</b>	<b>7,629</b>	<b>£1,069</b>	<b>£1,005</b>	<b>6,152</b>	<b>9,756</b>	<b>£1,005</b>	<b>£932</b>	<b>10,786</b>	<b>9,647</b>	<b>£939.19</b>	<b>£949.56</b>

January position

Page 146





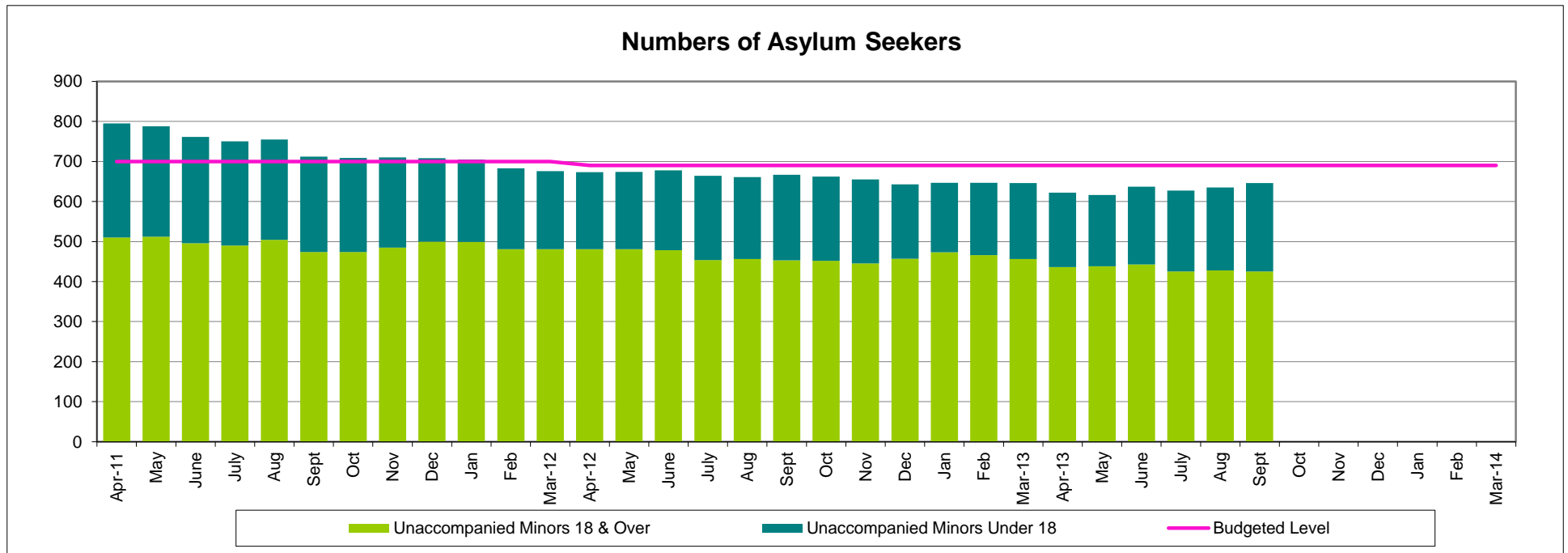
Comments:

- The actual number of client weeks is based on the numbers of known clients at a particular point in time. This may be subject to change due to the late receipt of paperwork.
- The budgeted level has been calculated by dividing the budget by the average weekly cost. The average weekly cost is also an estimate based on financial information and estimates of the number of client weeks and may be subject to change.
- The 2013-14 budgeted level has changed from what was reported to Cabinet on 15 July in the 2012-13 outturn report, reflecting the realignment of budgets reported to Cabinet on 16 September.
- The forecast number of weeks is 11,281 (excluding asylum), which is 495 weeks above the affordable level. At the forecast unit cost of £949.56 per week, this increase in activity gives a pressure of £470k as shown in table 1.
- The forecast unit cost of £949.56 is £10.37 above the budgeted level and when multiplied by the budgeted number of weeks, gives a pressure of +£112k as shown in table 1.
- Overall therefore, the combined gross pressure on this service is £582k (£470k + £112k)
- The forecast average unit cost of £949.56 includes some mother and baby placements, which are subject to court orders. These placements often cost in excess of £1,500 per week.
- The IFA Framework contract commenced in June 2013 and unit costs were expected to reduce as a result of this, which is evidenced by the lower unit cost for October - December. In January the average unit cost has risen again, this is due to a number of lower cost IFA placements moving to In House and the higher need placements remaining in IFA resulting in a higher average unit cost.

2.4 Number of Unaccompanied Asylum Seeking Children (UASC):

	2011-12			2012-13			2013-14		
	Under 18	18 & Over	Total	Under 18	18 & Over	Total	Under 18	18 & Over	Total
Apr	285	510	<b>795</b>	192	481	<b>673</b>	186	436	<b>622</b>
May	276	512	<b>788</b>	193	481	<b>674</b>	178	438	<b>616</b>
Jun	265	496	<b>761</b>	200	478	<b>678</b>	194	443	<b>637</b>
Jul	260	490	<b>750</b>	210	454	<b>664</b>	202	425	<b>627</b>
Aug	251	504	<b>755</b>	205	456	<b>661</b>	207	428	<b>635</b>
Sep	238	474	<b>712</b>	214	453	<b>667</b>	221	425	<b>646</b>
Oct *	235	474	<b>709</b>	210	452	<b>662</b>			
Nov*	225	485	<b>710</b>	210	445	<b>655</b>			
Dec*	208	500	<b>708</b>	186	457	<b>643</b>			
Jan	206	499	<b>705</b>	174	473	<b>647</b>			
Feb	202	481	<b>683</b>	181	466	<b>647</b>			
Mar	195	481	<b>676</b>	190	456	<b>646</b>			

\* This data is not available for the January reporting. A new IT system has been implemented for Children’s Social Care and figures have not yet been released as they are still pending validation following the migration of data from the previous system (ICS) to the new system (Liberi). This data will be provided within the outturn report.



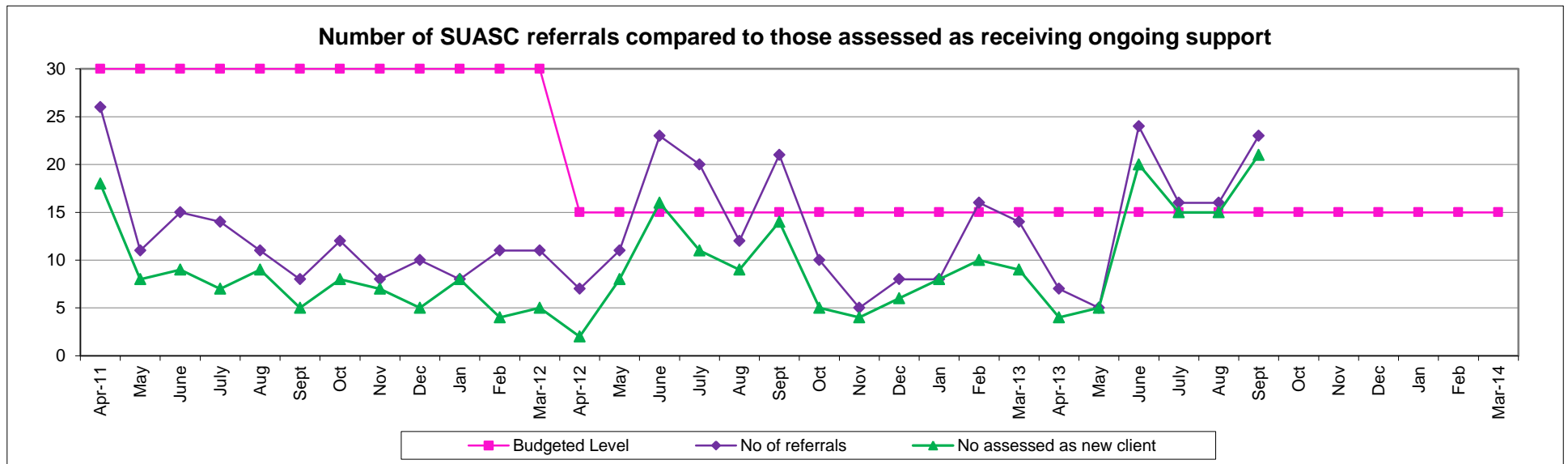
## Comments:

- The overall number of children has remained fairly static in the first half of this year, with a small increase in September. The number of clients supported, as at quarter 2, is below the budgeted level of 690.
- The budgeted number of referrals for 2013-14, as at quarter 2, is 15 per month, with 9 (60%) being assessed as under 18.
- Despite improved partnership working with the UKBA, the numbers of 18 & overs who are All Rights of appeal Exhausted (ARE) have not been removed as quickly as originally planned.
- In general, the age profile suggests the proportion of 18 & overs is decreasing slightly and, in addition, the age profile of the under 18 children is increasing.
- The data recorded above will include some referrals for which the assessments are not yet complete or are being challenged. These clients are initially recorded as having the Date of Birth that they claim but once their assessment has been completed, or when successfully appealed, their category may change.
- Under 18 clients include both Looked After Children and 16 and 17 year old Care Leavers.

2.5 Number of Unaccompanied Asylum Seeking Children (UASC):

	2011-12			2012-13			2013-14		
	No of referrals	No. assessed as new client	%	No of referrals	No. assessed as new client	%	No of referrals	No. assessed as new client	%
Apr	26	18	69%	7	2	29%	7	4	57%
May	11	8	73%	11	8	73%	5	5	100%
Jun	15	9	60%	23	16	70%	24	20	83%
Jul	14	7	50%	20	11	55%	16	15	94%
Aug	11	9	82%	12	9	75%	16	15	94%
Sep	8	5	63%	21	14	67%	23	21	91%
Oct *	12	8	67%	10	5	50%			
Nov*	8	7	88%	5	4	80%			
Dec*	10	5	50%	8	6	75%			
Jan*	8	8	100%	8	8	100%			
Feb	11	4	36%	16	10	63%			
Mar	11	5	45%	14	9	64%			
	<b>145</b>	<b>93</b>	<b>64%</b>	<b>155</b>	<b>102</b>	<b>66%</b>	<b>91</b>	<b>80</b>	<b>88%</b>

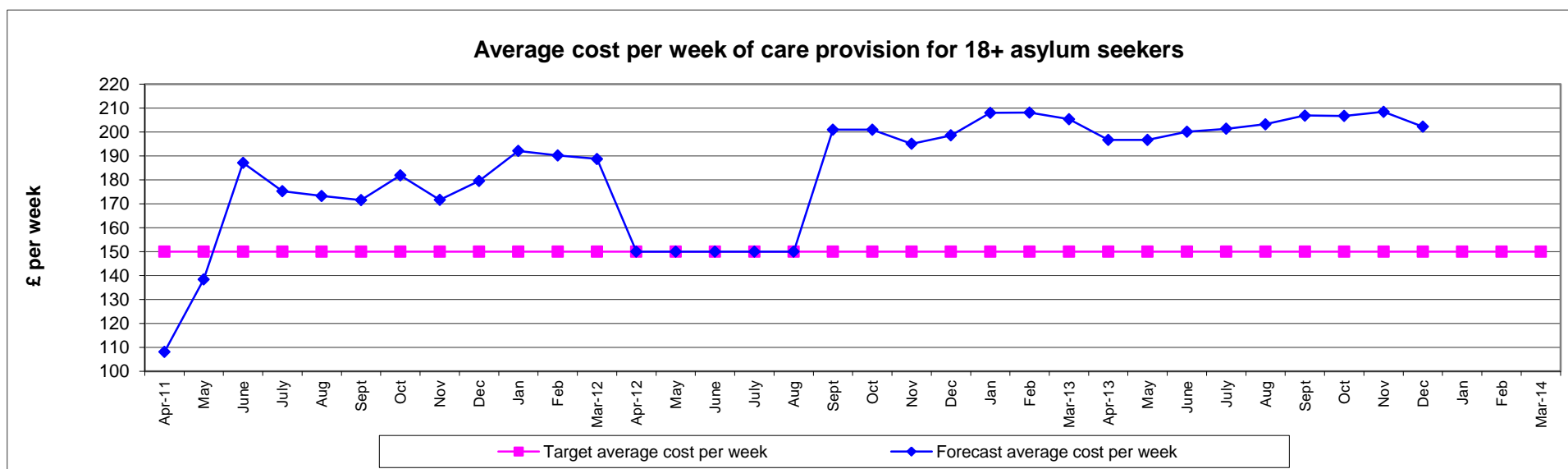
\* This data is not available for the January reporting. A new IT system has been implemented for Children's Social Care and figures have not yet been released as they are still pending validation following the migration of data from the previous system (ICS) to the new system (Liberi). This data will be provided within the outturn report.



## Comments:

- The average number of referrals per month is 15.2, as at quarter 2, which is slightly above the budgeted number of 15 referrals per month.
- The number of referrals has a knock on effect on the number assessed as new clients. The budgeted level is based on the assumption 60% of the referrals will be assessed as a new client. The average number assessed as new clients, as at quarter 2, is 88%.
- The budget assumed 9 new clients per month (60% of 15 referrals) but the average number of new clients per month, as at quarter 2, is 13.3 i.e. a 48% increase.
- Where a young person has been referred but not assessed as a new client this would be due to them being re-united with their family, assessed as 18+ and returned to UKBA or because they have gone missing before an assessment has been completed.
- UASC Referrals are assumed to be new clients until an assessment has been completed, therefore the number of UASC assessed as new clients shown in the table above may change once the assessment has taken place.

	2011-12		2012-13		2013-14	
	Target average weekly cost £	Forecast average weekly cost £p	Target average weekly cost £	Forecast average weekly cost £p	Target average weekly cost £	Forecast average weekly cost £p
Apr	150	108.10	150	150.00	150	196.78
May	150	138.42	150	150.00	150	196.78
Jun	150	187.17	150	150.00	150	200.18
Jul	150	175.33	150	150.00	150	201.40
Aug	150	173.32	150	150.00	150	203.29
Sep	150	171.58	150	200.97	150	206.92
Oct	150	181.94	150	200.97	150	206.74
Nov	150	171.64	150	195.11	150	208.51
Dec	150	179.58	150	198.61	150	202.25
Jan	150	192.14	150	208.09	150	
Feb	150	190.25	150	208.16	150	
Mar	150	188.78	150	205.41	150	





## Comments:

- The local authority has agreed that the funding levels for the Unaccompanied Asylum Seeking Children's Service 18+ grant agreed with the Government rely on us achieving an average cost per week of £150, in order for the service to be fully funded, which is also reliant on the UKBA accelerating the removal process. In 2011-12 UKBA changed their grant rules and now only fund the costs of an individual for up to three months after the All Rights of appeal Exhausted (ARE) process if the LA carries out a Human Rights Assessment before continuing support. The LA has continued to meet the cost of the care leavers in order that it can meet its' statutory obligations to those young people under the Leaving Care Act until the point of removal.
- As part of our partnership working with UKBA, most UASC in Kent are now required to report to UKBA offices on a regular basis, in most cases weekly. The aim is to ensure that UKBA have regular contact and can work with the young people to encourage them to make use of the voluntary methods of return rather than forced removal or deportation. As part of this arrangement any young person who does not report as required may have their Essential Living Allowance discontinued. As yet this has not resulted in an increase in the number of AREs being removed. The number of AREs supported has continued to remain steady, but high and a number of issues remain:
  - For various reasons, some young people have not yet moved to lower cost properties, mainly those placed out of county. These placements are largely due to either medical/mental health needs or educational needs.
  - We are currently experiencing higher than anticipated level of voids, properties not being fully occupied. Following the incident in Folkestone in January 2011, teams are exercising a greater caution when making new placements into existing properties. This is currently being addressed by the Accommodation Team.
  - We are still receiving damages claims relating to closed properties.
- As part of our strive to achieve a net unit cost of £150 or below, we will be insisting on take-up of state benefits for those entitled.
- The current forecast average weekly cost for 2013-14 is £202.25, £52.25 above the £150 claimable under the grant rules. This adds £1,082k to the forecast outturn position. We are invoicing the Home Office for the majority of this shortfall in grant income each month and negotiations are ongoing regarding payment.

### 3. CAPITAL

3.1 The Families and Social Care Directorate - Children's Services has a working budget for 2013-14 (which has now been updated to reflect the 2014-17 budget set by County Council on 13th February 2014) of £1,925k. The forecast outturn against the 2013-14 budget is £1,925k giving a variance of £0k.

3.2 **Table 2** below details the FSC CS Capital Position by Budget Book line.

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
<b>Individual Projects</b>									
Transforming Short Breaks	1,074	1,674	0	0			Green		
Service Redesign (Reprovision of Family Centre)	251	251	0	0			Green		
<b>Total</b>	1,325	1,925	0	0					

#### 1. Status:

Green – on time and within budget

Amber – either delayed completion date or over budget

Red – both delayed completion and over budget

**FAMILIES & SOCIAL CARE DIRECTORATE SUMMARY**  
**ADULTS SERVICES SUMMARY**  
**JANUARY 2013-14 MONITORING REPORT**

**1. REVENUE**

1.1		Cash Limit	Variance Before Mgmt Action	Management Action	Net Variance after Mgmt Action
	<b>Total (£k)</b>	<b>+334,898</b>	<b>-237</b>	<b>-</b>	<b>-237</b>

1.2 **Table 1** below details the revenue position by A-Z budget:

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
<b>Adult Social Care &amp; Public Health portfolio</b>						
Strategic Management & Directorate Support budgets	7,050.6	-957.8	6,092.8	-138	+193	Legal Charges
					-136	Release of contingencies to support "Transformation" and "New Ways of Working" initiatives not required during 2013-14
					-129	Reduced spend on Health and Safety and No Recourse to Public Funds due to lower than anticipated demand for these services
					-229	Impact of a drive to reduce all other general back office running costs
					+163	Other minor variances including higher than anticipated demand for the Occupational Health Support Line and redundancy costs
<b>Support to Frontline Services:</b>						
- Adults Social Care Commissioning & Performance Monitoring	3,720.3	-325.7	3,394.6	-64		

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
<u>Adults &amp; Older People:</u>						
- Direct Payments						
- Learning Disability	15,865.8	0.0	15,865.8	+897	-71 Forecast -255 weeks below affordable level of 60,327 weeks +904 Forecast average unit cost +£14.98 above affordable level of £262.50 +747 One-off direct payments -683 Recovery of unspent funds from clients	Demographic pressures & savings have been addressed in the 2014-17 MTFP
- Mental Health	817.2	0.0	817.2	+24	-71 Forecast -928 weeks below affordable level of 10,803 weeks +52 Forecast average unit cost +£4.77 above affordable level of £71.40 +43 Other minor variances	Demographic pressures & savings have been addressed in the 2014-17 MTFP
- Older People	6,797.2	0.0	6,797.2	+347	-786 Forecast -4,437 weeks below affordable level of 45,113 weeks +1,192 Forecast average unit cost +£26.43 above affordable level of £150.67 +397 One-off direct payments -560 Recovery of unspent funds from clients +104 Costs relating to 2012-13 where insufficient creditors were set up	Demographic pressures & savings have been addressed in the 2014-17 MTFP
- Physical Disability	10,586.9	0.0	10,586.9	-320	-711 Forecast -3,671 weeks below affordable level of 56,463 weeks +342 Forecast average unit cost +£6.05 above affordable level of £187.50 +619 One-off direct payments -649 Recovery of unspent funds from clients +79 Costs relating to 2012-13 where insufficient creditors were set up	Demographic pressures & savings have been addressed in the 2014-17 MTFP
Total Direct Payments	34,067.1	0.0	34,067.1	+948		

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
- Domiciliary Care						
- Learning Disability	4,237.6	-679.2	3,558.4	-701	-132 Independent Sector: forecast -10,215 hours below affordable level of 94,500 hours -83 Independent Sector: forecast average unit cost -£0.88 below affordable level of £13.80 -466 Unrealised creditors raised in 12-13 -20 Other minor variances	Demographic pressures & savings have been addressed in the 2014-17 MTFP
- Older People	42,899.5	-1,662.7	41,236.8	-406	-717 Independent Sector: forecast -47,598 hours below affordable level of 2,240,067 hours +269 Independent Sector: forecast average unit cost +£0.12 above affordable level of £14.95 +177 Independent sector: costs incurred relating to 2012-13 where insufficient creditors were set up -201 Underspend on Independent Sector Enablement replaced by increased usage of the Kent Enablement at Home Service (KEAH) (see below) +111 Increased activity on the Older People KEAH service due to reduced usage of Independent Sector Enablement and delivery of transformation plans -217 Use of alternative funding sources to finance the programme of spend for hand held devices for the Older People KEAH service, such as use of reserves or capitalisation where eligible +172 Other minor variances each below £100k	Demographic pressures & savings have been addressed in the 2014-17 MTFP

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP	
	Gross	Income	Net	Net			
	£'000	£'000	£'000	£'000	£'000		
- Physical Disability	7,576.3	0.0	7,576.3	-149	-478 +161 +179 -11	Independent Sector: forecast -35,522 hours below affordable level of 518,335 hours Independent Sector: forecast average unit cost +£0.31 above affordable level of £13.15 Pressure on Physical Disability Kent Enablement at Home Service (KEAH) Other minor variances	Demographic pressures & savings have been addressed in the 2014-17 MTFP
Total Domiciliary Care	54,713.4	-2,341.9	52,371.5	-1,256			
- Non Residential Charging							
- Learning Disability	0.0	-2,569.3	-2,569.3	-238	-238	The forecast over-recovery of client contributions towards non-residential care services is linked to the current pressure being forecast on other learning disability community based services (such as Domiciliary, Day Care, Direct Payments & Supported Accommodation) highlighted in this report	Realignment of budget with other community based service headings has been reflected in the 2014-17 MTFP along with demographic pressures & savings.
- Older People	0.0	-11,627.0	-11,627.0	+1,708	+1,708	The forecast under-recovery of client contributions towards non-residential care services is in part linked to the current underspend being forecast on other older people community based services highlighted in this report. In addition, this budget was set based on certain assumptions around activity & unit contributions. It is now apparent a realignment of this budget is required which has been addressed in the 2014-17 MTFP.	Realignment of budget with other community based service headings has been reflected in the 2014-17 MTFP along with demographic pressures & savings.

Budget Book Heading	Cash Limit			Variance	Explanation		Management Action/ Impact on MTFP
	Gross	Income	Net	Net			
	£'000	£'000	£'000	£'000	£'000		
- Physical Disability / Mental Health	0.0	-1,459.5	-1,459.5	-127	-164	The forecast over-recovery of client contributions towards physical disability community based services suggests the average unit income is greater than budgeted and is offsetting the under-recovery of client income linked to the current underspend being forecast on other physical disability services highlighted in this report	
					+37	Other minor variances	
Total Non Residential Charging Income	0.0	-15,655.8	-15,655.8	+1,343			
- Nursing & Residential Care							
- Learning Disability	76,895.0	-6,219.8	70,675.2	+651	+1,254	Independent Sector: forecast +990 weeks above affordable level of 40,086 weeks	Demographic pressures & savings have been addressed in the 2014-17 MTFP
					-88	Leading to an increase in client contributions	
					+794	Independent Sector: forecast average unit cost +£19.81 above affordable level of £1,247.27	
					-207	Independent Sector: forecast average unit client contribution -£5.17 above affordable level of -£83.24	
					-1,668	Preserved Rights Independent Sector: forecast -1,782 weeks below affordable level of 27,124 weeks	
					+166	Leading to a shortfall in client contributions	
					+613	Preserved Rights Independent Sector: forecast average unit cost +£22.59 above affordable level of £913.28	
					+38	Preserved Rights Independent Sector: forecast average unit client contribution +£1.41 below affordable level of -£94.37	

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
					-264	Unrealised creditors raised in 2012-13
					+13	Other minor variances
- Mental Health	7,380.2	-768.4	6,611.8	+748	+898	Independent Sector: forecast +1,453 weeks above affordable level of 9,895 weeks
					+118	Forecast average unit cost +£11.88 above affordable level of £605.75
					-161	Additional income for clients part funded by health
					-107	Other minor variances including lower than budgeted spend on Preserved Rights clients
- Older People - Nursing	48,639.6	-24,371.0	24,268.6	-724	-1,401	Independent Sector: forecast -2,876 weeks below affordable level of 83,374 weeks
					+525	Leading to a shortfall in client contributions
					+429	Independent Sector: forecast average unit cost +£5.15 above affordable level of £481.80
					-890	Independent Sector: forecast average unit client contribution -£10.68 above affordable level of -£171.97
					+456	Contribution to Health & Social Care Village Model (short term beds commissioned by health)
					+120	Costs relating to 2012-13 where insufficient creditors were set up
					+37	Other minor variances
- Older People - Residential	81,853.1	-32,757.8	49,095.3	+358	+720	Independent Sector: forecast +1,773 weeks above affordable level of 146,064 weeks
					-309	Leading to an increase in client contributions



Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross £'000	Income £'000	Net £'000	Net £'000		
					£'000 +806 Independent Sector: forecast average unit cost +£5.52 above affordable level of £400.60 -957 Independent Sector: forecast average unit client contribution -£6.55 above affordable level of -£167.74 +213 Costs relating to 2012-13 where insufficient creditors were set up +107 Staff costs for new in-house dementia unit at Kiln Court. +201 Higher contributions towards unitary charge and greater nursing costs than anticipated for Gravesham Place Integrated Care Centre (ICC) -117 Recharges for use of staff time by CCG for Westbrook and Westview ICCs -182 Lower staff costs through reduced need for cover for in-house units where demand has fallen and improved utilisation of permanent relief staff rather than agency workers -124 Other minor variances each under £100k	
- Physical Disability	12,691.6	-1,752.0	10,939.6	+346	+548 Independent Sector: forecast +635 weeks above affordable level of 12,902 weeks -72 Leading to an increase in client contributions -77 Independent Sector: forecast average unit cost -£5.93 below affordable level of £868.96 -53 Independent Sector: forecast average unit client contribution -£4.13 above affordable level of -£108.53	Demographic pressures & savings have been addressed in the 2014-17 MTFP

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
					+115 Costs relating to 2012-13 where insufficient creditors were set up	
					-115 Other minor variances including lower than budgeted spend on Preserved Rights clients	
Total Nursing & Residential Care	227,459.5	-65,869.0	161,590.5	+1,379		
- Supported Accommodation						
- Learning Disability	32,870.0	-1,425.0	31,445.0	+289	+442 Independent Sector: forecast +43,838 hours above affordable level of 3,168,734 hours	Demographic pressures & savings have been addressed in the 2014-17 MTFP
					+665 Forecast average unit cost +£0.21 above affordable level of £9.87	
					-484 Unrealised creditors raised in 2012-13	
					-137 Underspend following the restructure of in-house services in the Shepway locality. This underspend partially offsets the pressure on in-house day care services (see below).	
					-166 Drawdown from ordinary residence reserve as this part of the reserve is no longer required	
					-31 Other minor variances	
- Older People	4,540.1	-4,350.0	190.1	-4		
- Physical Disability / Mental Health	3,430.9	-248.9	3,182.0	+33	-3 Physical Disability Independent Sector: forecast -411 hours below affordable level of 238,011 hours	Demographic pressures & savings have been addressed in the 2014-17 MTFP
					+226 Physical Disability Independent Sector: forecast average unit cost +£0.95 above affordable level of £6.46	
					-87 Mental Health Independent Sector: forecast -8,040 hours below affordable level of 151,107 hours	
					-45 Mental Health Independent Sector: forecast average unit cost -£0.30 below affordable level of £11.09	

Budget Book Heading	Cash Limit			Variance	Explanation		Management Action/ Impact on MTFP
	Gross	Income	Net	Net			
	£'000	£'000	£'000	£'000	£'000		
					-58	Other minor variances	
Total Supported Accommodation	40,841.0	-6,023.9	34,817.1	+318			
- Other Services for Adults & Older People							
- Contributions to Vol Orgs	18,513.7	-4,889.2	13,624.5	+498	+498	Various contracts with voluntary organisations continue to be reviewed/re-negotiated or re-commissioned along with investment in new services to support the transformation agenda (including expansion of care navigators programme, a service to explore options with older people to enable them to live independently within their community).	
- Community Support Services for Mental Health	1,265.3	-34.3	1,231.0	-94			
- Day Care							
- Learning Disability	12,723.4	-182.4	12,541.0	+955	+279	Unachievable savings target on in-house day care services following the day services review. The underspend following the restructure of day care services in the Shepway locality (see LD Supported Accommodation above) is partially offsetting this pressure	
					+474	Current demand for services provided by the independent sector	
					+202	Other minor variances relating to in-house services (each below £100k)	
- Older People	2,430.4	-63.1	2,367.3	-87	-135	In-house service staffing, predominately related to reduced usage	
					-9	Other minor in-house service variances, predominately related to reduced usage	

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
					+57	Current demand for services provided by the independent sector
- Physical Disability	1,040.0	-4.7	1,035.3	+165	+165	Current demand for services provided by both the independent sector and the resource centre
Total Day Care	16,193.8	-250.2	15,943.6	+1,033		
- Other Adult Services	3,085.5	-14,591.1	-11,505.6	-2,704	-1,370	This budget line holds both transformation savings and some of the NHS support for social care monies, including funds required for additional winter pressures. Plans continue to be developed and implemented with the NHS to ensure that health outcomes are being met from the investments. Pressures are being shown against their respective budget lines and the compensating funding stream is reflected here.
					-392	The Telecare Service Level Agreement cost was lower than initially anticipated, due to reduced staffing and premises charges
					-502	Capitalisation of Telecare programme of installations (where elements meet the criteria for capital spend)
					-377	Capitalisation of Home Support Fund adaptations and installations (where elements meet the criteria for capital spend)
					-271	Reduced demand for Home Support Fund adaptations and installations
					+254	Contribution to Bad Debt provision based on current debt levels.
					+104	Increased take-up of Lifeline Monitoring System within Telecare, with 2,800 units issued as opposed to 2,000 units initially anticipated

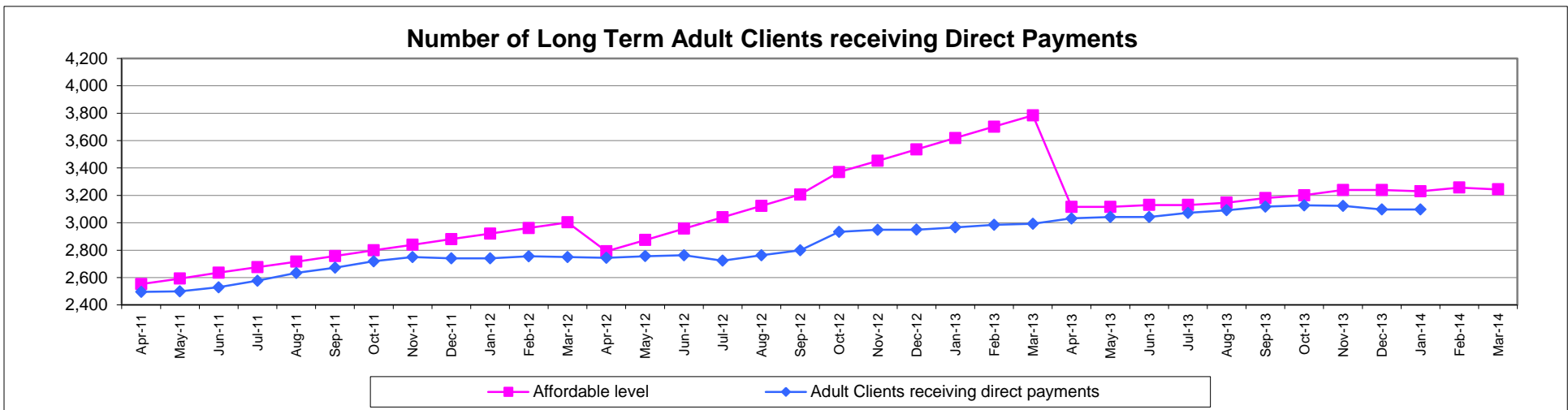
Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
					-127	The number of hot meals provided to older people continues to fall as clients chose alternative methods to receive this service
					-23	Other minor variances
- Safeguarding	1,135.2	-261.6	873.6	-170	-170	Net effect of delays in the recruitment to vacancies as well as the recommissioning and reduction in the level of training to be delivered through the Mental Health Capacity Act (MCA) contract
Total Other Services for A&OP	40,193.5	-20,026.4	20,167.1	-1,437		
<u>Assessment Services</u>						
- Adult Social Care Staffing	41,946.0	-3,893.4	38,052.6	-1,330	-901	Net effect of delays in the recruitment to vacancies within the older people and physical disability assessment teams and usage of locum/agency staff
					-441	Delays in the recruitment to vacancies within the Mental Health assessment teams and the usage of locum/agency staff. This is partly due to recent staffing reviews along with general difficulties in recruiting to speciality mental health practitioners
					+12	Other minor variances
<b>Total ASC&amp;PH portfolio</b>	<b>449,991.4</b>	<b>-115,093.9</b>	<b>334,897.5</b>	<b>-237</b>		
<b>Assumed Mgmt Action</b>						
- ASC&PH portfolio						
<b>Total Forecast <u>after</u> mgmt action</b>	<b>449,991.4</b>	<b>-115,093.9</b>	<b>334,897.5</b>	<b>-237</b>		

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Direct Payments - Number of Adult Social Services Clients receiving Direct Payments:

	2011-12			2012-13			2013-14		
	Affordable level for long term clients	Snapshot of long term adults rec'ing direct payments	Number of one-off payments made during the month	Affordable level for long term clients	Snapshot of long term adults rec'ing direct payments	Number of one-off payments made during the month	Affordable level for long term clients	Snapshot of long term adults rec'ing direct payments	Number of one-off payments made during the month
Apr	2,553	2,495	137	2,791	2,744	169	3,116	3,032	165
May	2,593	2,499	89	2,874	2,756	147	3,116	3,043	166
Jun	2,635	2,529	90	2,957	2,763	133	3,130	3,042	119
Jul	2,675	2,576	125	3,040	2,724	156	3,130	3,072	171
Aug	2,716	2,634	141	3,123	2,763	167	3,147	3,092	154
Sep	2,757	2,672	126	3,207	2,799	147	3,181	3,118	131
Oct	2,799	2,719	134	3,370	2,933	185	3,201	3,127	170
Nov	2,839	2,749	122	3,453	2,949	119	3,240	3,123	129
Dec	2,881	2,741	111	3,536	2,950	109	3,240	3,098	136
Jan	2,921	2,741	130	3,619	2,967	117	3,231	3,097	92
Feb	2,962	2,755	137	3,702	2,986	127	3,257		
Mar	3,003	2,750	117	3,785	2,992	105	3,244		
			<b>1,459</b>			<b>1,681</b>			<b>1,433</b>

Page 166



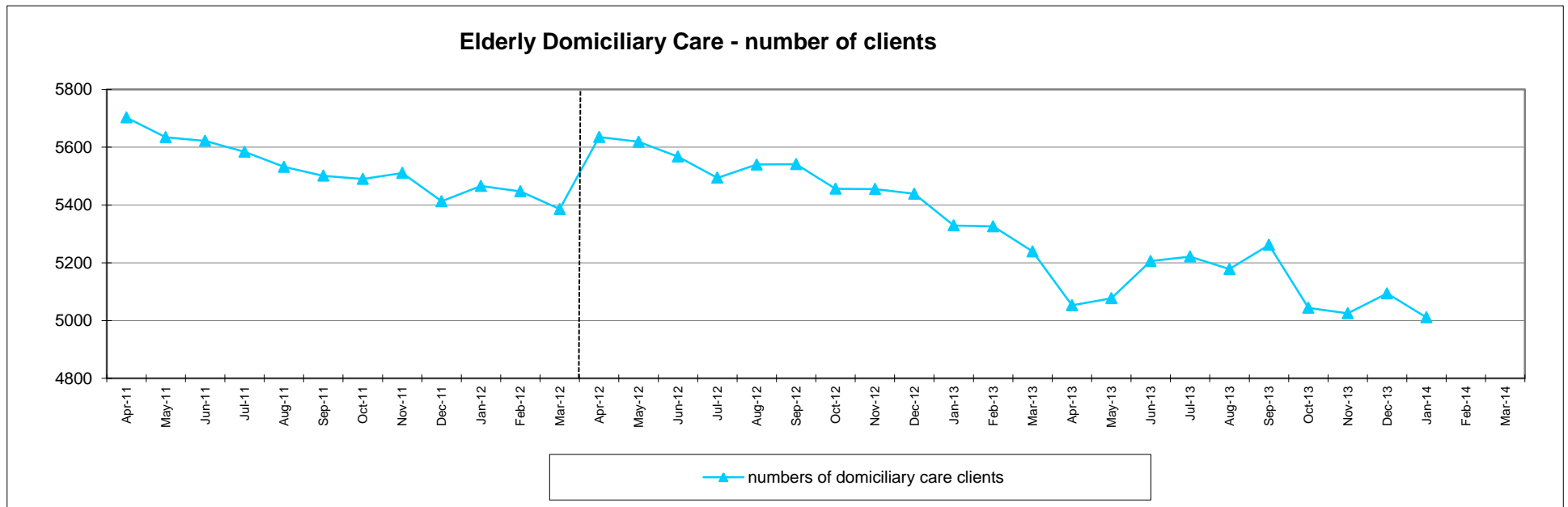
## Comments:

- The presentation of activity being reported for direct payments changed in the 2012-13 Q2 report in order to separately identify long term clients in receipt of direct payments as at the end of the month plus the number of one-off payments made during the month. Please note a long term client in receipt of a regular direct payment may also receive a one-off payment if required. Only the long term clients are presented on the graph above.
- Please note that due to the time taken to record changes in direct payments onto the client database the number of clients and one-off direct payments for any given month may change therefore the current year to date activity data is refreshed in each report to provide the most up to date information. It is anticipated that the one-off payments for January in particular will increase as a result.
- Current activity would suggest an underspend on this service, but increased unit costs have negated the impact of this, the overall effect of which is reflected in table 1 across individual client groups, with an overall pressure of £948k currently forecast on the Direct Payments budget.

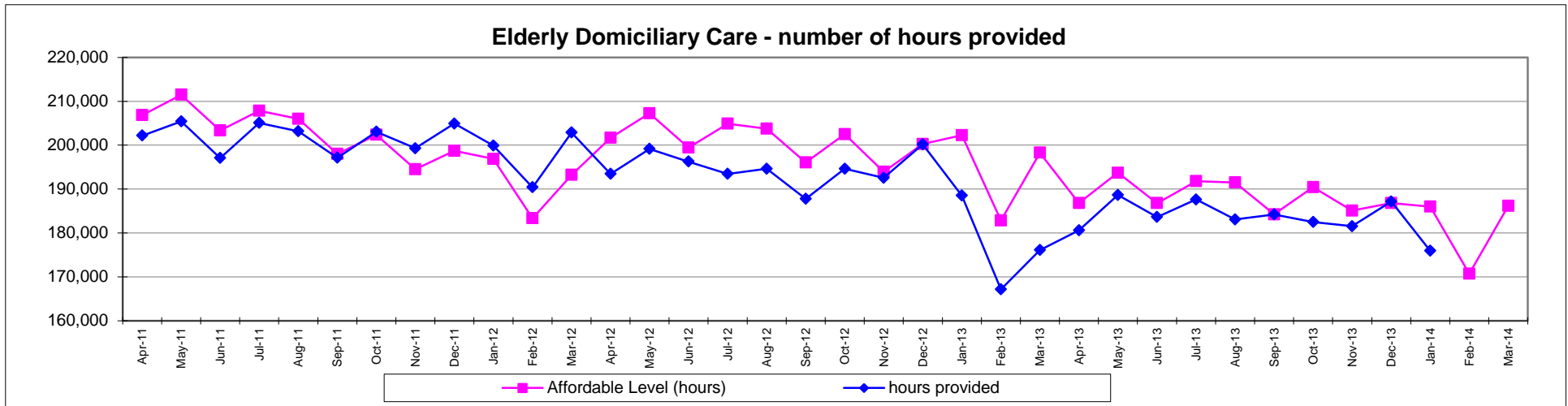
2.2 Elderly domiciliary care – numbers of clients and hours provided in the independent sector

	2011-12			2012-13			2013-14		
	Affordable level (hours)	hours provided	number of clients	Affordable level (hours)	hours provided	number of clients	Affordable level (hours)	hours provided	number of clients
Apr	206,859	202,177	5,703	201,708	193,451	5,635	186,809	180,585	5,053
May	211,484	205,436	5,634	207,244	199,149	5,619	193,717	188,656	5,077
Jun	203,326	197,085	5,622	199,445	196,263	5,567	186,778	183,621	5,206
Jul	207,832	205,077	5,584	204,905	193,446	5,494	191,791	187,621	5,221
Aug	206,007	203,173	5,532	203,736	194,628	5,540	191,521	183,077	5,178
Sep	198,025	197,127	5,501	196,050	187,749	5,541	184,242	184,208	5,262
Oct	202,356	203,055	5,490	202,490	194,640	5,456	190,446	182,503	5,044
Nov	194,492	199,297	5,511	193,910	192,555	5,455	185,082	181,521	5,025
Dec	198,704	204,915	5,413	200,249	200,178	5,439	186,796	187,143	5,094
Jan	196,879	199,897	5,466	202,258	188,501	5,329	186,006	175,916	5,011
Feb	183,330	190,394	5,447	182,820	167,163	5,326	170,695		
Mar	193,222	202,889	5,386	198,277	176,091	5,239	186,184		
	<b>2,402,516</b>	<b>2,410,522</b>		<b>2,393,092</b>	<b>2,283,814</b>		<b>2,240,067</b>	<b>1,834,850</b>	

Page 168







Comments:

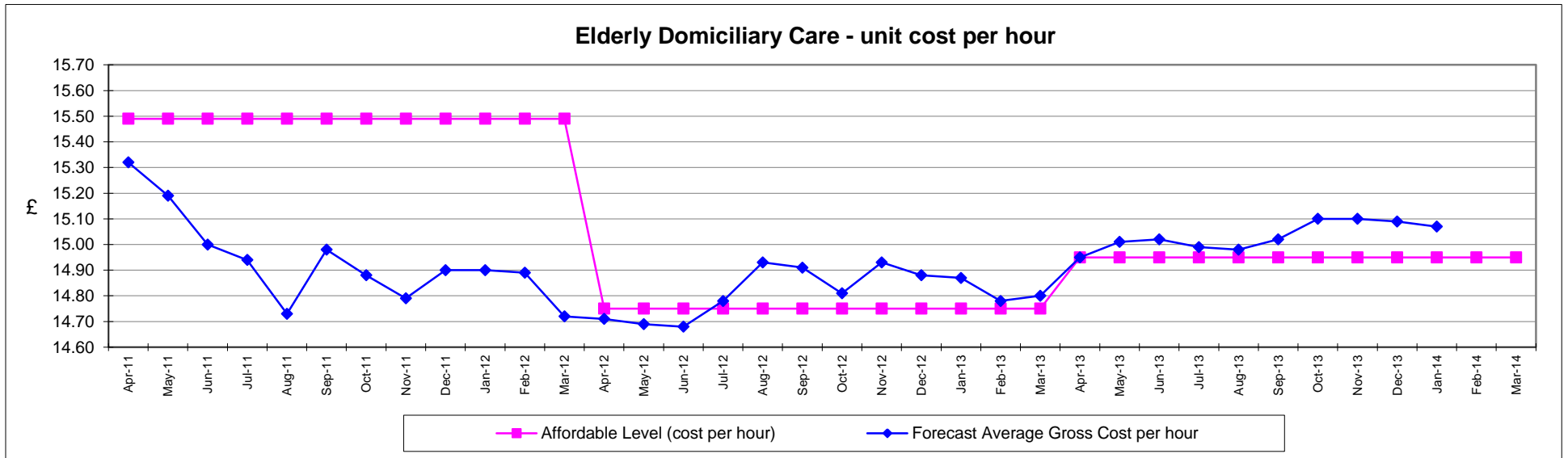
- Figures exclude services commissioned from the Kent Enablement At Home Service.
- Please note, from April 2012 there has been a change in the method of counting clients to align with current Department of Health guidance, which states that suspended clients e.g. those who may be in hospital and not receiving a current service should still be counted. This has resulted in an increase in the number of clients being recorded. For comparison purposes, using the new counting methodology, the equivalent number of clients in March 2012 would have been 5,641. A dotted line has been added to the graph to distinguish between the two different counting methodologies, as the data presented is not on a consistent basis and therefore is not directly comparable.
- The current forecast is 2,192,469 hours of care against an affordable level of 2,240,067, a difference of -47,598 hours. Using the forecast unit cost of £15.07 this reduction in activity reduces the forecast by -£717k, as shown in table 1.
- To the end of January 1,834,850 hours of care have been delivered against an affordable level of 1,883,188, a difference of -48,338 hours. Current activity suggests that the forecast should be slightly lower on this service as the budgeted level assumes a continual reduction in client numbers in line with previous years' trends, but the current forecast now assumes that the reduction will not be as significant as assumed in the budget. The fall in hours recorded in January is partly due to a general decrease in client numbers, but also reflects a number of backdated reductions to client packages.
- Domiciliary for all client groups are volatile budgets, with the number of people receiving domiciliary care decreasing over the past few years as a result of the implementation of Self Directed Support (SDS). This is being compounded by a shift in trend towards take up of the enablement service. However, as a result of this, clients who are receiving domiciliary care are likely to have greater needs and require more intensive packages of care than historically provided - the 2010-2011 average hours per client per week was 7.8, whereas the average figure for 2012-13 was 8.0. For 2013-14, the current actual average hours per client per week is 8.2.

2.3 Average gross cost per hour of older people domiciliary care compared with affordable level:

	2011-12		2012-13		2013-14	
	Affordable Level (Cost per Hour) £p	Forecast Average Gross Cost per Hour £p	Affordable Level (Cost per Hour) £p	Forecast Average Gross Cost per Hour £p	Affordable Level (Cost per Hour) £p	Forecast Average Gross Cost per Hour £p
Apr	15.49	15.32	14.75	14.71	14.95	14.95
May	15.49	15.19	14.75	14.69	14.95	15.01
Jun	15.49	15.00	14.75	14.68	14.95	15.02
Jul	15.49	14.94	14.75	14.78	14.95	14.99
Aug	15.49	14.73	14.75	14.93	14.95	14.98
Sep	15.49	14.98	14.75	14.91	14.95	15.02
Oct	15.49	14.88	14.75	14.81	14.95	15.10
Nov	15.49	14.79	14.75	14.93	14.95	15.10
Dec	15.49	14.90	14.75	14.88	14.95	15.09
Jan	15.49	14.90	14.75	14.87	14.95	15.07
Feb	15.49	14.89	14.75	14.78	14.95	
Mar	15.49	14.72	14.75	14.80	14.95	

Comments:

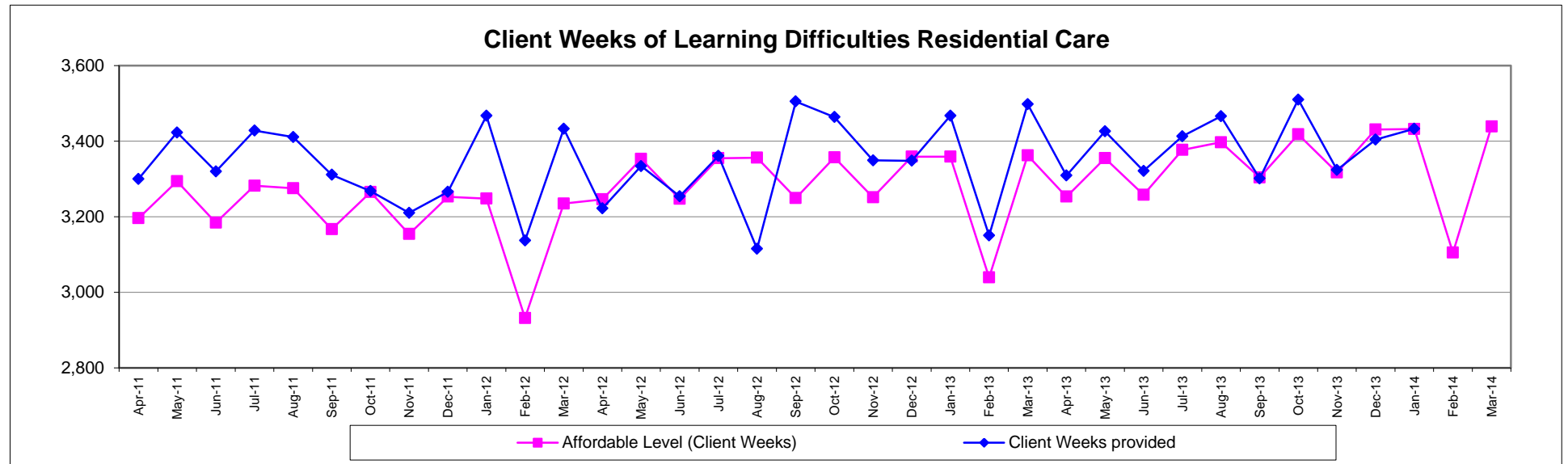
- The unit cost is dependent on the intensity of the packages required, so is subject to variations.
- The forecast unit cost of +£15.07 is higher than the affordable cost of +£14.95 and this difference of +£0.12 adds +£269k to the position when multiplied by the affordable weeks, as shown in table 1.



2.4 Number of client weeks of learning disability residential care provided compared with affordable level (non preserved rights clients):

	2011-12		2012-13		2013-14	
	Affordable Level (Client Weeks)	Client Weeks provided	Affordable Level (Client Weeks)	Client Weeks provided	Affordable Level (Client Weeks)	Client Weeks provided
Apr	3,196	3,300	3,246	3,222	3,253	3,309
May	3,294	3,423	3,353	3,334	3,355	3,426
Jun	3,184	3,320	3,247	3,254	3,258	3,321
Jul	3,282	3,428	3,355	3,361	3,377	3,413
Aug	3,275	3,411	3,356	3,115	3,397	3,466
Sep	3,167	3,311	3,249	3,505	3,304	3,301
Oct	3,265	3,268	3,357	3,464	3,418	3,510
Nov	3,154	3,210	3,251	3,349	3,317	3,324
Dec	3,253	3,266	3,359	3,348	3,431	3,404
Jan	3,248	3,467	3,359	3,467	3,432	3,433
Feb	2,932	3,137	3,039	3,150	3,105	
Mar	3,235	3,433	3,362	3,498	3,439	
	<b>38,485</b>	<b>39,974</b>	<b>39,533</b>	<b>40,067</b>	<b>40,086</b>	<b>33,907</b>

Page 171



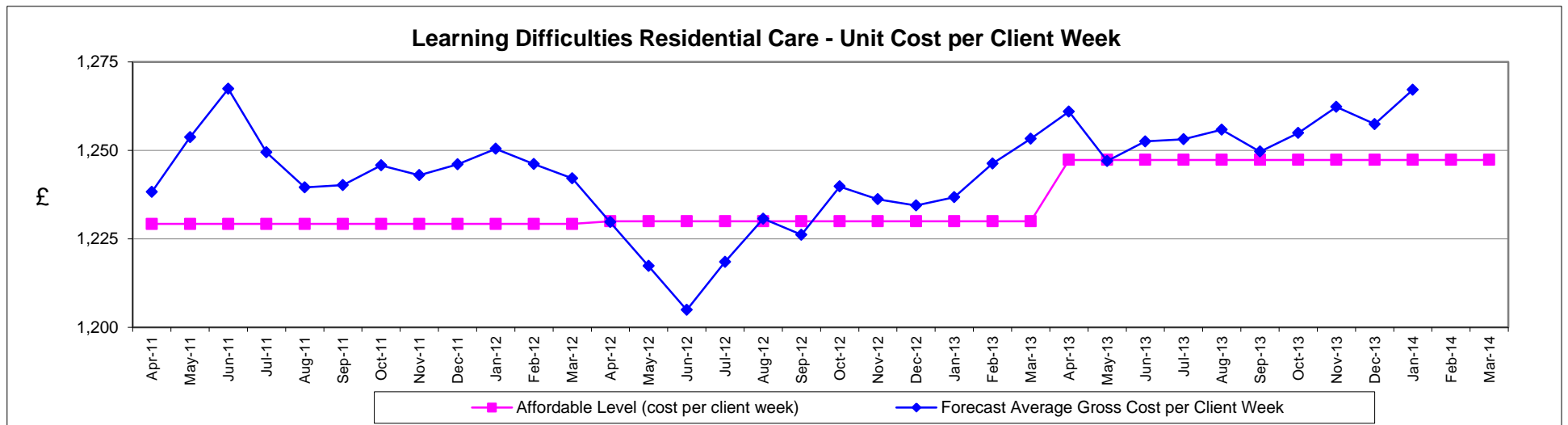
## Comments:

- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in LD residential care at the end of 2011-12 was 746, at the end of 2012-13 it was 764 and at the end of January 2014 it was 763. This includes any ongoing transfers as part of the S256 agreement with Health, transitions, provisions and ordinary residence.
- The current forecast is 41,076 weeks of care against an affordable level of 40,086, a difference of +990 weeks. Using the forecast unit cost of £1,267.08, this additional activity increases the forecast by +£1,254k, as shown in table 1.
- The forecast activity for this service is based on known individual clients including provisional and transitional clients. Provisional clients are those whose personal circumstances are changing and therefore require a more intense care package or greater financial help. Transitional clients are children who are transferring to adult social services.
- To the end of January 33,907 weeks of care have been delivered against an affordable level of 33,542, a difference of +365 weeks. The current year to date activity suggests a lower level of activity than forecast, however, this is mainly due to delays in the recording of non-permanent residential care services on the activity database, meaning the year to date activity is understated. In addition, the forecast assumes that some activity for transitional and provisional clients will, by necessity, need to be backdated due to bespoke contracts that have to be agreed individually with providers.

2.5 Average gross cost per client week of learning disability residential care compared with affordable level (non preserved rights clients):

	2011-12		2012-13		2013-14	
	Affordable Level (Cost per Week) £p	Forecast Average Gross Cost per Client Week £p	Affordable Level (Cost per Week) £p	Forecast Average Gross Cost per Client Week £p	Affordable Level (Cost per Week) £p	Forecast Average Gross Cost per Client Week £p
Apr	1,229.19	1,238.24	1,229.93	1,229.69	1,247.27	1,260.92
May	1,229.19	1,253.68	1,229.93	1,217.30	1,247.27	1,246.97
Jun	1,229.19	1,267.40	1,229.93	1,204.91	1,247.27	1,252.50
Jul	1,229.19	1,249.41	1,229.93	1,218.46	1,247.27	1,253.14
Aug	1,229.19	1,239.50	1,229.93	1,230.65	1,247.27	1,255.80
Sep	1,229.19	1,240.17	1,229.93	1,226.14	1,247.27	1,249.63
Oct	1,229.19	1,245.76	1,229.93	1,239.77	1,247.27	1,254.86
Nov	1,229.19	1,242.97	1,229.93	1,236.19	1,247.27	1,262.27
Dec	1,229.19	1,246.05	1,229.93	1,234.39	1,247.27	1,257.40
Jan	1,229.19	1,250.44	1,229.93	1,236.77	1,247.27	1,267.08
Feb	1,229.19	1,246.11	1,229.93	1,246.23	1,247.27	
Mar	1,229.19	1,242.08	1,229.93	1,253.27	1,247.27	

Page 173



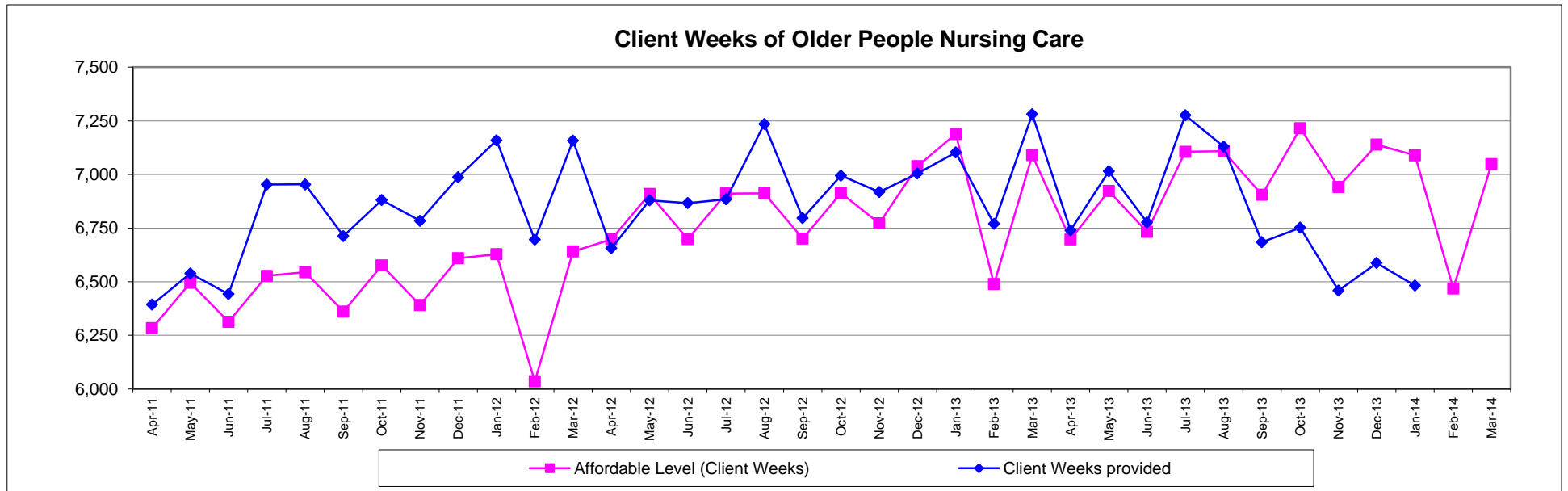
## Comments:

- Clients being placed in residential care are those with very complex and individual needs which make it difficult for them to remain in the community, in supported accommodation/supporting living arrangements, or receiving a domiciliary care package. These are therefore placements which attract a very high cost, with the average now being over £1,200 per week. It is expected that clients with less complex needs, and therefore less cost, can transfer from residential into supported living arrangements. This would mean that the average cost per week would increase over time as the remaining clients in residential care would be those with very high cost – some of whom can cost up to £2,000 per week. In addition, no two placements are alike – the needs of people with learning disabilities are unique and consequently, it is common for average unit costs to increase or decrease significantly on the basis of one or two cases.
- The forecast unit cost of +£1,267.08 is higher than the affordable cost of +£1,247.27 and this difference of +£19.81 adds +£794k to the position when multiplied by the affordable weeks, as shown in table 1.

2.6 Number of client weeks of older people nursing care provided compared with affordable level:

	2011-12		2012-13		2013-14	
	Affordable Level (Client Weeks)	Client Weeks provided	Affordable Level (Client Weeks)	Client Weeks provided	Affordable Level (Client Weeks)	Client Weeks provided
Apr	6,283	6,393	6,698	6,656	6,697	6,740
May	6,495	6,538	6,909	6,880	6,923	7,015
Jun	6,313	6,442	6,699	6,867	6,733	6,777
Jul	6,527	6,953	6,911	6,884	7,106	7,276
Aug	6,544	6,954	6,912	7,235	7,109	7,130
Sep	6,361	6,713	6,701	6,797	6,905	6,684
Oct	6,576	6,881	6,913	6,995	7,215	6,752
Nov	6,391	6,784	6,772	6,918	6,942	6,459
Dec	6,610	6,988	7,039	7,005	7,139	6,587
Jan	6,628	7,159	7,189	7,103	7,089	6,482
Feb	6,036	6,696	6,489	6,770	6,468	
Mar	6,641	7,158	7,090	7,281	7,048	
	<b>77,405</b>	<b>81,659</b>	<b>82,322</b>	<b>83,391</b>	<b>83,374</b>	<b>67,902</b>

Page 175



## Comments:

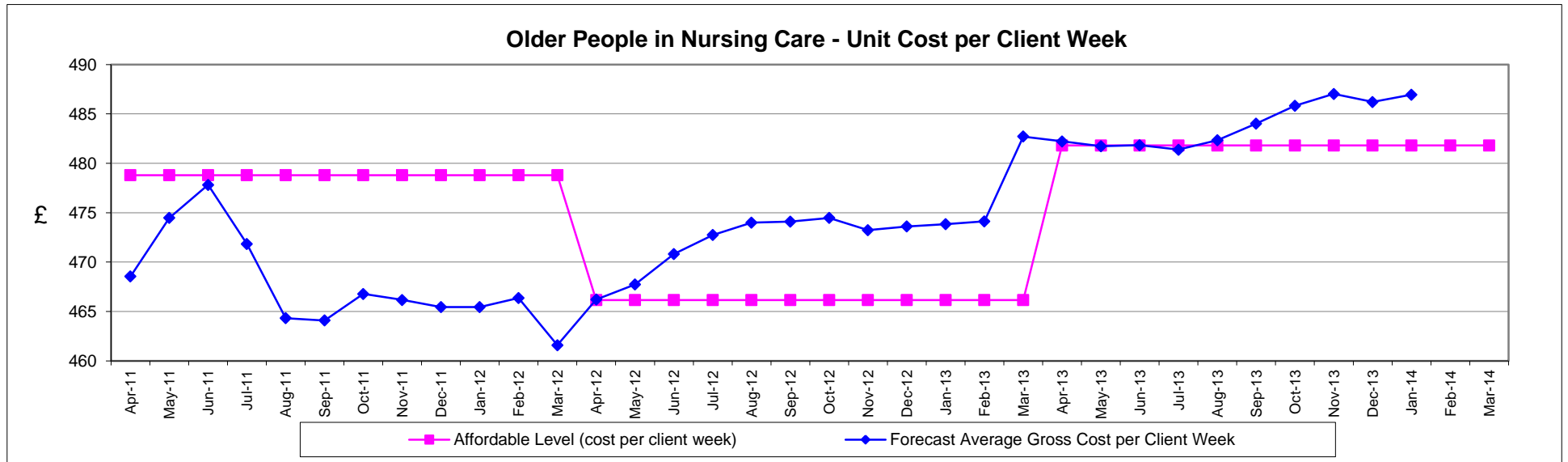
- The graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in older people nursing care at the end of 2011-12 was 1,479, at the end of 2012-13 it was 1,469 and at the end of January 2014 it was 1,422.
- The current forecast is 80,498 weeks of care against an affordable level of 83,374, a difference of -2,876 weeks. Using the forecast unit cost of £486.95, this reduced activity decreases the forecast by -£1,401k, as shown in table 1.
- To the end of January 67,902 weeks of care have been delivered against an affordable level of 69,858, a difference of -1,956 weeks. The current year to date activity suggests a higher level of activity than forecast. However, the forecast assumes a continuation of the lower than anticipated client numbers requiring nursing care in the final quarter of the year, in line with current activity trends, along with an anticipated reduction in the purchase of short-term beds towards the end of the year.
- We are now making contributions under the Health and Social Care Village model for health commissioning of short-term beds in order to support step down from acute hospital, to reduce demand for this service.



2.7 Average gross cost per client week of older people nursing care compared with affordable level:

	2011-12		2012-13		2013-14	
	Affordable Level (Cost per Week)	Forecast Average Gross Cost per Client Week	Affordable Level (Cost per Week)	Forecast Average Gross Cost per Client Week	Affordable Level (Cost per Week)	Forecast Average Gross Cost per Client Week
	£p	£p	£p	£p	£p	£p
Apr	478.80	468.54	466.16	466.20	481.80	482.22
May	478.80	474.48	466.16	467.74	481.80	481.73
Jun	478.80	477.82	466.16	470.82	481.80	481.83
Jul	478.80	471.84	466.16	472.74	481.80	481.38
Aug	478.80	464.32	466.16	473.99	481.80	482.33
Sep	478.80	464.09	466.16	474.09	481.80	484.02
Oct	478.80	466.78	466.16	474.47	481.80	485.82
Nov	478.80	466.17	466.16	473.23	481.80	487.02
Dec	478.80	465.44	466.16	473.61	481.80	486.21
Jan	478.80	465.44	466.16	473.84	481.80	486.95
Feb	478.80	466.36	466.16	474.13	481.80	
Mar	478.80	461.58	466.16	482.71	481.80	

Page 177



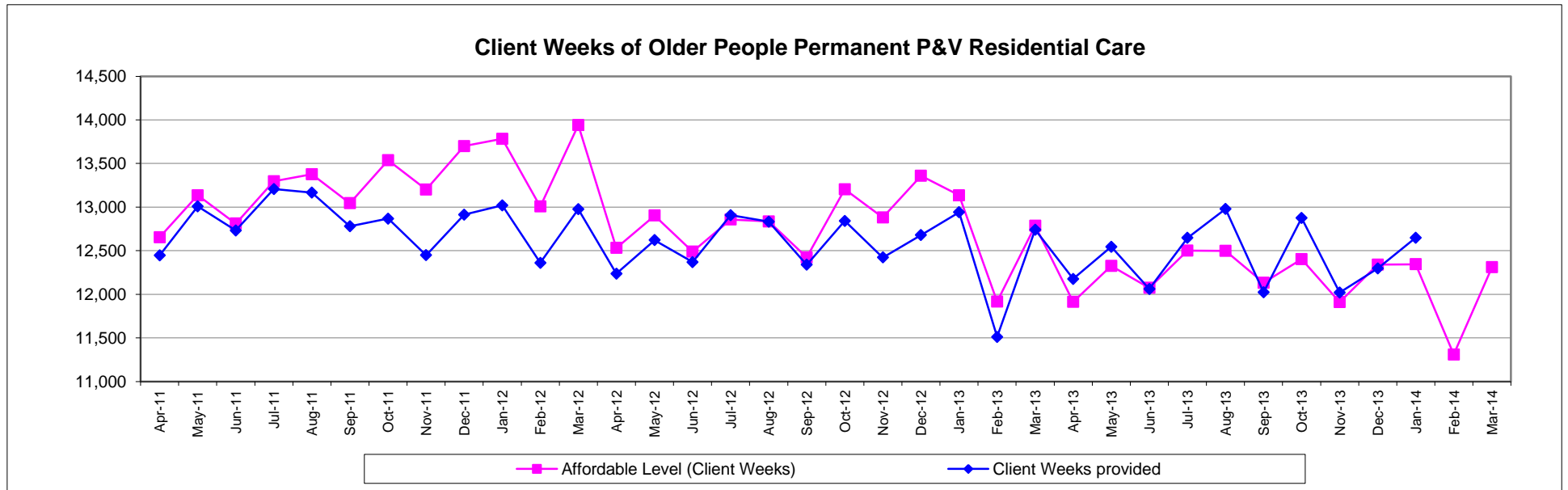
## Comments:

- As with residential care, the unit cost for nursing care will be affected by the increasing proportion of older people with dementia who need more specialist and expensive care, which is why the unit cost can be quite volatile and in recent months this service has seen an increase of older people requiring this more specialist care.
- The forecast unit cost of +£486.95 is higher than the affordable cost of +£481.80 and this difference of +£5.15 adds +£429k to the position when multiplied by the affordable weeks, as shown in table 1. The general increase in the unit cost since August is primarily due to the forecast weeks reflecting the actual level of usage of short term block bed contracts, rather than assuming full occupancy.

2.8 Number of client weeks of older people permanent P&V residential care provided compared with affordable level:

	2011-12		2012-13		2013-14	
	Affordable Level (Client Weeks)	Client Weeks provided	Affordable Level (Client Weeks)	Client Weeks provided	Affordable Level (Client Weeks)	Client Weeks provided
Apr	12,655	12,446	12,532	12,237	11,914	12,176
May	13,136	13,009	12,903	12,621	12,326	12,545
Jun	12,811	12,731	12,489	12,369	12,074	12,061
Jul	13,297	13,208	12,858	12,908	12,501	12,647
Aug	13,377	13,167	12,836	12,832	12,498	12,980
Sep	13,044	12,779	12,424	12,339	12,132	12,022
Oct	13,538	12,868	13,203	12,842	12,403	12,875
Nov	13,200	12,448	12,880	12,422	11,910	12,019
Dec	13,700	12,914	13,358	12,679	12,341	12,296
Jan	13,782	13,019	13,135	12,941	12,345	12,649
Feb	13,007	12,361	11,916	11,512	11,310	
Mar	13,940	12,975	12,786	12,741	12,310	
	<b>159,487</b>	<b>153,925</b>	<b>153,320</b>	<b>150,443</b>	<b>146,064</b>	<b>124,270</b>

Page 179



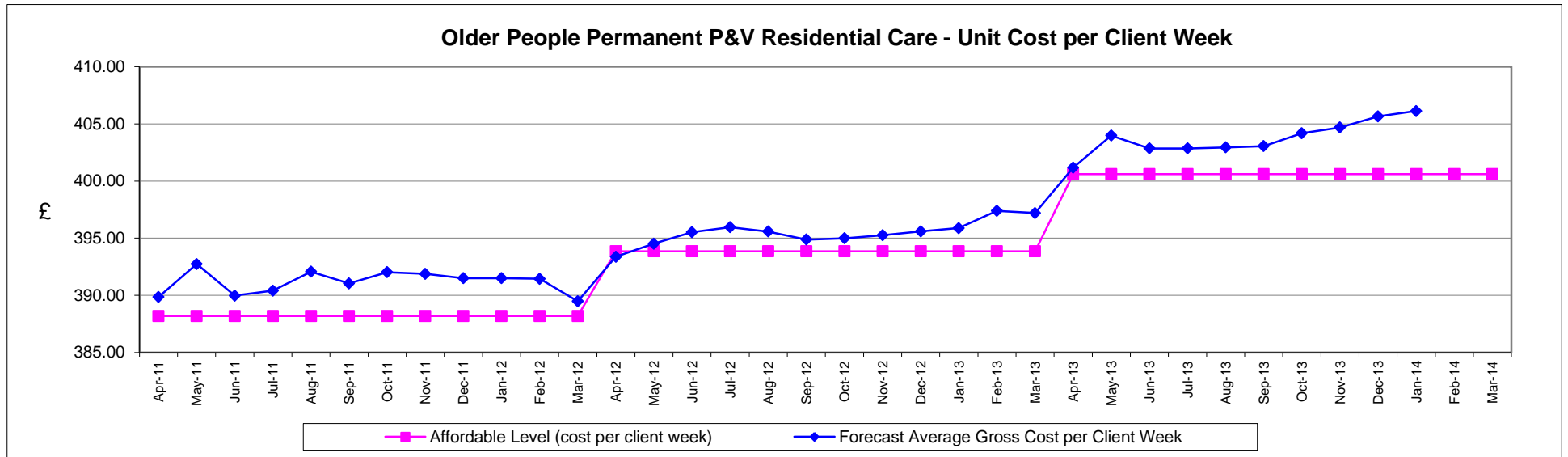
## Comments:

- The above graph reflects the number of client weeks of service provided as this has a greater influence on cost than the actual number of clients. The actual number of clients in older people permanent P&V residential care at the end of 2011-12 was 2,736, at the end of 2012-13 it was 2,653 and at the end of January 2014 it was 2,644. It is evident that there are ongoing pressures relating to clients with dementia who require a greater intensity of care.
- It is difficult to consider this budget line in isolation, as the Older Person's modernisation strategy has meant that fewer people are being placed in our in-house provision, so we would expect that there will be a higher proportion of permanent placements being made in the independent sector which is masking the extent of the overall reducing trend in residential client activity.
- The current forecast is 147,837 weeks of care against an affordable level of 146,064, a difference of +1,773 weeks. Using the forecast unit cost of £406.12, this additional activity increases the forecast by +£720k, as shown in table 1.
- To the end of January 124,270 weeks of care have been delivered against an affordable level of 122,444 a difference of +1,826 weeks. The current year to date activity suggests that the forecast should be slightly higher on this service, however the long term trend for this service assumes a slight reduction in residential activity in the forthcoming months and this has been reflected in the forecast.
- Previously forecast contributions to the Health and Social Care Village model for health commissioning of short-term beds, in order to support step down from acute hospital to reduce demand for this service, have been deferred to 2014-15.

2.9 Average gross cost per client week of older people permanent P&V residential care provided compared with affordable level:

	2011-12		2012-13		2013-14	
	Affordable Level (Cost per Week) £p	Forecast Average Gross Cost per Client Week £p	Affordable Level (Cost per Week) £p	Forecast Average Gross Cost per Client Week £p	Affordable Level (Cost per Week) £p	Forecast Average Gross Cost per Client Week £p
Apr	388.18	389.85	393.85	393.37	400.60	401.17
May	388.18	392.74	393.85	394.52	400.60	403.98
Jun	388.18	389.97	393.85	395.52	400.60	402.85
Jul	388.18	390.41	393.85	395.95	400.60	402.85
Aug	388.18	392.07	393.85	395.58	400.60	402.94
Sep	388.18	391.04	393.85	394.88	400.60	403.05
Oct	388.18	392.02	393.85	394.99	400.60	404.18
Nov	388.18	391.87	393.85	395.26	400.60	404.68
Dec	388.18	391.50	393.85	395.59	400.60	405.65
Jan	388.18	391.50	393.85	395.88	400.60	406.12
Feb	388.18	391.44	393.85	397.38	400.60	
Mar	388.18	389.48	393.85	397.20	400.60	

Page 181

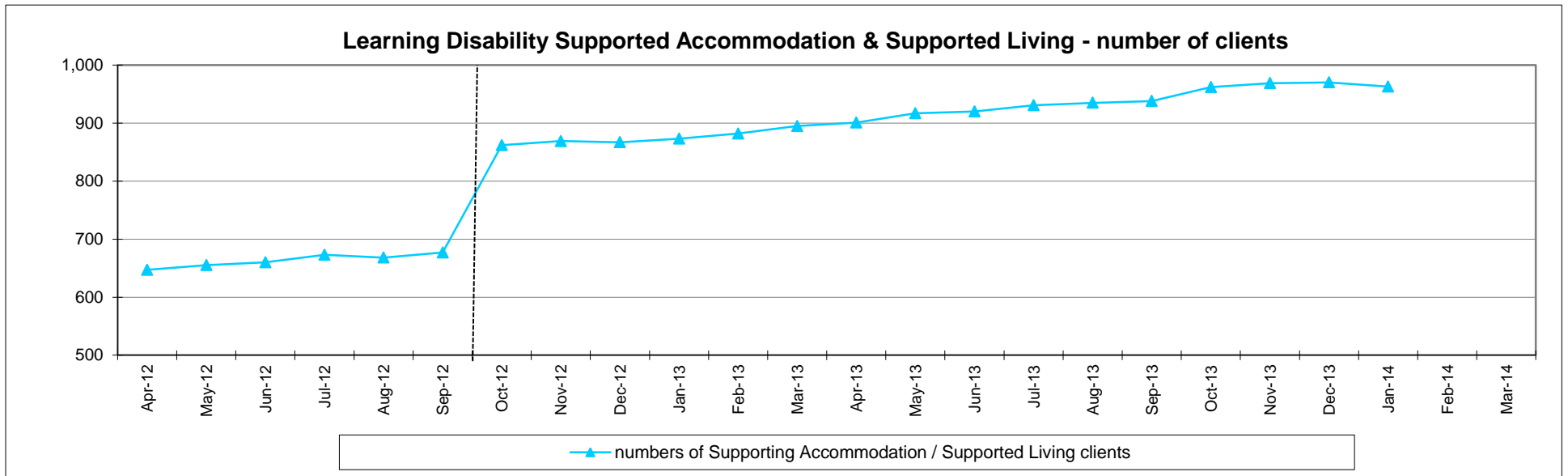


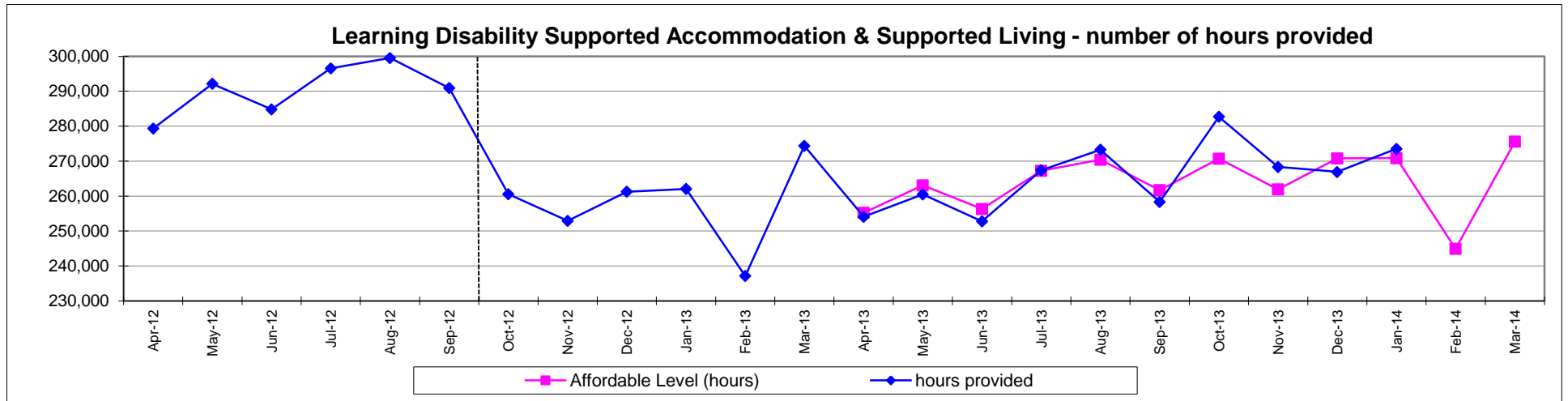
## Comments:

- The forecast unit cost of +£406.12 is higher than the affordable cost of +£400.60 and this difference of +£5.52 adds +£806k to the position when multiplied by the affordable weeks, as shown in table 1. This higher average unit cost is likely to be due to the higher proportion of clients with dementia, who are more costly due to the increased intensity of care required, as outlined above. The general increase in unit costs is partly due to the increasing trend for new cases to enter the service at higher unit costs, reflecting the fact that only those with higher needs are directed towards residential care, while those with lower needs are directed towards other forms of support.

2.10 Learning Disability Supported Accommodation/Supported Living – numbers of clients and hours provided in the independent sector

	2012-13			2013-14		
	Affordable level (hours)	hours provided	number of clients	Affordable level (hours)	hours provided	number of clients
Apr		279,365	647	255,228	254,067	901
May		292,122	655	263,089	260,503	917
Jun		284,835	660	256,321	252,761	920
Jul		296,532	673	267,255	267,384	931
Aug		299,521	668	270,414	273,259	935
Sep		290,914	677	261,697	258,323	938
Oct		260,574	862	270,697	282,706	962
Nov		252,932	869	261,922	268,324	969
Dec		261,257	867	270,798	266,913	970
Jan		262,070	873	270,874	273,530	963
Feb		237,118	882	244,883		
Mar		274,334	895	275,556		
		<b>3,291,574</b>		<b>3,168,734</b>	<b>2,657,770</b>	





Comments:

- This indicator has changed from 2013-14 to include the Supporting Independence Service contract. This measure now incorporates 3 different supported accommodation/living arrangements; the adult placement scheme, supported accommodation (mainly S256 clients) and Supporting Independence Service. The level of support required by individual clients can vary from a few hours a week to 24 hours a day therefore to better reflect the activity related to this indicator, the service is now recorded in hours rather than weeks. In addition, the details of the number of clients in receipt of these services will be given on a monthly basis.
- The Supporting Independence Service Contract was introduced in October 2012-13 and involved the transfer of specific clients previously in receipt of services categorised as domiciliary care, extra care sheltered housing and supported accommodation to this new contract. As part of this transfer, some clients chose to receive a direct payment instead. The result of this transfer was an overall net increase in the total number of clients categorised as receiving a supported accommodation/living support service however the average number of hours provided per client reduced. **A dotted line has been added to the graphs above to illustrate the introduction of the new Supporting Independence Service, and the consequent transfer of clients, as the data presented either side of the dotted line is not on a consistent basis and is therefore not directly comparable.**
- The current forecast is 3,212,572 hours of care against an affordable level of 3,168,734, a difference of +43,838 hours. Using the forecast unit cost of £10.08, this additional activity increases the forecast by +£442k, as shown in table 1.
- To the end of January 2,657,770 hours of care have been delivered against an affordable level of 2,648,295, a difference of +9,475 hours. The forecast number of hours reflects an increase in activity expected in future months that is also reflected in the profile of the budgeted level. However, the current year to date activity still suggests a lower level of activity than forecast, which is mainly due to a delay in the recording of transitional and provisional clients on the activity database. Such delays are intrinsic to this service as a result of the channels through which referrals take place, i.e. ordinary residence cases, where complex negotiations are involved to determine the point at which different local authorities have responsibility for clients, in addition to the number of bespoke contracts that have to be agreed individually with providers.

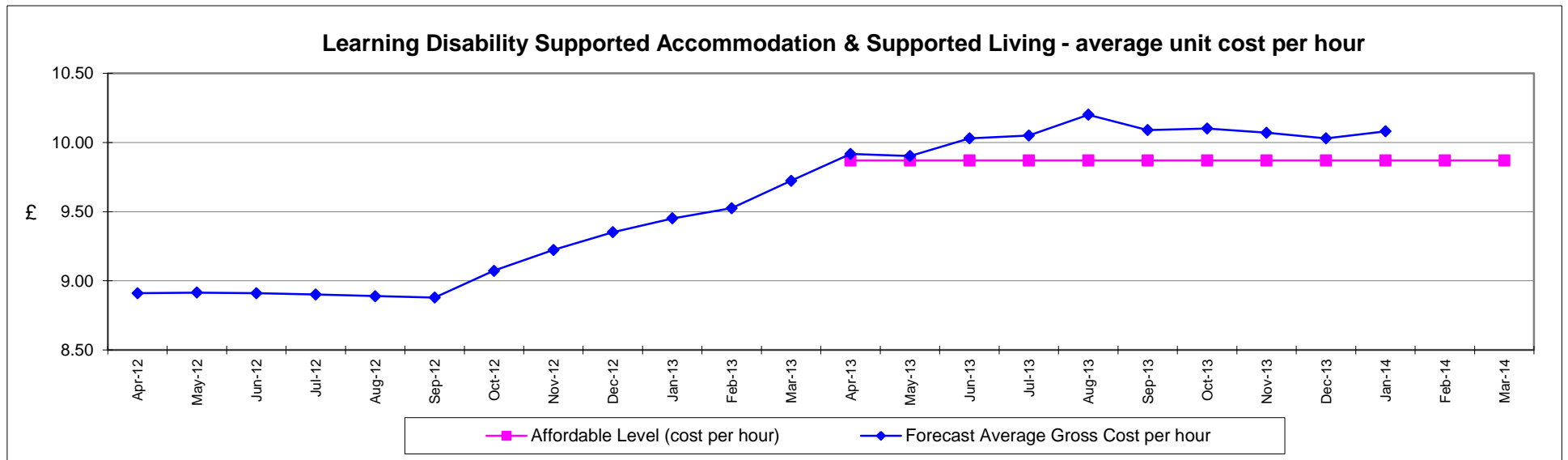


2.11 Average gross cost per hour of Supported Accommodation/Supported Living service compared with affordable level:

	2012-13		2013-14	
	Affordable Level (Cost per Hour) £p	Forecast Average Gross Cost per Hour £p	Affordable Level (Cost per Hour) £p	Forecast Average Gross Cost per Hour £p
Apr		8.91	9.87	9.92
May		8.92	9.87	9.90
Jun		8.91	9.87	10.03
Jul		8.90	9.87	10.05
Aug		8.89	9.87	10.20
Sep		8.88	9.87	10.09
Oct		9.07	9.87	10.10
Nov		9.22	9.87	10.07
Dec		9.35	9.87	10.03
Jan		9.45	9.87	10.08
Feb		9.53	9.87	
Mar		9.72	9.87	

Comments:

- This measure comprises 3 distinct client groups and each group has a very different unit cost, which are combined to provide an average unit cost for the purposes of this report.
- The costs associated with these placements will vary depending on the complexity of each case and the type of support required in each placement. This varies enormously between a domiciliary type support to life skills and daily living support.
- The forecast unit cost of +£10.08 is higher than the affordable cost of +£9.87 and this difference of +£0.21 adds +£665k to the position when multiplied by the affordable hours, as shown in table 1.



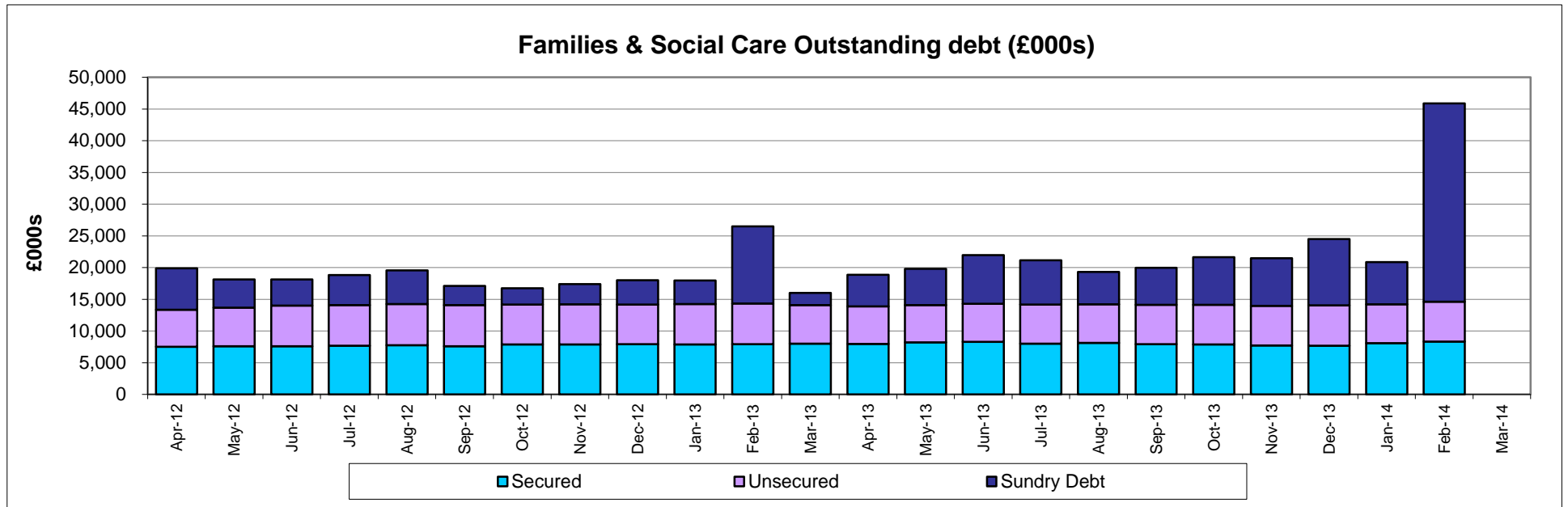
## 2.12 SOCIAL CARE DEBT MONITORING

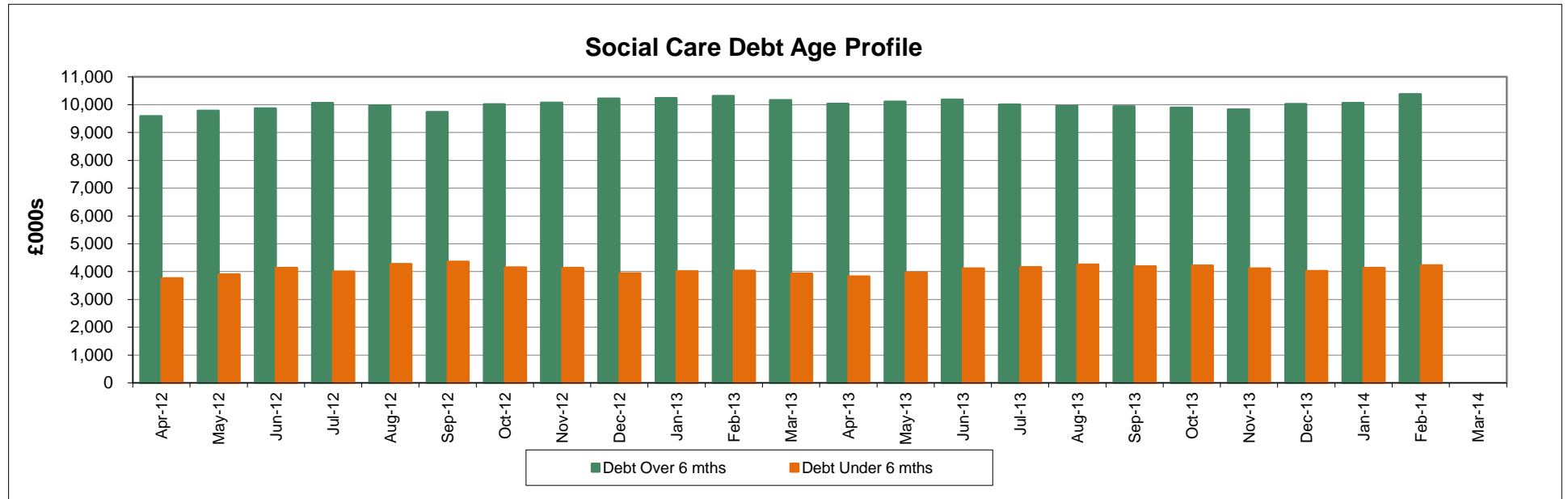
The outstanding debt as at the end of February was £45.888m compared with January's figure of £20.879m (reported to Cabinet in March) excluding any amounts not yet due for payment (as they are still within the 28 day payment term allowed). Within this figure is £31.278m of sundry debt compared to £6.685m in January. This increase is almost entirely due to three large invoices to Health which had only just become overdue at the end of February, however these three invoices have now been settled so will not show in the March outstanding debt figures. It is not uncommon for the amount of sundry debt to fluctuate for large invoices to Health. Also within the outstanding debt is £14.610m relating to Social Care (client) debt which is a small increase of £0.416m from the last reported position to Cabinet in March. The following table shows how this breaks down in terms of age and also whether it is secured (i.e. by a legal charge on the client's property) or unsecured, together with how this month compares with previous months. For most months the debt figures refer to when the four weekly invoice billing run interfaces with Oracle (the accounting system) rather than the calendar month, as this provides a more meaningful position for Social Care Client Debt. This therefore means that there are 13 billing invoice runs during the year. The sundry debt figures are based on calendar months.

	Social Care Debt						
	Total Due Debt (Social Care & Sundry Debt)	Sundry Debt	Total Social Care Due Debt	Debt Over 6 months	Debt Under 6 months	Secured	Unsecured
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Apr-12	19,875	6,530	13,345	9,588	3,757	7,509	5,836
May-12	18,128	4,445	13,683	9,782	3,901	7,615	6,068
Jun-12	18,132	4,133	13,999	9,865	4,134	7,615	6,384
Jul-12	18,816	4,750	14,066	10,066	4,000	7,674	6,392
Aug-12	19,574	5,321	14,253	9,977	4,276	7,762	6,491
Sep-12	17,101	3,002	14,099	9,738	4,361	7,593	6,506
Oct-12	16,747	2,574	14,173	10,020	4,153	7,893	6,280
Nov-12	17,399	3,193	14,206	10,069	4,137	7,896	6,310
Dec-12	17,996	3,829	14,167	10,226	3,941	7,914	6,253
Jan-13	17,965	3,711	14,254	10,237	4,017	7,885	6,369
Feb-13	26,492	12,153	14,339	10,312	4,027	7,903	6,436
Mar-13	15,986	1,895	14,091	10,165	3,926	8,025	6,066
Apr-13	18,859	4,995	13,864	10,037	3,827	7,969	5,895
May-13	19,789	5,713	14,076	10,106	3,970	8,197	5,879
Jun-13	21,956	7,662	14,294	10,183	4,111	8,277	6,017
Jul-13	21,146	6,978	14,168	10,005	4,163	8,015	6,153

	Social Care Debt						
	Total Due Debt (Social Care & Sundry Debt)	Sundry Debt	Total Social Care Due Debt	Debt Over 6 months	Debt Under 6 months	Secured	Unsecured
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Aug-13	19,320	5,116	14,204	9,950	4,254	8,141	6,063
Sep-13	19,950	5,814	14,136	9,943	4,193	7,931	6,205
Oct-13	21,646	7,533	14,113	9,896	4,217	7,867	6,246
Nov-13	21,471	7,524	13,947	9,830	4,117	7,728	6,219
Dec-13	24,480	10,436	14,044	10,026	4,018	7,694	6,350
Jan-14	20,879	6,685	14,194	10,060	4,134	8,103	6,091
Feb-14	45,888	31,278	14,610	10,380	4,230	8,321	6,289
Mar-14							

In addition the previously reported secured and unsecured debt figures for April 2012 to July 2012 were amended slightly between the 2012-13 Quarter 1 and Quarter 2 reports following a reassessment of some old debts between secured and unsecured.





With regard to Social Care debt, the tables below show the current breakdown and movement since the last report of secured, unsecured and health debt, together with a breakdown of unsecured debt by client group.

<b>Social Care debt by Customer Credit Status</b>	<b>January £000s</b>	<b>February £000s</b>	<b>Movement £000s</b>
Secured	8,103	8,321	218
Unsecured - Deceased/Terminated Service	1,647	1,721	74
Unsecured - Ongoing	4,446	4,570	124
Health (Unsecured)	-2	-2	0
<b>TOTAL</b>	<b>14,194</b>	<b>14,610</b>	<b>416</b>

<b>Unsecured debt by Client Group</b>	<b>January £000s</b>	<b>February £000s</b>	<b>Movement £000s</b>
Older People/Physical Disability	5,658	5,879	221
Learning Disability	329	296	-33
Mental Health	106	116	10
Health	-2	-2	0
<b>TOTAL</b>	<b>6,091</b>	<b>6,289</b>	<b>198</b>

### 3. CAPITAL

3.1 The Families and Social Care Directorate - Adult Services has a working budget for 2013-14 (which has now been updated to reflect the 2014-17 budget set by County Council on 13th February 2014) of £4,398k. The forecast outturn against the 2013-14 budget is £4,374k giving a variance of -£24k.

3.2 **Table 2** below details the FSC Adult Services Capital Position by Budget Book line.

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
<b>Rolling Programmes</b>									
Asset Modernisation	0	0	0	0			Green		
Home Support Fund	6,600	2,474	200	200	Real	Overspend reflects legitimate capitalisation of equipment to be funded by banked grant.	Green		
<b>Individual Projects</b>									
<b>Kent Strategy for Services for Older People (OP):</b>									
Community Care Centre - Ebbsfleet	544	0	0	0			Green		
Community Care Centre - Thameside Eastern Quarry	500	0	0	0			Green		
OP Strategy - Transformation / Modernisation	7,800	724	-652	-650	Rephasing	Wyllie Court development with Amicus Horisons delayed due to finalisation of legal documentation.	Amber		
				-2	Real - capital receipt and developer contributions		Amber		

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
<b>Kent Strategy for Services for People with Learning Disabilities/Physical Disabilities:</b>									
Learning Disability Good Day Programme-Community Hubs	3,318	807	-184	-184	Rephasing	Various schemes - looking at consultation 3rd quarter of 2013 therefore rephasing spend to 14/15.	Green		
Learning Disability Good Day Programme-Community Initiatives	2,430	183	2	2	Rephasing		Green		
Rusthall (Tunbridge Wells Respite)	0	0	0	0					
Mental Health Strategy	264	0	0	0		Budget surrendered			
<b>Active Care / Active Lives Strategy:</b>									
PFI - Excellent Homes for All - Development of new Social Housing for vulnerable people in Kent	66,800	0	0	0			Green		
<b>Developing Innovative and Modernising Services:</b>									
Lowfield St (formerly Trinity Centre, Dartford)	1,073	100	0	0			Green		
Information Technology Projects e.g. Swift Development / Mobile Working	2,477	110	610	610	Real	Overspend reflects legitimate capitalisation of equipment to be funded by banked grant and developer contributions.	Green		
Public Access Development	1,052	0	0	0		Budget surrendered			

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
<b>Total</b>	92,858	4,398	-24	-24					

## 1. Status:

Green – on time &amp; within budget;

Amber – either delayed completion date or over budget;

Red – both delayed completion &amp; over budget.

**ENTERPRISE & ENVIRONMENT DIRECTORATE SUMMARY**  
**JANUARY 2013-14 MONITORING REPORT**

**1. REVENUE**

1.1		Cash Limit	Variance Before Mgmt Action	Management Action	Net Variance after Mgmt Action
	<b>Directorate Total (£k)</b>	<b>+151,690</b>	<b>+1,092</b>	<b>-</b>	<b>+1,092</b>

1.2 **Table 1** below details the revenue position by A-Z budget:

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP	
	Gross	Income	Net	Net			
	£'000	£'000	£'000	£'000	£'000		
<b>Environment, Highways and Waste portfolio</b>							
Strategic Management & Directorate Support budgets	4,878.8	-21.0	4,857.8	-642	-233	Saving on contractor annual management charge	This saving has been reflected in the 2014-17 MTFP
					-175	Underspend on the central E&E directorate budget due to a number of reasons including reduced TRP costs, scanning project to be completed in 2014-15 and other projects absorbed elsewhere in the directorate	
					-120	An historic budget for a revenue contribution to capital remains but there is no requirement within the capital programme for 2013-14 for this funding	
					-114	Other minor variances all less than £100k in value	
<b>Community Services:</b>							
- Gypsies & Travellers	714.0	-430.0	284.0	-65			
<b>Environment:</b>							
- Environment Management	4,000.8	-1,481.9	2,518.9	-41			



Budget Book Heading	Cash Limit			Variance	Explanation		Management Action/ Impact on MTFP
	Gross	Income	Net	Net			
	£'000	£'000	£'000	£'000	£'000		
<b>Highways:</b>							
- Highways Maintenance							
- Adverse Weather	3,299.9	0.0	3,299.9	-215	+222	Costs of April salting runs beyond normal winter season	
					+146	Balance of 2012-13 costs including snow emergency costs for which insufficient provision was made	
					-560	Underspend on 2013-14 winter salting runs due to mild winter	
					-23	Other minor variances	
- Bridges & Other Structures	2,588.1	-182.0	2,406.1	-100	-100	Other minor variances all less than £100k in value	
- General maintenance & emergency response	13,591.3	-475.8	13,115.5	+6,269	+4,139	Find and fix repair of pot holes	
					+1,706	Emergency response costs in relation to storms and flooding during the autumn and winter of 2013-14 including costs associated with drainage, fallen trees, damaged power cables etc	
					+500	Additional expenditure on the repair of pot holes in relation to the damage caused by storms and flooding	
					-5,446	Department for Transport grant for Severe Weather Recovery scheme	
					+5,446	Contribution to flood repairs reserve of Severe Weather Recovery scheme grant	
					+433	Increase in maintenance on high speed roads, and type of maintenance being undertaken, as a consequence of find and fix activity	
					-273	Underspend on depot maintenance	Part of this underspend is contributing to the 2014-17 MTFP savings targets
					-84	Underspend on leased vehicles	

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross £'000	Income £'000	Net £'000	Net £'000		
					-80 Underspend on safety barrier repairs/ replacement as some of the work undertaken has been of a capital nature and therefore charged to the capital programme	
					-72 Other minor variances	
- Highway drainage	3,265.8	0.0	3,265.8	0		
- Streetlight maintenance	4,050.3	-154.0	3,896.3	-150	-131 Insurance recharge income relating to incidents occurring in 2012-13	
					-19 Other minor variances	
	26,795.4	-811.8	25,983.6	+5,804		
- Highways Management:						
- Development Planning	2,110.9	-1,310.0	800.9	-192	-72 Additional income from developers -120 Other minor variances all less than £100k in value	
- Highways Improvements	1,875.3	-82.0	1,793.3	-540	-200 Temporary staff no longer required for Member Highway Fund as the backlog has been cleared  -168 An historic budget for a revenue contribution to capital remains but there is no requirement within the capital programme for 2013-14 for this funding. -83 Saving on asset management support due to contractor changes -89 Other minor variances	This saving has been reflected in the 2014-17 MTFP  This saving has been reflected in the 2014-17 MTFP
- Road Safety	3,257.6	-2,234.0	1,023.6	+62		
- Streetlight energy	4,795.0	0.0	4,795.0	+690	+548 Price increase for 2013-14  +382 Delay in part night switch off savings being achieved -200 Rebate on 2012-13 costs following final volume and price reconciliation -40 Other minor variances	This pressure has been reflected in the 2014-17 MTFP

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
- Traffic management	5,870.7	-3,421.1	2,449.6	-627	-215 Increased permit scheme income -105 Recharge of costs of road closures, when required for capital works, to the capital budget -161 Additional income from roadworks and enforcements -60 Saving on traffic systems contract -86 Other minor variances	
- Tree maintenance, grass cutting & weed control	3,252.8	0.0	3,252.8	-287	+150 Additional weed control treatment required following complaints from District Councils in particular concerning weeds causing a trip hazard +70 Removal of tree stumps -183 Duplicate orders raised and receipted in error in 2012-13 -146 Savings from bringing inspection services back in-house -125 Procurement savings on grass cutting -53 Other minor variances	This saving has been reflected in the 2014-17 MTFP
	21,162.3	-7,047.1	14,115.2	-894		
<u>Planning &amp; Transport Strategy:</u>						
- Planning & Transport Policy	1,491.9	0.0	1,491.9	-140	-105 Staffing underspend -86 Capitalisation of lorry park costs -46 Re-phasing of EU ROCK project - which will be required to roll forward to 2014-15 to provide match funding to fulfil our obligation to the partnership agreement +97 Other minor variances	
- Planning Applications	1,079.9	-600.0	479.9	+1	-82 Staffing underspend +98 Reduction in income for planning applications due to the current economic climate -15 Other minor variances	
	2,571.8	-600.0	1,971.8	-139		

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
<u>Transport Services:</u>						
- Concessionary Fares	16,672.0	-27.0	16,645.0	-621	-376 Fewer replacement bus passes expected to be issued in 2013-14 than budgeted -250 Reduced bus operator costs due to reduced journeys being taken +5 Other minor variances	
- Freedom Pass	15,643.0	-2,459.0	13,184.0	+109	+320 Increased contractor payments due to higher than budgeted number of journeys travelled using the Freedom Pass (as illustrated in the activity section 2.3 below) and an increase in contract price  -250 Increase in income from the sale of freedom passes +39 Other minor variances	The underlying pressure on this budget, due to £800k funding provided from the 2012-13 roll forward being one-off and the impact of the change in education transport policy of the next cohort of students transferring to the secondary sector, has been addressed in the 2014-17 MTFP. In addition, savings as a result of changes to the scheme from September 2014 have also been reflected.
- Subsidised Bus Routes	8,960.1	-1,454.0	7,506.1	-609	-510 Funding awarded for price rises has proved to be in excess of what is required and contracts re-tendered in year have generally not increased. -166 Kick Start invest to save project (to assist some subsidised bus routes to become self supporting) deferred until 2014-15 -144 Staff vacancies -100 Impact of higher usage of these bus services on the revenue guarantee contract, which reduces operator costs as passenger fare income increases.	This saving has been addressed in the 2014-17 MTFP

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
					+250	Reduced income from ELS due to fewer entitled scholars using the subsidised bus routes
					+112	Additional costs of service provision due to an existing contractor going into liquidation
					-51	Other minor variances
- Transport Operations	1,127.4	-214.5	912.9	+67		
- Transport Planning	558.4	-228.0	330.4	-23		
	42,960.9	-4,382.5	38,578.4	-1,077		
<u>Waste Management</u>						
- Waste Operations	1,736.0	0.0	1,736.0	-134	-134	Minor variances which individually are all below £100k
- Recycling & Diversion from Landfill:						
- Household Waste Recycling Centres	8,240.2	-1,982.0	6,258.2	-622	-536	Forecast lower volumes of materials managed at sites resulting in reduced haulage fees
					+239	Management and contract fees for Richborough site expected to be closed for 2013-14 but remains open
					-334	Haulage and management costs associated with the new combined Ashford HWRC and transfer station now included in the Haulage & Transfer Stations A-Z line
					-132	Reduced recycling bonus payments due to reduced waste volumes at HWRC
					+65	Reduced income from the sale of recyclable materials due to reduced volume -3,000 tonnes
					-107	Reduced site maintenance costs
					+135	Pressure forecast due to the reduction in volume and price received for metal
					+108	Forecast pressure on rent and rates
					-60	Other minor variances

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
- Partnership & Waste Co-ordination	606.0	-168.0	438.0	-116	-84	Staff vacancies
					-32	Other minor variances
- Payments to Waste Collection Authorities (DCs)	6,068.0	-102.0	5,966.0	-297	-327	Reduction in waste collection authority support payments due to delayed start of new contract
					-6	Reduced recycling credit payments to WCAs -2,600 tonnes
					+36	Other minor variances
- Recycling Contracts & Composting	9,030.0	-1,571.0	7,459.0	-391	+525	Price increases for hardcore due to changes in legislation
					-372	Forecast reduction of 19,100 tonnes in hardcore, wood, garden waste and other materials offset by an increase in food waste
					+474	Reduced income from the East Kent Contract due to changes in market prices
					+302	East Kent Contract: Forecast reduction of 4,900 tonnes of saleable material, (together with an increase of 7,500 tonnes of co-mingled materials due to changes in collected services, at zero cost)
					+176	Income expected to be generated from the new Mid Kent Contract has not materialised
					+381	Additional costs of processing mixed materials, including glass at the new Materials Recycling Facility (MRF) for Mid and West Kent

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
					-1,692	Savings due to the closure of the MRF and the opening of a Transfer Station at the Allington site to manage materials from the Mid Kent Contract, which offset the pressure on the new Mid and West Kent MRF and additional costs on disposal contracts
					-137	Price variance on food waste due to new food waste processing contract
					-48	Other minor variances
	23,944.2	-3,823.0	20,121.2	-1,426		
- Waste Disposal:						
- Closed Landfill Sites & Abandoned Vehicles	864.0	-180.0	684.0	-248	-114	Net saving on the termination of the Operation Cubit contract
					-96	Reduced contract costs due to a change in contract management
					-38	Other minor variances
- Disposal Contracts	28,836.0	-156.0	28,680.0	-1,362	-308	Forecast reduced tonnage of residual waste to be sent to landfill (-16,000 tonnes)
					+939	Additional landfill costs incurred due to the plant shutdown at the Allington Facility (+48,900 tonnes)
					-4,616	Saving on contracted payments to Allington Waste to Energy plant due to less waste (-48,900 tonnes) being processed via the facility to date, as a result of the planned plant shutdown for maintenance in Quarter 1 and further plant outages of the various processing lines at the facility during the last seven months
					-504	Saving on landfill disposal costs due to a planned diversion of waste to the Allington facility (-26,300 tonnes)

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross £'000	Income £'000	Net £'000	Net £'000		
					£'000 +2,480 Planned increase of tonnage throughput at the Allington Waste to Energy facility as a result of a planned diversion from landfill (+26,300 tonnes) <i>- also see the savings against the Landfill Tax A-Z budget line below</i> -581 Release of contingency in respect of Allington Waste to Energy Plant +1,213 Allington Waste to Energy contractual changes due to the closure of the MRF and the opening of a Transfer Station at the Allington site which has resulted in a pressure which is offset by savings on the Recycling and Composting budget reported above -126 Saving on managing hazardous and clinical waste +141 Other minor variances	
- Haulage & Transfer Stations	9,562.0	-75.0	9,487.0	+982	+323 Delays in the closure of the Hawkinge transfer station +104 Haulage and management costs associated with the new combined Ashford HWRC and transfer station together with reduced expenditure at the Ashford transfer station due to the delays in the closure of the Hawkinge site -375 Forecast reduced tonnage managed at sites +248 New arrangements at Allington transfer station to enable the receipt of food and dry recyclable waste +628 East Kent Contract Haulage fee budget set only for January to March but payments are being incurred for the whole financial year	



Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross £'000	Income £'000	Net £'000	Net £'000		
					+259 Extra contract payments for managing waste in Thanet and Canterbury under the East Kent Contract as the new service is being rolled out	
					-152 Reduced haulage of residual waste from Canterbury and Thanet to Allington due to extended maintenance at the Allington Waste to Energy Facility	
					-53 Other minor variances	
- Landfill Tax	7,571.0	0.0	7,571.0	+334	-1,894 Saving due to planned diversion of waste to be processed at the Allington Waste to Energy facility (-26,300)	
					+3,518 Pressure due to increase in waste diverted to landfill due to extended maintenance at Allington Waste to Energy facility (+48,900 tonnes)	
					-1,155 Forecast reduction in the volume of waste sent to landfill due to an overall reduction in residual waste (-16,000 tonnes)	
					-150 Sale of previous year landfill allowances, under the Landfill Allowance Trading Scheme, to another local authority	
					+15 Other minor variances	
	46,833.0	-411.0	46,422.0	-294		
- Commercial Services	0.0	-4,899.0	-4,899.0			
<b>Total E,H &amp; W portfolio</b>	<b>175,597.2</b>	<b>-23,907.3</b>	<b>151,689.9</b>	<b>+1,092</b>		
<b>Regeneration &amp; Enterprise portfolio</b>						
Development Staff & Projects	656.6	-656.6	0.0	0		
<b>Total E&amp;E controllable</b>	<b>176,253.8</b>	<b>-24,563.9</b>	<b>151,689.9</b>	<b>+1,092</b>		

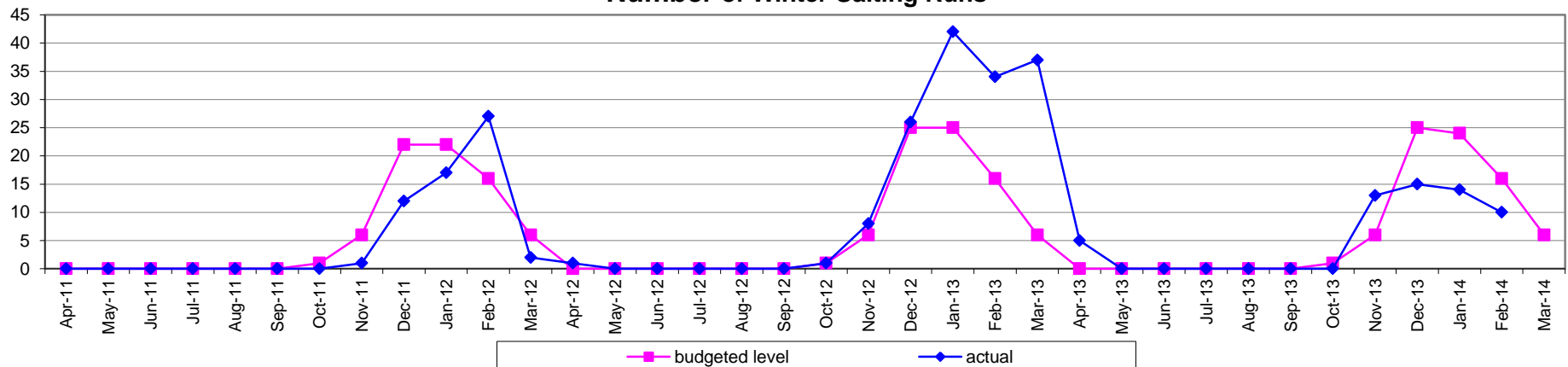
2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

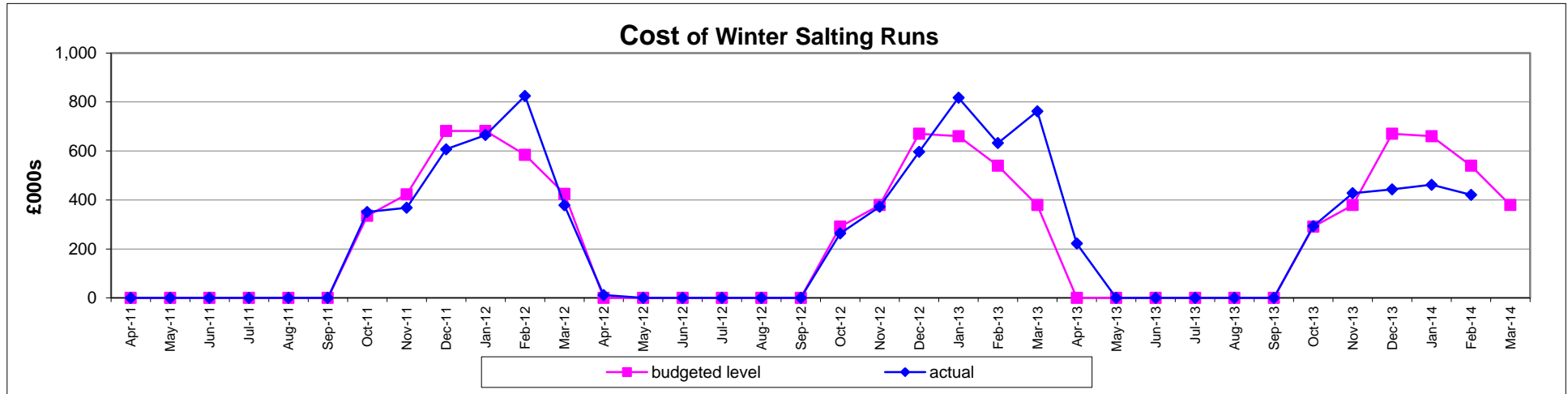
2.1 Number and Cost of winter salting runs

	2011-12				2012-13				2013-14			
	No. of salting runs		Cost of salting runs		No. of salting runs		Cost of salting runs		No. of salting runs		Cost of salting runs	
	Budgeted level	Actual	Budgeted level £'000	Actual £'000	Budgeted level	Actual	Budgeted level £'000	Actual £'000	Budgeted level	Actual	Budgeted level £'000	Actual £'000
Apr	-	-	-	-	-	1	-	12	-	5	-	222
May	-	-	-	-	-	-	-	-	-	-	-	-
Jun	-	-	-	-	-	-	-	-	-	-	-	-
Jul	-	-	-	-	-	-	-	-	-	-	-	-
Aug	-	-	-	-	-	-	-	-	-	-	-	-
Sep	-	-	-	-	-	-	-	-	-	-	-	-
Oct	1	-	335	351	1	1	291	263	1	-	291	293
Nov	6	1	423	368	6	8	379	372	6	13	379	428
Dec	22	12	682	607	25	26	670	596	25	15	670	443
Jan	22	17	682	665	25	42	660	817	24	14	660	462
Feb	16	27	584	825	16	34	540	632	16	10	540	421
Mar	6	2	425	378	6	37	379	762	6	-	379	-
	<b>73</b>	<b>59</b>	<b>3,131</b>	<b>3,194</b>	<b>79</b>	<b>149</b>	<b>2,919</b>	<b>3,454</b>	<b>78</b>	<b>57</b>	<b>2,919</b>	<b>2,268</b>

The budgeted number of salting runs assumes county wide coverage but in some cases, the actual number includes salting runs for which only part county coverage was required.

Number of Winter Salting Runs





**Comments:**

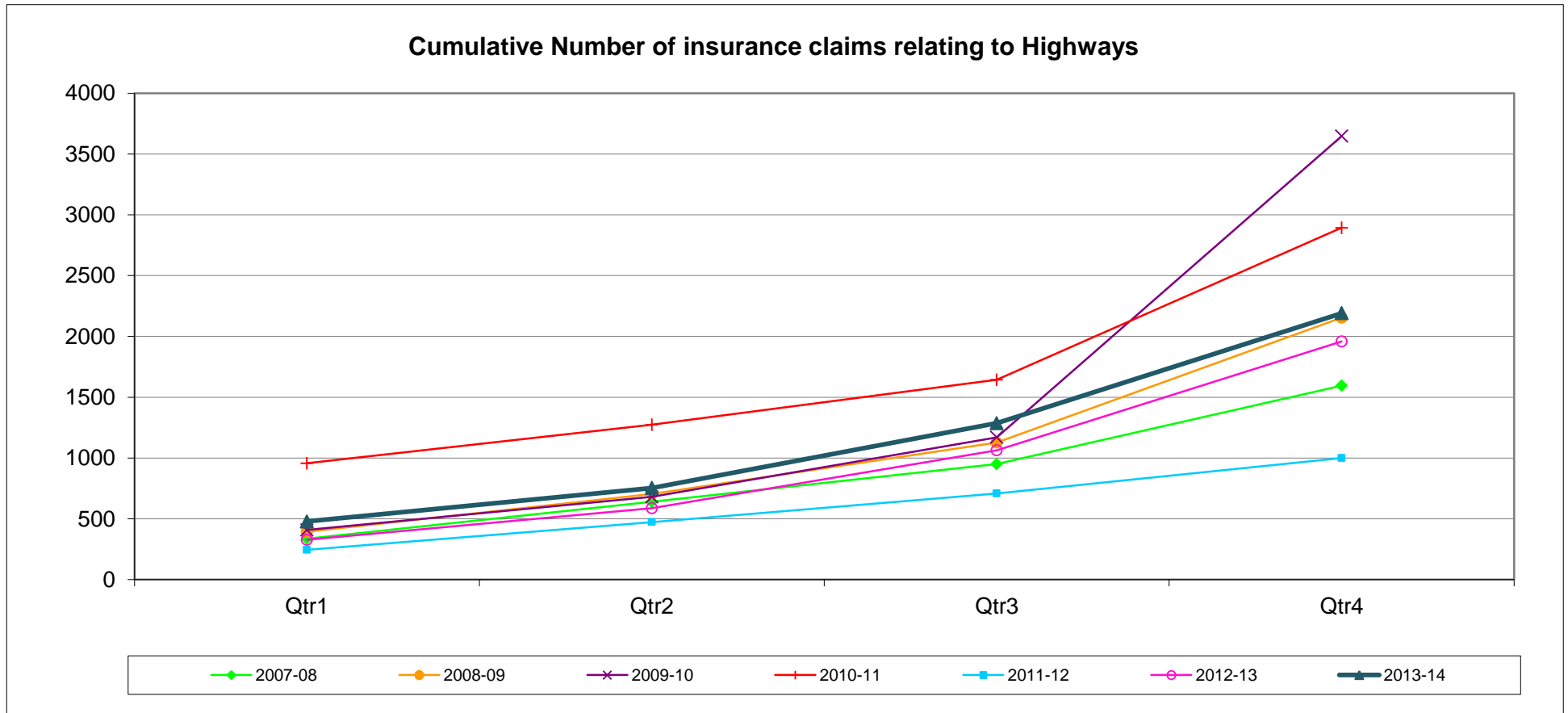
- As a result of the prolonged hard winter which extended into April 2013, unbudgeted salting runs were required at the start of this financial year, resulting in a forecast pressure against the adverse weather budget of £0.222m, as shown above and in table 1. Although the current number of salting runs and costs suggest an underspend for the period October-February of £0.494m, the relatively mild conditions have continued into March and a forecast underspend of £0.560m is included in table 1.
- Although the budgeted number of salting runs was higher in 2012-13 than in 2011-12, the budgeted cost was lower because 2011-12 was a transition year due to the change in contractor from Ringway to Enterprise and 2012-13 included the full year efficiency savings, hence the reduction in the budgeted costs.
- It had been anticipated that the generally mild winter in 2011-12 would mean that the number and cost of salting runs would be below budget. However, the snow emergency in February 2012 required emergency salting runs, which were more expensive than the routine salting runs due to a higher rate of spread of salt than originally budgeted. Also, additional costs were incurred as part of the new Winter Policy introduced for 2011-12, as smaller vehicles needed to be leased in order to service parts of the routes that were inaccessible to the larger vehicles (approx £140k) and some of the salting routes were extended in order to meet local needs. This resulted in outturn expenditure of £3.194m against a budget of £3.131m, despite the number of salting runs being below the budgeted level.
- The actual number of salting runs in 2012-13 was above the budgeted levels, however, the budgeted cost of salting runs was calculated using the worst case scenario in terms of the rate of spread of salt. As the actual spread of salt was at a lower rate than assumed, this resulted in the costs of salting runs not being as high as the number of salting runs may suggest. Overall there was a net overspend of £1.669m on the adverse weather budget in 2012-13, which was due to an overspend of £0.535m on winter salting runs (as shown in the table above) and an overspend of £1.134m of other costs associated with adverse weather, not directly attributed to salting runs, such as costs of snow clearance, maintenance costs of farmers' ploughs, salt bins & weather stations.

2.2 Number of insurance claims arising related to Highways

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims
Apr to Jun	337	393	408	956	245	327	478
Jul to Sep	640	704	680	1,273	473	587	753
Oct to Dec	950	1,128	1,170	1,643	709	1,064	1,286
Jan to Mar	1,595	2,155	3,647	2,893	1,000	1,959	2,191

Claims to the end of February

Page 204



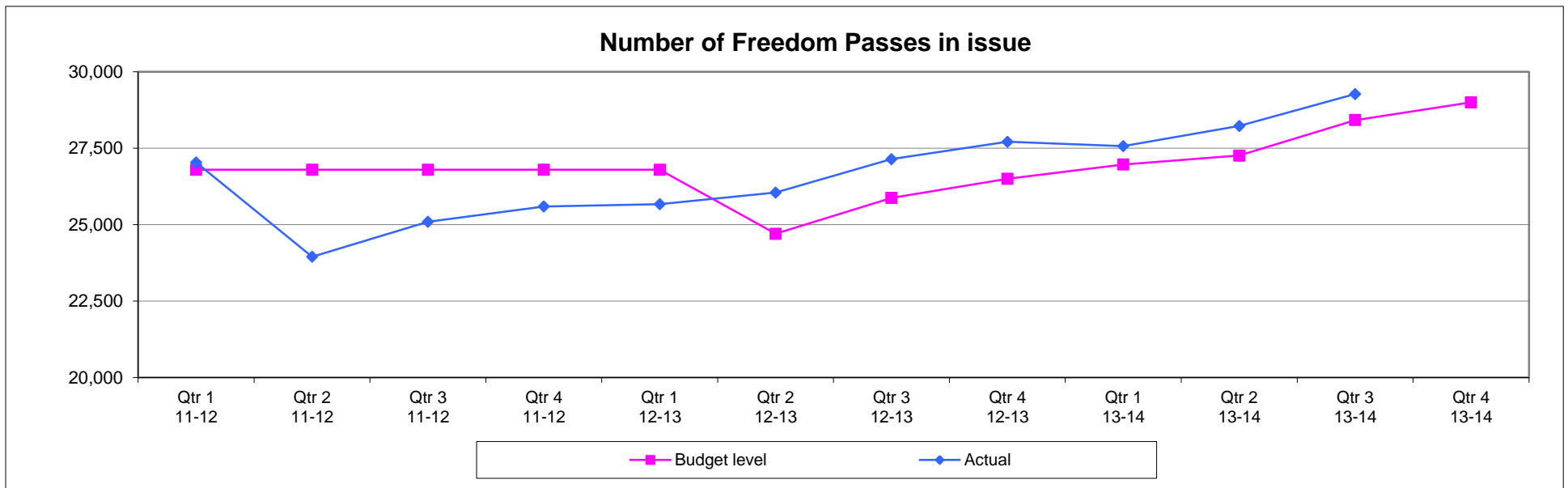
## Comments:

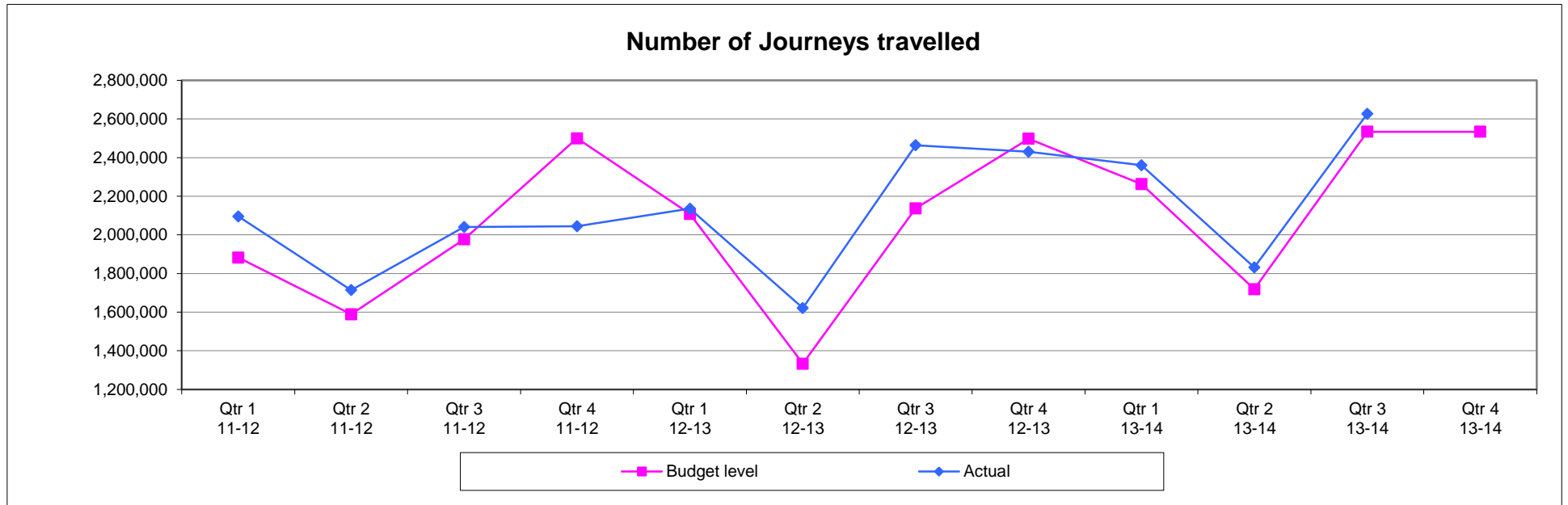
- Numbers of claims will continually change as new claims are received relating to incidents occurring in previous quarters. Claimants have 3 years to pursue an injury claim and 6 years for damage claims. The data previously reported has been updated to reflect claims logged with Insurance as at 28th February 2014.
- Claims were high in each of the years 2008-09 to 2010-11 largely due to the particularly adverse weather conditions and the consequent damage to the highway along with some possible effect from the economic downturn. These claim numbers are likely to increase further as more claims are received for incidents which occurred during the period of the bad weather.
- Claims were lower in 2011-12 which could have been due to many factors including: an improved state of the highway following the find and fix programmes of repair, an increased rejection rate on claims, and a mild winter. However, claim numbers increased again in 2012-13, which was likely to be due to the prolonged hard winter and the consequent damage to the highway, but claim numbers did not increase to the levels experienced during 2008-09 to 2010-11, probably due to the continuation of the find and fix programmes of repair. It is likely that claim numbers for both 2011-12 and 2012-13 will increase as new claims are received relating to incidents occurring during these two years, as explained above. Claim numbers are again high in 2013-14, which is probably due to the particularly adverse wet weather conditions and the consequent damage to the highway. However, additional funding has been made available to in order to address this.
- The Insurance section continues to work closely with Highways to try to reduce the number of claims and currently the Authority is managing to achieve a rejection rate on 2013-14 claims where it is considered that we do not have any liability, of about 88%.

2.3 Freedom Pass

	2011-12				2012-13				2013-14			
	Passes		Journeys travelled		Passes		Journeys travelled		Passes		Journeys travelled	
	Budget level	Actual	Budget level (000's)	Actual (000's)	Budget level	Actual	Budget level (000's)	Actual (000's)	Budget level	Actual	Budget level (000's)	Actual (000's)
Qtr 1	26,800	27,031	1,882	2,096	26,800	25,668	2,108	2,136	26,970	27,571	2,263	2,361
Qtr 2	26,800	23,952	1,589	1,714	24,703	26,051	1,333	1,621	27,260	28,227	1,719	1,832
Qtr 3	26,800	25,092	1,977	2,041	25,877	27,141	2,137	2,464	28,420	29,272	2,534	2,627
Qtr 4	26,800	25,593	2,499	2,045	26,500	27,711	2,498	2,431	29,000		2,534	
			<b>7,947</b>	<b>7,896</b>			<b>8,076</b>	<b>8,652</b>			<b>9,050</b>	<b>6,820</b>

The data for this activity indicator is only provided on a quarterly basis from our external provider MCL Transport Services.





Comments:

- As predicted the number of Kent Freedom Passes was lower in the first quarter of 2012-13 compared to the same quarter in 2011-12 probably due to the fee increase. Applications have steadily increased since quarter one of 2012-13, due in part to changes in education transport policy, and the continued popularity of the scheme, resulting in a pressure on this budget in 2012-13, hence Cabinet, at the 15 July 2013 meeting, agreed to allocate £0.8m of rolled forward 2012-13 underspending to support this budget in 2013-14.
- The figures for actual journeys travelled are regularly reviewed and updated as further information is received from the bus companies, so may be subject to change. The 2013-14 actual journey numbers for quarters 1 and 2 have been adjusted as they had previously included journeys funded from the Home to School Transport budget. There is a forecast pressure of £109k on the Freedom Pass budget due to the higher than budgeted number of journeys, as reflected in table 1 of this annex.
- The above figures do not include journeys travelled relating to free home to school transport as these costs are met from the Education, Learning & Skills portfolio budget and not from the Kent Freedom Pass budget.

2.4 Waste Tonnage

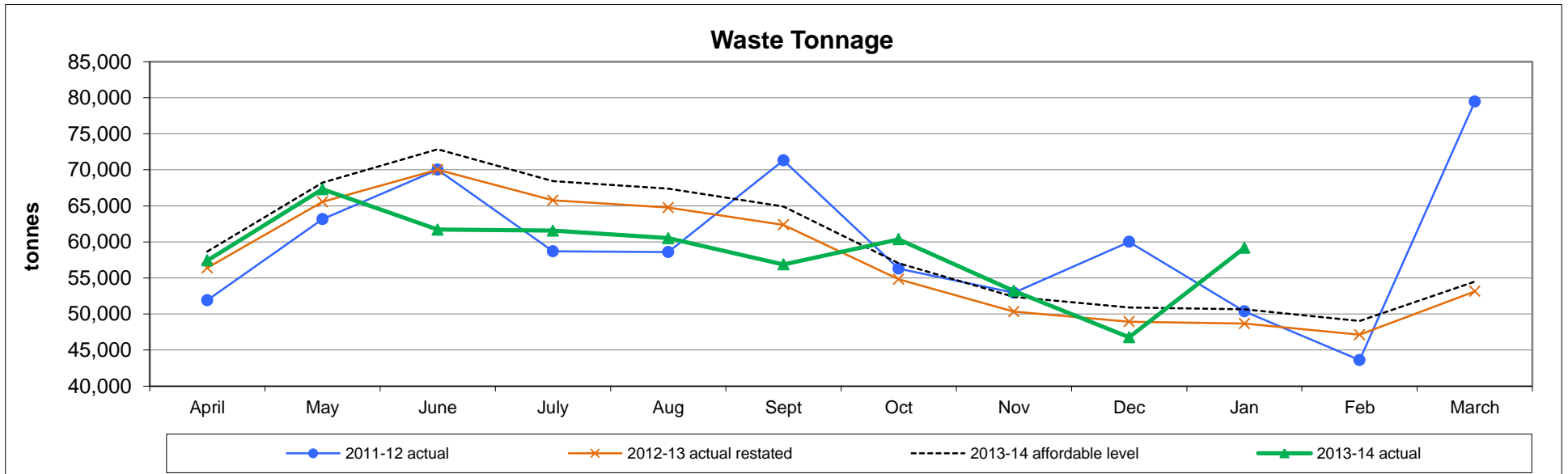
	2011-12	# 2012-13 restated	2013-14	
	Waste Tonnage	Waste Tonnage	Affordable Level ^	* ^ Waste Tonnage
Apr	51,901	56,390	58,673	57,423
May	63,168	65,562	68,216	67,314
Jun	70,006	70,033	72,869	61,701
Jul	58,711	65,764	68,426	61,563
Aug	58,581	64,760	67,381	60,519
Sep	71,296	62,377	64,902	56,884
Oct	56,296	54,837	57,057	60,367
Nov	52,942	50,344	52,382	53,211
Dec	60,009	48,925	50,906	46,787
Jan	50,366	48,668	50,638	59,177
Feb	43,607	47,135	49,043	
Mar	79,468	53,150	54,507	
	<b>716,351</b>	<b>687,945</b>	<b>715,000</b>	<b>584,946</b>

^ Historically contracts with service providers have been on the basis of a four/four/five week cycle of accounting periods (with weeks ending on a Sunday), rather than on calendar months, and reported waste tonnages have reflected this. From April 2013, due to changes in managing waste contracts, all service providers have transferred on to a calendar month basis and this is reflected in the monthly affordable levels for 2013-14, hence why the line on the graph representing the affordable level for 2013-14 reflects a different profile to the actuals for 2011-12.

# The 2012-13 actual waste tonnage data has been restated on a calendar month basis to ease comparison with 2013-14.

\* Note: waste tonnages are subject to slight variations between quarterly reports as figures are refined and confirmed with Districts. In addition, the 2013-14 figures have been restated this month due to recycling credits and East Kent garden waste previously being omitted from the exercise ^ above.

Page 208





## Comments:

- 2013-14 data was restated in the quarter 2 monitoring reported to Cabinet in December to reflect tonnage based on waste outputs from transfer stations rather than waste inputs to our facilities. This was necessary due to the changes in how waste is being presented to KCC by the waste collection authorities, where several material streams are now being collected by one refuse collection vehicle utilising split body compaction. These vehicles are only weighed in once at our facilities, where they tip all of the various waste streams into the separate bays, and then the vehicle is weighed out when empty. The separate waste streams are stored separately at our transfer stations, where these materials are bulked up for onward transfer to various processing plants/facilities. The bulked loads are weighed out, providing data for haulage fees and then are weighed in at the relevant processing plant, providing data for processing fees. 2012-13 data and the 2013-14 affordable level have were also restated on this output basis in order to enable comparison.
- These waste tonnage figures include residual waste processed either through Allington Waste to Energy plant or landfill, recycled waste and composting.
- To date, the cumulative tonnage activity for the first ten months of the year is approximately 26,500 tonnes less than the affordable level for the same period, and this reduction is reflected in the current forecast in table 1 of this annex.
- Overall waste volumes are currently 0.5% lower for the first ten months when compared with the same period for last year (based on the restated 2012-13 figures). Waste volumes at Household Waste Recycling Centres continue to show a reduction in waste volumes as a result of implementing new operating policies at these sites.
- Based on the actual waste tonnage for April to January of 2013-14 and forecasts for February to March, the overall volume of waste to be managed this financial year is expected to be approximately 676,900 tonnes, which is 38,100 tonnes below the affordable level and equates to a saving of £2.594m. However this saving on waste volumes is offset by other pressures within the service, as detailed in table 1, giving an overall saving against the waste management budget of £1.854m.
- The figures in Table 1 of section 1.2 are based on actual activity between April and December. **The January activity figure suggests that the overall forecast waste tonnage for the year will increase and therefore the underspend relating to waste tonnage will reduce and if verified, this will be reflected in the next monitoring report.**

### 3. CAPITAL

3.1 The Enterprise & Environment Directorate has a working budget for 2013-14 (which has now been updated to reflect the 2014-17 budget set by County Council on 13th February 2014) of £62,193k. The forecast outturn against the 2013-14 budget is £ 58,614k giving a variance of -£3,579 k.

3.2 **Table 2** below details the EE Capital Position by Budget Book line.

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
<b>Rolling Programmes</b>									
Commercial Services Vehicles Plant and Equipment	3,900	1,300	0	0			Green		
Highway Major Enhancement / Other Capital Enhancement / Bridge Assessment and Strengthening	94,872	35,574	0	0			Green		
Weather Damage-Major Patching	0	1,000	-120	-120	Rephasing	Works unable to be carried out as planned due to adverse weather.	Green		
Carriageway Collapse-Emergency works	0	1,200	-600	-600	Rephasing	Works unable to be carried out as planned due to adverse weather.	Green		

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
Integrated Transport Schemes under £1 million	12,513	5,324	-718	33	Real - DfT grant/Ex other	Additional grant has been awarded to construct electronic vehicle charge points and some Sustran funded schemes.	Green		
				-1,007	Rephasing	Rephasing due to further detailed design work following consultation responses.			
				224	Real - Ex Developer	Completion of some S106 conditions within the time frame.			
				32	Real - Prudential	Improvement works at Tovil waste site. Funded from underspend on East Kent Joint Waste Project.			
Land compensation and Part 1 claims arising from completed projects	2,834	1,293	-32	-32	Rephasing		Green		
Major Schemes - Preliminary Design Fees	400	350	-317	-317	Rephasing	The spend has been delayed because schemes are dependent on developers. The budget will be used for preliminary works for schemes identified in the Strategic Economic Plan.	Green		

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
Old Schemes Residuals	0	-41	102	102	Real - £61k Prudential £41k Creditor Provision	Additional expenditure forecast to complete the old residual land liabilities - funded from the underspend on Ashford Transfer Station.	Green		
Members' Highway Fund	6,600	2,407	-1,025	-1,025	Rephasing	Scheme commitments will be finalised in the latter part of the financial year hence delivery likely to be in 14-15.	Green		
<b>Planning and Environment</b>									
Coldharbour Gypsy Site	672	888	-40	-40	Rephasing	Fencing works are programmed to be carried out in 14-15.	Green		
Energy and Water Efficiency Investment Fund - External	481	253	-144	-144	Rephasing	Due to significant uncertainty over KCC estate buildings, it has been difficult to secure new projects. In addition some street lighting projects have been put on hold pending decisions about the funding of the street lighting strategy. Several projects have recently been identified, but are unable to be delivered this financial year.	Green		

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
Energy Reduction and Water Efficiency Investment - KCC	241	111	-57	-57	Rephasing		Green		
Sandwich Sea Defences	2,328	453	0	0			Green		
Growth without Gridlock initiatives	5,000	130	-80	-80	Rephasing		Green		
<b>Household Waste Recycling Centres (HWRCs) and Transfer Stations (TSs):</b>									
East Kent Joint Waste Project	1,576	1,279	-197	-197	Real - Prudential	Review of the contract resulted in changes to the type and number of containers used and consequently a lower price than originally estimated.	Green		
HWRC - Tonbridge and Malling	1,300	0	0	0			Green		
HWRC - Site Improvements-Herne Bay	0	22	-22	-22	Real - Prudential	Scheme completed during last financial year. Surplus creditor provision.	Green		
HWRC-West Kent	600						Green		
Mid Kent Joint Waste Project - Invest to Save	4,440	3,628	0	0			Green		Cash Limit adjustment required
TS/HWRC - Ashford	500	1,665	-150	-150	Real - Prudential	Scheme is now completed. Contingency no longer required.	Green		

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
TS-North Farm		69	0	0			Green		
TS/HWRC - Swale	3,530	250	-150	-150	Rephasing	Site search completed; study to redevelop existing site is underway. Contract work is expected to start in 14-15.	Green		
<b>Highways and Transportation</b>									
Capital Plant & Equipment	0	0	55	55	Real - Revenue	Renewals of weather stations.	Green		
Ashford Ring Road - Major Road Scheme	91	93	-93	-93	Rephasing	The works on the shared space are dependent on the findings of a detailed report from the Ashford Joint Transport Board, which is still to be concluded.	Green		
East Kent Access Phase 2 - Major Road Scheme	3,958	516	0	0			Green		
Cyclopark initiative	0	176	-46	-46	Rephasing		Green		
Kent Thameside Strategic Transport Programme	11,764	158	-62	-62	Rephasing		Green		
Kent Highway Partnership - Co-location Depots	40	48	40	40	Real - Prudential	Funded from the underspend on Ashford Transfer Station.	Green		

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
Preston Highway Depot	0	0	74	74	Real - Prudential	The construction of extended lagoon and drainage system. Funded from the underspend on East Kent Waste Facilities.	Green		
Rushenden Link (Sheppey) - major road scheme	635	95	-57	-41	Real		Green		
				-16	Rephasing		Green		
Sittingbourne Northern Relief Road - major road scheme	2,799	177	-95	-95	Rephasing		Green		
Street Lighting Column - Replacement Scheme	3,750	1,250	0	0			Green		
Street Lighting Timing - Invest to Save	2,906	1,089	269	269	Rephasing	Delivery of the scheme has started and good progress is anticipated in this financial year, reducing the previously reported rephasing.	Green		
A228 Colts Hill Strategic Link - Major Road Scheme	0	0	0	0			Green		
A228 Leybourne & West Malling Corridor	0	0	0	0					

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
South East Maidstone Strategic Link - Major Road Scheme	0	0	0	0					
<b>Ashford's Future Schemes</b>									
A28 Chart Road	7,600	0	0	0			Green		
Drovers Roundabout junction	220	178	-101	-13	Rephasing	Extension of LCA Part 1 claims due to completion of several major schemes. Noise claims to be considered in line with new industry standard.	Green		
				-88	Real - Grant	Review of the scheme has lead to a reduction in signage and road marking.			
Orchard Way Railway bridge	15,000	0	0	0			Green		
Victoria Way	239	18	7	7	Rephasing		Green		



Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
North Farm Development	3,000	725	-13	-13	Rephasing		Red	The forecast total scheme cost has increased by £1.3m following detailed design and information from utility companies for diverting services and review of risk assessments. The increased cost will be met by agreed S106 contributions. The scheme is now anticipated to complete in June 2015.	
Westwood Relief Strategy - Poorhole Lane	0	515	-7	-7	Rephasing		Red	There is a forecast overspend on the overall project of £1.655m. This is due to exceptionally high costs associated with the diversion of underground services and associated feeder pillars which need to be relocated to accommodate the widening of the road and two roundabouts. The most appropriate funding sources are being considered to cover this overspend. The scheme is now anticipated to complete in June 2015.	
<b>Total</b>	193,789	62,193	-3,579	-3,579					

1. Status:

Green – on time and within budget

Amber – either delayed completion date or over budget

Red – both delayed completion and over budget

**CUSTOMER & COMMUNITIES DIRECTORATE SUMMARY**  
**JANUARY 2013-14 MONITORING REPORT**

1. **REVENUE**

1.1		Cash Limit	Variance Before Mgmt Action	Management Action	Net Variance after Mgmt Action
	<b>Directorate Total (£k)</b>	<b>+76,033</b>	<b>-4,738</b>	<b>-</b>	<b>-4,738</b>

1.2 **Table 1** below details the revenue position by A-Z budget:

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
<b>Customer &amp; Communities portfolio</b>						
Strategic Management & Directorate Support budgets	3,112.8	-978.0	2,134.8	-232	-110	re-phasing of purchase of specialist equipment for Kent Scientific Services from the directorate strategic priorities budget, for which roll forward is required.
					-122	Other minor variances individually all below £100k
<u>Support to Frontline Services:</u>						
- Communication & Consultation	3,004.6	-11.0	2,993.6	-29		
<u>Other Services for Adults &amp; Older People</u>						
- Social Fund (Kent Support & Assistance Service - KSAS)	3,469.0	-3,469.0	0.0	-1,400	-1,375	Lower than anticipated demand for awards since inception of this new pilot scheme. In accordance with Key Decision 12/01939, funding for KSAS awards is to be ring fenced for two years (2013-14 & 2014-15), therefore committed roll forward will be requested for any underspend at year end.
					-25	Underspend against administrative support grant

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
- Supporting People	24,856.5	0.0	24,856.5	-1,193	-875 Primarily due to effective contract management, with variations negotiated with providers where contracts were under-utilised or demand was lower than anticipated. -376 A realignment of the profile and regularity of contract payments, differing to the initial budget assumptions, which results in a lower cost in 2013-14. -608 Cessation of Floating Support in Lieu (FSIL) of Accommodation contracts in November 2013. +516 Following the cessation of FSIL above, additional one-off Floating Support Services were commissioned until March 2014 to align with the Troubled Families Programme +150 New one-off commission in relation to support for rough sleepers (Hostels Plus).	This saving has been reflected in the 2014-17 MTFP.  This saving is expected to be ongoing and the full year effect has been reflected in the 2014-17 MTFP.
	28,325.5	-3,469.0	24,856.5	-2,593		
<u>Children's Services:</u>						
- Youth Service	8,611.0	-2,365.8	6,245.2	-267	-166 Staff vacancies -323 Unrealised creditors raised in 2012-13 +222 Other minor variances which are individually below £100k	
- Youth Offending Service	5,419.7	-2,424.6	2,995.1	-202	-202 Minor variances individually all below £100k	
	14,030.7	-4,790.4	9,240.3	-469		
<u>Community Services:</u>						
- Arts Development (incl Turner Contemporary)	2,128.8	0.0	2,128.8	-23		
- Community Learning & Skills	14,444.3	-14,673.6	-229.3	+43		
- Community Safety	659.2	-284.9	374.3	+14		



Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
					+134	Other minor variances which are individually below £100k
- Local Healthwatch & Complaints Advocacy	1,340.6	-766.0	574.6	-306	-116	Budgeted retendering costs not incurred as the service is awaiting the Government response to the Francis report on care failures at Mid Staffordshire Foundation Trust, which may have implications for the future requirements of the complaints advocacy service. Instead the existing contract has been extended for 6 months.
					-190	fewer business case applications for funding from Healthwatch Kent than anticipated
- Other Community Services	5,319.1	-5,319.1	0.0	0		
- Sports Development	1,881.3	-1,093.0	788.3	-31		
- Supporting Employment	1,085.9	-335.0	750.9	-159	-159	Minor variances individually all below £100k
	54,674.8	-29,402.7	25,272.1	-1,227		
<u>Environment:</u>						
- Country Parks	1,493.8	-990.7	503.1	-28		
- Countryside Access (incl PROW)	2,670.6	-1,014.4	1,656.2	-33		
	4,164.4	-2,005.1	2,159.3	-61		
<u>Local Democracy:</u>						
- Community Engagement	735.3	0.0	735.3	+34		
- Local Scheme & Member Grants	1,256.0	0.0	1,256.0	0		
	1,991.3	0.0	1,991.3	+34		

Budget Book Heading	Cash Limit			Variance	Explanation		Management Action/ Impact on MTFP
	Gross	Income	Net	Net			
	£'000	£'000	£'000	£'000	£'000		
<b>Public Health:</b>							
- Drug & Alcohol Services	19,027.3	-17,775.5	1,251.8	-1,000		Delay in commencement of some of the pooled partnership projects. These underspends are treated differently depending on how they are funded, as shown below:  -946 - Public health funded element (see transfer to reserves below) -56 - KCC funded element, for which roll forward will be required to fund our obligation to the partnership -20 Local Area Single Assessment & Referral (LASAR) Service +22 Under achievement of income	
- <i>Tfr to(+)/from(-) Public Health reserve</i>				+946	+946	<i>transfer to Public Health reserve of underspending against public health grant</i>	
- Drug & Alcohol Services base funded variance				-54			
<b>Regulatory Services:</b>							
- Coroners	2,867.3	-475.0	2,392.3	-49			
- Emergency Planning	778.5	-169.0	609.5	+28	+115	Flood Emergency costs -87 Other minor variances	
- Trading Standards (incl Kent Scientific Services)	3,916.9	-785.8	3,131.1	-86	-172	Staffing vacancies +86 Other minor variances	
	7,562.7	-1,429.8	6,132.9	-107			
<b>Total C&amp;C portfolio</b>	<b>135,894.1</b>	<b>-59,861.5</b>	<b>76,032.6</b>	<b>-4,738</b>			
<b>Assumed Mgmt Action</b>							
- C&C portfolio							
<b>Total Forecast <u>after</u> mgmt action</b>	<b>135,894.1</b>	<b>-59,861.5</b>	<b>76,032.6</b>	<b>-4,738</b>			

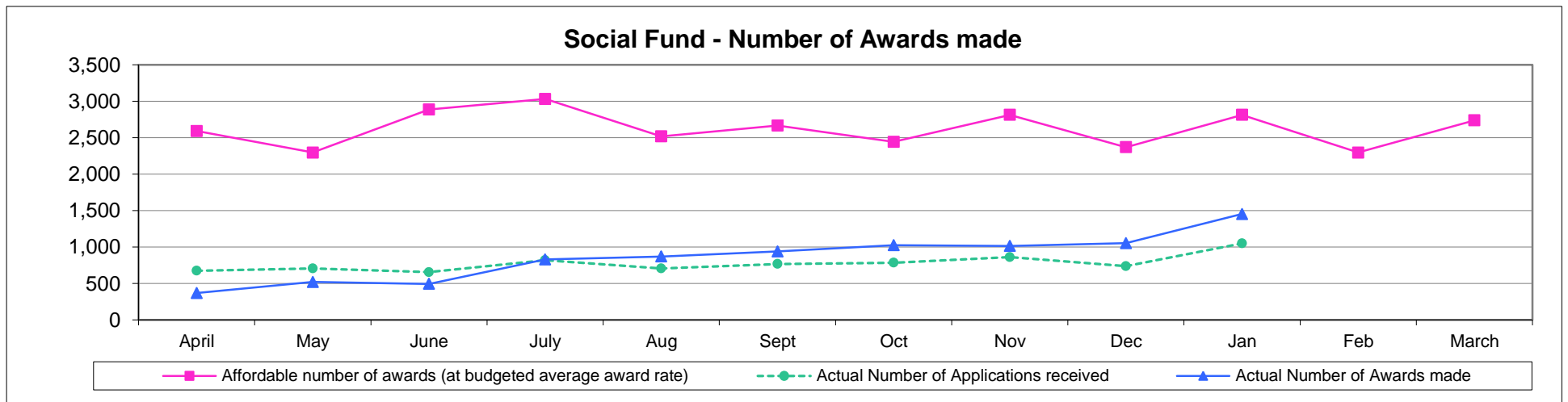
2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Number and Value of Social Fund awards made

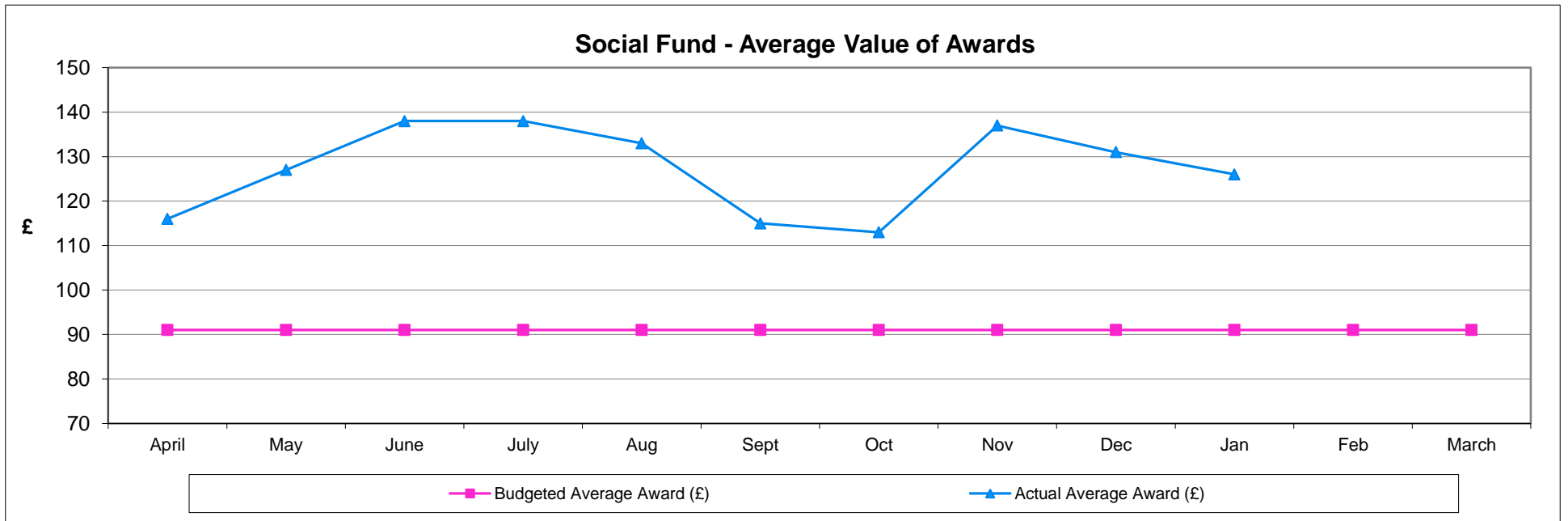
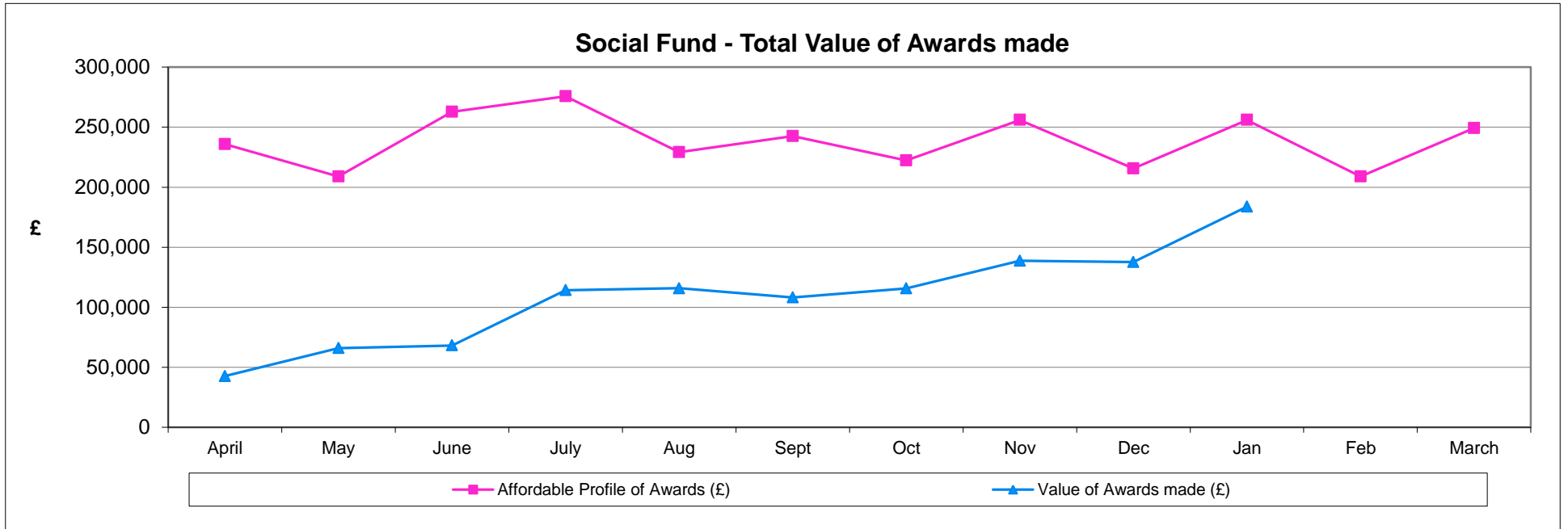
	(a) *	(b)	(c)	(d) *	(e)	(d) / (a)	(e) / (c)
	Affordable number of awards (at budgeted average award rate)	Actual number of applications received	Actual number of awards made	Affordable profile of awards (£)	Value of awards made (£)	Budgeted average award (£)	Actual average award (£)
Apr	2,591	673	368	235,800	42,620	91	116
May	2,296	704	520	208,900	65,907	91	127
Jun	2,887	655	494	262,700	68,201	91	138
Jul	3,031	818	828	275,800	114,188	91	138
Aug	2,518	704	869	229,100	115,811	91	133
Sep	2,666	766	939	242,600	108,237	91	115
Oct	2,443	783	1,025	222,300	115,778	91	113
Nov	2,813	861	1,015	256,000	138,738	91	137
Dec	2,369	738	1,054	215,600	137,748	91	131
Jan	2,813	1,050	1,453	256,000	183,774	91	126
Feb	2,296			208,900		91	
Mar	2,739			249,300		91	
	<b>31,462</b>	<b>7,752</b>	<b>8,565</b>	<b>2,863,000</b>	<b>1,091,002</b>	<b>91</b>	<b>127</b>

\* Columns (a) and (d) are based on available funding which has been profiled by month and type of award (excluding cash awards) in the same ratio as the previous DWP scheme. As the criteria and awards for this new pilot scheme differ to the DWP scheme, this does not represent the anticipated demand for the new pilot scheme (as demand is unknown), but represents the maximum affordable level should sufficient applications be received which meet the criteria. One application may result in more than one award, e.g. an award for food & clothing and an award for utilities, hence the number of awards in column (c) may exceed the number of applications in column (b).

Page 224







## Comments:

- This is a pilot scheme that commenced in Kent on 1 April 2013 and differs from the Social Fund scheme, previously administered by DWP, in that cash awards are only given in very extreme circumstances e.g. where an individual may be at risk. This scheme offers 4 types of award including food & clothing, white goods, energy vouchers and furniture & equipment and more importantly signposts the individual, whether an award is given or not, to the appropriate service so that they can receive ongoing support. This is an emergency fund to help support the most vulnerable in society. The figures provided in the table and represented in the graphs above reflect a combined average of these 4 types of award.
- Applications are immediately prioritised with the intention that high priority applications should receive the award within 24 hours. However, approval of awards for lower priority cases e.g. applications for furniture from low risk households may be slower. Therefore, actual awards made in any month can exceed the number of applications for the month, either due to the processing of low priority cases from previous months, or as a result of individual applications resulting in multiple awards being granted, as referred to above.
- **Graph 1** above represents the number of individual awards granted, e.g. there could be multiple awards arising from an individual application, compared to (i) the number of applications received and (ii) the affordable number of awards, as calculated using the budgeted average award rate, which is the maximum number of awards that can be afforded, not the anticipated level of demand. In previous reports the number of applications received was higher than the number of awards made, which predominately reflected that applications for cash awards were being received in line with the old DWP scheme, but this type of award is not generally offered as part of this pilot scheme. Initially there were also a number of inappropriate referrals being made whereby the applicant did not qualify. However, the number of awards made is now higher than the number of applications received illustrating that some applications result in more than one award e.g. an award for food and clothing and an award for energy vouchers. There is an admin cost involved in assessing the applications received, irrespective of whether they result in an award being made. The budget for this service, as shown in table 1 is £3.469m, with £0.606m being the cost of administering the scheme including signposting applicants to alternative appropriate services, and £2.863m available to award where appropriate (column d in the table above). Given the uncertainty about both future levels of demand and government funding, there is a need to ring-fence the funding for awards for the period of the pilot scheme (2013-15) to provide some stability to the service.
- **Graph 2** represents the value of awards made against the maximum profiled funding available. The number and value of awards made is significantly lower than the affordable level and reflects the initial take up of this new scheme being low in comparison to the old scheme (which is what the funding, and affordable level, is based upon). The value of awards made is expected to increase as the scheme matures and communication increases about what the new scheme provides and evidence of this is visible in the figures in the table above, where the value of awards made has steadily increased throughout the year to date. In addition, it is anticipated that changes to welfare reform may still impact on the value of awards given in this financial year. However, if applicants are successfully signposted to alternative appropriate services to receive sustained support, and an award is not made, then this will be beneficial to the applicant and would result in an underspend against this scheme, which is still a positive outcome for the pilot.

- **Graph 3** compares the budgeted average award value, based on the anticipated mix and value of awards, to the actual average award. Using DWP data, and excluding cash awards, it was anticipated that the majority of awards for this pilot would be for food & clothing, high volume & low value, and therefore the budgeted average award was set with this in mind. Whilst this has transpired and 48% of the number of awards has been for food & clothing, there has been a higher than expected number of awards for furniture & equipment which have a higher award value, given the nature of the goods. The number of awards for furniture & equipment (incl white goods) accounts for 16% of the number of awards but 54% of the value of awards. Therefore, the actual average award is higher than budgeted due to the apportionment of the award types being different to what was anticipated. The data collected in the current year will inform the allocation of funds to each type of award in future years, should the scheme continue and will provide a meaningful comparison. In December 2013 the service adopted a temporary policy to cope with Christmas demand and the flood emergency. This policy ensured a focus on emergency awards e.g. food, but with a temporary suspension of equipment awards. The cessation of this temporary policy in January has therefore led to an increase in applications and awards, due in part to the impact of processing December applications for equipment in January. The impact of Christmas and the floods has also led to a significant increase in the numbers of the lower value energy awards and food & clothes awards in January, thus the average value of awards has decreased.

### 3. CAPITAL

3.1 The Customer & Communities Directorate has a working budget for 2013-14 (which has now been updated to reflect the 2014-17 budget set by County Council on 13th February 2014) of £4,469k. The forecast outturn against the 2013-14 budget is £3,805k giving a variance of -

3.2 **Table 2** below details the C&C Capital Position by Budget Book line.

Budget Book Heading	Three year cash limit per Budget Book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance	Project Status <sup>1</sup>	Explanation of Project Status	Actions
<b>Rolling Programmes</b>									
Country Parks Access and Development	0	193	0	0			Green		
Library Modernisation Programme - adaptations and improvements to existing facilities	1,380	505	-61	-61	Rephasing		Green		
Management and Modernisation of Assets - Vehicles	380	292	13	13	Rephasing		Green		
Public Rights of Way - Structural Improvements	2,449	1,030	-100	-100	Rephasing	Rephasing to 14/15 of several small schemes due to poor weather.	Green		
Public Sports Facilities Improvement - Capital Grant	300	100	0	0			Green		

Budget Book Heading	Three year cash limit per Budget Book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance	Project Status <sup>1</sup>	Explanation of Project Status	Actions
Small Community Projects - Capital Grants	1,500	500	62	62	Real - external	Additional funding received.	Green		Increase 13/14 cash limit by £62k to reflect additional external funding
Village Halls and Community Centres - Capital Grants	600	196	0	0			Green		
<b>Individual Projects</b>									
Community Learning and Skills Service Re-provision	457	0	0	0			Green		
Gateways - Continued Rollout of Programme	2,192	537	-430	-430	Rephasing	Rephasing of Swanley Gateway to 14/15 due to delays in planning conditions.	Green		
New Community Facilities at Edenbridge	0	69	0	0			Green		
Tunbridge Wells Library	0	288	0	0			Green		
Web Platform	0	0	0	0		Project merged with Enhancement of Core Website after approval from the Leader to proceed.	Green		

Budget Book Heading	Three year cash limit per Budget Book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance	Project Status <sup>1</sup>	Explanation of Project Status	Actions
Replacement and Enhancement of Core Website	455	309	0	0			Green		
Gravesend Library	0	0	0	0			Green		
Ashford Gateway Plus	0	1	0	0			Green		
Grant to Cobtree	0	0					Green		
Kent Library and History Centre	0	188	-148	-148	Real - Underspend	Underspend on public realm work.	Green		
Ramsgate Library - Insurance Betterment	0	0	0	0			Green		
Youth Reconfiguration	0	83	0	0			Green		
Cheesemans Green Library, Ashford	350	0	0	0			Green		
Dartford and Gravesham NHS Trust Capital Contribution	0	128	0	0			Green		
Winter Gardens Rendezvous Site - Prelim Works	100	0	0	0			Green		
Integrated Youth Service - Youth Hub Reprovision	1,100	50	0	0			Green		
<b>Total</b>	11,263	4,469	-664	-664					

## 1. Status:

Green – on time and within budget

Amber – either delayed completion date or over budget

Red – both delayed completion and over budget

**BUSINESS STRATEGY & SUPPORT DIRECTORATE SUMMARY**  
**PUBLIC HEALTH SUMMARY**  
**JANUARY 2013-14 MONITORING REPORT**

1. REVENUE

1.1	Cash Limit	Variance Before transfer to Public Health Reserve	Transfer to Public Health Reserve	Net Variance after transfer to Public Health Reserve
<b>Total (£k)</b>	<b>+384</b>	<b>-1,199</b>	<b>+784</b>	<b>-415</b>

1.2 **Table 1** below details the revenue position by A-Z budget:

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
<b>Adult Social Care &amp; Public Health portfolio</b>						
Public Health:						
<p>This is the first year following the transfer of Public Health responsibilities from the Health Service and as such it has very much been a year of transition as the Authority gets to grips with its new duties. Further guidance has been issued throughout the year to clarify these responsibilities, which has also helped to inform discussions with health partners regarding financial obligations for prescribing, as well as issues with the baseline grant allocation. These discussions have been ongoing throughout the year and are now at an advanced stage although not fully resolved, so the financial position could still change. As a consequence, and to be prudent, the service has been cautious in fully committing the budget this year which has resulted in a number of underspends. In addition, although many contracts rolled over from health, there have been delays in the commissioning of some services, which have also resulted in underspends. Finally it should be noted that the A to Z budget analysis remains unchanged from Quarter 1; for example it does not allow for the impact of prescribing costs. Although it is not practical to realign budgets so late in the year, ideally they would reflect the impact of discussions with health, and take into account the knowledge and understanding built up by the team over this first year. The 2014-15 budget does reflect this to a degree, but further realignment will be needed in 2014-15 Quarter 1.</p>						
- Public Health Management & Support	441.3	-57.0	384.3	-415	-340	Underspend against KCC budget as costs are reflected against the grant in the service lines below, mainly Public Health Staffing & Related Costs
					-75	Drawdown of unused reserve
- Children's Public Health Programmes	6,346.4	-6,346.4	0.0	-3	-3	<i>PH grant variance: minor variances</i>

Budget Book Heading	Cash Limit			Variance	Explanation		Management Action/ Impact on MTFP
	Gross	Income	Net	Net			
	£'000	£'000	£'000	£'000	£'000		
- Drug & Alcohol Services	662.7	-662.7	0.0	+473	+410	<i>PH grant variance: pressure relating to prescribing</i>	
					+63	<i>PH grant variance: Other minor variances</i>	
- Healthy Weight	2,516.4	-2,516.4	0.0	+100	+100	<i>PH grant variance: cost of additional psychological support for severe and morbidly obese patients</i>	
- NHS Health Check Programme	2,321.8	-2,321.8	0.0	-556	-556	<i>PH grant variance: underspend results from a lower than budgeted level of activity commissioned through the Kent Community Health NHS Trust</i>	
- Other Public Health Services	5,746.1	-5,746.1	0.0	-524	-344	<i>PH grant variance: release of contingency</i>	
					-180	<i>PH grant variance: cautious approach to committing budget and delays in commissioning of services</i>	
- Public Health Staffing & Related Costs	4,016.2	-4,016.2	0.0	-988	-988	<i>PH grant variance: slippage on recruitment and vacancy savings</i>	
- Sexual Health Services	12,538.6	-12,538.6	0.0	-115	-115	<i>PH grant variance: cautious approach to committing budget and delays in commissioning of services</i>	
- Stop Smoking Services & Interventions	2,688.0	-2,688.0	0.0	+1,165	+1,162	<i>PH grant variance: pressure relating to prescribing</i>	
					+3	<i>PH grant variance: other minor variances</i>	
- Tobacco Control	600.0	-600.0	0.0	-336	-336	<i>PH grant variance: cautious approach to committing budget and delays in commissioning of services</i>	
	37,877.5	-37,493.2	384.3	-1,199			
- <i>trf to(+)/from(-) Public Health reserve</i>				+784	+784	<i>PH grant variance: Transfer of underspend to reserve</i>	
<b>Total ASC&amp;PH portfolio (Public Health)</b>	<b>37,877.5</b>	<b>-37,493.2</b>	<b>384.3</b>	<b>-415</b>			



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

- 2.1 As the majority of services are commissioned from providers on a block contract basis there will be little or no variation in terms of actual expenditure during 2013-14. The decision to commission on a block contract basis was taken to ensure continuity of services in this transitional period. It is expected that the use of block contracts next year will be significantly reduced as services are re-commissioned based on activity and payment by results; the experience gained within the Division during 2013-14 will also inform this process. Until that time no activity indicators are reported for Public Health.

**BUSINESS STRATEGY & SUPPORT DIRECTORATE SUMMARY**  
**BUSINESS STRATEGY AND SUPPORT (EXCL. PUBLIC HEALTH) SUMMARY**  
**JANUARY 2013-14 MONITORING REPORT**

1. REVENUE

1.1		Cash Limit	Variance Before Mgmt Action	Management Action	Net Variance after Mgmt Action
	<b>Total (£k)</b>	<b>+80,239</b>	<b>-1,887</b>	<b>-</b>	<b>-1,887</b>

1.2 **Table 1** below details the revenue position by A-Z budget:

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
<b>Regeneration &amp; Enterprise portfolio</b>						
Directorate Management & Support	172.2	0.0	172.2	+3		
Development Staff & Projects	5,043.7	-1,333.7	3,710.0	-3		
<b>Total R&amp;E portfolio</b>	<b>5,215.9</b>	<b>-1,333.7</b>	<b>3,882.2</b>	<b>0</b>		
<b>Finance &amp; Business Support portfolio</b>						
Finance & Procurement	19,009.4	-7,678.1	11,331.3	-260	-521 Appointments to the structure made last year at bottom of grade, budget set at mid-point of grade; the Division is also carrying a number of vacancies. -283 Reduction in specialist fees within Financial Management +129 Increased cost of asset valuations +200 Contribution to reserves to fund further rollout of Collaborative Planning and Business Intelligence in future years +99 Under-recovery of income by Schools Financial Services +116 Other minor variances	
- <i>Transfer to(+)/from(-) DSG reserve</i>				0		

Budget Book Heading	Cash Limit			Variance	Explanation		Management Action/ Impact on MTFP
	Gross	Income	Net	Net			
	£'000	£'000	£'000	£'000	£'000		
Local Democracy:							
- Grants to District Councils	703.0	0.0	703.0	0			
- Other Local Democracy costs	741.2	0.0	741.2	+1			
- Support for Local Council Tax Support Schemes	1,253.0	0.0	1,253.0	-3			
<b>Total F&amp;BS portfolio</b>	<b>21,706.6</b>	<b>-7,678.1</b>	<b>14,028.5</b>	<b>-262</b>			
<b>Business Strategy, Performance &amp; Health Reform portfolio</b>							
Strategic Management & Directorate Support budgets	3,093.3	-5,089.3	-1,996.0	-108	-115	Release of Corporate Director's contingency to offset pressures within Corporate Landlord	
					+7	Other minor variances	
Governance & Law	10,245.1	-12,407.9	-2,162.8	+197	+139	Reduction in external income	
					+49	Increased agency costs	
					+9	Other minor variances	
Business Strategy	3,254.1	-56.7	3,197.4	-274	-153	The Division is carrying a number of vacancies.	
					-87	Rolled forward funding from 2012-13 for Health Reform to support the development of seven new Health and Wellbeing Boards to be aligned with the NHS Clinical Commissioning Groups is to be spent over the period June 2013 to May 2015, therefore roll forward will be required.	
					-34	Other minor variances	

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP	
	Gross	Income	Net	Net			
	£'000	£'000	£'000	£'000	£'000		
Property & Infrastructure	31,042.2	-5,258.5	25,783.7	+1,127	+1,665	New external property opportunities together with the need to protect and respond to the requirements of front line services and new service pressures, have resulted in a revised New Ways of Working programme plan. The revised plan, recognising service pressures, encompasses changes to the previously assumed timelines for moving out of some of our larger leasehold buildings, hence creating a pressure within the Corporate Landlord estate.	The revised timelines to the New Ways of Working programme plan including service pressures, have been costed and the related savings have been re-phased in the 2014-17 MTFP.
					+918	Statutory testing (primarily legionella, asbestos and electrical) and additional maintenance costs due to the poor state of repair of the buildings transferred across to Corporate Landlord.	This has been reflected as a pressure in the 2014-17 MTFP.
					+258	Additional overspend against Corporate Landlord budgets, in particular on building maintenance and repairs.	
					-293	Identification of security costs at non-operational buildings within the Corporate Landlord estate that can be capitalised	
					-593	Use of non-ringfenced DfE capital grant to fund revenue expenditure which cannot be capitalised but is within the terms of the grant	The use of this grant will need to be quantified each year dependent on expected eligible spend. The grant has been included in the 2014-15 capital budget at present.
					-357	Additional income from Kent Commercial Services for leasing of property at commercial rates	

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross £'000	Income £'000	Net £'000	Net £'000		
					£'000 -507 Additional demands to support the capital programme have resulted in additional capitalisation of staff time (eg ELS Basic Need Programme) -210 Savings realised from the Park and Ride ticket scheme -100 Anticipated savings from rates rebates -27 Re-phasing into 2014-15 of the costs of expert advisors regarding litigation work which will require roll forward +373 Other minor variances, incl. spend on utilities, cleaning, grounds maintenance & agency staff.	
Human Resources	16,663.1	-6,055.0	10,608.1	-1,186	-581 Underspend against training budget as a result of directorates revising their workforce development plans in January. -291 Small underspends primarily resulting from vacancies in a number of units including Health and Safety, Learning and Development, Schools Personnel Service and the Kent Graduate Programme -141 Re-phasing of training programmes funded from the Independent Sector, rolled forward from 2012-13, which is being spent over the period July 2013 to January 2015, therefore roll forward will be required again to 2014-15. -83 Additional income generated through providing recruitment services to schools -90 Other minor variances	

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
Information & Communication Technology	35,540.9	-16,399.1	19,141.8	-141	+1,875 Costs associated with replacement of the Integrated Children's System (ICS) with the new Liberi system  -1,875 Drawdown from the IT Asset Maintenance Reserve to fund the costs of replacing ICS  +429 Pressure resulting from expenditure on Thin Client. Thin client computing essentially moves the point of processing from the end user device to a central server enabling users to access applications via any device capable of displaying an internet browser.  -429 Drawdown from IT Asset Maintenance Reserve for Thin Client costs.  -419 One off rebate from BT for changes to circuit use.  +404 Alternative provision of telephony through unified communications.  -137 One off refund on circuits spend relating to Unisys contract.  +11 Other minor variances	
- <i>Transfer to(+)/from(-) DSG reserve</i>				0		
<b>Total BSP&amp;HR portfolio</b>	<b>99,838.7</b>	<b>-45,266.5</b>	<b>54,572.2</b>	<b>-385</b>		
<b>Democracy &amp; Partnerships portfolio</b>						
Finance - Internal Audit	1,175.9	-34.0	1,141.9	-122	-155 Taking time to recruit to staffing vacancies due to specialist nature of posts.  +33 Other minor variances	
Business Strategy - Facing the Challenge	1,500.0	0.0	1,500.0	-556	-556 Re-phasing of costs into 2014-15 will require the underspend to be rolled forward.	

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
Business Strategy - International & Partnerships	854.1	-173.0	681.1	-115	-104	Staff vacancies within the unit
					-11	Other minor variances
Democratic & Member Services	3,937.6	-74.7	3,862.9	-233	-86	Schools appeals income
					-147	Other minor variances each under £100k, including small underspends on Member allowances, mileage costs, staffing and income
Local Democracy:				0		
- Other Local Democracy costs: County Council Elections	570.0	0.0	570.0	-214	-214	Release of surplus election reserve following finalisation of the costs of the County Council elections in May
<b>Total D&amp;P portfolio</b>	<b>8,037.6</b>	<b>-281.7</b>	<b>7,755.9</b>	<b>-1,240</b>		
<b>Total BSS Controllable (excl. Public Health)</b>	<b>134,798.8</b>	<b>-54,560.0</b>	<b>80,238.8</b>	<b>-1,887</b>		
<b>Assumed Management</b>						
- R&E portfolio						
- F&BS portfolio						
- BSP&HR portfolio						
- D&P portfolio						
<b>Total Forecast <u>after</u> mgmt action</b>	<b>134,798.8</b>	<b>-54,560.0</b>	<b>80,238.8</b>	<b>-1,887</b>		

### 3. CAPITAL

3.1 The working budget for 2013-14 (which has now been updated to reflect the 2014-17 budget set by County Council on 13th February 2014) is £62,051k. The forecast outturn against the 2013-14 budget is £48,882k giving a variance of -£13,169k.

3.2 **Table 2a** below details the Business Strategy, Performance & Health Reform Capital Position by Budget Book line.

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
<b>Rolling Programmes</b>									
Corporate Property Strategic Capital	7,950	2,530	-650	-650	Real - grant	Property group has used £650k of the DFE local authority capital maintenance grant currently shown here, to cover revenue expenditure as the grant rules allow us to do this.	Green		
Disposal Costs	910	250	0				Green		
Modernisation of Assets	9,521	5,488	-3,290	-3,290	Rephasing	Due to the nature and complexity of some projects, the linking of Modernisation Of Assets works with New Ways Of Working (NWOW), plus the implication of the uncertainty of the future use of other premises, this has resulted in delay to completion of some works until after 31 March 2014.	Green		



Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
<b>Individual Projects</b>									
Connecting with Kent	532	361	-369	-369	Rephasing	ICT has ordered additional firewalls and back end storage to meet on-going Central Government security Code of Connection regulations. Delivery of these items cannot now be made until April 14.	Green		
HR Recruitment Management System	125	125	0				Green		
HR System Development	226	66	0	0			Green		
Innovative Schemes Fund	3,000	0	60	60	Rephasing		Green		
New Ways of Working	24,000	19,934	-3,534	-3,534	Rephasing	Delay due to the forecast being prepared at the start of the year based on broad un-tested assumptions. The NWOW business case, approved in June 2013, developed the strategy and timings of capital expenditure but had not been reflected in an updated capital profile.	Green		

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
Sustaining Kent - Maintaining the Infrastructure	270	1,917	-1,067	-1,067	Rephasing	Technical difficulties during the unified communications implementation has resulted in significant delays.	Green		
ORACLE Release 12	0	230	0				Green		
ORACLE Self Service Development	0	44	0				Green		
Property Asset Management System	0	297	-76	-76	Rephasing		Green		
Enterprise Resource Programme	0	412	-76	-76	Rephasing		Green		
Integrated Children's Systems	0	748	0				Green		
Total	46,534	32,402	-9,002	-9,002					

3.3 **Table 2b** below details the Regeneration and Economic Development Capital Position by Budget Book line.

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
<b>Individual Projects</b>									
Broadband	23,500	1,650	-1,567	-1,567	Rephasing	Whilst delivery is currently ahead of schedule, the claim payment process means that the supplier is only entitled to the first agreed milestone payment before the end of this financial year.	Green		
Dover Priory Station Approach Road	0	-3	0				Green		
Empty Property Initiative	7,500	2,710	0				Green		
Escalate	0	100	-100	-100	Rephasing	Awaiting finalisation of full funding agreement.	Green		
Eurokent Road (East Kent)	65	15	0	0			Green		
Folkestone Heritage Quarter	380	102	-102	-102	Rephasing	Re-alignment of budget to agree with updated project plan, this has not affected the completion	Green		

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
Incubator Development	0	262	-186	-186	Rephasing	Re-phasing of £100k on one project is due to changes in negotiations with landlords that has led to a review of the proposed property options. We are in the process of securing alternative locations which will give the project a stronger strategic position.	Green		
LIVE Margate	6,800	4,102	-3,302	-3,302	Rephasing	KCC have decided to undertake a strategic review of the project, shifting away from the redevelopment of existing properties to acquiring key sites and promoting those sites for development. This has led to rephasing on the project.	Green		
Managed Work Space - The Old Rectory	160	174	0				Green		
Marsh Million	0	100	-70	-70	Rephasing		Green		
No Use Empty - Rented Affordable Homes	750	750	-360	-360	Rephasing	Projects have been identified but delays in planning, legal and settling finance packages have resulted in the rephasing.	Green		
Old Town Hall	94	25	0				Green		

Budget Book Heading	Three year cash limit per budget book 13-14 (£000)	2013-14 Working Budget (£000)	2013-14 Variance (£000)	Variance Break-down (£000)	Rephasing / Real Variance and Funding Stream	Explanation of In-Year Variance >£100k	Project Status <sup>1</sup>	Explanation of Project Status	Actions
Regeneration Fund Projects	5,061	2,055	0				Green		
Regional Growth Fund (Expansion East Kent)	32,200	12,884	2,909	2,909	Rephasing	Forecast adjusted to align with loans committed.	Green		
Regional Growth Fund (Journey Time Improvement JTI)	5,000	0	0	0			Green		
Rural Broadband Demonstration Project	1,897	584	-304	-304	Rephasing	First payments of £35k has been made to all projects. Additional payment of £140k is envisaged this financial year, but unlikely third payment will be achieved due to slippage as a result of UK Power Network needing to deploy resources elsewhere.	Green		
Swale Parklands	0	65	-45	-45	Rephasng		Green		
TIGER	20,000	4,000	-1,000	-1,000	Rephasing	Forecast adjusted to align with loans committed.	Green		
Tram Road/Tontine Street Road Works	0	74	-40	-40	Rephasing		Green		
Total	103,407	29,649	-4,167	-4,167					
<b>BSS Directorate Total</b>	<b>149,941</b>	<b>62,051</b>	<b>-13,169</b>	<b>-13,169</b>					

Green – on time and within budget

Amber – either delayed completion date or over budget

Red – both delayed completion and over budget

**FINANCING ITEMS SUMMARY**  
**JANUARY 2013-14 MONITORING REPORT**

**1. REVENUE**

	Cash Limit	Variance Before Mgmt Action	Management Action	Net Variance after Mgmt Action
<b>Total (£k)</b>	<b>+124,638</b>	<b>-10,194</b>	<b>-</b>	<b>-10,194</b>

1.2 **Table 1** below details the revenue position by A-Z budget:

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
<b>Finance &amp; Business Support Portfolio</b>						
Carbon Reduction Commitment Levy	400.0	0.0	400.0	-190	-190	Anticipated underspend in line with 2012-13 outturn
Contribution to/from Reserves	-6,430.0	0.0	-6,430.0	-2,376	+1,870	Council Tax Transitional Support Grant was expected to be received in 2012-13 and transferred to reserves for use in 2013-14, however it was not received until 2013-14, hence shows as income against Other Financing Items below and not a transfer from reserves.
					+1,301	Transfer to Corporate Restructure reserve of DCLG Section 31 Capitalisation Fund allocation to cover future service transformation costs
					-2,275	Drawdown from Prudential Equalisation - Minimum Revenue Provision (MRP) Smoothing Reserve to cover the increase in MRP as a result of more assets being completed in 2012-13 than expected (see net debt charges below).
					-939	Drawdown from Insurance Reserve to cover forecast overspend against the Insurance Fund.

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross £'000	Income £'000	Net £'000	Net £'000		
					-809 Drawdown of Emergency Conditions reserve to fund emergency costs reflected in annexes 4 & 5 relating to recent storms and floods  -1,524 Drawdown of Flood Repairs reserve to fund emergency costs reflected in annexes 4 & 5 relating to recent storms and floods	
Underspend rolled forward from previous years	-5,000.0	0.0	-5,000.0	0		
Insurance Fund	4,679.0	0.0	4,679.0	+939	+939 An increase in the outstanding claims provision, the majority of which relates to liability claims and property claims, together with an anticipated shortfall in corporate and premium income compared to claims expenditure and premium costs. The stormy winter weather must be recognised as a significant cause of this increase in overall Fund liabilities.	
Modernisation of the Council	1,979.7	0.0	1,979.7	0	£1.5m of this budget has been vired to Business Strategy to cover the initial costs of Facing the Challenge. If other Modernisation of the Council costs in year exceed the remaining budget, these will be met from the Workforce Reduction reserve, in line with usual practice.	
Net Debt Charges (incl Investment Income)	129,106.5	-8,648.0	120,458.5	+492	+1,533 Shortfall in interest on cash balances in view of lower than anticipated interest rates on deposits and lower than anticipated average cash balances as a result of internalising debt i.e no new borrowing taken (see below).	A change to the treasury strategy to expand the range of types of investment which can be made was approved by Cabinet in September, which is expected to increase investment income.

Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP	
	Gross	Income	Net	Net			
	£'000	£'000	£'000	£'000	£'000		
					-3,316	Savings on debt charges as no new borrowing in first ten months or in foreseeable future	Our MRP policy has been reviewed and the revised MRP policy was approved at County Council in February. There is no impact on this year's spend as a result of this revised policy.
					+2,275	Increase in MRP. In recent years, we have adopted the asset life method of calculating MRP, which provides authorities with the option of applying MRP over the life of the asset once it is in operation. MRP is based on capital expenditure incurred in the previous year and therefore cannot be calculated until the previous year's accounts have been finalised and audited. This very complex calculation has recently been completed and this increase is due to a number of projects being completed earlier than anticipated, which has increased the percentage of MRP to be charged. This includes a number of aborted capital costs which had to be written off last year as there was no asset life to apportion the costs over.	
Other	1,231.8	-36.0	1,195.8	-3,484	-1,870	Council Tax Transitional Support Grant as mentioned above	
					-1,301	DCLG Capitalisation Fund allocation for support to service transformation as mentioned above	
					-313	Underspending following a review of local authority subscriptions & centrally held allocations, together with small underspends on items such as levies.	



Budget Book Heading	Cash Limit			Variance	Explanation	Management Action/ Impact on MTFP
	Gross	Income	Net	Net		
	£'000	£'000	£'000	£'000	£'000	
Unallocated	4,688.5	0.0	4,688.5	-5,509		The majority of this funding is one-off, with the exception of Extended Rights to Free Travel, where we have been notified of an allocation of £1,518k for 2014-15. Cabinet agreed that this funding is held centrally to offset any potential shortfall in meeting our savings target this year and if we do achieve the required position that this is transferred to reserves to help offset anticipated future funding cuts.
					-1,491	Additional unexpected government funding announced since the budget was set, as follows:
						refund in respect of 2012-13 academies funding transfer
					-1,391	New Homes Bonus adjustment grant
					-1,791	Extended Rights to Free Travel
					-1,013	Small Business Rates Compensation grant
					+177	Other smaller changes in funding levels including Council Tax Freeze grant and Education Services Grant (ESG). A shortfall against the revised allocation of ESG is now anticipated as a result of schools converting to academies during the financial year.
<b>Total F&amp;BS portfolio</b>	<b>130,655.5</b>	<b>-8,684.0</b>	<b>121,971.5</b>	<b>-10,128</b>		
<b>Business Strategy, Performance &amp; Health Reform portfolio</b>						
Contribution to IT Asset Maintenance Reserve	2,352.0	0.0	2,352.0	0		
<b>Democracy &amp; Partnerships portfolio</b>						
Audit Fees	314.0	0.0	314.0	-66	-66	Forecast based on anticipated fees as notified by our external auditors
<b>Total Controllable</b>	<b>133,321.5</b>	<b>-8,684.0</b>	<b>124,637.5</b>	<b>-10,194</b>		

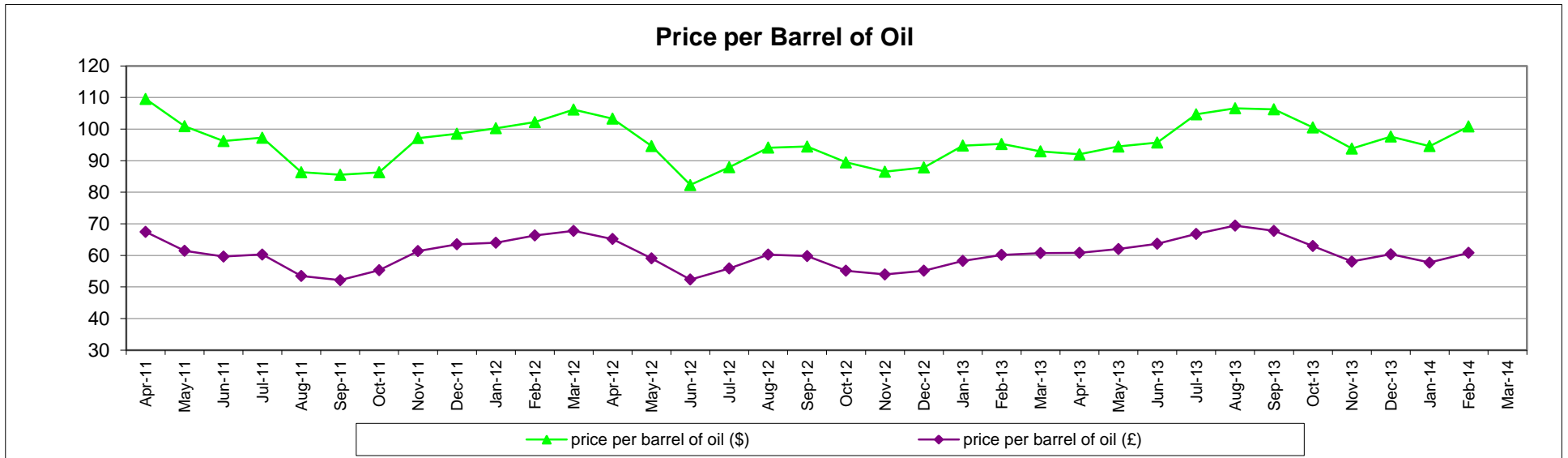
2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Price per Barrel of Oil - average monthly price in dollars:

	Price per Barrel of Oil		
	2011-12 \$	2012-13 \$	2013-14 \$
Apr	109.53	103.32	92.02
May	100.90	94.65	94.51
Jun	96.26	82.30	95.77
Jul	97.30	87.90	104.67
Aug	86.33	94.13	106.57
Sep	85.52	94.51	106.29
Oct	86.32	89.49	100.54
Nov	97.16	86.53	93.86
Dec	98.56	87.86	97.63
Jan	100.27	94.76	94.62
Feb	102.20	95.31	100.82
Mar	106.16	92.94	

Comments:

- The figures quoted are the West Texas Intermediate Spot Price in dollars per barrel, monthly average price.
- The dollar price has been converted to a sterling price using exchange rates obtained from the HMRC UK trade info website.
- Fluctuations in oil prices affect many other costs such as heating, travel, and therefore transportation costs of all food, goods and services, and this will have an impact on all services provided by the Council.



By: Paul Carter, CBE, Leader, Kent County Council

To: Cabinet – 28 April 2014

Subject: **UNLOCKING THE POTENTIAL AND THE STRATEGIC ECONOMIC PLAN**

Classification: Unrestricted

### **Summary**

On 31 March, the South East Local Enterprise Partnership submitted its final Strategic Economic Plan to Government. This contained a proposed 'Kent and Medway Growth Deal', setting out a request for funding from the Government's Local Growth Fund as well as a series of other measures to help unlock economic growth.

This report outlines the content of the Strategic Economic Plan and the funding request and sets out anticipated next steps.

## **1. Introduction**

- 1.1. Last year, the Government asked Local Enterprise Partnerships to prepare Strategic Economic Plans for their areas. These are intended to set out LEPs' visions for economic growth and their proposals for the use of the new Local Growth Fund, which was announced as a 'single pot' of funding worth over £2 billion nationally in 2015/16. LEPs were asked to submit draft Strategic Economic Plans to Government before Christmas, with final Plans submitted by 31 March.
- 1.2. At the same time, work has been progressing to revise *Unlocking the Potential* as Kent and Medway's plan for growth, and a draft of this was prepared before Christmas and submitted as an annex to the draft Strategic Economic Plan. Within the 'federated' model adopted by the South East LEP, which sees substantial devolution to Kent and Medway Economic Partnership and its equivalents in Essex and East Sussex, it was agreed last year that the development of *Unlocking the Potential* and the Strategic Economic Plan should run in parallel, with Kent and Medway's 'Growth Deal' appearing as a chapter within the Plan. Along with the rest of the Strategic Economic Plan, this has now been submitted to Government – the final Kent and Medway chapter is attached as Appendix 1; the full Strategic Economic Plan is available at [http://southeastlep.com/pdf/South\\_East\\_LEP\\_%E2%80%93\\_Growth\\_Deal\\_and\\_Strategic\\_Economic\\_Plan.pdf](http://southeastlep.com/pdf/South_East_LEP_%E2%80%93_Growth_Deal_and_Strategic_Economic_Plan.pdf)

## 2. The final Strategic Economic Plan and the Kent and Medway Growth Deal

2.1. Given the size and complicated nature of the South East LEP, the development of the Strategic Economic Plan has been complex. There has also been a tension between the Government's intention for the Plan to be a strategy document, as opposed to a bid for the Local Growth Fund. Increasingly, the emphasis seems to have been on the latter – so the Plan does set out a series of specific project schedules for the use of the Local Growth Fund.

2.2. Across Kent and Medway, Essex and East Sussex, the Strategic Economic Plan seeks £1.1 billion from the Local Growth Fund. For Kent and Medway, it sets out proposals to secure £501.5 million in Local Growth Fund investment over six years (approximately £80 million per year), to unlock 49,000 homes and 60,000 jobs by 2021. The proposals within the Plan include:

- a) Transport investment (£359.6 million over six years). This accounts for about 72% of the bidding envelope, reflecting both the scale of the Department for Transport's contribution to the overall pot and the importance of transport schemes in unlocking growth. A schedule of proposed schemes has been previously circulated and discussed with Leaders, taking account of a range of funding scenarios.
- b) Skills capital investment (£29.3 million). This reflects the allocation within the overall Fund for capital investment in further education, currently managed by the Skills Funding Agency, linked with emerging pipeline proposals.
- c) Land and development (£74.2 million). The South East LEP has agreed that all funding for land and property-based interventions has been badged as being part of an independently-managed, partially-recyclable South East Fund (SEFUND).

An outline proposal for how this will work has been included in the draft Strategic Economic Plan, and an indicative pipeline of projects has been included within the devolved bidding allocations. However, it is unclear how far there is a case for a recyclable investment fund (as opposed to an infrastructure forward financing facility or a capital grant pot), so at this stage, the descriptions of pipeline schemes have been fairly high level.

- d) Business finance (£28 million). This is described as a 'Finance for Innovation' scheme, providing loan and equity finance to businesses with innovative potential, especially within key growth sectors, building on the success to date of Expansion East Kent and Kent's other RGF-funded products.

- e) Sector growth (£6 million). This includes a revenue proposal for a ‘Kent and Medway Growth Hub’ envisaged as a single gateway to business support services provided at district, county and national level, incorporating an element of start-up and generic business support.
- f) Employment and skills (£4.5 million). Government has discouraged LEPs from making requests for skills revenue (and we know that there is very little revenue available). However, the chapter sets out modest proposals for an element of revenue to support careers guidance, jobs matching and brokerage activities.

2.3. In addition, a further indicative allocation of £75 million has been proposed across the LEP to support housing market renewal activity, following proposals put forward by the LEP’s Coastal Communities Group.

### **3. Next steps and prospects for success**

3.1. It is anticipated that the Government will announce funding allocations for 2015/16 in the summer, following a period of ‘negotiation’ with the LEP. It is understood that the total value of bids received amount to about three times the value of funds available, funds will be mostly capital and it appears that the Government’s approach will be weighted towards project-by-project allocations, at least in 2015/16.

3.2. Work is underway to provide Ministers with greater detail on the projects as well as a prioritised list of projects. It will also be important over the next few months to gain greater clarity on the nature of funding sought for the land and property strand (and the Government’s preferred approach), to accompany the further detail on individual schemes.

### **4. Recommendation**

4.1. Cabinet is recommended to note this report and the Kent and Medway chapter of the Strategic Economic Plan.

#### **Report author**

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10 April 2014

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# THE KENT AND MEDWAY GROWTH DEAL

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Kent and Medway's Growth Deal is set out in full in *Unlocking the Potential: Going for Growth*, our six-year growth strategy consistent with the Strategic Economic Plan.

This chapter summarises *Unlocking the Potential* and sets out our Growth Deal proposals.

## Contents

- 1. Summary: The Kent and Medway Growth Deal**
- 2. Introduction: Opportunities, challenges, solutions**
- 3. The Growth Deal: Places for Growth**
- 4. The Growth Deal: Infrastructure for Growth**
- 5. The Growth Deal: Sectors for Growth**
- 6. The Growth Deal: Skills for Growth**
- 7. Making it happen: Delivering the Growth Deal**

## Summary: The Kent and Medway Growth Deal

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Through the Kent and Medway Growth Deal as part of the Strategic Economic Plan, the public and private sectors intend to invest over £80 million each year for the next six years to unlock our potential through:

- **Substantially increasing the delivery of housing and commercial developments;**
- **Delivering transport and broadband infrastructure to unlock growth;**
- **Backing business expansion through better access to finance and support; and**
- **Delivering the skills that the local economy needs.**

Alongside our investment proposals, our deal for growth sets out the actions that businesses and local authorities in Kent and Medway, together with the South East LEP and central Government will take to drive forward delivery. Together, we will deliver:

**Housing growth:** We will **deliver 49,000** homes over the next six years – meeting the needs of our growing population and economy.

**Private sector employment:** We will help to create **60,000 new jobs** by unlocking housing and commercial development sites and creating sector growth through better access to finance.

**Increased economic value:** We will increase Kent and Medway's levels of productivity and innovation, leading to an additional **11,000 knowledge economy jobs** over six years.

We will achieve this through a capital investment programme focused on:

- the **key transport projects** which will unlock our priority sites;
- the **recyclable South East-wide SEFUND investment fund**, which will invite bids from housebuilders and developers to bring forward new housing, commercial and energy infrastructure schemes;
- **Investment in our skills infrastructure** linked with the needs of our key economic sectors; and
- **Direct access to business finance and support** to back businesses in key sectors with the appetite and capacity for growth.

The Growth Deal sets out our case for Local Growth Fund investment in Kent and Medway as part of an intelligent funding package, alongside the new European structural fund programme, existing Regional Growth Funds, developer contributions and local authority funds.

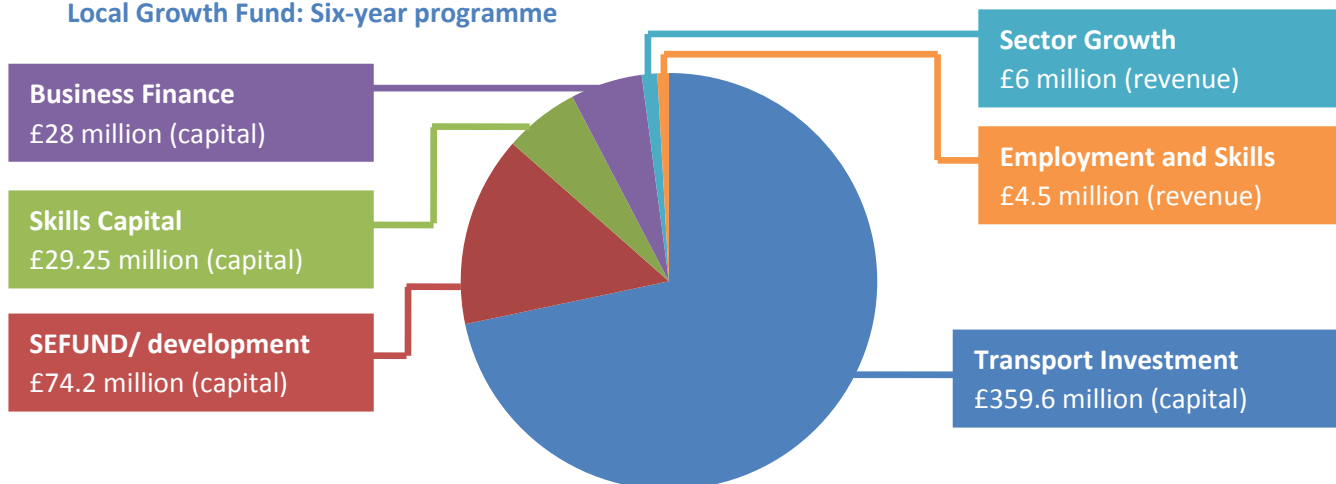
Alongside SEFUND, **Kent County Council will provide matching funding of at least £10 million per year** to accelerate the delivery of housing and commercial developments – investing in those that are close to the tipping point of viability as well as supporting the delivery of those that are further away from the market. **We will match our transport programme 1:1** in public and private investment. **We will ensure at least 50% upfront private sector match funding on all finance directed to business.** And we will back our capital programme with new revenue investment in sector-focused careers guidance, business support and job matching. In total, our proposals for the Local Growth Fund will secure over £2.25 billion in public and private leverage.



## Summary/ Proposed investment

Over the next six years, we seek to secure £501 million through the Local Growth Fund, matched with other sources:

### Local Growth Fund: Six-year programme



### Headline investment breakdown

Programme	Total value (£m)	Local Growth Fund contribution (£m)		Jobs and homes unlocked (all years)	
		2015-21	2015/16	Jobs	Homes
<b>Transport Investment</b> 6-year prioritised investment in key transport schemes to unlock commercial and housing growth and ensure the resilience of our transport network.	701.5	359.6	67.8	140,500	114,584
<b>SEFUND/ Land and Development</b> New recyclable fund for commercial and residential development through independently-managed loan, equity and grant support.	1,871.0	74.2	23.0	15,720	13,800
<b>Skills Capital</b> 6-year programme of investment in premises and equipment for further and vocational education – focused on growth and key business sectors	79.0	29.3	10.25	-	-
<b>Business Finance</b> Direct finance for businesses with the appetite and capacity for growth, focused on promoting innovation within our key business sectors.	80.0	28.0	8.0	8,250	-
<b>Sector Growth</b> A coordinated approach to helping businesses grow across Kent and Medway – linking local and national support.	9.0	6.0	1.0	1,000	-
<b>Employment and Skills</b> All-age careers sector-focused guidance, jobs matching and brokerage.	8.0	4.5	0.75	-	-
<b>Total</b>	<b>2,576.5</b>	<b>501.5</b>	<b>110.8</b>	<b>165,390</b>	<b>128,380</b>

## Asks and offers

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This Growth Deal is about an agreement with Government. Linked with our six-year investment plan, Kent and Medway Economic Partnership makes **ten commitments** and asks:

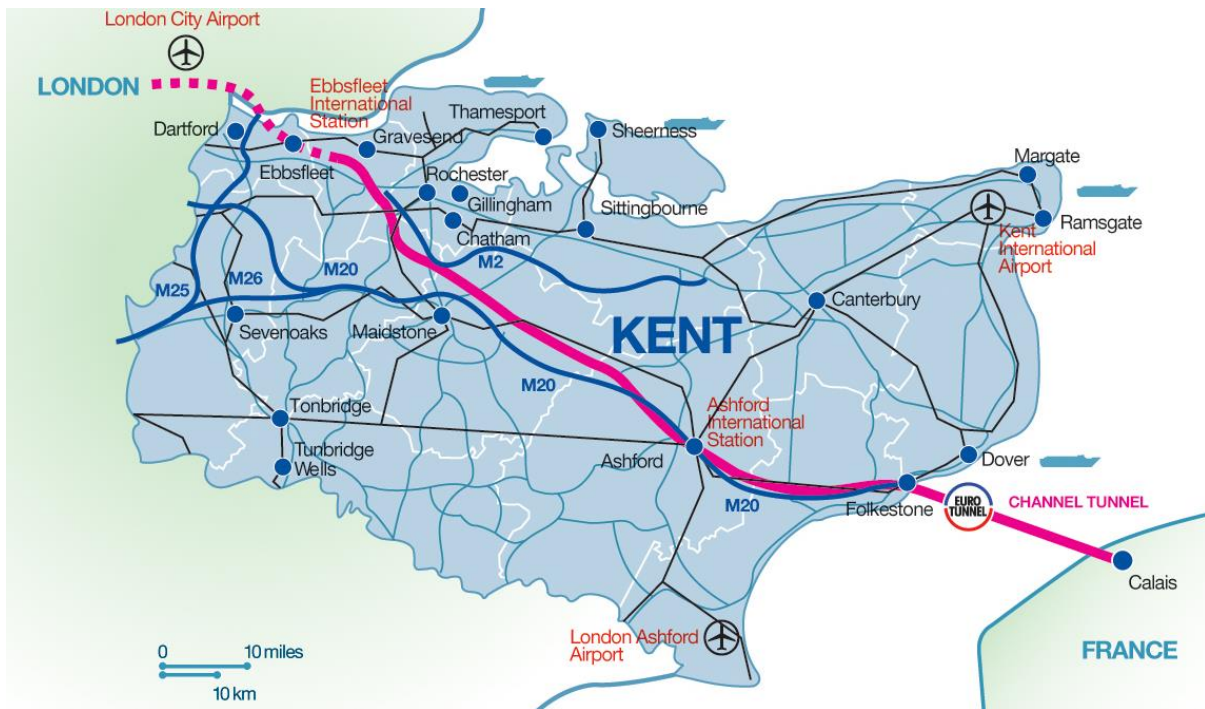
1. Across Kent and Medway, we will invest **£60 million in direct local authority contributions** to our proposed six-year transport programme, alongside a further £350 million in private and other contributions to match proposed Local Growth Fund investment.
2. As part of this, in 2014/15, we will start **delivery of transport schemes worth a combined £72 million** and which will seek Local Growth Fund support in 2015/16.
3. We will prioritise an element of Local Growth Fund investment in **national Highways Agency schemes**, to unlock growth on the A2-M2 Corridor, where this is accompanied by a firm Highways Agency commitment to bring forward early delivery. In exchange, we ask for **greater flexibility in HA policy** to allow us to deliver a new M2 junction unlocking significant high-value employment, and to **devolve delivery** where local partners can deliver cheaper and quicker.
4. In addition, we will invest **at least £10 million per year for six years** in local authority capital in specific projects in Kent and Medway alongside proposed SEFUND investments – unlocking new development as well as making a return to the taxpayer.
5. We will match our proposals for **housing market renewal in coastal Kent** with **£20 million future local authority investment** to bring empty and poor quality homes back into family use. We ask for **greater powers to crack down on rogue landlords** and reduce the flow of vulnerable families into areas with concentrated deprivation.
6. Building on our existing commitment to underwrite £40 million in infrastructure investment at Eastern Quarry and our flexibility in renegotiating developer contributions, we fully **back the Government's proposals for Ebbsfleet Garden City, including the creation of an Urban Development Corporation**. We will work with Government to create an effective, 21<sup>st</sup> century UDC for Ebbsfleet.
7. We will promote a further Garden City at Chilmington as part of the growth of **Ashford** and we ask Government to work with us and Natural England to unblock the stalled development of the major new community at **Lodge Hill**.
8. We will focus new further education on our priority growth areas – with **Ashford International College** shovel-ready for 2015 and partly match funded by Ashford Borough Council.
9. For all our proposed access to finance, business support and employment and skills proposals, we will **fund 100% of development, start-up and management costs from local resources in 2014/15** – so that we hit the ground running and **start delivery no later than 1 April 2015**.
10. As part of our agreement to manage Local Growth Fund capital investments in transport and development, we will ensure that **no funds are allocated without clear commitments from private sector developers to accelerate build-out**. In exchange, we ask for **freedom to determine scheme prioritisation and programme management** so that we can respond to the market and to those developers with the appetite and capacity to accelerate delivery.

## Context: Opportunities, challenges, solutions

As the national economy returns to growth, Kent and Medway has major opportunities for expansion, building on two decades of infrastructure investment and an excellent partnership between local government and business. But if we are to fully unlock our potential, we must overcome the transport and infrastructure and financing constraints that impede growth – and we must support our key business sectors in accessing the skills and support they need. This section sets out our opportunities and challenges – and the big solutions we must progress through our Growth Deal.

### Big opportunities for growth

Kent and Medway is growing. Over the next twenty years, our population will increase by 13%, or around 220,000 – equivalent to five towns the size of Tunbridge Wells, with growth especially concentrated in the Thames Gateway and at Ashford and with GVA growth significantly above the national average over the past decade. This growth will be supported by the county's strategic position between London and the Continent, growth in a series of key sectors and a strong and positive relationship between local business and local government.



### We have internationally important infrastructure

Kent and Medway is Britain's gateway county. Our **strategic port, rail and road infrastructure** is vital in linking continental Europe with London and the rest of the UK, and is becoming increasingly important as freight volumes through the Port of Dover and Eurotunnel rise and Eurostar passenger numbers continue to grow. Recent investment in major transport infrastructure has brought Kent and Medway closer to markets and employment opportunities, in particular through the dramatic reductions in journey times between North and East Kent and London as a result of **High Speed One**. With Kent and Medway an early adopter of national and local government investment in **high speed**

**broadband**, better connectivity is opening up new business opportunities, especially in rural parts of the county.

### **We have a transforming economic base with opportunities in key growth sectors**

For much of the twentieth century, the Kent and Medway economy was dominated by traditional industries. Proximity to the London construction market and the abundance of chalk gave rise to major building materials and quarrying industries, especially in North Kent. Naval shipyards supported extensive defence-related and engineering activities. The UK's largest concentration of paper making industries developed along the Medway, while domestic tourism, largely geared to the London market, flourished in seaside towns such as Margate, Folkestone and Herne Bay. As the 'Garden of England', Kent's high quality agricultural land and easy access to markets made the county the country's centre for fruit production.

The past twenty years have seen the economy transformed. Global economic change has meant that much of the county's traditional industrial base has been eroded, in many cases leaving a physical legacy of redundant sites and buildings and communities without their previous economic drivers – and historically, Kent and Medway has lagged behind the rest of the South East.

But today, the county's economy is rapidly changing. Increasingly dominated by small and medium enterprises, Kent and Medway has a diverse and resilient economic base – with strengths in growing sectors.

### **We have an excellent partnership between business and local government**

In Kent and Medway, we have benefited from a strong partnership over many years between local government and the private sector for well over a decade. Our established sector-focused business networks include **Kent Developers' Group**, the county-wide **Business Advisory Board** and powerful district business consortiums. These relationships have been recently reinforced by the establishment of the **Kent and Medway Economic Partnership**, chaired by the private sector and including leading businesses from all areas and sectors of the county's economy.

Business has debated our emerging plans via our key sector groups the Chambers of Commerce and our representative organisations, local business partnerships and organisations such as **Locate in Kent**, **Visit Kent** and **Produced in Kent**. So we are confident that our plans represent both credibility and commitment in pursuit of an environment to stimulate business growth.

### **We have a strong track record of success**

In Kent and Medway, we are committed to growth. For example:

- **We are delivering England's most successful Enterprise Zone.** Three years on from Pfizer's decision to exit its R&D facility in Sandwich, over 1,300 jobs have now been secured on site – helped by over £6 million direct investment by Kent County Council in addition to national support.
- **Our Regional Growth Fund programmes are highly successful in unlocking business finance.** With banks reluctant to lend to growing businesses, we have established **three new access to finance programmes**, securing over £55 million RGF investment so far. Already, we have issued £27 million of this initial investment in interest-free loans to businesses with growth potential,

creating over 2,250 jobs. All funds will have been issued as loans by the end of 2014/15 and we will ultimately create over 8,000 jobs.

- **We are developing new solutions to unlock housing growth.** Through the Kier Kent Initiative, we have attracted private investment to build homes for affordable and market rent and market sale on publicly-owned land, at a time when build rates remain low.
- **We are taking an integrated approach to the economic challenges faced by our coastal towns.** In 2006, Kent County Council invested £5 million to return empty properties to use. So far, this has resulted in 3,000 refurbished homes, with the fund continuing to recycle, supporting our ambitious **Live Margate** housing market renewal programme delivered as a partnership between Kent County Council and Thanet District - breaking up the concentrations of deprivation and poor quality housing that undermine our economic potential.
- **We are sharing the risks of development to unlock growth.** At Eastern Quarry, the local authorities have already committed future New Homes Bonus receipts to bring forward essential highways works which could unlock the first 1,500 homes in this vitally important location.

## Challenges

The expansion of jobs and homes in Kent and Medway is essential to the growth of the national economy. However, during recession, **housing delivery has fallen substantially short of requirement.** As we recover from the downturn, we need to deliver almost 7,000 homes a year across Kent and Medway. Yet although planning permissions are in place, the impact of recession on viability in many parts of the county means that last year, we only delivered half of our requirement.

So returning to a sustainable level of growth - for housing and employment - is essential if we are to meet the county's future needs.

From discussions with businesses and our sector partnerships such as Kent Developers' Group, we have identified **four key factors** on which our return to growth depends:

- **Our ability to unlock major development sites.** In parts of the county – especially East Kent – the gap between the costs of the infrastructure to unlock growth and the receipts that these developments will yield is wide, even as the market returns. So we need solutions to reduce costs and bridge the viability gap on identified sites.
- **The resilience of our strategic transport network.** Kent and Medway has benefited from significant investment in road and rail infrastructure. But as international traffic rises on major routes, our capacity will become increasingly limited. So we need to address bottlenecks on the strategic network, especially in the Thames Gateway. It is very welcome that the Government has now ruled out the least viable of the three options for a new motorway crossing of the Thames – and we now must find new ways to finance delivery at the earliest opportunity.
- **Our skills potential.** Over the next twenty years, the Kent and Medway workforce will grow more slowly than the population as a whole – so we will need to increase productivity and drive forward our human resource potential – ensuring business has a real role in skills planning and getting more people into work.
- **The innovative capacity of our businesses.** In a competitive world, we need more businesses to invest in R&D, new products, goods and services. So we need to make it easier for businesses to unlock the finance and support that they need to expand.

## Solutions

Taking into account our big opportunities and the challenges that we face, this Growth Deal in the pages that follow identifies the solutions that we need to unlock growth in Kent and Medway as part of our Strategic Economic Plan for the South East. We will:

### Invest in a strategic transport programme for growth.

We will invest £359 million from the Local Growth Fund in transport infrastructure to open up key housing and employment sites. **We will ensure that all commitments to transport funding from the public sector are accompanied by developer commitments to build within a specified period.**

### Open up new solutions for housing and commercial growth.

Through **SEFUND**, we will invest alongside the private sector in bringing forward key development sites which are close to viability, but where market confidence remains weak – in particular, making support available to smaller developers where bank finance remains challenging. We will also invest in measures to **revitalise the housing market and town centres** where they remain blighted by market failure and in non-transport infrastructure where it is essential to unlocking growth.

### Unlock private investment in businesses with the appetite for growth.

We will build on the success of TIGER and Expansion East Kent in creating over 8,000 jobs to make it much easier for **SMEs in our key growth sectors to access loan finance and equity investment**. For every pound from the public sector we will secure £3 in private investment, linked with support for firms with the potential for high growth and innovation, building on our successful RGF programmes – which will have invested all their original capital by 2015/16.

### Take firm action to deliver coastal renewal.

We will take bold steps to **tackle housing market failures and significant concentrations of deprivation** in many parts of coastal Kent, while promoting the opportunities presented by coastal renewal. We will take draconian measures to remove landlords who put their residents at risk and we will limit the placement of vulnerable households in areas of housing market failure. We will also invest in renewal projects in partnership between the public and private sectors.

### Deliver backing for business growth

We will invest in a more **coordinated approach to business support**, focused on backing businesses with the capacity for innovation and expansion, and on those sectors with the greatest capacity for growth and added value. This will include developing the Kent Growth Hub as a central point of information and access to support for business.

## Places for growth

We will focus our investment on:

- **Thames Gateway Kent** – the A2/M2 Corridor
- **East Kent** (including Ashford) – the High Speed One Growth Corridor
- **Maidstone** – the M20 Corridor
- **West Kent** – the A21 Corridor and Medway Valley

## Thames Gateway Kent

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The Thames Gateway is a national priority for growth. Over the next six years, we will focus on unlocking the potential of the new Garden City at Ebbsfleet, the university city at Medway and opportunities at Sittingbourne and Sheppey. Our proposals for growth anticipate over £1.8 billion investment in Thames Gateway Kent over the next six years, including almost £200 million investment through the Local Growth Fund.

### Opportunities

- **We have some of the UK's most important locations for growth**, including **Ebbsfleet**, identified as a new **Garden City** with potential for up to 15,000 homes and **Swanscombe Peninsula**, with the prospect of up to 27,000 jobs through a major leisure development. We strongly welcome the Government's announcement of support for Ebbsfleet, with the associated promise of £200 million additional investment.
- **Major transport investments have transformational potential**. **High Speed One** means that Ebbsfleet International is just 17 minutes from central London and Rochester is just half an hour.
- **North Kent's regeneration has been successful and profound**. Exceptional quality waterfront development in Medway, Gravesend and Dartford highlights the emphasis on quality, while the rapid growth of the **Universities at Medway** highlights the pace of economic transformation.
- **North Kent has significant economic growth opportunities**. There are strengths in many of Kent and Medway's priority growth sectors, including manufacturing in Medway and Sittingbourne, life sciences at Kent Science Park, and a growing creative cluster at Medway.

### Challenges

- **The transport network is under pressure**. North Kent contains a large number of major sites in close proximity. This impacts on the strategic A2 and M2 as well as on local roads – compounding the pressure imposed by through traffic from the Channel.
- **Major sites remain stalled**. Although the pace of development is accelerating as the market improves, especially in Dartford, there are still significant constraints on delivery. **Major developers remain risk averse, credit constraints continue to impact smaller developers and infrastructure costs are high** on brownfield sites.
- **Skills levels and economic output continue to lag**. Despite major improvements in recent years, North Kent's industrial legacy is reflected in comparatively low productivity and skills.

### Solutions: Unlocking growth

#### Ebbsfleet Garden City

Ebbsfleet extends for 420 hectares between Ebbsfleet International in the east and Bluewater in the west. While the first phase of development has come forward, the economic downturn has largely stalled delivery. Despite flexibility from the local authorities in renegotiating developer contributions and sharing risks in bringing forward infrastructure, residential delivery has been extremely slow, and there has been no progress in bringing forward commercial development around Ebbsfleet

International station. Meanwhile, the nearby 335 hectare Swanscombe Peninsula site has great potential for development as a major leisure destination.

We need a concerted approach to unlock Ebbsfleet and bring forward Swanscombe – so the Government’s announcement that it is to create a new Garden City at Ebbsfleet, with the establishment of an Urban Development Corporation to drive it forward is entirely welcome. **As part of our Growth Deal, we will back the Government’s commitment.** We will seek to bring Local Growth Fund and our own local resources to bear alongside the Government’s £200 million pledge, in a comprehensive investment package, set out in the **Ebbsfleet Garden City Deal:**

### The Ebbsfleet Garden City Deal

Ebbsfleet Garden City will deliver over 15,000 homes and up to 20,000 jobs. We seek £30 million in **transport** investment for:

- Two crucial **junction improvements on the A2** at Bean and Ebbsfleet. These will improve access between Ebbsfleet, Eastern Quarry, Swanscombe and the A2. However, as both schemes are on the Highways Agency network, **we expect that they will be funded and delivered by the HA.**
- Improvements to the **junction of the A226 and B255**, which already experiences significant congestion at peak times and which must gain increased capacity for development at Ebbsfleet-Paramount and at a number of other sites in Dartford and Gravesham to proceed.
- **Better links between the existing communities** at Northfleet and Swanscombe to the north of Ebbsfleet and the new employment and residential development to the south.
- Additional investment in the **Fastrack** urban transport system – essential in linking new and existing communities with employment opportunities and Ebbsfleet International – and in the wider public transport network.

Alongside this investment and that in the Government’s recent announcement, we will:

- **Prioritise future skills capital investment for Ebbsfleet Garden City**, linked with the development of an integrated skills strategy for Dartford and Gravesham, recognising the scale of potential employment to be generated by Ebbsfleet and Swanscombe Peninsula.
- **Prioritise SEFUND investment for Ebbsfleet Garden City**, supporting the future UDC in attracting high quality development to the area.
- **Work positively alongside Government** to create an open, democratic, 21<sup>st</sup> century Urban Development Corporation, closely working with both the local District and County Councils.

### Dartford and Gravesend

Dartford and Gravesend will be impacted by the scale of growth at Ebbsfleet and will benefit from the employment and investment associated with it. However, the area contains major scope for additional growth beyond Ebbsfleet itself, and we seek Local Growth Fund investment in transport programmes to support growth in Dartford and Gravesend town centres, including the extension of the Fastrack urban transport system, which links both towns with Ebbsfleet.

Major developments include the expansion of Dartford and Gravesend town centres and the large brownfield housing and commercial developments at St James’s Lane Pit and Northfleet Embankment.



## Medway

Medway is the largest urban conurbation in the South East LEP area, with a current population of 264,000, rising to around 300,000 over the next twenty years.

We aim to create a city of culture, learning and enterprise, with a major retail and cultural centre and a strong university presence. Achievements over the past decade in delivering against this vision are considerable: while Medway had no higher education presence at the end of the 1990s, it now houses four universities. Medway's **future growth** is focused on taking forward the development of:

- **Chatham city centre**, including development at Chatham Waterfront), the redevelopment of the retail core (including the redevelopment of the existing Pentagon Centre car park and Tesco site) and new investment in attracting visitors to Chatham's world class naval heritage.
- **Rochester Riverside**, one of the Thames Gateway's flagship regeneration sites, occupying 32 hectares between the River Medway and the London-Dover railway line. With capacity for 1,400 homes, extensive public investment has helped to de-risk the site for development, which is now coming forward. This will include a new station due for completion in 2015 and the development of 3,000 sq metres of managed workspace.
- **Strood**: three key regeneration sites together providing 1,600 new homes and 20,000 sq m of commercial, retail and office space. These include:
  - **Strood Riverside**, with 600 residential units and approximately 1,000 sq metres of commercial space. Medway Council is investing £3m via a Treasury loan in the construction of flood defences to unlock the second phase of this key waterfront development;
  - **Redevelopment of Civic Centre**: Mixed use development on 6.94ha site, comprising approximately 400 residential units, 2,000 sq m of retail and leisure uses and 2,000 sq m of office accommodation. Significant investment in flood defences is required to prepare the site for development.
  - **Temple Waterfront**: Mixed use redevelopment scheme, regenerating the site of a former cement works, industrial timber yard, landfill area and green open space. It will comprise 620 residential units and 15,000 sq m of commercial floorspace. Lack of enabling infrastructure is making the site unattractive to the private sector
- **Rochester Airport**, a key site for commercial development just off Junction 4 of the M2 and adjacent to BAE Systems and the flagship Medway Innovation Centre. Over 1,000 jobs could be created on the site through the development of managed workspace, advanced manufacturing research and prototyping workshops and industrial units. Greenwich University with Medway Council will seek investment from SEFUND from 2015.
- **Lodge Hill**, on former Ministry of Defence land with capacity for 5,000 homes. At present, our ability to bring forward development at Lodge Hill is currently blighted by a Natural England decision – despite over £34 million private investment so far. However, when brought forward, Lodge Hill will be the largest residential development in North Kent outside Ebbsfleet Valley.

In addition, the **Isle of Grain** is a significant centre for port-related and energy generation activities. The expansion of development on land near Thamesport offers potential for around 6,000 new jobs, while the anticipated growth of the offshore wind industry offers additional manufacturing opportunities.

## The Medway City Deal

We seek £58 million in transport investment from the Local Growth Fund, including:

- Improved access to **Lodge Hill** and the **Isle of Grain**, including road improvements on the A289 and at the Medway Tunnel, and on the A228 to improve access to **Thamesport**.
- Improvements to connections in **Chatham** town centre, including better links to the rail station;
- Improvements to the road network in **Strood**, supporting housing delivery at Strood Riverside and including improvements at Strood rail station. The package of improvements in Strood also includes measures to improve access to **Medway City Estate**, a major employment location.

In addition, prospective priorities for SEFUND investment include **Rochester Airport** and **Strood Riverside**.

We will:

- **Invest local authority resources alongside SEFUND** in Rochester Airport and Strood Riverside, subject to full independent appraisal and decision by Medway Council;
- Develop a **joint strategy for innovation and enterprise support** between Medway Council and the four universities at Medway, linked with the expansion of facilities for innovation at Rochester Airport and Chatham city centre. This will build on the successful package of business support offered by University of Greenwich at Medway Innovation Centre;
- Together with our agreed joint university innovation strategy, our capital investment in Rochester Airport, Assisted Area designation and the availability of loans through the RGF-funded TIGER programme, we will give **Enterprise Zone status to Rochester Airport**, with the ability to offer reduced business rates to businesses locating on the site;
- Expand existing locally-based **employment brokerage services** to ensure that local residents (especially in disadvantaged communities) are able to access the employment opportunities that will be created by local and national investment in unlocking key sites.

Alongside this, **we ask Government** to:

- Remove the current blight on private investment at Thamesport and on the Isle of Grain (and throughout Medway), by conclusively **ruling out a Thames Estuary Airport**;
- Work with Natural England to permit development at **Lodge Hill**, and work with Medway Council and Land Securities to establish solutions to allow North Kent's second largest mixed-use development to proceed;
- Alongside our designation of Rochester Airport as an Enterprise Zone, **permit the local retention of 100% of business rate receipts on the site over and above the locally-determined discount rate**, ensuring that the Enterprise Zone incentive scheme can be locally funded and supporting the local contribution to essential road infrastructure;
- Provide flexibility regarding historic Thames Gateway investment in the strategic **Strood Riverside** site, where Government's first claim on eventual capital receipts currently make further local investment unviable. We ask DCLG to consider greater flexibility, allowing future capital receipts from the site to be ploughed back into the Strood Riverside scheme via SEFUND.

## Sittingbourne and Sheppey

The A249 between the Port of Sheerness and the M2 contains one of the most significant concentrations of manufacturing employment in the South of England. It also contains, Kent Science Park, a major centre for life sciences and environmental technologies with plans to expand. The area contains significant additional land for residential and commercial development, including in

Sittingbourne itself and at Queenborough and Rushenden on the Isle of Sheppey. Key investments to unlock growth in Sittingbourne and Sheppey include:

- Improvements to **Junction 5 of the M2**. At present, Junction 5 is extremely congested at peak hours and is the sole point of access to the M2 from Sittingbourne and Sheppey. Future growth in western Swale therefore depends on significant capacity improvements.
- The development of a **new Junction 5a** and a link road to Kent Science Park from the M2. This would facilitate the Science Park's expansion, with the potential creation of a further 1,800 jobs in a new phase of the successful campus.
- Improved access to residential and commercial developments in northeast Sittingbourne. This includes two key schemes: the completion of the **Sittingbourne Northern Relief Road** to provide direct access from the A249 to the A2 and improvements to the **Grovehurst Junction** on the A249 in north Sittingbourne.

Sittingbourne is the **largest town in Kent without further education provision**. Within proposals for the regeneration of the town centre, there are plans to develop a FE facility, which may come forward for potentially £4-5 million skills capital funding from the Local Growth Fund over the coming years. In the shorter term, the existing **Swale Skills Centre** (which provides skills for the engineering and manufacturing sectors, including the offshore wind industry) has an opportunity to expand vocational provision in 2015/16 and will be an immediate priority for skills capital support.

### The Kent CORE

Swale and the Medway Estuary form the heart of the Kent **Centre for Offshore Renewable Engineering (CORE)**, and is one of the most promising locations in the UK for the development of renewable energy, especially offshore wind. The strong local manufacturing base provides opportunities for supply chain development, which will be underpinned by proposed **Assisted Area** designation for part of Medway, Sittingbourne and Sheppey.

### Key investments in the Thames Gateway

#### Transport

Scheme	Start Date	End Date	Full cost (£m)	LGF funding requirement	Match funding	Jobs	Homes
A2 Bean Junction	2017/18	2019/20	50.00	10.00	40.00	36000	14000
A2 Ebbsfleet Jct	2017/18	2019/20	30.00	6.00	24.00	0	0
M2 Junction 5	2019/20	2020/21	100.00	15.00	85.00	8000	12500
A226 London Road/ St Clements Way Jct	2015/16	2019/20	8.70	4.20	4.50	5120	2440
Northfleet Station & Link	2015/16	2019/20	10.70	6.40	4.30	1300	510
Dartford Town Ctr improvements	2014/15	2018/19	9.00	2.30	6.70	1500	3070
Rathmore Road Link	2014/15	2016/17	8.00	4.10	3.90	700	890
A226 Thames Way dualling	2015/16	2020/21	8.90	3.50	5.40	4500	2440
Sittingbourne Northern Relief Road	2018/19	2020/21	28.60	23.10	5.50	1000	2000
A249 Grovehurst Jct	2018/19	2018/19	2.00	1.00	1.00	2500	1300
M2 Junction 5a	2017/18	2019/20	20.00	12.00	8.00	1800	0

Sittingbourne Town Centre Regen	2015/16	2017/18	4.50	2.50	2.00	950	500
Kent Thameside LSTF	2015/16	2020/21	7.54	4.51	3.03	963	657
A289 Four Elms Rbt to Medway Tunnel	2015/16	2017/18	16.30	11.10	5.20	7688	4433
A228 Grain Crossing removal	2017/18	2020/21	15.00	15.00	0.00	5445	0
Chatham town ctr	2015/16	2017/18	6.90	4.00	2.90	6000	3000
Chatham station	2016/17	2018/19	1.40	0.70	0.70	271	682
Strood town centre	2015/16	2018/19	10.00	9.00	1.00	1000	1000
Strood station	2016/17	2018/19	2.50	1.25	1.25	520	542
Medway City Estate connectivity	2015/16	2017/18	2.00	2.00	0.00	851	0
Medway towns integrated transport	2015/16	2020/21	12.00	6.00	6.00	129	87
A2 Corridor journey time improvements	2015/16	2016/17	2.00	2.00	0.00	129	87
A289 Medway Tunnel maintenance	2015/16	2020/21	9.20	5.00	4.20	5000	0
Medway cycling action plan	2015/16	2020/21	3.00	2.50	0.50	129	87
<b>Total</b>			<b>368.24</b>	<b>153.16</b>	<b>215.08</b>	<b>91,495</b>	<b>50,225</b>

### SEFUND/ land and property

Scheme	Start Date	End Date	Full cost (£m)	LGF funding requirement	Match funding	Jobs	Homes
St James Pit	2019/20	2022/23	80.0	1.0	79.00		800
Dartford Station/ TC	2015/16	2020/21	200.0	1.5	198.50	500	500
Ebbsfleet Garden City	2016/17	2030/31	200.0	5.0	195.00	2,000	2,000
Gravesend town ctr	2016/17	2020/21	100.0	1.5	98.50		1,000
UCA Rochester	2017/18	2019/20	6.0	1.0	5.00	250	
Rochester Airport Business Park	2015/16	2016/17	100.00	8.0	92.00	250	
Rochester Riverside managed workspace	2016/17	2016/17	5.00	2.0	3.00	100	
Strood Civic Centre	2016/17	2018/19	150.00	10.0	140.00	300	400
Temple Waterfront	2015/16	2015/16	200.00	2.0	198.00	500	620
Pentagon Centre redevelopment	2015/16	2015/16	25.00	1.0	24.00	100	
Tesco site, Chatham	2015/16	2015/16	10.00	1.0	9.00	100	
S'bourne Town Ctr	2016/17	2019/20	250.0	2.0	248.00	1,570	400
Queenborough & Rushenden	2017/18	2019/20	100.0	2.0	98.00		1,100
<b>Total</b>			<b>1,426.00</b>	<b>38.00</b>	<b>1,426.00</b>	<b>5,670</b>	<b>6,820</b>

### Skills Capital

Scheme	Start Date	End Date	Full cost (£m)	LGF funding requirement	Match funding	Jobs	Homes
Swale Skills Centre	2014/15	2015/16	1.00	0.75	0.25		
MidKent College	2017/18	2018/19	1.00	0.50	0.50		
Sittingbourne FE	2018/19	2020/21	9.00	4.00	5.00		
Ebbsfleet FE	2018/19	2019/20	10.00	2.50	7.50		
<b>Total</b>			<b>21.00</b>	<b>7.75</b>	<b>13.25</b>	<b>0</b>	<b>0</b>

## East Kent

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East Kent contains some of Britain's most iconic natural and built landmarks and offers an excellent quality of life. But it also has significant capacity for growth, building on greatly improved connectivity, with Ashford expanding more over the next decade than any other Kent district.

### Opportunities

- **East Kent is better connected.** While East Kent has always been a vital gateway between the UK and continental Europe, High Speed One services have reduced domestic journeys dramatically
- **Perceptions of East Kent are changing,** Where East Kent was once peripheral and distant, we are now closer to London than Cambridge.
- **Our cultural and tourism offer is improving.** East Kent is naturally a strong tourism proposition. But investment in facilities such as Turner Contemporary at Margate, the Marlowe at Canterbury and Folkestone Creative Quarter have expanded the tourism offer
- **There is significant capacity for growth.** East Kent retains a competitive advantage in land and wage costs, with extensive amounts of serviced employment land.
- **There are strong sector opportunities,** for example in tourism and the cultural and creative industries, in life sciences associated with Discovery Park and in transport and logistics associated with East Kent's port-related activity. Canterbury's large higher education base.
- **Government support for growth is working.** The Regional Growth Fund-backed Expansion East Kent programme is highly successful, with over £18 million already channelled into local companies, unlocking private finance and creating jobs.

### Challenges

- **Major sites are often difficult to bring forward.** Although aspirations for growth are high in East Kent, values for housing and employment land are relatively low (and become lower east of Canterbury and Ashford) and local infrastructure constraints are often significant.
- **Concentrations of deprivation are hard to overcome.** Particularly within coastal towns such as Margate and Dover, entrenched worklessness and disadvantage is reinforced by local housing market failures which require a concerted effort to tackle.
- **Infrastructure bottlenecks are significant,** and could hold back growth. While there has been substantial investment in road infrastructure, pinch points on the A2 present challenges, especially given the expansion of the Port of Dover.

### Solutions: Unlocking growth

#### Ashford

Between 2001 and 2011, population growth in Ashford was the third fastest in the South East – with 7,500 jobs created over the same period. Ashford is ambitious to continue this rapid rate of growth, underpinned by the creation of a new Garden City.

Growth in Ashford is central to the economic expansion of East Kent, and will be focused around eight major programmes:

- **Ashford Commercial Quarter,** focused on land adjacent to Ashford International Station and offering major retail and office development;

- **Elwick Place**, a mixed use retail, office and residential development;
- **Ashford International College**, a new further education campus, which is a priority for skills capital investment in 2015/16
- The expansion of the **Ashford Designer Outlet Centre**, providing a higher quality retail offer adjacent to Ashford International Station;
- The development of the **Jasmin Vardimon International Dance Academy**;
- **M20 Junction 10a**, the development of which will directly unlock around 4,000 jobs as well as facilitating growth throughout Ashford and East Kent;
- Improvements to the A28 to facilitate access to **Chilmington Green**, a major urban extension to the south west of Ashford delivering 5,750 homes and 1,000 jobs; and
- The safeguarding of **international rail services** from East Kent through the upgrading of signalling at Ashford International station.

The scale of growth at Ashford is substantial, and requires a coordinated package. As part of our Growth Deal, we will take forward an integrated Ashford City Deal, set out below.

### Ashford International City Deal

We ask Government to **consider the potential for Chilmington Green as a new Garden City** when the Government launches its consultation later this year. With a planning application already submitted and our proposed programme of investment to unlock it, Chilmington can be an early success for the Garden Cities programme.

We seek £33.7 million in Local Growth Fund transport investment to support projects including:

- A new partial motorway junction at **M20 Junction 10A**, opening up sites to the south east of Ashford and unlocking over 11,000 jobs and 9,000 homes. This scheme has already been approved by the South East Local Transport Board under earlier arrangements for the allocation of Local Growth Fund transport money;
- Improvements to the **A28 at Chart Road** to open up access to 5,750 homes at Chilmington Green;
- Delivery of new signalling to safeguard international services from Ashford.

In addition, we seek £10 million in Local Growth Fund Skills Capital funding for **Ashford International College** in 2015/16, matched with additional funding from Ashford Borough Council.

As part of our integrated approach to Ashford's development, **we will commit at least £35 million** in funding from Ashford Borough Council and Kent County Council to unlock the eight strategic projects identified as essential to the town's growth.

### Canterbury

Canterbury is East Kent's leading centre for high-value employment, centred around the city's four universities. Proposals are being developed for potential SEFUND investment in additional incubator facilities, building on the success of the **Canterbury Innovation Centre** which has over 60 science and technology businesses already in place.

Wider development in Canterbury district is severely constrained by significant traffic congestion particularly along the A28 corridor, which is exacerbated by limited access from the city to the A2 road and several railway level crossings.

Development of a **new relief road on the A28 at Sturry** would enable almost 4,800 new homes to be built and 1,800 jobs to be created in new business space north of Canterbury in so doing also improving journey times along East Kent's A28 corridor from Thanet through Canterbury to Ashford. In addition provision of a **new slip road onto the A2 at Wincheap** would support the delivery of 50,000 m<sup>2</sup> of new retail and leisure floorspace generating 1,400 new jobs thereby supporting the city's wider economic growth and underlining its status as an important regional retail hub.

#### Dover

The **Port of Dover** is of national significance. Already the largest passenger port in Europe, Dover is associated with a major integrated regeneration programme, including the development of Terminal 2 and associated infrastructure improvements, linked with new marina and leisure facilities and mixed use developments at **Dover Waterfront and the town centre**. As well as road infrastructure improvements funded through our proposed transport programme, there is potential for recyclable SEFUND investment to bring forward development.

To the north of Dover, the development of **Whitfield** will bring forward 5,750 new homes. However, development is constrained by high infrastructure costs. The redevelopment of the **Duke of York roundabout** and improvements to the A256 will help to accelerate delivery, as well as supporting an additional 500 homes at the Connaught Barracks development.

All development at Dover – including the expansion of the Port – will also be supported by investment in the strategic road network through the **bifurcation of the A2/M2 and A20/A20 transport corridors**, which early investments in key junctions on the M2 and A2 in Thames Gateway Kent will be important in facilitating.

#### Folkestone

Folkestone is developing as a major creative centre, backed by extensive private sector investment in the **Creative Quarter**. Building on this, a major regeneration scheme at **Folkestone Seafront and Harbour** will bring forward up to 1,000 new homes and up to 10,000 sqm of commercial floorspace, together with improvements to the beach and seafront facilities – unlocking around 300 jobs. Early work on the development of SEFUND indicates that this could be facilitated with a total upfront infrastructure investment of £5.1m. This investment would de-risk the first phase of this scheme, and would accelerate the start of the development onsite to 2015.

#### Discovery Park/ Manston

Discovery Park is already England's most successful **Enterprise Zone**, with over 1,300 jobs secured on the site since Enterprise Zone status was granted in 2011, a Local Development Order in place and proposals being brought forward for residential and commercial development on the site alongside its scientific research and development core.

However, the area around Discovery Park has been faced with a further challenge following the decision of the owners of Manston Airport to enter into consultation on the future of the facility. Yet the area around Manston and Discovery Park contains extensive land suitable for residential and employment use, and is well connected by new infrastructure.

Through this Growth Deal, we will take a concerted approach to bringing forward growth at Manston and Discovery Park:

### The Discovery Park and Manston Growth Deal

We will take forward a coordinated approach to the development of Discovery Park and Manston. We will:

- **Consider extending Enterprise Zone** designation to Manston Business Park, Manston Airport and the Richborough Corridor. We ask Government to permit Thanet District Council to retain 100% of business rate receipts within the Zone with no impact on their baseline, in order that discounts can be fully funded by receipts above the discount level.
- Allocate £3.5 million in **Local Growth Fund finance** to support commercial development at Manston and Discovery Park.
- Support **SEFUND** investment in commercial and residential development.

Alongside this, we seek Local Growth Fund transport investment in **Thanet Parkway** station as a priority to reinforce the success of Discovery Park and support investment at Manston as well as in the **Westwood Relief Strategy**, eliminating a major bottleneck impacting on employment and commercial growth in Thanet Central Island.

### Margate, Ramsgate and Broadstairs

The opening of Turner Contemporary in 2011 has had a major impact on Margate, generating over a million visitors. This has driven the regeneration of the Old Town and establishing Margate as a major cultural and leisure destination, with a growing cluster of creative businesses supported by the Regional Growth Fund-supported Success programme. New commercial interest in hotel and leisure developments in Margate are building on the town's unique location and heritage, and our proposed **transport investments**, including a series key junction improvements in central Margate, will help to relieve congestion as well as supporting new housing growth.

However, a number of key sites in Thanet remain vacant, due to an unbalanced local housing market which tends to reinforce a concentration of high benefit dependency. We must build on partnership initiatives such as **Live Margate** and **No Use Empty** to intervene in the local housing market, alongside the **coastal housing investment programme** highlighted elsewhere in this Plan.

We will **invest £7.5 million in Local Growth Fund in to extend the Live Margate and No Use Empty programmes**, offering loans to individuals to restore homes previously used for multiple occupancy to single home ownership. At the same time, we will discuss with Government the potential for further powers to close down poor quality housing stock that puts residents at risk – reducing the benefit trap by capping placements of vulnerable families in designated 'no go' areas, restricting housing benefit payments to sub-standard landlords, and investing in housing renewal.

### Investment: Transport

Scheme	Start Date	End Date	Full cost (£m)	LGF funding requirement	Match funding	Jobs	Homes
M20 Junction 10a	2015/16	2017/18	35.00	19.70	15.30	11000	9500
A28 Chart Rd, Ashfd	2015/16	2018/19	19.50	10.23	9.27	510	2848
Ashford public transport	2017/18	2018/19	3.00	3.00	0.00	90	502
Ashford Spurs signalling	2018/19	2018/19	1.50	0.75	0.75	71	350
Sturry Link Road Canterbury	2017/18	2019/20	28.60	5.90	22.70	1700	4220



A28 Sturry Integrated transport package	2015/16	2015/16	0.50	0.25	0.25	110	300
A2/A28 off slip and link road Canterbury	2017/18	2018/19	12.00	2.00	10.00	760	500
Dover Bus Rapid Transit	2017/18	2019/20	6.00	2.00	4.00	250	3260
Dover Waterfront links to town centre	2015/16	2016/17	30.00	10.00	20.00	1685	500
North Deal improvements	2015/16	2015/16	1.50	0.75	0.75	150	150
Duke of York Rbt	2015/16	2019/20	5.50	5.00	0.50	250	2660
Newingreen Junction, Shepway	2016/17	2017/18	0.70	0.41	0.29	600	450
Cheriton High St A20	2018/19	2018/19	0.57	0.30	0.27	120	1200
Folkestone Seafont	2015/16	2015/16	0.50	0.50	0.00	300	1000
Margate junction improvements	2018/19	2019/20	10.00	6.50	3.50	1900	5885
Westwood Relief Strategy, Thanet	2016/17	2017/18	9.00	7.00	2.00	3500	1994
East Kent LSTF	2015/16	2020/21	16.14	9.78	6.36	1712	2260
Thanet Parkway	2015/16	2017/18	14.00	10.00	4.00	5000	2000
<b>Total</b>			<b>194.01</b>	<b>94.07</b>	<b>99.94</b>	<b>29,708</b>	<b>39,579</b>

**Investment: SEFUND**

Scheme	Start Date	End Date	Full cost (£m)	LGF funding requirement	Match funding	Jobs	Homes
Ashford Town Ctr	2015/16	2017/18	50.00	2.00	48.00	4200	
Chilmington Gdn City	2018/19	2030/31	200.00	3.00	197.00		2400
Canterbury City Centre/ Wincheap	2019/20	2020/21	100.00	2.00	98.00	1000	
University of Kent	2016/17	2020/21	10.00	1.00	9.00	200	
Canterbury Christ Church	2018/19	2018/19	2.50	0.50	2.00	50	
Discovery Park	2016/17	2020/21	100.00	1.50	98.50	2000	500
Dover Waterfront	2016/17	2019/20	100.00	2.00	98.00		400
Folkestone Seafont	2015/16	2018/19	100.00	5.20	94.80		1000
Manston / Eurokent	2015/16	2018/19	50.00	2.00	48.00	500	500
Rendezvous, M'gate	2015/16	2015/16	15.00	1.00	14.00	80	20
Live Margate/ Housing Market Renewal	2015/16	2021/22	30.00	5.00	25.00		500
<b>Total</b>			<b>757.50</b>	<b>25.20</b>	<b>732.30</b>	<b>8,030</b>	<b>5,320</b>

**Investment: Skills Capital**

Scheme	Start Date	End Date	Full cost (£m)	LGF funding requirement	Match funding	Jobs	Homes
Ashford International College	2015/16	2016/17	25.00	9.50	15.50		
Thanet skills provision	2016/17	2019/20	2.00	1.00	1.00		
Dover FE	2016/17	2018/19	12.00	5.00	7.00		
Folkestone FE	2016/17	2017/18	15.00	5.00	10.00		
<b>Total</b>			<b>54.00</b>	<b>20.50</b>	<b>33.50</b>	<b>0</b>	<b>0</b>

## Places for Growth: Maidstone

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Maidstone is Kent's county town, a major economic centre for North, East and West Kent located at the heart of the M20 corridor. With a buoyant economy, Maidstone has strong ambitions for growth, with 9,400 new homes planned between 2011 and 2021.

### Opportunities

- **Central location with good road transport connections.** Maidstone's position at the centre of the county adjacent to the M20 means that developer interest and viability is high.
- **Diverse sector base.** With established strengths in business services, Maidstone is increasingly developing a presence in media-related activity and health technology.
- **Significant opportunities for growth,** especially at M20 Junction 7, which includes Eclipse Business Park and the Maidstone Medical Campus, as well as in the town centre.

### Challenges

- **Relatively weak rail connectivity.** Services on the Maidstone East to Victoria line remain slow and services accessing High Speed One are limited.
- **High levels of congestion,** especially in the town centre. While this presents an obstacle to future growth, it also impacts on existing businesses.

### Solutions: Unlocking growth

#### A transport infrastructure package for growth

Maidstone's future growth will require significant investment in **transport infrastructure**, which is also vital to sustain the town's current role as a major retail and employment centre. In particular, all the major arterial routes into Maidstone converge at the **Maidstone Gyrotory Junction** crossing the River Medway, imposing significant congestion and delay. A gyrotory relief scheme will help to overcome these severe constraints and is a priority for support through the Local Growth Fund from 2015/16.

In addition, to support Maidstone's wider growth (including significant growth anticipated in the smaller rural towns within Maidstone's hinterland), we propose a major **integrated transport package**, including key junction and road capacity improvements and enhanced public transport.

#### Bringing forward economic opportunity

Junction 7 of the M20 is already seeing major commercial expansion, with new finance and business services employment at **Eclipse Park** and concentration of media and creative industries at **Maidstone Television Studios**. This will be accompanied by the establishment of **Maidstone Medical Campus**. Work on the Kent Institute of Medicine and Surgery, at the heart of the Medical Campus, is nearing completion and the Institute will open in April 2014. Potential investment via SEFUND could help to bring forward the next phase of development, supporting initial infrastructure costs.

In **Maidstone Town Centre**, there is a key opportunity for growth in the redevelopment of the area surrounding **Maidstone East Station**. Currently providing a poor gateway to the town, there is developer interest in replacing outdated office blocks and car parking with a new mixed-use extension of the town centre, which early public investment could help to unlock. Elsewhere in the town centre, opportunities to redevelop the retail core could bring forward further housing growth.

#### Investment: Transport

Scheme	Start Date	End Date	Full cost (£m)	LGF funding requirement	Match funding	Jobs	Homes
Maidstone Gyrotory Bypass	2015/16	2016/17	5.70	4.56	1.14	2000	5049
Maidstone sust. transport	2015/16	2016/17	3.00	2.00	1.00	350	475
Maidstone Integrated Transport	2015/16	2017/18	15.00	8.90	6.10	5000	4455
<b>Total</b>			<b>23.70</b>	<b>15.46</b>	<b>8.24</b>	<b>7,350</b>	<b>9,979</b>

#### Investment: SEFUND

Scheme	Start Date	End Date	Full cost (£m)	LGF funding requirement	Match funding	Jobs	Homes
Maidstone Medical Campus	2016/17	2020/21	100.00	2.00	98.00	600	
Maidstone East	2016/17	2020/21	80.00	1.00	79.00	320	300
Wrens Cross/ Mall	2016/17	2018/19	80.00	2.00	78.00		300
<b>Total</b>			<b>260.00</b>	<b>5.00</b>	<b>255.00</b>	<b>920</b>	<b>600</b>

### Rural Kent

The rural economy makes a disproportionately large contribution to Kent and Medway's economic growth, with around 36% of all jobs in Kent located in rural areas. A recognised key sector for Kent and Medway Kent's farming sector is increasingly knowledge and technology intensive, and Kent has a key centre of research excellence at East Malling Research. However, the rural business base involves a wide range of sectors, with relatively high levels of home-working.

The emerging Kent Rural Delivery Framework highlights the priorities for the growth of rural Kent as:

- Ensuring access to business critical infrastructure, including appropriate workspace and extending the reach of superfast broadband and mobile connectivity. This may include the use of Local Growth Fund to support the extension of superfast broadband to the 'final 9%', matching investment from BDUK;
- Optimising the take-up of new technologies by rural businesses;
- Fostering a resilient and profitable land-based sector, including through continued diversification and the growth of agri-tech; and
- Supporting a culture of entrepreneurship

The recent allocation of over £15 million in funding from the European Agriculture Fund for Rural Development (EAFRD) provides an opportunity to Kent and Medway to build on our success in the two existing LEADER programmes to make more funding directly available to business and we will explore the potential for this over the coming weeks.

## Places for Growth: West Kent

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West Kent has a strong and resilient economy, with a dynamic SME base, good connectivity and an excellent quality of life making it one of the best places in the South East in which to start and grow a business. It is essential that we maintain West Kent's success as a driving force in the South East economy.

### Opportunities

- **Growth in West Kent supports the wider South East economy.** Knowledge economy employment is higher than in other parts of the county, and there is a diverse SME base of 16,000 businesses with high potential for innovation and growth. Business start-up numbers are high and businesses survive longer and grow faster here.
- **There are significant sector strengths.** The software and electronic publishing sector in Tunbridge Wells is among the largest in the South East, underpinning strengths in creative and media industries. Leisure and tourism is strong and growing.
- **Demand for development is high and flagship developments are successful.** In particular, Kings Hill, built on a former airfield and now Kent's leading business park with over 5,000 jobs, and there is further scope for growth at North Farm and Fort Halstead.
- **Connectivity is good,** with proximity to the M25 and planned improvements to the A21 between Tonbridge and Pembury. London rail links are also good from Sevenoaks, Tonbridge and Tunbridge Wells, and investment in rural broadband has important benefits for West Kent businesses.

### Challenges

- **Locations for growth need careful selection.** With much of West Kent covered by metropolitan green belt, new sites must be carefully planned and supported by appropriate investment in transport infrastructure. There is scope to intensify and improve a number of key sites
- **Congestion is often high,** especially in town centres such as Tonbridge, Tunbridge Wells and Sevenoaks. Improvements in the road network have not kept pace with the rate of economic growth, particularly in relation to access to the motorway network and the lack of capacity on rail services to London (especially on the Maidstone line via West Malling).
- **Localised pockets of deprivation** – often masked by impressions of general affluence where targeted investment is needed.

### Solutions: Unlocking growth

With a robust economy, relatively small amounts of public investment can unlock substantial private sector leverage. In West Kent, our focus for growth is on our major town centres and business locations, with public investment helping to rationalise and intensify existing sites and bring forward new sites for development.

#### Tunbridge Wells

The thriving town centre of Royal Tunbridge Wells will see substantial housing growth and cultural-led investment which will drive forward growth in tourism, media and the creative industries. To support this growth, we will implement a comprehensive package of transport measures to tackle congestion hotspots, including improvements to the **A26 and A264 approaches to Tunbridge Wells** and measures to improve public transport.

At the key **North Farm** development, a major scheme to widen the existing railway bridge will also help to unlock the potential of a major location for employment growth, linked with additional investment in vocational further education.

### Tonbridge

High congestion levels impact on the sustainability of Tonbridge town centre and we seek funding for a coordinated congestion relief package. Outside of the proposed LGF transport funding, we will explore with the Environment Agency the potential for the partial funding of improvements to the **Leigh Barrier flood defences**, given the need to protect identified areas for growth at Tonbridge and Maidstone from future flooding incidents.

### Swanley

Adjacent to the M25, just 26 minutes by rail to London and close to the employment opportunities coming forward in North Kent, a package of measures to improve Swanley would enable new homes and employment space. There is emerging private sector interest in bringing forward **growth in the town centre and southeast Swanley**, including a new business and enterprise hub. Investment through SEFUND could help to unlock this growth, creating a long term change in the town's prospects.

### Kings Hill and Medway Valley

In the eastern part of West Kent, there is significant growth at Peters Village at Wouldham, which will deliver around 1,000 new homes. This will require additional investment **at Junction 4 of the M20**, for which we seek partial LGF funding. Improvements to Junction 4 will also support the continued development of one of the South East's most successful business park and residential developments at **Kings Hill** near West Malling.

### Supporting research and growth

West Kent has a leading facility at **East Malling Research**, specialising in crop and horticultural research and with aspirations to develop additional businesses premises. At **Fort Halstead** near Sevenoaks, there is also the opportunity to develop business space for research-focused businesses alongside a retained presence by QinetiQ, the defence technology company. Potentially, projects at EMR or Fort Halstead could come forward for support via SEFUND.

### Improving connections for the longer term

Linking all of West Kent's key growth locations – and maintaining the area's long-term resilience – requires targeted transport connections. West Kent will benefit from the planned dualling of the **A21 between Tonbridge and Pembury**, supporting growth throughout the A21 corridor between London and Hastings: it is vital that the Highways Agency progresses these improvements at the earliest opportunity.

In addition, improvements to the **A228 at Colts Hill** will be important in improving connectivity between Tunbridge Wells, Kings Hill and the major growth points at Maidstone, and Local Growth Fund investment is sought to secure this major scheme. In the longer term, access to the M25 from parts of West Kent is also constrained, requiring a potential assessment of the benefits and impacts of M25 junction changes.

**Investment: Transport**

Scheme	Start Date	End Date	Full cost (£m)	LGF funding requirement	Match funding	Jobs	Homes
M20 Junction 4 Eastern Overbridge	2015/16	2015/16	4.44	2.19	2.25	1785	4068
Tonbridge Town Centre Regeneration	2015/16	2016/17	3.87	2.37	1.50	450	1000
North Farm Relief Strategy, Tunbridge Wells	2015/16	2021/22	10.50	8.50	2.00	555	440
Tunbridge Wells P&R	2015/16	2019/20	10.00	8.50	1.50	1160	725
A228 Colts Hill Relief Scheme	2016/17	2020/21	35.00	35.00	0.00	2000	1500
A26 London Rd/ Speldhurst Rd/ Yew Tree Rd Junction Improvement, Tunbridge Wells	2015/16	2016/17	2.00	1.75	0.25	105	85
West Kent LSTF	2015/16	2020/21	9.05	4.89	4.16	405	443
<b>Total</b>			<b>74.86</b>	<b>63.20</b>	<b>11.66</b>	<b>6,460</b>	<b>8,261</b>

**Investment: SEFUND**

Scheme	Start Date	End Date	Full cost (£m)	LGF funding requirement	Match funding	Jobs	Homes
Swanley Town Centre	2015/16	2018/19	50.00	1.00	49.00	500	60
Eas Malling Research	2015/16	2017/18	5.00	0.50	4.50	100	
Peter's Village	2016/17	2018/19	100.00	1.00	99.00		1000
Tunbridge Wells town centre	2016/17	2018/19	20.00	1.00	19.00	500	
<b>Total</b>			<b>175.00</b>	<b>3.50</b>	<b>171.50</b>	<b>1,100</b>	<b>1,060</b>

**Investment: Skills Capital**

Scheme	Start Date	End Date	Full cost (£m)	LGF funding requirement	Match funding	Jobs	Homes
Tunbridge Wells vocational provision	2015/16	2017/18	4.00	1.00	3.00		
<b>Total</b>			<b>4.00</b>	<b>1.00</b>	<b>3.00</b>	<b>0</b>	<b>0</b>

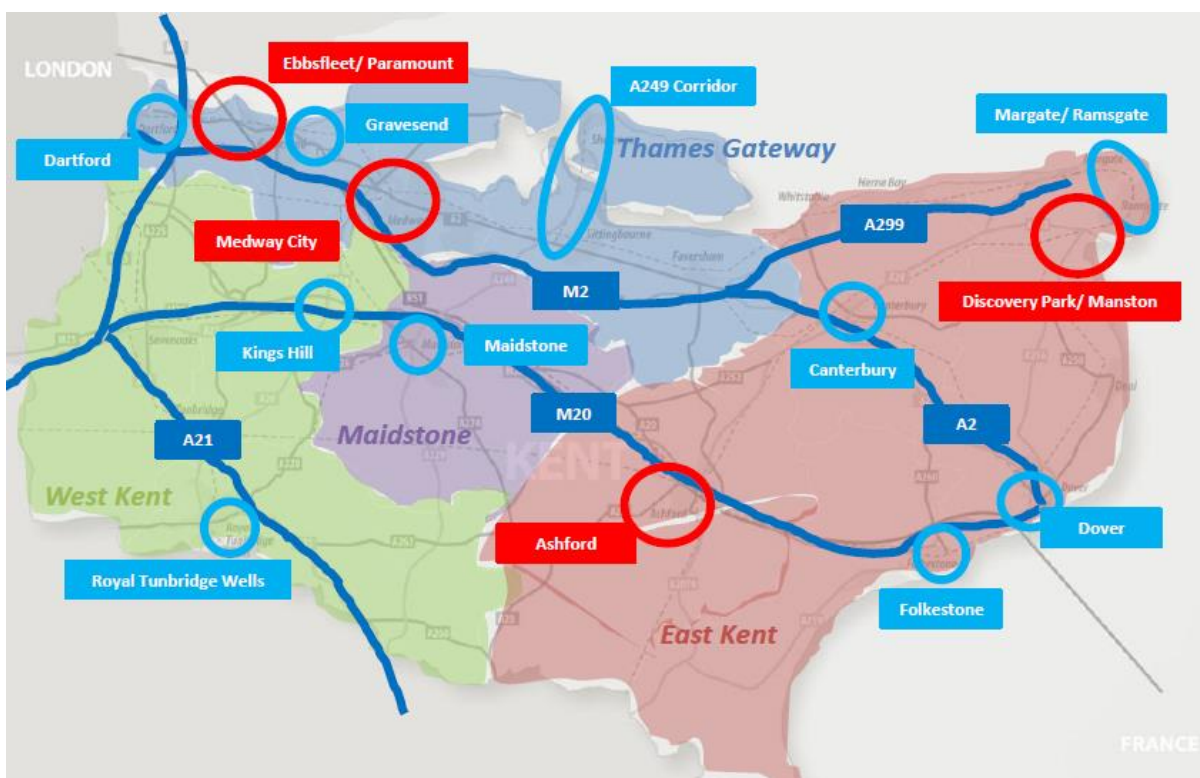
## Infrastructure for Growth

For our key growth locations and corridors, we have identified the transport interventions needed to unlock growth. Combined, our transport programme will facilitate delivery of 141,000 jobs and 114,000 homes across Kent and Medway. However, our proposed transport investments will have strategic benefits as well as helping to unlock specific growth locations.

### Growth without Gridlock

*Growth without Gridlock in Kent and Medway*, the county's transport strategy sets out our priorities for future transport investment, focused on the need for transformational change of national significance (such as a Lower Thames Crossing) and local schemes needed to unlock growth. Within our Growth Deal, we have focused primarily on securing additional 'local' investment, set out in the previous area and corridor sections, but it is essential that we also secure the resilience of our strategic network:

### Our national corridors



It is vital our national corridors of the M2/A2, M20 and High Speed 1 perform well. If they are congested the detrimental impact to not only the national economy but to Kent and Medway is huge. Basically investment goes elsewhere. Significant improvement to these national corridors is therefore the cornerstone to our plan. **We fully expect Government to fund these improvements.** However, a number of these schemes however are so strategically important to our economy we are

willing to put in an element of funding to ensure they are brought forward as early as possible. Key investments required are:

- A2 Bean Junction (with a Local Growth Fund requirement of £10 million)
- A2 Ebbsfleet Junction (with a LGF requirement of £6 million)
- M2 Junction 5 (with a LGF requirement of £15 million)
- Operation Stack Lorry Park (with a LGF requirement of £10 million)

In addition, further Highways Agency investment will be required at **M2 Junction 7**, in the **dualling of the A2 at Lydden**, near Dover and improvements to **M2 Junction 3** to support the development of Rochester Airport.

## National corridors investment supporting our growth areas

While major improvements to the strategic road and rail networks are our priority, we know there is much we need to do at the local level to make sure that our growth areas are delivered. Key to this are connections from the strategic road network that will allow us to “piggy-back” off the investment in the strategic network to unlock our full growth potential. **These schemes connecting the national network to the local, will deliver 13,500 jobs and 10,000 homes:**

- M2 Junction 5a and Link Road, supporting Kent Science Park (with a LGF requirement of £12 million)
- M2 Junction 10a at Ashford (with a LGF requirement of £19.7 million)
- A2/A28 off-slip and link road at Canterbury (with a LGF requirement of £2 million).

## County-wide priorities for Local Growth Fund

Throughout this chapter, we have highlighted the key transport interventions for which we require Local Growth Fund investment to unlock sites for employment and housing. However, a number of schemes and programmes have impacts across Kent and Medway:

### *Kent and Medway-wide Local Growth Fund transport investments*

Scheme	Start Date	End Date	Full cost (£m)	LGF funding requirement	Match funding	Jobs	Homes
Sustainable access to education and employment	2015/16	2020/21	1.20	0.90	0.30	140	
Strategic congestion management	2015/16	2020/21	4.80	4.80	0.00	2003	2292
Kent sustainable interventions supporting growth	2015/16	2020/21	3.00	3.00	0.00	1335	1528
Operation Stack and overnight lorry park	2015/16	2017/18	20.00	10.00	10.00	1000	1500
Additional Op Stack and overnight lorry park	2019/20	2020/21	18.00	15.00	3.00	928	1220
<b>Total</b>			<b>47.00</b>	<b>33.70</b>	<b>13.30</b>	<b>5,406</b>	<b>6,540</b>



## Sectors for growth

**We must ensure that we have a positive environment for business expansion – where businesses with the appetite for growth can secure the finance, the land, the people and the ideas to create jobs and prosperity and our key sectors have strong prospects for growth**

### Opportunities

- **We have an entrepreneurial economy**, driven by thousands of small and medium-sized businesses. Of 63,650 businesses across the county, 89% employ fewer than ten people.
- **We have a growing knowledge economy**. The number of people employed in the knowledge economy remains relatively small – reflecting Kent and Medway’s traditional industrial legacy. But over the past 15 years, **it has grown at almost twice the national rate of growth**.
- **We are benefiting from improved infrastructure**. High Speed One has transformed the travelling time between London and parts of Kent. Previously distant and peripheral, it is now quicker to reach Canary Wharf from Ebbsfleet than it is from Kensington.

We have established a strong, long-term partnership with our leading business sectors, through a continuing series of sector roundtables. We have used our sector knowledge to focus on targeted interventions where there are gaps in the market.

Kent and Medway’s key sector opportunities	
Sectors	Opportunities
Life sciences	6,000 jobs. Concentrations of activity at Discovery Park Enterprise Zone and at Kent Science Park near Sittingbourne, with emerging opportunities at the new Maidstone Medical Campus.
Creative and media	14,000 jobs; 85% sector growth over the past decade. Strengths in software and digital media, especially in Tunbridge Wells, Maidstone, and coastal East Kent.
Low carbon	21,000 jobs in renewable energy, energy efficiency and carbon reduction technologies – and underpinned by the designation of the Kent coast as a Centre for Offshore Renewable Engineering.
Land-based	Comparative advantage in horticulture, accounting for over two thirds of national top fruit production. Research-intensive growth opportunities, such as at East Malling Research.
Manufacturing	44,000 jobs, accounting for over 10% of Kent and Medway’s GVA. Strong concentrations in Medway and Swale, with major businesses such as BAE Systems and Delphi supporting a strong SME base.
Construction	36,000 jobs. Proximity to the London and South East market and major developments in Kent and Medway support growth in the sector, with new opportunities in sustainable construction technologies.
Tourism and leisure	64,000 jobs. Strong tourism product offer in coastal, historic and rural Kent, which will be reinforced by major investment in new attractions, including the proposed Paramount development in North Kent.
Higher education	Kent has one of the UK’s largest university clusters at Canterbury, as well as a large and growing university presence at Medway, with increasingly strong links with local business in all sectors.

## Challenges

- **Access to finance continues to be a constraint.** Bank lending is still lower than it was before the credit crunch, although there are recent signs of improvement. There are also well-evidenced gaps in the availability of equity finance on viable terms, especially for start-ups and younger micro businesses with innovative – but therefore risky – propositions.
- **The business environment is becoming increasingly competitive.** We must become increasingly productive, generating more output with fewer human resource inputs - making it more important that those companies with the ability to grow and create jobs and wealth are able to access the finance and market intelligence they need.
- **Environmental resilience is an increasingly significant issue.** Some parts of the economy (especially in the manufacturing and land-based sectors) will be affected longer term by rising environmental and resource costs which will need to be managed and mitigated if Kent and Medway is to remain competitive, resource efficient and a place for green businesses to invest.
- **Employers often have challenges in accessing the skills they need.** In particular, difficulties in securing staff with the right science, technology and engineering skills are often highlighted – and this is likely to become an increasingly significant challenge as the labour market tightens.

## Solutions

To respond to the opportunities and challenges faced by business, we will put in place three **major solutions** as part of our sector-focused Growth Deal. We will:

- Unlock private finance and bridge the innovation funding gap by delivering a £28 million **Finance for Innovation** programme, linked with an integrated approach to innovation and growth;
- Simplify and streamline the business support offer – creating a new **Kent and Medway Growth Hub** at the heart of a better coordinated network;
- Support increased growth through **trade and investment**

### Finance for Innovation

Kent and Medway's existing access to finance programmes are highly successful in supporting businesses with the appetite to grow. So far, TIGER and Expansion East Kent – both of which are funded through the Regional Growth Fund – have created 2,250 jobs, and will create over 8,000 by the time all the initial investment has been utilised. With an average cost per job of around £12,000, they are delivering amongst the best value for money of any RGF-funded programmes in England.

However, all Kent and Medway's existing access to finance support will be exhausted by 2015/16, and although TIGER and Expansion East Kent money is recyclable, repayments will be limited until about 2017/18. So there will be a gap when there will be no funds available to lend.

We will create a new programme, **Finance for Innovation**, focused on providing loan and equity finance to SMEs seeking to invest in new products, services and processes with the ability grow and create sustainable employment. It will operate across Kent and Medway, with a focus on investment in our priority growth sectors. In particular, it will make a long term difference by investing in activities most likely to deliver added value and increase knowledge economy employment.

While Finance for Innovation will respond to the clear need for access to finance where this will unlock private investment, it must be at the heart of a wider **innovation support system**. There is

much already available – so we will not duplicate the programmes of the Technology Strategy Board or initiatives such as Growth Accelerator. However, Growth Accelerator, locally-funded programmes such as High Growth Kent, the support to business offered by our universities and our network of innovation centres will be critical in developing applications to Finance for Innovation and ensuring that the businesses we back receive a wide range of additional support. So we will develop a **Kent and Medway Innovation Concordat**, signed by all innovation support organisations setting out how we will work together and add substantial local value to national programmes and initiatives.

To make Finance for Innovation work, we seek **£28 million capital investment from the Local Growth Fund** over six years, to be recycled locally. All Finance for Innovation investments will be made either as loans of up to 50% of project cost, or as equity investment on equal terms with a private investor. We will therefore secure private sector leverage of at least £30 million.

### The Kent and Medway Growth Hub

Finance for Innovation and the Kent and Medway Innovation Concordat will help to focus the support available for those businesses with innovative capacity and in our priority growth sectors. But the wider business support landscape is often complicated and confusing.

We will establish a **Kent and Medway Growth Hub**, competitively tendered by Kent and Medway Economic Partnership and providing a central, up-to-date web-based portal to business support and financial assistance offered at local, county and national level, supplemented with start-up and generic business advice. The Growth Hub will also act as the key point for accessing Finance for Innovation and the county's existing access to finance programmes.

We seek **£6 million over six years** from the Local Growth Fund in revenue grant to support the Kent and Medway Growth Hub, which we will match in direct investment in business support products, including the High Growth Kent service for businesses with growth potential and local start-up services and the Low Carbon Kent programme. We will also expand this activity through the ERDF opt-ins to Growth Accelerator and Manufacturing Advisory Service support.

### Trade and investment

Next to the markets of continental Europe and the rest of the UK, Kent and Medway is well-placed to benefit from **international trade**. However, we know that Kent companies are less likely to export than firms elsewhere in the South East. Through **Kent International Business**, Kent County Council, local business support providers and UK Trade and Investment (UKTI) are helping Kent and Medway firms to access new markets. We will expand this activity, linked with the development of the county's key growth sectors, through the ERDF 'opt-in' to UKTI support.

Building on the success of Locate in Kent we will increase our promotion of Kent and Medway, recognising the opportunities at Ebbsfleet, Discovery Park and elsewhere. We seek designation of Kent as a **UK inward investment gateway**, with a commitment from UKTI to match local support for inward investment where it is focused around sectors in which the county has national strengths.

### Investment: Business growth and productivity

Scheme	Start Date	End Date	Full cost (£m)	LGF funding requirement	Match funding	Jobs	Homes
Finance for Innovation	2015/16	2020/21	80.00	28.00	52.00	8254	
Kent and Medway Growth Hub	2014/15	2020/21	9.00	6.00	3.00	1000	
<b>Total</b>			<b>89.00</b>	<b>34.00</b>	<b>55.00</b>	<b>9,254</b>	<b>0</b>

## The Growth Deal/ Skills for growth

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**Growth in key sectors and increasing employment opportunities demand a motivated, skilled and creative workforce. So we must be innovative, flexible and responsive – engaging employers in designing approaches to skills and the information, advice and guidance that supports it.**

### Opportunities

- **We have major opportunities for new employment.** Growth is forecast in key sectors, major new developments offer prospects for large-scale job creation and opportunities in London – in commuting distance for much of the county – are set to increase.
- **Employment levels are rising.** With greater flexibility, the labour market should be able to respond as employment opportunities develop.
- **Our workforce is becoming better skilled.** Workforce skills still lag behind the national average, but long term improvement is fairly consistent.
- **School attainment levels are improving.** GCSE results have improved consistently over the past decade, but Kent and Medway now outperform England as a whole

### Challenges

- **Employers report skills shortages.** Employers say that they face difficulties in recruiting people with the right skills. Linked with this, there are more apprenticeship vacancies than there are young people to fill them, because many applicants do not have the vocational or work-ready skills to take up available opportunities.
- **This will get worse as the labour market tightens.** Over time, there will be fewer working age people as a proportion of the population, leading to pressure to increase productivity.
- **Parts of Kent and Medway still experience concentrated worklessness.** Despite falling unemployment, access to the labour market is low in places, especially in coastal and Thames Gateway Kent and especially among 18-24 year olds.
- **There is a mismatch between employment opportunities and perceptions.** In a demand-led system, we must ensure that demand is well-informed. But frequently, perceptions of many sector opportunities are outdated and inaccurate.
- **Employers do not always have the time to engage.** We need to strengthen the employer voice in the skills system. But in a local economy dominated by small and micro businesses, there is a limit to the amount of time employers can give to informing the skills system.

### Solutions

As part of our Growth Deal, we will put in place measures to create a better-informed skills market by:

- Enabling employers to better participate in informing skills provision;
- Delivering improved information, advice and guidance;
- Developing brokerage and recruitment services to help jobseekers and employers access work;
- Making it easier for young people to access work and training

### The Guild Model: Helping employers to participate in informing skills provision

We will create an infrastructure that enables employers to ensure that provision meets their needs – helping them to shape the content of courses in partnership with colleges and other providers.

We will develop a **'Guild'** model, following our sector-led approach. For each priority sector, we will establish a Guild. Employers and providers within the Guild would work together to give employers greater ownership of planning and delivery of information, advice and guidance for their sector. We have already established a Guild for the hospitality and tourism sector, and we will seek to develop the model for our other priority sectors.

The Guild model is an innovative - and low cost - way of delivering better employer engagement with the skills system. As it proves its value in demonstrating how local employers can articulate their skills demands and translate them into provision, we believe that it could have value as a national pilot. **We therefore ask the Government to work with us in evaluating the early success of the Guild model.**

### Improved information, advice and guidance

We will implement a comprehensive programme to enhance the information, advice and guidance (IAG) activities of schools, colleges, training providers and the National Careers Service whilst bringing together young people and employers more effectively. This will include a significant expansion of the **Kent Choices4u** online portal, providing high quality IAG and labour market information.

### Stronger brokerage services

We will expand the existing **Kent Employment Programme and Employ Medway** into brokerage models, which will include a job matching service. This service will create tailored development plans and progression routes for young people, matching them to jobs based on their capabilities and skills, using the Kent Choices4u platform and linked with our priority growth sectors.

We will explore **new models of engagement** that bring young people and employers together. Building on the work of Youth Employment Zones, this could include short, sharp intervention programmes for 16-24 year olds, getting young people ready for the job market and enabling them to secure a job with training.

### Making it easier for young people to access work and training

We will seek to establish a **Workforce Response Fund**, to be used flexibly to remove barriers for individuals, employers and providers to boost skills, employment and job creation, building on Medway's SUCCESS programme.

Employers, providers and students have also told us that high travel costs remain a barrier to work and learning. We ask Government to consider the **extension of the reduced cost travel by public transport that is currently available to young people under the age of 16 to those aged between 16 and 19.**

### Skills Capital investment

The Local Growth Fund includes an allocation of £330 million in 2015/16 for capital investment in the further and vocational education estate. As part of our Growth Deal, we have considered our priorities for this investment in Kent and Medway.

As set out in the area sections above, in 2015/16, Kent and Medway Economic Partnership will prioritise:

- As part of the **Ashford Growth Package**, the development of the new **Ashford International College**. This will provide a new further education college at the heart of Ashford, with a requirement of £9.5 million
- Expansion of existing facilities at **Swale Skills Centre** in Sittingbourne, with a combined requirement of £1 million

Over the next six years, we will ensure that funding is also prioritised for **Ebbsfleet Garden City** as part of the integrated growth package for Ebbsfleet-Swanscombe – focusing on the wide range of skills that will be required as a result of the proposed Paramount development.

The need for further education provision in **Sittingbourne** – the largest town in Kent without FE provision – will also need to be addressed, as will requirements at Folkestone, Dover and Tunbridge Wells.

***Investment: Skills and employment revenue***

Scheme	Start Date	End Date	Full cost (£m)	LGF funding requirement	Match funding	Jobs	Homes
Enhanced IAG and employability	2015/16	2020/21	5.00	1.50	3.50		
Sector Guild Development	2015/16	2020/21	0.60	0.60	0.00		
Employability Programmes	2015/16	2020/21	2.40	2.40	0.00		
<b>Total</b>			<b>8.00</b>	<b>4.50</b>	<b>3.50</b>	<b>0</b>	<b>0</b>

## Making it happen

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**In Kent and Medway, we have a strong track record of practical delivery, underpinned by a long track record of excellent partnership working between business and local government.**

### Kent and Medway Economic Partnership

Within the overall context of the LEP's Strategic Economic Plan, the Kent and Medway Economic Partnership will be responsible for the delivery of the objectives set out in this Growth Plan. The KMEP Board consists of 11 business representatives, 8 local authority leaders, and 1 representative from each of higher and further education.

The KMEP is an informal partnership. To ensure full accountability for delivery, Kent County Council and Medway Council share the accountable body role, depending on the programme or project. Both authorities have long experience of maintaining accountability for Government-funded, partnership-managed programmes.

### Business voice

Kent and Medway Economic Partnership builds on an excellent track record of partnership between the business and local government. Kent and Medway's **Business Advisory Board** provides a business-led forum, with membership drawn from all key sectors of the economy, with links into local partnerships. This is supported by our sector-focused partnerships and bodies, such as **Kent Developers' Group, Visit Kent and Kent Rural Board**.

### Democratic accountability

Alongside Kent and Medway Economic Partnership, **Kent Council Leaders** provides a forum for full democratic partnership accountability, bringing together the leaders of all 14 local authorities across Kent and Medway.

### Project delivery

Kent County Council and Medway Council have extensive experience and an excellent track record in delivering **major transport schemes**. Most recently, examples include the £87 million East Kent Access road scheme, completed in 2012 and opening up access to Discovery Park, Manston Business Park and wider opportunities in Thanet and Dover. Both highways authorities have wide experience in managing complex and substantial projects in conjunction with developers and other key government agencies – delivering on budget and on time. Kent and Medway Economic Partnership also contains several business members with practical and senior experience in the transport industry, providing strong commercial input alongside democratic accountability.

We also have extensive experience in and capacity to deliver **business growth**. We are currently managing £55 million in Regional Growth Fund investment – delivering among the country's most successful RGF programmes, on track to help create over 10,000 jobs. We are managing the £40 million Broadband Delivery UK programme for Kent and Medway, one of the first in the UK to begin rolling out delivery.

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