



Summons to and  
Agenda for a  
Meeting on  
**Thursday, 24th March,  
2016**  
at **10.00 am**





DEMOCRATIC SERVICES  
SESSIONS HOUSE  
MAIDSTONE

Wednesday, 16 March 2016

To: All Members of the County Council

Please attend the meeting of the County Council in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 24 March 2016 at **10.00 am** to deal with the following business. **The meeting is scheduled to end by 4.30 pm.**

### **Webcasting Notice**

Please note: this meeting may be filmed for the live or subsequent broadcast via the Council's internet site or by any member of the public or press present.

By entering into this room you are consenting to being filmed. If you do not wish to have your image captured please let the Clerk know immediately.

### **Voting at County Council Meetings**

Before a vote is taken the Chairman will announce that a vote is to be taken and the division bell shall be rung for 60 seconds unless the Chairman is satisfied that all Members are present in the Chamber.

**20 seconds** are allowed for electronic voting to take place and the Chairman will announce that the vote has closed and the result.

## **A G E N D A**

1. Apologies for Absence
2. Declarations of Disclosable Pecuniary Interests or Other Significant Interests in items on the agenda
3. Minutes of the meeting held on 11 February 2016 and, if in order, **(Pages 5 - 20)** to be approved as a correct record
4. Visit by 36 Regiment Royal Engineers - Major George Drysdale
5. Chairman's Announcements

6. Questions
7. Report by Leader of the Council (Oral)
8. Business Rate Retention & School Funding Reform **(Pages 21 - 28)**
9. Treasury Management 6 Month Review 2015/16 **(Pages 29 - 40)**
10. Pay Policy Statement 2016/17 **(Pages 41 - 46)**
11. Presentation of the Kent Invicta Award to Graham Clarke
12. Motion for Time Limited Debate  
The referendum on Britain's membership of the European Union

Proposed by Miss Carey    Seconded by Mr Brazier

“This Council congratulates the Government for honouring its manifesto commitment to hold a referendum on the United Kingdom’s membership of the European Union.

We respect that elected Members of the Council may have divergent views but we all have a common interest in ensuring a good turnout at the referendum and, therefore urge all Kent residents to make their votes count in the Referendum on 23 June and especially to encourage those who are not currently registered to vote to do so before the registration deadline of 7 June.”



Peter Sass  
Head of Democratic Services

## KENT COUNTY COUNCIL

---

MINUTES of a meeting of the Kent County Council held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 11 February 2016.

### PRESENT:

Mr M J Harrison (Chairman)  
Mr T Gates (Vice-Chairman)

Mrs A D Allen, MBE, Mr M J Angell, Mr M Baldock, Mr M A C Balfour, Mr R H Bird, Mr H Birkby, Mr N J Bond, Mr A H T Bowles, Mr D L Brazier, Mrs P Brivio, Mr R E Brookbank, Mr L Burgess, Mr C W Caller, Miss S J Carey, Mr P B Carter, CBE, Mr N J D Chard, Mr B E Clark, Mrs P T Cole, Mr G Cooke, Mr G Cowan, Mrs M E Crabtree, Mr A D Crowther, Mrs V J Dagger, Mr D S Daley, Mr M C Dance, Mr J A Davies, Mrs T Dean, MBE, Dr M R Eddy, Mr J Elenor, Mrs M Elenor, Mr G K Gibbens, Mr R W Gough, Mr P M Harman, Ms A Harrison, Mr M Heale, Mr P M Hill, OBE, Mr C P D Hoare, Mrs S V Hohler, Mr S Holden, Mr P J Homewood, Mr E E C Hotson, Mrs S Howes, Mr A J King, MBE, Mr J A Kite, MBE, Mr S J G Koowaree, Mr R A Latchford, OBE, Mr R L H Long, TD, Mr G Lymer, Mr B E MacDowall, Mr T A Maddison, Mr S C Manion, Mr R A Marsh, Mr B Neaves, Mr M J Northey, Mr P J Oakford, Mr J M Ozog, Mr R J Parry, Mr C R Pearman, Mr L B Ridings, MBE, Mrs E D Rowbotham, Mr J E Scholes, Mr T L Shonk, Mr C Simkins, Mr J D Simmonds, MBE, Mr C P Smith, Mr D Smyth, Mrs P A V Stockell, Mr B J Sweetland, Mr A Terry, Mr N S Thandi, Mr R Truelove, Mr M J Vye, Mrs C J Waters, Mr J N Wedgbury, Mrs J Whittle, Mr M E Whybrow, Mr M A Wickham and Mrs Z Wiltshire

IN ATTENDANCE: David Cockburn (Corporate Director Strategic & Corporate Services), Geoff Wild (Director of Governance and Law), Peter Sass (Head of Democratic Services), Amanda Beer (Corporate Director Engagement, Organisation Design & Development), Barbara Cooper (Corporate Director of Growth, Environment and Transport), Lizi Payne (Corporate Accountant), Dave Shipton (Head of Financial Strategy) and Andy Wood (Corporate Director Finance and Procurement)

### UNRESTRICTED ITEMS

#### **57. Apologies for Absence**

The Director of Governance and Law reported apologies from Mr Chittenden, Ms Cribbon, Mr McKenna and Mr Scobie.

#### **58. Declarations of Disclosable Pecuniary Interests or Other Significant Interests in items on the agenda**

None

**59. Minutes of the meeting held on 10 December 2015 and, if in order, to be approved as a correct record**

RESOLVED that the minutes of the meeting held on 10 December 2015 be approved as a correct record.

**60. Chairman's Announcements**

**(a) Dr John Donnellan**

The Chairman stated that it was with regret that he had to inform Members of the sad death of Dr John Donnellan, on Friday 22 January. Dr Donnellan served on Kent County Council for two terms between 1981-1985 and 1989-1993.

Dr Donnellan's funeral would be held on Friday 12 February at 10am at Sacred Heart Catholic Church, West Street, Sittingbourne, to which all were welcome.

Mr Truelove paid tribute to Dr Donnellan

At the end of the tribute all Members stood in silence in memory of Dr Donnellan.

After the one minute silence the Chairman moved and the Vice-Chairman seconded and it was resolved that:

This Council records the sense of loss it feels on the sad passing of Dr Donnellan and extends to his family and friends our heartfelt sympathy to them in their sad bereavement.

**(b) Katie Stewart**

The Chairman introduced Ms Katie Stewart who joined KCC in January 2015, as Deputy Director Economic Development, and began her new role as Director of Environment, Planning and Enforcement on 1 September 2015.

Ms Stewart was invited to introduce herself and briefly set out her role.

**(c) Roger Wilkin**

The Chairman introduced Mr Roger Wilkin who had been interim Director of Highways, Transportation and Waste since February 2015, and was appointed to this role on a permanent basis on 27 January 2016.

Mr Wilkin was was invited to introduce himself and briefly set out his role.

**(d) New Years Honours list**

The Chairman stated that he would like to take this opportunity to formally congratulate all those who had received an Honour in the New Year Honours List 2016, especially those within the County. He made particular mention of Mr Frederick Wood-Brignall former KCC Member, who received an MBE for services to

the community in Lydd and Romney Marsh, and Cllr Peter Fleming, Leader, Sevenoaks District Council and lately Chairman of the Local Government Association's Improvement and Innovation Board, who had received an OBE for services to Local Government.

**(e) Response to time limited debate motions**

*Universal Infant Free School Meals*

The Chairman referred Members to the debate about universal infant free school meals at the October meeting and informed them that the reply from the Prime Minister had been tabled.

*Retaining and recruitment GPs*

In addition, in relation the motion on retaining and recruiting GPs agreed by Council in December, the Chairman referred Members to the tabled response from Mr Gummer, MP, Parliamentary under Secretary of State for Care Quality.

**61. Budget 2016-17 and Medium Term Financial Plan 2016-19 (including Council Tax setting 2016-17)**

(1) The Chairman reminded all Members that any Member of a Local Authority who was liable to pay Council Tax, and who had any unpaid Council Tax amount overdue for at least two months, even if there was an arrangement to pay off the arrears, must declare the fact that they are in arrears and must not cast their vote on anything related to KCC's Budget or Council Tax.

(2) He stated that all Members would have received a letter from the Head of Democratic Services, dated 4 February, setting out the process and order of the budget debate at today's meeting, together with the letter dated 10 February setting out an amended version of the budget motion.

(3) The Chairman moved and the Vice-Chairman seconded that:

"Procedure Rule 1.12(2) be suspended in order that the meeting be extended to 5.00pm if necessary;

Procedure Rule 1.28 be suspended in order that the Leader be allowed to speak for a maximum of 12 minutes, the seconder of the original motion to speak for up to 5 minutes, the Leader of the UKIP, Labour, Liberal Democrat and Independents Groups for 10, 7, 5 and 3 minutes respectively, with the Leader being given a 5 minute right of reply and the Cabinet Members being allowed to speak for up to 3, 4, 5 or 7 minutes each when introducing each Directorate debate; and

Procedure Rule 1.35 be suspended in order for the mover and seconder of the original motion to be permitted to speak on more than one occasion."

*Agreed without a formal vote*

(4) The Chairman then invited Mr Wood, Corporate Director Finance and Procurement, to give a brief presentation on various issues relevant to the budget. As part of this presentation Mr Wood as Section 151 officer confirmed that the budget estimates were robust and the level of reserves adequate, as required by the Local Government Act 2003.

(5) Mr Carter proposed and Mr Simmonds seconded the following motion:

“The County Council is asked to take note of the supplementary summary of the final local government finance settlement, business rate tax base, and collection fund balances by agreeing the following:

- (a) Net revenue budget requirement of £911.050m for 2016-17
- (b) Capital investment proposals of £708.896m over three years from 2016-17 to 2018-19 together with the necessary funding and subject to approval to spend arrangements
- (c) The Treasury Management Strategy as per section 5 of the Medium Term Financial Plan
- (d) Prudential Indicators as set out in Appendix B to the Medium Term Financial Plan
- (e) The Revised Minimum Revenue Provision (MRP) Statement as set out in Appendix C to the Medium Term Financial Plan including the revised policy regarding debt repayment
- (f) The directorate revenue and capital budget proposals as set out in draft Budget Book published on 3rd February (as amended by recommendation g below) and delegate responsibility to Cabinet Members and Corporate Directors to manage the budget within the parameters set out in the Constitution and Financial Regulations
- (g) Revised section 4 of the budget book produced as annex 1 to the supplementary summary and revised entry for “contributions to/from reserves” in section 5 (line 141, page 63) to minus £6,285.5k
- (h) The proposed retention of pension assets and liabilities for the Property LATCo set out in paragraph 2.7
- (i) To increase council tax band rates up to the maximum permitted without a referendum as set out in paragraph 2.5 table 1
- (j) To raise the additional 2% social care precept (£11,205,228 of the precept set out in (m) below)
- (k) The total council tax requirement of £583,181,198 to be raised through precepts on districts as set out in section 2 of the Budget Book

In addition:

- (l) To note that the Cabinet Member for Corporate and Democratic Services will determine the TCP reward thresholds for staff assessed as achieving, achieving above, and outstanding, and to set the recalibration of the pay ranges and minimum reward/increase to the bottom of KR2, within the 2% funding approved
- (m) To delegate authority to the Corporate Director of Finance & Procurement (in consultation with the Deputy Leader/Cabinet Member for Finance & Procurement and the political Group Leaders) to resolve any minor technical issues for the final budget publication which do not materially alter the approved budget or change the net budget requirement
- (n) The changes made in (m) above (including other consequential changes arising from the final local government finance settlement, business rate tax base and



collection fund balances) to be reflected in the final version of the Budget Book and MTFP due to be published in March.”

Amendment 1- Social Care, Health & Wellbeing - Timely discharge from hospital beds.

(6) Mr Maddison proposed and Mrs Howes seconded the following amendment:

“That the £1.25m be used to support the earlier discharge of people from hospital, who are medically fit to leave acute beds, by the purchasing of additional enablement services and any necessary ongoing domiciliary care.

REDUCE: Net debt costs (including investment income) (BB p63, line 144) £500k

INCREASE: Drawdown from reserves (BB p63, line 141) £750k

ADD: Older People (aged 65+) - Commissioned service (BB p43, line 7) £1,250k”

(7) Following the debate the Chairman put to the vote the amendment set out in paragraph (6) above and the voting was as follows:

For (30)

Mr M Baldock, Mr R Bird, Mr H Birkby, Mr N Bond, Mrs P Brivio, Mr L Burgess, Mr C Caller, Mr B Clark, Mr G Cowan, Mr D Daley, Mrs T Dean, Dr M Eddy, Mr P Harman, Ms A Harrison, Mr M Heale, Mr C Hoare, Ms S Howes, Mr G Koowaree, Mr R Latchford, Mr T Maddison, Mr B MacDowall, Mr B Neaves, Mrs E Rowbotham, Mr T Shonk, Mr D Smyth, Mr A Terry, Mr N Thandi, Mr R Truelove, Mr M Vye, Mr M Whybrow.

Against (49)

Mrs A Allen, Mr M Angell, Mr M Balfour, Mr A Bowles, Mr D Brazier, Mr R Brookbank, Miss S Carey, Mr P Carter, Mr N Chard, Mrs P Cole, Mr G Cooke, Mrs M Crabtree, Mr A Crowther, Mrs V Dagger, Mr M Dance, Mr J Davies, Mr J Elenor, Mr T Gates, Mr G Gibbens, Mr R Gough, Mr M Harrison, Mr M Hill, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Mr A King, Mr J Kite, Mr R Long, Mr G Lymer, Mr S Manion, Mr A Marsh, Mr M Northey, Mr P Oakford, Mr J Ozog, Mr R Parry, Mr C Pearman, Mr L Ridings, Mr J Scholes, Mr C Simkins, Mr J Simmonds, Mr C Smith, Mrs P Stockell, Mr B Sweetland, Mrs C Waters, Mr J Wedgbury, Mrs J Whittle, Mr A Wickham, Mrs Z Wiltshire

Abstain (1)

Mrs M Elenor

*Amendment lost*

Amendment 2 - Social Care, Health & Wellbeing – Public Health

(8) Mr Bird proposed and Mrs Dean seconded the following amendment:

'The government wants everyone to be able to make healthier choices, regardless of their circumstances, and to minimise the risk and impact of illness'. To ensure that this is achieved, investment is required to return the following headings as far as possible to their 15/16 levels.

ADD: Children's Public Health Programmes: 0-5 year olds Health Visiting Service (BB p56, line 95) £1,500k

ADD: Obesity and Physical Activity (BB p57, line 98) £250k

ADD: Tobacco Control and Stop Smoking Services (BB p58, line 103) £900k

INCREASE: Drawdown from reserves (BB p63, line 141) £2,650k

\*Current Government Policy on Public Health"

(9) Following the debate the Chairman put to the vote the amendment set out in paragraph (8) above and the voting was as follows:

For (19)

Mr R Bird, Mrs P Brivio, Mr C Caller, Mr B Clark, Mr G Cowan, Mr D Daley, Mrs T Dean, Dr M Eddy, Mr P Harman, Ms A Harrison, Ms S Howes, Mr G Koowaree, Mr T Maddison, Mrs E Rowbotham, Mr D Smyth, Mr N Thandi, Mr R Truelove, Mr M Vye, Mr M Whybrow.

Against (61)

Mrs A Allen, Mr M Angell, Mr M Baldock, Mr M Balfour, Mr H Birkby, Mr N Bond, Mr A Bowles, Mr D Brazier, Mr R Brookbank, Mr L Burgess, Miss S Carey, Mr P Carter, Mr N Chard, Mrs P Cole, Mr G Cooke, Mrs M Crabtree, Mr A Crowther, Mrs V Dagger, Mr M Dance, Mr J Davies, Mr J Elenor, Mrs M Elenor, Mr T Gates, Mr G Gibbens, Mr R Gough, Mr M Harrison, Mr M Heale, Mr M Hill, Mr C Hoare, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Mr A King, Mr J Kite, Mr R Latchford, Mr R Long, Mr G Lymer, Mr B MacDowall, Mr S Manion, Mr A Marsh, Mr B Neaves, Mr M Northey, Mr P Oakford, Mr J Ozog, Mr R Parry, Mr C Pearman, Mr L Ridings, Mr J Scholes, Mr T Shonk, Mr C Simkins, Mr J Simmonds, Mr C Smith, Mrs P Stockell, Mr B Sweetland, Mr A Terry, Mrs C Waters, Mr J Wedgbury, Mrs J Whittle, Mr A Wickham, Mrs Z Wiltshire.

Abstain (0)

*Amendment lost*

*Amendment 3 – Education & Young People - Supported Employment Opportunity*

(10) Mr Cowan proposed and Mr Truelove seconded the following amendment:

"To finance support for up to 250 additional 16 to 24 years olds with multiple barriers to gaining employment, the additional revenue costs to be funded by reduced debt charges arising from delayed capital schemes and from a contribution from reserves.

REDUCE: Net debt costs (including investment income) (BB p63, line 144) £100k

INCREASE: Drawdown from reserves (BB p63, line 141) £400k  
ADD: 14 to 24 year olds (BB p48, line 51) £500k”

(11) Following the debate the Chairman put to the vote the amendment set out in paragraph (10) above and the voting was as follows:

For (30)

Mr M Baldock, Mr R Bird, Mr H Birkby, Mr N Bond, Mrs P Brivio, Mr L Burgess, Mr C Caller, Mr B Clark, Mr G Cowan, Mr D Daley, Mrs T Dean, Dr M Eddy, Mr P Harman, Ms A Harrison, Mr M Heale, Mr C Hoare, Ms S Howes, Mr G Koowaree, Mr R Latchford, Mr B MacDowall, Mr T Maddison, Mr B Neaves, Mrs E Rowbotham, Mr T Shonk, Mr D Smyth, Mr A Terry, Mr N Thandi, Mr R Truelove, Mr M Vye, Mr M Whybrow.

Against (50)

Mrs A Allen, Mr M Angell, Mr M Balfour, Mr A Bowles, Mr D Brazier, Mr R Brookbank, Miss S Carey, Mr P Carter, Mr N Chard, Mrs P Cole, Mr G Cooke, Mrs M Crabtree, Mr A Crowther, Mrs V Dagger, Mr M Dance, Mr J Davies, Mr J Elenor, Mrs M Elenor, Mr T Gates, Mr G Gibbens, Mr R Gough, Mr M Harrison, Mr M Hill, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Mr A King, Mr J Kite, Mr R Long, Mr G Lymer, Mr S Manion, Mr A Marsh, Mr M Northey, Mr P Oakford, Mr J Ozog, Mr R Parry, Mr C Pearman, Mr L Ridings, Mr J Scholes, Mr C Simkins, Mr J Simmonds, Mr C Smith, Mrs P Stockell, Mr B Sweetland, Mrs C Waters, Mr J Wedgbury, Mrs J Whittle, Mr A Wickham, Mrs Z Wiltshire.

Abstain (0)

*Amendment lost*

Amendment 4 - Education & Young People – Children’s Services

(12) Mr Vye proposed and Mrs Dean seconded the following amendment:

“To return levels of expenditure on Early Intervention and Prevention to reduce substantially the number of children who require specialist children’s services.

ADD: Early Intervention & Prevention (BB p48, line 50) £2,750k  
INCREASE: Drawdown from reserves (BB p63, line 141) £2,750k

(13) Following the debate the Chairman put to the vote the amendment set out in paragraph (12) above and the voting was as follows:

For (24)

Mr M Baldock, Mr R Bird, Mr N Bond, Mrs P Brivio, Mr L Burgess, Mr C Caller, Mr B Clark, Mr G Cowan, Mr D Daley, Mrs T Dean, Dr M Eddy, Mr C Hoare, Ms S Howes, Mr G Koowaree, Mr T Maddison, Mr B Neaves, Mrs E Rowbotham, Mr T Shonk, Mr D Smyth, Mr A Terry, Mr N Thandi, Mr R Truelove, Mr M Vye, Mr M Whybrow.

Against (52)

Mrs A Allen, Mr M Angell, Mr M Balfour, Mr H Birkby, Mr A Bowles, Mr R Brookbank, Miss S Carey, Mr P Carter, Mr N Chard, Mr G Cooke, Mrs M Crabtree, Mr A Crowther, Mrs V Dagger, Mr M Dance, Mr J Davies, Mr J Elenor, Mrs M Elenor, Mr T Gates, Mr G Gibbens, Mr R Gough, Mr P Harman, Mr M Harrison, Mr M Hill, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Mr A King, Mr J Kite, Mr R Latchford, Mr R Long, Mr G Lymer, Mr B MacDowall, Mr S Manion, Mr A Marsh, Mr M Northey, Mr P Oakford, Mr J Ozog, Mr R Parry, Mr C Pearman, Mr L Ridings, Mr J Scholes, Mr C Simkins, Mr J Simmonds, Mr C Smith, Mrs P Stockell, Mr B Sweetland, Mrs C Waters, Mr J Wedgbury, Mrs J Whittle, Mr A Wickham, Mrs Z Wiltshire.

Abstain (1)

Mr M Heale

*Amendment lost*

*Amendment 5 - Growth Environment & Transport - Highways general maintenance and emergency response*

(14) Mr Baldock proposed and Mr Latchford seconded the following amendment:

“Increase draw down from reserves (BB page 63, line 141) by £1 million i.e. do not reduce drawdown in the revised motion by the full £5.4 million. Add £1 million into Highways general maintenance and emergency response (BB page 55, line 81).”

(15) Following the debate the Chairman put to the vote the amendment set out in paragraph (14) above and the voting was as follows:

For (28)

Mr R Bird, Mr H Birkby, Mr N Bond, Mrs P Brivio, Mr L Burgess, Mr C Caller, Mr B Clark, Mr G Cowan, Mr D Daley, Mrs T Dean, Dr M Eddy, Mrs M Elenor, Ms A Harrison, Mr M Heale, Mr C Hoare, Ms S Howes, Mr R Latchford, Mr T Maddison, Mr B MacDowall, Mr B Neaves, Mrs E Rowbotham, Mr T Shonk, Mr D Smyth, Mr A Terry, Mr N Thandi, Mr R Truelove, Mr M Vye, Mr M Whybrow.

Against (44)

Mrs A Allen, Mr M Balfour, Mr D Brazier, Mr R Brookbank, Miss S Carey, Mr P Carter, Mr N Chard, Mr G Cooke, Mrs M Crabtree, Mr A Crowther, Mrs V Dagger, Mr M Dance, Mr J Davies, Mr J Elenor, Mr T Gates, Mr G Gibbens, Mr R Gough, Mr P Harman, Mr M Harrison, Mr M Hill, Mrs S Hohler, Mr S Holden, Mr E Hotson, Mr A King, Mr J Kite, Mr R Long, Mr G Lymer, Mr S Manion, Mr M Northey, Mr P Oakford, Mr J Ozog, Mr R Parry, Mr C Pearman, Mr L Ridings, Mr J Scholes, Mr C Simkins, Mr J Simmonds, Mr C Smith, Mrs P Stockell, Mr B Sweetland, Mrs C Waters, Mr J Wedgbury, Mrs J Whittle, Mr A Wickham.

Abstain (1)

Mrs Z Wiltshire

*Amendment lost*

Amendment 6 – Growth Environment & Transport - Flood Risk Management

(16) Dr Eddy proposed and Mr Caller seconded the following amendment:

“To re-instate the proposed saving in order to deliver proactive flood risk management by improving flood resilience and mitigation to reduce risks, the additional revenue being funded by a contribution from reserves.

INCREASE: Drawdown from reserves (BB p63, line 141) £100k  
ADD: Emergency Response & Resilience (including Flood Risk Management) (BB p59, line 106) £100k

(17) Following the debate the Chairman put to the vote the amendment set out in paragraph (16) above and the voting was as follows:

For (29)

Mr M Baldock, Mr N Bond, Mrs P Brivio, Mr L Burgess, Mr C Caller, Mr B Clark, Mr G Cowan, Mr D Daley, Mrs T Dean, Dr M Eddy, Mrs M Elenor, Mr P Harman, Ms A Harrison, Mr M Heale, Mr C Hoare, Ms S Howes, Mr G Koowaree, Mr R Latchford, Mr T Maddison, Mr B MacDowall, Mr B Neaves, Mrs E Rowbotham, Mr T Shonk, Mr D Smyth, Mr A Terry, Mr N Thandi, Mr R Truelove, Mr M Vye, Mr M Whybrow.

Against (47)

Mrs A Allen, Mr M Angell, Mr M Balfour, Mr A Bowles, Mr D Brazier, Mr R Brookbank, Miss S Carey, Mr P Carter, Mr N Chard, Mr G Cooke, Mrs M Crabtree, Mrs V Dagger, Mr M Dance, Mr J Davies, Mr J Elenor, Mr T Gates, Mr G Gibbens, Mr R Gough, Mr M Harrison, Mr M Hill, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Mr A King, Mr J Kite, Mr R Long, Mr G Lymer, Mr S Manion, Mr A Marsh, Mr M Northey, Mr P Oakford, Mr J Ozog, Mr R Parry, Mr C Pearman, Mr L Ridings, Mr J Scholes, Mr C Simkins, Mr J Simmonds, Mr C Smith, Mrs P Stockell, Mr B Sweetland, Mrs C Waters, Mr J Wedgbury, Mrs J Whittle, Mr A Wickham, Mrs Z Wiltshire.

Abstain (3)

Mr R Bird, Mr H Birkby, Mr A Crowther.

*(Mr Bird stated that he had a potential conflict of interest and therefore abstained.)*

*Amendment lost*

Amendment 7 - Growth Environment & Transport - Hardelot Centre.

(18) Mr Birkby proposed and Mr Latchford seconded the following amendment:

“Sell Hardelot Centre. Allocate the estimated net proceeds of circa £250,000 to fund transformation activity which would therefore reduce the amount paid into

transformation reserves (MTFP Page 94). This would enable an additional £250,000 to be put into general reserves or other earmarked reserves.”

(19) Following the debate the Chairman put to the vote the amendment set out in paragraph (18) above and the voting was as follows:

For (12)

Mr M Baldock, Mr H Birkby, Mr N Bond, Mr L Burgess, Mr A Crowther, Mrs M Elenor, Mr C Hoare, Mr R Latchford, Mr B MacDowall, Mr B Neaves, Mr T Shonk, Mr A Terry.

Against (61)

Mrs A Allen, Mr M Angell, Mr M Balfour, Mr A Bowles, Mr D Brazier, Mrs P Brivio, Mr C Caller, Miss S Carey, Mr P Carter, Mr N Chard, Mr B Clark, Mr G Cooke, Mr G Cowan, Mrs M Crabtree, Mrs V Dagger, Mr D Daley, Mr M Dance, Mr J Davies, Dr M Eddy, Mr J Elenor, Mr T Gates, Mr G Gibbens, Mr R Gough, Mr P Harman, Ms A Harrison, Mr M Harrison, Mr M Hill, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Ms S Howes, Mr A King, Mr J Kite, Mr R Long, Mr G Lymer, Mr T Maddison, Mr S Manion, Mr A Marsh, Mr M Northey, Mr P Oakford, Mr J Ozog, Mr R Parry, Mr C Pearman, Mr L Ridings, Mr J Scholes, Mr C Simkins, Mr J Simmonds, Mr C Smith, Mr D Smyth, Mrs P Stockell, Mr B Sweetland, Mr N Thandi, Mr R Truelove, Mr M Vye, Mrs C Waters, Mr J Wedgbury, Mrs J Whittle, Mr M Whybrow, Mr A Wickham, Mrs Z Wiltshire.

Abstain (4)

Mr R Bird, Mr R Brookbank, Mr G Koowaree, Mrs E Rowbotham,

*Amendment lost*

*Amendment 8 - Growth Environment & Transport – Highway Drainage*

(20) Mr Smyth proposed and Mrs Brivio seconded the following amendment:

“To reinvest to part alleviate the demands on our (largely unknown) infrastructure, the additional revenue being funded by a contribution from reserves.

INCREASE: Drawdown from reserves (BB p63, line 141) £500k  
ADD: Highways drainage (BB p55, line 82) £500k”

(21) Following the debate the Chairman put to the vote the amendment set out in paragraph (20) above and the voting was as follows:

For (32)

Mr M Baldock, Mr R Bird, Mr H Birkby, Mr N Bond, Mrs P Brivio, Mr L Burgess, Mr C Caller, Mr B Clark, Mr G Cowan, Mr D Daley, Mrs T Dean, Dr M Eddy, Mrs M Elenor, Mr P Harman, Ms A Harrison, Mr M Heale, Mr C Hoare, Ms S Howes, Mr G Koowaree, Mr R Latchford, Mr B MacDowall, Mr T Maddison, Mr B Neaves, Mrs E

Rowbotham, Mr T Shonk, Mr A Terry, Mr R Truelove, Mr M Vye, Mr D Smyth, Mr N Thandi, Mr M Whybrow, Mrs Z Wiltshire.

Against (47)

Mrs A Allen, Mr M Angell, Mr M Balfour, Mr A Bowles, Mr D Brazier, Mr R Brookbank, Miss S Carey, Mr P Carter, Mr N Chard, Mr G Cooke, Mrs M Crabtree, Mr A Crowther, Mrs V Dagger, Mr M Dance, Mr J Davies, Mr J Elenor, Mr T Gates, Mr G Gibbens, Mr R Gough, Mr M Harrison, Mr M Hill, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Mr A King, Mr J Kite, Mr R Long, Mr G Lymer, Mr S Manion, Mr A Marsh, Mr M Northey, Mr P Oakford, Mr J Ozog, Mr R Parry, Mr C Pearman, Mr L Ridings, Mr J Scholes, Mr C Simkins, Mr J Simmonds, Mr C Smith, Mrs P Stockell, Mr B Sweetland, Mrs C Waters, Mr J Wedgbury, Mrs J Whittle, Mr A Wickham.

Abstain (0)

*Amendment lost*

Amendment 9 - Growth Environment & Transport - Subsidised Bus Services

(22) Mr Baldock proposed and Mr MacDowall seconded the following amendment:

“Remove £500,000 from Contribution to IT asset maintenance reserve (BB page 63, line 140). Add £500,000 to Subsidised Bus Services (BB page 61, line 124).”

(23) Following the debate the Chairman put to the vote the amendment set out in paragraph (22) above and the voting was as follows:

For (16)

Mr M Baldock, Mr H Birkby, Mr N Bond, Mrs P Brivio, Mr L Burgess, Mr A Crowther, Mr G Cowan, Mrs M Elenor, Mr M Heale, Mr C Hoare, Mr R Latchford, Mr B MacDowall, Mr B Neaves, Mr T Shonk, Mr A Terry, Mr R Truelove.

Against (59)

Mrs A Allen, Mr M Angell, Mr M Balfour, Mr R Bird, Mr A Bowles, Mr D Brazier, Mr R Brookbank, Miss S Carey, Mr P Carter, Mr N Chard, Mr B Clark, Mr G Cooke, Mrs M Crabtree, Mrs V Dagger, Mr D Daley, Mr M Dance, Mr J Davies, Mrs T Dean, Dr M Eddy, Mr J Elenor, Mr T Gates, Mr G Gibbens, Mr R Gough, Mr P Harman, Ms A Harrison, Mr M Harrison, Mr M Hill, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Ms S Howes, Mr A King, Mr J Kite, Mr R Long, Mr G Lymer, Mr T Maddison, Mr S Manion, Mr A Marsh, Mr M Northey, Mr P Oakford, Mr J Ozog, Mr R Parry, Mr C Pearman, Mr L Ridings, Mrs E Rowbotham, Mr J Scholes, Mr C Simkins, Mr J Simmonds, Mr C Smith, Mr D Smyth, Mrs P Stockell, Mr B Sweetland, Mr N Thandi, Mrs C Waters, Mr J Wedgbury, Mrs J Whittle, Mr M Whybrow, Mr A Wickham.

Abstain (4)

Mr C Caller, Mr G Koowaree, Mr M Vye, Mrs Z Wiltshire.

Amendment lost

Amendment 10 - Growth Environment & Transport – Highways Maintenance

(24) Mr Caller proposed and Mr Thandi seconded the following amendment:

“To reinvest in the revenue budget to ensure that Kent Highways continue to focus on a proactive management approach, the additional revenue being funded by a contribution from reserves.

INCREASE: Drawdown from reserves (BB p63, line 141) £500k  
ADD: General maintenance and emergency response (BB p55, line 81) £500k”

(25) Following the debate the Chairman put to the vote the amendment set out in paragraph (24) above and the voting was as follows:

For (31)

Mr M Baldock, Mr R Bird, Mr H Birkby, Mrs P Brivio, Mr N Bond, Mr L Burgess, Mr C Caller, Mr B Clark, Mr G Cowan, Mr D Daley, Mrs T Dean, Dr M Eddy, Mrs M Elenor, Mr M Heale, Ms A Harrison, Mr C Hoare, Ms S Howes, Mr G Koowaree, Mr R Latchford, Mr B MacDowall, Mr T Maddison, Mr B Neaves, Mrs E Rowbotham, Mr T Shonk, Mr D Smyth, Mr A Terry, Mr N Thandi, Mr R Truelove, Mr M Vye, Mr M Whybrow, Mrs Z Wiltshire.

Against (47)

Mrs A Allen, Mr M Angell, Mr M Balfour, Mr A Bowles, Mr D Brazier, Mr R Brookbank, Miss S Carey, Mr P Carter, Mr N Chard, Mr G Cooke, Mrs M Crabtree, Mrs V Dagger, Mr M Dance, Mr J Davies, Mr J Elenor, Mr T Gates, Mr G Gibbens, Mr R Gough, Mr P Harman, Mr M Harrison, Mr M Hill, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Mr A King, Mr J Kite, Mr R Long, Mr G Lymer, Mr S Manion, Mr A Marsh, Mr M Northey, Mr P Oakford, Mr J Ozog, Mr R Parry, Mr C Pearman, Mr L Ridings, Mr J Scholes, Mr C Simkins, Mr J Simmonds, Mr C Smith, Mrs P Stockell, Mr B Sweetland, Mrs C Waters, Mr J Wedgbury, Mrs J Whittle, Mr A Wickham.

Abstain (1)

Mr A Crowther.

Amendment lost

Amendment 11- Strategic & Corporate Services - Members Community Grants

(26) Mr Baldock proposed and Mr Latchford seconded the following amendment:



“Increase draw down from reserves (BB page 63, line 141) by £420,000 i.e. do not reduce drawdown in the revised motion by the full £5.4m. Add £420,000 into Members Community Grants (BB page 55, line 91).”

(27) Following the debate the Chairman put to the vote the amendment set out in paragraph (26) above and the voting was as follows:

For (21)

Mr M Baldock, Mr R Bird, Mr H Birkby, Mr N Bond, Mr L Burgess, Mr B Clark, Mr A Crowther, Mrs T Dean, Mrs M Elenor, Mr P Harman, Mr M Heale, Mr C Hoare, Mr G Koowaree, Mr R Latchford, Mr B MacDowall, Mr B Neaves, Mr A Terry, Mr T Shonk, Mr M Vye, Mr M Whybrow, Mrs Z Wiltshire.

Against (58)

Mrs A Allen, Mr M Angell, Mr M Balfour, Mr A Bowles, Mr D Brazier, Mrs P Brivio, Mr R Brookbank, Mr C Caller, Miss S Carey, Mr P Carter, Mr N Chard, Mr G Cooke, Mr G Cowan, Mrs M Crabtree, Mrs V Dagger, Mr D Daley, Mr M Dance, Mr J Davies, Dr M Eddy, Mr J Elenor, Mr T Gates, Mr G Gibbens, Mr R Gough, Ms A Harrison, Mr M Harrison, Mr M Hill, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Ms S Howes, Mr A King, Mr J Kite, Mr R Long, Mr G Lymer, Mr T Maddison, Mr S Manion, Mr A Marsh, Mr M Northey, Mr P Oakford, Mr J Ozog, Mr R Parry, Mr C Pearman, Mr L Ridings, Mrs E Rowbotham, Mr J Scholes, Mr C Simkins, Mr J Simmonds, Mr C Smith, Mr D Smyth, Mrs P Stockell, Mr B Sweetland, Mr N Thandi, Mr R Truelove, Mrs C Waters, Mr J Wedgbury, Mrs J Whittle, Mr A Wickham.

Abstain (0)

*Amendment lost*

Amendment 12 - Cross Cutting - Road Safety

(28) Mr MacDowall proposed and Mr Baldock seconded the following amendment:

“Remove £300,000 from Communications, Consultation and Engagement (BB page 65, line 162). Add £300,000 to Road Safety (BB page 55, line 86).”

(29) Following the debate the Chairman put to the vote the amendment set out in paragraph (28) above and the voting was as follows:

For (13)

Mr M Baldock, Mr N Bond, Mr L Burgess, Mr A Crowther, Mrs M Elenor, Mr M Heale, Mr C Hoare, Mr B MacDowall, Mr B Neaves, Mr T Shonk, Mr A Terry, Mr M Whybrow, Mrs Z Wiltshire.

Against (60)

Mrs A Allen, Mr M Angell, Mr M Balfour, Mr R Bird, Mr A Bowles, Mr D Brazier, Mrs P Brivio, Mr R Brookbank, Mr C Caller, Miss S Carey, Mr P Carter, Mr N Chard, Mr B

Clark, Mr G Cooke, Mr G Cowan, Mrs M Crabtree, Mrs V Dagger, Mr D Daley, Mr M Dance, Mr J Davies, Dr M Eddy, Mr J Elenor, Mr T Gates, Mr G Gibbens, Mr R Gough, Mr P Harman, Ms A Harrison, Mr M Harrison, Mr M Hill, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Ms S Howes, Mr A King, Mr J Kite, Mr R Long, Mr G Lymer, Mr T Maddison, Mr S Manion, Mr A Marsh, Mr M Northey, Mr P Oakford, Mr J Ozog, Mr R Parry, Mr C Pearman, Mr L Ridings, Mr J Scholes, Mr C Simkins, Mr J Simmonds, Mr C Smith, Mr D Smyth, Mrs P Stockell, Mr B Sweetland, Mr N Thandi, Mr R Truelove, Mrs C Waters, Mr J Wedgbury, Mrs J Whittle, Mr A Wickham.

Abstain (4)

Mr H Birkby, Mr G Koowaree, Mrs E Rowbotham, Mr M Vye.

*Amendment lost*

*Amendment 13 - Cross Cutting - Local Member Grants*

(30) Mr Shonk proposed and Mr Baldock seconded the following amendment:

“Remove £168,000 from Arts & Culture Development (BB page 50, line 66). Add £168,000 to Local Member Grants (BB page 55, line 91).”

(31) The Chairman put to the vote the amendment set out in paragraph (30) above and the voting was as follows:

For (16)

Mr M Baldock, Mr H Birkby, Mr N Bond, Mr L Burgess, Mr A Crowther, Mrs M Elenor, Mr P Harman, Mr M Heale, Mr C Hoare, Mr G Koowaree, Mr R Latchford, Mr B MacDowall, Mr B Neaves, Mr T Shonk, Mr A Terry, Mr M Vye.

Against (62)

Mrs A Allen, Mr M Angell, Mr M Balfour, Mr R Bird, Mr A Bowles, Mr D Brazier, Mrs P Brivio, Mr R Brookbank, Mr C Caller, Miss S Carey, Mr P Carter, Mr N Chard, Mr B Clark, Mr G Cooke, Mr G Cowan, Mrs M Crabtree, Mrs V Dagger, Mr D Daley, Mr M Dance, Mr J Davies, Mrs T Dean, Dr M Eddy, Mr J Elenor, Mr T Gates, Mr G Gibbens, Mr R Gough, Ms A Harrison, Mr M Harrison, Mr M Hill, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Ms S Howes, Mr A King, Mr J Kite, Mr R Long, Mr G Lymer, Mr T Maddison, Mr S Manion, Mr A Marsh, Mr M Northey, Mr P Oakford, Mr J Ozog, Mr R Parry, Mr C Pearman, Mr L Ridings, Mrs E Rowbotham, Mr J Scholes, Mr C Simkins, Mr J Simmonds, Mr C Smith, Mr D Smyth, Mrs P Stockell, Mr B Sweetland, Mr N Thandi, Mr R Truelove, Mrs C Waters, Mr J Wedgbury, Mrs J Whittle, Mr M Whybrow, Mr A Wickham.

Abstain (1)

Mrs Z Wiltshire.

*Amendment lost*

(31) Mr Baldock with the consent of his seconder formally withdrew Amendment No 14 (Sports and Physical Activity – Member Grants).

(32) As all of the amendments had either been determined or withdrawn, the Chairman put to the vote the original Motion as set out in paragraph (5) above and the voting was as follows:

For (50)

Mrs A Allen, Mr M Angell, Mr M Balfour, Mr A Bowles, Mr D Brazier, Mr R Brookbank, Miss S Carey, Mr P Carter, Mr N Chard, Mr G Cooke, Mrs M Crabtree, Mr A Crowther, Mrs V Dagger, Mr M Dance, Mr J Davies, Mr J Elenor, Mrs M Elenor, Mr T Gates, Mr G Gibbens, Mr R Gough, Mr P Harman, Mr M Harrison, Mr M Hill, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Mr A King, Mr J Kite, Mr R Long, Mr G Lymer, Mr S Manion, Mr A Marsh, Mr M Northey, Mr P Oakford, Mr J Ozog, Mr R Parry, Mr C Pearman, Mr L Ridings, Mr J Scholes, Mr C Simkins, Mr J Simmonds, Mr C Smith, Mrs P Stockell, Mr B Sweetland, Mrs C Waters, Mr J Wedgbury, Mrs J Whittle, Mr A Wickham, Mrs Z Wiltshire.

Against (28)

Mr M Baldock, Mr H Birkby, Mr R Bird, Mr N Bond, Mrs P Brivio, Mr L Burgess, Mr C Caller, Mr B Clark, Mr G Cowan, Mr D Daley, Mrs T Dean, Dr M Eddy, Ms A Harrison, Mr M Heale, Mr C Hoare, Ms S Howes, Mr R Latchford, Mr B MacDowall, Mr T Maddison, Mr B Neaves, Mrs E Rowbotham, Mr T Shonk, Mr D Smyth, Mr A Terry, Mr N Thandi, Mr R Truelove, Mr M Vye, Mr M Whybrow.

Abstain (1)

Mr G Koowaree.

*Motion carried*

(32) RESOLVED that

- (i) the County Council note the supplementary summary of the final local government finance settlement, business rate tax base, and collection fund balances by approving the following:
  - (a) Net revenue budget requirement of £911.050m for 2016-17
  - (b) Capital investment proposals of £708.896m over three years from 2016-17 to 2018-19 together with the necessary funding and subject to approval to spend arrangements
  - (c) The Treasury Management Strategy as per section 5 of the Medium Term Financial Plan
  - (d) Prudential Indicators as set out in Appendix B to the Medium Term Financial Plan
  - (e) The Revised Minimum Revenue Provision (MRP) Statement as set out in Appendix C to the Medium Term Financial Plan including the revised policy regarding debt repayment
  - (f) The directorate revenue and capital budget proposals as set out in draft Budget Book published on 3<sup>rd</sup> February (as amended by recommendation g below) and delegate responsibility to Cabinet Members and Corporate Directors

to manage the budget within the parameters set out in the Constitution and Financial Regulations

- (g) Revised section 4 of the budget book produced as annex 1 to the supplementary summary and revised entry for “contributions to/from reserves” in section 5 (line 141, page 63) to minus £6,285.5k
  - (h) The proposed retention of pension assets and liabilities for the Property LATCo set out in paragraph 2.7 in the report
  - (i) To increase council tax band rates up to the maximum permitted without a referendum as set out in paragraph 2.5 table 1 in the report
  - (j) To raise the additional 2% social care precept (£11,205,228 of the precept set out in (iii) below)
  - (k) The total council tax requirement of £583,181,198 to be raised through precepts on districts as set out in section 2 of the Budget Book
- (ii) it be noted that the Cabinet Member for Corporate and Democratic Services will determine the TCP reward thresholds for staff assessed as achieving, achieving above, and outstanding, and to set the recalibration of the pay ranges and minimum reward/increase to the bottom of KR2, within the 2% funding approved
  - (iii) authority be delegate to the Corporate Director of Finance & Procurement (in consultation with the Deputy Leader/Cabinet Member for Finance & Procurement and the political Group Leaders) to resolve any minor technical issues for the final budget publication which do not materially alter the approved budget or change the net budget requirement
  - (iv) the changes made in (iii) above (including other consequential changes arising from the final local government finance settlement, business rate tax base and collection fund balances) to be reflected in the final version of the Budget Book and MTFP due to be published in March
  - (v) the financial outlook for 2017-18 and 2018-19 with further anticipated funding reductions and spending demands necessitating additional savings the vast majority of which are yet to be identified be noted.

From: Paul Carter, Leader of the Council  
John Simmonds, Cabinet Member for Finance &  
Procurement and Deputy Leader

To: County Council – 24<sup>th</sup> March 2016

Subject: Business Rate Retention & School Funding Reform

Classification: Unrestricted

**Summary:**

This report, together with a presentation on the day, explores the major implications of the announcement in the Autumn Statement of changes to local government funding arrangements over the next 4 years through 100% business rate retention. The report discusses how the new arrangements will differ from existing arrangements, and the possible options for further devolution of responsibilities to local government. Kent County Council has an opportunity to influence and subsequently change the business rate retention proposals as they emerge. This report and presentation are aimed at raising awareness and prompting debate to help shape our contribution towards the development of the new arrangements both through representative working groups and consultation anticipated over the next few months (and years).

Reforms to the funding formula for schools are also being consulted on. This is a welcome opportunity to address the long-standing inconsistencies in funding per pupil across the Country and specifically the relative under-funding of Kent Schools. This report, together with a presentation on the day, highlights the aims of the reforms and the principles being consulted on.

**1. Introduction**

- 1.1 In the Autumn Statement in November the Government confirmed that by the end of the current Parliament local government will retain 100% of business rate revenues to fund local services. They say this move would allow local authorities to retain direct control over an anticipated £26bn from business rates revenues, approximately £13bn of which is currently pooled centrally before being redistributed to local authorities in the form of un-ring-fenced grants, principally the Revenue Support Grant (RSG). The total Business Rate tax base for Kent is £550m. In advance of the new arrangements the existing Revenue Support Grant will be phased out and the new arrangements will require the transfer of approximately £13bn of new responsibilities. The presentation on the day will provide a more detailed explanation of this significant issue.
- 1.2 The system of tariffs and top-ups which redistributes business rates proceeds from high wealth/low needs areas to low wealth/high needs areas will need to be reviewed. This will be a hugely important factor in the distribution mechanism, and again, will be covered in more detail in the presentation at this Council meeting.

- 1.3 Local authorities will also have the ability to reduce rates in order to attract new businesses. Elected Mayors (for those areas that have created combined authorities) would have the ability to levy a premium on business rates to pay for new infrastructure provided this levy is supported by the Local Enterprise Partnership.
- 1.4 The methodology to be used in Business Rate devolution is not yet established and we have an opportunity to influence this. Central government are expecting all sectors of local government to come up with fair and sensible proposals to allocate the devolved Business Rates. Quoting from the published minutes of the LGA Councillors' Forum on 21st January, "The Secretary of State [Greg Clark, MP] invited the LGA and councillors to propose how they would manage the retention of business rates, seeking agreement on this with the intention of recommending the proposals to government. If no proposals were made, the Secretary of State would produce a plan."
- 1.5 There are far more unknowns than knowns about the new arrangements and all manner of practical considerations which we can only speculate about at this stage. These include (amongst many other issues):
- Which additional functions will be devolved to local authorities
  - How the needs led baseline will be set in order to inform tariffs and top-ups
  - How business rates revenues will be split in two tier areas
  - How business rate reductions will operate
  - How the unpredictable volatility in business rates (e.g. when businesses open/ cease or move between areas) proceeds at a local level may or may not be cushioned
  - Impact of revaluations and outstanding appeals
- These issues will be discussed further in the presentation to County Council on 24<sup>th</sup> March.
- 1.6 In March the Government also announced a consultation on reforms to the funding formula for schools. Under the current system, funding per pupil is severely inconsistent across local authorities for a range of historical reasons.
- 1.7 Central Government has stated that the aim of these reforms is to tackle the wide variation in funding per pupil between local authorities and individual schools with similar needs. The consultation proposes three fundamental principles:
- i) DSG funding should be allocated fairly and straight to the frontline
  - ii) Funding should be matched to need so that the higher the need the greater the funding
  - iii) Transition to the new system should be manageable
- These principles will also be explored further in the presentation on 24<sup>th</sup> March.

## **2. Business Rates Framework**

- 2.1 The current legislative framework for universal business rates was introduced in 1990. It replaced the previous system of non-domestic rates which were controlled and set by individual local authorities. By law all of the proceeds from business rates have to be used to fund local services.
- 2.2 Business rates are a tax levied on all commercial properties. Business rates are based on a rateable value (assumed market rental set by the Valuation Office Agency) multiplied by national multiplier (rate in the £ set by government), less any business rate relief (determined by the local council). Rateable values are reassessed every 5 years, although the review scheduled for 2015 has been deferred until 2017.
- 2.3 Business rates for most properties are collected by local councils, districts in two tier areas. Properties for major transport, utility and telecommunications undertakings and cross-country pipelines are on a separate central list and collected directly by Government.

## **3. The Current Local Government Funding Arrangements**

- 3.1 The current arrangements were introduced in 2013/14 and allow local authorities to retain 50% of the business rates raised locally (in Kent and other two-tier areas this is split: 40% to Districts, 9% to Counties and 1% to Fire Authorities, where they are separate). The remaining 50% (approximately £13bn) is pooled centrally and redistributed to local authorities in the form of un-ring-fenced grants, principally the Revenue Support Grant (RSG). This redistribution is intended to transfer resources from high wealth/low needs areas to low wealth/high needs areas. This principle of redistribution has underpinned local authority funding for a very long time.
- 3.2 A number of specific ring-fenced grants are also allocated to local authorities to manage on behalf of central government. These funds have to be spent in accordance with the conditions applied to the individual grants. By far the most significant of these specific grants is the Dedicated Schools Grant (DSG) which funds schools' delegated budgets and a limited range of local authority for schools/individual children. The potential changes to DSG are considered later in this report. A full list of all un-ring-fenced and ring-fenced grants was included as an appendix to the County Council budget paper in February.
- 3.3 The presentation to County Council will provide a pictorial representation and detailed explanation of how the current system works. This will provide a reasonable exemplar of how the new arrangements might work through 100% business rate retention adjusted by tariffs and top-ups.

#### 4. The New Arrangements for Local Authority Funding

4.1 Table 1 below sets out the illustrative core spending power over the next four years for Kent County Council, as set out in the Final Settlement on 8th February 2016. This shows the £5.7m Transition Grant that we will receive in each of 2016/17 and 2017/18. The expansion of the Better Care Fund, which starts in 2017/18 but really ramps up in 2018/19, is welcomed and we do not anticipate the transfer of any additional responsibilities to come alongside this, other than to continue to strive for better integration with Health. These figures do not include the full devolution of business rates.

Table 1

	2015-16 £ millions	2016-17 £ millions	2017-18 £ millions	2018-19 £ millions	2019-20 £ millions
Settlement Funding Assessment	340.0	283.4	241.8	218.2	195.8
Council Tax of which:	549.0	577.2	609.7	644.6	682.2
<i>Council Tax Requirement excluding parish precepts (including base growth and levels increasing by CPI)</i>	549.0	566.0	586.3	608.0	631.1
<i>Additional revenue from referendum principle for social care</i>	-	11.2	23.3	36.6	51.1
Improved Better Care Fund	-	-	0.3	17.5	33.7
New Homes Bonus	7.9	9.3	9.4	5.9	5.6
Transition Grant	-	5.7	5.7	-	-
<b>Core Spending Power</b>	<b>896.9</b>	<b>875.5</b>	<b>866.8</b>	<b>886.2</b>	<b>917.3</b>
Change over the Spending Review period (£ millions)					20.4
Change over the Spending Review period (% change)					2.3%

4.2 Central Government offered the option of a four-year settlement in the Provisional Settlement announcement on 17<sup>th</sup> December, to provide funding certainty and stability for local authorities. We will decide over the coming weeks whether or not to take up the offer of a four-year settlement.

4.3 As can be seen from Table 1 above, we have an indicative resource allocation for the next four years. The transition grant was introduced as a temporary funding stream pending a needs-led assessment of funding distribution. It is likely that that full needs-led basis of funding will be introduced alongside full devolution of business rates. This leaves 2018/19 figures in question.

4.4 What happens beyond 2019/20 will be very much dependent on business rate growth and how that pans out across the Country. The presentation to County Council will give some 'what if' scenarios and will highlight the main opportunities and risks. The obvious opportunities are the potential for growth in the Thames Gateway and Thanet. A couple of more obvious risks would be the cost of the new devolved responsibilities exceeding devolved funding and how those areas of the Country that do not see Business Rate growth are financially supported through top-up arrangements.



- 4.5 Allowing local authorities to retain 100% of business rates will not replace the RSG which is being phased out. Local authorities will have to find alternative sources of funding to replace the RSG being lost or reduce spending.
- 4.6 When the new arrangements are introduced, the additional business rate revenues will be matched by the devolution of additional responsibilities. Much of the debate will revolve around which responsibilities should be devolved to local authorities. The Spending Review suggested these could include the administration of housing benefits for pensioners, attendance allowance (payments to people aged 65 or over with mental or physical disabilities to help with personal care), and public health. The Spending Review confirmed that the government will consult on the devolution of these and other additional responsibilities during 2016. It is essential that consultation about these responsibilities is concluded before a debate about needs-led baseline which would be needed to inform redistribution through tariffs and top-ups. For example, the needs-led baseline would need some different factors included if public health was devolved, compared to those that would be needed if responsibility for the Care Act was devolved.
- 4.7 However, it is important not to focus purely on the new devolved responsibilities, but also the core services that need to be part-funded by the Business Rates. These include social care, maintaining the road network, and the mortgage that we have taken out to fund school places and roads. The presentation to Members will suggest some key factors that need to be considered in the needs-led formula, such as the differing impact of an ageing population in shire counties compared to inner cities.
- 4.8 Another important aspect of the devolution discussion is whether there is any correlation between the additional responsibilities and business rates. There is a significant risk that these prove to be incompatible and authorities with the most scope to raise additional business rates are not the same as those authorities with the highest spending on the additional devolved responsibilities. Whilst there is a clear correlation between a property based tax such as business rates and infrastructure and/or services which benefit the whole community, the link is less clear for services provided to individual residents such as social care, health or welfare services. Local authorities could find that demand-led functions are devolved (with a trajectory of rising demand) which cannot be matched by local business rates receipts.
- 4.9 To mitigate this risk there will need to be a debate about the needs-led baseline used to determine tariffs and top-ups. **This is a real opportunity to influence the debate and it is essential that the County Council engages fully in this debate to ensure our needs are fully reflected (we have long argued that previous redistribution mechanisms favoured metropolitan cities, especially Inner London).** The debate will also need to consider how often baselines should be reset.

## 5. Schools Funding

- 5.1 The Government has announced the first of two stages of consultation about improvements to the schools funding arrangements through the Dedicated Schools Grant (DSG). The first stage concerns the fundamental principles upon which DSG should be based, the second stage (date as yet unknown) will relate to the formula methodology and weightings used to determine individual authority allocations.
- 5.2 DSG is a specific government grant established in 2006/07. Effectively it took the decision over how much to spend on schools and school related services out of the hands of local authorities (previously funding for schools had been part of the overall Formula Grant and local authorities determined how much was spent on schools). However, the way DSG has evolved has meant that by and large the amount each authority receives per pupil is still inextricably linked to their decisions about spending and delegation levels taken by individual authorities prior to 2006/07.
- 5.3 In 2013/14 new arrangements for the calculation of DSG were introduced which allocated funding into three blocks: schools, early years and high needs. Nationally, the schools block ranges from £4,166 per pupil to £8,587 per pupil; Kent's rate per pupil is £4,383 and the national average is £4,636. More background information on this will be included in the presentation to County Council.
- 5.4 There have been a number of attempts over the years to address the inconsistency in school funding between local authorities, including in the early 2000s when the changes drove numerous schools into deficit. In 2015/16 an additional £390m was allocated to boost 69 of the least fairly funded areas in the country. Despite the figures outlined in paragraph 5.3 above, Kent was not one of the 69 authorities receiving additional funding.
- 5.5 The F40, which represents forty of the the lowest funded education authorities in England, has said that the consultation "signals an end to the current unfair system, which has lasted for decades" and that the reforms "will ensure every school and local area, no matter where they are in the country, is funded fairly – according to pupil need rather than the oddities of history."
- 5.6 The recently launched consultation proposes that the move to a national formula would happen in 2019/20, with the schools block ring-fenced in the meantime and a new local authority services block created from 2017/18. The high needs block will also be ring-fenced and the early years block will be reviewed "later in the year".
- 5.7 The consultation proposes three fundamental principles:
- i) DSG funding should be allocated fairly and straight to the frontline
  - ii) Funding should be matched to need so that the higher the need the greater the funding
  - iii) Transition to the new system should be manageable

5.8 Government has stated that its aim from the reforms is to tackle the wide variation in funding per pupil between local authorities and individual schools with similar needs. Ultimately the aim is to develop a single national formula for schools, removing the role of local authorities from determining school funding. Funding for pupils with high needs would continue to be allocated at authority level with local authorities deciding on local levels of provision and special needs support for individual children and young people.

## **6. Conclusions**

6.1 The underlying principle of 100% business rate retention seems sound. The local government funding system has become ever more complex and as a consequence ever more opaque. It was built on the principle of needs-led redistribution of resources. It is essential that the County Council fully engages in the development of appropriate needs led redistribution under the new arrangements, however, it is also essential that we know which functions will be devolved in order to properly assess needs. If the intention of 100% business rate retention is to empower and encourage local authorities to promote business growth there is a risk that this could prove incompatible with a needs led redistribution. This risk needs to be carefully managed.

6.2 We will also need to be aware the extent to which the new system is subject to central control or whether it will be accompanied by genuine devolution leaving local authorities responsible to find local solutions to local issues within the resources. There is a risk that without some central controls and needs led redistribution it could cause a greater divide between wealthier and poorer areas. However, as already identify these controls and redistribution can themselves cause complexity and lack of focus on outcomes.

6.3 We need to respond to the consultation on schools funding to clearly set out our expectations of the changes to the Dedicated Schools Grant.

## **7. Recommendations**

### **Recommendations:**

Members are asked to note this report and the presentations on the day and discuss how the Council can best influence the outcomes of what will be a hugely significant change to local government funding.

## **8. Background Documents**

- 8.1 The Chancellor of the Exchequer's Spending Review and Autumn Statement on 25<sup>th</sup> November 2015  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/479749/52229\\_Blue\\_Book\\_PU1865\\_Web\\_Accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU1865_Web_Accessible.pdf)
- 8.2 The provisional Local Government Finance Settlement 2016-17 announced on 17th December 2015  
<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2016-to-2017>
- 8.3. The final Local Government Finance Settlement 2016-17 announced on 8<sup>th</sup> February 2016  
<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2016-to-2017>
- 8.4 KCC's Medium Term Financial Plan 2016-19  
[http://www.kent.gov.uk/\\_data/assets/pdf\\_file/0008/52991/Draft-medium-term-financial-plan-2016-19.pdf](http://www.kent.gov.uk/_data/assets/pdf_file/0008/52991/Draft-medium-term-financial-plan-2016-19.pdf)

## **9. Contact details**

### Report Author

- Dave Shipton
- 03000 419418
- dave.shipton@kent.gov.uk

### Relevant Corporate Director:

- Andy Wood
- 03000 416854
- andy.wood@kent.gov.uk

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

To: County Council – 24 March 2016

Subject: **TREASURY MANAGEMENT 6 MONTH REVIEW 2015/16**

Classification: Unrestricted

---

Summary: To present the Treasury Management 6 Month Review.

---

## **FOR INFORMATION**

---

### **INTRODUCTION**

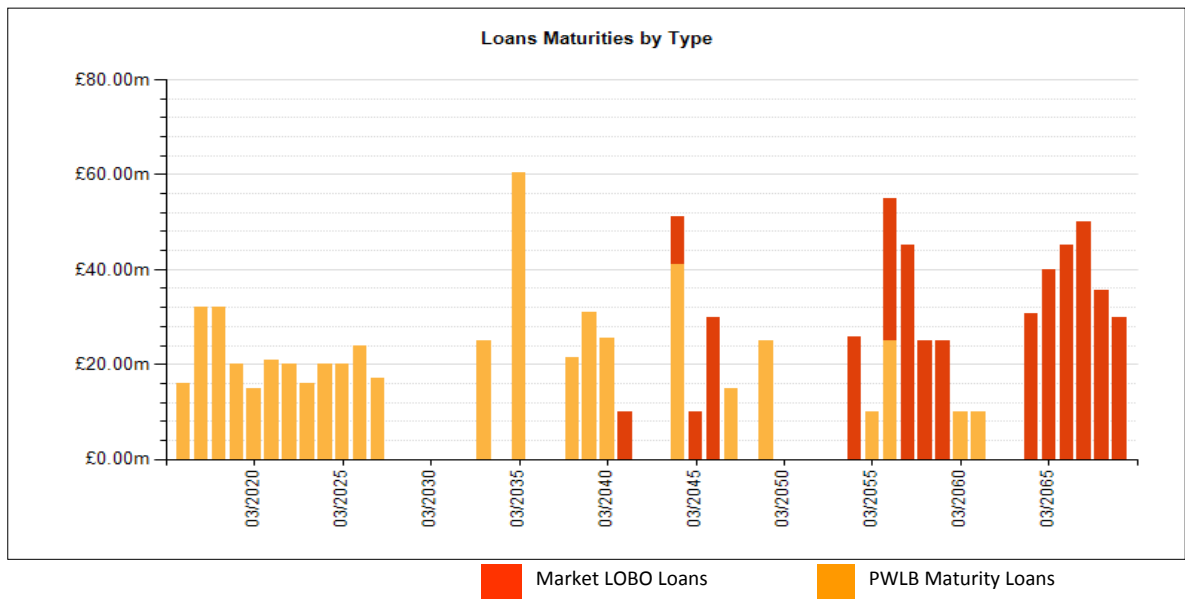
1. This report covers Treasury Management activity for the 6 months to 30 September 2015 and developments in the period since up to the date of this report.

### **BACKGROUND**

2. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.
3. Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
4. The Council has both borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.
5. Although formally this report is to 30 September it covers developments in the period since up to the date of this report.

### **BORROWING STRATEGY**

6. At 30 November the Council had long term borrowings of £994.08m, an increase of £10m from the balance as at 31 March 2015, with a maturity profile as follows:



7. Total external debt managed by KCC includes £38.2m pre-LGR debt managed by KCC on behalf of Medway Council and £2.3million for other bodies.
8. The Council’s chief objective when borrowing continues to be to consider borrowing at advantageous points in interest rate cycles as well as striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority’s long-term plans change being a secondary objective.
9. In April, given concerns regarding the likely outcome of the UK general election and possible impact on the UK financial market as well as uncertainty over the future for Greece in the EU, the decision was made given the availability of advantageous rates from the PWLB for long term fixed rate maturity loans, to borrow £25m for 40 years from the PWLB at a fixed rate of 3.16%. Subsequently KCC has repaid £15m of maturing PWLB loans and expects to repay a further £16m by 31 March 2016. It does not expect to undertake further borrowing during 2015/16.
10. The average interest rate payable on the Council’s debt portfolio reduced slightly from 5.51% to 5.311%.
11. Affordability and the “cost of carry” remain important influences on the Council’s borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Council has determined it is more cost effective in the short-term to use internal resources instead.
12. The benefits of internal borrowing are monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-

term borrowing rates are forecast to rise. The Council's Treasury Advisor, Arlingclose, assists it with this 'cost of carry' and breakeven analysis.

13. The Council holds £441.8m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. To date no lender has exercised an option.

## **INVESTMENT ACTIVITY**

### **Counterparty Update**

14. With assistance from Arlingclose counterparty credit quality continues to be assessed and monitored.
15. All three credit ratings agencies (Moody's, S&P and Fitch) have reviewed their ratings in the first six months to reflect the loss of government support for most financial institutions and the potential for varying loss given defaults as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions on the KCC approved counterparty list have seen their credit ratings upgraded due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.
16. In August duration limits were increased for some UK and European banks, and building societies based on advice from Arlingclose. Those for Close Brothers, Coventry BS, Nationwide BS and Santander UK were increased to 6 months from 100 days and Bank of Scotland, HSBC Bank, Lloyds Bank and Svenska Handelsbanken increased to 13 months from 6 months. The limit for Barclays was unchanged while RBS / NatWest remained suspended from the list as their ratings continue to be below the Council's agreed threshold.
17. In September, Volkswagen was found to have been cheating emissions tests over several years in many of their diesel vehicles. This scandal is still playing out and the full extent of the financial implications yet to become clear. Arlingclose recommended suspending VW (as a non-financial corporate bond counterparty) for new investments whilst the situation is monitored. The ratings of the VW group were placed on Rating Watch Negative by Fitch, CreditWatch with negative implications by S&P and the outlook revised to negative by Moody's. Moody's also revised the outlook on VW Financial Services to negative.

### **Investment activity 2015/16**

18. The Council holds significant invested funds averaging £395.4m year to date, representing income received in advance of expenditure plus balances and reserves held. Cash balances are expected to fall towards the end of the financial year.

19. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.
20. Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.
21. Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.
22. The Council has continued its policy of diversifying its investments. It holds £100m of covered bonds and increased its investment in the CCLA LAMIT fund to £20m. KCC has also placed £25m in a number of Santander notice call accounts. All these investments have beneficially impacted on the investment return, extended the maturity profile of the Council's investment portfolio and reduced the risk. The Volkswagen £1.75m corporate bond purchased in March matured in October at par.
23. As at the end of November the types of investment held were as follows:

Type of Investment	Total	
	£m	%
Call Account	42.20	12
Money Market Fund	18.21	5
Notice Account	25.00	7
Certificate of Deposit	50.00	14
Fixed Deposit	82.00	23
Covered Bond	98.59	28
ISK held in Escrow	3.28	1
Icelandic Recoveries outstanding	3.34	1
<b>Internally managed cash</b>	<b>322.62</b>	<b>91</b>
External Investments	26.40	8
Equity	2.14	1
<b>Total</b>	<b>351.15</b>	<b>100</b>

24. The UK Bank Rate has been maintained at 0.5% since March 2009 and short-term money market rates have remained at relatively low levels. New internally managed investments were made at an average rate of 0.6%.

## ICELAND DEPOSITS

25. On 14 January the Council received a dividend of £2.9m from Landsbanki. This now brings the total recovered to £51.3m with £300 – 400,000 still to be received from Heritable Bank.



## **FORECAST OUTTURN**

26. An underspend of £299k is forecast reflecting increased interest on cash balances as a result of higher cash balances, investing for longer durations and increased dividends.

## **COMPLIANCE WITH PRUDENTIAL INDICATORS**

27. The Council can confirm that it has complied with its Prudential Indicators for 2015/16 set as part of the Council's Treasury management Strategy Statement. Details can be found in Appendix 2.

## **RECOMMENDATION**

28. Members are asked to consider and comment on the report.

**Alison Mings**  
**Treasury and Investments Manager**  
**Ext: 03000 416488**

**Background documents - none**

## Investments as at 30 November 2016

## 1. Internally Managed Investments

## 1.1 Term deposits, Call accounts and Money Market Funds

Instrument Type	Counterparty	Principal Amount	End Date	Interest Rate
Call Account	Barclays Bank	£5,000,000	n/a	0.35%
Call Account	Barclays FIBCA	£5,000,000	n/a	0.50%
	<b>Total Barclays</b>	<b>£10,000,000</b>		
Fixed Deposit	Lloyds Bank	£5,000,000	19/08/2016	1.00%
Fixed Deposit	Lloyds Bank	£5,000,000	26/02/2016	0.70%
Fixed Deposit	Lloyds Bank	£5,000,000	30/09/2016	1.05%
Fixed Deposit	Lloyds Bank	£5,000,000	24/05/2016	0.80%
Fixed Deposit	Lloyds Bank	£5,000,000	22/07/2016	0.85%
Fixed Deposit	Lloyds Bank	£5,000,000	08/08/2016	1.00%
Fixed Deposit	Lloyds Bank	£5,000,000	09/05/2016	0.80%
Fixed Deposit	Lloyds Bank	£5,000,000	05/09/2016	1.00%
	<b>Total Lloyds Group</b>	<b>£40,000,000</b>		
Call Account	Santander UK	£12,200,000	n/a	0.40%
31 Day Call Notice Account	Santander UK	£5,000,000	n/a	0.65%
60 Day Call Notice Account	Santander UK	£5,000,000	n/a	0.75%
95 Day Call Notice Account	Santander UK	£5,000,000	n/a	0.90%
120 Day Call Notice Account	Santander UK	£5,000,000	n/a	1.05%
180 Day Call Notice Account	Santander UK	£5,000,000	n/a	1.15%
	<b>Total Santander UK</b>	<b>£37,200,000</b>		
Certificate of Deposit	Standard Chartered	£10,000,000	01/04/2016	0.73%
Certificate of Deposit	Standard Chartered	£10,000,000	07/04/2016	0.73%
Certificate of Deposit	Standard Chartered	£10,000,000	22/04/2016	0.73%
Certificate of Deposit	Standard Chartered	£5,000,000	15/01/2016	0.72%
Certificate of Deposit	Standard Chartered	£5,000,000	06/05/2016	0.74%
	<b>Total Standard Chartered</b>	<b>£40,000,000</b>		
<b>Total UK Bank Deposits</b>		<b>£127,200,000</b>		
Fixed Deposit	Nationwide Building Society	£18,000,000	18/12/2015	0.59%
Fixed Deposit	Nationwide Building Society	£3,600,000	19/04/2016	0.66%
Fixed Deposit	Nationwide Building Society	£10,000,000	22/04/2016	0.68%
	<b>Total Nationwide BS</b>	<b>£31,600,000</b>		
<b>Total UK Building Society Deposits</b>		<b>£31,600,000</b>		
Fixed Deposit	Commonwealth Bank of Australia	£10,400,000	10/02/2016	0.59%
<b>Total Australian Bank Deposits</b>		<b>£10,400,000</b>		

## Appendix 1

Certificate of Deposit	Bank of Montreal	£5,000,000	22/01/2016	0.63%
Certificate of Deposit	Toronto Dominion Bank	£5,000,000	07/11/2016	0.74%
<b>Total Canadian Bank Deposits</b>		<b>£10,000,000</b>		
Call Account	Svenska Handelsbanken	£20,000,000	n/a	0.40%
<b>Total Swedish Bank Deposits</b>		<b>£20,000,000</b>		
Money Market Fund	Deutsche Managed Sterling Fund	£439,833	n/a	0.38% (variable)
Money Market Fund	HSBC Global Liquidity Fund	£8,247	n/a	0.36% (variable)
Money Market Fund	Insight Sterling Liquidity Fund	£8,838,920	n/a	0.40% (variable)
Money Market Fund	LGIM Liquidity Fund	£8,833,808	n/a	0.44% (variable)
Money Market Fund	SSgA GBP Liquidity Fund	£66,930	n/a	0.38% (variable)
Money Market Fund	Aberdeen Sterling Liquidity Fund	£19,239	n/a	0.35% (variable)
<b>Total Money Market Funds</b>		<b>£18,206,977</b>		

### 1.2 Iceland Deposits

Instrument Type	Principal Amount
Total Icelandic Recoveries outstanding	£3,343,747
Total ISK held in Escrow (est GBP)	£3,278,427
<b>Icelandic Recoveries outstanding</b>	<b>£6,622,174</b>

### 1.3 Bond Portfolio

Bond Type	Issuer	Adjusted Principal	Maturity Date	Net Yield
Floating Rate Covered Bond	Abbey National Treasury	£5,760,752	23/03/2016	0.911%
Floating Rate Covered Bond	Abbey National Treasury	£3,005,510	23/03/2016	0.911%
Floating Rate Covered Bond	Abbey National Treasury	£2,451,685	23/03/2016	0.911%
Floating Rate Covered Bond	Abbey National Treasury	£1,385,426	12/08/2016	0.647%
Floating Rate Covered Bond	Abbey National Treasury	£3,004,487	08/11/2016	1.293%
Fixed Rate Covered Bond	Bank of Scotland	£2,070,756	08/11/2016	1.309%
Fixed Rate Covered Bond	Bank of Scotland	£2,980,464	14/01/2017	0.806%
Floating Rate Covered Bond	Barclays Bank	£5,006,126	20/01/2017	0.820%
Floating Rate Covered Bond	Barclays Bank	£3,003,914	20/01/2017	0.714%
Floating Rate Covered Bond	Barclays Bank	£5,003,436	05/04/2017	0.776%
Fixed Rate Covered Bond	Coventry Building Society	£3,233,355	05/04/2017	0.716%

## Appendix 1

Fixed Rate Covered Bond	Coventry Building Society	£5,420,183	17/07/2017	0.769%
Fixed Rate Covered Bond	Coventry Building Society	£2,180,528	17/07/2017	0.719%
Floating Rate Covered Bond	Coventry Building Society	£3,009,340	17/07/2017	0.709%
Floating Rate Covered Bond	Leeds Building Society	£2,502,786	15/09/2017	0.685%
Floating Rate Covered Bond	Leeds Building Society	£2,502,830	15/09/2017	0.721%
Fixed Rate Covered Bond	Leeds Building Society	£2,168,991	19/01/2018	0.784%
Fixed Rate Covered Bond	Leeds Building Society	£1,640,010	09/02/2018	0.784%
Floating Rate Covered Bond	Leeds Building Society	£5,000,000	09/02/2018	0.721%
Floating Rate Covered Bond	Lloyds	£3,005,227	12/02/2018	1.981%
Floating Rate Covered Bond	Lloyds	£3,902,567	12/04/2018	1.550%
Floating Rate Covered Bond	Lloyds	£1,405,221	12/04/2018	1.933%
Floating Rate Covered Bond	National Australia Bank	£5,006,744	19/04/2018	1.703%
Floating Rate Covered Bond	Nationwide Building Society	£1,899,995	19/04/2018	1.520%
Floating Rate Covered Bond	Nationwide Building Society	£1,000,861	19/04/2018	0.740%
Floating Rate Covered Bond	Nationwide Building Society	£2,102,170	27/04/2018	0.787%
Floating Rate Covered Bond	Nationwide Building Society	£3,430,540	29/05/2018	0.685%
Floating Rate Covered Bond	Yorkshire Building Society	£3,019,699	17/12/2018	2.016%
Floating Rate Covered Bond	Yorkshire Building Society	£5,035,956	17/12/2018	1.187%
Floating Rate Covered Bond	Yorkshire Building Society	£2,014,900	01/07/2019	0.758%
Fixed Rate Covered Bond	Yorkshire Building Society	£2,160,067	01/10/2019	0.967%
Fixed Rate Covered Bond	Yorkshire Building Society	£3,279,738	17/03/2020	0.877%
<b>Total Covered Bonds</b>		<b>£98,594,264</b>		

<b>Total Internally managed investments</b>	<b>£322,623,415</b>
---	---------------------

## 2. Externally Managed Investments

Investment Fund	Book Cost	Market Value as at 30 November 2015	12 months return to 30 November 2015
CCLA LAMIT Property Fund	£20,000,000	£21,339,486	9.67%
Pyrford Fund	£5,000,000	£5,050,011	1.21%
Kent PFI (Holdings) Ltd	£2,135,741	£2,135,741	
<b>Total Externally Managed Investments</b>		<b>£28,525,239</b>	

3. Total Investments

	Value at 30 November 2015
Total Investments	£351,148,654

## 2015-16 Quarter 2 Monitoring of Prudential Indicators

### 1. Estimate of capital expenditure (excluding PFI)

Actuals 2014-15	£219.896m
Original estimate 2015-16	£289.838m
Revised estimate 2015-16	277.815m

### 2. Estimate of capital financing requirement (underlying need to borrow for a capital purpose)

	2014-15	2015-16	2015-16	2016-17	2017-18
	Actual	Original Estimate	Forecast as at 30-09-15	Forecast as at 30-09-15	Forecast as at 30-09-15
	£m	£m	£m	£m	£m
Capital Financing requirement	1,382.856	1,382.620	1,374.698	1,347.369	1,306.975
Annual increase/reduction in underlying need to borrow	-52.407	-9.053	-8.158	-27.329	-40.394

In the light of current commitments and planned expenditure, forecast net borrowing by the Council will not exceed the Capital Financing Requirement.

### 3. Estimate of ratio of financing costs to net revenue stream

Actuals 2014-15	14.19%
Original estimate 2015-16	13.17%
Revised estimate 2015-16	13.71%

#### 4. Operational Boundary for External Debt

The operational boundary for debt is determined having regard to actual levels of debt, borrowing anticipated in the capital plan, the requirements of treasury strategy and prudent requirements in relation to day to day cash flow management. The operational boundary for debt will not be exceeded in 2015-16

##### (a) Operational boundary for debt relating to KCC assets and activities

	Prudential Indicator	Position as at 30.09.15
	£m	£m
Borrowing	993	955
Other Long Term Liabilities	254	248
	<u>1,237</u>	<u>1,203</u>

##### (b) Operational boundary for total debt managed by KCC including that relating to Medway Council etc (pre Local Government Reorganisation)

	Prudential Indicator	Position as at 30.09.15
	£m	£m
Borrowing	1,024	994
Other Long Term Liabilities	254	248
	<u>1,278</u>	<u>1,242</u>

#### 5. Authorised Limit for external debt

The authorised limit includes additional allowance, over and above the operational boundary to provide for unusual cash movements. It is a statutory limit set and revised by the County Council. The revised limits for 2015-16 are:

	Authorised limit for debt relating to KCC assets and activities	Position as at 30.09.15	Authorised limit for total debt managed by KCC	Position as at 30.09.15
	£m	£m	£m	£m
Borrowing	1,023	955	1,064	994
Other long term liabilities	254	248	254	248
	<u>1,277</u>	<u>1,203</u>	<u>1,318</u>	<u>1,242</u>

**6. Compliance with CIPFA Code of Practice for Treasury Management in the Public Services**

The Council has adopted the Code of Practice on Treasury Management and has adopted a Treasury Management Policy Statement. Compliance has been tested and validated by our independent professional treasury advisers.

**7. Upper limits of fixed interest rate and variable rate exposures**

The Council has determined the following upper limits for 2015-16

Fixed interest rate exposure	100%
Variable rate exposure	40%

These limits have been complied with in 2015-16.

**8. Upper limits for maturity structure of borrowings**

	Upper limit	Lower limit	As at 30.09.15
	%	%	%
Upper 12 months	10	0	1.61
12 months and within 24 months	10	0	3.22
24 months and within 5 years	15	0	6.74
5 years and within 10 years	15	0	9.76
10 years and within 20 years	20	5	12.72
20 years and within 30 years	20	5	14.99
30 years and within 40 years	25	10	10.61
40 years and within 50 years	30	10	24.2
50 years and within 60 years	30	10	16.15

**9. Upper limit for principal sums invested for periods longer than 364 days**

Indicator	£175m
Actual	£126m



**By:** Gary Cooke – Cabinet Member for Corporate & Democratic Services  
Amanda Beer – Corporate Director of Engagement, Organisation Design and Development

**To:** County Council **Date:** 24 March 2016

**Subject:** Pay Policy Statement 2016/17

**Classification:** Unrestricted

---

**Summary:** This paper addresses the actions the Authority is required to make on pay as part of delivering its responsibilities under the Localism Act 2011.

---

## **1. BACKGROUND**

- 1.1 An objective of the Localism Act is to increase transparency of local pay. This requires councils to publish the salaries of senior officials, enabling local people to better understand how public money is being spent in their area.
- 1.2 The Act requires a local authority pay policy to be openly approved by democratically elected councilors on an annual basis.

## **2. PAY POLICY STATEMENTS**

- 2.1 The proposed Pay Policy Statement for 2016/17 is attached in Appendix 1. As in previous years, and as agreed by County Council on 29 March 2012, the statement relates to:-
- (a) the level and elements of remuneration for each chief officer
  - (b) remuneration of chief officers on recruitment
  - (c) increases and additions to remuneration for each chief officer
  - (d) the use of performance-related pay (PRP) for chief officers
  - (e) the use of bonuses for chief officers
  - (f) the approach to the payment of chief officers on their ceasing to hold office under or to be employed by the authority
  - (g) the publication of and access to information relating to remuneration of chief officers.

For the purpose of the Localism Act, a Chief Officer in KCC is defined as being at 'Director Level'. This includes the County Council's Corporate Directors and Directors.

- 2.2 The provisions do not apply to the staff of local authority schools.

### **3. PAY MULTIPLE**

- 3.1 A pay multiple is calculated in order to measure the difference in pay between the norm and highest salary. The definition of pay multiple as defined in the 'Code of Recommended Practice for Local Authorities on Data Transparency' document is the ratio between the highest paid salary and the median average salary of the authority's workforce.
- 3.2 KCC's current Pay Multiple figure is 8.0 : 1. This excludes schools.

### **4. GUIDANCE**

- 4.1 The policy is compliant with expectations and guidance in the Code of Recommended Practice along with supplementary updates which have been received.

### **5. RECOMMENDATION**

- 5.1 County Council approves the attached Pay Policy Statement.

**Colin Miller**  
**Reward Manager**  
**Ext 416483**

**Background documents - none**

### Kent County Council Pay Policy Statement 2016-17

The Authority seeks to be able to recruit and retain staff in a way which is externally competitive and internally fair. The Kent Scheme pay policy applies in a consistent way from the lowest to the highest grade.

- The pay policy is influenced by a number of factors which include local pay bargaining, market information, market forces, economic climate, measures of inflation and budgetary position.
- The policy referred to in this Statement is relevant to Council employees generally. The scope of this Statement does not include all Terms and Conditions as some are set on a national basis. These include Teachers covered by the school teachers pay and conditions in (England and Wales) document, Soulbury Committee, Adult Education, National Joint Council (NJC), Joint National Council (JNC) and the National Health Service (NHS).
- The Kent scheme pay range consists of grades KR2 – KR20; details of which are at the bottom of the page.
- The details of the reward package for all Corporate Directors and Directors are published and updated on the County Council's web site.  
[http://www.kent.gov.uk/\\_data/assets/excel\\_doc/0014/13541/Director-salaries-and-expenses-201415.xls](http://www.kent.gov.uk/_data/assets/excel_doc/0014/13541/Director-salaries-and-expenses-201415.xls)
- KCC will publish the number of people and job title by salary band. This is from £50,000 to £54,999 and then by pay bands of £5,000 thereafter. This will include elements made on a repeatable or predictable basis such as market premium payments.  
[http://www.kent.gov.uk/\\_data/assets/excel\\_doc/0015/11094/staff-salary-over-50000.xls](http://www.kent.gov.uk/_data/assets/excel_doc/0015/11094/staff-salary-over-50000.xls)
- The appropriate grade for a job is established through a job evaluation process which takes into account the required level of knowledge, skills and accountability required for the role.
- The lowest point of KCC's grading structure (bottom of grade KR2) is set such that the hourly rate is above the National Minimum Wage.
- Staff who are new to the organisation must be appointed at the minimum of the grade unless there are exceptional reasons to appoint higher. These must be based on a robust business case in relation to the level of knowledge, skills and experience offered by the candidate and consideration is given to the level of salaries of the existing staff to prevent pay inequality. For senior staff any such business case must be approved by the relevant Corporate Director.

- Council signs off the pay structure. The subsequent appointment of individuals, including those receiving salaries in excess of £100k, is in accordance with the pay structure and the principles outlined in the pay policy.
- Staff who are promoted should be appointed to the minimum of the grade. However their pay increase should equate to at least 2.5%.
- All progression within a grade is subject to performance as assessed through Total Contribution Pay (TCP) process and a percentage awarded for each appraisal level. This applies to all levels in the Authority and there are no additional bonus schemes for senior managers.
- The award for each appraisal rating is set annually following the outcome of the appraisal process.
- People at the top of their grade have the opportunity to receive a pay award which is consistent with others who have the same appraisal rating. This amount will be paid separately and not built into base pay.
- The 'Lowest' paid employees are defined as those employees on the lowest pay point of KCC's lowest grade, KR2. They receive relevant benefits and are remunerated in the same proportionate way as others.
- The entry level will increase to £14,277 which equates to £7.40 per hour.
- In order to establish the pay difference and the relative change in pay levels over time, a pay multiplier can be calculated. This is the base pay level of the highest paid employee shown as a multiple of the median Kent Scheme salary. This multiplier will be published on the County Council's website annually. [http://www.kent.gov.uk/\\_data/assets/pdf\\_file/0006/13578/Pay-Multiplier.pdf](http://www.kent.gov.uk/_data/assets/pdf_file/0006/13578/Pay-Multiplier.pdf)
- KCC recognises that managers need to be able to reward performance in a flexible and appropriate way to the particular circumstances.
- Should it be shown that there is specific recruitment and retention difficulties, the Market Premium Policy may be used to address these issues.
- The Council would not expect the re-engagement of an individual who has left the organisation with a redundancy, retirement or severance package.
- Managers have delegated powers to make cash awards and ex-gratia payments when necessary and where not covered by any other provision as defined in the Blue Book Kent Scheme Terms & Conditions. [http://www.kent.gov.uk/\\_data/assets/pdf\\_file/0019/12574/Kent-Scheme.pdf](http://www.kent.gov.uk/_data/assets/pdf_file/0019/12574/Kent-Scheme.pdf)
- Policies about termination payments and employer discretions under the Local Government Pension Scheme will be reviewed annually and published for all staff. These will be produced with the intention of only making additional payments when in the best interests of the Authority and maintaining consistency through all pay grades.

**Kent Scheme  
2016-17**

<b>£ (Minimum)</b>	<b>Pay Range</b>	<b>£ (Maximum)</b>
<b>£162,696</b>	<b>KR 20</b>	<b>£193,386</b>
<b>£139,470</b>	<b>KR 19</b>	<b>£160,805</b>
<b>£117,293</b>	<b>KR 18</b>	<b>£139,469</b>
<b>£93,645</b>	<b>KR 17</b>	<b>£111,302</b>
<b>£72,989</b>	<b>KR16</b>	<b>£92,174</b>
<b>£64,199</b>	<b>KR 15</b>	<b>£72,988</b>
<b>£56,709</b>	<b>KR 14</b>	<b>£64,198</b>
<b>£50,609</b>	<b>KR13</b>	<b>£56,708</b>
<b>£43,210</b>	<b>KR 12</b>	<b>£50,608</b>
<b>£37,547</b>	<b>KR 11</b>	<b>£43,209</b>
<b>£31,761</b>	<b>KR 10</b>	<b>£37,546</b>
<b>£27,770</b>	<b>KR 9</b>	<b>£31,760</b>
<b>£24,231</b>	<b>KR 8</b>	<b>£27,769</b>
<b>£21,297</b>	<b>KR 7</b>	<b>£24,230</b>
<b>£19,415</b>	<b>KR 6</b>	<b>£21,296</b>
<b>£17,651</b>	<b>KR 5</b>	<b>£19,414</b>
<b>£16,800</b>	<b>KR 4</b>	<b>£17,650</b>
<b>£15,102</b>	<b>KR 3</b>	<b>£16,799</b>
<b>£14,277</b>	<b>KR 2</b>	<b>£15,101</b>

This page is intentionally left blank