To: CABINET – 4 August 2008

Subject: **IMPACT OF CURRENT ECONOMIC SITUATION ON THE COUNCIL**

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Classification: Unrestricted

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1. INTRODUCTION

This report updates Cabinet on the likely implication of the current UK and world economic position on the County Council's budget and medium term plan.

1.1 Revenue
This report provides an assessment of the impact of the current economic situation and inflationary pressure on KCC for both the current and future years. Based upon this:

- Section 2 sets out the additional estimated pressure KCC should anticipate over the medium term by year;
- Section 2 also provides a recommendation of how we should allocate the £5.111m contingency set aside for the current economic situation (as approved by Cabinet on 14 July) for 2008-09;

1.2 Capital
There are a number of issues which we are facing in 2008-09 and the medium term which are likely to affect the timing of delivery of our capital programme. Most relevant, is the impact of the falling land and property values, and how KCC can respond. Further details are provided in section 4, together with our proposals for managing this.

2. IMPACT OF CURRENT ECONOMIC CONDITIONS ON THE COUNCIL

2.1 BACKGROUND

2.1.1 The global and UK economic position has fundamentally shifted over the past year and by any independent subjective assessment that shift is a deteriorating one. The consequences and likely impacts are wide spread. This paper seeks to set out those issues and begin to address what KCC can do to prepare (react) and shape (pro-act) how the future economic environment unfolds.

2.2 KEY FACTS AND FIGURES - SOME HEADLINES

2.2.1 The Consumer Price (CPI) and the Retail Price Index (RPI) are both on an upward trajectory, with the former hitting 3.8% and the latter 4.6% in June. It is likely RPI will start to fall sooner than CPI as house prices fall, as lower house prices means lower depreciation to charge on house costs in RPI indices. It can be expected with a high degree of probability that at some point in the next year CPI will exceed RPI.

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

2.2.3 The three main causes of inflation at present are high fuel prices, high food and other commodity prices and a depreciating Sterling. Oil reached a record just under $140 (US - 16 June 2008) and the outlook for the US dollar is for it to depreciate, which will push oil higher still in quoted US dollar terms. Adding in a bit of supply shortage fears, continued global demand for oil and some undoubted speculation in the oil markets and the conclusion is high oil prices (i.e. above $100 a barrel) are here to stay for some time and some (e.g. Goldman Sachs) forecast $200 a possibility.

2.2.4 This has a knock on effect on gas and electricity prices. European gas contracts are mostly indexed to oil prices and as the UK is a net importer of gas wholesale (and later in the supply chain, domestic) prices are rising. A not insignificant element of gas is also actually used to generate electricity (around one third comes from burning gas) putting price pressure here too.

2.2.5 The UK also has a trade deficit in food (the US is in balance and France for example is in surplus) (Ernst & Young Item Club May 2008) so the UK is more exposed to global high food prices than many other large economies. 1.7% of the current 3% CPI inflation is estimated to be due to food. The Centre for Economic and Business Research (The Times, 27 May) forecasts the UK faces 5% per annum food price inflation for the next decade.

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

2.3 PUBLIC SECTOR FINANCES – THE NEXT SPENDING ROUND (CSR10/SR09)

2.3.1 In summary we can expect higher inflation, lower growth, worse public finances overall, a need for a reduction in public spending as a share of gross domestic product and probably standstill cash for local government - which will of course be a real terms cut. No additional cash at a time of increasing demand on our services will undoubtedly mean difficult decisions lie ahead.

2.3.2 The Institute for Fiscal Studies analysis of The Budget 2008 indicated that real terms cuts in forecast spending needed to grow from £4bn for the CSR07 period (3 yrs 2008-11) to £8bn for SR09 (2 yrs 2011-13). So that's an extra £4bn over 2 years, or £2bn per annum. As the Chancellor has taken £2.7bn per annum borrowing to fund the rebates to part compensate for the 10p tax cut rebates (and assume that these rebates or equivalent will have to be made permanent rather than just one off) then this means £4.7bn reduction per annum.

2.3.3 CSR 07 had 2010-11 public sector spend at £397billion at constant prices so that's a 1.2% reduction per annum in real terms growth. CSR 07 had broadly 2% real terms growth per annum so assuming the trend continues that means headroom is down to 0.8% real terms growth across the whole of the public sector! Funding settlements for Local Government services (with the exception of Education) tend to compare unfavourably with other public sector areas, particularly Health.

2.4 IMPACT ON KCC REVENUE BUDGET

2.4.1 The current forecast gross revenue position is £10.041m (excluding Asylum), of which £5.325m is the result of increased inflation and the current economic situation. There is a further impact of £2.4m on the highways capital maintenance programme which, if not funded, will result in a reduced programme of works. Details, together with the forecast impact over the Medium Term Plan (MTP), are summarised in table 1 below. Appendix 1 (an exempt paper) sets out the supporting details. The figure for 2009-10 of just under £15m is, like 2008-09, the figure in excess of that already built into the MTP. Consequently, the projected impact of inflationary pressures in 2009-10 is in excess of £30m.

2.4.2 It should be noted that these estimates continue to assume that future pay awards will be at 2% (excluding any increments), in line with Government policy. It should be noted that this is a working assumption, (that is, no decision having been taken by the Council), with every 1% on pay equivalent to some £3.8m. In addition, it is assumed that all other staff emoluments remain at existing rates.

2.4.3 The estimated inflationary impact for 2009 to 2012 will be built into the MTP, which is currently in the process of construction. It should be noted that the major impact is likely to be felt within 2009-11 as contracts are renewed, with remaining impact in 2011-12. Over the next months and years we will be closely monitoring and managing this position but at this stage these will be the figures used for planning.

2.4.4 The main impact on Dedicated Schools Grant (DSG) relates to an estimated 40% in the contract price for energy. This has a full year impact in 2009-10 of £2.5m. A secondary impact could come from the P&V sector where, as a result of the common funding formula for Early Years, any wage inflation would result in increased budgets for the maintained sector. As the Dedicated Schools Grant is designed by Government to meet such costs, it is expected that any inflationary pressure on the DSG will have to be met from within schools already allocated 2009-10 budgets and may reduce the £67m which schools have in revenue reserves.

Table 1: Summary of Incremental Revenue Impact of Inflation and Current Economic Situation on KCC (excluding DSG)

Portfolio	**2008-09**	**2009-10**	**2010-11**	**2011-12**
	£k	**£k**	**£k**	**£k**
Operations, Resources & Skills	190	996	810	1,000
Children, Families & Educational Achievement	59	83	61	69
Kent Adult Social Services	1,384	7,102	6,382	399
Environment, Highways & Waste	3,182	6,148	2,656	1,171
Communities	148	244	53	53
Corporate Support & External Affairs	0	85	87	89
Finance	362	213	389	242
TOTAL	**5,325**	**14,871**	**10,438**	**3,023**

2.5 Several of the increases shown in the table are either directly or indirectly affected by the increased costs of electricity which is purchased by LASER. In 2006 the Management Committee of the Central Buying Consortium (CBC) were alerted to the fact that the Group was running out of procurement expertise when it came to buying in what were becoming increasingly complex commodity markets. A sub-group was formed to look at options and in due course recommended that all electricity and gas buying should be transferred to Kent thereby utilising the expertise built up in LASER since its formation in 1989 as an energy buying organisation within Kent Commercial Services. Kent for their part agreed that they would carry out the tendering and contract award activity at no cost to members in line with the standard CBC procedures.

The tendering and contract award process carried out by Kent in 2007 secured a range of competitive prices for electricity (half hourly and non half hourly metered supply) and gas. The decision to go for two year fixed prices across the board has proved to be the right one as electricity and gas prices have escalated rapidly during the past year. This can be demonstrated by the following statistics showing the contract values together with the amount saved by adopting two year rather than one year fixed prices.

Description	**Contract Value £**	**2008/2009 Saving £**
Electricity: h/h	27,941,186	5,375,599
Electricity: non h/h	17,341,676	3,155,404
Gas	49,344,027	14,135,702
TOTALS	**94,626,889**	**22,666,705**

The CBC has with Kent/LASER one of the most highly regarded energy buying organisations in the UK and it was pleasing to hear that the Collaborative Energy Review Project led by the OGC has just declared the LASER Flexible Procurement Model to be ‘Compliant’. LASER is the first buying group to receive this rating.

2.6 Based on the information provided in the table, it is recommended that the £5.111m contingency for the current economic situation is allocated to portfolios to fund the revenue pressures highlighted in the table. Of the £5.325m of pressures highlighted for 2008-09, £0.320m relates to pressures within Commercial Services for which no additional support is proposed, leaving £5.005m of other portfolio pressures to be funded from the contingency. This would leave a residual £0.106m of contingency which could be allocated to highways maintenance in recognition of a potential further increase in the Baxter index and the impact on the capital maintenance programme.

3. POTENTIAL MITIGATING ACTIONS

3.1 The impact of inflationary pressures on the revenue budget in the current year is covered by the allocation of the £5.111m contingency.

3.2 Directorates have in place management action in order to contain other pressures on their budgets in the current year.

3.3 There remain substantial likely future inflationary pressures for future years. These will be addressed as part of Cabinet's overall deliberations and recommendations to County Council in February 2009 over the budget to set for 2009-10 and the medium term plan 2009-12.

4. CAPITAL PROGRAMME UPDATE

4.1 A large proportion of KCC's capital programme is property based. The latest Economic Survey shows that building tender price inflation in London is forecast to run at 6.3% over the next year and by 6.5% the following year, compared to a situation where expected rates have been 4 - 4.5%. The additional inflationary costs are likely to be in the region of £6M per year on average. It is proposed that portfolios should absorb this inflationary impact.

4.2 The impact upon Highways is more pronounced with the anticipated additional costs of £2.4m in 2008-09, £2.9m in 2009-10 and £3.0m in 2010-11. It is intended that this exceptional pressure for highways is built into the revised overall capital programme assumptions for 2009-12 which will be subject to an update to Cabinet in September, alongside proposals for addressing the £2.4m pressure in 2008-09.

4.3 The main risk to the capital programme is however about ensuring the funding is secure. There are 3 main risks to be considered:

- **Cost of borrowing is rising –** KCC has a strong cashflow and Treasury function. While sustained higher rates will pose problems, it is expected that over the short to medium term KCC's Treasury Strategy can be contained within existing cash limits.
- **Section 106 Agreements** – as developments are delayed due to economic conditions it is expected that the related capital projects are also slipped. In addition, there is some concern that developers will also be attempting to reduce their Section 106 commitments. While this will almost inevitably impact upon the published capital programme, the risks are expected to be "contained" to the extent that projects underpinned by Section 106 agreements will have to be deferred in line with the availability of such funding. More information will be available in September.
- **Capital Receipts –** as property values fall in the short to medium term, there is a significant impact on KCC's capital programme. The remainder of this section deals with this issue.

4.4 As reported last month, the current national economic climate is impacting on our ability to realise capital receipts at the values previously estimated and assumed at the time of setting the budget. We need to consider our course of action in dealing with the impact of this, as a significant element of the published 2008-11 capital programme is planned to be funded from capital receipts (£186.8m).

4.5 There are two problems to be recognised within this situation – both the fall in value of the asset plus a potential cashflow problem if a purchaser cannot be found (even at a reduced value) due to the "credit crunch". The implications, without an alternative solution, would be:

1. We defer or cut, where possible, projects in order to bridge the capital receipts funding shortfall. However, we do not know how long it will be before property values return to what they were and therefore whether it is realistic to defer / cut projects for an indeterminable amount of time.
2. We go ahead with the asset disposal, within reason, and projects will have to be scaled back to the lower level of resources available or abandoned altogether.
3. We go ahead with the projects but defer disposing of assets until prices improve and therefore we have to find alternative short term funding.
4. A mixture of the above.

4.6 Neither of the first two options is very palatable. Deferring projects will not only adversely impact the quality of our services but would also have a detrimental effect on the local economy at a

time when it actually needs boosting. Disposing of assets in the current climate, even if possible, is unlikely to provide good value for money as disposing of assets during a ‘property slump’ is a short-sighted approach.

4.7 The third option will partially protect the service improvements that the capital programme is intended to deliver; we have therefore considered options for avoiding the huge cuts that would be needed to the programme in order to compensate for the unrealisable capital receipts in the current market.

4.8 The recommended response to this is to:

1. Create a second Property Enterprise Fund (PEF2). The objective of PEF2 is to provide a temporary borrowing facility, capped at £85m, from which we can offer directorates an agreed value in recognition of the current or previous value of an asset that is assumed in the MTP. Attached to this report at **Appendix 2** is the suggested process and governance of PEF2, which Cabinet is asked to recommend for subsequent approval by County Council in September.
2. Recast the capital programme and report back in September.
3. Dispose of assets for which negotiations are already at an advanced stage and/or the sale proceeds are not substantially reduced from the value assumed in the MTP.

5. RECOMMENDATIONS

Cabinet is asked to:

5.1 **Note** the forecast impact of the current economic situation on the revenue position for 2008-09 and the medium term as shown.

5.2 **Agree** the allocation of the £5.111m contingency for the current economic climate as detailed in paragraph 2.6

5.3 **Note** the estimated impact on the services funded by the Dedicated Schools Grant as highlighted in paragraph 2.4.4.

5.4 **Agree** the establishment of a second Property Enterprise Fund in order to defer disposing of the assets until prices improve, subject to approval by County Council in September, with a temporary borrowing facility capped at £85m. Further details of the Fund are provided in Appendix 2.

5.5 **Support** the inflationary impact on highways, as detailed in paragraph 4.2, be built into the revised capital programme for 2008-12, with a compensatory reduction elsewhere within the overall capital programme (which will be incorporated into the “Revenue and Capital Budget Report” to be agreed by Cabinet in September).

APPENDIX 2

PROPERTY ENTERPRISE FUND 2 (PEF2)

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1. Introduction

1.1 The current capital programme between 2008 and 2011 is based on £180m of funding to come from capital receipts. Given the current fall in property and land values, which is predicted to continue into next year and potentially for a number of years beyond, achieving the £180m within this time frame is no longer realistic. This means we have to have an intelligent solution to the funding issue over the next three years.

1.2 Unless we provide this solution, the capital programme is in real danger of entering into a stop / start pattern, risking service delivery and value for money. Consequently, a funding model is being proposed that will enable service directorates to continue to plan and deliver capital projects with a degree of certainty that in the current climate, does not exist.

1.3 Our proposal is to create a second Property Enterprise Fund (PEF2). This would be distinct from the existing Fund (PEF1) in that only earmarked receipts would be accounted for through PEF2. Non-earmarked receipts would continue to go through PEF1. Another distinction is that PEF2 would be for the sole purpose of supporting the capital programme, whereas PEF1 is for the strategic acquisition of land and property to add value to the Council's portfolio, aid the achievement of economic and regeneration objectives and the generation of income.

1.4 The financial objective of the PEF2 is to broadly break-even over a rolling five-year cycle. Large profits or losses are not good news in relation to the delivery of the capital programme or our financial standing. Large profits would suggest that we took unnecessary action to remove service improvements from our capital programme. Large losses would mean we have not been sufficiently prudent in our valuation of assets at the date of transfer into PEF2.

2. Mechanics of PEF2

2.1 The proposal for how PEF2 would work are as follows:

i. The Directorate/Portfolio can elect to pass an earmarked property to PEF2 if it requires guaranteed funding for their overall programme;

ii. The project may have already been included in the medium term plan, but new projects will be considered, initially through the Project Appraisal Group (PAG) process;

iii. The property will only be accepted by PEF2 if it meets certain criteria (see appendix 1), and the final decision (documented in writing), as to whether a property can be passed to the fund will lie with Property Group;

iv. A risk factor percentage will be applied by Property Group to reflect the borrowing costs, risk of planning, market conditions, holding costs, plus any individual risks which are linked with the property relating to, for example, title

or political issues. It is proposed that the transfer “price” to PEF2 should be within a range of:

1. a minimum of the current valuation; and
2. a maximum of 75% (to reflect borrowing costs for 5 years) of the valuation included in the 2008-11 MTP, less projected holding costs. This will be a one off transaction and no further adjustment will be made to the capital sum to be transferred;

The value is to be negotiated between the holding directorate and Property Group, but should normally remain within the maximum and minimum range shown above. **Where agreement cannot be reached, the Director of Finance will arbitrate in consultation with The Leader.**

v. PEF2 will offer to buy the property from the directorate within the maximum and minimum range set above;

vi. The directorate determines if the valuation is sufficient to fund their programme. If so, that part of the funding can be deemed to be in place. If not, the programme must be reduced by an equivalent amount;

vii. The receipt is then held corporately until Property Group in consultation with the Cabinet Member for Finance feel the time is right to realise an appropriate level of receipt;

viii. Any overall surplus from PEF2 would be recycled into the Council’s priorities in the capital programme.

2.2 It should be noted that as per iii) above, not all sites would be eligible for going into PEF2 and specific requirements are detailed at Annex 1.

2.3 PEF2 is being proposed as providing an option for directorates. Should a directorate not wish to make use of this funding arrangement, they may still seek disposal of a property through Property Group using the existing process. If this route is chosen the Directorate’s assumptions around the timing and value of the capital receipt need to be realistic i.e. as advised by Corporate Property Group, and the Property Group, in consultation with the Director of Finance and the Cabinet Member for Finance, may refuse to proceed with the disposal if it does not represent good value for the Council.

2.4 The benefits of the PEF2 proposal are as follows:

i. it brings responsibility and accountability together. In context, that means that those responsible for the valuation then have to deliver;

ii. it avoids boom and bust periods of spend;

iii. it enables us to take a longer term view on getting best value from our assets, thereby avoiding potential fire sales to enable vital capital projects to go ahead;

iv. it puts the disposal decision in the hands of the expert, not the directorates;

v. risks are held centrally rather than be dispersed. This makes managing and mitigating those risks much easier;

vi. it gives certainty to service directorates.

3. Funding of PEF2

3.1 As the proposed mechanism of PEF2 will mean paying money out to directorates in advance of receipts being realised, the funding stream for this will be from prudential borrowing. Therefore it is proposed that the fund have a maximum deficit limit of £85m.

3.2 Revenue implications and funding
If full use is made of the overdraft limit then the revenue costs for a full year's £85m borrowing equates to approximately £4.25m per annum. This is based on interest costs only, as opposed to both interest and minimum revenue provision (MRP), as any borrowing undertaken by PEF2 is expected to be only short term and would effectively be repaid as soon as the capital receipt is realised. A projection of the PEF2 balance will be included in the Medium Term Plan each year and that projection will be included in the prudential indicators.

3.3 The proposed funding for the revenue costs associated with PEF2, which would include holding costs of vacant properties within the fund and interest costs on the overdraft, is to use the prudential equalisation reserve. This reserve would be re-imbursed as receipts are eventually realised, at 5% per annum of the value of the disposal. The time will be calculated from the point the asset transferred into PEF2 to the date of disposal.

3.4 In the event of there being no further funds available from the prudential equalisation reserve, the costs of the PEF2 borrowing would need to be a first call from the revenue budget. It is the view of the Director of Finance that the risk of this is minimal but will be reviewed every year as part of the budget process in any case. This approach has been discussed with the External Auditor.

3.5 PEF2 will also have the ability to temporarily let properties, or agree occupation temporarily by a Directorate/partner/service provider. Any rent received would form a revenue stream of income which could then be used to fund some of the revenue costs.

3.6 Fund surpluses/deficits
Should PEF2 be in overall surplus at the end of the five year period, after repaying borrowing costs and other disposal costs, this balance would be available for investment as Members see fit. This could be used for example, to reduce the level of borrowing the authority undertakes to fund the capital programme, or to fund new schemes to the capital programme.

3.7 Surpluses on individual receipts will not automatically be reinvested into the directorate from which they came, and similarly any losses on individual receipts will be contained and managed within PEF2.

4. Governance

4.1 The governance of PEF2 would follow that of PEF1, the only significant difference being the value of the maximum overdraft of the fund.

4.2 The fund will be operated within the parameters of the Property Management Protocol (PMP) in compliance with the Council's Constitution and Financial Regulations, and within the Local Government Act 2003.

4.3 Properties/sites will only be accepted into PEF2 if they meet the criteria set out in annex 1, and the final say as to whether a property can be passed into the fund will lie with Property Group.

4.4 The project must already be included in the current medium term plan or have already been approved through the Project Appraisal Group (PAG) process.

4.5 The decision on timing of sale and terms of sale will lie with Property Group in consultation with the Cabinet Member for Finance once the property has been released to the fund.

4.6 All transactions coming within the PEF2 balancing limit of £85m should be authorised jointly by the Director of Property and Director of Finance in consultation with the Cabinet Member for Finance, the Chief Executive and the Leader.

4.7 PEF2 will benefit from any surpluses achieved on the sale of the individual properties, but will also bear the risk of any deficits which will be managed and contained within the fund.

4.8 **Delegation to Officers**
Subject to the authorisations in paragraph 4.6 above, the Director of Property is authorised to:

- Determine and settle the acquisition or disposal of any land or property, or an interest in land or property where the consideration (including any associated works) does not exceed **£1,000,000** in any single transaction.
- Determine and settle the terms of a lease (taken or granted) for any land or property, not exceeding a period of 20 years or where the consideration does not exceed **£100,000** per annum in any single transaction.
- As provided by arrangements made under Appendix 2 Part 4 of the Constitution for the Leader to discharge executive functions, the Chief Executive may exercise any power delegated under this protocol to the Director of Property; and the Director of Property may delegate his/her powers in writing to more junior officers.

4.9 **Financial Regulations**
All of the protocols set out in Financial Regulations and Schemes of Delegation must be adhered to, except where the Property Management Protocol specifically provides for alternative levels of authorisation.

4.10 **Reporting**
Monitoring of the fund will be reported quarterly to Cabinet.

5. Risks

5.1 The main risk is that the property market does not recover significantly within the next 3-5 years. This could potentially result in:

- The prudential equalisation reserve being insufficient to continue to fund the revenue costs of PEF2.
- The debt charges budget needing to be increased to pay for extended borrowing costs.

5.2 To mitigate these risks, a maximum and minimum range has been set for the value that will be applied to each property going into PEF2. This lower and upper limit is suggested as it offers certainty to Directorates so that capital projects can continue, but is also realistic enough so that when the properties are disposed of in the future, KCC recovers the costs of holding the asset in the short term.

6. Recommendations

6.1 Cabinet is asked to approve the establishment of PEF2, with a maximum deficit balance of £85m, subject to approval by County Council on 4th September 2008.

ANNEX 1 TO APPENDIX 1

Criteria for Properties to Qualify to be Passed into PEF2:

The property will only be accepted by PEF2 if it meets certain criteria and the final say as to whether a property can be passed to the Fund will lie with Property Group.

The criteria for properties to qualify to be passed into the fund are as follows:

1. The property/land must have freehold unencumbered title. A full title report will be required prior to agreement to fund.

2. The boundaries must be agreed with the directorate and marked clearly on site (and on a plan).

3. The risk of a village green application being made is minimised and in the event that this is assessed at a high risk and the risk factor will be adjusted accordingly.

4. There must be an agreed and guaranteed date for vacant possession. This is the latest date on which the directorate and any other KCC partners/service providers will vacate the property. A signed undertaking that vacant possession will be given on this date will be required. Where third parties are occupying the property they must enter into a legal agreement to vacate the property by the agreed date.

5. The vacation date can be no longer than three calendar years after the date the property is passed to the Fund.

6. The property may be occupied (if prior agreement has been reached with Property Group) by a third party, only if the terms of the occupation are scrutinised by Property Group and deemed to pose no threat to the disposal of the property.

7. A surplus declaration must be provided by the Directorate. In the case of properties which are not vacant, this surplus declaration will contain the agreed vacation date by all internal and external parties and will be contractually binding.

8. In the case of properties which are not vacant at the time of hand over to the Fund, the Directorate will agree to pay the running costs of the property up to the date of vacation. For the avoidance of doubt this will include rates, utilities, cleaning costs, security, maintenance and repair of fabric and services.

9. In the case of properties which are not vacant at the time of hand over, the Fund will become the landlord and the Directorate will sign a simple agreement covering the terms of occupation. This will include maintaining the property in a condition no worse than at the point of hand over to the Fund. This is vital to ensure value is not diminished in the interim period before vacation. If necessary a photographic schedule of condition can be prepared on transfer.

10. The following special criteria apply:

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i. A section 77 consent must be provided. If this is not possible a higher risk factor will have to be applied to reflect the possibility of consent to dispose not being granted.
ii. The school must declare the land/buildings surplus prior to handover.
iii. School closure procedures must have commenced and a time scale agreed for the date of completion of the process.
iv. Where a school is being amalgamated or a new school built the consultation exercise must already have commenced (statutory consultation and notice served), so there is no deemed risk of the land being taken into the schools ownership.
v. If the school is still in occupation, they must enter into the agreement as detailed (9) above.
vi. Agreement in writing must be provided from the school confirming the land can be released and they will not lay claim to ownership of the land.
vii. If the land is connected to Diocese school then confirmation must be provided that land to be sold is KCC's title.
viii. If the planning application for the redevelopment of the site will be linked by the District Council to a planning application for a new school, then the Directorate must undertake to submit the planning application by an agreed date. If the Directorate subsequently do submit a planning application or decide not to build a new school, then the funding for the property released will be reclaimed by the Fund, in the event that this renders the land un-developable.

<u>E&R (Highways)</u>

ix. Stopping up orders for land designated, as Highways must have been obtained.

<u>All Directorates</u>

x. Service closure or relocation procedures must have been undertaken together with all relevant consultation.

11. Where the property to be released is adjacent to KCC retained land or where land is acquired subsequently adjacent to the property, Property Group have must be consulted regarding any use and/or development of the adjacent land and must approve any terms of PFI or other contracts on the land. This is to prevent any reduction in value of the Fund's land.

12. Property Group will undertake any representations to Districts regarding Local Development Frameworks (LDF) in respect of the Fund's property, however Directorates must undertake to safe guard the LDF allocations of property which will be released for disposal over the forthcoming LDF period (10 years).