AGENDA

CABINET

Monday, 20th April, 2009, at 2.00 pm	Ask for:	**Karen Mannering / Geoff Mills**
Conference Centre at the Princes Park Community and Football Stadium, Darenth Road, Dartford, Kent DA1 1RT	Telephone	**(01622) 694367/ 694289**

Directions to Venue attached

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

UNRESTRICTED ITEMS

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

1. Declaration of Interests by Member in Items on the Agenda for this meeting
2. Minutes of the Meeting held on 30 March 2009 (Pages 3 - 12)
3. Revenue & Capital Budget Monitoring Exception Report (Pages 13 - 20)
4. Annual Audit and Inspection Letter (Pages 21 - 42)
5. Kent Credit Union (Pages 43 - 86)
6. Performance Reward Grant: Kent Agreement 1 (Pages 87 - 90)
7. Corporate Assessment Performance Improvement Plan (Pages 91 - 106)
8. Decisions from Cabinet Scrutiny Committee - 8 April 2009 (To follow)
9. Other items which the Chairman decides are relevant or urgent

EXEMPT ITEMS

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

Peter Gilroy
Chief Executive
Thursday, 9 April 2009

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

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Agenda Annex

Members bar
Sports facilities hire
Conferencing
Weddings & celebrations

Dartford FC
Princes Golf
Dartford Roadrunners
Kent Ravens

Directions

From A2 (London):

1. At the Dartford Heath roundabout, take the 1st exit onto A2018/Shepherd's
2. Turn right at B2174/Princes Rd Continue to follow Princes Rd - 1.4 mi
3. Turn right at Darenth Rd - 384 ft
4. Turn second left at Grassbanks - 200ft

From A2 (Kent):
1. Take the exit toward M25/Dartford/A225 - 0.2 mi
2. At the roundabout, take the 3rd exit toward London(SE)/London(C)/Bexley
3. At the roundabout, take the 1st exit onto A296/Princes Rd heading to Dartl
4. Turn left at Darenth Rd - 384 ft
5. Turn second left at Grassbanks - 200ft

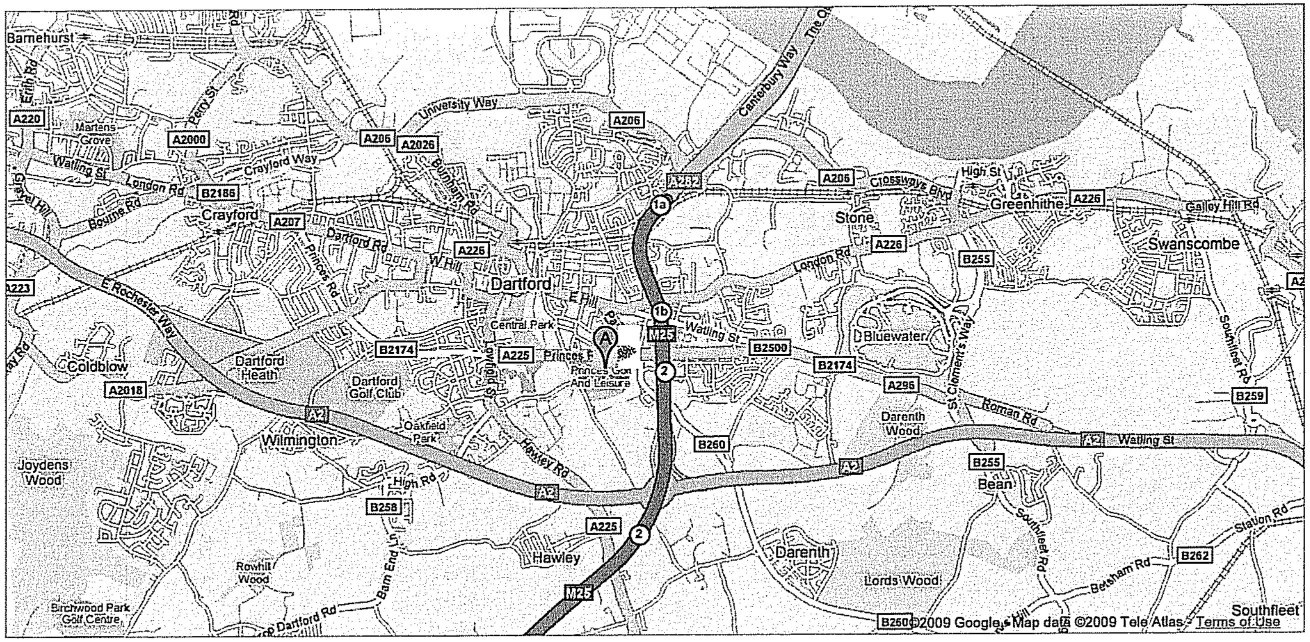
From M25:

Anticlockwise
1. Leave the M25 at junction 2 for Canterbury/M2/Dartford/A225 - 0.2 mi
2. At the junction take the second exit for Dartford (A225) - 1.0 mi
3. At the roundabout take the first exit for Dartford (Princes Road). Go across
4. Turn left at Darenth Rd - 384 ft
5. Turn second left at Grassbanks - 200ft

Clockwise
1. Clockwise: At junction 1b, exit toward Dartford/A225 - 0.2 mi
2. At the roundabout, take the 2nd exit toward Dartford/A225 - 0.1 mi
3. At the roundabout, take the 1st exit onto A296/Princes Rd heading to Dartl
4. Turn left at Darenth Rd - 384 ft
5. Turn second left at Grassbanks - 200ft

Google Maps UK

Address



KENT COUNTY COUNCIL

CABINET

MINUTES of a meeting of the Cabinet held in the Darent Room, Sessions House, County Hall, Maidstone on Monday, 30 March 2009.

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

IN ATTENDANCE: Mr P Gilroy (Chief Executive), Ms A Honey (Managing Director, Communities), Ms L McMullan (Director Finance), Mr O Mills (Managing Director, Kent Adult Social Services), Mr M Austerberry (Executive Director for Environment, Highways and Waste), Mr D Cockburn (Executive Director, Strategy Economic Development & Ict) and Ms M Peachey (Kent Director of Public Health)

UNRESTRICTED ITEMS

1. Minutes of the Meeting held on 2 February 2009
(Item. 2)

The Minutes of the meeting held on 2 February 2009 were agreed and signed as a true record.

2. Revenue and Capital Budgets, Key Activity and Risk Monitoring
(Item. 3 - Report by Mr Nick Chard, Cabinet Member for Finance and Lynda McMullan, Director of Finance)

(1) Mr Chard said that currently there was an expected under spend on the revenue budget of some £4.9m, excluding schools and asylum. Mr Chard also updated Cabinet on the position with the Council's investments in Icelandic Banks, as detailed in paragraph 2.1.3 of the Cabinet report. Of the £18 m held within the UK domiciled Heritable Bank, the County Council was anticipating a substantial recovery with the first repayments expected in July of -this year. Lynda McMullan said that it had been confirmed that monies KCC had deposited with the Dunfermline Building Society had now been transferred to the Nationwide Building Society. All previous asylum monies owed to the County Council had now been paid. Detailed negotiations with the Home Office continued over the last outstanding claim of some £3m.

(ii) Cabinet noted the latest monitoring position on the revenue and capital budget
(iii) Noted the additional revenue grant income as identified in appendix 2 to the report
(iv) noted the changes to the capital programme
(v) approved the transfer of £0.753m of additional allocation of Local Authority Business Grown Incentive scheme to the Regeneration Fund to support the delivery of the Regeneration Framework

3. Annual Business Plans 2009-10

(Item. 4 - Report by Mr Paul Carter, Leader and Mr Peter Gilroy, Chief Executive)

(1) The presentation of the 2009/10 Business Plans have been amended to more clearly show the purpose and core objectives of each service and how the budget proposals for 2009/10 will impact on service delivery, and focus the deliverables for the year to the most important ones for the council has a whole, and not what may be deemed internal management targets. The Business Plans present the operation of the County Council services within the context of its Policy Framework and are clearly linked to its Medium Term Financial Plan and the Annual Budget as approved by the County Council on 19 February 2009. There would be reports on the Plans to the relevant Policy Overview Committees

(2) On the basis of each Cabinet Member's recommendation, Cabinet resolved to approve the Annual Directorate and Service Level Business Plans as listed in Appendix 1 to the report.

4. Community Infrastructure Provision: Review of Current and Future Service Strategies in Kent

(Item. 5 - Report by Mr Kevin Lynes, Cabinet Member for Regeneration and Mr David Cockburn, Executive Director – Strategy, Economic Development and ICT)

Mr Paul Campion was present for this item.

(1) The "KCC Guide to Development Contributions and the Provision of Community Infrastructure was approved by Cabinet in March 2007. The Guide sets out the basis and methodology for the collection of monies from developers towards the provision of KCC infrastructure. The Guide has been instrumental in informing planning documents at district level but much greater emphasis is now being placed on negotiations underpinned by up to date policies and proposals which must be contained in new style development plans. The inclusion of policies of various kinds in Development Plan documents, including policies relating to the provision of community infrastructure, depend however on the preparation of a comprehensive evidence base which sets out and justifies the approach. The Service Provider Statements are intended to comprise the essential evidence base for the provision of Community Infrastructure and provide the link to emerging planning policies. The statements also informed the Medium Term Planning process, the Community Infrastructure levy charging schedule, the Regeneration Framework, What Price Growth 2 and lobbying documents to Central Government.

(2) Cabinet resolved to:-

(i) approve the Service Provider Statements as a policy document to inform district Development Plan documents;

(ii) approve that the Service Provider Statements be published for the purposes of consultation pursuant to Planning Policy Statement 12 and subsequently adopted as supplementary guidance;

(iii) grant delegated authority to the Cabinet Portfolio holder for Finance and the Cabinet Portfolio holder for Regeneration to agree any amendments following the consultation and further approval by the service units Cabinet Portfolio holders and sign off the revised statements as supplemental guidance on behalf of the County Council; and

(iv) to delegate authority to the Cabinet Portfolio for Finance and the Cabinet Portfolio holder for Regeneration to sign off the revised statements on behalf of the County Council following the annual review and approval by the service units Cabinet Portfolio holders.

5. Kent International Gateway Planning Inquiry
(Item. 6 - Report by Mr Kevin Lynes, Cabinet Member for Regeneration and Mr David Cockburn, Executive Director)

Mr Geoff Mee was present for this item.

(1) Mr Lynes said that the Kent International Gateway planning application raised a number of important strategic issues and a proposal of this scale would change the character of the surrounding area. The County Council had assessed the proposal against the policies of the Kent and Medway Structure Plan and the South East Plan and as a result of that assessment had already submitted a strong planning objection to the application. Mr Lynes said that the County Council had a responsibility to protect the Kent countryside and he highlighted in particular the main strategic planning objections summarised in paragraph 10 of the Cabinet report. Mr Mee spoke about the strategic transport implications arising from the application and said that overall in his assessment he did not believe the business case to be sound. Although the planning application had already been called in and would now be the subject of a local enquiry, Maidstone Borough Council would nonetheless be determining its view on the application in the near future. Mr Mee said that it was believed that the planning enquiry would get underway some time in September and could last for up to six weeks.

(2) Following further discussion, Mr King proposed, and it was agreed, that the recommendations set out in the Cabinet report be agreed.

(3) RESOLVED:-

(i) that KCC's objections to the Kent International Gateway planning application, and its appearance at a planning enquiry to oppose the proposal be endorsed;

(ii) the Executive Director, Strategy, Economic Development and ICT be authorised to appoint consultants and counsel as necessary, in consultation with the Cabinet portfolio holder for Regeneration; and

(iii) the creation of a small reserve to manage expenditure fluctuations arising from the appeal process be noted.

6. Local Authority Proposed Co-ordinated Scheme for Primary and Secondary Schools in Kent and Admission Arrangements for Primary and Secondary School Community and Voluntary Controlled Schools 2010/11

(Item. 7 - Report by Mr Mark Dance, Cabinet Member for Operations, Resources and Skills, Mr Leyland Ridings, Cabinet Member for Children, Families and Educational Achievement, Dr Ian Craig, Interim Managing Director for Children, Families and Education and Mr Keith Abbott, Interim Managing Director for Children, Families and Education) (Mr Scott Bagshaw, Head of Admissions and Transport was present for this item)

(1) In introducing this report Mr Bagshaw highlighted the main points in the report. The County Council in its capacity as the local authority is the admissions authority for Community and Voluntary Controlled schools, and was required to consult on its proposed admissions arrangements for those schools annually, and to determine its admission arrangements by 15 April each year. In proposing these admissions arrangements there had been wide consultation including Head teachers and Chairman of Governors of all Kent primary and secondary schools; neighbouring local authorities; diocesan bodies; independent schools; parents and parental groups together with the Admissions Forum. The Forum supported the continuation of the existing schemes and agreed the need for minor changes in the primary scheme dates in order to avoid the Easter holidays clash.

(2) During the course of discussion, Mr Carter spoke about the admissions and the appeals processes and said many of the difficulties which arose was because of the removal of powers from elected Members to quangos. Mr Dance spoke about the measures which the County Council was taking and also the discussions which it was having with neighbouring authorities such as Medway and Bexley in order to facilitate more grammar school places in West Kent.

(3) Cabinet agreed:-

(a) the proposed scheme to co-ordinate admissions to primary schools in September 2010 be determined as set out in Appendix A to the Cabinet report;

(b) the proposed scheme to co-ordinate admissions to secondary schools in September 2010 be determined as set out in Appendix B of the Cabinet report;

(c) the over-subscription criteria detailed in Appendix A and Appendix B relating to Community and Voluntary Controlled primary and secondary schools are determined for 2010;

(d) that the Published Admission Numbers for Community and Voluntary Primary and Secondary schools are determined as set out in Appendix A and Appendix B of the Cabinet report;

(e) Cabinet also noted:-

(i) the comments made during the course of the consultation as outlined in Appendix C of the Cabinet report; and

(ii) that from September 2010, the County Council would be required to administer all Casual Admissions (a process currently devolved to schools and academies) – a further consultation would take place later in the year to develop a "casual admissions schemes" which must be determined by no later than January 2010.

7. Review of Specialist Unit and Designated Provision in Mainstream Schools - Lead School Implementation

(Item. 8 - Report by Mr Mark Dance, Cabinet Member for Operations, Resources and Skills, Mr Leyland Ridings, Cabinet Member for Children, Families and Educational Achievement, Dr Ian Craig, Interim Managing Director for Children, Families and Education and Mr Keith Abbott, Interim Managing Director for Children, Families and Education)(Joanna Wainwright of CFE was present for this item)

(1) This report sought agreement on a model of delivery to be evaluated as part of the pilot phase of the Unit Review and provided a general update on the progress of the implementation of Lead School provision. Mr Dance spoke about the importance of the County Council working with its partners in order to take this work forward. He spoke about the work which had already been undertaken during the pilot phase and a working group had now been established to manage the evaluation of the pilot and focus on testing out the key elements of the Review Strategy. Joanna Wainwright spoke about the successes which the review had brought about and the fact that children now had more ready access to facilities local to their home. She also spoke about the role of the lead school in helping to provide advice and support to other schools in their area. The timetable now was that following the evaluation of the pilot phase, a report would be submitted to Cabinet in Autumn 2010 and at the same time, proposals would be presented in respect of Phase 2.

(2) Cabinet resolved that progress on the Unit Review be noted together with the timetable detailed in paragraph 6 of the Cabinet report. Cabinet also noted the funding arrangements for the pilot phase and agreed the draft Policy Statement as a working document to be evaluated during the pilot period as detailed in Appendix A to the Cabinet report.

8. Kent's Policy Framework for Later Life

(Item. 9 - Report by Mr Graham Gibbens, Cabinet Member for Adult Social Services, Mr Mike Angell, Older People's Champion and Debra Exall, Head of Strategic Policy)

(1) This report sought endorsement of Kent's Policy Framework for Later Life 'Living Later Life to the Full' and agreement that each of the Policy Overview Committees should be asked to consider the document and identify the strategic actions to be taken to deliver its aspirations after which it would be submitted to the County Council.

(2) During the course of discussion, Mr Angell spoke about the importance of older people having access to services and the consequences that can occur should there be any delays in receiving those services. He said that the issues highlighted

in the report demonstrated the fact that this was a matter which cut across all areas of KCC activity and therefore its importance needed to be recognised within that context. Debra Exall said that producing this report had identified and raised the profile of this important area and the Policy Overview Committees should now be invited to look at the report in detail and identify the aspirations and actions they would wish to see. Following that exercise there would be a further report to Cabinet and then it would be submitted to the County Council. Mr Marsh said that he was supportive of this work as it identified a number of important issues, such as providing older people with the opportunity to work longer and to use their skills. There was wide-ranging collaboration with other bodies in taking these matters forward, including the NHS.

(3) Cabinet resolved to endorse Kent's Policy Framework for Later Life and recommended that the report be considered as appropriate by the Policy Overview Committees and then by the County Council.

9. The Transfer of People with Learning Disabilities from the NHS to Social Care
(Item. 10 - Report by Mr Graham Gibbens, Cabinet Member for Adult Social Services and Mr Oliver Mills, Managing Director, Kent Adult Social Services) (Miss Caroline Highwood, Director, Resources was present for this item)

(1) Mr Gibbens said that since this matter was reported to Cabinet in December 2008 a considerable amount of work had been undertaken to ensure that the County Council's interests are protected as far as possible. Real progress had been made and the previously outstanding risks had been substantially mitigated, although there were still some issues outstanding and work was continuing. It would be appropriate for the transfers to take place when the individuals and services were ready to transfer. Mr Gibbens said the risks of doing nothing far outweighed the risks of undertaking the transfer and believed that this agenda now needed to be moved forward. He placed on record his thanks to officers for their work on this matter and commended the report and its recommendations to Cabinet

(2) Mr Lynes said that his initial concerns around this matter, especially regarding the financial implications have now been addressed and he was confident that the level of risk would be robustly managed. Miss Highwood said that Lancaster University had been commissioned to produce an actuarial report on the likely rate of growth in numbers of service users.(People with learning disabilities). Miss Highwood said that the Council would not be taking over any care contracts or services until there was complete confidence that they met regulatory requirements. Mr Mills spoke about the need to have in place the proper resources and safeguards and the report provided helpful intelligence which would enable the County Council to continue planning services for this group. However it should be enhanced by a full national study commissioned by the Department of Health to inform the future funding regime for all local authorities. The County Council, together with others, was therefore lobbying for such a study to be undertaken which would be critical to ensure the long-term security of this group of people. Ms McMullan said that the actuarial review would be important not just from the point of view of identifying the amount of money in the system, but also to validate the methodology about how it will be distributed. Peter Gilroy said that this matter raised some broader issues and it was therefore essential that there was some strategic national assessment of its impact. Mr Carter said he believed this transfer would be in the interest of those with learning difficulties but given the complexity of

the financing implications it was also important to make sure that this transfer was effectively managed to ensure the interests of the County Council were properly protected.

(3) Cabinet then:

(a) agreed the transfer of people with Learning Difficulties from t he NHS to Social Care, as detailed in the Cabinet report.

(b) agreed that a rigorous campaign should be instigated to influence government for the appropriate distribution of funds, and for future growth in this service user group to be adequately provided for, and directly hypothecated.

(c) agreed to continue lobbying on the issue of the obligation to repay the value of the capital assets.

10. Select Committee: Autistic Spectrum Disorder (ASD)

(Item. 11 - Mr J Simmonds and Mr G Cowan were present for this item)

(1) in presenting this report as Chairman of the Select Committee, Mr Simmonds paid thanks to the officers who had supported it in its work and also to the Members who had served on the Committee. Mr Simmonds said autistic spectrum disorders were complex, and people with autism were amongst the most vulnerable and excluded in society. He said early diagnosis can lead to more successful outcomes but there was a shortage of specialists particularly amongst those working with adults. It was estimated that there was some 10-11,000 adults living in Kent who suffered in one way or another from a form of autism. Of those some 600 were receiving some level of support through Kent Adult Social Services. Mr Simmonds also spoke about the need to make available resources for research, training, advocacy and providing information material. It was estimated that the set up costs for this would be some £300,000. Mr Simmonds also said that recommendations 2, 5, 7 and 9 could only be achieved through working in partnership with other agencies and in particular the NHS. Mr Cowan said that the recommendations of the Select Committee relied on other partners playing their part in dealing with a condition for which there was no known cure. He said he did not want to see the outcome of the report as being seen as aspirational but rather as something which would be actively taken forward and implemented.

(2) following further discussion Mr Gibbens said that he welcomed the report and he thanked the Select Committee for producing a relevant and well balanced document. Mr Carter said that the findings of this good report needed to be considered very carefully and it would now be discussed at a future meeting of the County Council.

11. Select Committee: Provision of Activities for Young People - Somewhere to go, someone to be

(Item. 12 - Mr Alan Chell and Mr Geoff Rowe at present for this item)

(1) As Chairman of the Select Committee Mr Chell placed on record his thanks to his fellow Members and also to the officers who had supported it during its work..

Mr Chell said that the Select Committee report contained some 17 recommendations some of which were new ideas whilst others were about how existing areas can be improved. Mr Rowe said that there was some diverse and yet at the same time patchy provision and that was something which the recommendations sought to address. He also spoke about the importance which public transport played in allowing young people to access youth services. The Freedom Pass had gone some way to address that issue but the Pass was only effective where there was good existing public transport. Also its effectiveness would be increased if it could be integrated with the rail network. However it was understood that currently the rail operators were not interested in being part of this scheme. Mr Rowe also spoke about the effectiveness of the links which the youth service had with Charlton Athletic Football Club and he also spoke about the need for youth services to recognise what was important in young People's lives and to respond accordingly.

(2) Mr Hill said he welcomed the report and said that the County Council was already doing some of the things which the Select Committee commented on in its report. For example working with schools to see if their facilities could be made available for community and youth services outside of normal school hours and working with district colleagues in developing integrated youth services. Mr Hill said he also welcomed the Select Committee's comments about working with the voluntary sector.

(3) Following further discussion Mr Carter thanked the Select Committee for its report which would now e discussed at a future meeting of the County Council

12. National Year of Reading (NYR): A Legacy Beyond 2008

(Item. 13 - Report by Mr Mike Hill, Cabinet Member for Communities and Amanda Honey, Managing Director, Communities. Gill Bromley, Strategic Manager, Libraries and Archives and NYR Coordinator was present for this item)

(1) In presenting this report Gill Bromley highlighted the achievements of the National Year of Reading and spoke about plans to develop a Strategy for Reading and Literacy for Kent recognising that Reading is fundamental to Kent’s economy and community health and well-being.

(2) Cabinet agreed:

(a) to support the development of a Strategy for Reading and Literacy for Kent; as detailed in the Cabinet report; and

(b) seek the support of all KCC members but as ambassadors was literacy and reading in their communities.

13. Decisions from Cabinet Scrutiny Committee - 10 February 2009

(Item. 14 - report by Mr Alex King , Deputy Leader and Mr P Sass Head of Democratic Services and Local Leadership)

Resolved that the report be noted

14. Other items which the Chairman decides are relevant or urgent
(Item. 15 - report by Peter Gilroy, Chief Executive)

(1) The Chairman declared consideration of this item to be urgent so that Cabinet and Members could be advised of the response by the County Council into report published by the Audit Commission into deposits by a number of local authorities and other bodies in Icelandic banks.

(2) All Council Members had received a letter from the Leader notifying them of the Audit Commission's extraordinary report into local authority deposits in Icelandic Banks. The County Council had already written to the Audit Commission expressing astonishment at the way it had handled its review of trapped deposits in Iceland and its arbitrary approach to labelling 7 Councils negligent. This was now the subject of a formal complaint made by the County Council to the Audit Commission. The Audit Commission had failed to take a strategic lead role in what is an international financial crisis and had also completely failed to acknowledge the ongoing risks that council's face in these unprecedented times. The County Council was now calling on the Commission to join forces with local government in partnership with central government to protect taxpayers' money in these turbulent times.

(3) Cabinet noted this report and supported the approach to the Audit Commission and Central Government.

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To: CABINET – 20 April 2009

By: Nick Chard, Cabinet Member – Finance

Lynda McMullan, Director of Finance

REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT

1. Introduction

1.1 This exception report highlights the main movements since the third full monitoring report to Cabinet on 30 March 2009 and is based on the February monitoring returns.

2. Revenue

2.1 The current underlying net revenue position by portfolio after the implementation of assumed management action, compared with the net position reported last month, is shown in **table 1** below.

Table 1: Net Revenue Position after Proposed Management Action

Portfolio	Gross Variance	Proposed Management Action	Net Position after management action This Month	Net Position after management action Last Month	Movement
	£k	£k	£k	£k	£k
O,R&S (CFE)	+2,731	-1,197	**+1,534**	+1,325	+209
CF&EA	-1,534	0	**-1,534**	-1,325	-209
Kent Adult Social Services	-584	0	**-584**	0	-584
E,H&W	-2,929	0	**-2,929**	-2,929	0
Regen & SI	-969	0	**-969**	-661	-308
Communities	+72	-72	**0**	0	0
Public Health	-138	0	**-138**	-138	0
Corporate Support	-547	0	**-547**	-492	-55
Policy & Performance	-7	0	**-7**	+7	-14
Finance	-1,326	0	**-1,326**	-717	-609
TOTAL (excl Schools)	**-5,231**	**-1,269**	**-6,500**	**-4,930**	**-1,570**
Asylum	+5,222	0	+5,222	+5,222	0
TOTAL (excl Schools)	**-9**	**-1,269**	**-1,278**	**+292**	**-1,570**
Schools	**+8,000**	**0**	**+8,000**	**+8,000**	**0**

2.2 **Table 2** shows the forecast underlying gross position **before** the implementation of residual management action, compared with the gross position reported last month.

Table 2: Gross Revenue Position before Residual Management Action

Portfolio	Variance This Month £k	Variance Last Month £k	Movement £k
Operations, Resources & Skills (OR&S) (CFE)	+2,731	+2,731	-
Children, Families & Educational Achievement (CF&EA)	-1,534	-1,325	-209
Kent Adult Social Services (KASS)	-584	+33	-617
Environment, Highways & Waste (EH&W)	-2,929	-2,929	-
Regeneration & Supporting Independence (R&SI)	-969	-661	-308
Communities	+72	+338	-266
Public Health	-138	-138	-
Corporate Support & External Affairs	-547	-492	-55

	Variance		
Portfolio	**This Month £k**	**Last Month £k**	**Movement £k**
Policy & Performance	-7	+7	-14
Finance	-1,326	-717	-609
Total (excl Asylum)	**-5,231**	**-3,153**	**-2,078**
Asylum	+5,222	+5,222	-
Total (incl Asylum)	**-9**	**+2,069**	**-2,078**
Schools	**+8,000**	**-8,000**	**-**

2.3 The gross revenue position (excluding schools) is currently an underspend of £0.009m as shown in table 2 above, but this is expected to reduce to an underspend of £6.500m (excluding the pressure on Asylum) by year end, after assuming the implementation of residual management action, as shown in table 1. However, with the inclusion of the Asylum pressure of £5.222m, this reduces to an overall underspend of £1.278m.

2.4 Table 1 identifies that even after management action, a residual pressure is still forecast within the Operations, Resources & Skills portfolio, however this is offset by an underspend on the Children, Families & Educational Achievement portfolio.

3. 2008-09 REVENUE MONITORING POSITION BY DIRECTORATE & PORTFOLIO

The main changes in the gross position before management action this month, as shown in table 2, are:

3.1 Children, Families & Education:

3.1.1 Children, Families & Educational Achievement:

The overall movement in the gross position on this portfolio is an increase in the underspend of £0.209m from -£1.325m to -£1.534m. The main movements are:

- -£0.240m ASK Early Years – an increase in the underspend from -£0.760m to -£1.000m. This is due to lower than expected take up for the Graduate Leader fund which is a strand of the Sure Start grant that funds schemes for existing members of staff in PVI settings to increase their level of qualifications. This strand of the grant is not ring fenced and can be used to cover the underlying problem previously forecast thus allowing the full £1m underspend from delays in opening Children's Centres to be rebadged against this service.
- -£0.138m Independent Sector Residential Care – a reduction in the pressure from +£0.709m to +£0.571m. The pressure on the gross budget has reduced by £0.084m as a planned disability placement is no longer required. There has also been an increase in income of £0.054m following recent approval from Health to fund a placement.
- -£0.161m Other Services Support – a reduction in the pressure from £0.200m to £0.039m mainly due to a reduction in the forecast spend on the legal budget which has reduced by £0.200m due to re-phasing of legal costs into 2009-10. There has also been a small reduction in forecast income of £0.039m.
- +£0.314m Fostering Service – an increase in the pressure from £0.769m to £1.083m which is largely due to an increase in placements. There have been 39 additional KCC foster care placements at a cost of £0.110m; 3 new Independent Fostering Agency placements for children with special needs costing £0.055m; a new guardianship placement of £0.052m and additional 16+ placements of £0.070m. There have been small increases of £0.027m on various other fostering lines.
- +£0.016m Assessment and Related – a minor increase in the pressure from +£0.680m to +£0.696m. However the forecast gross expenditure and income on this service have increased by £0.288m and £0.272m respectively due to an increase in spend and income for Occupational Therapy equipment.

3.1.2 Management Action:

The management action remains as reported to Cabinet in March, (i.e. where possible rebadging eligible expenditure against Sure Start grant, the LA element of DSG and 2007-08 unspent LAA grant), although the value has reduced in light of the movements above.

3.2 Kent Adult Social Services:

3.2.1 The overall movement in the gross position on this portfolio is a reduction of £0.617m from +£0.033m to -£0.584m. The main movements are:

- -£0.330m Older People Residential Care – an increase in the underspend to £0.338m. The number of clients in permanent residential care has reduced by 25 since last month and 77 since the end of November as a result of higher than expected attrition. The reduction in the forecast position also results from revisions to the income forecast as well as reduced estimates for non-permanent weeks of care.
- -£0.353m Older People Nursing Care – an increase in the underspend to £0.448m. The number of clients in permanent care continues to fall because of higher than expected attrition, with the January figure standing at 1,339 which is down 25 from December. The continued high level of attrition has now been more fully reflected in the forecast because, as reported in the Cabinet report last month, there was some uncertainty as to how long this high level would continue. The average unit cost assumed within the forecast has also reduced slightly.
- -£0.035m Older People Other Services – although this forecast has only reduced by £0.035m this month to an underspend of £0.426m, within this is a declared underspend of approximately £0.200m in relation to the Partnerships for Older People Projects (POPPs) which is funded by the Department of Health. This underspend is offsetting increased pressures against the remaining services, including meals, payments to voluntary organisations, and in-house day-care. The POPPs underspend relates to the remaining balance of funding for this project and the Directorate has recently received written confirmation from the Department of Health about how to spend this balance.
- +£0.164m All Adults Assessment and Related – an increase in the pressure to £0.185m. Further savings resulting from holding recruitment to all non-essential posts have been offset by the decision taken with Corporate Finance to cover the known future costs of redundancy and retirement resulting from the review of management and support structures on the basis that the notice letters have been issued and we therefore now have an obligation to pay these costs. We are also accounting for £0.150m of funding from the Department of Health to re-launch the Joint Improvement Partnership (JIP) in the South East region. The JIP is a partnership of organisations involved in improving services within social care and is charged with:
    - Accelerating the pace of improvement and targeting it where capacity to improve is lacking.
    - Promoting and coordinating the range of high quality support available to organisations – mainly at no cost to the recipient – from existing agencies.
    - Promoting the culture that seeking support to deliver better services for users is a sign of strength not weakness.

  The funding from the Department of Health relates to all partners within the JIP. The re-launch will not now take place until the new financial year.
- -£0.158m Mental Health Domiciliary Care – the forecast variance has dropped by £0.158m to an underspend of £0.027m following an in-depth review of the forecasts. Part of this drop is offset with a small increase of £0.062m in residential care as difficulties remain in transferring clients back into the community.
- +£0.005m Mental Health Other Services – a reduction in the underspend from -£0.156m to -£0.151m, however within this variance is an underspend of £0.082m in relation to development work to enable Swift, the client activity system, to be integrated with the EPEX system used by the Kent and Medway Partnership NHS Trust, which will allow Mental Health social workers to input to only one system. The developmental work was to be funded from the increase in the Mental Health Area Based Grant, however due to other priorities in Swift, mainly Client Billing, this area of development has been re-phased to 2009-10.
- +£0.142m Resources – a reduction in the underspend to £0.402m following the decision taken with Corporate Finance to cover the known future costs of redundancy and retirement resulting from the review of management and support structures on the basis that the notice letters have been issued and we therefore now have an obligation to pay these costs. This is off-setting three underspends now declared relating to Client Billing, Data Quality Swift developments, and TDM (Transactional Data Matching) as follows:
    - a provision of £0.446m was created in 2007-08 for Client Billing because of uncertainty around the replacement grant for Social Care IT Infrastructure Capital grant from the Department of Health. However the Directorate has since been notified that it will receive

£0.362m in 2008-09 thereby allowing release of much of the provision to offset the overall revenue pressure within the Directorate (which has been included in previous forecasts). Due to the delay in implementing Client Billing, the Directorate was unable, during 2008-09, to fully develop or enhance some of the reports required for debt management.

  - it has not been possible to undertake all of the Swift data quality work expected this year mainly due to the delay of Client Billing and capability within the team to deliver within existing resources. The work and the £0.041m spend that was due to be funded from the Client Billing provision will now occur in 2009-10 which has resulted in an underspend this year.
  - during 2008-09 we will receive approximately £0.060m rebate from the Royal Bank of Scotland for the use of Transaction Data Management (TDM) in paying the vast majority of our domiciliary invoices. After much negotiation we eventually agreed the specifications with RBS for the development and commissioning of new reports which was part of the external audit recommendations in 2007-08. However it is highly unlikely that the reports will be fully developed before 31st March 2009, and at this stage we cannot be sure that there will not be further development costs with Northgate, the company who provide Swift.

There are a number of smaller movements across all other services, which are all below £0.1m.

3.3 Regeneration & Supporting Independence portfolio:

The underspend for the portfolio has increased by £0.308m this month to £0.969m. This is due to:

- -£0.170m A2 linear park project - this scheme is supported by £0.250m of KCC funding in 2009-10, together with other funding streams over the life of the project, some of which is time limited. In order to maintain maximum funding flexibility, it is prudent to use the time limited funding before we use our own £0.250m support. Currently, of the £0.250m spend to date, £0.170m is eligible to be charged against the Homes & Communities Agency (HCA) grant available for this project and we are negotiating for including the additional £0.080m. This will mean that £0.170m (possibly up to £0.250m), of our own funding support will not be used this year.
- -£0.138m Supporting Independence – this underspend is made up from £0.056m on apprenticeships and £0.082m on welfare reform. The apprenticeship underspend is a result of the current economic climate and businesses being wary of taking on apprenticeships at the current time. The National Government campaign was also delayed from November 2008 to February 2009. KCC decided to align our activity alongside the National campaign, therefore spend on anticipated 2008-09 activity has had to be directed to the next financial year. The welfare reform element of the underspend is again related to the unprecedented economic downturn. We are working with Job Centre Plus to revise previously agreed activity and approach in order to cope with the large increase in demand. We are looking to develop support and mentoring to benefit claimants, workshops and support sessions in high benefit user locations and targeted approaches to specific archetypes e.g., incapacity benefit claimants, lone parents etc.

3.4 Communities portfolio:

The gross position on this portfolio has improved by £0.266m to a pressure of £0.072m. The main changes are:

- -£0.135m Arts Unit – the Unit had been over optimistic in their spending plans, overstating their outturn position on staff and running costs. Staff costs have been reduced by reflecting staff savings accrued from vacant posts which have not been reflected in previous forecasts. Also there is a saving on the Future creative project and a rates rebate for Hextable Dance.
- -£0.131m from staff savings arising from vacancy management across the directorate. This accords with the management action previously reported.

In addition, Key Training Services are reporting a pressure arising from a reduction in LSC funding as a result of the Demand Led funding structure. The service predicts a £0.100m deficit as a result and has implemented a management action plan to recover the position (although given the timing it is doubtful whether this will have a significant impact). This includes appointing only to business critical posts, reducing expenditure on mileage, expenses and mobile phones and applying a general spending moratorium only permitting business critical expenditure. Any residual deficit will be met from a draw-down from Key Training reserves; therefore there will be no impact on the outturn position in the current year. We are currently investigating whether the implication of the funding volatility extends into the next financial year.

3.6 Finance portfolio:

The position on this portfolio has improved by £0.609m mainly on treasury management. This is largely the result of better than expected cash flows, reduced apportionment of interest to the Pension Fund, Schools and Fire in line with the reduction in LIBID rates and delays in new borrowing.

4. 2008-09 CAPITAL MONITORING POSITION BY DIRECTORATE

4.1 There have been a few cash limit adjustments this month as detailed below:

		2008-09 £000s	*2009-10 £000s*
1.	As reported to Cabinet on 30 March 2009	312,363	*404,873*
2.	Additional DCSF grant for Specialist Schools Programme (ORS portfolio)	30	*95*
3.	Dover Big Screen funded by revenue and external funding (Communities portfolio)	60	*20*
		312,453	***404,988***
4.	PFI	73,420	*54,983*
		385,873	*459,971*

4.2 In addition there has been a virement of £10k from the KASS portfolio to the Corporate Support & External Affairs portfolio for their contribution towards the Tenterden Gateway project.

4.3 The current forecast capital position by portfolio, compared with the position reported last month is shown in **table 3** below and **table 4** shows the impact of this variance on each of the funding sources.

Table 3: Capital Position

	Variance		
Portfolio	**This Month £m**	**Last Month £m**	**Movement £m**
Operations, Resources & Skills (CFE)	-3.038	-0.526	-2.512
Children, Families & Educational Achievement	-0.349	-0.003	-0.346
Kent Adult Social Services	-1.666	-0.732	-0.934
Environment, Highways & Waste	-2.618	-1.552	-1.066
Regeneration & Supporting Independence	-0.754	-0.404	-0.350
Communities	-2.407	-2.475	+0.068
Corporate Support & External Affairs	-0.104	-0.107	+0.003
Policy & Performance	-	-	-
Finance	-0.848	-0.572	-0.276
Total (excl Schools)	**-11.784**	**-6.371**	**-5.413**
Schools	-	-	-
Total	**-11.784**	**-6.371**	**-5.413**

4.4 **Table 4: 2008-09 Capital Variance analysed by funding source**

	Capital Variance £m
Supported Borrowing	-0.383
Prudential	-5.040
Prudential/Revenue (directorate funded)	-2.458
PEF2	-0.729
Grant	+1.242
External Funding - Other	+0.034
External Funding - Developer contributions	+0.699
Revenue & Renewals	-3.955
Capital Receipts	-2.103
General Capital Receipts (generated by Property Enterprise Fund)	+0.909
TOTAL	**-11.784**

4.5 The underspend against borrowing (both prudential and supported) shown in table 4 above is a contributory factor in the treasury management underspend reported within the revenue position of the Finance portfolio.

4.6 Overall there is a further -£5.413m of re-phasing of projects this month, as identified in table 3, the main movements are detailed below:

4.7 Operations, Resources & Skills (CFE) portfolio:
The forecast variance for the portfolio has moved by -£2.512m from -£0.526m to -£3.038m this month. The main changes are:

- -£0.982m Oakfield Primary School (Primary Pathfinder Programme) – this project has been delayed due to a variety of reasons which include: the late delivery of the timber frame from Germany; the need to divert a sewer which delayed the start of the nursery block plus a 2 week delay due to the inclement weather in February.
- -£1.003m Special Schools Review. There have been a number of changes on this programme, the more significant being:
  - -£1.435m Meadowfield School - this project has been very problematic. Delays have resulted from: resolving design issues, roof leaks, as well as contractor performance issues.
  - -£0.446m Valence School - The collapse of the access road has delayed progress on the residential accommodation. There has also been some design issues that needed to be resolved with regard to the electricity supply.
  - -£0.269m Milestone School - delays resulting from design & performance issues plus work has been delayed following the need to arrange for asbestos to be removed.
  - -£0.213m Rowhill School - the inclement weather in February together with the discovery of unknown buried utility services has delayed outdoor progress on the project.
  - +£0.970m Ifield School - This overspend relates to the cost of providing 6th Form accommodation at North West College (a second payment of a similar size is due in June 2009).
  - +£0.226m Bower Grove - Extra works have been required to complete the project, these include: basement infill, extra ceiling works & works to the dining hall. The current forecast also includes an assumption of contractor claim liabilities which have yet to be agreed.
- -£0.297m Modernisation Programme 2006/7/8. The larger changes on this programme relate to:
  - -£0.335m Sussex Road Primary School – delays in providing engineering drawings have led to delays on site.
  - -£0.108m Salmestone Primary School – this delay has been caused by the discovery of asbestos in the dining hall.

- o +£0.129m Phoenix Community School – the increased spend in 2008-09 is a direct result of deferring a school contribution from 2008-09 to 2009-10.
- -£0.295m St James the Great (Development Opportunity) – this project has been delayed due to the severe weather conditions in February.
- +£0.143m Ashford, The Oaks (Primary Strategy) - £0.070m of the increased spend in 2008-09 is due to the deferral of a school contribution from 2008-09 to 2009-10. The balance of the increase relates to savings that we were previously hoping for not materialising.

Over the period of the MTP, a further pressure of £3.116m has been identified this month on the ORS portfolio, bringing the overall pressure on this portfolio to £5.645m over the MTP period. The previously reported £2.529m will be funded from unapplied capital resources and revenue contributions as explained in last months report. The main movement this month is on the Special Schools Review (SSR) where the costs have increased by £2.949m. The Special Schools Review programme will therefore be re-submitted to PAG, where the extra funding needed to meet these additional costs will be addressed. The reasons for the £2.949m increase in costs on SSR are:

- +£2.025m additional costs associated with providing 6th Form accommodation for Ifield School at North West Kent College
- +£0.500m additional costs required to convert and extend the old Dunkirk Primary School to create primary provision for Orchard Special School
- +£0.275m Bower Grove – extra works have been required to complete the project including basement infill, extra ceiling works and works to the dining hall. The current forecast also includes an assumption of contractor claim liabilities which have yet to be agreed and therefore the overspend may be overstated.

In addition to the increased costs of SSR, there is a further £0.167m increase on other projects, mainly £0.157m on the Quarryfields project which will be funded by additional revenue contributions in 2009-10.

4.8 Children, Families & Educational Achievement portfolio:

The forecast variance for this portfolio has moved by -£0.346m this month from -£0.003m to -£0.349m. This is mainly due to -£0.297m re-phasing of the Transforming Short Breaks (Aiming High) Programme, principally on the Allsworth House project where previous forecasts were over ambitious as the process of agreeing a robust tender document took longer than anticipated. The tender process is now underway.

4.9 Kent Adult Social Services portfolio:

The forecast for the portfolio has moved by -£0.934m from £0.732m to -£1.666m this month. The main movements are:

- -£0.319m Modernisation of Assets/Public Access - an element of this re-phasing relates to recently approved projects, which will not be finalised by the end of the financial year. Another re-phased element has come about as a result of continued directorate restructuring leading to negotiation delays. Finally, KASS always 'hold back' some of their capital programme, pending any urgent works but the demand for this has been less than anticipated.
- -£0.200m Home Support Fund – this is re-phasing due to delays in commissioning work in the current financial year.
- -£0.130m System Renewal Programme – the current ongoing KASS restructuring plans for the directorate have unfortunately led to this re-phasing into 2009-10.

There are a number of other projects re-phasing into 2009-10 but all are below £100k.

4.10 Environment, Highways & Waste portfolio:

The forecast for the portfolio has moved by -£1.066m from -£1.552m to -£2.618m this month. The main movements are:

- -£0.638m Energy and Water Investment project re-phasing into 2009-10. £0.180m of this is due to tunnel lighting works and £0.102m relates to lighting control in KCC buildings which will not now be able to start this financial year. The balance of the underspend relates to various schools' lighting and biomass projects which have been delayed.
- -£0.435m Ashford Ring Road – a small part of this project has re-phased into the new year, although the road is open to the public. This re-phasing will cover CCTV, variable message signs and footway cycle ramps all of which will be carried out in 2009-10.
- -£0.145m re-phasing on the Victoria Way development in Ashford now that fee estimates have been firmed up.

- -£0.300m Household Waste Recycling Centres. Herne Bay site improvement and Dartford Heath site replacement have re-phased by £0.110m and £0.190m respectively, as work on the ground will not start until 2009-10.
- +£0.500m street lighting invest to save project (funded from the revenue underspend on waste). We previously only expected about £0.9m of this programme to be delivered by the year end but we are now forecasting that the full £1.4m of the invest to save project will be completed this year, although there is still the possibility that a small proportion may slip into the new year.

In addition, a £0.240m overspend on highways maintenance to address some of the major repairs due to the recent frost damage on carriageways will be covered by an underspend on the safety camera budget.

4.11 Regeneration & Supporting Independence portfolio:
The forecast for the portfolio has moved by -£0.350m from -£0.404m to -£0.754m this month due to re-phasing of the Dover Sea Change project, which is delayed until 2009-10 as a result of planning issues.

4.12 Communities portfolio:
The forecast for the portfolio has moved by +£0.068m from -£2.475 to -£2.407m this month. The main movements are:

- +£0.234m increased costs of the Ramsgate Library insurance betterment project, based on latest information from both the QS and Project Manager. This project is now forecast to overspend by £0.469m. This is to be funded by resources available from the Newington Library site, an anticipated underspend on the Canterbury High School AE project and an anticipated underspend on the Tunbridge Wells library project in 2009-10.
- +£0.100m Modernisation of Assets in respect of the KEY training IT upgrade to be funded by a transfer from revenue reserves.
- -£0.206m re-phasing of the Library Modernisation Programme. This is because of delays to works at Deal, Marling Cross and Folkestone libraries and works being postponed at Sandwich and Swan Valley libraries as partners have now withdrawn/delayed involvement.

4.13 Finance portfolio:
The forecast for the portfolio has moved by -£0.276m from -£0.572m to -£0.848m this month. The main movements are:

- +£0.100m increased spend on Commercial Services Vehicles, Plant and Equipment to be funded from their renewals fund.
- -£0.230m increased re-phasing of Modernisation of Assets as a result of the SHQ lift maintenance work not being completed until May 2009.
- -£0.090m re-phasing of the Better Workplaces project as installation work needed by ISG cannot be done until May 2009.

5. RECOMMENDATIONS

5.1 Cabinet Members are asked to note the latest forecast revenue and capital budget monitoring position for 2008-09.

By: Paul Carter, Leader of the Council
Peter Gilroy, Chief Executive

To: Cabinet – 20 April 2009

Subject: ANNUAL AUDIT AND INSPECTION LETTER

Classification: Unrestricted

SUMMARY

This report attaches a copy of the Audit Commission's Annual Audit and Inspection Letter.

FOR INFORMATION

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1. Introduction

1.1 This report attaches a copy of the Annual Audit and Inspection Letter issued by the Audit Commission.

2. Status of the Annual Audit and Inspection Letter

2.1 The Annual Audit and Inspection Letter provides an overall summary of the Audit Commission's assessment of the authority. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.

2.2 The Annual Audit and Inspection Letter has been prepared by the Audit Commission's CAA Lead for Kent, Claire Bryce-Smith. She will attend this Cabinet meeting to present her report and answer any questions.

2.3 It is addressed to Members as it is the responsibility of the council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money.

2.4 The Annual Audit and Inspection Letter provides an overall summary of the Audit Commission's assessment of the council using performance indicators covering the financial year 2007/08 and the Direction of Travel which includes service improvements up to December 2008.

2.5 As is usual, the Annual Audit and Inspection Letter will be presented to Governance & Audit Committee in June.

3. Publication

3.1 The Audit Commission is required to publish KCC's Annual Audit and Inspection Letter on its website. KCC has done the same on its website and circulated it to all Members of the County Council on 31 March.

3.2 The report is very positive and your attention is drawn to page 3 of the Annual Audit and Inspection Letter which sets out the key messages and to paragraph 15 on page 6 which is a direct quote from the Direction of Travel statement.

4. Recommendation

4.1 Members are asked to NOTE the report.

Contact officer: Sue Garton, County Performance and Evaluation Manager, Chief Executive’s Department. Tel: 01622 22(1980). Email: sue.garton@kent.gov.uk

Audit and Inspection Letter

Kent County Council

Audit 2007/08

March 2009

Contents

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

Key messages

1 The Council has continued to sustain its strong improvement record from an already high base. It is one of only 26 councils in the country to achieve both the highest, four star rating for overall performance under the comprehensive performance assessment framework (CPA), as well as highest direction of travel judgement, 'improving strongly'.

2 'Good' performance has been sustained across the four component service blocks of CPA applicable to a County Council. Services for children and young people; adults social care; environment and cultural services all performed well, maintaining their respective level 3 (out of a possible 4) ratings.

3 The Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. It has sound, effective arrangements in place across all areas of the use of resources assessment and overall is assessed as 'performing strongly'. Thirty three councils in the country performed at this level in 2008. An unqualified opinion was given on the Council's accounts for the year ended 31 March 2008.

4 Direction of travel continues to be strong overall with improvements in all priority areas. In particular this year we have acknowledged achievements in educational attainment, outcomes from the vocational skills and learning programmes and in general the Council's contribution to wider community outcomes, which have been strong and broad in their remit. However, whilst recognising improvements in highways maintenance, a clear public priority area for improvement and recycling rates, the cost of waste disposal remains high in comparison with other similar authorities.

5 Annual performance assessments by other inspectorates published this year have continued to be positive. Children's service maintained its grade 3 (out of a possible 4) rating and adult social care sustained its three stars.

6 Outcomes from published inspection reports this year have been good. The Audit Commission's tri-annual inspection of corporate effectiveness found the Council to be 'performing strongly', the highest rating. The joint inspectorate assessment of children's services (JAR) was good and the enhanced youth service inspection found that the Council effectively secured the provision of youth work.

Action needed by the Council

7 We have not identified any areas where specific action is required, over and above those mentioned elsewhere in this report or in other reports already issued to the Council.

Purpose, responsibilities and scope

8 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter. (It also includes the results of the most recent corporate assessment.)

9 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.

10 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. [In addition the Council is planning to publish it on its website].

11 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:

- the Council's accounts;
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
- whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.

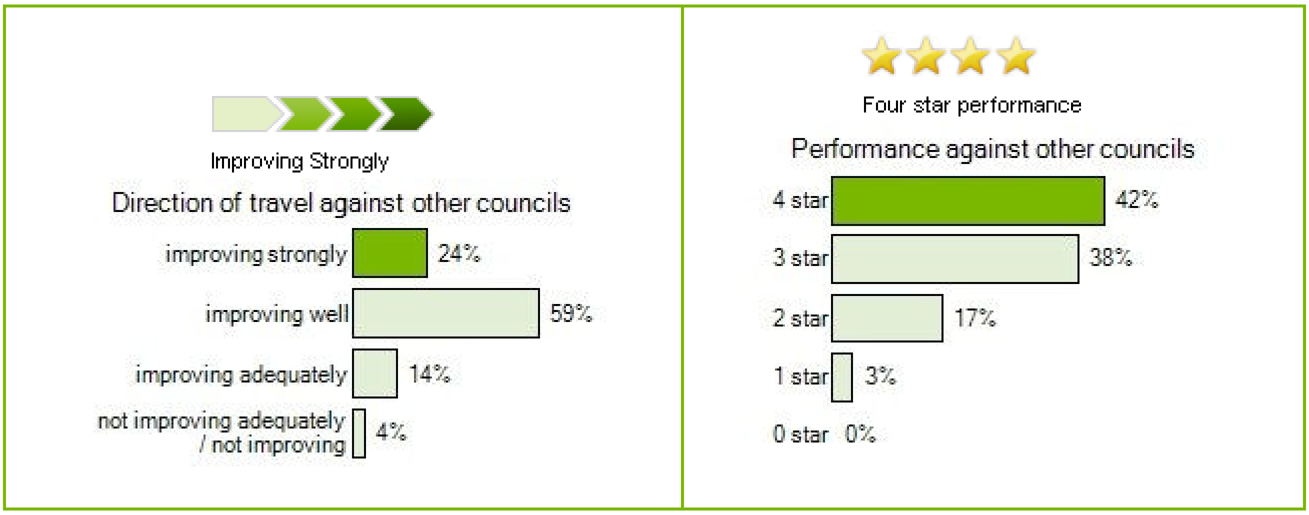
12 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.

13 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Kent County Council performing?

14 The Audit Commission's overall judgement is that Kent County Council is 'improving strongly' and we have classified Kent County Council as 'four star' in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1 Overall performance of councils in CPA



Source: Audit Commission - Percentage figures may not add up to 100 per cent due to roundings.

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving strongly
Overall	4 star
Corporate assessment/capacity to improve	4 out of 4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	3 out of 4
Use of resources*	4 out of 4
Environment	3 out of 4
Culture	3 out of 4

(Note: * these aspects have a greater influence on the overall CPA score)
(1 = lowest, 4 = highest)

The improvement since last year - our Direction of Travel statement

15 Kent County Council is 'improving strongly'. Educational attainment of children has improved in all Key Stages with significant improvements in some areas, including attainment of care leavers at Key Stage 4. Participation in, and outcomes from an ambitious vocational skills and learning programme have increased, with numbers in apprenticeships exceeding national levels. There has been a sustained improvement in adults' social care from an already high base. Recycling and highways maintenance have increased but the cost of waste disposal remains high. Contributions to wider community outcomes are strong. Road accidents have reduced significantly. Crime continues to fall with less young people entering the youth justice system, exceeding the reduction target. With partners, the number of empty homes brought back into use has exceeded stretched targets. Easier local access to a range of public services continues to transform, including through the expanding Gateway programme. The Council continues to provide excellent value for money. Strong leadership and capacity, coupled with a consistent and effective approach to performance management and improvement planning, ensures the Council is well placed to sustain its strong track record and deliver future improvements.

Summary report

16 The Council's improvement rate compares well to others. Around 67 per cent of Kent's best value performance indicators[1] improved between 2006/07 and 2007/08, which is at the top of the average range for similar authorities. Notable improvements include top quartile performance in 15 year olds achieving five or more GCSE grades A* to C; less crime; fewer accidents and more road maintenance leading to higher satisfaction amongst residents. However the Council still performs in the worst 25 per cent of similar authorities in the cost per tonne for municipal waste disposal in 2007/08.

17 The Council continues to make effective contributions to wider community outcomes by itself and in partnership. Road accidents have reduced significantly; crime continues to fall; and less young people are entering the youth justice system, exceeding the five per cent reduction target set by the Youth Justice Board. The number of safety checks carried out in the homes of vulnerable people by the 'Handy Van' service almost doubled in 2008 to 4,769. The Council has achieved level three of the Equality Standard for local government this year, as well as an improved rating in the Stonewall Workplace Equality Index from 37th to 29th. It has also retained its accreditation as two ticks positive for the sixth year, demonstrating a sustained positive commitment to employing disabled people.

18 Access to a range of public services continues to be made easier. The Gateway programme has continued to expand with new innovative retail type shop fronts opening in Thanet, Tunbridge Wells and Tenterden, providing more integrated access for local people to public sector as well as voluntary sector services. New technologies are also being piloted through health and social services, enabling more people to live independently. In addition, website information is easier to access through the promotion of interpreting services and the implementation of web accessibility standards, particularly across the 60 social care sites. ICT investments continue to support a wide range of community benefits such as Kent Connects (a single public service network which enables partners to share information securely), Explore Kent, Cluster Web and Kent Card.

19 A brief summary of improvements across the Council's 'Towards 2010' priority areas is set out in the following paragraphs.

20 There has been good progress against the 'learning for everyone' priority. Educational attainment of children has improved in all Key Stages with significant improvements in some areas, including contextual value added outcomes for Key Stage 2 to 4 (now significantly above the national average) and attainment of care leavers at Key Stage 4. The proportion of looked after children that leave care with at least one GCSE is better than the national picture, but remains lower than average for other children in Kent. This gap however, continues to close and importantly, the proportion of looked after children who do not sit any examinations has significantly reduced. The broader 14-19 year old strategy was rated as a major strength by Ofsted. Broader performance was also recognised including, that the large majority (82.7 per cent) of Kent's schools were 'good' or 'outstanding' in ensuring pupils were protected from bullying, racism or other forms of harassment.

[1] As used within the Audit Commission's Performance Information Profile

21 Participation in, and outcomes from the ambitious vocational skills and learning programme has increased, with numbers in apprenticeships exceeding national levels. Placements as part of the Kent Success programme have included apprenticeships in childcare, health and social care, business and administration, customer service and catering. Linked to accredited qualifications, these provide opportunities for gaining an extensive range of skills in supported work placements. Significant reductions have been achieved in those not in education, employment or training (NEETs) - the lowest number for 4 years. Creating pathways into employment for young people is delivering positive outcomes. Out of a total of 526 unemployed young people aged 16 to 17 who joined a 17 week, Entry to Employment training programme, 242 found employment or progressed to further training, and a further 154 were still making positive progress. Around 130 projects funded through the successful £24 million Interreg IIIA, and the URBAN programme is supporting more than 90 jobs and skills programmes in Kent improving opportunities for all. The 'Trading up Initiative' has seen more than 300 people from deprived communities complete skills training courses. There are also major infrastructure projects in deprived areas like Kent Thameside and Thanet to support the growth of homes, jobs and communities.

22 Public satisfaction with the condition of Kent's roads, pavements and streetlights has improved. The successful Project Pothole, April 2008, resulted in the repair of more than 11,300 potholes. The roll out of the Kent Freedom pass continues to improve accessibility and independence for students' aged 11 to 16, providing free travel on bus services in Kent for an annual fee of £50. Progress against the 'enjoying life' priority continues with the 2008 'Kent School Games', including the Disability Schools Games, which involved some 400 young people this year. In addition the latest satisfaction survey, showed improved satisfaction with libraries, increasing numbers of web-based renewals and opening hours.

23 Progress continues in achieving 'environmental excellence and high quality homes'. The number of long term empty properties brought back into use almost doubled in the last year, from 172 the previous year, to 339 as a result of joint work with District Councils in Thanet, Dover and Swale. Two country parks, Brockhill and Trosley, were awarded the Green Flag award for recreational green spaces, and the percentage of new KCC buildings designed to at least BREEAM 'very good' standard rose from 60 per cent to 80 per cent over the last year. However despite improvements in recycling and composting rates, and reducing amounts of household waste collected, these remained within the worst performing quartiles when compared with other similar Councils. Similarly the cost of waste disposal remained in the worst performing quartile as measured by the 2007/08 best value performance indicator.

24 A broad range of outcomes are being delivered against the 'improving health, care and well being' priority. Adult Social Care services sustained its top three star rating in this year's annual performance assessment undertaken by the Commission for Social Care Inspection (CSCi). In line with its priority, the number of people supported by community based services to live independently, increased by a thousand to 32,983 over the last year and access to and numbers utilising direct payments continues to increase. Funding from the Brighter Futures Group project is also encouraging active older people to provide support to older people who need it. More children are accessing speech, and language therapy services and more pregnant women are attending and completing birth and parent craft workshops as a result of better integration of services, for example in Children's centres. Just over 60 per cent of Kent schools have achieved Healthy school status, with 99 per cent of schools participating in the programme.

25 The Council achieves excellent value for money. Capacity to deliver priorities is good and improvement planning and performance management remains a strength. Around three quarters of the Kent Agreement targets has been achieved, meaning the partnership is currently on track to secure in excess of £20 million in performance reward grant. Delivery partnerships and procurement are used well to increase capacity. There are no failures in corporate governance or continuous improvement that would affect the Council's strong track for delivering future improvements.

Corporate assessment

26 Informing the direction of travel this year was the corporate assessment of the Council, published in June 2008. The corporate assessment assesses how well the Council engages with and leads its communities, delivers community priorities in partnership with others and ensures continuous improvement across the range of its activities. A brief summary of the report is set out in the proceeding paragraphs.

27 The corporate assessment found the Council to be 'performing strongly' overall. The report highlighted that the Council, with its partners had been early and active in developing clear and appropriate ambitions and priorities to meet the strategic challenges facing the county. There was clear recognition that the Council often led beyond the norm for local government and was an outstandingly effective advocate for Kent at all levels, including internationally. It was found to be open to new ideas and active in trying them out, for example in developing Kent TV as a community resource. Well-established partnership work was bringing real improvements to quality of life for local people. Ground-breaking recent pilot projects embraced new technology and aimed to personalise services. The Council had for ten years been seeking excellence and its organisation was impressive, high-quality, responsive and gives good value-for-money.

28 Areas for improvement were highlighted around the need for a more inclusive and listening approach; ensuring consistent high standards in equality practice across all directorates; and delivering improvements in lower performance areas, such as recycling, refuse volumes and air quality and in areas such as complaints handling.

29 The full report can be accessed via the Commission’s website at www.audit-commission.gov.uk.

Service inspections

30 No Audit Commission service inspections were undertaken this year.

31 An important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on the Council's performance. Relationship Managers share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.

- An annual performance assessment of children's services.
- An annual performance assessment of adult social care services.
- A joint area review of children's services.
- An enhanced youth inspection.

32 A summary of the overall judgements for each assessment is included in the proceeding paragraphs.

33 The annual performance assessment of Kent County Council's services for children and young people judged their overall effectiveness at a grade 3 (out of a possible 4). The assessment found that the Council delivers services consistently above minimum requirements for its children and young people, with innovative practice in a number of areas. The council's contribution to improving outcomes in the areas of being healthy; making a positive contribution; staying safe; enjoying and achieving and achieving economic well being were all 'good'. The Council had 'excellent' capacity to improve its services for children and young people, including the management of these services. The full assessment can be accessed via the inspectorate's website at www.ofsted.gov.uk.

34 The Commission for Social Care Inspection's annual performance assessment of adult social care services judged there to be 'good' delivery of outcomes with 'excellent' capacity to improve services, sustaining the three stars (out of a possible three stars) rating overall. The full assessment can be accessed via the inspectorate's website, www.csci.gov.uk.

35 Undertaken at the same time as the corporate assessment was the joint inspectorate review of services for children and young people in Kent, the Joint Area Review (JAR). The inspection's focus was on the contribution of local services in ensuring that children and young people:

- at risk or requiring safeguarding were effectively cared for;
- who were looked after achieved the best possible outcomes;
- with learning difficulties and/or disabilities achieved the best possible outcomes.

36 In addition the inspection assessed the impact of the partners' strategy on reducing variability across the county in participation and attainment by the age of 19; and in reducing the teenage pregnancy rates in targeted areas.

37 The JAR found 'good' contributions of local services to improving outcomes for children who were looked after; for children and young people with learning difficulties and/or disabilities; as well as for those at risk or requiring safeguarding. The impact of the partners' strategy on reducing variability across the county in participation and attainment by the age of 19 was 'good', but 'adequate' overall in reducing the teenage pregnancy rate. Both the management of services for children and young people and the capacity to improve further were assessed as 'outstanding'. A copy of the full inspection report can be accessed through the inspectorate's website at www.ofsted.gov.uk.

38 As part of the JAR, an enhanced youth service inspection was also undertaken. This found that overall, the Council effectively secured the provision of youth work. The quality of youth work was 'good' with some 'outstanding' features - in particular the quality of the curriculum and resources. Leadership and management was 'good'. A copy of the full report can be accessed via the inspectorate's website at www.inspectorates.homeoffice.gov.uk/hmiprobation/.

39 A youth offending service inspection was also carried out this year which informed the JAR and enhanced youth services inspection. Whilst no overall categorisation of performance is given, judgements are made against each of the five core areas of work of the youth offending team. The assessment found that management and leadership were 'good', along with the services work in courts. Work with children and young people subject to custodial sentences, with victims and in restorative justice was found to be 'adequate'. In the last remaining core area of work covering children and young people in the community outcomes of work were found to be 'good', including work with those who had offended. Work with parents/carers, and with those children and young people at risk of offending was found to be 'adequate'. A copy of the full report can be access via the inspectorate's website at www.inspectorates.homeoffice.gov.uk/hmiprobation/.

The audit of the accounts and value for money

40 As your appointed auditor, I reported separately to the Governance and Audit Committee in June 2008 on the issues arising from the 2007/08 audit. I issued my audit report on 28 July 2008, providing an unqualified opinion on your accounts including those of the superannuation fund. In addition, I gave an unqualified conclusion confirming that the Council has put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources.

Accounts

41 The accounts presented for audit were of a good standard and had been prepared in accordance with proper professional practice. The financial statements were produced within 10 weeks of the year end and were presented for audit on the 6 June 2008. A small number of mis-statements were identified during our work, mainly related to disclosure notes, the majority of which were corrected in the published accounts. To enhance the Council's existing arrangements of accounts production we reported areas where disclosures in the accounts in accordance with recommended practice could be improved. The prompt production of the accounts coupled with officers' focused assistance during the audit resulted in the early issue of the audit opinion.

42 Every business organisation seeks to implement a system of controls within their key financial systems to ensure the completeness and accuracy of financial reporting in the most cost effective way. A sound effective control environment operated during the financial year. We assessed the Council's general information technology control environment and judged it as 'low risk'. We tested and concluded that we could rely on all of the key financial systems except for the system processing domiciliary care payments, where we identified that the current control arrangements need strengthening. Work is in hand to address this. I carried out additional testing in this area to satisfactorily support the entries in the financial statements.

43 A number of local government electors contacted me as part of my audit of the 2007/08 accounts. I have dealt with all matters raised and there are no matters that I need bring to members' attention. An objection to the accounts was made requesting that the auditor issue a report in the public interest in respect of the expenditure on the Turner Centre. I am currently reviewing this and as such have not yet certified the completion of the audit.

Value for money

44 I am required to conclude whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. My conclusion is based on:

- the use of resources assessment;
- data quality; and
- findings of specific areas of audit risk.

45 I concluded that the Council has effective corporate arrangements in place for securing economy, efficiency and effectiveness in its use of resources and is delivering value for money at a consistently high level.

Use of resources assessment 2007/08

46 The use of resources assessment is an important component of the CPA framework. The use of resources score was derived from the assessments made by the auditor in the following areas:

- financial reporting (including the preparation of the accounts of the Council - paragraph 16- and the way these are presented to the public);
- financial management (including how the financial management is integrated with strategy to support council priorities);
- financial standing (including the strength of the Council's financial position);
- internal control (including how effectively the Council maintains proper stewardship and control of its finances); and
- value for money (including an assessment of how well the Council balances the costs and quality of its services).

47 For the purposes of the CPA we have assessed the Council’s arrangements for use of resources in these five areas as follows.

Table 2 Use of resources assessment 2007/08

Element	Assessment
Financial reporting	3 out of 4
Financial management	4 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	4 out of 4
Overall assessment of the Audit Commission	**4 out of 4**

Note: 1 = below minimum requirements - inadequate performance, 2= only at minimum requirements – adequate performance, 3 = consistently above minimum requirements – performing well and 4 = well above minimum requirements – performing strongly.

48 The Council has sound effective arrangements in place across all areas of the use of resources assessment and has maintained an overall assessment score of 'performing strongly'. The following paragraphs give a summary of the Council's arrangements.

49 The Council's external accountability is strong. Its annual plan is produced in a variety of formats to ensure it is accessible for Kent residents and summary accounts are included in a publication sent to all households. An environmental strategy has been in place since 2005 and the Council has analysed and reported on its environmental footprint. An action plan is in place to further reduce its carbon footprint in the future.

50 Arrangements for delivering the Council's strategic priorities are soundly based. The medium-term financial strategy, budgets and capital programme are well developed and monitoring is undertaken by management and members. The medium-term financial strategy is considered best practice and has been used by other bodies to improve their own strategies. The Council has robust budget monitoring arrangements which involve directorates, central finance, IMG and Cabinet on a regular basis. Financial and non-financial information is interlinked and presented in a comprehensive and transparent report for officers and members. There are good arrangements in place for managing the Council's asset base via the asset management plan and maintenance strategy. Senior officers and members make investment and disposal decisions based on thorough option appraisals. However, improvements need to be made in the wider use of asset management to support the Council's strategic priorities and partnership working in the tightening financial economy.

51 The Council set a balanced budget and has a detailed medium-term financial strategy setting out the financial pressures and challenges it faces. Robust budget monitoring arrangements, including a set of locally developed financial health indicators, are used to maintain spending within budgets. For the current financial year, as at the end of January 2009, the Director of Finance forecasts gross revenue expenditure (excluding schools, but including asylum costs) of £2 million above budget, although proposed management action is expected to reduce this to £0.6 million underspend. Capital expenditure is forecast as £3.7 million under spend against a programme of £394 million.

52 In common with a number of other councils, Kent had a material sum of money invested in Icelandic Banks at the time of their collapse. The Council commissioned an independent review to examine if its treasury management policy had been followed. This concluded that on the whole it had, but some areas of non compliance were noted, although these would not have prevented the investment. The Council is taking appropriate action to recover its investment.

53 The arrangements for maintaining a sound system of internal control are well developed. The Governance and Audit Committee provides a robust challenge to officers and the Council's internal audit function is effective. Each directorate has a business continuity plans in place and the Council is developing a testing strategy for them. There is a robust risk management policy in place which is supported by detailed directorate and strategic risk registers. Risk management training has been provided to Governance and Audit Committee members and to officers with a further programme of training planned in 2008/09. The Council takes a proactive approach to the achievement of probity and propriety in the conduct of its business.

54 The Council's delivery of and arrangements to secure future value for money is strong. General performance is very good for the monetary input. Nursery school placements are high providing a good educational start for children. Fostering costs are low with substantial use of placements near a child’s home. Recycling is improving and ambitious targets have been set in LAA2 (local area agreement) to improve value for money (VFM) in environment, bolstered by a waste incinerator that will make significant savings compared to landfill. Any areas of overspend that are identified are managed and plans put in place to address them, for example, on asylum seekers, an issue that particularly affects the county.

55 Efficiency gains targets have been exceeded and cumulative savings of £91 million were achieved by March 2008. The Council is adept at obtaining external funding and targeting spend to corporate priorities. The Council makes good use of CIPFA’s online statistical service to monitor its position against other councils. The VFM Board takes collective responsibility as the Council’s ‘efficiency champion’, and has enabled a range of VFM reviews looking at specific services where it was felt that VFM could be improved. Its commercial services are used to deliver procurement savings for the whole county and other public sector bodies. Over the last few years the service has been effective in reducing costs of service delivery and procurement savings.

Data quality

56 The Council's overall management arrangements for ensuring data quality are consistently above minimum requirements. There is a good balance between corporate oversight and delegation to directorates, where the responsibility rests for the accuracy of data quality, including sensitive areas such as child protection. There is now a data quality strategy in place that seeks to embed good practice in the organisation, as well as an effective network of data quality champions responsible for each directorate's delivery of the corporate policy. We have identified and reported a small number of areas to improve further the Council's arrangements.

Other use of resources work

57 Our audit and inspection plans for 2007/08 highlighted a number of areas where we needed to develop our understanding of the Council's arrangements. We have completed this work and there are no specific matters that we need to bring to members' attention. We have also reacted to developing events and provided an audit view as appropriate, for example, on severance payments. A brief summary is provided below.

- The Children's Trust is a major partnership for the Council. Our high level review concluded that appropriate governance arrangements were being developed. The Council and its partners have a partnership protocol which sets out the risks for different levels of partnership working and provides a framework for categorising and assessing risk and governance requirements. The arrangements set out that the Trust Board has shared accountability for the Trust including financial, legal and public accountability. The Ofsted and the Audit Commission joint review of children's and young people's services in June 2008 concluded that the Council and its partners had very good and wide-ranging safeguarding arrangements for children in place.
- We considered the Council's arrangements to ensure that effective governance arrangements operate for its partnership working. A Good Partnerships Guide has been prepared to guide officers in their work with partnerships. We reviewed this and confirmed it is in line with the CIPFA/SOLACE good practice guide. Internal Audit has carried out a sample review of partnerships and made a small number of recommendations for improvements to the directorates' approach to partnership categorisation and monitoring.
- The Council uses the Private Finance Initiative as a means of building its financial capacity and delivering improved services to its residents. We have considered the Council's planned accountancy treatment for two schemes and based on the information provided would not seek to challenge the treatment. Accounting for the schemes will need to be updated in light of the international financial reporting standards that will apply to local councils in the near future.

- We reviewed a number of cases of officer departures from the Council to consider the robustness of arrangements and concluded that agreements entered into were not unreasonable. We have recommended the establishment of a clear process for future cases to ensure the timely involvement of statutory officers and to ensure that key matters are sufficiently documented.

Looking ahead

58 The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.

59 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.

60 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area's Local Area Agreement.

Closing remarks

61 This letter has been discussed and agreed with the chief executive. A copy of the letter will be presented at the cabinet on 20 April 2009. Copies need to be provided to all Council members.

62 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 3 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Corporate assessment report	June 2008
Annual Governance Report	June 2008
Opinion on financial statements	July 2008
Value for money conclusion	July 2008
Final accounts memorandum	September 2008 (draft)
Annual audit and inspection letter	March 2009

63 The Council has taken a positive and constructive approach to audit and inspection work, and we wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

64 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Claire Bryce-Smith
Comprehensive Area Assessment Lead

Darren Wells
District Auditor

March 2009

The Audit Commission

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By:	Kevin Lynes – Cabinet Member for Regeneration Claudette Forbes – Interim Director of Economic Development
To:	Cabinet – 20 April 2009
Subject:	**KENT CREDIT UNION**
Classification:	Unrestricted

Summary: To seek agreement to the interim governance structure for the proposed Kent Credit Union.

FOR DECISION

INTRODUCTION

1. As Members are aware Officers have been developing proposals with partners for the setting up of the Kent Credit Union to be launched in October 2009. This activity follows an earlier paper which went to Cabinet in January 2008.

2. On the 19 February it was announced that KCC would allocate £250k to this development.

3. An IMG has been meeting regularly since early 2008 chaired by John Simmonds and have been actively involved in development of proposals.

4. A wide ranging stakeholder group has been meeting at regular intervals to give their input into proposals and has grown in number to approximately 40 people.

5. An internal officer group has met regularly to ensure that representatives from across all directorates are engaged in and aware of developments.

6 We are now bringing a paper to Cabinet to outline proposals and in particular the Governance arrangements.

GOVERNANCE PROPOSALS

7. The application to the FSA for Credit Union authorisation will be made from The Kent and Medway Financial Inclusion Partnership which has been set up for this purpose.

8. The Kent Credit Union will be set up as a mutual co-operative organisation and governed by a Board of Directors.

9. A shadow board has been identified with representatives from a number of organisations across the county including Housing Associations, CAB's and representatives from some of the existing Credit Unions. There has been a skills based recruitment process to ensure that the shadow board has a mix of people from

across the County making up the breath of expertise required for successful operation.

10. KCC will have representation on the shadow board through John Simmonds with Officers providing an observer and support role to the shadow board initially.

11. A sub committee will be established in-line with the FSA regulations for Credit Unions called the supervisory committee; this will have responsibility for internally auditing and regulating Credit Union operations. KCC will be providing senior representatives for this committee from Trading Standards and Finance.

FINANCE AND RISK

12. A detailed financial plan for the Credit Union has been prepared by a consultant experienced in running credit unions. This covers both the running costs and the loan book over a 5 year period. This currently shows a projected £468k deficit on the running costs over the 5 year period. The plan assumes levels of lending capital and share requirement which if not met would increase this requirement.

13. KCC has committed one-off funding of £250k.

14. What is clear is that for us to have a viable Credit Union which will get FSA approval other sources of funding will have to be identified. This will be a major issue for the new board supported by KCC officers.

15. KCC itself ultimately would not support proceeding unless there was sufficient support from other partners in the county.

EXISTING CREDIT UNIONS

16. Cabinet Members will be aware that there are 3 existing Credit Unions in Canterbury, Medway and Thanet.

17. Negotiations with these Credit Unions have been ongoing for over a year and we are working towards agreeing a memorandum of understanding to outline how these organisations will work with the proposed Kent Credit Union.

PROPOSED KENT CREDIT UNION BUSINESS PLAN

18. The draft business plan for the proposed Kent Credit Union (Appendix 1). This business plan will form a key part of the Kent Credit Union application when finalised.

NEXT STEPS

19. The next steps are:

(1) Establish financial viability for the Kent Credit Union – 3 years funding to be secured prior to application to FSA.

(2) Proceeding with application to the FSA (authorisation can take up to 6 months).

(3) Confirming KCC involvement in the future long term governance structures for the Kent Credit Union.

CONCLUSIONS

20. Developing the Kent Credit Union proposals has been a long term process as it was felt to be essential to take the time and effort to ensure we:

    (1) Engage the relevant stakeholders in the local area and local partner organisations.

    (2) Develop the model to ensure that it meets the needs of Kent residents.

    (3) Develop a funding strategy for obtaining the appropriate income levels to make this venture successful.

21. With regard to financial risk, set up costs, running costs and capital financing requirements for a viable credit union have been calculated as part of the business plan. This will require funding to be provided from a range of partners.

22. A final decision on KCC support will be taken when the overall funding position is clearer.

RECOMMENDATIONS

23. Members are asked to agree the following:

    (1) Establish a Board of Directors to oversee the operations and agree for John Simmonds to act as KCC's representative on this Board.

    (2) Establish a supervisory sub committee with senior representatives from Trading Standards and Finance.

Contacts – Caroline Hooper (01622) 221996/Emily Haswell (01622) 696895

Background documents - Nil

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Regulatory business plan

2009 – 2014

FIRST DRAFT 2nd April 2009

(without appendices)

Abbreviations used

ABCUL	Association of British Credit Unions Limited
CABx	Citizens Advice Bureaux
CBA	Community Budgeting Account
DWP	Department of Work and Pensions
KCC	Kent County Council
KCU	The Kent Credit Union (proposed)
KMFIP	Kent & Medway Financial Inclusion Partnership
RSL	Registered Social Landlord (e.g. Housing Associations)

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1. Executive Summary

There is a real need for a credit union to cover the whole of Kent & Medway. Perhaps as many as 80,000 people may be relying on Home Credit with up to £19m leaving our poorest communities in excess interest payments, when compared to a credit union loan.[1] With the availability of credit becoming more restricted more residents may be making the move to high interest loans.

However a loan portfolio based disproportionately on high risk lending may act as a barrier to financial sustainability within a period that would be acceptable to Kent funders and investors. The Kent Credit Union (KCU) will balance its social and financial objectives by offering a 'product mix' attracting residents from all economic backgrounds.

There is an overview of products at Table 8.1. Tables 9.2.1 and 9.2.2 show the portfolio mix.

The KCU will offer a service to all residents in Kent and Medway, although local delivery will be dependent on funding arrangements and partnership working with the existing credit unions. Our partnership work with Registered Social Landlords (RSLs) will bring the service closer to social tenants, especially during the first three years of operation. Payroll Deduction schemes will be established with larger employers and support packages agreed with corporate sponsors.

An overview of principal partnerships is shown on diagram 12.1.

Our services are designed to meet a range of financial needs and will be offered in the context of a Community Finance Partnership (CFP) that delivers the **A**dvice, **B**anking, **C**redit and **D**eposits approach to financial inclusion. Key to this approach will be the Community Budgeting Account (CBA), enabling a full bill and debt management payment service to be offered to our members.

Details about the credit union's work to tackle financial exclusion can be found at section 4.

The credit union needs to raise up to £500k of revenue to run the organisation over a five year period. A further £150k of lending capital will help the organisation expand its business quickly and protect against the cost of delinquency during the critical first years of delivery. We aim for financial sustainability by October 2014 (assuming an October 2009 start) with ninety percent of costs being met by earned income during year five.

Table 1.1 : Summary facts and figures

	Year 1	Year 2	Year 3	Year 4	Year 5
Total members	400	1,100	2,000	3,000	4,200
Total shares	£250,000	£750,000	£1,125,000	£1,750,000	£2,500,000
Value of new loans	£365,000	£675,000	£890,000	£1,100,000	£1,400,000
Value of loan book	£265,000	£745,000	£1,135,000	£1,500,000	£2,000,000
Annual loan income	£30,000	£90,00	£125,000	£165,000	£195,000
Funding needed	£150,000	£100,000	£90,000	£70,000	£60,000
Cumulative reserves	£65,000	£70,000	£75,000	£90,000	£105,000

[1] There are 3m regular users of the alternative credit market country wide (HM Treasury 2004), up to 1.15m have no other credit options available to them according to the Competition Commission Home Credit Inquiry Final Report (2006). Using simple population data the proportion of home credit consumers in Kent may be 2.5% of this total. If a credit union loan costs £235 less than a similar loan from Provident Personal Credit the savings could be £18.8m.

2. Mission statement and overall objectives

Our vision *is for the credit union to offer a high quality, community focused financial service for all residents of Kent*.

The Credit Union will combat financial exclusion by working in partnership to provide sustainable access to safe savings and affordable loans for all those living or working in Kent & Medway.

To help us achieve this mission, the Credit Union will:

- *Provide a range of financial products* for every income group, including a bill payment service, insurance, savings and loans accounts

  See table 8.1 for an overview of the loans products the KCU will offer.

- *Contribute to economic recovery* by encouraging financial prudence, incentivising borrowers to become regular savers and promoting financial capability in everything we do.

  See section 11 for details of the Community Budgeting Account (CBA).

- *Lend prudently* by offering loans only to those who can afford to repay them, working closely with other agencies to offer access to debt advice when needed.

  See section 8 for details of the loans products the KCU will offer.

- *Offer a social and financial return* for individual, community and corporate investors with a range of accounts that offer competitive rates of interest, using deposits for the benefit of local residents.

  See table 10.1 for an overview of the proposed savings products.

- *Work in partnership with local communities* and other statutory and non-statutory organisations to provide cohesive solutions to financial exclusion, combating poverty and improving financial wellbeing.

  See diagram 12.1 for an overview of our principal partnerships.

3. Membership and common bond

It is proposed that the qualification for admission to membership of the credit union shall be *"residing in, or being employed in, the Kent ceremonial areas as delineated in red on the map in appendix 1 so that in consequence thereof there shall be a common bond between all the members."*

The population of Kent plus Medway is 1.6m with almost one quarter of the population being under the age of 18 and therefore not eligible to take out loans with a credit union, but being able to save with one (and have a greater involvement in the organisation under the new regulations see section 18). Over 50,000 people travel into the county on a regular basis.[2] **The total of adults eligible to join a Kent Credit Union would be approximately 1.3m**. This common Bond would be sufficiently diverse to sustain a large membership across a range of low to middle income levels.

[2] Research and Intelligence Team (2007) *The Annual Business Inquiry* Kent County Council

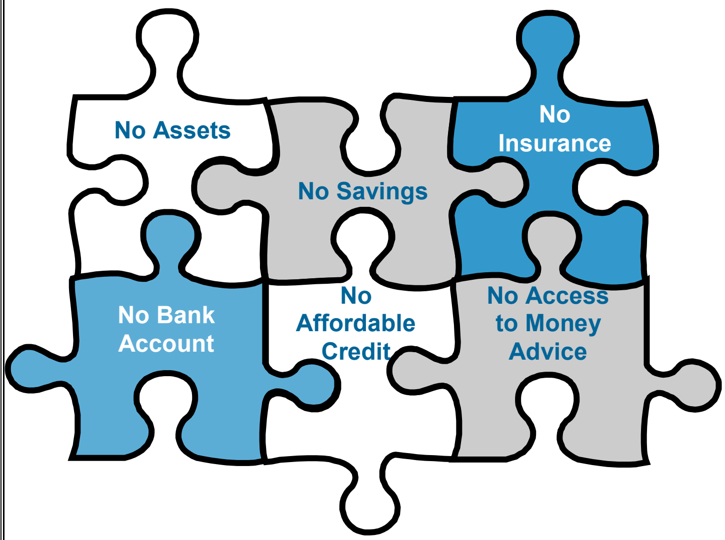
4. Assessment of need

The government's financial inclusion agenda has heavily influenced credit union direction, especially since December 2004. Delivering to this agenda will be an important way of ensuring that the credit union meets its social objectives and provides a number of funding opportunities. However developing a sustainable credit union requires a mixed membership and it will be important to assess the need for particular financial services in relation to the wider population. The aim is to generate sufficient surplus from more 'mainstream' lending (of £1,500 and above) to offer both a return to investors and to subsidise products offered to higher risk borrowers. The reality being that *we do not expect to generate an overall profit from lending members under £500.*

Tackling financial exclusion

We want the credit union to be part of a wider Community Finance Partnership (CFP) that delivers the **A**dvice, **B**anking, **C**redit and **D**eposits approach to tackle financial exclusion. The characteristics of financial exclusion have often been summarised as in diagram 4.1:

Diagram 4.1: Indicators of financial exclusion

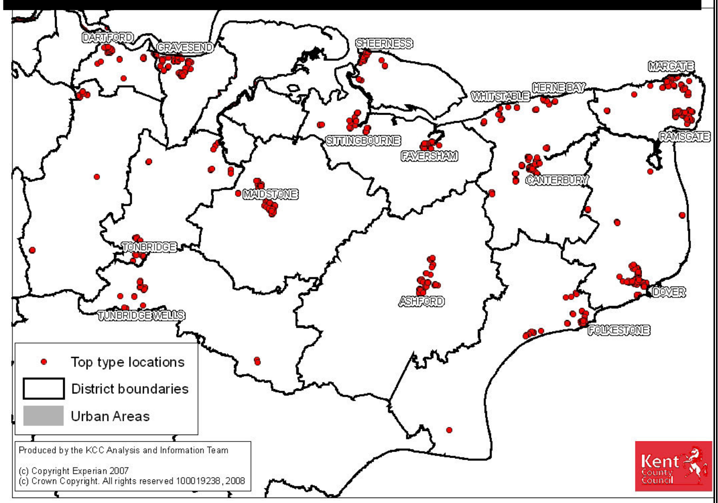


Advice. We expect that up to half of all 'subprime' loan applicants will be turned down because there is an underlying debt problem. With an economic downturn this proportion is likely to be significant for all medium and lower risk borrowers too. A tracking exercise at East Sussex Credit Union revealed that members who have their applications rejected find it difficult to access advice services, often borrowing from high cost lenders instead.[3] *Kent County Council (KCC) has committed £250k to fund Kent Citizens Advice Bureaux (CABx) to deliver money advice services.* Funding arrangements will include a commitment to refer to credit unions and consider the prioritisation of credit union debts. KCU will refer a number of unsuccessful applications to CABx.

Banking. Mosaic analysis by KCC has identified a number of household types that are likely to have poor access to banking and other financial services. The top nine household types to face such financial exclusion are detailed in appendix 2. There are approximately 40,000 such households and the map opposite shows their geographical distribution.

KCU will therefore offer a Community Budgeting Account with a bill payment facility to address this need. More detail is given in section 11.

Map 4.1: Lack of access to a bank account



[3] Pascoe Pleasence and Alexy Buck, Nigel Balmer, Aoife O'Grady, Hazel Genn, Marisol Smith (2001) *Causes of Action:Civil Law and Social Justice* Legal Services Research Centre

Deposits. Although recent evidence had suggested that UK households were saving the least for a generation, saving as a proportion of monthly income has recently jumped from 1.7 percent in July – September 2008 to 4.8% to December 2008.[4] This suggests that savings made, for example due to falling mortgage rates, are not being used to increase spending power but that more households are saving to mitigate against the financial risks they face during an economic downturn.

With interest rates so low borrowers are looking around for the best savings deals and this does create a very competitive market, but a marketing campaign which emphasises the ethical nature of a credit union investment and addresses concerns about the safety of financial institutions could assist the credit union's capitalization

If KCU is to promote financial inclusion it will do well to make good use of the partnerships that are being developed with RSLs, because up to 40% of social tenants may have no savings to fall back on.[5] Research has suggested that the **Savings Gateway** may provide an excellent opportunity to encourage asset based welfare, especially amongst social tenants.[6]

An Association of British Credit Unions Limited (ABCUL) **Feasibility Study** in July 2008 identified a clear need and strong demand for a credit union service - especially for lower income households. Consultation found nearly unanimous in-principle support from all those key individuals interviewed as part of the research. ABCUL also received many offers of practical support in setting up and running the credit union. The study carried out extensive consultation of potential service users and partner agencies and found widespread support for a credit union and identified several ways for it to fit in with other organisations services, for example:

- Gravesham Borough Council (Housing) would like to encourage members to join the credit union at tenancy sign up.
- Dover District Council would like to ensure that the credit union forms part of their wider financial inclusion strategy.
- Several CABx have identified a role for money advisers as 'credit union champions.'
- The existing credit unions offer local knowledge and an active existing membership and they recognise the funding opportunities a Kent-wide credit union could attract.

<u>The geography of financial exclusion in Kent</u>

Within Kent there are some real areas of deprivation, mainly located around the coast and including – but not limited to – The Isle of Thanet, and Dover. In fact, ten of the twelve local authorities in Kent moved up the deprivation ranking between 2004 and 2007.[7]

10 of the 12 local authorities in Kent have moved up the deprivation ranking since 2004

Research by the DWP has identified three 'amber' areas in the proposed common bond they are; (with DWP identifiers) **Gravesham** (52), **Swale** (76) and **Dover** (64).[8] These areas have

[4] Daniel Pimlott and Elaine Moore (2009) *Households rush to build up rainy day cash* <u>The Financial Times</u> March 27th

[5] Nick Powell (2008) *The Saving Gateway: operating a national scheme. Response to HM Treasury consultation* <u>National Housing Federation</u>

[6] Elaine Kempson, Stephen McKay and Sharon Collard (2005) *Incentives to save: Encouraging saving among low-income households: Final report on the Saving Gateway pilot project* <u>Personal Finance Research Centre, University of Bristol</u>

[7] Analysis & Information Team (2008) *The Pattern of Deprivation in Kent based on The Indices of Deprivation 2007* <u>Kent County Council</u>

[8] HM Treasury (2008) *Financial inclusion: the way forward*

been identified as a) having a high level of households living in financial distress and b) having no current credit union coverage.

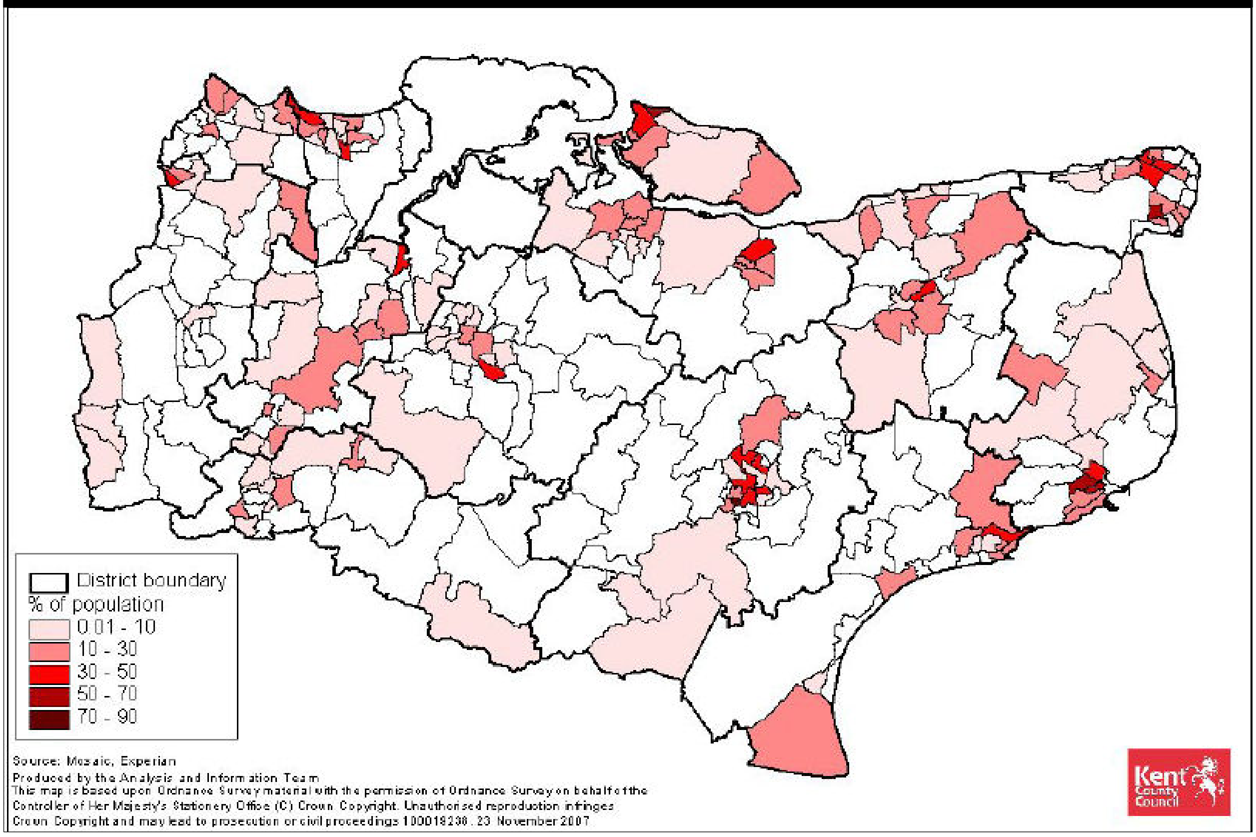
Given that up to eighty percent of households facing financial exclusion will be social tenants[9] a mapping exercise of Registered Social Landlords has taken place and a list of RSLs the KMFIP will negotiate with are given in table 16.1.2. Naturally the social tenancies overlap with the areas of deprivation and many of the Mosaic household types will be social tenants.

A wider need for financial services

At the heart of the business plan is the need to create a balanced mix of credit union members and the current drop in mainstream lending activity does present opportunities for a new credit union to lend to lower risk borrowers.

Research from the Bank of England shows that the availability of unsecured credit to households continues to contract with lenders suggesting that this trend will continue throughout 2009. Risk aversion, tougher credit scoring systems and higher rejection rates characterise the market and although demand for unsecured credit has fallen slightly, availability of credit has fallen at a much quicker rate, suggesting that there is a reasonable pool of medium risk borrowers for the credit union to lend to. [10]

Map 4.2: Mosaic analysis: densities of households facing financial distress



[9] Transact (2007) *Making the link: The business case for social landlords investing in financial inclusion* Toynbee Hall

[10] Bank of England (2008) *Credit Conditions Survey* Quarter 4 Annex 2

5.1 Operating environment – STEP analysis

Sociological

Kent is a prosperous county which makes a net contribution to the treasury and is home to a number of large employers. The county is ranked 104th out of 149 local authorities in England in terms of deprivation, but there is much urban and, in particular, coastal poverty. In Thanet, deprivation has increased significantly since 2004 and the area is ranked 65th out of 354 local authorities in England – up twenty places.[11]

The deprivation rank of Kent districts illustrates the extreme social and economic differences across the county. Thanet is within England's top 20% deprived and Sevenoaks is within England's least 20% deprived.

KCU's product mix will be offered at different intensities in different areas. The DWP has recognised a particular need to run a service in Gravesham, Swale and Dover and our initial geography could be characterised by this and similar funding, for example by locating services in areas where we are working with RSLs.

However, we also understand that the economy is shrinking and that means new groups of residents are coming under financial stress. Our marketing strategy and product structure will allow for these changes with a wide service offering for all socio-economic groups, although those in group 'A' may only be expected to contritute as part of our champions inititiave: see Diagram 12.1.

Technological

There are a range of recent developments from which the credit union could benefit. Moreover it is clear, given the potential funding constraints that we need to *keep back office costs as low as possible.*

In order to service such a large common bond we will be using an internet based platform called **Progress**. An initial project meeting with the software providers has demonstrated that there are a range of benefits including a document management system. Its integration with Sage Accounts will ensure better reporting and auditing. To facilitate payments-in we will be using standing order and the Pay Point network and we are exploring the use of a Kent County Council payment card. The Community Budgeting Account is explored in section 11.

Progress is fully integrated to the Co-operative Bank – our preferred banking supplier. The software offers a full case management approach to credit control and when integrated with a website can offer online account information, loan application and share withdrawal facilities.

If we are able to secure Growth Fund support the credit union may have early access to a new credit assessment tool being negotiated between ABCUL and Experian. This could present the credit union with very sophisticated credit assessment and fraud avoidance tools that will help Loans Officers better manage lending risk. Progress fully integrates with these 'shared system' credit assessment data enquiry tools.

Economic

Undoubtedly there are tough times ahead for the UK economy. With sub prime lending being a major contributory factor in the downturn, lending to higher risk borrowers must be only one part of the credit union offering. Our **portfolio mix** suggests that by year five we will have built enough capital to increase lending to the better off with higher value, lower risk loans offering an increased return. As a mutual these profits will be used for our member's benefit principally through a series of subsidies to fund higher risk lending.

[11] Analysis & Information Team (2008) *op.cit.*

A significant proportion of the credit union's initial membership will be social tenants. Although a reasonable proportion of such households will be economically inactive, many will be working in the service and construction industries which are being hit hard by the recession. For this reason we are looking to protect the interests of the wider credit union membership by *raising funding from RSLs so the costs and risks of such lending can be shared.*

The downturn does offer the credit union some opportunities. Insufficient liquidity means many consumers are being turned away even though under normal circumstances a bank would lend them money. KCU will need to ensure that these low and medium risk borrowers will find our offering attractive. *Critically many of these prospective members will have become net borrowers over the last decade and loan products designed for this segment will include an element of compulsory saving.*

In the run up to the April G20 meeting in London, Lord Malloch Brown warned that western consumers might have to get used to living "within their means". "You are just going to see... a recalibration of lifestyles - a whole vision in the future of a world driven less by consumerism".[12] Together with a more cautious approach to lending being taken by other financial service providers, it may be inevitability that consumer lending will fall – leading to a decrease in demand for a credit union loan.

Political

The change to regulations will offer a range of benefits to the KCU – in fact many of its basic presumptions are made on the basis of new services such as offering interest bearing and corporate deposit accounts.

Funding is another key concern. Whatever its merits the strategy of economic recovery through increased spending is not currently funded out of general taxation. Either taxes will need to increase or government expenditure reduced with the most likely outcome being a combination of both. On the one hand funding opportunities may flourish as part of the spending plans but on the other they could diminish should regeneration projects be scrapped.

Ongoing help will also depend on the political will of the government to continue to support credit unions. The Conservative spokesman for social inclusion, Iain Duncan Smith, has spoken of his party's enthusiasm for the credit union movement although he is last on record giving such assurances sometime before the current economic crisis.[13]

The **key to helping the credit union move from aspiration to reality has been KCC**. An initial investment of £100k development funding has been followed with a further £250k which provides a sound starting base both to trade and lever in other funding, including from the District Councils. Further in-kind support has been given through officer time, including development, legal, administrative and marketing assistance. An initial Supervisory Committee of three persons has been appointed. Two have relevant experience working as Trading Standards Officers at KCC, and one has experience working in internal audit at KCC. The credit union will also make use of the KCC contact centre. The council is the largest local authority in England covering an area of 3,500 square kilometers. It has an annual expenditure of over £2bn and a population of 1.3m. KCC is a CPA rated 'Excellent Authority.'

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[12] Gaby Hinsliff & Zoe Wood (2009) *Alistair Darling to give budget cash boost to poorest* The Observer 29th March p. 1
[13] ABCUL (2008) *Credit Union News* September

5.2 Operating environment – SWOT analysis

Strengths

- A message of mutuality and prudent lending could work well given the causes of the current financial crisis.
- We have a strong level of support from KCC who have provided development funding, initial capital, lending capital and revenue funding.
- The credit union will offer a product mix of financial services that are attractive to all socio-economic groups.
- The credit union will launch with £60k of initial reserve capital.
- Strong ICT with Progress, text messaging, mobile outreach and the KCC contact centre
- A good working relationship with the existing credit unions which could lead to wider geographical access

Weaknesses

- The credit union 'brand' is a weak one with low levels of public awareness.
- A smaller organisation may seem financially vulnerable and potential investors may be reluctant to save with us.
- There is not enough funding in place – at this stage - to cover all the five year costs.
- The interest rate cap of 2% is not sufficient to cover operating and bad debt costs for smaller sized loans.
- The economic difficulty may make it harder to obtain funding from RSLs and District Councils.

Threats

- A recession increases bad debt, especially when jobs are at risk
- The Post Office could be rebranded as a 'People's Bank' lending to people on low incomes, moving into the credit union's natural market. But could the government afford to take on such a project?
- There is evidence that households are taking a more cautious approach to borrowing. This could reduce short-term demand for credit union loans.
- New regulations may not allow the credit union to offer interest on savings from day one of operation.
- New regulations may not be in force by October 2009
- Insufficient funding may lead to the FSA delaying authorisation

Opportunities

- New regulations offer a range of opportunities especially the ability to offer interest on savings and accept corporate deposits.
- The financial downturn creates an aversion to familiar financial institutions and a market opportunity for a new mutual.
- The Gateways and Progress software offer an excellent location and tool for outreach.
- Partnership working with the existing credit unions could bring an increased range of services to existing credit union members
- A partnership approach with Kent Citizens Advice and other money advice agencies offers a joined up solution to financial inclusion

6. Regulated activities

The financial downturn has shown how important it is to have a good capital base to lend from. The credit union will start trading with an immediate allocation of £60k to reserves. Over the following five years this will be increased by £45k. During the summer of 2009 the KMFIP may negotiate interest free subordinated loans to **improve our capital position**.

See table 1.1 for the growth in credit union capital.

Our aim is to compliment shareholding with corporate deposit taking and funded lending capital. This will allow us to retain good **liquidity** on individual investments. An offering of notice accounts, including a twelve month bond will also help us manage liquidity and interest rate risks.

Table 6.1: Liquidity

	Year 1	Year 2	Year 3	Year 4	Year 5
Liquidity	70%	74%	74%	74%	70%

We are aware of the concerns raised by the FSA in relation to **corporate governance** in credit unions. We will adapt the ABCUL good governance recommendations and recongise the importance that boards can share a common vision for the credit union and that directors receive adequate training and support to fulfill their roles. [14] We have appointed a shadow board and the proposed directors' CVs can be found in appendix 3. The board met for the first time at the beginning of April and has commenced a training and induction programme and will be leading on the credit union delivery plan whilst our application is with the FSA.

Staff will be trained on an annual basis in relation to the **prevention of money laundering**. Unlike many credit unions, the proposed Kent Credit Union will be largely cashless. Deposits will only be made by standing order, online banking, payroll deduction, Pay Point and the Community Budgeting Account. Of course money laundering is not a cash only process and we will use the Progress software system to create Know Your Customer records to identify and report unusual transactions.

We will go beyond the basic advice required when issuing loans to members. Our marketing and application materials will make the terms and conditions of credit union loans very clear – being the large, rather than small print, in our agreement. Some loans may only be granted where the member has received **independent and impartial advice**. We will receive support from KCC to develop an effective and robust complaints procedure and all staff will be trained, before the credit union opens, on the Treating Customers Fairly regulations.

Key to meeting our regulatory requirements will be the production of **effective management information.** In addition to reporting on regulatory areas such as solvency, liquidity ratio and the capital to assets ratio, directors and staff will review a range of performance indicators to track progress in meeting the objectives of this business plan. Our MI will use a traffic light system to highlight and report key facts and priority issues whilst recognising a need to report on more ad hoc issues. See appendix 7 for sample Management Information

To mitigate key person risk different staff and directors will be responsible for collating MI which will then be reviewed by the **supervisory committee.** The initial committee will include two people who have relevant experience working as Trading Standards Officers at KCC.

[14] FSA (2007) *Corporate governance in credit unions* Small Firms Team

7. Evaluating and managing key risks

Excessive loan delinquency leading to insolvency is the key risk the credit union faces as it launches during a recession in a country where a significant proportion of households are over indebted. The Consumer Credit Counselling Service has reported a significant decrease in the number of people who can offer anything but token repayments to the creditors.[15] Citizens Advice has recently reported than almost 60% of their money advice clients could offer no money to their non-priority creditors.[16]

We will launch the credit union with initial reserves of £60k. Over the initial five year trading period a further £45k will be allocated to reserves. We may also raise capital through interest free borrowing in the form of subordinated loans.

The credit union will use Progress software to manage its loan arrears and employ a **paid Loans Officer with a credit control function** (and administrative backup) to manage delinquency. Progress allows for text messaging reminders and the credit union will operate the Community Budgeting Account and payroll deduction services to ensure effective repayment of credit union loans, by receiving benefits and salaries direct into member accounts.

Offering interest to members offers real opportunities for credit union growth, but it is not without risk. KCU is proposing to offer loans of moderate value and it will need to raise lending capital to achieve this goal. Whilst the DWP and RSLs are other potential sources of lending capital, such funding arrangements can skew the business to the needs of lower income borrowers. Whilst we are aiming to offer a service to higher risk consumers, KCU's focus will remain medium risk borrowers and so **raising sufficient share capital is a key challenge**.

To help us manage demand for different savings accounts we will offer **limited issue bonds** and tracker accounts. Whilst fixed-term bonds that are offered at a time of rising interest rates have the potential to generate a small surplus for the credit union, the margin on a tracker account will be very small. Rising interest rates could begin to cost the credit union more than anticipated and we will need effective management information to monitor savings growth and projected returns required for investors.

We will also mitigate the expense of good returns for our savers by offering a dividend-only account. As the dividend will not be more than one percent (subject to the new regulations allowing for the credit union to offer interest on savings) this is an attractive way for a potential supporter to indirectly donate to the credit union. Similar **indirect donations will be sought from the corporate sector** with our corporate deposit account offering a financial return to local companies but this return would be shared with the credit union. See table 15.4 for an overview of how the corporate deposit account might work.

Disaster recovery

The Credit Union will have an emergency kit, stored off-site, which will include:

- Contingency plans
- Names, addresses and telephone numbers of credit union officers
- Insurance policy
- Tenancy agreement
- Credit union letterhead
- Up-to-date backup copy of computer software and files
- Details of alternative accommodation

[15] Consumer Credit Counselling Service (2007) *Statistical Yearbook* CCCS
[16] Citizens Advice (2009) *A life in debt: The profile of CAB debt clients in 2008* National Association of CABx.

Table 7.1: Summary of key risks			
Risk	**Mitigating action**	**Priority**	***Linked documents***
Adequate resources			
It is recognised that the credit union will require external funding for five years. *There is a risk that we will not be able to obtain sufficient funding to 'pump prime' the credit union's development.*	• Kent County Council have allocated £250k start-up funding to the credit union • We will use an investment prospectus to attract funding from Registered Social Landlords and corporations • A shortlist of other funders will be drawn up and we will agree in principle funding arrangements • A charitable company has been set up to increase the funding options available • Negotiations have opened with the Growth Fund	High	*See Supplementary document 1 for the prospectus* *See section 16 for the funding shortlist and details of confirmed supporters* *See table 16.1.1 for a potential DWP tender*
There will be a tapered approach to our funding, with 75% of external investment being spent within the first three years. *There is a risk that the credit union will not be able to generate sufficient income from its trading activities.*	• The credit union will have a balanced portfolio including a significant number of more profitable loans • We have triangulated the pricing of our loan products using two different costing models and a market analysis • External support for a professional marketing campaign is being sought • Interest rates are used to balance lending risk and reduce the cost of bad debt	High	*See table 8.1 for an overview of the loans products* *See section 9.1 for the pricing and interest rate modeling* *See section 13 for the marketing strategy*
The credit union can trade from a position of strength if it has sufficient reserve capital. Without this capital *there is a risk that the credit union will not be able to offer interest on savings.*	• Fundraising activities include requests to supporters for donations towards reserve capital • Financial plan aims to allocate a further £45k to reserves by the end of year five • Subject to changes in regulations the credit union will offer competitive rates of interest to its savers	Medium	*See table 14.1 for the financial overview* *See section 18 for an overview of proposed activities that require a change in legislation*

Risk	Mitigating action	Priority	*Linked documents*
In order to meet the earned income targets the credit union will need to grow its lending capital quickly. At a time of low interest rates *there is a risk that the credit union will not be able to attract sufficient savers.*	• Interest will be offered on all saving accounts • Fixed-term products to be offered to reduce the likelihood of early and unexpected withdrawal • Funding applications have been made for lending capital	Medium	*See section 16 for the fundraising strategy and successes to date*
Credit risk			
Establishing a credit union during a time of recession poses *significant risks in terms of ensuring that borrowers repay according to the terms of the loan agreement.*	• The credit union will use a full risk based scoring system to assess applicant's likelihood of repaying and fraudulent intent • Insight information will be used from a Credit Reference Agency information to confirm applicant's exposure to other debts and repayment record • The 'common bond' will be highlighted to encourage a moral response to demands for repayment • The credit union will employ a Loans Officer with a credit control function • Link repayments to the level of disposable income for that household as suggested by the ONS Family Expenditure and Food Survey	High	*See appendix 4 for an overview of the credit scoring system to be used* *See appendix 5 for loan affordability indicators* *See appendix 6 for the Loans Officer Job Description*
Economic uncertainty exposes the credit union to concentration risks. The credit union must spread its risk amongst different borrower types to avoid reliance on the behaviour of particular socio-economic types.	The credit union will develop a <u>product mix:</u> • Smaller sized Instant Loans for those on the lowest incomes • Save as You Borrow Loans for people on medium incomes or payroll deduction • Larger sized Flexi-loans for higher earners	Medium	*See table 8.1 for an overview of the loan products to be offered* *See graphs 9.1 and 9.2 for the proposed portfolio balance in years 1 - 5*

Risk	**Mitigating action**	**Priority**	***Linked documents***
A less predictable revenue expense is incurred each month as the credit union allocates money to provisions against the future cost of loan write offs. *There is a risk that the credit union will not be able to meet these obligations to provide for bad debt.*	• Lending capital for higher risk loans may be provided by the DWP and other funders, including Registered Social Landlords • The revenue cost of bad debt provision and the risk of delinquency will be shared by these funding arrangements • KCU will budget for bad debt provisions and allocate any surplus to the General Reserve	Medium	*See section 16 for the funding strategy and details of confirmed supporters* *See table 14.1 for the revenue and provisioning forecasts and models*
Compliance and regulatory risk			
Key to the credit union's development plan is the proposed changes to legislation. *There is a risk that the new regulations will not develop in line with the credit union's expectations*	• Seek views within the sector on the business plan's interpretations of the legislative changes • Maintain a dialogue with the FSA to ensure mutual understanding of KCU's application of the new regulations • Produce contingency plans especially with regard to dividend and interest rate policy	Medium	*See page 18 for the changes to legislation required to meet KCU business objectives*
Those involved in running the organisation will be the key to its success. *There is a risk that the skill sets of the Directors and staff will not match the needs of the credit union.*	• Agree a skills match for board membership and recruit accordingly • Work with these directors on a shadow - task orientated - board in the six months before the credit union launches • Recruit staff, especially the General Manager, some months before launch	Medium	*See appendix 3 for details of the 'shadow board'* *See appendix 6 for staff job descriptions*
Poor performance management systems and reporting will prevent Directors from taking informed decisions, leading to an increased risk of *financial non-compliance*	• Establish a robust management information system based on best practice and discussion with the FSA • Ensure the purchase of technology systems appropriate to the credit unions current and future needs	Medium	*See appendix 7 for a sample performance management reporting system* *See section 12 for details of ICT arrangements*

Risk	**Mitigating action**	**Priority**	***Linked documents***
Liquidity risk. The credit union must ensure that it has sufficient liquid assets to meet a cash demand for 10% of investors' funds within eight working days.	• Raise the capital required to be able to offer interest on savings • Introduce fixed rate bonds to keep deposits locked into the credit union • Encourage investment under Corporate Social Responsibility programmes.	Medium	*See table 10.1 for details of the savings products to be offered* *See section 16 for details of the KCU approach to corporate supporters*
In the event of a serious disruption to services *there is a risk that the credit union would not be able to ensure the continuity of its business operations.*	• Ensure appropriate data back up and negotiate ICT support contracts • Develop a disaster recovery plan and ensure all staff and directors review on a regular basis	Medium	*See section 7 for details of the disaster recovery plan*
External risks			
Interest rate risk. If there is a mismatch between the interest we offer savers and the charges we make for credit, investors may deposit their money elsewhere and borrowers may seek better deals	• Raise £55k launch capital to enable the credit union to offer interest on savings • Offer variable interest rate and fixed interest rate savings accounts • Raise deposits from the corporate, statutory and housing sectors	Medium	*See section 10 for details of the savings products to be offered* *See appendix 8 for list of potential corporate depositors*
There may be a lack of knowledge about credit unions leading to a *poor take-up of the service*	• Ensure widespread and professional use of all marketing opportunities, including those available to KCC • Work with corporate partners to find in-kind funding to support marketing • Use partner agencies, especially RSLs, to contact those tenants most likely to face financial exclusion	Medium	*See section 13 for the marketing strategy*
If the economy continues to be in recession there is an increased risk that *loans will become unaffordable reducing successful applications or increasing delinquency*	• Ensure a balanced lending portfolio with a product mix lending to diverse socio-economic groups	Medium	*See table 8.1 for an overview of the loan products to be offered*

8. Loans products

There is more detail on loan product pricing and income generation in section 9.1. Table 8.1 gives an overview of typical loans, their key features and the credit profile of potential customers.

Instant Loans will be attractive to people who may otherwise borrow from higher cost lenders, such as home credit companies, catalogues, pawn brokers and cheque cashers. The key to success with this type of loan product for the potential borrower is likely to be ease of application, convenience of repayment and availability of further credit in the future. The potential borrower is unlikely to be price sensitive and the cash amount of the loan repayment will matter more than the interest rate.

Experience from the Growth Fund credit unions suggests that whilst some borrowers will become savers, a majority of the users of this type of loan product will choose not to save in the short-term and continuing education about the benefits of saving will be necessary, perhaps making the Community Budgeting Account an option to manage repayments, but only on the condition that the member saves. *On this basis it is anticipated that few Instant Loan applicants will migrate to the discounted rate.*

Save as You Borrow loans will be purchased by those with some access to credit however the reduction in lending by mainstream institutions and the increase in acceptance cut offs have all created a market for this group. Although such borrowers will be more price sensitive, they are also keen to have an easy application process, and reasonable certainty around approval rather than the lowest rate possible.

Creating 'employee benefit' schemes with major employers, particularly local authorities and other public sector employers can make this a very attractive proposition for employees as the repayments and savings deposits can be made direct from pay. Other working borrowers can access the loan, but applicants whose income is defined by an hourly rate rather than annual salary wages are more likely to be offered an Instant Loan.

See appendix 8 for an overview of larger employers to be targeted for payroll deduction.

The **Flexi-Loan** is designed to appeal to 'prime' borrowers who may have many other credit options available. This group is likely to be far more rate sensitive than the other two borrower groups. It should be remembered though that mainstream financial institutions are engaged in a 'flight to quality' only accepting top quality applicants. This means that the credit union could find itself in the position of having a higher level of medium quality applications than it might expect, and must therefore be careful with the balance between making loans and minimising bad debt levels.

Borrowers in this category are likely to have high expectations of the service they will receive, and the credit union can put in place measures which can help to achieve this. For example accepting online applications and making payment by BACS will be essential.

Table 8.1: Overview of Proposed Loan Products

Loan type	Key features	Your credit profile	APR	Typical loan	Compare us to …*
Instant Loan: *new member*	• Weekly repayments • Smaller sized loans • Pay at your newsagent and Post Office • Payment holiday • Daily interest	**(Poor)** you <u>may</u>: • Not be working • Be on a low income • Be a council or housing association tenant • Have had a past difficulty repaying credit	26.8%	£400 repaid at £8 per week for 57 weeks. <u>Total repaid = £455</u>	**Provident Personal Credit** *and save over £230!* £400 repaid at £12 per week for 57 weeks. <u>Total repaid = £684.</u> Typical APR 189%
Instant Loan: *member's rate* *(To qualify you must be a regular saver and / or have had a loan from us before)*	• Special discounted savers rate • Weekly repayments • Fair sized loans • Pay at your newsagent and Post Office	**(Poor)** you <u>may</u>: • Not be working • Be on a low income • Be a council or housing association tenant • Have had a past difficulty repaying credit	20.7%	£750 repaid at £16 per week for 52 weeks. <u>Total repaid = £825</u>	**Real Personal Finance** *and save almost £145!* £750 repaid at £18.60 per week for 52 weeks. <u>Total repaid = £968.</u> Typical APR 63%
Save as You Borrow Loan	• Save as you borrow • Monthly • Medium sized loans • Pay via your pay packet or standing order	**(Fair)** you <u>may</u>: • Be working • Be a tenant • Have had a past difficulty repaying credit • Have other loans	17.9%	£2,000 repaid at £98 per month for 24 months <u>Total repaid = £2,335</u>	**Welcome Finance** *and save nearly £1,000!* £2,000 repaid at £138 per month for two years. <u>Total repaid = £3,312</u> Typical APR 69.6%
Flexi-loan	• Unsecured loan • Interest charged daily • No early repayment penalties • Payment holiday • Ability to overpay	**(Good)** you <u>will</u>: • Own your home on a mortgage or outright • Have an income of more than £20,000 • Have other loans, including credit cards • Have missed few or no payments on your other credit commitments	10.9% Variable	£4,000 repaid at £102 per month for 48 months <u>Total repaid = £4,875</u>	**The Co-operative Bank** *and save up to £625!* £4,000 repaid at £115 per month for four years. <u>Total repaid = £5,500</u> Typical APR 17.9%

*Source: www.moneysupermarket.com accessed 18th January 2009

9.1 Loan book income

Critical to the credit union's success will be its ability to meet all its running costs, pay a competitive return to investors and build capital. Its main source of income will be the interest from its loan product range:

Table 9.1.1: Typical loans

	Instant Loan: New member	Instant Loan: Members' rate	Save as You Borrow	Flexi Loan
Typical APR	**26.8%**	**20.7%**	**17.9%**	**10.9%**
Credit score	*Very poor*	*Poor*	*Fair*	*Good*
Typical value	£400	£750	£2,000	£4,000
Repayment period[17]	57 weeks	52 weeks	24 months	48 months
Loan payment	£8	£16	£98	£102
Recommended savings payment	£2	£4	£11	£13
Year 1 income[18]	£54	£65	£240	£345
Total income	£55	£75	£335	£875
Bad debt	*9%*	*7%*	*3.5%*	*2.0%*

The typical APR may be increased to compensate for additional risk, but generally will be fixed according to the borrower's credit profile. APR for those with 'fair' or 'good' credit ratings is set largely according to market conditions. Smaller sized loan rates are far less than competitors are charging. Partly this is due to a legal maximum interest rate (2% per month) being applicable, but the credit union is also committed to tackling financial exclusion and reducing poverty and will therefore continue to offer loans at a comparatively low rate of interest.

Table 9.1.2: Income per loan versus cost per loan analysis

	Instant Loan: New member	Instant Loan: Members' rate	Save as You Borrow	Flexi Loan
Income	**£55**	**£75**	**£335**	**£875**
Application (45 mins)[19]	£45	£45	£45	£45
Disbursement (15 mins)	£15	£15	£15	£15
Repayment and admin	£10	£7	£5	£10
Insurance	£2	£4	£22	£65
Credit control	£60	£30	£15	£15
Write offs	£36	£53	£70	£80
Total costs	*£168*	*£154*	*£172*	*£230*
c) Profit / loss	***-£113***	***-£79***	***£163***	***£645***
Number of loans for £1,000 'profit'	0	0	6	2

[17] The higher risk Instant Loans are designed for members with a weekly income cycle and are repaid weekly. Save as You Borrow and Flexi Loans are designed for salaried members and the repayments would, normally, be monthly.
[18] This is the income for year one of each new loan issued.
[19] Analysis for higher risk loans could be through interview and for lower risk (but higher value) loans it is presumed that Credit Reference Agency Insight data and scoring are used to assess loans to ensure a quick turnaround in 45 minutes.

Notes to table 9.1.2: *The costs for application and disbursements are based on £60 per hour staff time. Repayment and admin are largely based on the term of the loan, but there will be higher transaction costs for the smaller loans which are more likely to be repaid via Pay Point or the Community Budgeting Account. Credit control intervention is based on an average of one hour per loan for the highest risk borrowers and 15 minutes for the lowest risk loans.*

Table 9.1.3: Interest based cost analysis

	Instant Loan: New member	Instant Loan: Members' rate	Save as You Borrow	Flexi Loan
a) Interest rate	**26.8%**	**20.7%**	**17.9%**	**10.9%**
b) Variable costs	33.0%	13.5%	5.1%	3.2%
c) Risk charge	9.0%	7.0%	3.5%	2.0%
d) Capital charge	1%	1%	1%	1%
e) Total charges	43%	21%	9.6%	6.2%
f) Profit / loss	-16%	-1%	8.3%	4.7%
Net income per loan	-£65	-£6	£166	£188
Number of loans for £1,000 'profit'	0	0	6.0	5.3

Notes to table 9.1.3: *In this pricing model we set an interest rate (a) and work out what the variable costs are – from table 9.1.2 - (b), write offs (c) and a capital charge – how much we would lose if we took the cash off deposit - (d) are as a percentage of the balance. This gives a total percentage charge (e) and a percentage profit or loss (f).*

Analysis

As the costing models above show, borrowers with credit scores that are 'very poor' or 'poor' are unlikely to generate a profit for the credit union. The interest charge costing model shows a smaller loss than the cost per loan approach for the Instant Loans mainly because of the costs of credit control. A reduction in the risk charge in table 9.1.3 (write off cost in table 9.1.2) may turn these loans into profit making ventures and this could be achieved if we are to receive assistance with lending capital so funders share the cost of bad debt. With no prospect of a further lifting of the interest rate cap of 2% per month, it is clear than even with a reduction of variable costs, these **'social objective' loans will have to be subsidised from a mix of credit union profits and external funding** arrangements with the former become a larger part of this mix as the organisation grows.

As there is an explicit commitment to offer subsidised loans for members on lower incomes, the credit union will need to ensure an effective **'product mix'** and that although there may be a greater number of smaller sized loans, overall the portfolio will be made up of a greater proportion of lower risk, more profitable loans.

The tables show that the Save as You Borrow and Flexi Loans offer a much better return. As the average size of the Flexi Loan is larger the impact of one or two borrowers failing to repay their loans would be much greater as the credit union has to provide for delinquency at a higher rate. Although the return may be greater, a much smaller number of these loans will be made during the initial period of trading.

Although the return per loan is broadly similar in both costing models for the Save as You Borrow product, there is a significant variance in the projected return for the Flexi Loan and this will require careful monitoring. We will, therefore, operate a variable rate of interest rate for the Flexi-loan so we can adjust according to the returns we make and the prevailing rate charged elsewhere in the marketplace.

9.2 Portfolio mix

Attempting to attract and serve very diverse groups of borrowers can be difficult, and the new credit union should work hard to ensure that it is not seen as a 'poor person's bank' or a lender of last resort, but rather as a positive choice for a wide spectrum of different socio-economic groups.

For this reason the credit union will offer a range of different loan products and these will form part of a wider portfolio mix: although we will offer a greater number of higher risk – Instant Loans, these will form a much smaller proportion of the overall portfolio in terms of their value.

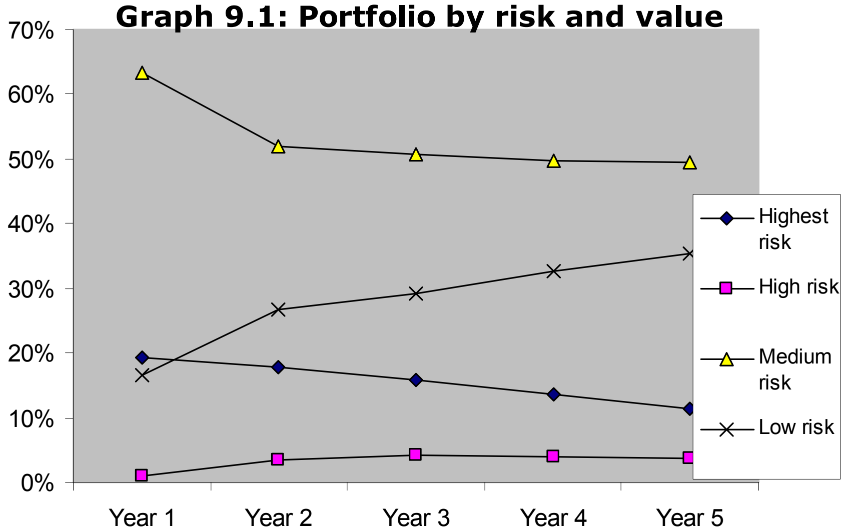
Table 9.2.1 : Loan type by number (issued each year)

	Year 1	Year 2	Year 3	Year 4	Year 5
Instant loan	175	300	350	375	400
Instant loan discounted	5	30	50	60	70
Save as you borrow	115	175	225	275	350
Flexi loan	15	45	65	90	125

Table 9.2.2 : Loan type by value (issued each year)

	Year 1	Year 2	Year 3	Year 4	Year 5
Instant loan	£70,000	£120,000	£140,000	£150,000	£160,000
Instant loan discounted	£3,750	£22,500	£37,500	£45,000	£52,500
Save as you borrow	£230,000	£350,000	£450,000	£550,000	£700,000
Flexi loan	£60,000	£180,000	£260,000	£360,000	£500,000

Graph 9.1: Portfolio by risk and value



Graph 9.2: Portfolio by risk and number of loans

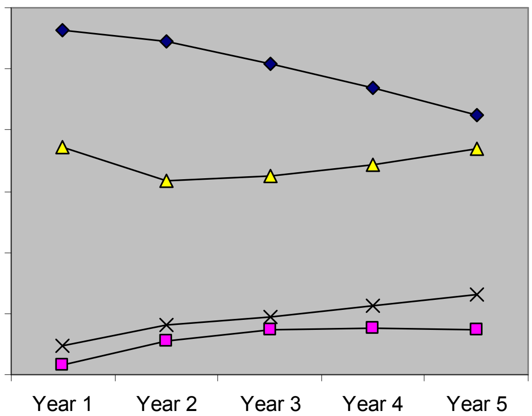


Table 9.2.3: Overall net income from loans

	Year 1	Year 2	Year 3	Year 4	Year 5
Loan income	£29,034	£87,101	£125,824	£164,262	£195,299
Write offs	£5,386	£10,773	£20,665	£28,615	£36,350
Other provisions	£2,693	£5,386	£10,333	£14,308	£18,175
Net loan income	***£20,955***	***£70,942***	***£94,826***	***£121,339***	***£140,774***

10. Savings products

Our ability to offer interest on savings is critical to achieving the goals set out in this business plan. Whilst we could predict future dividend rates – and we seek to retain a dividend account – the credit union will need to be able to make a positive offer to give depositors a return on the capital they invest with the credit union.

The ability to offer interest on savings will be **dependent on a change to regulations.** At this stage it is not clear whether the regulations will change in time for the credit union's launch in October 2009 and consideration will need to be given to whether the organisation 'soft launches' and then markets its loan products when the regulations do change, probably by January 2010.

Some of the proposed legislation remains unclear and the proposals will have to be studied in greater detail before the application is submitted to the FSA.

Our **instant access account** will hold at least 70% of all our shares. Members can withdraw their savings without notice, but the interest rate is lower, representing 25% of the current Bank of England base rate. This will be an attractive account for those seeking to build up their savings over time, especially those who have no history of saving.

We will offer a **tracker account** which follows the BoE base rate minus 0.25%. It is an attractive rate of return. Although there are better deals elsewhere on the market the credit union would be taking risks offer such a guaranteed return at a time of interest rate uncertainty, so we may rely on savers ethical consciousness to choose the credit union and / or their suspicion of the mainstream banking sector.

In order to help the credit union better manage liquidity and interest rate risks we will offer a limited issue **fixed rate twelve month bond.** We would be looking to attract lump sum savers, perhaps with an ethical approach to investment.

In addition to the accounts shown below, consideration can be given to offering Instant Access Savings Accounts, Junior savers accounts and Christmas / holiday savings clubs.

Table 10.1: Overview of proposed savings accounts

	Year 1	Year 2	Year 3	Year 4	Year 5
BoE Base Rate	0.5%	1.0%	1.5%	2.0%	4.0%
Instant access account	0.1%	0.3%	0.4%	0.5%	1.0%
Three month tracker	0.3%	0.8%	1.3%	1.8%	3.8%
Twelve month bond	0.5%	0.8%	1.1%	1.5%	3.0%
Dividend	0.0%	0.5%	1.0%	1.0%	1.0%
Instant access account – cumulative	£175,000	£525,000	£875,000	£1,225,000	£1,750,000
Three month tracker – cumulative	£25,000	£75,000	£125,000	£175,000	£250,000
Twelve month bond – cumulative	£25,000	£75,000	£125,000	£175,000	£250,000
Dividend only – cumulative	£25,000	£75,000	£125,000	£175,000	£250,000
Interest due to savers	£406	£2,438	£6,250	£11,813	£34,375
Dividend due to investors	£0	£375	£1,250	£1,750	£2,500
Total returns to investors	**£406**	**£2,813**	**£7,500**	**£13,563**	**£36,875**

11. The Community Budgeting Account

The CBA is part of Progress and works by receiving the member's benefits or wages which are then used to electronically pay the member's bills, including any creditors and a sum into their credit union savings account and loan (if applicable). Before the budgeting plan is put into practice the member sees an adviser (e.g. from a CAB) who helps them draw up a financial statement and explore ways of maximising income and minimising indebtedness.

Surplus income is then paid electronically into a Basic Bank Account which is negotiated with a national financial services provider. In the future the credit union may decide to send the surplus money to a **Credit Union Current Account,** thus keeping the member's money within one financial institution.

Current access to **Debt Management Plans** is largely limited to those with disposable income and many debtors on the lowest incomes cannot access repayment systems such as those offered by the Consumer Credit Counselling Service. DMPs ensure timely and affordable repayments to creditors, preventing enforcement action and the 'exported costs' to public services such action can have (e.g. re-housing evicted families). *The CBA will enable the credit union to offer DMPs to those excluded from the service at present.*

Critically the CBA can help reduce **re-referral to advice agencies** of those clients who have missed payments or whose creditors have requested a review. This can keep resources free to serve the needs of those new clients who are much more likely to present for advice with a serious priority (e.g. repossession notice, bailiff letter).

The CBA also presents the credit union with **further funding opportunities.** The CBA can be the glue that binds together an advice service and the local credit union and this is an attractive proposition for funders and it is worth exploring joint funding initiatives with money advice providers on this basis. Repayment of utility and other debts may warrant subsidy from creditors, including RSLs.

12. Delivery structure

Although initial funding arrangements are likely to characterise our early geography, it will be important to ensure that all residents within the common bond can access the credit union from day one of trading. To achieve this goal the credit union will use an **internet based platform** to deliver its service. The Progress system can accept online loan and membership applications. Our website will allow 24 hour access to account balances, use loan calculators, withdraw shares and change address.[20]

The credit union will also benefit from use of the **KCC contact centre** which will be used to filter telephone enquiries about the services we would offer.

Part of the Progress package is the 'credit union in a bag' – which allows for an effective and interactive outreach service. The credit union will employ an outreach worker to run **Community Service Points**, with support from local volunteers. Local residents will be able to access all the credit union services, including applying for and receiving payment of a loan.

We would also deploy **'trusted intermediaries'** to allow widespread access to credit union services. Such persons may include Housing Officers and staff in advice agencies.

Payroll deduction services will be offered for employed members where an organisation has agreed e.g. the County and District Councils. These types of scheme will be essential to keep transaction costs low and to minimise delinquency.

See appendix 8 for a list of larger employers that may be willing to operate payroll schemes.

The existing credit unions may operate as local branches in Canterbury, Margate and Chatham. As part of the consultation process behind this business plan the KMFIP has been meeting the existing credit unions on a regular basis. We have agreed a memorandum of understanding which can be found at appendix 9. No decision has been made about how the credit unions may work together but the memo offers an early insight into a potential branch or localised delivery partnership.

The Gateways are new public service delivery vehicles across Kent which will include a range of front line services. It is intended that footfall per annum will grow to 1.4m. They pull a range of agencies together and will have strong customer service focus using very engaged 'meet and greeters'. They also include third sector services. The aim of Gateways is to address a fragmented solution to all issues e.g. advice, housing, benefits, public health, skills, self help and Social needs. This can include a credit union.

Paid staff will be responsible for running our central office and would support the trusted intermediaries and volunteers working in any branches that are established. We will also work with a team of **volunteer champions** whose role it will be to promote the credit union at a local and regional level. Champions may include housing association staff, community activists, chairs of resident associations and the Kent Ambassadors. They will be supported by our Outreach Development Worker.

In addition to our loans and savings products the credit union will offer the **Community Budgeting Account** and this is explained further in section 11.

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[20] See www.progress.ie for more information.

Diagram 12.1: Kent Credit Union Delivery Model

Community Budgeting Account

- Money & budgeting advice
- Income maximisation
- Bill payment
- Debt Management Plans

Champions

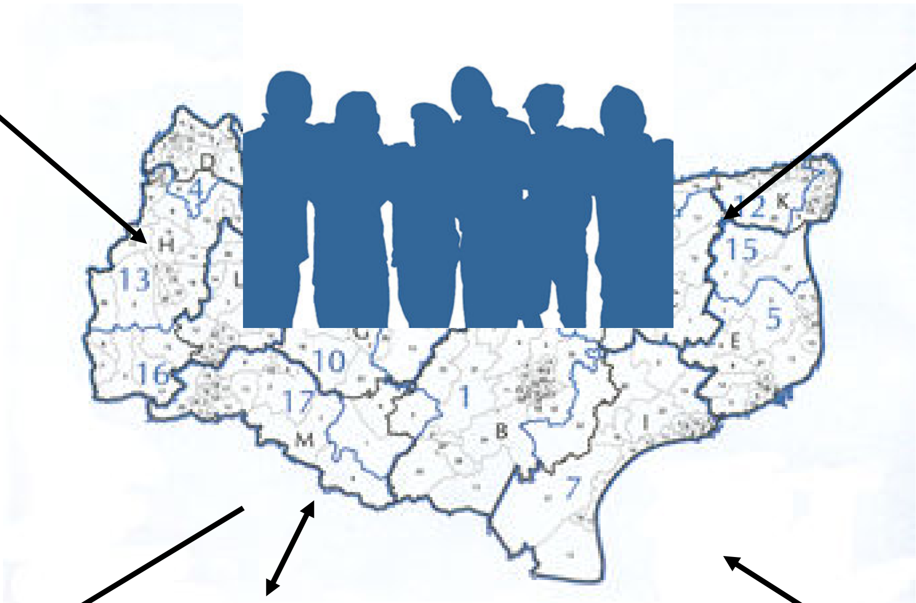
- Promoting the credit union
- Fundraising
- Receiving member feedback

Gateways

- Account opening
- Receipt of loan applications
- Referral for other services

Internet presence

- Virtual private network
- Online balance checking
- Online applications



Local authorities

- Payroll deduction
- Economic regeneration
- Supporting tenancies
- Supporting financial inclusion

Payments in

- Payroll deduction
- Standing order
- Pay Point
- Salary and benefits

Back office

- KCC contact centre
- Email and website
- Loan applications
- Marketing
- Finances

Social landlords

- Supporting tenancies
- Supporting financial inclusion
- Promotional support

Diagram 12.2: Historical delivery structure

Phase 1 – establishing the credit union

(Focus in: areas as agreed with funders)

Date: Oct 2009 – March 2011

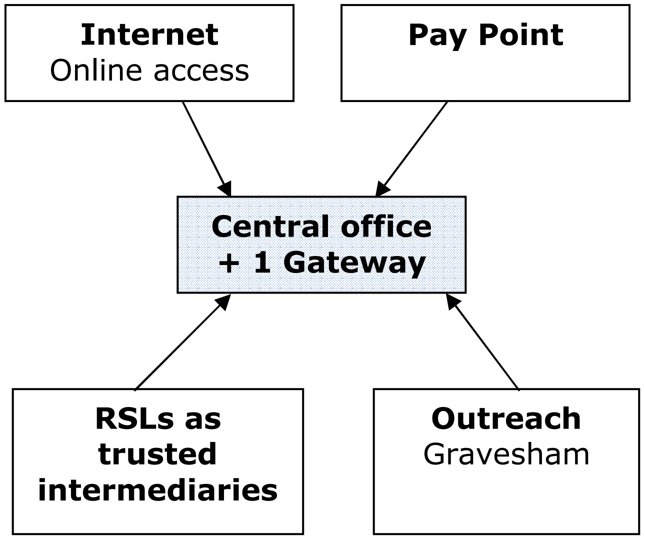
Members: 900

Product focus: Instant Loan

Member focus: Financially excluded

Loans at end of period: £500k (£500k pa)

Shares at end of period: £500k



Phase 2 – embedding the credit union

(Focus in: areas suffering financial distress)

Date: April 2011 – March 2013

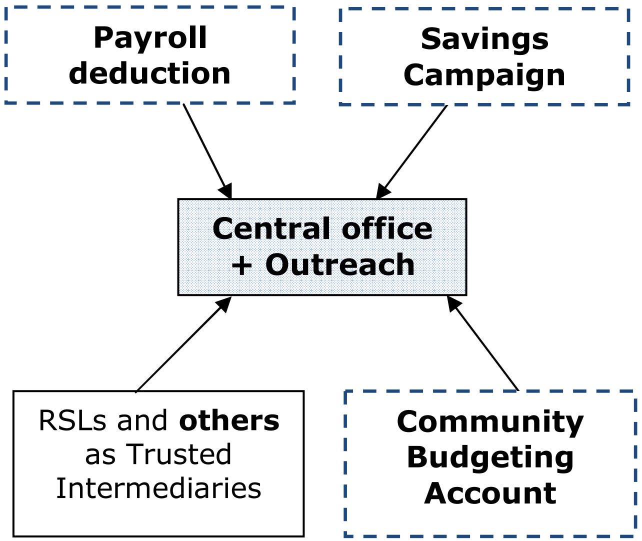
Members: 2,500

Product focus: Save as You Borrow Loan

Member focus: Payroll deduction

Loans: £1.2m (£800k pa)

Shares: £1.5m



Phase 3 – Sustaining the credit union

(Focus in: areas with higher disposable income)

Date: April 2013 on

Members: 4,200

Product focus: Flexi Loan

Member focus: Mainstream borrowers

Loans: £2m (£1.4m pa)

Shares: £2.5m

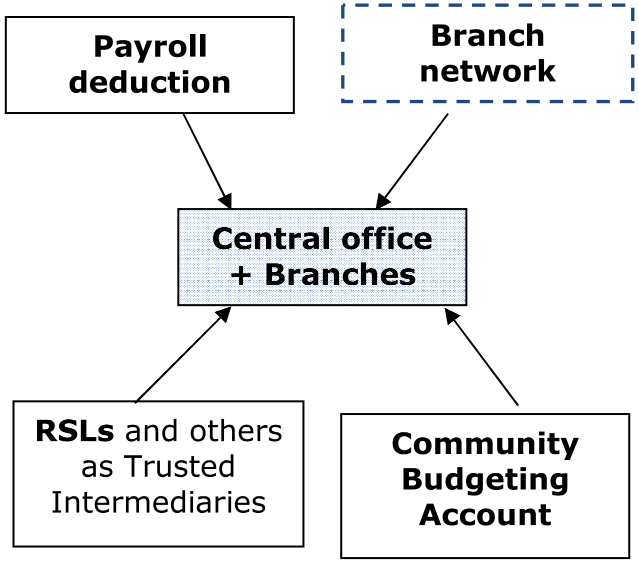
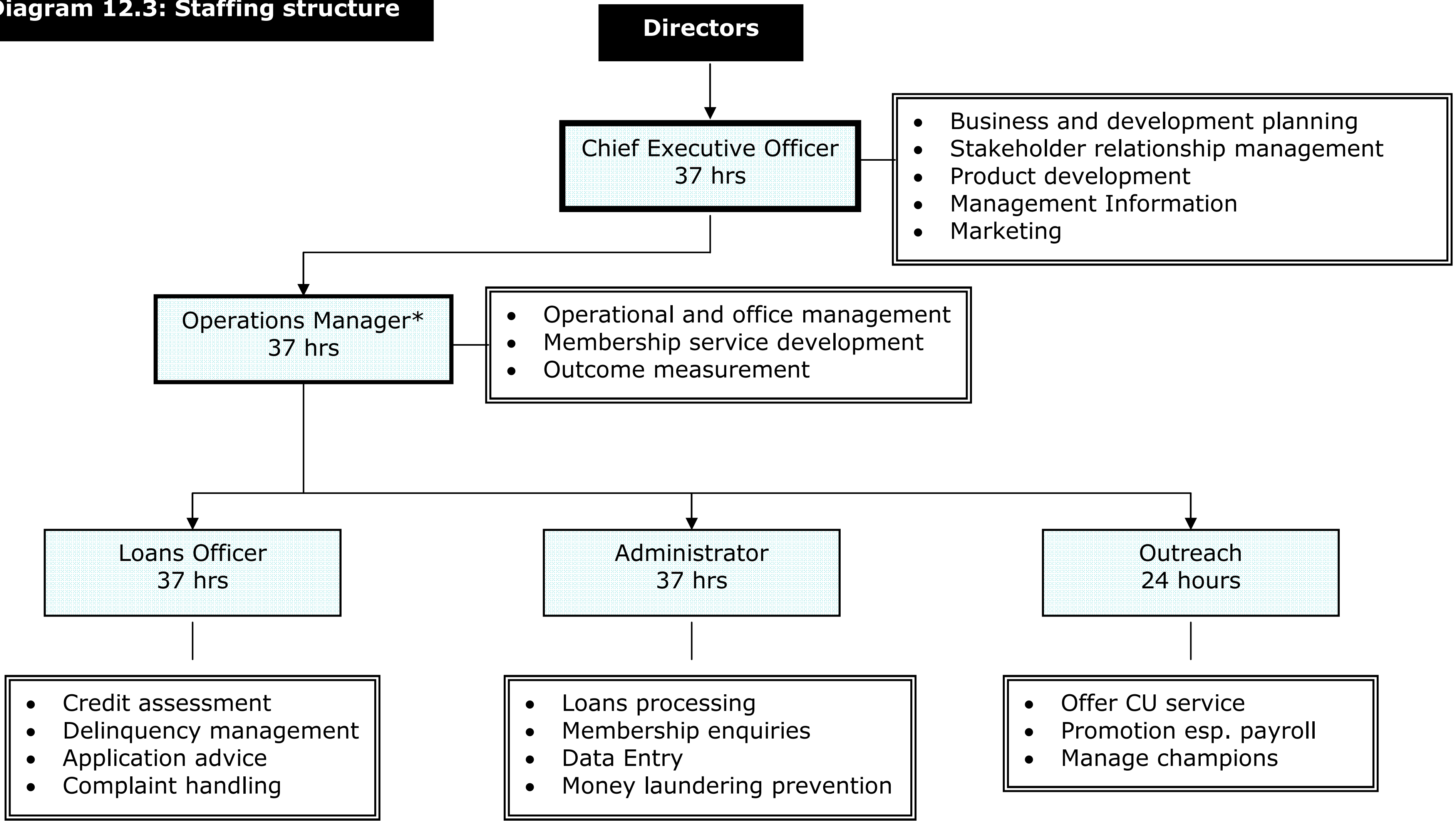


Diagram 12.3: Staffing structure



* The operations manager is an aspirational post. Whilst not absolutely essential to running the credit union (and is therefore not in the current budget), such a role would free the CEO to work more strategically leading to greater expansion of the credit union and improved product development.

13. Marketing

Our loans products are aimed at three key market segments – the financially excluded 'subprime' borrower, lower and middle income workers and the homeowner on an average salary. Savings products offer a reasonable rate of return to attract investors but the credit union does not expect to compete on savings rates alone, it will have to engender a message of ethical and community based services as well.

The financially excluded

The alternative for most people refused credit from a conventional source is to borrow from a doorstep lender or unlicensed lender. According to the OFT, some 5% of adults have taken out a home credit loan in the last 12 months. The total amount of debt outstanding to such firms, most of which deal with specific areas or regions, is currently valued at £2bn.[21]

The largest provider of 'home credit' is Provident Financial. This is also the UK's biggest doorstep credit lender, holding over 33% of the annual £2bn market. The company offer short term, unsecured loans with weekly payments collected by its agents. A simple loan of £100 from would require weekly payments of £3 over 57 weeks. On the face of it this would seem easily manageable to a low-income family. However, the cost of borrowing that £100 is £171, equivalent to an APR of 189.2%[22]. Other companies offer loans with much higher interest rates are common and routinely reach 500% APR or more.

The majority of KCU's work will be with members who require the low cost services it can offer when compared to the sub-prime lenders operating in the area. Here the message will be based on effective low-cost financial services and support for members, along with the security offered by the Financial Services Compensation Scheme (FSCS) and the benefits of free Life Savings and Loan Protection Insurance. These are all tangible and quantifiable benefits for members, as is the annual dividend payable on their savings.

Market Segment	Value Statement(s)
Credit union responders	• Low-cost loans • Safe savings • Ease of service e.g. Pay Point, via the telephone • Free Life Savings and Loan Protection insurances • Access to other agencies e.g. CAB, etc. • Community-based

Low and middle income workers

An immediate direct benefit, especially for lower income members will be the affordable cost of a credit union loan. With restrictions on mainstream lending the credit union may also be a popular choice for middle income earners. Even where lenders may be prepared to offer a loan - smaller sums borrowed over the short term from a credit union can be far more cost effective than borrowing from a bank or building society. There are no loan set-up costs, early redemption fees or compulsory insurances to add costs to a credit union loan and interest is calculated daily on the reducing balance.

This market segment will be targeted with the message that credit union membership can produce real financial benefits and savings.

[21] Office of Fair Trading (2004) Press release: OFT consults on reference of home credit market to Competition Commission
[22] Source: www.providentpersonalcredit.com accessed 7th April 2009

Market Segment	Value Statement(s)
Low and middle earners	• Low interest rates on short-term loans • Safe savings • Payroll saving facility • Community support • Fair-trade ethos • Dividend • Non-profit making

Homeowners on average salaries

Although property prices have fallen more than 16% in the last 12 months, pushing many into negative equity most homeowners who have lived at their current address are likely to have some collateral in their property.[23] This market segment will be very price and service sensitive and a variable rate product emphasising its redemption penalty free nature may be very attractive.

There is evidence that this target group are using the general reduction in mortgage rates to save for the future and so demand for these loans will not be as great as it once was but there are cross selling opportunities with savings accounts.

Market Segment	Value Statement(s)
Homeowners on average salaries	• Competitive interest rates • Daily interest charged • No early repayment penalties • Draw down facility with a flexible credit limit • Online account access • Linked to savings accounts • Payroll saving facility • Community support • Fair-trade ethos • Dividend • Non-profit making

High net worth individuals

High net worth individuals will be encouraged to deposit significant savings with the credit union as a form of community benefit, i.e. their money will be used to help reduce individual debt and promote financial inclusion in Kent. The charitable company, the Kent & Medway Financial Inclusion Partnership, can also be used to receive Gift Aid donations. The major difference between making a significant deposit with the credit union or a similar donation to a charity is that, while in both cases there is a tangible and identifiable benefit, the credit union is able to produce a financial return on the deposit and the individual can of course have their money back whenever they wish, possibly for beneficial use elsewhere. This is an important and specific value statement that the credit union will use for this targeted market.

[23] Hilary Osborne (2009) *House prices fall by 16.5%* The Guardian 27th March

The deposits of these individuals will be used to develop the 'loan pool' of Kent Credit Union and if this lending capital is made available to people using doorstep loan companies for every £1,000 invested the credit union could save an average household £500 in interest each year.[24] As well as having an attractive range of savings accounts that offer a reasonable return, there will be opportunities to forego interest payment as a way of indirectly donating to the credit union. KCU will use the 'Kent Ambassadors' group to network with such individuals and persuade them to support the credit union.

Market Segment	**Value Statement(s)**
High net worth individuals	• Local community benefit • Financial inclusion • Safe savings • Anti-poverty strategy • Reducing debt in Kent • Fair-trade ethos • Money re-available for further good works • All profits returned to members for re-investment in local economy • Non-profit making • Option to receive a return on the investment

Further market segmentation will be used to target individuals within these broad groups. This segmentation will include, but not be limited to, the following:

- **Location** – defining members by where they live, work, shop or go for other reasons.
- **Life style** – hobbies, recreation can influence saving and borrowing choices
- **Occupation** – can influence tastes and attitudes.
- **Family status** – this may include responsibilities for children and/or elderly relatives.
- **Age** – people at different ages have different needs.
- **Gender** – men and women may have different saving and borrowing needs.
- **Usage** – different segments of the membership are likely to use the credit union for different purposes.

The credit union will market its services in a number of different ways:

- **Word of mouth**. By phase two of the operation most people will contact the credit union following a word of mouth recommendation.
- **Referral** from partner agencies will be the main source of knowledge of the credit union during phase one of the operation with referrals coming from RSLs in particular.
- **Internet and web based marketing** will be used to appeal to middle and higher income members
- **Launch related publicity** will provide the initial boost for recognition
- **Sponsorship and advocacy** from other Kent institutions and companies

[24] Provident Personal Credit charge £325 to borrow £500, which is £255 more than the credit union. For every £1,000 invested we can offer two such loans saving poorer households up to £500 in interest each year. Source: www.providentpersonalcredit.com accessed 7th April 2009

14. Five year profit and loss account

Table 14.1: Five year profit and loss						
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	***Total***
Income						
Loan income	£29,034	£87,101	£125,824	£164,262	£195,299	***£601,520***
Investment income	£699	£3,195	£7,497	£14,935	£51,344	***£77,670***
Entrance fees	£400	£710	£890	£1,000	£1,200	***£4,200***
Total income	**£30,133**	**£91,006**	**£134,211**	**£180,197**	**£247,843**	***£683,390***
Revenue spend						
Staff [25]	£106,033	£108,154	£110,317	£112,524	£114,774	***£551,802***
Training	£3,000	£2,000	£1,000	£750	£500	***£7,250***
Travel	£500	£1,000	£1,100	£1,200	£1,300	***£5,100***
Premises [26]	£15,000	£13,000	£13,000	£13,000	£13,000	***£50,000***
Office costs [27]	£3,300	£3,300	£3,300	£3,300	£3,300	***£16,500***
Banking costs [28]	£20,000	£12,000	£7,000	£8,000	£9,000	***£73,000***
Marketing	£5,000	£4,000	£3,000	£3,000	£3,000	***£18,000***
Insurance	£15,394	£23,085	£30,284	£37,476	£47,104	***£153,343***
Legal and professional	£2,500	£3,000	£3,500	£4,000	£4,500	***£17,500***
Total revenue spend	**£170,727**	**£169,539**	**£172,501**	**£183,250**	**£196,478**	***£892,495***
Other spend						
Transfer to reserves	£2,000	£4,500	£9,000	£13,000	£17,000	***£45,500***
Return to investors	£406	£2,813	£7,500	£13,563	£36,875	***£61,157***
Bad debt provision	£2,693	£5,386	£10,333	£14,308	£18,175	***£50,895***
Write offs	£5,386	£10,773	£20,665	£28,615	£36,350	***£101,789***
Total other spend	**£10,485**	**£23,472**	**£47,498**	**£69,486**	**£108,400**	***£259,341***

15. Funding shortfall

Taking the total projected spends against earned income, creates a revenue funding requirement of £470k over the initial five year period.

Table 15.1: Overall funding requirements						
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	***Total***
Total income	£30,133	£91,006	£134,211	£180,197	£247,843	***£683,390***
Total expenditure	£181,212	£193,011	£219,999	£252,736	£304,878	***£1,151,836***
Funding shortfall	**£151,079**	**£102,005**	**£85,788**	**£72,539**	**£57,035**	***£468,445***

[25] See diagram 12.3 for details of the staffing mix
[26] It is presumed that the premises will be donated and that we will obtain discretionary relief for business rates
[27] It is presumed that the FSA will allow for electronic provision of statements and announcements of AGMs to reduce the cost of contacting members directly. Some mailing costs would be met by external corporate sponsors.
[28] Banking costs are higher in the initial period to account for the cost of setting up systems and linked training. Costs then rise according to growth in the portfolio. We are anticipating mostly free banking and most of these costs relate to the Community Budgeting Account transaction costs, Finance Director fees, Pay Point fees and licences for Progress.

Table 15.2: Five Year Balance Sheet

	Year 1		Year 2		Year 3		Year 4		Year 5	
Assets										
Loans to Members (after write off)	£267,437		£747,310		£1,135,943		£1,523,359		£2,000,654	
Less Provision for Doubtful Debt	-£2,693		-£8,079		-£18,412		-£32,719		-£50,984	
		£264,743		**£741,923**		**£1,125,611**		**£1,509,051**		**£1,982,479**
Current Assets										
Debtors & Prepayments	£2,000		£3,000		£4,000		£4,000		£4,000	
Cash at Bank	£114,737		£259,710		£382,849		£515,181		£816,311	
	£116,737		£262,710		£386,849		£519,181		£820,311	
Less Current Liabilities										
Creditors and Accruals	£2,000		£3,000		£4,000		£4,000		£4,000	
	-£2,000		-£3,000		-£4,000		-£4,000		-£4,000	
Net Current Assets		£114,737		£257,017		£374,770		£496,769		£783,592
		£379,480		**£998,940**		**£1,500,380**		**£2,005,820**		**£2,766,070**
Represented by:										
Share Capital		£250,000		£750,000		£1,250,000		£1,750,000		£2,500,000
Other lending capital		£67,480		£182,440		£174,880		£167,320		£160,570
Reserves		£62,000		£66,500		£75,500		£88,500		£105,500
		£379,480		**£998,940**		**£1,500,380**		**£2,005,820**		**£2,766,070**

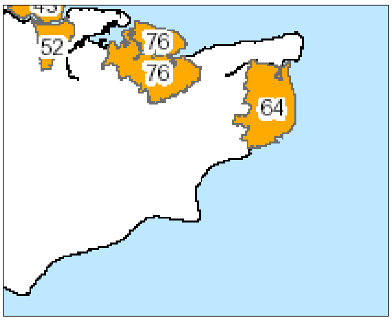
16.1 Raising the funding - strategy

Leverage and pump priming

The key to the funding strategy will be to use funding resources from one area to 'lever in' funding from elsewhere on a match funded basis. For example Southern and Hyde Housing Associations have both agreed to fund the credit union and this enables us to negotiate with other Registered Social Landlords with a much greater degree of confidence. Kent County Council has made a donation of £250,000 and this should help us persuade a range of other funders, including the District Councils.

A credit union is an attractive funding option because it will eventually generate an income which will be sufficient to cover all of its running costs.

Department of Work and Pensions (DWP).



DWP is responsible for delivering the government's Growth Fund. Three priority areas have been identified for investment: **Gravesham** (52), **Swale** (76) and **Dover** (64).

Funding is in the form of lending capital plus revenue support to the granting of loans. Additional set-up support may be available and the interest earned on loans can be set aside in a reserve for later business development activities.

Lending capital of £50k with revenue support of £15k would enable the credit union to deliver 175 loans to people facing financial exclusion living in these priority areas. This would enable the credit union to develop a performing loan book of £43k, generating a gross income of around £8k per annum. The cost of delinquency would be fully funded for the duration of the contract and can be expected to run at 9%.

Table 16.1.1: Potential Growth Fund Tender

	Year 1	**Year 2**	***Total***
No of loans	100	75	***175***
Average value	£400	£400	***£400***
Total value	£40,000	£30,000	***£70,000***
Capital repaid	£14,000	£20,000	***£34,000***
Write offs	£3,500	£3,500	***£7,000***
Capital needed	£30,000	£20,000	***£50,000***
Loan book c/f	**£23,000**	**£29,000**	

Table 16.1.2: List of Priority RSLs and Stock Level

Hyde	2,178
Southern	1,925
Russet	6,069
Town & Country	5,475
Moat	2,329
Orbit	3,348
Swale	5,652
West Kent	4,469
Maidstone Housing Trust	5,040
MHS Homes (ALMO)	7,700
Local Authority retained stock	34,746

Registered Social Landlords

Around 65% of people facing financial exclusion are likely to live in **Social Housing.** By promoting take-up of affordable credit and encouraging saving, tenants are less likely to experience rent arrears.

A potential model would be based on Social Landlords direct mailing their tenants. The credit union could presume a 3% return (2.5% for loans, 0.5% for savings), generating demand for an average £400 loan with a successful application rate of 50%.

If half of the 80,000 properties in Kent participate, the credit union could attract 400 savers and 1,000 loan applicants. This would generate a demand for loan capital of £200k.

Service Level Agreements for the Community Budgeting Account

The Community Budgeting Account (which is explored further in section 11) would enable more members to pay for their fuel by direct debit which attracts a greater reduction in fuel costs than many of the social tariffs. Local energy providers may be interested in supporting the CBA as it will assist them in achieving fuel poverty targets. The repayment of Debt Management Plans may attract support from creditors and grant funding bodies. RSLs may be interested in assisting the credit union in meeting the costs of the CBA on a per tenant basis.

Corporate Social Responsibility

There has been some initial support of credit unions through the South East England Development Agency (SEEDA) Corporate Cabinet. Direct support for marketing has already been achieved in other areas and companies have already indicated their interest in supporting the credit union's ICT infrastructure. There is further potential for support which also comes in the form of **in-kind** funding, such as premises and expertise.

The proposed changes in regulation could allow KCU to encourage corporations to make a deposit with the credit union, with the depositor foregoing interest as an indirect contribution to the organisation's running costs:

Table 16.1.3: Corporate investment account

	Year 1	Year 2	Year 3	Year 4	Year 5
Value of deposits	£100,000	£250,000	£500,000	£1,000,000	£2,000,000
BOE Base Rate	0.5%	1.0%	1.5%	2.0%	4.0%
Credit union rate of return on deposit	0.4%	0.8%	1.1%	1.5%	3.0%
Credit union return	£375	£1,875	£5,625	£15,000	£60,000
Corporate rate	0.3%	0.5%	0.8%	1.0%	2.0%
Corporate return	£250	£1,250	£3,750	£10,000	£40,000
Net profit to credit union	**£125**	**£625**	**£1,875**	**£5,000**	**£20,000**

Charging for ancillary services

Currently credit unions can only recover the actual charge for providing a service and are prevented from cross subsidising activities. Current reform proposals include the ability to make a surplus from certain activities and this is most likely to benefit the credit union if it were to charge for a **banking product.** A current account may be an additional developmental add-on to the Community Budgeting Account.

We could also offer a Visa debit card and affiliate schemes such as home contents and car insurance.

16.2 Raising the funding – action to date

The KMFIP has developed an **Investment Prospectus** which is enclosed with this business plan. The prospectus targets RSLs, local authorities, corporate investors and also offers a general appeal to individual supporters. The document has been sent to each of the District Councils and ten RSLs. Negotiations have been opened with a range of potential funders.

The Partnership has also **opened negotiations with the DWP** with a view to obtaining a Growth Fund contract. Funding allocations have yet to be finalised, but supportive messages have been received. The three amber areas within the proposed common bond present an opportunity to deliver on a range of fronts in Kent and negotiations are ongoing. It is recognised that the Growth Fund has the potential to skew the credit union's loan book and as such the funding request has been reduced, although the profile in table 16.1.1 would require prioritising two out of the three amber areas.

It will also be worth exploring **grant making bodies** for support and a shortlist of these opportunities is being drawn up which includes the Coalfields Regeneration Trust, Big Lottery Fund and a range of utility trust funds.

At the end of March the following funding has been committed:

Kent County Council: £250k for general running costs although £60k will be used as initial capital and a further amount *may* be used as lending capital.

Hyde Charitable Trust: An initial £10k has been donated to the development fund, all of which will be used to meet revenue costs. Negotiations for ongoing support continue.

Southern Housing Foundation: £20k has been donated with a 50/50 split for revenue and lending capital.

West Kent Housing Association: £2k for general running expenses with a commitment to longer term support post FSA application.

With £60k initial capital and £20k for the initial lending capital, the remaining £212k is sufficient funding for the first 18 months of operation.

In addition to the KCC support we have opened negotiations to raise £700k. However given the economic downturn and pressures on local authority budgets we do not anticipate being able to raise all this additional revenue. A sixty percent success rate would meet our revenue requirement for the full five year business plan.

There are a range of significant funding negotiations which are ongoing and it is anticipated that **by summer of 2009 we will have secured sufficient funding to pay for the first three years of operation.** Discussions are also taking place about supporting the credit union indirectly for example by offering free premises, using the KCC contact centre and support for marketing from a large insurance company.

17. Some factors influencing income generation performance

A full risk assessment and action plan is outlined in section 7. However, for the purposes of financial planning it is worth exploring 'what if' scenarios and assess what the impact on the credit union might be if growth is slower than expected.

Demand for loans is 15% poorer than anticipated.
The business plan suggests that over a five year period the credit union will make 3,300 loans with a total value of almost £4.5m which will generate just over £600k.

The impact of a reduction in demand for loans will be greater if the credit union is unable to offer enough of its members higher value loans. Smaller sized, higher risk loans would generally make a loss - so a reduction in demand on that side of the business would have less of an impact.

Table 17.1: Income from new loans (Year 3)

	Number	Value	Income from new loans
Instant loan	350	£140,000	£17,199
Instant loan: discounted	50	£37,500	£3,023
Save as you borrow	225	£450,000	£52,110
Flexi loan	65	£260,000	£21,977
	690		**£94,309**

If there was an across the board reduction in loans of 15% (or 100 loans) total income would fall by £14k. If 100 fewer 'Instant Loans' were granted, income would fall by £5k. If 100 fewer 'Save as Your Borrow' loans were issued, income would fall by more than £22k.

Sufficient market segmentation would help mitigate such a decline in demand and the credit union will need to monitor take up by loan product to ensure that the portfolio remains focussed on achieving our income goals.

Share deposits are 15% smaller than anticipated.
Smaller value share deposits would mean fewer loans, which in turn would reduce income earned. Sufficient liquidity is maintained to offset some of the impact with an average liquidity of 70-75% being maintained during the first five years of operation. Although it would be necessary to manage the risks associated with tighter liquidity, we could expect a fall of in income of around £5k (five percent of £94,000).

The credit union would spend less on the return it gives its savers if the shareholding was reduced, although it would also have less cash in the bank earning interest. The credit union would end up with a net saving of around £200.

Funded lending capital is 15% less than anticipated.
In order to reduce lending risk and achieve social objectives the credit union will meet some of the demand for its loans using capital funded by RSLs, local authorities and, potentially the DWP. The business plan envisages £185k of lending capital being utilised and this is used to offset almost £30k of bad debt costs over the five year period.

A 15% reduction in funded lending capital would add a further £4,500 of write off costs to the revenue account. In addition if this led to a 15% reduction in lending for higher risk borrowers a further £5k would be lost in year three.

In sum a 15% shortfall on our anticipated loan, shares and funded lending capital targets could lead to a loss, over the five years, of around £60k

18. Future opportunities

A legislative reform order is currently laid before parliament and it I anticipated that a range of changes to credit union regulation will take force from 1st October 2009, including:

Replacing the membership qualification requirements. This would allow a combination of any two membership qualifications e.g. – KCU could have a 'common bond' which would allow people living or working in Kent *and* tenants of a national housing association to join the credit union (as long as the housing association has a presence in the common bond).

Allow credit unions to admit bodies corporate, unincorporated associations or partnerships to membership. This would allow the credit union to offer a deposit account to corporations as well as local charities. The value of the investment would have limits.

Allow credit unions to offer interest on deposits, provided certain requirements are met. Provided the credit union has sufficient capital and risk controls in place it could offer members interest on their savings in addition to the normal profit sharing dividend.

At this stage we do not presume to have sufficient funding to introduce the ABCUL **Credit Union Current Account**. It will also be important to see how those credit unions introducing this new banking product adapt to its use and can verify the costing models. The KMFIP very much sees the Community Budgeting Account as an initial banking product and rather than surplus income leaving the credit union entirely it makes commercial sense to retain that cash within the organisation using the current account.

There are many opportunities to be realized through closer partnership working with the **existing credit unions** in Cantebury, the Isle of Thanet and Medway. We have benefited from their local knowledge and experience and local delivery in those existing common bonds could be supported by KCU, perhaps through a branch related structure. No decision has been made as to how the credit unions would work together in future, but a dialogue remains open and we would be looking to begin to firm up proposals once KCU has been trading for a period of six months.

See appendix 9 for the memorandum of understanding between the Kent credit unions.

Table 19.1: Project plan

	Apr	Sep	Jan	Apr	Sep	Jan	Apr	Sep	Jan	Priority	*Key issues*
Business planning											
Submit and review business plan											*The business plan will be submitted in May 2009 and in the six months prior to trading we will need to raise the funding and ensure we have the right marketing messages.*
Review marketing strategy											
Review risk strategy and financials											
Develop the fundraising strategy											
Governance and staffing											
Recruit, induct and train shadow board											*We have recruited a shadow board and need to begin the process of training to ensure the credit union has appropriate governance systems in place.*
Recruit paid staff and volunteers											
Review member involvement											
Delivery											
Identify premises											*There is still work to be done in relation to the delivery structure. Premises need to be found and local delivery systems agreed. We need to ensure that the regulations allow for the payment of interest on savings – this may require a 'soft launch' followed by full launch in January 2010*
Negotiate local delivery systems											
Implement and review ICT											
Run member feedback sessions											
Negotiate delivery with other CUs.											
Launch the credit union											

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By: Paul Carter: Leader of the Council
Nick Chard: Cabinet Member for Finance

To: Cabinet –20 April 2009

Subject: **Performance Reward Grant: Kent Agreement 1**

Classification: Unrestricted

Summary: Members are asked to Note:

1. The first claim for Performance Reward Grant associated with Kent Agreement 1 amounts to £17.75m across all Kent Partners.
2. Kent County Council's estimated share of this is in the region of £9.0m.
3. That a second and final Performance Reward Claim will be made in December 2009. This will be in the region of £4.8m - £8.5m across all Kent Partners, of which KCC's share should be between £3.1m - £5.3m.
4. Members of Kent County Council and partner representatives on the Kent Partnership congratulate staff involved in the successful delivery of Kent Agreement outcomes.

For Information

1. Introduction

1.1 Kent Agreement 1 (KA1) ran for the duration April 2005 – March 2008. Included within KA1 were 14 targets that formed the second generation 'Local Public Service Agreement' (LPSA). It is these 14 LPSA targets that were designated for 'Performance Reward Grant' (PRG).

1.2 The maximum potential PRG was £35,952,275. This was calculated as 2.5% of the county's net budget requirement (county and district) for 2004/05.

2. PRG claimed in January 2009

2.1 KCC, as the Responsible Local Authority, submitted a first claim for PRG to the Government Office for the South East according to the procedures set down by Communities and Local Government (CLG). At the time of submitting this PRG claim KCC was able to include PRG only for those targets that had final and audited performance data. Appendix 1 lists the 14 LPSA targets and the PRG that has been claimed for each target. A second and final claim for PRG will be made before the end of this calendar year.

2.2 The following are the headlines of the PRG claim:

PRG included in the first claim	**£17,750,770**	**49.4%**
PRG that has been **lost** (failed to achieve required performance threshold)	£8,882,775	24.7%
PRG which is still **pending** (if success is confirmed PRG will be claimed in Dec 2009)	£9,318,730	25.9%
TOTAL	£35,952,275.	100%

3. Allocation of PRG claimed

3.1 In December 2005, shortly after KA1 was signed, an agreement was made by all partners to KA1 setting out the lead partner and contributing partners for each target and how PRG would be allocated between partners who have contributed to the success of individual targets.

3.2 Discussions on the allocation of PRG have taken place between partners involved in the delivery of each target, guided by the Dec 2005 agreement. A report was agreed at the Kent Public Service Board on 16 March 2009 which set out proposed allocations to Kent County Council, District based Local Strategic Partnerships, District Councils, Kent Police, Kent and Medway Fire and Rescue and Primary Care Trusts.

3.3 Kent County Council's share of this is in the region of £9.0m.

4. Second PRG Claim

4.1 A second and final Performance Reward claim will be made in December 2009. This will be in the region of £4.8m - £8.5m across all Kent Partners. The sum claimed will depend upon final performance data which is still unknown for some outcomes.

4.2 KCC can expect to receive in the region of £3.1m - £5.4m from this second Performance Reward claim. This will be dependent upon final performance data and discussions with other contributing partners. Indeed the £5.4m figure may be exceeded, subject to the allocation of PRG in respect of target 6 for skills and vocational qualifications, if KCC has taken over these functions from the LSC by then.

5. Notable Success

5.1 Successful achievement of so many Kent Agreement 1 outcomes and the improvement in services that it represents is excellent news and the partners, teams and individuals who have delivered this success need to be congratulated. Receipt of an additional and un-hypothecated resource of nearly £18m into Kent to invest in services for the residents of Kent is excellent news. This sum will be bolstered by a further £4.8m - £8.5m that will be claimed in December 2009.

6. Recommendations

Cabinet is asked to:

(i) NOTE and SUPPORT the contents of the report.
(ii) Congratulate staff involved in the successful delivery of Kent Agreement outcomes.

Graeme Brown
Kent Agreement Manager
01622-696070

Graeme.brown@kent.gov.uk

Appendix 1

LPSA Reward Targets and amount claimed in January 2009

Target		Claimed £k	Lost £k	Pending £k
1	Early years education	**494**	1,226	847
2	Primary school achievement	**nil**	nil	2,568
3	Looked After Children educational achievement	**nil**	1,674	725
4	CAMHS	**2,568**	nil	nil
5	Primary school attendance	**nil**	2,568	nil
6	Skills & vocational qualifications	**nil**	nil	2,568
7	Empty properties	**2,239**	328.70	nil
8	Incapacity benefit	**513**	1,216	838
9	Vulnerable people living independently	**2,568**	nil	nil
10	Physical activity and healthy living	**796**	nil	1,771
11	Older people – hospital admissions	**2,568**	nil	nil
12	Road casualties	**2,536**	199	nil
13	Clean Kent	**2,182**	385.20	nil
14	Safe Kent	**1,284**	1,284	nil
Total		**£17,751**	**£8,883**	**£9,319**

By: **Paul Carter, Leader of the Council and**
Robert Hardy, Director of Improvement and Engagement

To: **Cabinet 20th April 2009**

Subject: **Corporate Assessment Performance Improvement Plan**

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1. Summary

Attached at Appendix 1 is the final draft Performance Improvement Plan (PIP) in response to the comments and conclusions of the CPA Corporate Assessment report published in June 2008.

A draft version of the PIP was circulated for comment to the September meeting of the Corporate Policy Overview Committee for their consideration and was intended to be formally considered for adoption by the December meeting of County Council. However, due to other items needing to be considered on the December agenda, this was not possible. It is therefore presented to this meeting for approval.

2. Improvement Plan

This Improvement Plan sets out in summarised form the inspectors comments and the proposed response, including the means of monitoring future progress. In the majority of cases, the proposed actions and monitoring relate to existing commitments and processes so as to avoid additional bureaucracy solely for the purpose of responding to the report. Since the original circulation of the report in the Autumn of 2008, many of the actions are already underway, but there has been no formal adoption of the plan by KCC.

Most of the inspectors' comments reflect issues which KCC identified as requiring improvement and the PIP simply gives us means of tracking progress. Not all of the inspectors' comments and conclusions were considered to be valid and so do not feature as proposed actions in the PIP.

Fulfilling the requirements of the Performance Improvement Plan, particularly those around citizen engagement and partnership working, will put KCC in a strong position to perform well under the new Comprehensive Area Assessment arrangements and this plan has been drafted with that in mind.

3. Monitoring

Performance against the PIP will be formally monitored on a bi-annual basis, with a report to COG and Cabinet, beginning 6 months from its formal adoption. This first report will therefore be published in October 2009.

4. Recommendations

Members are asked to agree the contents of the draft Performance Improvement Plan and the timeframe for future monitoring.

Robert Hardy – contact details 01622 221343 robert.hardy@kent.go.uk

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BUILDING ON SUCCESS - KCC Draft Performance Improvement Plan

Areas for Improvement

For the purposes of this report the comments and recommendations of the inspection team are grouped under seven themes -

1. **Community engagement**
2. **Communications**
3. **Relationship management**
4. **Member roles**
5. **Workforce development**
6. **Corporate practice/processes**
7. **Service improvement**

The nature of the work suggested

In each theme the following tables distinguish between –

A - Monitoring	*Work currently being done where the changes suggested affect how the work is monitored*
B - Improvement	*Work currently being done that needs improving to be more effective*
C - New	*Work that isn't currently being done, that we may chose not to do*
D - In hand	*Work that KCC already has underway or has completed since the assessment took place*

Lead Director

In all cases the lead officer is shown at Director-level or above in the following tables. More detailed accountabilities will be reflected in the individual strategies and Service Unit Business Plans.

AREA FOR IMPROVEMENT 1 – COMMUNITY ENGAGEMENT

CATEGORY A - MONITORING

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
CEA1	Para 68 Ensure consultation responses and their influence on policy/service development are recorded and reported to POCs/Members	Ongoing	Managing Directors/ Robert Hardy	- All Directorates record consultation carried out, the responses received and how these have been taken into account	- All POCs receive a detailed annual report on the above - Annual Report to County Council

CATEGORY C – NEW

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
CEC1	Para 43 Review recent approaches to engagement and consultation; identify what sections of society are not being engaged; agree actions	Annual	Robert Hardy	- Action taken across all Directorates to include those previously missed out of consultations – link to SIP archetypes and diversity	Comprehensive Engagement Strategy annual report
CEC2	Paras 42, 43 & 73 Develop a comprehensive engagement strategy	By the end of 2009/10	Robert Hardy	- Comprehensive engagement strategy to provide common framework and corporate standards - Key elements of CES to be shared across Kent Partnership, not just internally to KCC	Comprehensive Engagement Strategy annual report
CEC3	Para 42 Ensure all Directorates engage appropriately with the general public over service priorities, not	Reviewed annually	Robert Hardy / Managing Directors	- Evidence of regular consultation by all Directorates with people beyond their current service users	Comprehensive Engagement Strategy annual report

	just defined service users			- Evidence of views of minority groups being part of this	
CEC4	Para 9 Feed in customer and general public's views into KCC's discussions and decisions on priorities and be able to clearly map this process	Ongoing see CEA1 above	Robert Hardy	- Evidence of engagement with the general public being used to inform KCC priorities - Evidence of views of minority groups being part of this	Clear evidence published showing how people's views have and haven't been translated into priorities

CATEGORY D – IN HAND

Code	**Inspectors' comment**	**Timescales**	**Lead Director(s)**	**Evidence of Improvement**	**Monitoring**
CED1	Para 64 Ensure consistent practice across all Directorates in monitoring and responding to complaints from the public	Ongoing	Robert Hardy / Resource Directors	- All Directorates use the same definition of 'complaint' - All Directorates have the same timescales for acknowledging and responding to a complaint - All Directorates use and publish common core standards - All Directorates collect and report on trends from complaints and other customer feedback.	- By the Corporate Complaints Review Group - An annual report to Corporate POC and County Council on trends from complaints and other customer feedback.
CED2	Para 66 Ensure consistent practice regarding use of complaints to drive service improvements	Ongoing	Robert Hardy / Resource Directors	- All Directorates adopt a consistent approach to using information from complaints in service planning processes	All Directorates regularly report complaints information to senior managers and to POCs, including action being taken to remedy
CED3	Para 74 Engage in regular public satisfaction surveys to assess the quality and effectiveness of services and make changes as necessary	Most formal surveys are annual	Robert Hardy / Managing Directors	- Maintained or increased public satisfaction with KCC and other public services - Evidence of changes to services being made following surveys	- Regular public satisfaction surveys carried out by all Directorates - New KCC citizens' panel in place and regularly used

AREA FOR IMPROVEMENT 2 – COMMUNICATIONS

CATEGORY A – MONITORING

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
CMA1	*Para 32* *KCC's strong brand image and able self-promotion can create an unintended impression that the Council is over-keen to claim credit*				**There is no need for separate action, given the recognition that this is 'unintentional' and in view of the comment and action below re para 8**
CMA2	Para 8 Ensure local partners are given credit for joint initiatives in the media	Ongoing	Jane Clarke	- All press releases are clear about work being delivered in partnership - Joint press releases/media interviews with partners	Ongoing media monitoring reports
CMA3	Para 32 Develop a better working relationship with the local media	Ongoing	Jane Clarke	- More balanced reporting on KCC activities in local media - KCC welcoming constructive criticism from local media	Ongoing media monitoring reports

CATEGORY B - IMPROVEMENT

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
CMB1	Para 46 Improve document control for published documents i.e. policy, strategy, leaflets etc	Ongoing and linked to the review of publications	Jane Clarke	- Out-of-date versions of publications removed from public buildings and the KCC website - KCC staff are aware when new versions of documents have been published	- Regular document audit carried out - Spot checks and sample surveys, using KCC staff to 'mystery shop' in services and buildings other than their own

CATEGORY D – IN HAND

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
CMD1	Para 43 Ensure KCC maintains a commitment to a wide range of communication to enable it to reach all sections of the community	Ongoing	Jane Clarke	- Commitment enshrined in communication strategy - Evidence of use of a wide variety of communication - Evidence of use of forms of communication specifically targeted at less engaged groups	Annual updates to Corporate POC

AREA FOR IMPROVEMENT 3 – RELATIONSHIP MANAGEMENT

CATEGORY A - MONITORING

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
RMA1	Para 52 Exploit opportunities to harness input of the VCS in delivery and build VCS organisations' capacity to deliver	Ongoing	Managing Directors	- Significant and appropriate VCS involvement in service delivery - Evidence of VCS capacity building including via the Kent Partners Compact - Evidence of collaborative working through county-level partnerships	- Annual report of Kent Partners Compact - Publication of annual figures showing cost of services procured from VCS providers - Annual report by VCS members of Kent Partnership and its working groups

CATEGORY B - IMPROVEMENT

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
RMB1	Para 8 Adopt an improved approach to relationship management with local partners, ensuring their viewpoints and concerns feel appreciated	Ongoing, but a more formal review of partnerships likely in 2009	Managing Directors	- Local partners are consulted and engaged by KCC in relevant priority-setting and service changes - Evidence of working with local partners where KCC is not in the lead - The majority of local partners feel positive about their relationship with KCC	- LAA annual report - Annual report to G&A Committee on Partnership risk and governance - Annual CAA Use of Resources assessment

CATEGORY C - NEW

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
RMC1	Para 63 Develop effective joint performance management and monitoring systems for all key partnerships building on that already done for the Kent Partnership and Community Safety Partnership	Annual	Robert Hardy	- Effective performance management and monitoring systems in place for all key partnerships KCC is involved in	- Annual report to G&A Committee on Partnership risk and governance - Annual CAA Use of Resources assessment
RMC2	Para 63 Consider further sharing of KCC performance information with key partners and vice versa	Linked to the re-launch of Kent View	Robert Hardy	KCC and partners performance information regularly shared on a formal basis via – - Kent View - Kent Crime View - Kent Public Health Observatory	- Gaps in data sharing identified and acted on by the Kent Partnership support group - Annual CAA Use of Resources assessment
RMC3	Para57 Strategically manage District Council relationships at senior management level, promoting a better level of trust to make them more effective	Ongoing	Chief Executive	We believe this is the way we currently work	
RMC4	Para 67 Adopt a less defensive approach to advice and guidance from regulators and local partners on areas of improvement and ways of doing things	Ongoing	Chief Executive	We believe this is the way we currently work	

AREA FOR IMPROVEMENT 4 – MEMBERS

CATEGORY A - MONITORING

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
MMA1	Para 68 Ensure 6-monthly POC performance monitoring role is carried out effectively and consistently across all POCs	Six-monthly	Geoff Wild/ Robert Hardy	- All Directorate POCs follow same process for 6-monthly performance monitoring - Evidence of thorough scrutiny of performance by POCs	- Compliance with Performance Reporting Cycle for 08/09 - Member development training reinforces the need to pro-actively carry out this role

CATEGORY B - IMPROVEMENT

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
MMB1	Para 68 Engage Opposition and backbench Members more in performance management	Ongoing via *Inphase*	Robert Hardy	- Regular up-to-date summary performance information available for all Members to access	- Member access to/use of InPhase
MMB2	Para 55 Review current provision of equalities and diversity training for Members	During 2009/10	Geoff Wild/Amanda Beer	- Review of Members' training carried out - All Members receive training on equalities and diversity, including as part of Members' induction	- Annual review of implementation of Member Development Charter - Training take-up as part of Member annual reports
MMB3	Para 56 Provide more resource to support Opposition and backbench Members	Ongoing consideration	Geoff Wild	- Increase in officer support to Local Boards - Increase in officer support to Cabinet Scrutiny Committee	- Legal & Democratic Services' Business Plan

CATEGORY C - NEW

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
MMC1	Para 33 Ensure Members have real public engagement and debate with all sections of the community	Ongoing	Geoff Wild	- Regular Member attendance at District(s) LSPs - Wider implementation of the Neighbourhood Forum model of Local Boards	- Member annual reports
MMC2	Para 99 Develop the role of the older people's champion to have more influence	Ongoing	Leader and Chief Executive	- Role developed beyond adult social care - Evidence of involvement in and influencing policy development	- Equality Strategy review and updates
MMC3	Para 56 Make POCs more independent of the Executive to allow for better and more effective scrutiny	Ongoing	Leader	- POCs regularly receive and have the opportunity to comment on major proposals before decisions are made	- POC agendas & minutes
MMC4	Paras 9 and 56 Engage Opposition and backbench Members earlier in policy development, priority-setting and performance monitoring	Ongoing	Leader	- Major strategies and policies taken to POCs for comment early in their development process - Performance monitoring reports taken to POCs before Cabinet	- POC agendas & minutes

CATEGORY D – IN HAND

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
MMD1	Para 33 Make Local Boards more engaging and inclusive	Ongoing	Geoff Wild	- Increased attendance from partners, local organisations and members of the public	- Proposals on 'Localism' agreed at June 2008 full council

AREA FOR IMPROVEMENT 5 – WORKFORCE DEVELOPMENT

CATEGORY A - MONITORING

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
WDA1	Para 54 Ensure good equalities practice is applied consistently across all Directorates through staff training and in service delivery	Ongoing with annual review	Amanda Beer/ Managing Directors	- KCC achieves EFLG 'excellent' rating by the end of 2010/11 - All staff receive relevant training as part of induction, customer focus, management and leadership training	- Equality Strategy review and updates - Reports to the KCC Workforce Strategy Board and the Strategic Equalities Group
WDA2	Para 55 KCC is (ambitiously) working towards achieving new Equality Framework for Local Government 'excellent' status	To be achieved by the end of 2010/11	Amanda Beer/ Robert Hardy	- KCC achieves EFLG 'excellent' rating by the end of 2010/11	- Equality Strategy review and updates

CATEGORY D – IN HAND

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
WDD1	Para 55 Take steps to increase the diversity of the workforce to reflect changing local demographics	Ongoing with annual review	Amanda Beer	- A KCC workforce which reflects the make up of the communities of Kent	- Targets set and measured in relation to senior management and the workforce as whole
WDD2	Para 53 Continue development of workforce planning both internally and jointly	Ongoing	Amanda Beer	- Joint recruitment and retention initiatives across public services in Kent (and Medway)	- Reports to Kent Public Service Board

AREA FOR IMPROVEMENT 6 – CORPORATE PRACTICE/PROCESSES

CATEGORY A - MONITORING

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
CPA1	Para 65 Improve quality checking of business and delivery plans to ensure carry-through of priorities and appropriate target-setting	To be dealt with when plans are agreed and at the six-month review	Resource Directors/ Robert Hardy	- Clear golden thread from V4K/T2010 and/or KCC Annual Plan in all business and delivery plans - All business plans contain SMART targets and focus on outcomes rather than activity - All delivery plans have clear timescales and milestones	- Quality and consistency scrutinised at annual and half-year monitoring

CATEGORY B - IMPROVEMENT

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
CPB1	Para 66 Improve public satisfaction with complaints-handling	Place Survey is biennial	Managing Directors/ Robert Hardy	-Independent survey shows improved satisfaction with complaint-handling	- Covered by the 'Place Survey' or its Kent equivalent

CATEGORY C - NEW

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
CPC1	Para 54 Improve the effectiveness of all cross-directorate corporate boards	Ongoing	Chief Executive	- Outcome-based assessment of the impact of the work of the Boards	- Annual reports to COG and Cabinet by all Boards

CATEGORY D – IN HAND

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
CPD1	Para 65 Ensure business plans are refined to produce consistency across KCC and meet the corporate standard	Annual	David Cockburn	- All KCC annual operating plans (business plans) meet the corporate standard	- Adherence to business planning guidelines
CPD2	Para 65 Introduce new service planning guidance and quality assurance processes (and ensure they are followed)	Before the end of 2009	David Cockburn/ Robert Hardy	- Planning guidance and quality assurance processes in place by the end of 2009 - All service plans follow the guidance and processes	- Adherence to guidance and processes

AREA FOR IMPROVEMENT 7 – OUTCOMES

CATEGORY B - IMPROVEMENT

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
OCB1	Para 93 Show improved outcomes for health inequalities	Ongoing	Meradin Peachey	- Life expectancy gap between the best and worst Kent wards is narrowed - Evidence that health needs of vulnerable and minority groups are being met	- Kent Agreement 1 final monitoring report - Kent Agreement 2 six-monthly progress reports re NI 120
OCB2	Para 81 Show improved outcomes for environmental performance	Six-monthly LAA reports	Mike Austerberry	- Improvement in bio-diversity indicators - Reduction in the number of declared Air Quality Management Areas in Kent - Improvement of Air Quality in remaining AQMAs	- Review and update of the Kent Environment Strategy
OCB3	Para 80 Show improved performance in relation to waste management and recycling rates through the Kent Waste Partnership	Quarterly performance reporting	Mike Austerberry	- Increase in recycling rates across the county - Decrease in waste levels across the county - Demand for landfill reduced	- Kent Agreement 2 six-monthly progress reports re NI 191
OCB4	Para 88 Show improved performance of KDAAT	Six-monthly LAA reports	Amanda Honey	- Increased retention rates for adults entering drug treatment	- Kent Agreement 2 six-monthly progress reports re NI 39 & 40 and CSCI Annual Self Assessment Survey
OCB5	Para 103 Increase the take-up of the Kent Card	Ongoing	Oliver Mills	- Greater number of providers able to receive payments via Kent Card - Greater number of service users using the Kent Card	- Six-monthly progress reports on Towards 2010 target 52

CATEGORY C - NEW

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
OCC1	Para 92 Develop a strategic approach to community cohesion, particularly around perceptions of migrants and asylum seekers	Ongoing	Amanda Honey	A clear framework of services across the Kent Partnership support the 'Stronger Communities' element of the Vision for Kent and KA2	- Kent Agreement 2 six-monthly progress reports
OCC2	Para 84 Show progress on improving KCC's corporate sustainability	Ongoing – managed via the KCC Environment Board	Amanda Honey/ Managing Directors	- Baseline for KCC's total carbon footprint established and then regularly monitored - Increased awareness in staff, managers and Members of action to improve environmental performance - Evidence of action to adapt to climate change	- Progress against T2010 target 41 - Kent Agreement 2 six-monthly progress reports re NI 188 and NI 197

CATEGORY D – IN HAND

Code	Inspectors' comment	Timescales	Lead Director(s)	Evidence of Improvement	Monitoring
OCD1	Para 87 Finalise the anti-social behaviour strategy	Complete	Amanda Honey	- Final strategy produced and endorsed by all community safety partners	- Undertaken by the Kent Community Safety Partnership
OCD2	Para 99 Develop a more strategic approach to older people, across all services and not just adult social care	Implementation of action plans from 2009 onwards	Meradin Peachey	- Kent partnership's overarching older people's strategy produced (Framework for Later Life)	- Undertaken by the Kent Public Health Board