



AGENDA

CABINET

Monday, 11th January, 2010, at 10.00 am Ask for: **Karen Mannering /
Geoff Mills**
Darent Room, Sessions House, County Telephone: **(01622) 694367/
Hall, Maidstone** **694289**

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 Members in Items on the Agenda for this meeting
2. Minutes of the Meeting held on 30 November 2009 (Pages 1 - 4)
3. Revenue & Capital Budget Monitoring Exception Report (Pages 5 - 14)
4. Provisional Local Government Settlement 2010/11 (Pages 15 - 22)
5. Treasury Management Strategy (Pages 23 - 34)
6. Kent Academies Batch 2 Procurement (Pages 35 - 44)
7. Kent Building Schools for the Future Wave 5 Part 1 (Pages 45 - 78)
8. Kent Freedom Pass - Progress Update (Pages 79 - 86)
9. Decisions from Cabinet Scrutiny Committee - 9 December 2009 (Pages 87 - 90)
10. 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)

11. Kent Building Schools for the Future Wave 5 Part 2 (Pages 91 - 124)

Peter Gilroy
Chief Executive
Tuesday, 5 January 2010

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

KENT COUNTY COUNCIL

CABINET

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

PRESENT: Mr P B Carter (Chairman), Mr N J D Chard, Mr G K Gibbens, Mr R W Gough, Mr P M Hill, OBE, Mrs S V Hohler, Mr A J King, MBE, Mr K G Lynes and Mr J D Simmonds

IN ATTENDANCE: Mr M Austerberry (Executive Director, Environment, Highways and Waste), Ms A Honey (Managing Director Communities), Ms L McMullan (Director of Finance), Mr O Mills (Managing Director - Adult Social Services) and Ms R Turner (Managing Director Children, Families and Education)

UNRESTRICTED ITEMS**1. Minutes of the Meeting held on 12 October 2009**

(Item 2)

The Minutes of the meeting held on 12 October 2009 were agreed and signed as a true record.

2. Revenue and Capital Budgets, Key Activity and Risk Monitoring

(Item 3)

(1) In presenting this report Mr Simmonds said one of the main pressures on the revenue budget was the cost arising from bodies and agencies from outside Kent placing their clients in the County and those clients then taking up residency meaning they then become the responsibility of the County Council. Mr Simmonds also reported that the County Council had successfully negotiated a satisfactory outcome with the contractors for the original Turner Contract who had paid to the Council some £6m. Mr Simmonds also gave an update on the Capital Budget and areas where projects were being re-phased.

(2) Mr Carter said Asylum costs was still something the Council was pursuing robustly with the Government and he was optimistic that there would be a satisfactory outcome by the end of the year.

(3) Following further discussion Cabinet:

- noted the latest monitoring position on the revenue and capital budgets;
- noted and agreed the changes to the capital programme, as described in the report;
- agreed that £4.763m of re-phasing on the capital programme be moved to 2009-10 capital cash limits from future years; and
- noted the latest financial health indicators and prudential indicators.

3. Update on Icelandic Deposits

(Item 4 - Report by Mr John Simmonds, Cabinet Member for Finance, and Ms Lynda McMullan, Director of Finance)

(1) This report provided Cabinet with an update on the progress being made to recover monies deposited in Icelandic owned banks.

(2) Mr Simmonds said that overall the negotiations to secure repayment of the Council's deposits were going well. Heritable had already paid a dividend and a second was expected by the end of the year. KCC had preferential status in terms of payments to be made by Landsbanki and expected to also get this status with Glitnir. At present the overall assessment was that the Council should get back at least 90% of its deposits.

(3) Following Further discussion Cabinet noted the report.

4. Half-year monitoring 2009/10

(Item 5 - Report by Mr Roger Gough, Cabinet Member for Corporate Support Services & Performance Management, and Mr Peter Gilroy, Chief Executive)

(Mrs S Garton was present for this report)

(1) This report summarised the 2009/10 half-year monitoring results for KCC's annual business unit operating plans and included the Managing Director's summaries of progress to date. The half-year monitoring would be going to the next round of Policy Overview and Scrutiny Committees for discussion which would be in January 2010.

(2) Cabinet noted the report.

5. East Kent Joint Waste Project - partner authority approvals

(Item 6 - Report by Mr Nick Chard, Cabinet Member for Environment, Highways & Waste, and Mr Mike Austerberry, Executive Director Environment, Highways & Waste)

(1) The East Kent Joint Waste Project is a groundbreaking initiative across both tiers of local government to deliver more cost effective waste collection, processing and disposal services and improved recycling performance in East Kent.

(2) Attached to the Cabinet report was a report from the project partners (KCC, Thanet District Council, Dover District Council, Shepway District Council and Canterbury City Council) submitted to the East Kent Joint Arrangements Committee (EKJAC) at a meeting on 25 November, recommending each partner Authority seek their own internal approvals to commit to the project. This would take the form of each partner signing a non-legally binding Memorandum of Understanding, and a formal legal agreement based on the principles of the Memorandum as soon as possible thereafter.

(3) During the course of discussion Mr Carter and Mr Chard spoke in support of this initiative and commended it to Cabinet.

(4) Cabinet agreed:

- (i) To express support and commitment to the East Kent Joint Waste Project by endorsing the Memorandum of Understanding set out at Annex 1 to the EKJAC report of 25 November 2009;
- (ii) that the Leader of the County Council be authorised to sign the Memorandum of Understanding on behalf of the County Council;
- (iii) the Executive Director of Environment, Highways and Waste be authorised to take all necessary steps to progress the project together with the partner authorities;
- (iv) that Kent County Council's participation in the legal agreement (based upon the Memorandum of Understanding) with the four east Kent authorities would be taken as a separate Key Decision by the Cabinet Member for Environment Highways and Waste.

6. Children's Centres: Review

(Item 7 - Report by Sarah Hohler, Cabinet Member for Children, Families & Education, and Ms Rosalind Turner, Managing Director, Children, Families & Education)

(1) In commending this report Mrs Hohler said Round Three services would build on existing services and not seek to create new services. Mrs Hohler also said Round Three services would reflect sound business management. She also spoke about the importance of having engagement with local members. Mrs Turner said monitoring of Children's Centres would be undertaken against a back drop of national and international research which was helping the Council to model effective ways of working.

(2) Following further discussion Cabinet noted the report and endorsed its content.

7. Museum of Kent Life

(Item 8 - Report by Mr Mike Hill, Cabinet Member for Community Services, and Ms Amanda Honey, Managing Director, Communities)

(1) This report provided an update on the Museum of Kent Life and the actions undertaken to give it a long term sustainable future. These actions included placing the day to day management of the museum with the Continuum Group Ltd although the Museum Trustees remained the governing body with responsibility for the Museum's collection. Mr Hill outlined the actions which had been taken to put the Museum on a stable management and financial footing and Mr Brazier and Mrs Hohler both spoke about the positive changes which had taken place in the management and running of the Museum and the pleasing increases in visitor numbers.

(2) Cabinet noted the successful transfer of the operational responsibilities for the Kent Museum of Rural Life to a commercial company.

8. Decisions from Cabinet Scrutiny Committee - 21 October 2009

(Item 9 - Report by Mr Alex King, Deputy Leader, and Mr Peter Sass, Head of Democratic Services & Local Leadership)

This report set out the decisions from the Cabinet Scrutiny Committee held on 21 October 2009 and the responses made as appropriate by the Cabinet members.

To: CABINET – 11 January 2010

By: John Simmonds, Cabinet Member – Finance
Lynda McMullan, Director of Finance

REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT

1. Introduction

- 1.1 The second full monitoring report for 2009-10 was presented to Cabinet on 30 November. This exception report, based on the monitoring returns for November, highlights the main movements since that report.
- 1.2 The main issues to note are that:
- after management action a revenue underspend of £4.454m (excluding schools and asylum) is projected by year end
 - overall there is £12.050m capital expenditure that is more likely to occur after 31 March 2010, offset by real variance of £4.7m (which has been addressed in the draft budget and medium term plan recently published for consultation).

2. REVENUE

- 2.1 There are a number of significant pressures that will need to be managed during the year if we are to have a balanced revenue position by year end. 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 Position £m	Proposed Management Action £m	Net Position after mgmt action £m		Movement £m
			This month	Last month	
Children, Families & Education	-0.968	-	-0.968	-0.968	-
Kent Adult Social Services	+0.973	-0.973	-	-	-
Environment, Highways & Waste	-0.291	-	-0.291	-0.424	+0.133
Communities	-	-	-	-	-
Localism & Partnerships	+0.127	-	+0.127	+0.127	-
Corporate Support & Performance Mgmt	+0.075	-0.202	-0.127	-0.127	-
Finance	-3.022	-	-3.022	-0.160	-2.862
Public Health & Innovation	-	-	-	-	-
Regeneration & Economic Development	-0.173	-	-0.173	-0.173	-
Total (excl Asylum & Schools)	-3.279	-1.175	-4.454	-1.725	-2.729
Asylum	+3.808	-	+3.808	+3.808	-
Total (incl Asylum & excl Schools)	+0.529	-1.175	-0.646	+2.083	-2.729
Schools	+6.000	-	+6.000	+6.000	-
TOTAL	+6.529	-1.175	+5.354	+8.083	-2.729

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

Table 2: Gross Revenue Position before Management Action

Portfolio	Variance		Movement £m
	This Month £m	Last Month £m	
Children, Families & Education	-0.968	-0.968	-
Kent Adult Social Services	+0.973	+0.754	+0.219
Environment, Highways & Waste	-0.291	-0.424	+0.133
Communities	-	+0.033	-0.033
Localism & Partnerships	+0.127	+0.127	-
Corporate Support & Performance Management	+0.075	+0.075	-
Finance	-3.022	-0.160	-2.862
Public Health & Innovation	-	-	-
Regeneration & Economic Development	-0.173	-0.173	-
Total (excl Asylum & Schools)	-3.279	-0.736	-2.543
Asylum	+3.808	+3.808	-
Total (incl Asylum & excl Schools)	+0.529	+3.072	-2.543
Schools	+6.000	+6.000	-
TOTAL	+6.529	+9.072	-2.543

2.3 The gross underlying revenue underspend (excluding Schools and Asylum) has increased by £2.543m this month to £3.279m as shown in table 2 above, but this is expected to increase further to an underspend of £4.454m (excluding Schools and Asylum) by year end, after assuming the implementation of management action, as shown in table 1.

2.4 Table 1 identifies that even after management action, a small residual pressure remains forecast within the Localism & Partnerships portfolio but this is offset by underspending within the Corporate Support & Performance Management portfolio, both of which are managed within the Chief Executives directorate.

2.5 With the inclusion of the Asylum pressure of £3.808m, the overall KCC revenue position after management action is currently a forecast underspend of £0.646m as shown in table 1. KCC will continue to lobby the Government regarding the funding of this service.

2.6 Table 2 shows that there has been a reduction of £2.543m in the overall gross position before management action this month. The main movements, by portfolio, are detailed below:

2.7 Children, Families & Education portfolio:

2.7.1 The underspend on this portfolio (excluding Asylum) has remained the same this month at £0.968m.

2.7.2 Asylum

The forecast remains unchanged this month at a funding shortfall of £3.808m, £3.523m due to 18+ Care Leavers and £0.285m due to Unaccompanied Asylum Seeking Children (UASC) (Under 18's). KCC is currently negotiating with the UK Border Agency (UKBA) to recover this year and last year's shortfalls. There has been a series of meetings between leaders of KCC, The London Borough of Hillingdon and the LGA, with the Minister of State for Borders and Immigration, Head of UKBA and Director of UKBA. These have centred on how KCC and Hillingdon can recover their shortfalls from last year and this year. UKBA have made some proposals as to how they could "make good" the shortfall over the next three years. As yet there has been no definitive resolution but negotiations are ongoing.

In conjunction with these meetings, we are also exploring with UKBA options for longer-term funding of UASC services. A series of meetings is planned with UKBA and both Hillingdon and Croydon. The aim is to arrive at a funding stream that is secure for 3 or 5 years and is neither retrospective nor dependent on client numbers. The target is to have a new system in place for 1 April 2010 that provides a stable and predictable level of funding which also ensures that there is no cost to Kent taxpayers. However, as can be seen by our 2010-11 budget proposals, agreement has yet to be reached with Government.

With regard to activity, the number of referrals has been significantly down in the past three months – this has coincided with the French Government's actions to clear camps outside Calais ("the

jungle”). We remain uncertain whether this is a short-term consequence or will have lasting impact. (The intelligence we have from recent referrals we have received is that there are hundreds of minors hiding outside Calais. This would tie in with press reports that French charities are establishing a centre for asylum seekers in Calais).

2.8 Kent Adult Social Services portfolio:

2.8.1 The latest forecast indicates a pressure of £0.973m, which is an increase of £0.219m since last month. This increase primarily relates to additional clients who are deemed to be “Ordinarily Resident” in the County although this has been partially offset by reductions elsewhere, particularly in All Adults Assessment and Related staffing and Strategic Business Support. Overall the issue of Ordinary Residence has added £0.713m to the reported pressure this year, of which only about £0.3m was included in the previous forecast. This reflects a total of 29 clients who are now Ordinarily Resident in Kent.

The KASS directorate is wholly committed to delivering a balanced outturn position by the end of the financial year and a range of ‘Guidelines for Good Management Practice’ is in place across all teams in order to help manage demand on an equitable basis consistent with policy and legislation. However the issue of Ordinary Residence is entirely outside the control of the Directorate and raises a significant challenge to balancing the budget, although this is still the stated aim. The reported position also assumes reductions in the number of residential and nursing placements for Older People in line with expected trends.

The forecast pressure assumes that most of the savings identified in the MTP will be achieved, however, as reported in November, it is unlikely that the Directorate will be able to deliver the whole saving in 2009-10 relating to the review of management and support structures. The primary reason for the shortfall was that the saving was based on a profile of when staff would leave whereas in fact the actual profile was slightly different. Other savings will be found to ensure that a balanced budget is achieved by the end of the financial year (the issue of Ordinary Residence notwithstanding).

2.8.2 KASS Outstanding debt:

The outstanding debt as at November was £18.927m compared with October’s figure of £15.017m excluding any amounts not yet due for payment (as they are still within the 28 day payment term allowed). Within this figure is £6.682m of sundry debt compared to £2.922m last month, with the increase relating to recent invoices to Health for Free Nursing Care and Section 256, which are both secured through agreements. Also within the outstanding debt is £12.245m relating to Social Care (client) debt which is a small increase of £0.150m from last month. Since October the amount of debt which is secured has increased by £0.201m with a small reduction of £0.051m in that which is unsecured. The amount of debt under six months has increased by £0.193m whilst the amount of debt that is greater than six months has reduced by £0.094m.

2.9 Environment, Highways & Waste portfolio:

The underspend on this portfolio has reduced by £0.133m to £0.291m this month, however within this movement there are compensating larger movements:

Within Kent Highway Services:

- +£0.573m relating to the set up costs of the Permit Scheme from the Traffic Management Act. Kent County Council received approval from the Secretary of State for Transport to introduce a Permit Scheme into Kent in July 2009. We are now preparing for the introduction of a scheme and expect to have this in place by early 2010. These set up costs are declared as an overspend but will be rolled forward to be offset by future income (once the implementation of the scheme is formally approved by the Cabinet Member for EH&W).
- +£0.567m – the portfolio had significant savings targets on energy costs in this financial year (£1.25m). We expect to fall about £0.567m short of this target in this year. Streetlight energy is largely unmetered and the anticipated saving was to come from renegotiating our consumption levels. This has not been possible at this stage due to the time taken to finalise the inventory of street lights and delays with implementing the array, which has been constructed to give a more accurate picture of our actual consumption.
- -£0.460m – we have previously been reporting an overspend on the signs and lines budget of £0.850m (funded from Waste underspend), but this project will now not be completed by the end of the financial year as the project has re-phased due to weather conditions. This underspend will be required to roll forward to 2010-11 in order to complete this re-phased project.

- +£0.121m pressure on the transport budget. This is on the Freedom Pass, which completed its roll out in June. Now that the project is operating Countywide we have a better understanding of the number of journeys each child is undertaking. Whilst the take-up of passes is very close to estimates, the number of passenger journeys is above original estimates. This is positive in terms of the popularity and use of the pass, but is causing a budget pressure. This variance may change over the coming months as pass take-up and usage settles down.

These variances are largely offset by further underspending on Waste. Tonnage continues to remain at its reduced level and it is likely that the outturn tonnage will reduce by a further 10,200 tonnes on top of the 40,000 tonne reduction already declared in the previous report. This will give a further underspend of £0.668m.

Within the £0.291m current forecast underspend, a net £0.072m will be required to roll forward in order to complete re-phased committed projects and to offset against future permit scheme income. (*-£0.460m signs & lines project; -£0.120m land use survey and -£0.065m external funding for land use survey, both reported in the last report; and +£0.573m permit scheme*). This leaves the portfolio with a real net underspend of £0.219m for which there are no detailed plans, but the recent spell of bad weather will increase the pressure on the highway maintenance budget and this underspend may be needed to assist with this. Alternatively, if we do not get any further bad weather for the rest of the financial year, we could make a further contribution to the Planning Inquiries reserve set up at the end of last year to meet the costs of current and future planning inquiries, including the ongoing costs of the KIG inquiry. We will have a better indication of whether this further contribution is necessary, or even possible depending on highway maintenance pressures, nearer the end of the financial year when we will be more aware of upcoming inquiries and their likely costs.

2.10 Communities portfolio:

The gross pressure on this portfolio has reduced by £0.033m this month to a forecast breakeven position, however within this there are some compensating larger movements. The main movements are:

- +£0.193m Registration Service – a pressure is now forecast on this service following a comprehensive review of actual ceremonial fee income and projected bookings for the rest of the year, following an alarming national statistic that the number of people getting married has reduced by an average of 10%. The service had already estimated a potential reduction in year of up to £0.1m (approximately 150-200 ceremonies) but had made mitigating savings elsewhere by reducing variable costs and taking other management action. Based on the above statistic and a review of advance bookings made until the end of the financial year, the forecast has been revised and it is estimated that the economic downturn has been the main impetus behind a projected fall in income of up to £0.275m, which represents a fall in the number of ceremonies being performed of in excess of 500. Variable costs have been reduced where possible but the reduction in the number of ceremonies only represents a fall in the number being performed, on average, across our six main offices of one per week and therefore it is difficult to enact management action in order to mitigate this pressure within the service. Underspends elsewhere within the portfolio will therefore offset this pressure. The forecast on this service also includes a small net pressure due to one-off costs arising from the management restructure.
- +£0.039m Coroners – an increase in the pressure from £0.186m to £0.225m. Despite management action to reduce this pressure in recent months, the Coroners have provided details of new, previously unforecast, long inquests that are due to occur in the first quarter of 2010, including a five week inquest that is to be undertaken in January, where the estimated accommodation costs alone approach £0.030m. In addition these long inquests present a pressure on pay and other premises costs but these are partially offset by income from our service level agreement with Medway.
- +£0.021m Kent Scientific Services – an increase in the pressure from £0.035m to £0.056m as it is forecast that there will be further reductions in the calibration service, with projected income falling, due to less demand for the service in the current economic climate.

However these pressures are offset by the following savings:

- -£0.133m Supporting Independence Programme (SIP) – this service transferred to Communities at the beginning of the financial year and is heavily involved with KCC's drive on Apprenticeships and also the Future Jobs Fund. However, following a review of the existing budget, and funds rolled forward from 2008-09, an underspend can be delivered so that the portfolio can present a balanced position overall. This underspend does not constitute a reduction in the level of service

and all Towards 2010 targets continue to be met. A complete review of the service is underway and this may lead to future savings in both the current and future years.

- -£0.070m Supporting People – following the transfer of this unit from KASS in September and in the light of the current climate, the service has reviewed its costs and has forecast an underspend on its administration grant. A decision has subsequently been made whereby these monies will be used to help offset the pressures faced elsewhere within the portfolio. These management actions have been enacted with the view of achieving future savings requirements. The service does however continue to overspend on its main grant by just under £2.7m, a decision approved by the Supporting People Commissioning Body, but this will be funded by a draw down from the earmarked reserve and is therefore cost neutral.
- -£0.046m Trading Standards – an increase in the underspend from £0.018m to £0.064m. A decision was made not to reappoint to a number of posts until the new financial year in order to contribute to the new projected pressures within the portfolio. One full time equivalent post has also left since the last monitoring report.
- -£0.044m Arts Unit & Folkestone Forward – an increase in the underspend from £0.077m to £0.121m. The previously reported underspend included a pressure of £0.020m on the Folkestone Forward project but this project has now secured additional funding, over and above its actual requirements.

2.11 Finance portfolio:

The underspend on this portfolio has increased by £2.862m to £3.022m this month. This is due to further savings on the treasury budgets as no new borrowing has yet been undertaken this financial year and the forecast also reflects the impact of the new counterparty policy approved by Cabinet in October, where, currently, the newly added banking groups are being utilised as fully as possible.

3. CAPITAL

3.1 There have been a number of cash limit adjustments this month as detailed in **table 3** below:

Table 3: Capital Cash Limit Adjustments

	£000s 2009-10	£000s 2010-11
1 Cash Limits as reported to Cabinet on 30th November	410,529	441,726
2 Re-phasing as agreed at Cabinet on 30th November		
Children, Families & Education (CFE)	2,586	-585
Kent Adult Social Services	-396	396
Environment, Highways & Waste	3,588	2,965
Community Services	-784	791
Regeneration & Economic Development		
Corporate Support Services & Performance Management	-105	105
3 Dover Sea Change - additional external funding from Dover Harbour Board, Dover District Council and the Commission for Architecture and the Built Environment (CABE) - R&ED portfolio	1,545	
4 Ashford Gateway Plus - additional Ashford Future's grant - CMY portfolio		1,950
5 Non TSG Land, Compensation claims - reduction in external funding - EH&W portfolio	-21	9
6 Specialist Schools - additional grant - CFE portfolio	659	481
7 Children Development Centres - additional grant - CFE portfolio	596	
	418,197	447,838
8 PFI	54,983	27,101
	473,180	474,939

3.2 The current forecast capital position by portfolio, compared with the position reported last month is shown in **table 4** below.

Table 4: Capital Position

	Variance	Variance	Movement
	This month	Last month	This month
Portfolio		exc re-phasing	
	£m	£m	£m
Children, Families & Education (CFE)	-6.620	5.941	-12.561
Kent Adult Social Services	-0.302	-0.235	-0.067
Environment, Highways & Waste	1.086	1.431	-0.345
Communities	-2.014	0.025	-2.039
Regeneration & Economic Development	-0.087	-0.024	-0.063
Corporate Support Services & PM	0.620	-0.150	0.770
Localism & Partnerships	0.000	0.000	0.000
Total (excl Schools)	-7.317	6.988	-14.305
Schools	0	0	0
Total	-7.317	6.988	-14.305

Overall there is -£12m of re-phasing of projects and a real variance of +£4.7m this month, as identified in table 4, the main movements since the last quarterly report are detailed below:

3.3 Children, Families & Education portfolio:

The forecast for the portfolio has moved by -£12.561m in 2009/10 since the last month.

- Childrens Centres & Early Years Programme (-£8.984m) – Following discussions with the DCSF (surestart) & the recent Cabinet agreement to review & revise the delivery of this programme we are now in a position to be able to both reduce KCC's contribution to this programme by £3.725m & rephase the programme by £5.259m to take account of this approach.
- Primary Improvement Programme (-£2.092m) – Approval to Plan (-£2.310m,) the proposed projects to be included in this programme of works have taken a great deal of time to develop & now need to be rephased from 2009/10 into later years. Approval to Spend (+£0.218m), the major increase in costs relate to the Oakfield project where additional labour costs were required to ensure beneficial occupation for September 2009 as well as needing to undertake remedial action on serious structural & maintenance issues.
- Modernisation Programme Pre 2008/09 (-£1.290m): The major change in this programme relates to the Park Farm project (-£1.400m) where we believe that it is now unlikely that the contribution to Folkestone Primary Academy will take place in this financial year. The payment date is subject to ongoing discussions with the Academy sponsors.

Overall this leaves a residual balance of -£0.195m on a number of more minor projects.

3.4 Kent Adult Social Services portfolio:

Excluding PFI, the forecast for the portfolio has moved by -£0.067m in 2009/10 since the last month.

The main variance is due to a project subject to re-phasing affecting 2009/10:

- Mental Health SCP – Maidstone Joint Housing Project (-£0.100m): KCC Mental Health team has been working with Maidstone Borough Council, Hyde Housing, The Brownfield Land Assembly Company and MCCH to modernise supported accommodation services in the Maidstone District. A site has been identified to build 12 self contained units for existing mental health clients who are currently living in unsuitable, shared facilities accommodation. Due to the ongoing negotiations between all partners, the KASS funding is not now required in 2009/2010 financial year.

Overall this leaves a residual balance of +£0.033m on a number of more minor projects

3.5 Environment, Highways & Waste portfolio:

The forecast for the portfolio has moved by -£0.345m in 2009/10 since the last month.

The main movements are detailed below:

- Old Residual schemes (-£0.33m): This total underspend includes various completed schemes that had some outstanding creditor provisions which are now being settled either for a lesser amount, or they are no longer required. The reversal of these creditor provisions has given additional funding which is now earmarked to fund Salt Storage infrastructure and Works Asset Management system enhancements as part of Reshaping KHS Accommodation.
- Salt Storage Infrastructure (+£0.175m): This was part of a spend to save programme which was approved by the County Council in the 2007/08 budget process. During this financial year, it is now estimated £0.175m is needed to purchase the remaining five salt spreading vehicles to complete the original programme.
- Deal Waste (+£0.1m): An opportunity has arisen to purchase a plot adjacent to the existing Deal Household Waste site. The existing site is constrained by limited parking spaces. Also, the site is congested at peak traffic periods and unable to provide full recycling facilities due to the limited space for further storage containers. The site expansion will help to overcome these constraints. A report is being prepared to seek Member approval. The purchase of the plot will be funded from the residual waste grant allocation.

Projects subject to re-phasing affecting 2009/10 are:

- Non TSG Land (-£0.15m): Part 1 claims expenditure and land settlements are being reviewed by Mouchel and some are likely to rephase into the next financial year.
- Safety Camera Partnership (-£0.124m): The programme is to rephase as surfacing and lining works can only be carried out at a time when the weather and road conditions are appropriate, which will now be in the spring/summer months of 2010.

Overall this leaves a residual balance of -£0.016m on a number of more minor projects.

3.6 Communities portfolio:

The forecast for the portfolio has moved by -£2.039m since last month. Projects subject to re-phasing affecting 2009/10 are:

- Edenbridge new community centre (-£1.721m): The scope of the project is subject to review as other partners have shown an interest in the building, which presents further funding opportunities as well as revised design specifications. As such the project will not proceed in the current year until such interest has been fully explored and revised projections considered.
- Library modernisation (-£0.287m): The re-phasing of the library modernisation budget comprises of major refurbishment works at three locations. A significant proportion of the allocation for the Deal project was re-phased in prior months but due to delays in confirming funding from partners to contribute to the full cost of the works, the project commencement date has been deferred until late March/early April. The other two projects, Faversham and Folkestone, have seen costs escalate, with the Folkestone project awaiting a structural engineer's report as the specification of the works required is more onerous than first thought.

Overall this leaves a residual balance of -£0.031m on a number of more minor projects.

3.7 Corporate Support & Performance Management portfolio:

The forecast for the portfolio has moved by +£0.770m since last month. The movement is detailed below:

- Sustaining Kent – Maintaining the Infrastructure (+£0.770m). £0.7m needs to move forward into 2009-10 now that decisions on the second Datacentre have been reached, enabling contracts to be let in the current financial year and spend accelerated in order to keep the overall programme on track.

3.8 Regeneration & Economic Development portfolio:

The forecast for the portfolio has moved by -£0.063m since last month. The main movements are detailed below:

- EuroKent – (-£0.1m) - Traffic calming consultation and proposed scheme is less than anticipated and forecast outturn is now based on actual fees and works quotations rather than estimates. Balance to be transferred to deal with LCA (Land Compensation Act) Part 1 to 2010-11.

Overall this leaves a residual balance of +£0.037m on a number of more minor projects.

3.9 Capital Project Re-phasing

Cash Limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the re-phasing will be shown. The table below summarises the proposed re-phasing this month of £11.7m.

Table 5 – re-phasing of projects >£0.100m

Portfolio	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	£k
CFE					
Amended total cash limits	221,399	181,926	59,406	138,593	601,324
Re-phasing	-9,963	8,495	1,406	62	0
Revised cash limits	211,436	190,421	60,812	138,655	601,324
KASS					
Amended total cash limits	5,696	20,727	16,080	12,651	55,154
Re-phasing	-100	-2,030	2,130	0	0
Revised cash limits	5,596	18,697	18,210	12,651	55,154
E,H&W					
Amended total cash limits	105,689	165,393	118,503	355,719	745,304
Re-phasing	-393	10	383	0	0
Revised cash limits	105,296	165,403	118,886	355,719	745,304
Community Services					
Amended total cash limits	21,016	24,491	4,313	5,670	55,490
Re-phasing	-2,008	1,116	892	0	0
Revised cash limits	19,008	25,607	5,205	5,670	55,490
Regen & ED					
Amended total cash limits	8,533	7,268	4,730	6,222	26,753
Re-phasing	0	0	0	0	0
Revised cash limits	8,533	7,268	4,730	6,222	26,753
Corporate Support & PM					
Amended total cash limits	18,559	20,843	18,999	14,943	73,344
Re-phasing	770	1,180	-1,700	-250	0
Revised cash limits	19,329	22,023	17,299	14,693	73,344
Localism & Partnerships					
Amended total cash limits	584	500	500	1,000	2,584
Re-phasing	0	0	0	0	0
Revised cash limits	584	500	500	1,000	2,584
TOTAL RE-PHASING >£100k	-11,694	8,771	3,111	-188	0
Other re-phased Projects below £100k	-356	+307	-5	+54	0
TOTAL RE-PHASING	-12,050	+9,078	+3,106	-134	0

Table 6 details individual projects which have further re-phased since being reported to Cabinet on 30 November.

	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	
CFE					
Harnessing Technology					
Original budget	+3,585	+3,941			+7,526
Amended cash limits	-565	-1,891	+2,456		0
additional re-phasing	-1,029		+1,029		0
Revised project phasing	+1,991	+2,050	+3,485	0	+7,526
E,H&W					
Non TSG Land, Compensation claims					
Original budget	+1,200	+1,566	+1,366	+1,268	+5,400
Amended cash limits	-560	+1,794	-792	-442	0
additional re-phasing	-150	-85	+235		0
Revised project phasing	+490	+3,275	+809	+826	+5,400
Energy and Water Investment Fund					
Original budget	+1,323				+1,323
Amended cash limits	-572	+572			0
additional re-phasing		-148	+148		0
Revised project phasing	+751	+424	+148	0	+1,323
Ashford Ring Road					
Original budget	+504				+504
Amended cash limits	-330	+330			0
additional re-phasing	-119	+119			0
Revised project phasing	+55	+449	0	0	+504
CSS&PM					
Sustaining Kent					
Original budget	+5,600	+3,500	+250	+750	+10,100
Amended cash limits	-4,100	+1,500	+2,600		0
additional re-phasing	+770	+1,180	-1,700	-250	0
Revised project phasing	+2,270	+6,180	+1,150	+500	+10,100
Communities					
Ashford Gateway Plus					
Original budget	+4,661	+355			+5,016
Amended cash limits	-4,264	+4,264			0
additional re-phasing		-892	+892		0
Revised project phasing	+397	+3,727	+892	0	+5,016
Library Upgrade					
Original budget	+932	+460	+460	+920	+2,772
Amended cash limits	-200	+200			0
additional re-phasing	-287	+287			0
Revised project phasing	+445	+947	+460	+920	+2,772

4. **RECOMMENDATIONS**

Cabinet is asked to:

- 4.1 **Note** the latest forecast revenue and capital budget monitoring position for 2009-10.
- 4.2 **Note** the changes to the capital programme.
- 4.3 **Agree** that £11.694m of re-phasing on the capital programme is moved from 2009-10 capital cash limits to future years.

To: Cabinet 11th January 2010

From: John Simmonds, Cabinet Member for Finance
Lynda McMullan, Director of Finance

Subject: Provisional Local Government Settlement 2010/11

Summary: To inform cabinet of the outcome of the provisional local government settlement and KCC's response to the consultation. The report draws cabinet members' attention to the unfavourable settlement for KCC compared to other councils

1. Introduction

- 1.1 The provisional local government settlement was announced on 26th November 2009. The settlement covers the Formula Grant for 2010/11 and related matters. This report also includes an update on the Dedicated Schools Grant (DSG), Area Based Grant (ABG) and specific grants notified to date. It also includes an update on the recent announcements on free personal social care.
- 1.2 2010/11 is the 3rd and final year of the three year settlement following the 2007 Comprehensive Spending Review. It is to be welcomed that the government has honoured its previous commitments on Formula Grant and the provisional settlement for 2010/11 has not changed from the provisional figure published on 24th January 2008. The government has confirmed that the data used in the calculation will only be changed in very exceptional circumstances.
- 1.3 Written responses to the consultation must be received by 5pm on 6th January 2010.

2. Formula Grant

- 2.1 The total settlement nationally for formula grant is £29bn. This is made up of £21.5bn from redistributed business rates, £3.1bn Revenue Support Grant and £4.4bn Police Grant. Nationally this represents a £747million increase on 2009/10 calculated on a like for like basis (2.6%). Specific grants, including DSG, will add another £47bn bringing the overall grant increase for 2010/11 to 4%. Table 1 shows the calculations for KCC.

	2009/10 Settlement £m	2009/10 Adjusted £m	2010/11 Provisional Settlement £m	Change %
Relative Needs Amount	276.544		284.462	
Relative Resource Amount	-170.588		-176.414	
Central Allocation	171.387		179.459	
Sub Total Formula	277.343		287.507	
Floor Damping	-10.119		-11.792	
Net Formula Grant	267.224	267.059	275.715	3.2%

2.2 Appendix 1 below compares the settlement for Kent County Council Kent Districts, Fire and Police over the current 3 year settlement. This clearly demonstrates that over the three year period of the current settlement the funding formula has again favoured the Midlands and the South West at the expense of London and the South East with the result that Kent has received a below average settlement each year.

2.3 Had KCC received the average settlement for county councils over the three-year period the Formula Grant for 2010/11 would be £9.7m more. This is in addition to below average settlements prior to the latest three-year settlement. We have calculated that since 2002/03 Kent has lost over £70m compared to the average for county councils.

2.4 In announcing the settlement the Government has re-affirmed that in the 10 years up to 2007/08 it has increased the grants to English local authorities by 39% in real terms, with an above average inflation increase for local government in each year. The government also claims there will have been an increase of £8.6bn in the current 3 year settlement. This is somewhat misleading since it includes DSG which local authorities have very little say over how this is spent and has increased by substantially more than grants for other services. As demonstrated above not all councils have benefitted equally from this reported increase.

2.5 The Government also announced that it expects to see council tax increases below the average 3% for 2009/10 with authorities protecting and improving front line services. Ministers expect to see council tax increases at a 16 year low and have re-iterated they will be prepared to use capping powers where authorities propose excessive increases. At this stage we have no indication what specific level the government views increases for 2010/11 as excessive.

3. Dedicated Schools Grant (DSG)

3.1 The announcement has also confirmed the provisional settlement for DSG. For Kent this represents an increase of 4.2% per pupil compared to a national average of 4.3%. The estimated grant for 2010/11 is £832.4m before the adjustment for the transfer of academies. This compares to £801.8m for a similar figure for 2009/10.

The final estimated grant figure after the removal of funding for academies is £806.2m.

- 3.2 The DSG figure can only be an estimate at this stage as it cannot be finalised until after the Annual Schools Census in January which confirms the number of pupils. We should know the final DSG figure in June 2010.

4. Area Based Grant (ABG) and other specific grants

- 4.1 The ABG is also very much as previously announced other than some very minor changes to some individual components amounting to just over £200k. ABG includes the transfer of £32m for Supporting People. Total ABG for 2010/11 is £94.3m with a further £1.4m for partnership activities.

- 4.2 In addition to DSG and ABG we have also received notification of the specific grants outlined in appendix 2. These grants also demonstrate no significant changes. There remain a few grants which have still not been notified including the Diploma Grant, LSC grants and a number of small grants. The other significant uncertainty is the transfer of responsibility for FE colleges and work based learning from the Learning and Skills Council. We have still received very little information and as and when this is received we will produce a separate report.

- 4.3 The grants announced to date do not include the £14m to cover the cost of supporting asylum seekers. We are currently forecasting a £3.8m shortfall in this grant in the current year if negotiations with the Home Office are not successful. Shortfalls on the grant for Asylum seekers remain one of the biggest risks the authority faces.

5. Personal Care at Home

- 5.1 The Department of Health launched a consultation on the provision of free Personal Care at Home on 24th November 2009. This will be the subject of a separate report but the financial implications need consideration as part of the provisional local government grant settlement.

- 5.2 Within the consultation it is suggested that the total cost of the scheme could amount to £670m in a full year (£335m in 2010/11) to provide free care for the most vulnerable. It is suggested that this could be funded by £420m grant from the health budget (£210m in 2010/11) and £250m from efficiencies savings within local government (£125m in 2010/11).

- 5.3 The Budget Report in April 2009 announced that the efficiency targets for local government were being increased from 3% to 4% for 2010/11 with no change in grant. At the time the Chancellor expected the additional saving to be re-invested into front line services or used to reduce council tax. Under this latest announcement the government

seems to be suggesting it will decide which services should benefit from re-investment, whereas councils have been planning to use such efficiency savings to balance their books.

- 5.4 We are working on assessing the impact in Kent as we have concerns that the impact will be greater than other authorities as a result of local decisions on discretionary charges. Depending upon legislation this could impact from October 2010. This not only causes a potential problem for next year's budget but also sets a dangerous precedent in Government expecting local councils to absorb new burdens from efficiency savings which are already being planned to be used elsewhere.

6. Consultation Response

- 6.1 Bearing in mind that Government has already indicated that they will only make any changes to the provisional figures in very exceptional circumstances there seems little merit in a detailed analysis or response. Furthermore, the Government has made it clear that they will not meet with individual councils to discuss the figures. We have previously responded with our concerns with the formula and that it penalises London and the South East in general and does not take adequate account of Kent's particular circumstances.
- 6.2 KCC's response has made the following general points:
- The three year settlement has introduced additional certainty into local government finance and business planning and that it is encouraging to note that government has honoured the final year of the settlement and not reduced grant in response to the difficult economic climate;
 - We are disappointed that, in light of the exceptional financial circumstances, and the spill over into the real economy, that none of the announced additional government spending to try and boost the economy is to be used to increase local authority grants particularly as the economic downturn bites and we are starting to see implications for some of our services
 - The grant settlement falls woefully short of the spending pressures we face, even after the reduced effects of inflation. Demographic pressures in Adult Social Services alone account for nearly all of the cash increase in Formula Grant;
 - We are disappointed that, at this late stage, we still have no indicative figures relating to the transfer of responsibility for funding FE colleges and work-based learning providers from the LSC;
 - We are deeply concerned that government is starting to assume where money saved from council efficiencies should be redirected to specific policy objectives e.g. the recent announcement by government that some of the funding for free Personal Social Care at Home should come from local government efficiency savings;
 - We are also deeply concerned that medium term planning has been severely compromised by the lack of any information regarding

2011/12 and 2012/13 as a result in the delay to the next spending review until after the forthcoming general election and a lack of detail in the Pre Budget Report. In particular we are concerned that a late announcement in 2010 will not leave sufficient lead in time if substantial changes are needed to the plans for 2011/12;

- The Formula Grant for KCC remains below the average for all 27 county councils

7. Conclusions

- 7.1 Cabinet members are asked to note the provisional local government settlement and KCC's response to consultation.

Dave Shipton
Finance Strategy Manager
Corporate Finance
Chief Executive's Department
Tel (01622) 694597

Appendix 1

Local Authority Settlements	Like-for-Like Increases £m				Like-for-Like Increases %			
	2008-09	2009-10	Prov. 2010-11	Total	2008-09	2009-10	Prov. 2010-11	CUM Total
	£m	£m	£m	£m	%	%	%	%
<u>County Council average</u>	221.264	154.894	152.894	529.053	5.3%	4.2%	4.0%	14.1%
<u>Kent & Medway Area</u>								
KCC	8.624	8.290	8.656	25.569	3.4%	3.2%	3.2%	10.2%
Kent districts	1.570	1.229	1.282	4.082	1.4%	1.1%	1.2%	3.8%
Kent Police	4.709	4.970	5.248	14.928	2.6%	2.7%	2.7%	8.2%
Kent Fire	0.497	0.425	0.563	1.485	1.8%	1.5%	1.9%	5.3%
Medway	4.206	3.187	2.937	10.330	5.6%	4.0%	3.6%	13.8%
TOTAL Kent & Medway Area	<u>19.606</u>	<u>18.101</u>	<u>18.686</u>	<u>56.394</u>	3.0%	2.7%	2.7%	8.8%
South East Region	72.380	66.555	66.507	205.441	2.5%	2.2%	2.2%	7.0%
<u>Other Regions</u>								
South West	81.114	69.178	69.255	219.547	4.1%	3.4%	3.3%	11.1%
London	142.476	130.950	125.947	399.372	2.3%	2.1%	2.0%	6.6%
Eastern	76.618	67.555	68.333	212.505	3.5%	3.0%	2.9%	9.8%
East Midlands	100.436	79.437	74.799	254.671	5.2%	3.9%	3.6%	13.2%
West Midlands	123.249	100.496	94.443	318.187	4.2%	3.3%	3.0%	10.9%
Yorkshire and Humber	116.767	94.552	88.735	300.055	4.2%	3.2%	2.9%	10.7%
North East	54.245	44.465	41.073	139.783	3.2%	2.6%	2.3%	8.3%
North West	156.089	126.908	118.397	401.394	3.8%	3.0%	2.7%	9.8%
England Total	<u>923.374</u>	<u>780.095</u>	<u>747.488</u>	<u>2,450.956</u>	3.5%	2.8%	2.6%	9.2%
<u>District Council average</u>	30.855	22.143	22.266	75.264	1.7%	1.4%	1.4%	4.5%
Kent districts (as above)	1.570	1.229	1.282	4.082	1.4%	1.1%	1.2%	3.8%

Appendix 2

2010-11 Kent specific grants by directorate	Provisional Settlement £000
Children, Families & Education	
Making Good Progress / 1-2-1 tuition	6,987
aiming high for disabled children	5,361
ethnic minority achievement	1,251
extended schools subsidy	4,267
extended schools sustainability	5,111
flexibility of free entitlement	7,888
music grant	1,759
playing for success	320
school development grant	51,193
school lunch grant	2,156
schools standards	42,504
sure start	35,953
targeted mental health in sc	150
targeted support	7,223
think family grant	387
two year old offer	1,327
 <i>Additions per DCSF:</i>	
14-19 Prospectus / CAP	11
Fair Play Playbuilder	18
Social Work Practice Pilot	2,400
 CF&E sub-total	 ----- 176,265 -----
 Kent Adult Social Services	
learning disability campus closure	2,554
social care reform	5,770
stroke strategy	166
 KASS sub-total	 ----- 8,490 -----
 Communities	
youth opportunity fund	734
 Communities sub-total	 ----- 734 -----
 Total	 ----- 185,490 -----

By: John Simmonds, Cabinet Member - Finance
Lynda McMullan, Director of Finance

To: Cabinet -11 January 2010

Subject: **TREASURY MANAGEMENT STRATEGY**

Classification: Unrestricted

Summary: To propose a Treasury Management Strategy for 2010-11.

FOR DECISION

INTRODUCTION

1. This report sets out a Treasury management Strategy for 2010-11. The report is included in the Medium Term Plan papers but in the interests of transparency is also brought to Cabinet as a stand alone item.
2. The report consists of:
 - Background
 - Regulatory Framework
 - KCC Governance
 - Borrowing Requirement and Strategy
 - Debt Rescheduling
 - Investment Strategy
 - Treasury Advisers
 - Training

BACKGROUND

3. The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public services (the "CIPFA TM Code") requires local authorities to determine the Treasury Management Strategy Statement (TMSS). This statement also incorporates the Investment Strategy. Together, these cover the financing and investment strategy for the forthcoming financial year.

In response to the financial crisis in 2008, CIPFA has revised the TM Code and Guidance Notes as well as the Prudential Indicators which CIPFA publicised in late November 2009. Communities and Local Government (CLG) is consulting on a revised and updated Investment Guidance.

4. CIPFA has defined Treasury Management as:

“The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

5. The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk is an important and integral element of its treasury management activities. The main risks to the Council’s treasury activities are:

- Credit and Counterparty Risk (Security of Investments)
- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Inflation Risk (Exposure to inflation)
- Refinancing Risk (Impact of debt maturing in future years)
- Legal & Regulatory Risk

REGULATORY FRAMEWORK

6. There are two main elements to the regulatory framework for treasury management, the CIPFA TM Code and the CLG Investment Guidance. As both of these have been revised in November a summary of the main changes is set out below.

7. **CIPFA Treasury Management Code**

The main issues to highlight are:

- (1) Treasury Management Policy Statement
CIPFA recommends that organisations adopt the following words in their Treasury Management Policy Statement to be agreed by full Council:

This organisation defines its treasury management activities as:

“The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

(2) In the new code CIPFA identify the following Key Principles:

Key Principle 1

Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

Key Principle 2

Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy and should ensure that priority is given to security and liquidity when investing funds.

Key Principle 3

They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

(3) CIPFA recommends that the following four clauses are adopted as part of Financial Regulations:

1. This organisation will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
 - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.

2. This organisation (ie full body/council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMP's.
3. This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to Director of Finance, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's standard of professional practice on treasury management.
4. This organisation nominates the Treasury Advisory Group and Governance & Audit Committee to be responsible for ensuing effective scrutiny of the treasury management strategy and policies.

The Director of Finance is currently revising Financial Regulations and these clauses will be incorporated.

- (3) Detailed revisions to the Treasury Management Practices. This is being done.
- (4) Revised Treasury Indicators within the Prudential Code. These are contained within the Draft Medium Term Plan.

8. **CLG Investment Guidance**

CLG are currently out to consultation on their Guidance. The main issues to highlight are:

- Reiterates Security, Liquidity and Yield in that order.
- Emphasis on ongoing risk assessment.
- Credit ratings alone should not be the only criteria for selecting counterparties.
- Borrowing purely to invest at a profit is unlawful. There still appears to be no legal obstacle to the temporary investment of funds borrowed for the purpose of expenditure in the reasonably near future.
- Clarity on the role of investment consultants.
- Training for Members and officers.

KCC GOVERNANCE

9. The Director of Finance is responsible for the Council's treasury management operations, day to day responsibility is delegated to the Head of Financial Services. The detailed responsibilities are set out in the Council's Treasury Management Practices. These have been fully revised and updated and will now incorporate changes resulting from the new CIPFA TM Code.
10. A new sub-group of Cabinet has been established to work with the Director of Finance on treasury management issues – the Treasury Advisory Group. The group consists of the Cabinet Member for Finance, Deputy Leader, Chairman Corporate Policy Overview Committee, Chairman Superannuation Fund Committee, Liberal Democrat Finance spokesman and Leader Labour Group. The agreed terms of reference are "The Treasury Advisory group will be responsible for advising the Cabinet and Director of Finance on treasury management policy within KCC's overarching Treasury management Policy". TAG meets the new requirement in the CIPFA TM Code for a member body focussing specifically on treasury management. TAG meets quarterly and members of the group receive detailed information on a weekly and quarterly basis.
11. Whilst Council will agree the Treasury Management Strategy all amendments to the strategy during the year will be agreed by Cabinet. This will help to make the strategy more dynamic.

12. Governance & Audit Committee previously received an annual review in accordance with the requirements of the CIPFA TM Code. The Director of Finance has already put in place quarterly reporting to GAC which goes beyond the mid-year review proposed in the new CIPFA TM Code.
13. These arrangements put an emphasis on openness and transparency – Officers would welcome any ideas members have on how we can improve and develop our reporting processes to support these principles.

BORROWING REQUIREMENT AND STRATEGY

14. **Borrowing**

As at 31 December 2009 long term borrowing to fund capital expenditure was £991m excluding £51m attributable to Medway Council. The budgeted borrowing figures for the next 3 years are £96m in 2010-11, £44m in 2011-12 and £26m in 2012-13.

15. **Interest Rate Forecasts**

- (1) The economic interest rate forecast provided by Arlingclose one of the Council's treasury advisers is summarised in the table below:

Arlingclose's Economic and Interest Rate Forecast

	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
Official Bank Rate										
Upside Risk				+0.25	+0.25	+0.50	+0.50	+0.50	+0.50	+0.50
Central Case	0.50	0.50	0.50	0.50	1.00	1.50	2.25	3.00	4.00	4.00
Downside risk					-0.50	-0.50	-0.50	-0.25	-0.25	-0.25

1-yr LIBID										
Upside Risk				+0.25	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50
Central Case	1.25	1.25	1.25	1.50	2.00	2.75	3.50	4.00	4.25	4.25
Downside risk					-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

5-yr gilt										
Upside risk		+0.25	+0.25	+0.25	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50
Central Case	2.60	2.70	2.80	2.90	3.00	3.25	3.50	3.75	4.00	4.25
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

10-yr gilt										
Upside risk			+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25
Central Case	3.60	3.75	3.75	4.00	4.00	4.25	4.25	4.50	4.50	4.75
Downside risk			-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
20-yr gilt										
Upside risk		+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25
Central case	4.10	4.25	4.50	4.75	4.75	5.00	5.00	5.00	5.00	5.00
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

50-yr gilt										
Upside risk	+0.25	+0.25	+0.25	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	4.00	4.25	4.50	4.50	4.50	4.75	4.75	4.75	4.75	4.75
Downside risk			-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

Source: Arlingclose Ltd

- (2) Forecasts for gilts are a good proxy for rates the Council will pay for long term borrowing. Longer term rates have not fallen in the dramatic way which base rates have and are forecast to rise further. There are very significant risks that they will need to be higher as the Government tries to fund much higher levels of borrowing, inflation may become an issue in the short term and there is also a possibility of the UK's sovereign rating being reduced which would also put an upward pressure on rates.

16. Borrowing Strategy

- (1) The very low interest rates received on deposits and the limited non Debt Management office counterparties available to the Council means that we are actively trying to reduce our cash holdings. The cost of carry i.e. the difference between rates we can earn for deposits and the cost of borrowing long term money; means that the Council has been deferring long term borrowing. The use of internal cash resources in lieu of borrowing has been the most cost effective way of financing capital expenditure. This does have limits on it as internal resources become depleted, the balance sheet analysis undertaken shows that we will come towards the limit of this approach in 2010-11. This may require short term borrowing for cashflow purposes.
- (2) In light of this our principles for borrowing over the period will be:
- Continue where possible to defer borrowing and fund from internal resources.
 - Use the Public Works Loan Board (PWLB) as the main source of funding.
 - Consider use of market loans and Lender Option Borrower Option (LOBO) loans. Currently there is very little interest from banks in this market.

- The Council has historically borrowed at fixed rates. This gives certainty over debt financing costs and can be seen as reducing interest rate risk. Fixed rate borrowing will remain a core part of the strategy with the Council seeking to borrow at advantageous points in interest rate cycles.
- Consideration will also be given to borrowing at variable rates – the Council currently has no variable rate borrowing. PWLB variable rates have fallen below 1% and may remain at these levels for an extended period. When longer term rates move below the cost of variable rate borrowing any strategic exposure to variable interest rates will be reviewed and if appropriate reduced.

DEBT RESTRUCTURING

17. It is possible to repay PWLB loans in certain circumstances – these have to be very carefully managed as the PWLB imposes penalties for early redemption which have to be offset.
18. The Council has been active in debt restructuring and this is a core part of our strategy. In early 2009 the Council took advantage of the very low short term rates to restructure £260m of debt over 1,2,3 and 4 year periods. A total revenue saving of £15.9m was achieved.
19. The Council will continue to maintain a flexible policy for debt rescheduling. Market volatility and the steep yield curve may provide opportunities for rescheduling debt from time to time. The rationale for rescheduling would be one or more of the following:
 - Savings in interest costs with minimal risk.
 - Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
 - Amending the profile of maturing debt to reduce any inherent refinancing risks.
20. In September 2009, the PWLB issued a Consultation document entitled 'PWLB Fixed Rates', where the PWLB is reviewing the frequency of rate setting (currently daily) and could move to a live pricing basis. The deadline for the consultation period is 8 January 2010. The likely outcome of this is a reduction in the extent of the margins between premature repayment and new borrowing rates, particularly for longer maturities. The strategy will need to be updated for the outcomes of the consultation.

21. Any rescheduling activity will be undertaken within the Council's treasury management policy and strategy. The Council will agree in advance with our treasury advisers the strategy and framework within which debt will be repaid/rescheduled if opportunities arise. Thereafter the Council's debt portfolio will be monitored against equivalent interest rates and available refinancing options on a regular basis. As opportunities arise, they will be identified by the treasury advisers.
22. All rescheduling activity will comply with the accounting requirements of the local authority SORP and regulatory requirements of the Capital Finance and Accounting Regulations (SI 2007 No 573 as amended by SI 2008/414).

INVESTMENT STRATEGY

23. Principles

- (1) In accordance with the CLG Investment Guidance the Council's main policy principles for cash deposits will be Security and then Liquidity. In the past income from investments has provided key support in the Council's budget but Yield will remain subsidiary to the other principles.
- (2) The Council will fully comply with the CIPFA TM Code.
- (3) The CLG Investment Guidance distinguishes between:
 - Specified Investments
 - Sterling denominated
 - Maximum duration of one year
 - Meets "high" credit criteria
 - Cannot be defined as capital expenditure
 - Non-Specified Investments
 - Investments not meeting the criteria above.
- (4) On 13 October 2009 Cabinet agreed a report on Treasury Investments, the investments agreed all meet the criteria of Specified Investments.
- (5) Officers will continue to work with our treasury advisers to appraise investment options. Any changes to the approach set out will be subject to report to Cabinet for decision following detailed consideration by the Treasury Advisory Group.

- (6) The global financial meltdown has led to a dramatic reduction in investment returns. The whole strategy is based upon a prime focus on security and liquidity.
- (7) To date some £5.3m has been returned from the collapsed Icelandic banks, in line with expectations. During 2010 further action is expected to clarify the recovery of the remaining monies. On the basis of KCC's work with the relevant bodies and legal advice, confidence remains high that most of the funds will be recovered.

24. **Types of Investment**

The Council's current policy only allows for the use of Cash deposits.

25. **Criteria for Counterparty Selection**

The current criteria for the selection of counterparties are:

- Access to the UK Government Credit Guarantee Scheme
- Credit rating and other relevant financial information e.g. credit default swaps, share price.
- Country exposure e.g. Sovereign support mechanisms, GDP, net debt as a percentage of GDP.
- Exposure to other parts of the same banking group.
- Reputational issues.

26. **Counterparties**

The selected counterparties are:

- Debt Management Office
- Abbey National
- Barclays
- HSBC
- Lloyds Banking Group
- Royal Bank of Scotland

27. Counterparty Limits

£450m for DMO and £40m for the other counterparties. This allows for all deposits to be moved into the DMO if necessary within the terms of this strategy.

28. Duration of Deposits

Duration is currently limited to 6 months. Given the likelihood of rates rising this seems to be a reasonable approach at this point

29. Strategy Options

The changes to the counterparty strategy made by Cabinet in October 2009 reflected the risk appetite at this time. Within this paper it is appropriate to present a range of other options which could be adopted over a period of time and which have been discussed with the Treasury Advisory Group.

(1) Counterparties

This can be seen in a number of incremental steps:

- Nationwide - they have access to the Government Credit Guarantee Scheme on the basis of being of systemic importance to the UK economy. They meet all our current criteria.
- Clydesdale - owned by National Australia Bank and currently recommended by Arlingclose for deposits up to 1 month.
- Overseas banks - Arlingclose are evaluating a range of Overseas Banks as appropriate counterparties. Key issues are not only the financial standing of the banks but the strength of their domestic economies and the importance of these banks to the functioning of the domestic economy.

(2) Types of Investment

Officers will undertake research on Money Market Funds and the use of External Managers.

(3) Counterparty Limits

The limits for the 5 bank counterparties has been set at £40m - our previous highest limit. With reduced Pension Fund money and KCC balances being run down by deferring borrowing there is no case for increasing the limit. With less Cash there may be a case for reducing the limits in future.

(4) Duration of Deposits

The current 6 month limit for deposits reflects the likelihood of rates increasing and our caution about the stability of the world banking sector. Consideration could be given to extending deposits to 12 months with the strongest counterparties. This would make it more likely that HSBC would accept deposits, whilst we are at our limit with the other 4 we have no money with HSBC.

(5) Decision Making

TAG recommends to Cabinet that Nationwide be added to our counterparty list but with a limit of £20m.

TREASURY ADVISERS

30. With support from Legal Services a new requirement document and terms and conditions has been prepared and an EU tender process will be undertaken. The appointment will be made by the Director of Finance in consultation with Treasury Advisory Group.

TRAINING

31. TAG has had a dedicated training session with Arlingclose and a treasury management training session provided by KCC Officers which all members were invited to was given on 4 November. The Director of Finance will provide training to individuals or collective groups.

RECOMMENDATIONS

32. Members are asked to:
- (1) Agree the strategy.
 - (2) Agree to add Nationwide to the counterparty list with a maximum limit of £20m.

Nick Vickers
Head of Financial Services

By: Sarah Hohler, Cabinet Member for Children, Families & Education Directorate
Rosalind Turner Managing Director – Children, Families & Education Directorate

To: CABINET – 11 January 2010

Subject: Kent Academies Batch 2 Procurement

Classification: UNRESTRICTED

Summary: This report seeks approval of The Skinners' Kent Academy Outline Business Case and following approval from Partnerships for Schools (PfS) and the DCSF to run a mini competition from the Partnerships for Schools Contractors' Framework to select a building contractor to deliver the Kent Batch 2 Academies Programme with The Skinners Academy as the lead School.

1. Introduction

1. 1 KCC has been at the forefront of local authorities developing Academies to provide the opportunity and resources to transform the life chances of disadvantaged communities, delivering a new learning infrastructure, enhanced curriculum opportunities and key skills for life and work. Kent was one of the first authorities to take on the role as sponsor. Being a sponsor ensures that KCC has a legitimate stake in the development of this new type of school, acting as joint co-sponsors. KCC believes this type of sponsorship is a sound investment which helps to secure our education policy objectives for the County. Such sponsorship enables us to strategically plan and integrate our academies with other community developments, in conjunction with other key agencies and partners, including health, social services, borough councils, diocesan boards and local businesses. Kent are able to stimulate, influence and shape the direction for a new culture of learning in local communities that have, for too long experienced inadequate provision.

1. 2 KCC have a network of academies throughout the county, located in areas of significant deprivation, working collaboratively with the family of schools in their neighbourhoods to provide community leadership for learning.

1.3 KCC appointed Carillion from the old National Framework in 2008 following a mini competition to deliver its Batch 1 Academies Programme. The framework has worked well with 3 of the 5 academies currently in construction and the remaining two currently being developed by the contractor. The BSF, PFI and Academies team (BSF Team) have worked with the contractor who has been able to demonstrate value for money and delivered the projects within the budgets available and on time.

1.4 Expressions of Interest have been submitted to the department and approved by the DCSF to establish the following schools which will form the Batch 2 Academies project:

- Skinners' Kent Academy, Tunbridge Wells.
- Knole Academy, Sevenoaks
- Archers Court Academy, Dover
- Duke of York Academy, Dover
- Christchurch Academy, Ashford.
- Astor of Hever, Maidstone

1.5 Cabinet have agreed as part of the SOAB process to close the predecessor schools and establish new academies and the educational benefits of this approach. As well as structural school organisational changes as part of the academy application capital funding is provided by the DCSF to enhance buildings through a mixture of new build and refurbishment as necessary. A matrix summarising the schemes is set out in Appendix 1.

2. Procurement Opportunities

2.1 It is expected by the DCSF and Partnerships for Schools that the Academies are procured either via a Local Educational Partnership where one is in place or from the Partnerships for Schools Contractors' Framework. The proposed academies fall outside the area covered by Kent's LEP 1 and the timing of the academies is such that Kent's second LEP will not be in place in time to deliver these as required by the DCSF. It will therefore be necessary to procure the building works for these academies under a batched contract from the National Framework.

2.2 KCC, PfS, DCSF and the relevant Academy Trusts all agree that significant time and cost efficiencies can be realized for all parties by tendering all six projects as a single batched programme through the PfS National Framework. This removes the repeat time and financial costs to KCC associated with six separate transactions.

2.3 A batched programme is one where the Local Authority seeks to procure a number of Academy projects, but does not intend to take all the projects through the competitive phase of the procurement. One Academy will be designed by both two short-listed bidders from the PfS Contractors' Framework: this is referred to as the 'sample scheme'. The remaining 'non sample' schools will be designed by the Preferred Bidder either:

- in the period following the selection of a Preferred Bidder and contract award; or
- after an initial contract is awarded.

2.4 Each scheme is contractually separate. The contract that will be signed for the first scheme, The Skinners' Kent Academy, relates solely to that scheme. KCC will issue separate Authority's Requirements for all schemes to be developed post-contract award. The Preferred Bidder will be required to develop each scheme in line with these requirements and in line with the provisions of the PfS Lump Sum Design and Build Contract for Batched Schemes.

2.5 This contractual structure provides KCC with the flexibility to NOT bring subsequent schemes forward if that becomes a necessary course of action.

2.6 PfS announced in November 2009 those construction companies who had been successful in being appointed to the National Framework. The following companies are on the South Region Framework:

1. Apollo Property Services Limited
2. Balfour Beatty Construction Limited
3. BAM Construction Limited
4. Bovis Lend Lease Limited
5. Carillion Construction Limited
6. Interserve Projects Services Limited
7. JB Leadbitter & Co Limited
8. Kier Regional Limited
9. Rydon Group Limited
10. Sir Robert McAlpine Limited
11. Wates Construction Limited
12. Willmott Dixon Construction Limited

2.7 All twelve companies will be invited to participate in a mini competition and one will be selected to deliver the batch over a phased period. The exact phasing of the academies was tested at the Open Day on the 16th December 2009. A programme setting out the phasing of the schemes is set out in appendix 2. As part of the framework contractual documentation is standardised and authorities are required to use this. The proposed timetable for the mini competition is set out below:

Milestone	Date
DCSF/PfS Approval of OBC	Jan 2010
Issue PITT to Framework Panel Members	10/02/10
Receive PITT Submissions	24/02/10
Announce short listed bidders	10/03/10
Issue ITT to Bidders (with confirmation of sample school)	18/03/10
Receive ITT Submissions	11/06/10
Announce Preferred Bidder	05/08/10
Submit Detailed Planning Application for School No. 1	03/09/10
Detailed Planning Permission Awarded for School No. 1	25/11/10
Award Design and Build for School No. 1	25/11/10
Building Completion for School No. 1	June 2012

2.8 It is proposed to use the The Skinners' Kent Academy as the lead academy upon which the construction company will be selected to deliver the Academies that form the second Batch.

3. Relevant Approvals

All Academy projects follow a rigorous local and national approvals process to ensure good governance around the following issues:

- public consultation
- closure of the predecessor school;
- establishment of the Academy Trust and Academy;
- affordability of the construction programme
- permission to procure via the PfS National Framework

4. Summary of Lead Academy Project

4.1 Kent County Council (KCC) submitted an Expression of Interest (EoI) to transform Tunbridge Wells High School into an Academy in June 2008. The EoI was approved by the DCSF in August 2008. The Funding Agreement between the Department for Children, Schools and Families (DCSF) and the Academy Trust was signed in May 2009. Tunbridge Wells High School closed in August 2009 and the new Skinners Kent Academy opened in September 2009.

4.2 The proposed scope of the project is to pursue a 100% new build construction solution for Skinners' Kent Academy. This will involve demolition of the existing buildings and replacing them with brand new accommodation designed to support the Skinners Kent Academy education vision.

4.3 Key characteristics of the Academy are:

- an excellent distributed leadership team
- a focus on readiness to learn, building students' confidence and self-esteem
- the setting of individual targets and use of data to monitor progress
- ensuring discipline and order
- curriculum innovation
- extensive use of ICT
- an extended school day
- a focus on individual personalised learning and the use of older students as mentors
- regular reporting to parents/carers.

5. Affordability position in relation to Lead Academy

5.1 Under PfS' new Contractors' Framework, new construction rates have been agreed with the appointed building contractor's. The increase in the rates are in recognition of an increase in the specification for the buildings which will now include, within the PfS rates, such items as sprinkler systems.

5.2 The Skinners' Kent Academy has been agreed as a fully funded, 100% new build, with the exception of any unfunded Local Authority off-site works (e.g. works to the highways). PfS have advised that they will be issuing a revised Funding Allocation Model to the Authority which will provide increased funding to cover cost of the increased construction rates.

5.5 At the present time, the Local Authority does not have sight of the revised funding allowance or the construction rates to be applied to the Academy. However, it remains the understanding of the Authority that the Academy will continue to be fully funded (with the exception of any off-site works) and that this will be confirmed when the revised Funding Allocation Model is issued by PFS.

6. Risks

6.1 A summary of key risks are set out below:

Timing of the OBC for Tunbridge Wells – the BSF team are currently discussing the timing of approvals for the Tunbridge wells and the impact of the December indices on funding.

Sports Hall arrangements at Tunbridge Wells and Sevenoaks – Both sites have a sports centre which was funded by an external party and managed by an external party. The BSF team is currently negotiating with Sport England and the various stakeholders to resolve this issue

Highway improvements at Tunbridge Wells – a public meeting was held in November to discuss the strong feeling by residents who want to see improvement to the junction leading up the school. Although residents would like to see these improvements technically it is not thought that these will be required as the school is not increasing substantially in size and the design is being developed to help alleviate traffic issues. No allowance has been made within the budget as part of the academy proposal to deliver this.

Timing of the Academies as part of the Batch – following the announcement of the South National Framework Contractors List it is intended to test the capacity of the market to deliver multiple academy projects at the same time. Depending on the outcome of this discussions it may be necessary to re-phase the proposed delivery of the academies

A change of government part way through the procurement and the programme is stopped. (in this eventuality KCC would have lost any development costs incurred) KCC continues to be in discussion with PFS and the DCSF as to any likely changes that may happen should there be a change in government with a view to ensuring that any losses are minimised.

7. Academy Project Development Costs

7.1 The proposed revised team budget to meet the BSF/ Academies running costs and development costs to take forward the Batch 2 procurement and the Skinners Academy is included within the proposed authorities capital budget for 2010/11 – 2012/13.

7.2 This includes the cost of the Secondary Transformation Team. It will also be necessary to undertake development work on the other academies to enable them to open as academies in existing buildings in line with the timescales as set out in the Expressions of Interest and start feasibility work to prepare business cases for the Batch 2 Academy Projects.

7.3 The following development costs have been included within the capital programme as well as the BSF team running costs:

Development costs	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
External Advisors	1,822,000	1,410,500	1,691,000	641,000	435,500	213,000
Agency Fees	98,280	0	0	0	0	0
KCC legal	60,000	60,000	60,000	60,000	60,000	60,000
KCC property	39,000	39,585	40,575	41,589	42,629	43,694
ICT Strategy Support	0	0	0	0	0	0
Total	2,019,280	1,510,085	1,791,575	742,589	538,129	316,694

7.4 It should be noted that there is a verbal agreement with both the DCSF and PfS that all our external costs in relation to the Duke Of York's academy will be recovered (£455,000). We are currently seeking this commitment in writing.

8. Recommendations

Cabinet is asked TO:

- 1) AGREE to submit the Outline Business Case (OBC) for the Skinners Academy to the DCSF and Partnerships for Schools (PFS) based on the affordability parameters set out in this report and upon approval of the OBC to undertake a mini competition to appoint a contractor from the National Framework to deliver the Batch 2 Academies.
- 2) AGREE to delegate authority to the Director of Capital Programme and Infrastructure, CFE and the Head of the BSF team, CFE in consultation with the Cabinet Member for CFE, the Managing Director of CFE and the Leader to proceed with the mini competition, including entering into necessary documents with PfS to enable access to the PFS National Framework within the affordability parameters set out within this report.
- 3) NOTE that a recommendation will be made to Cabinet as to the appointment of the Preferred Bidder and final confirmation will be sought to submit the Final Business Case, the affordability position and to proceed to contract award in respect of the Batch 2 Procurement and the Skinners Academy. Regular progress updates will be made to the BSF, PFI and Academies Programme Board.

9. Background Documents

Expressions of Interest for each Academy

10. Author Contact Details

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APPENDIX 1 SUMMARY OF ACADEMIES IN BATCH 1

Name	EoI Status	Lead Sponsor	Co-sponsors	Roll No.		PfS Funding: CAPEX (£)	Lead Sponsor Funding (£)	KCC Funding towards capital costs (£)	Academy Opening Dates		% New Build	Notes
				11-16	VI Form				Existing Buildings	New Buildings		
Tunbridge Wells Academy	Approved	The Skinners' School	West Kent College; KCC	900	250	22.5m	0	0	Sept. 2009	Sept. 2012	100	
Sevenoaks Academy	Approved	Gordon Phillips	Sevenoaks Independent Sch.; KCC	1,200	350	28.8m (ind.)	1	0	Sept. 2010*	Sept. 2012	100	*Under negotiation with DCSF. Build on Wildernesse site.
Ashford Christ Church	Approved	Diocese of Cant.	Benenden Independent Sch.; Canterbury Christ Church University; KCC	1050	250	Not Known	0	2.3m*	Sept. 2010	Sept. 2013	TBC	*From sale of primary site: to part-fund primary build. 420 primary; 26 nursery. 100% n.b. on primary element.
Astor of Hever	Approved	Not Known	KCC	750	200	Not Known	0	0	Jan. 2011	Sept. 2013	TBC*	*Recent £6m KCC investment in new build on site. Anticipated that this to be left untouched.
Archers Court	Approved	Cant. Christ Church University	Dover Grammars; KCC	750	200	Not Known	0	0	Sept. 2010	Sept. 2013	TBC	.
Duke of York	Approved	Ministry of Defence	KCC			Not Known	0	0	Sept 2010		TBC	

Batched Academies Programme

Year	2009				2010				2011				2012				2013				2014			
Time	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Procurement																								
Skinners Kent		OBC	OBC		Sam proc	Sam proc	Sam proc	Sam	18-20 months															
Knole						OBC	OBC		ST1	St1	St 2	St 2	18-20 months											
Archers Court						OBC	OBC		ST 1	St 1	St 2	St 2	18-20 months											
Ashford						OBC	OBC		ST 1	St 1	St 2	St 2	18-20 months											
Duke of York						OBC	OBC		ST1	St1	St 2	St 2	18-20 months											
Astor of Hever													OBC	OBC	ST 1	St 1	St 2	St 2	18-20 months					
<p>Stage 1 = Design to RIBA C/D + First Stage Sign Off</p> <p>Stage 2 = RIBA D - L + Detailed Planning + JR Period + Final Sing Off + Contract Award</p>																								

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Skinners		Knole		Archers Court		Ashford		Duke of York		Astor of Hever	
OBC Complete	Dec-09	OBC Complete	Jul-10	OBC Complete	Sep-10	OBC Complete	Nov-10	OBC Complete	Dec-10	OBC Complete	Jun-12
ST1 Complete	May-10	ST1 Complete	Mar-11	ST1 Complete	May-11	ST1 Complete	Jun-11	ST1 Complete	Jun-11	ST1 Complete	Jun-12
ST2 Complete	Oct-10	ST2 Complete	Sep-11	ST2 Complete	Nov-11	ST2 Complete	Dec-11	ST2 Complete	Dec-11	ST2 Complete	Dec-12
Con Start	Nov-10	Con Start	Nov-11	Con Start	Jan-12	Con Start	Jan-12	Con Start	Jan-12	Con Start	Jul-13
Con Finish	Jun-12	Con Finish	Jun-13	Con Finish	Oct-13	Con Finish	Oct-13	Con Finish	Oct-13	Con Finish	Feb-15

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By: Sarah Hohler, Cabinet Member for Children, Families & Education Directorate
Rosalind Turner Managing Director – Children, Families & Education Directorate

To: CABINET – 11 January 2010

Subject: Kent Building Schools for the Future Wave 5 Part 1

Classification: UNRESTRICTED

Summary: This report updates Cabinet on current progress in relation to the Kent BSF Programme LEP 2 procurement and the Wave 5 BSF Project.

Introduction

This report covers:

- **A short update on current activity in respect of Kent's first Local Education Partnership (LEP1) and its Wave 3, 4 and 6 projects**
- **the current position in respect to Wave 5, LEP 2 establishment**

1. Update on LEP1, Waves 3,4 and 6

1.1 As you are aware, Kent County Council entered into a Local Education Partnership (LEP1) with Land Securities Trillium, Northgate Information Systems and BSF Investments on 24 October 2008.

1.2 In accordance with the requirements of DCSF/PfS and our contract with LEP1, KCC have granted them the exclusive right to develop and deliver all BSF and Academy projects within the Gravesham, Thanet and Swale areas, subject to the Authority's approval to proceed. This equates to 36 schools spread over three Waves of the national BSF programme, including one Academy. Attached at Appendix 1 is a list of the schools by Wave.

1.3 Construction began immediately after the 24 October contract signature on the first 10 school buildings (Wave 3), and the feedback to date from the schools has been very positive and the performance of the contractors [both building and ICT] is good although on occasions not without its challenges.

1.4 Works at all schools are progressing well on site. Phases of works have been completed and handed over for school use at the following schools:

- Herne Bay High School, Herne Bay
- Northfleet Schools for Girls, Gravesham
- St Georges, Gravesham
- Community College Whitstable, Whitstable

- Dane Court Grammar School, Thanet
- King Ethelbert, Thanet
- Charles Dickens, Thanet

1.5 Northgate have successfully implemented the ICT managed Service within these phases.

1.6 Following the acquisition of Trillium by Telereal [a significant privately owned company] at the beginning of the year, Trillium/Telereal announced that it would be refocusing its business and that it would no longer be bidding for PFI contracts. As a result of this change in focus, Telereal/Trillium has subsequently withdrawn from actively bidding for new BSF projects. On the 11th September 2009 Telereal/Trillium transferred its shares in the LEP to The Kier Group Plc who were already in the supply chain.

1.7 The Wave 4 schemes, see appendix 1 for a full list of schools, were issued to the LEP in October 2009 in accordance with the decision taken by Cabinet on 13th July 2009 and are currently being progressed through the New Project Approval Process. The wave 4 Outline Business Case is currently going through the approval process with Partnerships for Schools. The Wave 4 schemes are included within the updated Capital Programme.

1.8 Partnerships for Schools have confirmed that KCC can start work on Wave 6, a list of schools is set out in appendix 1. This wave starts with a Pre-engagement meeting which is scheduled to take place this month.

2. Procurement Strategy

2.1 BSF combines public and private finance through the formation of a joint venture company called a Local Education Partnership (LEP). 80% of the shares in the LEP are taken by a Private Sector Partner with the remaining 20% split equally by the Local Authority and Partnerships for Schools (Pfs). This is illustrated in the diagram attached at Appendix 2.

2.2 It is assumed that by taking 10% of the shares in the LEP, KCC will invest a commensurate proportion of the set-up costs..

2.3 The advantages to KCC of investing working capital in the LEP are that:

- It creates a vehicle where the economic interests of the PSP, Pfs and KCC are aligned. The long-term delivery of future projects distinguishes BSF from a straight partnering agreement. For this reason a joint venture, with investment from all parties, provides a more effective delivery mechanism which mitigates against the more adversarial relationship that is prevalent in a straight PFI contract.
- It establishes a transparent relationship between KCC and the delivery vehicle. KCC forming part of the LEP and investing in its operations fosters trust and an open working relationship.
- The LEP will be judged on educational targets and KCC's investment would instill confidence that the Council has fully bought into the partnership structure.

2.4 The advantages to KCC of investing project equity in the PFI SPVs of the LEP are that:

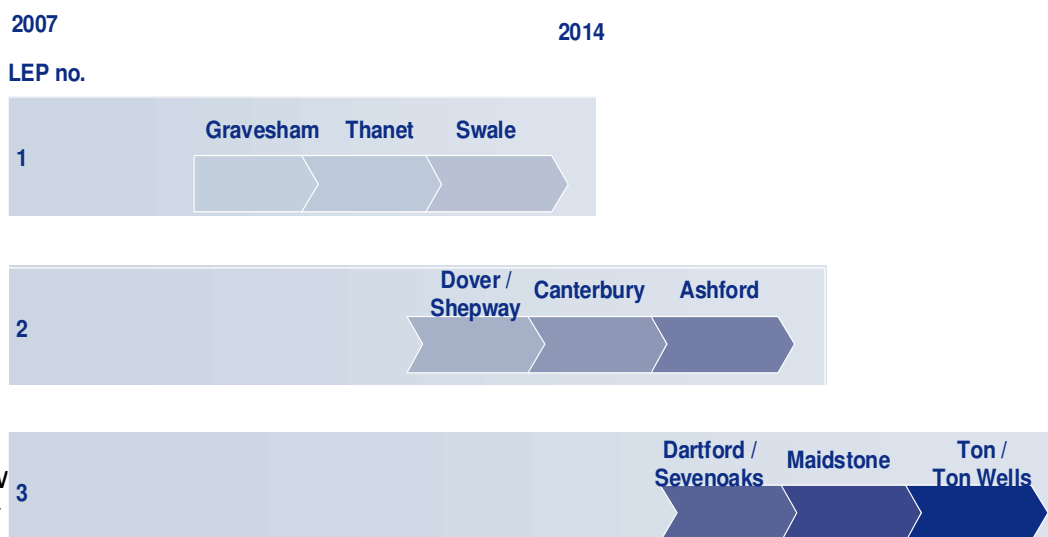
- It would benefit from a more open relationship in the delivery of the contracts, due to their position in the SPV. Importantly, KCC would form part of the SPV Company and so would have immediate routes of access to its accounts and other commercial information, enabling KCC to exercise ‘back stop’ controls if it is concerned about the direction and delivery of the SPV.
- It would share in the equity returns from the PFI scheme.
- Negotiations surrounding any necessary contractual alterations would be easier because the parties involved would have a greater understanding of the environment in which each other operate.

2.5 It is assumed that KCC **will** invest in equity and the working capital in the LEP **and** may invest project capital into the SPV for the PFI projects. KCC will consider proposals for investing in the PFI SPV with the private sector as part of the dialogue process during procurement and final approvals will be sought from Cabinet as part of the Final Business Case.

2.6 Kent has already established LEP1 on the basis of a full 10% equity shareholder and has invested in the SPV project capital for the PFI projects as well as the working capital of the LEP.

Multi-LEP Strategy

2.7 As part of the initial submission of interest in BSF Kent developed a multi-LEP strategy with the overall allocation of districts as determined as per the diagram below:



2.8 How the way will no longer be solely based on geographical clusters of investment. The multi LEP strategy limits KCC to only being able to pull forward projects which are within an existing LEP area. The integration of LEP2 and 3 would allow KCC greater flexibility in future waves of BSF. Furthermore there would be significant procurement savings by merging the two remaining LEP's. As the award of projects within the LEP 3 area would be an based on an assessment of performance, if KCC were not satisfied as to the performance of the LEP they would be free to run a separate procurement. It is therefore proposed that the Kent second LEP will cover the remaining secondary school estate.

2.9 The LEP is a joint venture between KCC, BSFi and a Private Sector Partner. The LEP will be in place for 10 years and has first refusal (exclusivity) to deliver BSF investment within the LEP2 area. The LEP could also deliver other projects within the LEP 2 area if required by KCC. The anticipated value of LEP2 is in excess of £1billion with over 60 schools. Appendix 3 sets out the anticipated LEP2 programme by wave and notional timings as allocated by the DCSF and PFS. The prioritisation is based on areas with high deprivation (measured by uptake of free school meals) and low educational attainment (measured by 5 GCSE's obtained A*-C) prioritised first.

Wave 5 Summary

2.10 In March 2009 PfS confirmed that Kent was formally able to start work on the preparation of its Wave 5 Scheme which covers schools with secondary age pupils in the Shepway and Dover area. The BSF, PFI and Academies team under the direction of the BSF, PFI and Academies Programme Board prepared, submitted and was successful in securing approval for the Wave 5 Strategy for Change Part 1 and 2 Business Cases. These documents set out the educational strategy for transforming teaching and learning in the wave 5 area based upon the principles of the Kent Secondary Strategy. Wave 5 triggers the procurement of Kents second Local Education Partnership.

2.11 Wave 5 contains 16 schools with a capital value in excess of £250million. The key objectives for investment in wave 5 and the delivery if the Kent Secondary Strategy are set-out below:

1. A Transformation of Learning in Schools will be delivered as a result of the investment in wave 5 through:

- The establishment of high-tech, fully-inclusive, agile learning environments that are purpose-built to support 21st Century Learning, and incorporate a variety of learning spaces, diversified in terms of size (individual “quiet spaces”; spaces for small groups; lecture-based spaces etc.), flexibility and functionality. This will enable the delivery of different modes of learning and allow for learning to be adapted to the personalised learning journey of each individual child, with spaces capable of actively responding to learning styles, providing access to learning in different ways within the same period of time. Flexibility will be built into the design of learning spaces to ensure that they are adaptable to future demands. Personalisation will drive the design of *all* schools.
- The development of innovative approaches to teaching and learning, including (as core elements) cross-curricular, project-based learning (that emphasises skills acquisition and independent learning) and the integration of meta-cognitive pedagogies, e.g. “learning how to learn” and AfL. Personalisation is the founding principle of this approach and will be underpinned by the learning environments described above.
- Personalisation will be complemented by a rigorous focus on the core subjects of English, Maths, Science and ICT as a central tenet of all W5 schools, especially those with *National Challenge* status.
- Personalisation will be enhanced by a greatly extended range of curricular pathways and vocational opportunities, supported by bespoke 14-19 facilities and learning environments designed with a more professional, “real world” feel. “Blurred” technical/specialist areas will encourage inter-disciplinary working and fully support Project Based Learning (PBL). This provision is being planned

strategically and collaboratively to ensure over-delivery relative to the Learner Entitlement, with this being an essential component in Kent's strategy to engage the previously disengaged. The extended curriculum offer will be further enhanced by the development of a new Maritime Academy in Dover and Vocational Centre on Walmer site.

- Personalisation and enhanced choice will be extended by BSF schools' commitment to work towards a second specialism by 2018. By strategically planning school specialisms, and embedding robust partnership working to share specialism expertise, Kent will greatly increase its capacity to engage learners in their personalised goals, drive-up post-16 retention and reduce the incidence of NEETs.
- The Managed Learning Environment (MLE) will facilitate a more independent and interactive approach to learning for pupils, enabling further personalisation in terms of how, when, where and at what pace individuals choose to learn, including: online PBL; learner-directed extension and diversification of their programme of learning; user-generated content; and the universal provision of electronic portfolios.
- The MLE will also provide a core route of access to robust Information, Advice and Guidance (IAG) that will provide a platform for universal access to the 14-19 Curriculum Pathways.
- The MLE will enable and support a robust methodology for the use and evaluation of performance and attainment data across W5 schools, enabling schools to proactively identify improvements to teaching and learning and support the sharing of best practice from high-performing areas.

The key outcomes arising from the proposals will be:

- A step-change in GCSE attainment, with W5 schools expected to achieve and exceed the 30% National Challenge baseline. Kent's aspirational target is for W5 schools to achieve a baseline of 60% of learners attaining 5+ A*-C at GCSE (incl. E&M) by 2018. This will close the attainment gap between schools, whilst maintaining and building-on existing high-performance. The attainment gap will also be reduced by establishing a CVA "floor" of 1010.0 for all W5 schools.
- More engaged and aspirational learning communities that take ownership of their own learning journey. Learners will be at the centre of a personalised education system, which employs a variety of learning methods to meet the needs of the individual learner. Personalisation will be an entitlement for all W5 learners by 2018, with each pupil receiving a tailored curriculum offer from Year 7, fully supported by ICT at all levels. Increased course choice and flexibility will be coupled with a robust system of AfL, administered by a network of Learning Mentors, who will support pupils' individual learning needs and employ cyclical feedback mechanisms on a continuous basis. Kent's target is that these factors will result in a 95% baseline attendance at W5 schools.
- Increased engagement through mass personalisation will support Kent in meeting its 2018 targets for post-16 education in W5, i.e. an overall increase in school-based post-16 retention rates to 66% (in line with the pupil planning projections) and a reduction of NEETs within the 16-18 population to as near to 0% as feasible.
- In addition to mass personalisation, all pupils will receive a robust core offer of education in English, Maths, Science and ICT, to ensure that pass rates in these subject areas are brought in line with overall GSCE pass rates. PBL will be targeted to ensure that these priority areas are threaded through all forms of learning.

- The enhanced 14-19 curriculum, coupled with flexible, anytime, anyplace learning and improved access, will support learners in becoming more independent and economically active and ease the transition from school to employment/further education opportunities.
- By 2018, all W5 schools will have fulfilled the necessary criteria for second specialism accreditation.
- The MLE will also generate efficiency savings and streamline business processes, ensuring greater teacher focus on improving learner outcomes.

2. Placing Schools at the Heart of Their Communities will be supported by the Wave 5 BSF investment through:

- School facilities will be open out-of-hours and, amongst other things, host activities aimed at engaging young people in making a constructive, positive contribution and in taking ownership of their personal development. Extended community engagement will be supported by the intelligent zoning of shared facilities.
- Communication between schools, parents and the local community will be improved by ensuring all key stakeholders have appropriate input into the design process. The W5 MLE will also significantly improve links between schools and parents by making available online reports and assessments to support parental involvement in their children's education.
- BSF investment in ICT will provide a virtual heart-space to support the needs of disadvantaged families living on the edge of this digital society, enabling them to take full advantage of Home Access funding.
- Through BSF, all schools will be equipped with amply-sized dining facilities, with a general shift to dispersed, casual eating areas, as well as ensuring that the authority meets Government requirements for the provision of at least 1 technology area that includes a practical cooking space.
- School sports facilities will be significantly improved in terms of their quality, quantity and the range of activities they support, with a baseline commitment for all W5 schools to have a dedicated four-court sports hall. Through regular PE & Sports Stakeholder (PESS) Group consultation, the authority is ensuring that sports facilities are planned strategically and are tailored to the needs of the curriculum and the community.
- Through BSF, there will be an increased emphasis on sustainability. All W5 schools will be developed in line with Kent's vision for sustainability and designs will be expected to meet the BREEAM 'excellent' standard.

The key outcomes arising from the proposals will be:

- Establishing a basic entitlement for all children, young people and their families to a "core offer" of extended schools provision fully supported by well-designed facilities and integrated ICT. This entitlement will be exceeded by 2018, with the authority supporting schools to achieve 'Advanced' Quality in Extended Schools Status.
- By diversifying and extending the range of out-of-school-hours activities, Kent envisages a reduction in anti-social behaviour by young people, with all children & young people being supported to make a positive contribution to their local communities and develop into productive, healthy adults.
- Significant improvements in communications between schools and parents will ensure that early targeted support can be provided to pupils who are not achieving, having difficulties or behaving badly.

- W5 schools will see significant improvements in health outcomes for pupils by fulfilling the Government’s target of access to 5 hours of school sport and PE a week. Pupils will also be encouraged to adopt healthy lifestyles through the promotion of healthy eating, sustainable behaviours and walking and cycling to school.
- In addition, by making sport and culture an integral element of the out-of-school extended schools offer, BSF will contribute to the Youth Cultural Offer of access to five hours of quality culture per week.
- The extended schools offer will result in improved outcomes for local communities through the provision of adult learning, skills acquisition and engagement in sustainable, healthy lifestyles. BSF will help by forging links with local communities, organisations and businesses, with the reciprocal benefit of encouraging their increased engagement in the operation of learning communities.
- W5 schools will work towards eco-schools accreditation, with the authority target of a baseline of all schools having achieved the Silver Award by 2018. In addition to sustainable design, this will involve the development of learning communities that have sustainable behaviours at their core and ones that nurture future “citizens of the world”.
- As a consequence of these combined proposals, BSF will result in significant improvements in both parental and community perception of W5 schools.

3. A Restructuring of Schools is facilitated by the Wave 5 investment through the following:

- A reorganisation of schools (including two new academies, a new trust school and the federation of two schools) will improve attainment, increase diversity, address surplus places, enhance collaboration and ensure that schools are of the right size and location to meet the needs of their communities. This reorganisation is founded upon firm collaborative arrangements between schools throughout the BSF visioning and 14-19 planning processes, with schools assuming collective responsibility for all children and young people in the area.
- To support this reorganisation and maximise curriculum choice/accessibility, ICT (in enabling anytime/anyplace learning) and multi-institutional teachers will be used strategically across schools in W5.
- It is the authority’s intention to integrate PRU provision within schools, with the Brook acting as a ‘hub’ for best practice.
- The reorganisation will enhance the delivery of the five ECM outcomes, with schools becoming the focal point for the integration and/or co-location of children-focussed services. W5 schools will be designed to integrate both flexible and dedicated facilities to ensure that Team Around the Child (TAC) arrangements are central to the school environment through ‘virtual’ TAC arrangements supported by ICT or multi agency centres.
- W5 schools will be designed to eliminate bullying hotspots (e.g. in narrow corridors and in toilets) and increase the capacity for passive supervision. In addition, schools will be designed to ensure DDA compliance and incorporate Care Suite facilities, whilst specialist technologies (such as alternative pointing devices and touch screens) will enable LDD/PD pupil’s greater ease of access to ICT.
- Enhanced pastoral care will result from the development of the schools-within-schools model, the adoption of “stage not age” forms of organisation and the embedding of various vertical tutoring arrangements across W5. In addition, all W5 learners will be assigned a Learning Mentor. Mentors working with underachieving

pupils/groups (such as LAC) will have special responsibilities, including liaising with carers and coordinating the involvement of multi-agency teams.

The key outcomes expected from the above are:

- Kent’s vision for W5 is for “all schools to be a first choice school”. The reorganisation of schools will fulfil this vision by “building-in” increased collaboration, school sustainability and, ultimately, universal levels of high-attainment. Curriculum choice will also be enriched and diversified through the proposed federation of the Dover Grammars, the amalgamation of the Deal schools and the strategic 14-19 collaboration embedded throughout Kent’s BSF process.
- This enhancement of choice, diversity and access will support Kent’s target of 90% of parents securing places at their first preference school.
- Kent’s proposals for dissipated, integrated PRU provision will be integral to W5 schools meeting their own target of eliminating permanent exclusions by 2010.
- Improved, targeted pastoral care and a broader, more needs-focused curriculum choice will result in a significant reduction of the attainment gap between groups of learners. The strong, sustained relationships with adults and peers resulting from improved pastoral care, coupled with thoughtful design, will also serve to reduce the incidence of bullying in W5 schools.

4. The Creation of an Appropriately Resourced Infrastructure will be supported by the wave 5 BSF investment through the following:

- Continuous Professional Development (CPD) – Kent’s pioneering change management programme (developed in partnership with Professor David Hargreaves, Professor Stephen Heppell and SSAT) will facilitate the transition into new forms of learning, whilst also supporting schools during the build process.
- Kent’s Secondary Transformation Team (SecTT) is a small group of ex- and serving headteachers seconded to work with schools to implement the Secondary Strategy, lead change and develop and disseminate innovative educational practice. SecTT play a central role in ensuring School Strategy for Changes cohere with and contribute to the overall vision for the Wave.
- State-of-the-art Learning Spaces – The design of innovative learning spaces, incorporating the intelligent use of ICT, will also represent a fundamental element in driving and supporting change in W5.

The combination of the above factors will drive the implementation of Kent’s Wave 5 strategy forward, thereby realising delivery of the envisaged outcomes, whilst also ensuring that no community, no school and no child is left behind in the process.

The table below sets out a high level summary of the proposals in relation to each of the schemes:

School Name	Key Impact of BSF
The Harvey Grammar School	<ul style="list-style-type: none"> • Creation of a coherent building estate designed to create opportunities to combine continued high academic standards with ground-breaking approaches to teaching and learning. • Removal of buildings that are not fit for purpose, bringing the rest

School Name	Key Impact of BSF
	<p>up to the standards needed to transform the life chances of young people.</p> <ul style="list-style-type: none"> • A more open, flexible approach to learning • A welcoming aspect to students from other schools & the wider community state of the sports & leisure / fitness facilities
Dover Grammar School for Girls	<ul style="list-style-type: none"> • Proposal for a hard federation with Dover Grammar School For Boys (subject to consultation). • New buildings with shared facilities to be constructed on new site. • More intensive focus on meta-cognitive pedagogies & approaches to schooling, as per Kent Secondary Strategy & DDfG SFC. • Greater use of project-based learning and multi-disciplinary enquiry to support humanities specialism.
Astor College for the Arts	<ul style="list-style-type: none"> • In a hard federation with 3 feeder primary schools. • Spaces designed to manage issues that underpin KS 2/3 transition / federation with primaries; • Spaces that promote flexible approaches to teaching and learning, and positive social interactions; • Specialist areas, especially those relating to 14-19 vocational provision;
Aspen II Unit	<ul style="list-style-type: none"> • Funding claimed through Wave 5 but to be delivered as part of the Archers Court Academy Proposal.
Walmer Science College	<ul style="list-style-type: none"> • Proposal to discontinue both schools and replace with a single school on the Castle site (subject to consultation). • Develop facilities that build on the schools' semi-urban location and enhance its role as a community school including: • Outstanding sports facilities • Flexible spaces that promote personalised learning • A wide range of facilities for community use. • Some buildings to be retained at the Walmer site for a vocational centre
Castle Community College	
Sir Roger Manwood's School	<ul style="list-style-type: none"> • Largely new facilities that reflect the long-established tradition of academic excellence and bring a clear focus on 21st century education. • Develop state of the art maths and computing as a pervading feature of the school experience and appearance • Provide outstanding sporting facilities
The Folkestone School for Girls	<ul style="list-style-type: none"> • An iconic building reflecting both the school's commitment to innovation. High quality design to convey a sense of value and purpose in learning with the removal of buildings no longer fit for purpose. • Spaces that promote flexible approaches to teaching and learning, and positive social interactions. • An ICT rich feeling pervading the school, reflecting the school's commitment to innovation in teaching, learning and management
St. Edmund's	<ul style="list-style-type: none"> • Design that reflects the school's religious character. The removal

School Name	Key Impact of BSF
Catholic School	<p>of buildings no longer fit for purpose.</p> <ul style="list-style-type: none"> • Spaces that facilitate the school's unique approach to pastoral care and the Catholic ethos • Spaces that promote the vision of flexible learning outlined the SFC and Kent Secondary Strategy.
Pent Valley Technology College	<ul style="list-style-type: none"> • Substantial re-building of the school campus. • Design to support the school's well established focus on ECM and 'the whole child' with the new accommodation providing opportunities to bring in non-educational professionals and other student support services.
Dover Grammar School for Boys	<ul style="list-style-type: none"> • Proposal for a hard federation with Dover Grammar School For Girls (subject to consultation). New buildings with shared facilities to be constructed on new site. • New facilities to support the Business and Enterprise Specialism • Development of a new curriculum providing greater choice to learners by taking advantage of hard federation with Dover Girls.
Sandwich Technology School	<ul style="list-style-type: none"> • Completion of school campus following substantial investment by school and KCC. • Technology will continue to feature strongly as an iconic feature of the buildings. • Community facilities will be given a high profile to reflect the school's location and longstanding commitment to serve local people
Brockhill Park Performing Arts College	<ul style="list-style-type: none"> • Facilities that build on the school's semi rural location and enhance its already well-established role as a community school including: • Outstanding sports facilities • Flexible spaces that promote personalised learning • A wide range of facilities for community use. •
Highview School	<ul style="list-style-type: none"> • In a hard federation with Foxwood School. Propose federated school 'under one roof' with Foxwood school (subject to consultation) • Both schools to offer a holistic, inclusive education provision for learners with moderate and special learning difficulties, and autistic spectrum special educational needs. •
Foxwood School	<ul style="list-style-type: none"> • In a hard federation with Highview school. Propose a federated school 'under one roof' with Highview school (subject to consultation) • Both schools to offer a holistic, inclusive education provision for learners with moderate and special learning difficulties, and autistic spectrum special educational needs. •
Harbour Special School	<ul style="list-style-type: none"> • Harbour special school has already received some investment under the Kent Special Schools Review Programme and BSF

School Name	Key Impact of BSF
	investment will enable Kents existing investment to be enhanced and improved ICT
Brook Education Centre	<ul style="list-style-type: none"> • Management devolved to local Children's Trust • Much closer links to main stream using support programmes • Improved ICT to support their existing personalised agenda.

3. Affordability

3.1 A separate confidential report later on the agenda sets out the affordability and commercial matters in relation to wave 5.

4. Indicative Project Timescales

Wave 5 timescales

4.1 Indicative timescales for the wave 5 BSF programme in accordance with the timescales set by the DCSF/PfS.

Stage	Indicative Timetable
Strategy for Change Part 1 Submission	19 th May 2009
Strategy for Change Part 2 Submission	September 2009
Outline Business Case Submission	December 2009
Outline Business Case Approval	January 2010
Issue OJEU notice	February 2010
Prequalification Phase	March 2010 – May 2010
Announce Bidder Shortlist of 3	May 2010
Dialogue Phase 2 with 3 Bidders	May 2010 – October 2010
Announce shortlist of 2	October 2010
Dialogue Phase 2 with 2 Bidders	October 2010 – March 2011
Announce Preferred Bidder	April 2011
Introduce Phase 2 Schools to Bidder	April 2011
Preferred Bidder Stage	April 2011 – September 2011
Financial Close Phase 1	September 2011
LEP Establishment	September 2011
Construction Start Phase 1 Wave 5	September 2011
Construction complete Phase 1	September 2013
Financial Close Phase 2	December 2011
Construction Start Phase 2	December 2011
Construction Complete Phase 2	December 2013
Wave 5 phase 3 issued to LEP	September 2011
Wave 5 phase 3 Financial Close	December 2012
Construction Start wave 5 Phase 2	December 2012
Construction complete for wave 5 phase 2	December 2014

5. Risks

5.1 The key risks associated with this transaction are set out in the table below, along with the high-level strategies that could be deployed to mitigate them. For clarity the risks are divided between conventionally financed projects, PFI projects, and the procurement programme risks. A full risk register has been compiled and is set out in appendix 4.

Risks associated with conventionally financed projects	
Risk	Mitigation
An affordability gap exists on conventionally financed projects at the end of the competitive dialogue.	<p>KCC has four options:</p> <ul style="list-style-type: none"> i.) Scale-down the scope of the works to ensure projects are affordable; ii.) Close the gap through school's own capital resources; iii.) Close the gap through capital receipts generated in these or other projects within the CFE portfolio; or iv.) A combination of the above.
Risks associated with PFI projects	
Risk	Mitigation
An affordability gap exists on the PFI projects at the end of the competitive dialogue.	<p>KCC has four options:</p> <ul style="list-style-type: none"> i.) Close the gap by top-slicing it from the total, county-wide school's budget; ii.) Scale-down the scope of works to ensure projects are affordable (accepting that they will remain PFI projects and will not be scaled below the 70% new-build threshold); iii.) Close the gap through school's own capital resources; iv.) Close the gap through the CFE capital and revenue budgets; or v.) A combination of the above.
A PFI school closes	<p>A PFI school could close if there was insufficient demand for pupil places.</p> <p>We have undertaken a demand risk analysis for all three schools which suggests this risk is minimal. This analysis has been shared with the external auditor (PWC) and central government.</p> <p>In the highly unlikely event that a PFI school faced serious demand risk, KCC has two options:</p> <ul style="list-style-type: none"> i.) re-organise the allocation of pupil places in the area such that the PFI school is protected. This could

	<p>include changing the designation and type of school.</p> <p>ii.) Alter the usage of the facility – i.e. to deliver other / additional public or private services.</p> <p>In the very unlikely event that a PFI school did close, KCC would be liable for the on-going cost of the PFI contract.</p> <p>The asset would remain within KCC's ownership.</p>
The PFI provider performs poorly	<p>The LEP model incorporates checks and balances to incentivise the PFI provider. These include:</p> <p>i.) continuous improvement targets</p> <p>ii.) national performance monitoring and benchmarking</p> <p>The PFI provider is liable to penalty payments should it fail to meet agreed performance standards.</p>
Risks associated with the procurement programme	
Risk	Mitigation
Insufficient market interest / lack of competition	KCC has undertaken intensive market testing over the 8 months to assess the likely level of interest in the project. The feedback to date from both central government and the market suggests a very high level of market interest – including multi-national construction and ICT firms, and lenders.
A change of government part way through the procurement and the programme is stopped. (in this eventuality KCC would have lose any development costs incurred)	KCC continues to be in discussion with PFS and the DCSF as to any likely changes that may happen should there be a change in government with a view to ensuring that the any losses are minimised.

6. Wave 5 BSF Project Development Costs

6.1 The continuing BSF, PFI and Academies team running costs and the development costs are to be formally agreed as part of the authorities budget in February 2010 to take forward the Wave 5 scheme. This includes the cost of the Secondary Transformation Team.

6.2 In relation to Wave 5 the estimated development costs to reach Financial Close are set out in the table below:

Development Costs	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
External	£668,923	£1,270,000	£1,495,000	£30,000	£30,000	£30,000

Advisors						
Agency Fees	£57,330	£98,280	£181,700	£107,800	£0	£0
KCC legal	£240,000	£300,000	£300,000	£60,000	£0	£0
KCC property	£39,000	£39,585	£40,575	£41,589	£42,629	£43,694
Total	£1,025,253	£1,707,865	£2,017,275	£239,389	£72,629	£73,694

7.. Recommendations

Cabinet is asked TO:

- 1) NOTE current progress in respect of LEP 1
- 2) NOTE current progress in respect of the Wave 5 BSF Proposal and the procurement of Kents second Local Education Partnership.

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BSF SCHOOLS – LEP 1Wave 3 BSF Schools

- Charles Dickens School, Broadstairs
- Community College Whitstable, Whitstable
- Dane Court Grammar School, Broadstairs
- Herne Bay High School, Herne Bay
- Ifield School, Gravesend [the School was rebuilt as part of Kent's Special School Review, but is funded by BSF and is receiving the ICT Managed Service provided by KLEP1]
- King Ethelbert School, Birchington
- Northfleet School for Girls, Gravesend
- Northfleet Technology College, Gravesend
- St George's CE Foundation School, Broadstairs
- St John's Catholic Comprehensive School, Gravesend
- Thamesview School, Gravesend

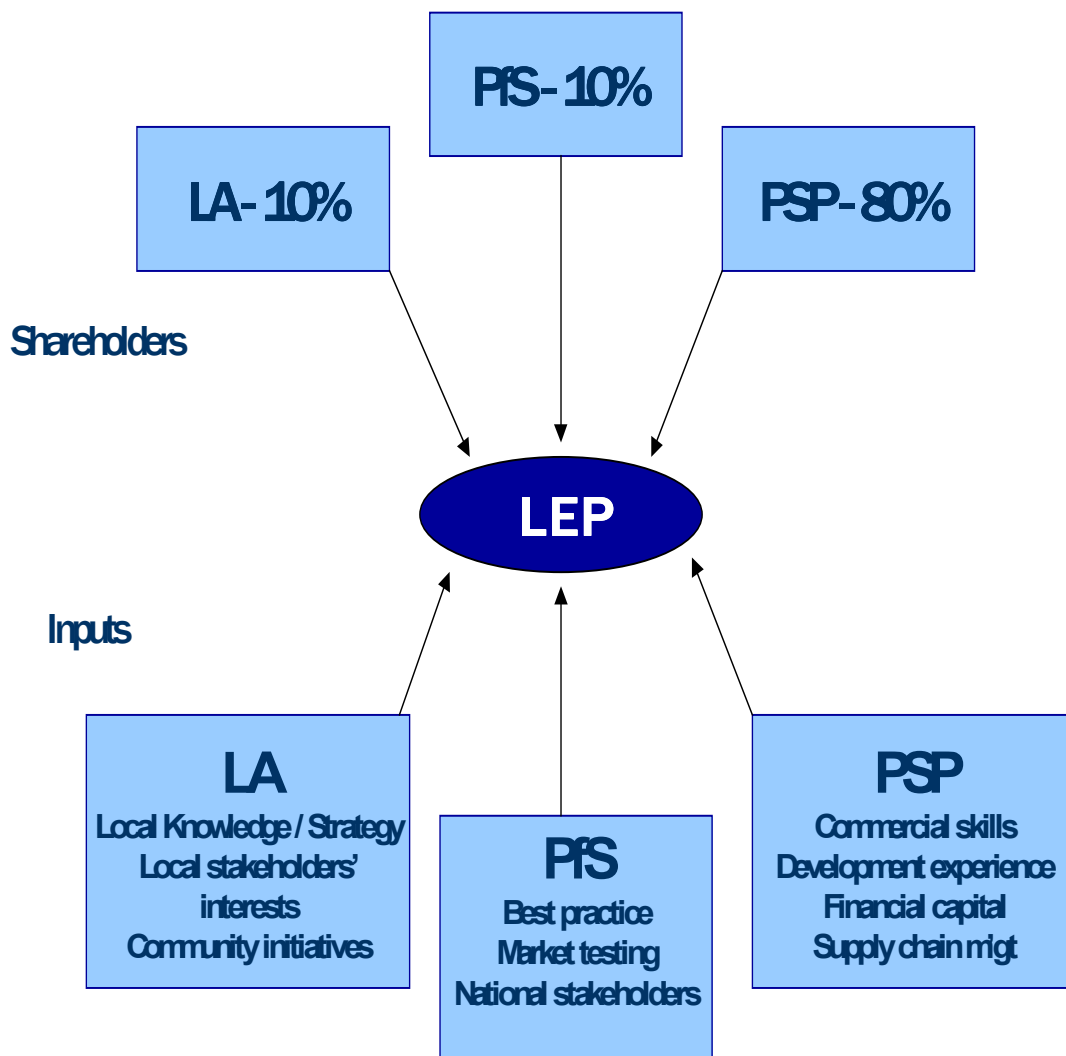
Wave 4 BSF Schools

- Clarendon House Grammar School, Ramsgate
- Chatham House Grammar School, Ramsgate
- [The] Foreland Special School, Broadstairs
- Gravesend Grammar School, Gravesend
- Gravesend Grammar School for Girls, Gravesend
- Hartsdown Technology College, Margate
- [The] Hereson School, Broadstairs
- Laleham Gap School, Margate
- Meopham School, Gravesend
- Northwood Centre, Ramsgate
- Sheppey Academy, Minster-on-Sea
- St Anthony's School, Margate
- St George's CE School, Gravesend
- Stone Bay School, Broadstairs
- Ursuline College, Westgate-on-Sea
- Portal Special School, Dover

Wave 6 BSF Schools

- Abbey School, Faversham
- Borden Grammar School, Sittingbourne
- Challenger Centre (PRU), Sittingbourne
- Fulston Manor School, Sittingbourne
- Grosvenor House, Herne Bay
- Highsted Grammar School, Sittingbourne
- Queen Elizabeth's Grammar School, Faversham
- Sittingbourne Community College, Sittingbourne
- [The] Westlands School, Sittingbourne

The Local Education Partnership Model



SEE ATTACHED SHEET MASTER BSF PROGRAMME

KCC BSF Risk Register

APPENDIX 4

	High Risk/Immediate/ Bi – weekly monitoring
	Medium Risk/ contingency plan/ monthly monitoring
	Low risk/ quarterly monitoring

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KCC Risk Register				To be borne by			Suitable advisors to be used on issues identified in risk register where appropriate		
No	Major risk category	Definition	Probability (Low, Medium, High)	Impact (Low, Medium)	KCC	Share d	Partn er	KCC mitigation strategy	Risk owner
KCC Programme risks									
Governance Stakeholder buy in and strategic issues									
1	Project Management and governance arrangements	Risk that arrangements do not deliver decisions in timely way	Low	High	♦			KCC governance and management arrangements agreed and kept under review for efficiency	Project Director
2	Stakeholder buy in – schools	Risk that schools confidence wavers over course of procurement	Medium	High	♦			Effective communications strategy and integrating schools properly into project management and	Project Director

								procurement processes. Support via the secondary transformation team	
3	Stakeholder buy in – Members	Risk that Members are not able to make decisions in timely way	Low	High	◆			Continued regular dialogue. Regular updates to cabinet and Programme Board.	Project Director
4	Stakeholder buy in - others e.g (diocese)	Risk that other stakeholders are not engaged in a timely way	Medium	High	◆			Effective communications strategy and making key stakeholders a formal part of the management structure through the Local Partnership Board	Project Director
5	School Organisation Committee (SOC) (streams 4/5)	Risk that SOC decisions are not achieved in timely way	Low	Medium	◆			Clear timetable and early preparation	Area Education Officers
6	Cross Boundary issues	Risk cross-boundary issues could impact on secondary school places	Low	Medium	◆			Need to work closely with neighboring clusters (in later bsf waves) to manage supply and demand on supply places.	Area Education Officers
7	Land shortage	Reduced choices for reconfiguration, decant, purchases, land swaps and closure	Medium	High	◆			Ensure early negotiations with vendors (Dover Grammar site)	Project Director
Education Vision									
8	Adequate funding level	Level of funding not sufficient to deliver vision/transformation	High	High	◆			Ensure options are strong, with high level of stakeholder buy in and work	Project Director Supported by Bernard Clarke

								closely with PFS	
9	Pupil Place Planning	Risk that pupil place demand incorrectly calculated	Low	High	◆			Regularly review figures in line with latest trends	Area Education Officer
10	Impact on SFC2	Risk that SBF2 will not get approval	Medium	High	◆			Effective communications with PFS to ensure issues are recognised and dealt with early.	Project Director
11	Partnership infrastructure	Failure or delay in agreeing with schools the processes for developing new forms of partnership structure	Low	High	◆			LA, schools and advisors to develop partnerships	Project Director supported by Project and Procurement Managers
12	Insufficient capacity	Insufficient capacity of KCC staff to LAd and facilitate or loss of momentum by secondary transformation team	Low	Medium	◆			LA to manage resources/human resources closely	Project Director
13	Not achieving educational outcomes		Low	High		◆	PSP has some responsible to deliver this	Continual monitoring of performance throughout project	Project Director
14	Not achieving ICT transformation		Low	High		◆	PSP has some responsible	Continual monitoring of performance throughout project	Project Director

						to deliver this			
15	Failure to deliver	LA does not achieve its vision	Medium	High		◆ PSP has some responsible to deliver this		Need to benchmark and regularly monitor performance	Project Director
16	Stakeholders object to vision during implementation		Medium	High	◆			Ensure adequate communication and explanation of strategy	Project Director
17	SEN review integrated into BSF objectives		Low	Medium	◆			Ensure adequate communication and explanation of strategy. Regular review to ensure that objectives are aligned	Project Director
Finance									
18	Adequate development budget	Adequate budget required for the deliver of the OBC	Medium	Medium	◆			Set realistic budgets for team and advisors	Project Director
19	Market fluctuations pre-financial close	Funding Indices fluctuate causing uncertainty on affordability position	High	High	◆			Indices to be closely monitored so that any cost creep can be mitigated as soon as possible. Agree strategy with PFS	Partnership for Schools
20	Market fluctuations post financial close	Funding Indices fluctuate causing benchmarked pricing to represent poor	High	High			◆	Need to ensure that financial models and contracts for PFI/D&B contracts	Project Director

		value for money or LEP to decline new follow on projects.						are robust to avoid disputes soon after contracts are signed. Agree a sophisticated benchmarking regime that accurately tracks market to make sure partnership is equitable financially to all parties.	
21	Tax /interest/insurance rate changes pre-financial close	Costs escalate beyond worst case assumptions in OBC's financial model	Medium	High	◆			Careful monitoring so that remedial action can be taken quickly	Project Director Supported by KCC Finance LAd
22	Tax /interest/insurance rate changes post-financial close	Costs exceed contractually agreed model assumptions	Medium	High		◆		Need to ensure that financial models for PFI/D&B contracts are robust to avoid disputes soon after contracts are signed if partner tries to make up shortfall in other ways	Project Director Supported by KCC Finance LAd
23	Irrecoverable VAT issues	VAT position changes over course of procurement	Medium	Medium	◆			Take expert advice in a timely manner	Project Director Supported by KCC Finance LAd
24	Delay in securing DFCS funding	Delay in securing OBC/FBC approval	Medium	High	◆			Need to ensure that business cases are as robust as possible and properly quality – assured	Partnerships for Schools
25	Not used								
26	Difficulty bridging	Affordability gap	High	High	◆			Tight management if	Project Director

	affordability gap (includes schools contributions)	grows over course of procurement beyond members agreed position						the procurement process and contractual negotiations so that partner delivers within the funding envelope. Review scope of scheme	
27	Equity for strategic partner	Difficulties in raising funding	Low	High			◆	Capacity to raise equity will be an evaluation criteria at ITPD stage	Project Director
28	Ensure value for money	Make sure options appraisal delivers best solutions as this impacts on OBC approvals	Medium	High	◆			Keep financial advisors up to date with developments	Project Director
29	Deliver PFI off balance sheet	Ensure accounting treatment is robust	Low	High	◆			Need to ensure early input of financial advisors and preliminary accounting treatment assessment	Project Director
30	Whole life cost maintenance and facilities management (OBC)		Medium	Medium	◆			Ensure sufficient information in AMP to inform financial modelling	Project Director Supported by procurement manager
Procurement of a strategic partner									
31	Partnering specification not drafted tightly enough	Insufficiently defined specification	Medium	High	◆			School/LA sign off to specification	Project Director Supported by procurement manager
32	Observe EU Directives	Quality of bid response to OJEU documents results in	Low	High	◆			Ensure legal advice sought throughout the procurement	Project Director Supported by procurement

		non-compliant bids and/or a need to issue further guidance to bidders						process	manager
33	Poor quality of response to OJEU notice	Quality of bid response to documents results in non-compliant bids and/or a need to issue further guidance to bidders	Medium	High	◆			Clear specification of bid requirements, well thought through evaluation criteria, well drafted legal documents, robust financial model and realistic payment mechanism	Project Director Supported by procurement manager
34	Challenge by aggrieved party 3 rd	Challenge about the conduct of the process	Low	High	◆			Document control, transparent audit trail of decisions and their supporting evidence	Project Director Supported by procurement manager
35	Information not provided to bidder	Data room not adequately stocked, procurement documentation of poor quality etc..	Low	Medium	◆			Create a checklist of information to be provided. Make sure schools understand requirements and timetables. Begin data room stocking early.	Procurement manager
36	OBC not viable	OBC not attractive to private sector partners	Medium	High	◆			Provisionally explore with planning all options as they are presented in development of the business case.	Project Director Supported by procurement manager
37	Delays in decisions by key third parties relating to standard documentation	E.g., external advisors, pfs, DFCS	Medium	High		◆	share d between KC and	Engage in issue resolution in timely fashion. Seek early guidance on necessary derogation's from	Project Director Supported by procurement manager

						PfS		standard documentation	
38	Effective use of advisors	Ensure that advisors are available for all project issues	Low	High	♦			Appoint and agree terms of reference	Project Director Supported by procurement manager/ project manager
Contractual compliance issues									
39	Change requirements in	Schools, council require design change to buildings or services such as ICT	High	High	♦			Robustly prepared specifications developed with the schools with expert support	Project Director Supported by procurement manager/ project manager
40	Poor sub contract performance	Services not provided to contractually agreed specifications	Medium	High			♦	Rigorous procurement that reduces the risk of selecting a partner that cannot deliver the programme through effective programme and supply chain management. Robust incentivised SPA and supply chain contracts to be put in place.	Project Director Supported by procurement manager/ project manager
41	Contractor/ sub disputes/claims	Supply chain disputes	Medium	Medium			♦	As above	Project Director Supported by procurement manager/ project manager
42	Non availability of facilities/failure to meet performance standards	Services not provided to contractually agreed specifications in a way that affects	Medium	High			♦	As above	Project Director Supported by procurement manager/ project manager

		agreed definition of availability							
43	Contract default/termination – council	Breach of contractual conditions	Low	High	♦			Strong contract management function	Project Director Supported by procurement manager/ project manager
44	Contract default/termination – PSP	Breach of contractual conditions	Low	High			♦	As above	Project Director Supported by procurement manager/ project manager
45	Poor contract management client side	Poor management LAs to contract becoming unenforceable and a drop in service standards	Low	High	♦			Recruitment of a strong team to manage the strategic partner and the individual contracts, and sufficient consideration of long term management issues during the procurement and negotiation of contracts	Project Director Supported by procurement manager/ project manager
Design									
46	Site constraints/contamination/abnormals	No further definition required	Medium	Medium		♦ (shared risks/kcc/psp)		Arrange adequate surveys/site investigations	Project Director supported by Project Manager
47	Failure to design to brief	No further definition required	Low	High			♦	Evaluation of prospective partner at each stage of the procurement process to take account of their	Project Director supported by Procurement Manager

								ability to manage the design process. Appoint Independent Certifier	
48	Design changes caused by LA/DFCS	No further definition required	Low	Medium	◆			Tight variation control process	Partnerships for Schools/DFCS
49	ICT specification not adequate	No further definition required	Low	High	◆			ICT specification to be tested in the marketplace once developed with expert help	Project Director supported by Project Manager
50	Design non functionality	No further definition required	Low	High			◆	Architects must have demonstrable track record in designing high quality schools	Project Director supported by KCC Design Champion
51	Failure to build to brief	No further definition required	Low	High			◆	Ability to manage supply chain is a key evaluation criteria. Key supply chain members selected on the basis of track record.	Project Director supported by Project Manager
52	Poor initial design options from Bidder	No further definition required	Low	Medium			◆	Provide architects with comprehensive range of surveys and studies. Appoint Client Design Advisor and structure meetings with Bidders during procurement.	Project Director supported by KCC Design Champion
53	Approval of design options	No further definition required	Medium	High			◆ (will be shared after LEP up	Ensure options reflect education vision to bring about transformation	

						and running			
54	Failure to obtain outline planning consent	No further definition required	Low	Low	♦			Ensure ongoing consultation of planners and stakeholder buy in to projects	Project Director
55	Failure to obtain detailed planning consent	No further definition required	Medium	High			♦	Ensure ongoing consultation of planners and stakeholder buy in to projects. Ensure that designs met planning requirements	Project Director
Construction									
56	Poor project management	No further definition required	Medium	High			♦	Ensure that partner and supply chain have track record in delivering to time, budget and brief	Project Director supported by Procurement Manager
57	Poor sub contract performance	No further definition required	Medium	High			♦	As above	Project Director supported by Procurement Manager
58	Contractor /sub dispute/claims	No further definition required	Medium	High			♦	As above	Project Director supported by Procurement Manager
59	Subcontractor insolvency	No further definition required	Low	High			♦	As above	Project Director supported by Procurement Manager
60	Decant estimates wrong	No further definition required	High	High			♦	As above	Project Director supported by Procurement

									Manager
61	Commissioning estimates wrong	No further definition required	Medium	High			♦	As above	Project Director supported by Procurement Manager
62	Latent defects	No further definition required	Low	Medium			♦	As above plus robust surveys	Project Director supported by Procurement Manager
63	Health and safety	No further definition required	Low	High			♦	As above	Project Director supported by KCC legal
64	Capacity of services during construction	No further definition required	Medium	High			♦	As above	Project Director supported by Procurement Manager
65	External noise	No further definition required	Medium	Medium			♦	As above	Project Director supported by KCC legal
66	Archaeology	No further definition required	Low	High			♦	As above	Project Director supported by KCC legal
67	Public Liability	No further definition required	Low	High			♦	As above	Project Director supported by KCC legal
68	Security	No further definition required	Low	Medium			♦	As above	Project Director supported by KCC legal
69	Contamination/asbestos	No further definition required	High	High			♦	Ensure design excellence and robust financial modeling/robust surveys	Project Director supported by Technical Advisor
70	Contractor insolvency	No further definition required	Low	High			♦	Bond and parent company guarantee	Project Director supported by KCC legal
Contractual delivery									
71	Incorrect	No further definition required	Low	High			♦	Ensure contractual	Project Director

	estimated opex costs	required						financial models are realistic	supported by Procurement Manager
72	Legislative change – school specific	No further definition required	Low	High		♦		Specifications to future-proof as much as possible and to optimise building flexibility	Project Director supported by Procurement Manager
73	Legislative change – general – PFI	No further definition required	Medium	Medium		♦		Ensure bids take account of any known changes	Project Director supported by Procurement Manager
74	Legislative change – D&B	No further definition required	Medium	Medium		♦		Ensure bids take account of any known changes	Project Director supported by Procurement Manager
75	Changes in taxation/VAT PFI	No further definition required	Low	Medium			♦	Ensure bids take account of any known changes	Project Director supported by KCC Finance
76	Changes in taxation/VAT D&B	No further definition required	Low	Medium			♦	Ensure bids take account of any known changes	Project Director supported by KCC Finance
77	Incorrect lifecycle maintenance cost estimates PFI	No further definition required	High	High			♦	Ensure that lifecycle provision built into contractual model is realistic	Project Director supported by Procurement Manager
78	Incorrect lifecycle maintenance cost estimates D&B	No further definition required	High	High	♦			Ensure that lifecycle provision built into contractual model is realistic	Project Director supported by Procurement Manager
79	Incorrect estimate of energy used volume	No further definition required	Low	High			♦	Ensure that strategic partner takes into account utilities in design process	Project Director supported by Procurement Manager
80	Incorrect estimate of energy used tariff	No further definition required	Low	High	♦			Ensure that strategic partner takes into account utilities in design process	Project Director supported by Procurement Manager

81	Incorrect estimate of staff restructure costs	No further definition required	Low	High			◆	Accurate staffing information to be provided to Bidder	Project Director supported by Procurement Manager
82	Incorrect estimate of ICT costs	No further definition required	Medium	High			◆	Specification to be worked up with Clear funding envelope and to be market tested	Project Director supported by Project Manager
83	Incorrect estimate of third party income	No further definition required	Medium	Low			◆	Robust justification of third party income to be demanded from bidders	Project Director supported by Procurement Manager
84	Emergency/disaster recovery	No further definition required	Low	High			◆	To be built in as contractual provision on basis of a Clear specification of our requirements	Project Director supported by Procurement Manager
85	Equipment obsolescence – ICT/FF&E	No further definition required	Medium	High	◆			Clear contractual provision as to the life of initial installations. Adequate consideration given of refresh requirements	Project Director supported by Procurement Manager
86	Vandalism/pilfering	No further definition required	Medium	low			◆	Ensure Clear contractual provision as to risk sharing arrangements	Project Director supported by Procurement Manager
87	Health and safety	No further definition required	low	High			◆	Clear allocation of responsibilities	Project Director supported by Procurement Manager
88	Public liability	No further definition required	low	High			◆	Ensure contracts cover insurance arrangements fully	Project Director supported by Procurement Manager

89	Utility upgrades	No further definition required	low	Medium			◆	Get best survey information	Project Director supported by Procurement Manager
90	Incorrect delivery vehicle	Whether the LEP is the best delivery vehicle	Low	High			◆ shared between KCC and PFS	Examine legal implications and work closely with pfs	Partnerships for Schools
Human Resources									
91	Staffing and resource	Lack of staff with adequate time or skills could impact on delivery of OBC	Low	High			◆	Regularly reviewed to ensure availability	Project Director
92	Staff retention	Staff Leaving could impact on the delivery of the OBC	Low	High			◆	Requires close monitoring	Project Director
93	Advisors do not deliver to time or quality	No further definition required	Medium	High			◆	Requires close monitoring	Project Director supported by Procurement Manager
Policy									
94	Adhere to local/central government policy on PFI/ICT/Education	Ensure all policy guidelines are communicated that may impact on approval of OBC	Medium	High			◆	List out all relevant policy documents	Project Director supported by Project Manager
95	React to changes to above policy	Establish procedure to identify new policy	Medium	High			◆	Continually monitor reLase of relevant policy	Project Director supported by Project Manager
Communications									
96	Schools don't	School does not	Low	High			◆	Keep open	Project Director

	agree with options	agree to favoured control options – could impact on vfm/scheme viability						discussion/consultation with schools	supported by Project Manager
97	Kept informed	All internal parties to be advised of progress	low	medium	♦			Develop robust communications strategy & review – set up regular forums to report progress	Project Director supported by Project Manager

By: Nick Chard, Cabinet Member for Environment, Highways & Waste
To: Cabinet – 11 January 2010
Subject: Kent Freedom Pass – Progress Update
Classification: **UNRESTRICTED**

Summary: From June 2009 the Kent Freedom Pass has been available to young people across the county. Uptake has been very high, with over 21,000 passes now on issue. Around 600,000 journeys are made each month with *Freedom* Passes. The original objectives: to help reduce peak traffic congestion, remove travel costs as a perceived barrier to school choice, to improve social inclusion and encourage use of public transport are, to a large extent, being met. Feedback from young people and parents has been very positive. Data collected from applicants suggests 30% previously travelled to school by car. *Freedom*, however, is being run at a significant cost to the County Council. For every £50 pass issued in 2008/09 the cost to the Council was £390. Amongst a number of pressures, the Council is being pressed to make the scheme available to young people attending out-of-county schools and to extend *Freedom* beyond academic year 11. This report recommends that the scheme be extended to young people attending out-of-county schools from September 2010. A limited increase in the cost of the pass should also be considered from September 2010.

FOR DECISION

1. INTRODUCTION

1.1 *Freedom* provides free bus travel at the point of use to young people living in Kent and attending Kent secondary schools in academic years 7-11, which broadly equates to 11 to 16 year olds. For £50 per year a photo pass card allows free travel on almost all local bus services across the county.

1.2 The *Freedom* Pass was launched as a pilot in June 2007 at schools in Canterbury, Tonbridge and Tunbridge Wells and its Countywide roll out was completed in June 2009 as the scheme was extended to schools in Dartford, Gravesend, Sevenoaks and Ashford. During this period, *Freedom* has started to make a real difference to young people in the County - encouraging them to use the bus, improving access and tackling the school run.

1.3 This paper is to update Members on the scheme, to summarise its impact, benefits and costs and to explore options for its future development.

2. BACKGROUND

2.1 Kent has a large number of young people attending schools and a relatively complex secondary educational system which contributes to travel demand across the county. Every day over 215,000 children and young people attend maintained schools and colleges across Kent. Of these some 83,000 are at secondary schools.

2.2 The school run represents a significant number of the journeys on Kent's transport network and, with 33% of journeys to school undertaken by car, a major cause of congestion in the morning peak. At secondary schools 39% of young people travel by bus and 22% by car. (2009 National Pupil Census).

2.3 Nationally there has been an increase in obesity levels amongst young people alongside a rise in the proportion of children being driven to school reflecting increasing car ownership and parents concerns over safety. The cost of public transport, the lack of local activities and lack of bus services in some areas have been highlighted in national studies and backed up by Kent research as key issues.

2.4 In September 2006, Kent County Council published "*Towards 2010*" with target 30 stating that "KCC will work towards introducing a Kent Youth travel card entitling 11-16 year olds to free public transport ..." Studies were undertaken to investigate costs, capacity and take up comparing different charging scenarios, and the scheme was piloted at schools in Tonbridge town and Tunbridge Wells and Canterbury district areas. It was considered that a successful introduction of *Freedom* in these complex and congested school transport areas would provide good evidence as to whether the scheme could be successfully operated countywide. The pilot launched in June 2007 and it proved to be highly successful. The results were reported to Cabinet in December 2007 and it was agreed to roll the scheme, as piloted, out across the county. The roll out was to be completed by June 2009 and it was agreed to review the scheme again from the start of the new school term in September 2009.

3. DEVELOPMENT OF THE FREEDOM SCHEME TO DATE

3.1 *Freedom* has been developed through a wide ranging consultation process involving young people, parents, schools and public transport operators. The scheme has evolved and been adapted as a consequence of this consultation which has included questionnaire surveys of young people pre and post launch, schools and public transport operator seminars and presentations to Local Boards.

3.2 In June 2008 the entitlement conditions were expanded to include Home Educated Children, Young People in Care aged 16-18 and Care Leavers (young people who have left school, but are still the responsibility of the Council) aged 18-20 and, for Young People in Care, the pass fee is now funded by the Council direct or through the foster carer. To date some 80 passes have been issued to Care Leavers and 4 passes are held by home educated children. The additional entitlement for Young People in Care and Care Leavers is only available to those registered through the County Council's Catch 22 scheme (formerly Rainer) where applications are validated. It does not include young people fostered from outside of Kent or young asylum seekers fostered in Kent. Several representations have been received for these groups to be included.

3.3 *Freedom* covers those registered bus services that are available to the general public. As of June 2009, following pressure from some Members, it was agreed that a new category of Special Schools Service would be created. This enables parties to what tend to be privately arranged schools services to apply for them to be included within the scheme. Generally, these types of bespoke schools services operate at a much higher cost than standard public bus services. Parents or schools are typically paying upwards of £800 per annum per child. Provision for special services was

introduced following a pilot scheme at Hugh Christie Technology College on a service to Edenbridge. Parents at Hugh Christie now pay £250 per year to secure a place on this service; prior to the *Freedom* scheme they paid £800. The County Council is paying the difference through its standard reimbursement mechanism. In addition to Hugh Christie, special *Freedom* schools services now operate at Homewood Grammar School, Tenterden with pass holders paying a top up fare of £10 per week.

3.4 It was recognised at the launch of the scheme that the introduction of smart cards would enable greater accuracy in the recording of trips made and would assist efforts to counter fraud. Ultimately, such cards could also be used for a range of other purposes such as libraries and school meals as well as supporting concessionary travel for other groups. In 2009/10 the Council introduced a £1m capital grant scheme, through the Local Transport Plan, to contribute up to half the cost of equipping the 800 public buses in Kent with new smart card compatible ticket machines. A back office data hub has been set up and, subject to bus operators procurement programmes, it is hoped to pilot the scheme for Freedom Pass holders during 2010. A new on-line application process is also being developed to assist applicants and to reduce administration costs.

3.5 The involvement of the Youth County Council throughout the introduction of *Freedom* has been particularly helpful. Students have participated in promotional activities and have been instrumental in undertaking surveys on usage, to determine the benefits and to help identify barriers to take up. We have a number of ongoing projects with students expanding work on personal safety, addressing poor behaviour (although this hasn't been an issue linked to *Freedom*), travel training for those with special educational needs as well as a Young Travel Co-ordinator scheme, linking with the Council's School Travel Planning work, to support students with advice about how and where to take public transport and using Freedom passes.

4. IMPACT OF FREEDOM - RESULTS & OUTCOMES

4.1 *Freedom* has generated a good deal of positive publicity for the County Council. It has been promoted through numerous launch events and 'milestone' press releases, in *Around Kent* and at the County Show, via the web site at www.kent.gov.uk/kentfreedompass and through Kent TV and there are now 3 *Freedom* liveried buses operating on schools services.

4.2 As of early December 2009 over 21,000 passes have now been issued. About 10% of these are already entitled to free school transport and have 'traded up' to a *Freedom* pass.

4.3 There has been a big difference in take up between schools reflecting catchment, travel provision and the enthusiasm of the school to promote the scheme. The highest take up to date has been at Homewood School in Tenterden where 824 passes have been issued. Homewood has recently overtaken Chaucer School in Canterbury where 650 passes have been issued; this equates to 60% of the total school roll of 1071 in years 7-11 at Chaucer School. Now Freedom is countywide, work is in hand through the Council's School Travel Plan initiative to target support and publicity at schools which have good public transport links, but a low pass take up.

4.4 As the scheme has been rolled out, a study has been undertaken using the Council's Mosaic database to consider take up by different social groups. There had been some concern that the £50 pass cost would limit take up by less well off households. Overall, although many recipients have praised the scheme's good value for money, it does appear that there is evidence of lower take up in post code areas which correspond with some social groupings where household income is also low.

4.5 The total number of journeys made with *Freedom* passes is now running at around 600,000 trips per average school month. Roughly 76% of these are peak home to school journeys and 24% are for leisure or other trips. The decision to provide additional capacity on existing bus routes via the incumbent operators has proved successful. Extra and larger buses have been used on a flexible basis by bus operators to cover actual demand emerging over time. Currently some 60 routes have been enhanced across the county. This approach has ensured a smooth launch at each roll out. Bus operators have also reported a calmer peak school travel period at the start of the school year in September.

4.6 On the pass application form parents are asked to state what their usual mode of travel to school is. It is hoped that this will translate into a similar actual switch to bus. It was anticipated that initial take up of the scheme would be from people who are already paying for their bus journey to school, but that over time and with word of mouth a higher take up will come from those currently being driven to school. This has been borne out as application form returns have indicated a rise through 14% of applicants who would have travelled by car to 27% and now 30% as the scheme has become established. To date, no adverse switch has been detected from children currently walking or cycling or using the train to get school.

4.7 There is a good deal of anecdotal evidence from schools and bus operators to suggest that *Freedom* has had a positive impact on reducing congestion. To try to determine this empirically, journey time per km travelled surveys were undertaken in Tonbridge, Tunbridge Wells, Maidstone, Dover and in Canterbury using the Kent police Automatic Number Plate Recognition (ANPR) system. There is some evidence from this study to suggest an initial 2-6% improvement in journey times in the vicinity of schools with a high pass take up and a significant mode switch. This is backed up by results from the latest National Pupil Census where the national average for secondary school children travelling to school by public transport is 33%, compared to Kent where trips by public transport have increased from 33% in 2007 to 39% in 2009 and the percentage of Kent children travelling by car has decreased from 25% to 22% over the same period.

4.8 A questionnaire survey of young people was undertaken in May 2008 in conjunction with the Kent Youth County Council. Around 1,000 responses were received. They give clear qualitative evidence that young people are benefiting from using their *Freedom* passes for leisure travel at weekends and evenings and to get to after school clubs. Quotes from pupils at Angley, Herne Bay High, Mascalls and Tunbridge Wells Girls Grammar schools are particularly note worthy:

- *"It has helped me to get to school early and I have been able to see my friends at weekends"*
- *"It gives me freedom to have a social life beyond school"*

- “I have used it to get to school and I have started to use it to help to get to my part time job”
- “It has given me confidence about travelling on buses”
- “It has helped my mum heaps, because she works so hard to look after us”
- “I am no longer subject to bullying as they cannot steal my bus money”

5. FINANCIAL IMPLICATIONS AND OPTIONS FOR THE FUTURE

5.1 Now *Freedom* is fully rolled out countywide and the impact and benefits of the scheme are clearer, any future changes or expansions can be properly considered. There is, undoubtedly, widespread support and enthusiasm from *Freedom* pass holders for the scheme to continue to be offered in its current form by the Council. The longer term sustainability of the core scheme, in the light of the high take up/use of passes and the current budget pressures, must be the key consideration.

5.2 In its current form, the scheme is and will remain a significant financial burden over the coming years. The pilot scheme cost the County Council £2 million in 2007/08. In 2008/09, the scheme cost £4.5m, with its roll out in new areas. In 2009/10 net costs are estimated at £8.7m. There are a number of external risks which may see further cost increases above these estimates for the current financial year and in the future; for example the continuing recession may lead to further increases in take up and use of passes, also rising fuel prices may generate increases in pass take up and use as well as higher reimbursement levels as bus operators increase fares to compensate.

5.3 There is pressure to extend *Freedom* to include young people living in Kent, but attending out of County schools. Numerous letters have been received and calls taken by officers. Out of County schools have been excluded to date in order to limit costs and to support Kent schools. Some 2,252 children currently attend schools outside of the county, in Medway, Sussex and London. Of these 751 are entitled to receive free school travel, but are not currently able to upgrade to a Freedom Pass to use outside of school. The cost of extending the scheme to all in academic years 7-11 living in Kent is estimated at £170k per annum.

5.4 The other main request is to extend *Freedom* to include all secondary school and college students. Two petitions have been received and have been reported to Highways Advisory Board Members. Currently, students in academic years 12-13 may be eligible to receive an Education Maintenance Allowance (EMA) of up to £30 per week accessed via www.direct.gov.uk and/or travel assistance from the County Council's existing means tested funding system via www.kent.gov.uk/education-and-learning. Extending the scheme to older students certainly has merit in terms of tackling congestion and increasing long term use of public transport. There are also changes in education for older students which may affect parental perceptions of how fair the scheme is. Firstly, diplomas are being introduced this year for those aged 14-19 and therefore there will be students who will cease to qualify for Freedom part way through their diploma. Secondly the education leaving age will be increased to 17 by 2013 and 18 by 2015. There is a significant cost implication which makes extending the current scheme impossible; this is likely to amount to some £3m as these students are, at present, outside of the free transport provisions currently supported by Government.

5.5 The inclusion within *Freedom* of previously private schools services is a concern. Their existence continues to cloud the simplicity of the scheme and creates tensions

with parallel standard bus services. It is expected that over time many more Special School Services will be registered adding to scheme costs and, as parents who have not previously paid the relatively high fares or annual charge start to use these, pressure will mount on the County Council to pay the full reimbursement costs. A petition asking the Council to remove top up payments has already been received from parents of Hugh Christie School.

5.6 Negotiations over reimbursement rates to the main bus operators from September 2009 are also not yet fully resolved. The Freedom scheme makes payments to bus operators for fares foregone and to cover additional capacity. It is established under Section 93 of the Transport Act (1985) where transport authorities are able to deliver discounted travel on public transport by way of payments to operators on the basis that operators are no better and no worse off than if the scheme did not exist. Subject to the outcome of these negotiations, there may be additional budget pressures from 2009/10.

6. CONCLUSIONS

6.1 The *Freedom* scheme has proved very successful for the County Council. Feedback from users, the general public and other stakeholders has been extremely positive. The scheme can genuinely be described as trailblazing in a national context, with many other authorities outside of London still just considering youth travel concessions. Good lessons have been learned in terms of engagement with young people and integration both within the County council and with other organisations and transport providers.

6.2 Bold initiatives are needed to make a difference to tackle congestion on the school run to improve young people's independence and to remove transport costs as a barrier to school choice. *Freedom* is undoubtedly a very bold initiative to tackle big transport and social issues at a time of great change in the county. It is also a scheme which, if it continues to prove so successful in terms of take up and use, will be extremely difficult to fund. Extending the scheme will also add to the burden on the County Council.

7. RECOMMENDATIONS

Members are asked to APPROVE the following recommendation to modify the Freedom scheme and to ENDORSE the updated scheme conditions as set out in APPENDIX 1:

- 1) Extend the scheme to include all young people living in Kent and attending schools in Kent as well as outside of the County in academic years 7-11 at an estimated cost of £170k pa (09/10 prices).

It is proposed that this change will apply from September 2010. Provision for the necessary additional funding has been included in the draft Medium Term Financial Plan for Environment, Highways and Waste.

Officer: David Joyner 01622 696852

Background Documents: None

APPENDIX 1 - THE *FREEDOM* OFFER

The main conditions of the Kent *Freedom* Pass are outlined below. Following completion of the roll out period these now apply Countywide. The alterations (in bold) are proposed, subject to Member approval, to apply to the scheme from September 2010.

- Passes are available to young people living in Kent and attending secondary schools in Kent in academic year groups 7 to 11. **From September 2010 passes are available to all young people living in Kent and attending schools in Kent or outside of Kent in year groups 7 to 11.**
- Passes are available to home educated children in equivalent year groups.
- Passes are available to Young People in Care (aged 16-18) and Care Leavers (aged 18-20) who are part of the County Council's Catch 22 Scheme (formerly Rainer). They are not available to Care Leavers fostered into Kent by other local authorities or Asylum Seekers in foster care in Kent.
- The pass has a photo and is charged at £50 per year. **The Council reserves the right to increase this charge from September 2010 subject to review.** The charge for Care Leavers and some Young People in Care is funded by the Council. The latter excludes young people fostered into Kent by other local authorities.
- Passes enable free travel on all registered local bus services starting in Kent and continuing outside of the county to the destination of the service. The return journey is also valid. A very small number of services are excluded for operational reasons. These are listed on the Kent Freedom Pass website.
- Passes can be used all day, every day.
- Passes may enable free or subsidised travel on some additional registered 'special' school bus services listed on the Kent Freedom Pass website.
- Passes are valid on the Romney Hythe and Dymchurch Railway. Passes are not valid on national rail services.
- Existing entitlement to free school travel arrangements is unchanged. It is possible to upgrade an entitled pass to cover off peak travel on payment of the annual charge.
- One replacement pass is issued at a cost of £10, thereafter passes are charged at the appropriate annual pass charge. These charges apply at any time in the year.
- Ordinarily there is a 28 day turn around on receipt of a valid pass application. Applicants must check for cut off dates for issue of new academic year pass applications. No renewal reminder letters are issued. There are no refunds.

It should be noted that *Freedom* is a discretionary concessionary fares scheme founded under the terms of the Transport Act (1985), through this Act the Council is able to set its own eligibility criteria.

Full terms and conditions can be found at www.kent.gov.uk/kentfreedompass

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By: Alex King – Deputy Leader
Peter Sass - Head of Democratic Services and Local Leadership

To: Cabinet – 11 January 2010

Subject: Decisions from Cabinet Scrutiny Committee – 9 December 2009

Classification: Unrestricted

Summary: This report sets out the decisions from the Cabinet Scrutiny Committee and invites a response from Cabinet.

Introduction

1. The Leader has agreed the decisions from Cabinet Scrutiny Committee will be reported to the following meeting of the Cabinet for a response. The responses will be reported back to the Cabinet Scrutiny Committee.
2. The decisions from the meeting of the Cabinet Scrutiny Committee on 9 December 2009 are set out in the Appendix to this paper.

Recommendation

3. That Cabinet agree responses to these decisions, which will be reported back to the Cabinet Scrutiny Committee.

Contact: Peter Sass
peter.sass@kent.gov.uk

01622 694002

Background Information: *Nil*

Cabinet Scrutiny Committee – 9 December 2009

Title	Purpose of Consideration	Guests	Decisions	Cabinet Member Response
Strategic Head Quarters Reception Facilities	To consider the proposal to close the Reception facilities at Invicta House, Cantium House and Brenchley House in Maidstone	Mr R Gough Mr K Harlock Mr T Molloy Mr R Palmer	<p>The Cabinet Scrutiny Committee:</p> <ol style="list-style-type: none"> 1. Thank Mr Gough, Mr Harlock, Mr Molloy and Mr Palmer for attending the meeting and answering Members' questions 2. Express regret that members had not been involved in what was an important issue for them as an employer and also for their constituents. 3. Ask that a copy of the Business Case for the proposal to close the reception facilities, which Mr Harlock confirmed was considered by the Chief Officer Group, be circulated to all Members of the Committee 4. Express concern regarding the logistics of the proposed arrangements in terms of the efficient flow of visitors between KCC buildings' the quality of face-to-face service that Members believe is appropriate 5. Express concern that the proposals overall lacked reality and apparent evidence; and that the relatively small savings that could be realised would be outweighed by additional costs being incurred elsewhere 6. Ask that the issue be considered by the 	

Title	Purpose of Consideration	Guests	Decisions	Cabinet Member Response
			<p>Scrutiny Board, possibly through the Corporate POSC, before a final decision is made.</p> <p>7. The Scrutiny Board, and/or Corporate POSC be provided with the following information: Number of people using the Maidstone Gateway; the appropriateness of using a holding area in Sessions House for visitors waiting to access other buildings; full details of all Risk and Health and Safety assessments, particularly with regard to fire evacuation, and security of staff in view of unauthorised access to swiped areas of the buildings.</p>	
Kent Design Guide	To consider whether the consultation process, undertaken before the guidance notes were recommended for adoption by Kent's District Councils, was as thorough and robust as Members consider necessary	<p>Mr N Chard Mr M Austerberry Mrs B Cooper Mr B White</p> <p>Mr Tony Hillier Mr Andy Tull</p>	<p>The Cabinet Scrutiny Committee:</p> <ol style="list-style-type: none"> 1. Thank Mr Chard, Mr Austerberry, Mrs Cooper, Mr White, Mr Hillier and Mr Tull for attending the meeting and answering Members' questions 2. Welcome the offer from the Cabinet Member that a meeting with Developers and Architects would be held as a matter of urgency in the New Year and the assurance that this would include discussion of the standards being proposed, not just to talk about their implementation. Practical examples of how the proposed standards would operate in practice should be demonstrated to enable members to discuss what the effects of the new standards 	A meeting as outlined in 2. will be arranged.

Title	Purpose of Consideration	Guests	Decisions	Cabinet Member Response
			<p>were likely to be on landtake and street scene.</p> <p>3. Members should be invited to attend this meeting and the Chairman and Vice Chairmen of the Cabinet Scrutiny Committee should be advised at the earliest opportunity regarding the invitees to the meeting to ensure all relevant parties are present.</p> <p>4. Ask that the KCC consultation protocol be circulated to all Members, as the Committee was concerned that the protocol might not have been properly applied in this instance and that the Scrutiny Board and/or Corporate POSC be asked to examine whether the Consultation Protocol needed to be amended, in the light of the concerns expressed about this particular consultation, i.e. whether the list of consultees is full and appropriate; whether the method of consultation was appropriate; and whether steps should have been taken to chase up non-respondents.</p>	

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 11

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