

KENT COUNTY COUNCIL

CABINET

MINUTES of a meeting of the Cabinet held in the Darent Room, Sessions House, County Hall, Maidstone on Monday, 2 June 2014.

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

UNRESTRICTED ITEMS

60. Apologies

(Item 2)

No apologies were received but Cabinet noted that Mrs Whittle had stepped down from the role of Cabinet Member for Specialist Children's Services and was replaced by Mr Oakford. The Leader welcomed Mr Oakford to his first meeting of Cabinet.

61. Declarations of Interest

(Item 3)

No declarations were received.

62. Minutes of the Meeting held on 28 April 2014

(Item 4)

The minutes of the meeting held on 28 April 2014 were agreed and signed by the Chairman as a true record.

63. Treasury Strategy Update

(Item 5 – report of the Deputy Leader and Cabinet Member for Finance and Procurement, Mr Simmonds and the Corporate Director for Finance, Andy Wood)

(1) Cabinet received a report seeking agreement to revisions to the Council's Treasury Strategy. The Deputy Leader, Mr Simmonds, introduced the report.

(2) He confirmed that the County Council had approved the Treasury Management Strategy in February 2014 but, owing to the changing nature of the economic climate, amendments were now desirable which Cabinet were authorised to make. The suggested changes had been considered by the ad-hoc all-party group on Treasury Management and were in line with the relevant code of practice for such matters.

(3) Cabinet heard that the changes were necessary as a result of developments since February, these were:

- i. The changed attitude of Governments to 'bailing out' banks that had experienced financial difficulty had increased the level of risk borne by

investors.

- ii. The requirement of the Strategy that no one bank be invested in beyond £40 million was increasingly difficult to manage owing to the limited number of appropriate banks that had been further reduced by the down rating of RBS and NatWest to a level that was not acceptable to KCC. In addition, deposit rates remained poor at those banks with which KCC could invest.

(4) Finally, Mr Simmonds reported that where success had been achieved in new asset classes such as 'covered bonds' returns were restricted by the initial limitations on investment set out in February.

(5) Head of Financial Services, Nick Vickers, spoke to the item. He reported that the Council currently had approximately £450million on deposit at any one time. Therefore just 0.1% additional return would equate to £450,000 over the period of one year. In order to benefit from improved rates Cabinet would need to consider various options for investment:

- i. The Debt Management Office currently returned 0.25% on investment but a switch to, for example, Lloyds Bank would secure 0.7%
- ii. That the recent investment in the CCLA Property Group had reported a return of 4.66% in first quarter of the year and by incrementally increasing such investment alongside other better returning investment such as Corporate Bonds the Council would secure better rates of return without unacceptably increased risk.

(6) Following questions raised and comments made Mr Vickers confirmed that the revisions to the strategy put forward for consideration were intended to increase returns modestly in order that the investment remained safe.

(7) He also reported that the Treasury Management Strategy being considered did not apply to the Superannuation Fund. The Fund had separate funds and a separate Treasury management Strategy agreed by the Superannuation Fund Committee.

(8) Mr Simmonds added to the discussion that had taken place by reminding members that currently £42-43million of the £50million affected by the Icelandic Bank crisis had now been recovered.

(9) It was RESOLVED:

Cabinet Treasury Strategy Update 2 June 2014	
1.	That the limit for investment in Svenska Handelsbanken be increased to £40m
2.	That the allocation to Covered Bonds be increased to £100m in aggregate, with a £20m limit by institution.
3.	That the maximum investment in the CCLA LAMIT Property Fund be increased to £10m.
4.	That investment to Corporate Bonds be introduced, with a maximum individual limit of £5m.

5	That investment to Bond Funds be introduced with a maximum investment in any one fund of £5m within the investment portfolio aggregate limit of £75m
REASON	
1- 5	In order that the Treasury Management Strategy reflects the changing financial markets and most effectively increases return whilst managing risk.
ALTERNATIVE OPTIONS CONSIDERED	None
CONFLICTS OF INTEREST	None
DISPENSATIONS GRANTED	None

64. Select Committee - Kent's Relationship with the EU - Executive Response
(Item 6 – report of the Cabinet Member for Economic Development, Mark Dance and Director of Economic Development, Barbara Cooper)

(1) Cabinet received a report containing the Executive Action Plan (Annex 1) summarising the key actions proposed to progress the recommendations of the EU Select Committee on Kent's European Relationship.

(2) Mr Dance, Cabinet Member for Economic Development introduced the report and in particular referred to the following:

- i. That it was welcomed that recommendations of the Committee were coterminous with work currently being undertaken in the Directorate.
- ii. That work continued with partners in Nord-Pas de Calais and a Memorandum of Understanding had now been signed between KCC and West Flanders, both reflected the fact that similar issues were being addressed on the Continent and in Kent.
- iii. In relation to the Harledot Centre, mentioned within the Select Committee's recommendations; an options paper was being produced and would be ready in the next month.
- iv. The Council was at the early stages of a six year EU funding bidding process and following defined guidance to be issued would be well placed to make bids that would hopefully secure relevant monies that would benefit the residents of Kent.

(3) Ron Moys, Head of International Affairs at KCC, spoke to the item. He added to the comments received from Mr Dance in relation to the bidding process of which Harledot was part. He confirmed that for most of the programmes for which KCC would be eligible to bid, approval by the EU Commission was not expected until the end 2014 at the earliest and that a call for projects was therefore expected at the beginning of 2015. At that point more detailed specifications of what KCC might bid for would be issued. In the meantime work would continue to develop projects in order that the Council was well placed to bid when any such request was made. Currently there were approximately 40 projects in various stages of development.

(4) Following a question from the Leader, Mr Moys described the two processes by which bids would be made. One would proceed via the SELEP route and this would

be administered by the Government heavily influenced by the prioritisation of projects by the LEP and KMEP. The second process for projects that sat within the EU programme, such as INTEREG, would be decided by a Steering Committee made up of Member States, Local and Regional Authorities and others. KCC was represented on the decision making bodies. In response the Leader asked Mr Moys to ensure that the Federated Model was correctly applied to the LEP prioritisation process and remained the filter for the projects of Kent and Medway up to the LEP.

(5) It was RESOLVED:

Cabinet Select Committee – Kent’s Relationship with the EU – Executive Response 2 June 2014	
1.	That the actions as set out in the implementation plan be agreed
REASON	
1.	In order that the recommendations of the Select Committee are acknowledged and progressed where appropriate.
ALTERNATIVE OPTIONS CONSIDERED	None
CONFLICTS OF INTEREST	None
DISPENSATIONS GRANTED	None

65. Revenue and Capital Budget Monitoring - Provisional 2013-14 Outturn
(Item 7 – report of the Cabinet Member for Finance & Procurement, Mr John Simmonds, and the Corporate Director of Finance & Procurement, Andy Wood)

(1) Cabinet received a report detailing the provisional outturn for 2013 – 14 provided from the accounting system and expected to be very close to the final outturn. Any amendments would be as a result of internal management reviews and external audit findings and finalisation of the Asylum position. The final outturn report would be presented to Cabinet on 7 July.

(2) The Deputy Leader and Cabinet Member for Finance and Procurement introduced the report to Cabinet. He referred to the following in relation to the revenue budget:

- i. That the underspend was likely to be £4.3m after rephasing and management action. He proposed that this money would be allocated to the uncommitted reserves.
- ii. That delivery of £175m savings in the previous two years followed by a further 75 million in the last year despite the unexpected costs of issues such as flooding and pothole damage represented a great effort by Portfolio holders and officers.

(3) In relation to the Capital Budget:

- i. That the working budget was reported at £256million with an expected actual spend of £203m owing to rephasing of projects.

(4) Any Wood confirmed that the full draft accounts would be submitted to the external auditors at the end of the week and the audit would be completed before the accounts were approved by the Governance & Audit Committee at the end of July. As reported, Cabinet would receive a final outturn report for consideration on 7 July 2014.

(5) Mr Carter praised the efforts of officers and Members on the significant underspend reported.

(6) It was RESOLVED that the provisional outturn be NOTED and the staff at KCC be thanked for the hard work involved in its delivery.

66. Quarterly Performance Report - Quarter 4

(Item 8 – report of the Leader & Cabinet Member for Business Strategy, Audit & Transformation, Mr Paul Carter CBE and Corporate Director Business Strategy and Support, David Cockburn)

(1) Cabinet received a report detailing the key areas of performance for the authority.

(2) Richard Fitzgerald, Performance Manager, was in attendance and spoke to the item. He reported the following for articular consideration:

- a. That the report referred to Quarter 4 of the 2013-14 council year and also included a Strategic Risk Register update
- b. That 19 indicators were currently registered as 'Green' and overall there had been a net positive direction of travel
- c. That significant movement had occurred in the 'Health Check' indicator, which had been inherited from the NHS in April 2013 and had shown 'Red' all year until this quarter when it had improved significantly to 'Amber'.
- d. The Customer Services indicator had slipped from 'green' to 'amber' largely owing to the significant pressures caused by flooding and pothole reporting creating extremely high demand.
- e. That Specialist Children's Services had shown significant improvement in all areas and was now reporting at mostly 'green' indicators.

(3) Overall the report showed a net overall positive performance with a positive direction of travel.

(4) Andrew Scott-Clarke, interim Director of Public Health explained further the positive improvement in the 'Health Check' criteria. He explained that the Council now met 100% of the invite target, equating to approximately 100,000 invites, and that this had been reflected in the take up rate. He hoped that the positive direction of travel would be maintained and that the indicator would report as 'green' soon.

(5) Cabinet Member for Economic Development Mr Mark Dance reported that work continued to improve job opportunities for young people in Kent. He referred to the work undertaken under the regional growth fund and how this had provided valuable insight into how companies within Kent could succeed and grow. The Leader acknowledged that work and reported that employment rates in Kent had increased

faster than the national average but that work would continue to address disparities between different areas of the county.

(6) It was RESOLVED that the report be NOTED.