

POLICY AND RESOURCES CABINET COMMITTEE

Friday, 13th January, 2017

10.00 am

Darent Room, Sessions House, County Hall, Maidstone





AGENDA

POLICY AND RESOURCES CABINET COMMITTEE

Friday, 13 January 2017, at 10.00 am
Darent Room, Sessions House, County
Hall, Maidstone

Ask for: **Ann Hunter**
Telephone: **03000 416287**

Tea/Coffee will be available 15 minutes before the start of the meeting

Membership (14)

- Conservative (8): Mr A J King, MBE (Chairman), Mr N J D Chard (Vice-Chairman),
Mrs M E Crabtree, Mr J A Davies, Mr S C Manion,
Mr L B Ridings, MBE, Mrs P A V Stockell and Mr J N Wedgbury
- UKIP (3) Mr M Heale, Mr C P D Hoare and Mr R A Latchford, OBE
- Labour (2) Mr D Smyth and Mr N S Thandi
- Liberal Democrat (1): Mrs T Dean, MBE

Webcasting Notice

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UNRESTRICTED ITEMS

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

A - Committee Business

- A1 Introduction/Webcast announcement
- A2 Apologies and Substitutes
To receive apologies for absence and notification of any substitutes present
- A3 Declarations of Interest by Members in items on the Agenda
To receive any declarations of interest made by Members in relation to any matter on the agenda. Members are reminded to specify the agenda item number to which it refers and the nature of the interest being declared.
- A4 Minutes of the meeting held on 2 December 2016 (Pages 7 - 14)
To consider and approve the minutes as a correct record.

B - Key or significant Cabinet Member Decision(s) for recommendation or endorsement

- B1 Draft 2017-18 Budget and Medium Term Financial Plan (Pages 15 - 32)
To note the draft budget and MTFP and suggest any other issues which should be reflected in the draft budget and MTFP prior to Cabinet on 23 January and County Council on 9 February 2017
- B2 Technology Services Modernisation Programme (Pages 33 - 38)
To consider and endorse or make recommendations to the Cabinet Member for Corporate and Democratic Services on the proposed decision to delegate to the Director of Infrastructure, in consultation with the Cabinet Member for Corporate and Democratic Services, the award of a technology services contract, including the necessary contractual negotiations, as set out in the exempt report at item D1, and enter into any subsequent necessary legal agreements

C - Monitoring of Performance

- C1 Financial Monitoring 2016 - 17 (Pages 39 - 44)
To note the revenue and capital forecast variances from budget for 2016-17 that are in the remit of this Cabinet Committee, based on the October monitoring to Cabinet
- C2 Work Programme (Pages 45 - 48)
To consider and agree a work programme for 2017

D - Other items for comment/recommendation to the Leader/Cabinet Member/Cabinet or officers

Motion to Exclude the Press and Public

That under Section 100A of the Local Government Act 1972 the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

- D1 Technology Services Modernisation Programme Contract Award (Pages 49 - 56)
To receive a report that provides further detail about a proposed decision set out in Item B2

John Lynch,
Head of Democratic Services
03000 410466

Thursday, 5 January 2017

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KENT COUNTY COUNCIL**POLICY AND RESOURCES CABINET COMMITTEE**

MINUTES of a meeting of the Policy and Resources Cabinet Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Friday, 2 December 2016

PRESENT: Mr A J King, MBE (Chairman), Mr N J D Chard (Vice-Chairman), Mrs A D Allen, MBE (Substitute for Mrs P A V Stockell), Mrs M E Crabtree, Mr J A Davies, Mrs T Dean, MBE, Mr M Heale, Mr C P D Hoare, Mr L B Ridings, MBE, Mr D Smyth, Mr N S Thandi and Mr J N Wedgbury

ALSO PRESENT: Mr J D Simmonds, MBE, Miss S J Carey and Mr G Cooke

IN ATTENDANCE: Mr D Cockburn (Corporate Director Strategic & Corporate Services) and Mrs A Hunter (Principal Democratic Services Officer)

UNRESTRICTED ITEMS**253. Apologies and Substitutes**

(Item A2)

- (1) Apologies for absence were received from Mr Carter (Leader of the Council), Mr Latchford, Mr Manion and Mrs Stockell.
- (2) Mr Birkby and Mrs Allen attended as substitutes for Mr Latchford and Mr Manion respectively.

254. Declarations of Interest by Members in items on the Agenda

(Item A3)

There were no declarations of interest.

255. Minutes of the meeting held on 8 September 2016

(Item A4)

Resolved that the minutes of the meeting held on 8 September 2016 are correctly recorded and that they be signed by the Chairman.

256. Minutes of the meeting of the Property Sub-Committee held on 29 September 2016

(Item A5)

- (1) Resolved that the minutes of the Property Sub-Committee be noted.
- (2) Mrs Dean said she had welcomed the opportunity to visit the Royal Mail site in Maidstone and that she thought this was a great opportunity to contribute to the development of Maidstone.
- (3) In response to questions Mr Cooke said KCC was working in partnership with Maidstone Borough Council on the future development of the Royal Mail site

and that the next step was to develop a strategic vision for the site that enhanced Maidstone as the county town and protected County Hall. In the short term the site would be used by local charities and additional temporary car parking for staff. He also said British Rail's plans for Maidstone East Station would influence its future development. Mr Cooke hoped to be able to present a report to the Policy and Resources Cabinet Committee in due course.

257. Dates of meetings in 2017/18

(Item A6)

Resolved that the dates of meetings in 2017/18 be noted as follows: Friday 16 June 2017; Friday 15 September 2017; Tuesday 5 December 2017; Friday 2 February 2018; and Friday 16 March 2018.

258. 16/00136 - Annual Equality Report and New Corporate Equality Objectives 2016-2020

(Item B1)

- (1) Mr Cooke (Cabinet Member for Corporate and Democratic Services) introduced the report which included a summary of the Annual Equality and Diversity Report 2015-16 and asked the Cabinet Committee to review and make recommendations on the draft Equality and Human Rights Policy and Objectives 2016-2020. He also said the policy made it very clear that KCC took equality and diversity issues very seriously
- (2) David Whittle (Director of Strategy, Policy, Relationships and Corporate Assurance) set out the background to the report and its structure. He said there was a requirement to include Equality Impact Assessments in the papers for any key decisions but ways of rationalising the template were being investigated
- (3) Akua Agyepong (Corporate Lead Equality and Diversity) said the draft Equality and Human Rights Policy and Objectives had been developed in consultation with directorates, equality leads, partners and the public and could be considered in three parts with the first part setting out KCC's commitment and vision for equality, diversity and human rights; the second part setting out a clear framework of accountability for the delivery of the policy and its objectives; and the third part setting out KCC's equality objectives.
- (4) In response to queries about the data, Mr Whittle offered to provide a list of data sources but the Committee did not consider this to be necessary.
- (5) In response to comments about the risk of judicial review and the importance of conducting EQiAs before decisions were made, Mr Whittle said that this requirement was implicit in the policy and said the inclusion of a specific reference would be considered in conjunction with Mr Cooke.
- (6) Mrs Agyepong confirmed that HR and other KCC policies enabled men to take paternity leave

- (7) Mr Cooke responded to comments about Eastern European workers and confirmed that KCC did not pay any of its staff less than the minimum wage.
- (8) Resolved that:
 - (a) The Executive Summary of the Annual Equality and Diversity Report 2015-16 be noted;
 - (b) The proposed decision to approve the Equality and Human Rights Policy and Objectives 2016-2020 be endorsed.

259. Strategic and Corporate Services Performance Dashboard

(Item C1)

- (1) Richard Fitzgerald (Business Intelligence Manager – Performance) introduced the report which set out progress made against key targets set for Performance Indicators. He said: the report included data to the end of September; results were generally very good; and for any indicators assessed as “Amber” or “Red” services had provided an explanation for variances from target which was included in the report.
- (2) Ben Watts (General Counsel – Interim) attended the meeting to provide more information about GL03 Data Protection Act Subject Access requests completed within 40 calendar days which has been rated as “Red”. He said that most delays were due to units either not providing information or providing poor quality information and the Information, Resilience and Transparency team were running workshops which included advice on preparing records to save time. He also said that the number of requests for information had increased as had their complexity. For example requests were being received from former care leavers, former students and former employees and it took time to draw information together, particularly as data was held in a variety of ways. Dealing with requests for information also had to be balanced with service delivery.
- (3) Mr Watts said that new data protection regulations would come into effect in 2018 and suggested that the Cabinet Committee received a report considering the impact of those regulations at its meeting on 16 June 2017.
- (4) In response to a question, he said that the authority could be fined by the Information Commissioner for non-compliance with the Act however any response to a challenge by the Commissioner would demonstrate that KCC took providing a full response very seriously and explain the balance between service delivery and providing information.
- (5) Mr Cooke (Cabinet Member for Corporate and Democratic Services) said that the team who co-ordinated responses to Data Protection Subject Access Requests also co-ordinated Freedom of Information responses which was rated as “Green”. He said he did not want the Cabinet Committee to have the impression that this result reflected the team’s commitment as they worked hard in difficult circumstances and delivered 99% of Freedom of Information requests within the target of 20 working days.

- (6) In response to a further question, Mr Fitzgerald said that where delays to the payment of retirement benefits caused hardship interim payments could be made. Mr Davies said the issue had been discussed at the Superannuation Fund Committee where the difficulties recruiting people with the right skills to do this complex work and the effort of the Finance team to fill vacancies had been noted.
- (7) Mr Fitzgerald said the direction of travel column compared performance in the current month with the previous month and that the commentary entitled FP04 on page 78 of the agenda papers referred to FP05 Invoices received on time by Accounts Payable processed within 30 days.
- (8) Resolved that the report be noted.

260. Financial Monitoring

(Item C2)

- (1) Mr Simmonds (Deputy Leader and Cabinet Member for Finance and Procurement) drew the Cabinet Committee's attention to paragraphs 2.7 and 2.8 of the report. He said it had been a particularly challenging year which was not surprising given the loss of £275m in grants since 2010 and savings made of £0.5 billion over the same period. He said a balanced budget would be produced but the revenue pressures caused by the SEN Home to College Transport as well as the uncertainties about funding from the Home Office to offset the asylum pressure and the ability to balance the Adult Social Care position made this challenging. He was reluctant to introduce draconian measures, such as a blanket ban on recruitment, and he was confident directors would be able to deliver services and savings within the framework set
- (2) Jackie Hansen (Strategic and Corporate Services Directorate Finance Business Partner) introduced the report which set out the September 2016-17 budget monitoring position which had been despatched to Cabinet on 9 November 2016.
- (3) Resolved that the revenue and capital forecast variances from budget for 2016-17 that are in the remit of the Cabinet Committee, based on September monitoring to Cabinet, be noted.

261. Business Services Centre Performance Update and Future Delivery Plans

Mr King said this item would be considered in Part II of the meeting to enable full consideration of the information contained in the exempt appendix.

262. Work Programme

(Item C4)

Resolved that the work programme for 2017 be agreed.

263. Business Planning 2016/17 and 2017/18

(Item D1)

- (1) David Whittle (Director Strategy, Policy, Relationships and Corporate Assurance) and Liz Sanderson (Strategic Business Adviser) introduced the report which reviewed the 2016/17 business planning process and set out the proposed business planning arrangements for 2017/18.
- (2) Mr Whittle apologised for the delay in presenting the report which was normally presented to the Cabinet Committee in September each year.
- (3) Ms Sanderson drew the Cabinet Committee's attention to paragraphs 3.2 and 3.3 of the report which set out the successes of the 2016/17 business planning round and the areas where improvements were required. She also drew attention to the recommendations for the 2017/18 process including the proposals that each business plan would clearly articulate the directorate rather than divisional priorities.
- (4) The proposal to focus on directorate rather than divisional priorities was welcomed.
- (5) Resolved that:
 - (a) The review of the 2016/17 business planning process be noted;
 - (b) The proposed business planning arrangements for 2017/18, as set out in section 3 of the report, be agreed.

264. Chancellor's Autumn Statement - Verbal Update

(Item D2)

- (1) Dave Shipton (Head of Financial Strategy) gave a verbal update on the Chancellor's Autumn Statement. He said there was very little in it that would change KCC's financial plans as the outlook remained exceptionally challenging with flat cash between 2015/16 to 2019/20 (comprising reduced government funding and increased council tax). Authorities would not receive any additional money and rising costs and spending demands would have to be offset through savings.
- (2) The Chancellor had specifically announced there would be no changes to the departmental spending plans announced in the Spending Review last year. The only glimmer of hope was the Chancellor's announcement that £1bn of the savings in these departmental plans would be made available for re-investment by spending departments by 2019/20 but no details were available. If Department of Communities and Local Government agreed, the local government share might be around £300m to £400m (and KCC's share might be £9m to £12m) however this would not happen until 2019/20.
- (3) The Chancellor had announced an increase in the National Living Wage from £7.20 to £7.50 an hour from April 2017 which would have an impact on Kent pay scales for 2017. As part of deciding the Kent pay scheme for 2017 a decision would be needed about whether to match or exceed the National Living Wage. The increase in the National Living Wage would have a bigger impact on some contracted services, especially social care, although this

increase was within the bounds of the estimates presented in KCC's Autumn Budget Statement to County Council on 20 October.

- (4) The Chancellor had announced investments in infrastructure to be funded within the additional borrowing included within the fiscal forecasts in the Autumn Budget Statement. Any other investments would have to be funded within the tax and spend plans. Within the £1.1bn for transport infrastructure "to keep Britain moving" was £200m for traffic "pinch-points" but no detail about accessing the funds had been provided. Other investments would be in digital signalling on railways, housing and broadband. There would be 100% business rate relief on new fibre infrastructure and it was assumed that local authorities would receive commensurate compensation. Local Enterprise Partnerships (LEPs) would benefit from an additional £1.8bn in the Local Growth Fund of which £683m would be available to LEPs across the South West, London and the South East. Mayoral authorities would also have new borrowing powers.
- (5) In the Autumn Statement, the Chancellor had announced lower economic growth forecasts which would impact on tax yields and mean increased government borrowing (in addition to the increased borrowing for infrastructure investments) and that a budget surplus would not be achieved until the next parliament.
- (6) As a result the accumulated net debt would continue to rise (from £1.61tr in 2015-16 to £1.952tr in 2021/22) peaking at 90.2% of GDP in 2017/18. The Chancellor had set new fiscal targets of:
 - a budget surplus to be achieved as early as possible in the next parliament;
 - the net deficit to be less than 2% of GDP by the end of this parliament; and
 - Net debt as a percentage of GDP to be falling by the end of this parliament
- (7) Mr Shipton said that, in essence, the Chancellor had built in scope for even lower economic growth than announced in the Autumn Statement.
- (8) The Chancellor had announced some changes to business rates which needed further evaluation. In particular he had announced changes to the transitional reliefs following the recent re-valuation (which could have an impact on the cost of the rates on KCC's premises and on the overall business rate income from 50% retention). These changes could mean a substantial increase in business rates on larger properties with rateable value over £100k. These properties could also see up to 42% increases in business rates where the rateable value had gone up following the recent re-valuation, and this was much higher than previous transitional arrangements.
- (9) The Chancellor had also announced additional relief for rural businesses (and broadband fibre infrastructure) which could impact on KCC's share of the income; however, it was being assumed the authority would receive compensation in the form of a grant.
- (10) Finally the Chancellor announced that, in future, the main budget (setting out tax and spend plans) would be in the autumn from 2017 onwards and the mid-year consolidation in the spring from 2018 onwards.

- (11) Mr Simmonds (Deputy Leader and Cabinet Member for Finance and Procurement) said that the County Councils' Network and the Local Government Association had made representations to government about the pressure on social services.
- (12) Resolved that the verbal update be noted.

265. Governance and Law - Commissioning Arrangements - Progress Report
(Item D3)

- (1) Mr Cooke (Cabinet Member for Corporate and Democratic Services) introduced the report which provided an update on recent developments and future plans regarding the establishment of the commissioning and governance arrangements.
- (2) Ben Watts (General Counsel – Interim) said it was important to develop a strong intelligent client function, ensure that services that were working well continued to and that any services at less than optimum performance were monitored and improved.
- (3) Resolved that progress regarding the establishment of the commissioning and governance arrangements be noted.

266. Exclusion of the Press and Public

Resolved that under Section 100A of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

267. Business Services Centre Performance Update and Future Delivery Plans
(Item C3)

- (1) Mr Cooke (Cabinet Member for Corporate and Democratic Services) said that this was the first opportunity for the Cabinet Committee to have an in-depth look at the Business Services Centre (BSC) since the decision had been made to retain the back office functions in-house. He said the BSC had delivered services admirably and was a sound operation, however, there was a need to consider its future and to provide an opportunity for Members to comment.
- (2) Rebecca Spore (Director of Infrastructure) introduced the report which provided an update on the BSC's performance over the first quarter of the financial year 2016/17, highlighted some of the key trends, as well as outlining key business developments and aspects of the future evolution of the service. She also suggested that a further report that would include a business case for the BSC's future be considered by the Cabinet Committee.
- (3) Mrs Spore responded to Members' questions about the market testing conducted prior to the decision to create the BSC and the structures in place to avoid duplication and overlap between the various trading companies owned by KCC.

- (4) It was suggested that the Cabinet Committee received a report considering all income generation activity and providing assurance there was no cross-subsidy.
- (5) Resolved that the current performance of the BSC and the future plans be noted.

268. Invicta Law Progress Report

(Item E1)

Geoff Wild (Chief Executive – Designate) and Hedley Mayor (Finance Director) and Peter Baldock (Financial Analyst) were in attendance for this item

- (1) Miss Carey (Cabinet Member for Commercial and Traded Services introduced the report which provided an in-depth update on progress towards the launch of Invicta Law. She said that the earlier report on Governance and Law – Commissioning Arrangements and this one were two halves of a whole and that she was very proud of the achievements to date. She referred in particular to the fact that KCC was the main shareholder and would remain a significant client of Invicta Law. She congratulated the team on securing approval from the Solicitors Regulation Authority.
- (2) Mr Wild provided answers to detailed questions raised by the Cabinet Committee.
- (3) Resolved that the progress of Invicta Law towards its launch date be noted.

From: John Simmonds, Cabinet Member for Finance & Procurement and Deputy Leader

Gary Cooke, Cabinet Member for Corporate & Democratic Services

Susan Carey, Cabinet Member for Commercial & Traded Services

Andy Wood, Corporate Director for Finance & Procurement

David Cockburn, Corporate Director for Strategic & Corporate Services

To: Policy & Resources Cabinet Committee – 13 January 2017

Subject: Draft 2017-18 Budget and Medium Term Financial Plan

Classification: Unrestricted

Summary: County Council debated the authority's Autumn Budget Statement on 20th October. The Autumn Budget Statement report set out an update to the Medium Term Financial Plan (MTFP) for 2017-18 and 2018-19 including progress on proposals to close the unidentified budget gap in the original plan. County Council reaffirmed the role of Cabinet Committees in scrutinising the budget. This report is designed to accompany the final draft 2017-18 Budget and 2017-20 MTFP published on 12th January. The report is exempt until these drafts are published. The report provides further detail on the key assumptions which underpin the budget proposals and savings relevant to the remit of the Policy & Resources Cabinet Committee. The report also includes information from KCC's budget consultation, the Chancellor's Autumn Budget Statement and provisional local government finance settlement.

Recommendation(s)

The Policy & Resources Cabinet Committee is asked to note the draft budget and MTFP (including responses to consultation and Government announcements).

The Policy & Resources Cabinet Committee is invited to make suggestions to the Cabinet Member for Finance and Procurement, Cabinet Member for Corporate & Democratic Services and Cabinet Member for Commercial & Traded Services on any other issues which should be reflected in the draft budget and MTFP prior to Cabinet on 23rd January and County Council on 9th February 2017.

1. Introduction

1.1 The MTFP sets out the overall national and local fiscal context, KCC's revenue and capital budget strategies, and KCC's treasury management

and risk strategies. It also includes a number of appendices which set out the high level 3 year revenue budget plan, a more detailed one year plan by directorate, prudential and fiscal indicators, and an assessment of KCC's reserves. The financial plans in the MTFP take into account all of the significant changes from the current year including additional spending demands, changes to funding, and the consequential savings needed to balance the budget to the available funding. This incremental approach to budgeting and financial planning is adopted by the vast majority of local authorities.

- 1.2 Since 2014-15 the one-year detailed financial analysis in the MTFP has been produced in directorate format to enable the MTFP to mirror the council's financial monitoring, reporting and management arrangements. The draft 2017-18 MTFP for the Strategic & Corporate Services directorate is attached as appendix 1 to this report.
- 1.3 The draft directorate revenue budget is presented in the A to Z service format for Cabinet Committee scrutiny. We have used this format since 2011-12 which is designed to reflect the services we provide to Kent residents, businesses and local communities and allows the budget proposals to be scrutinised at service level. The draft 2017-18 revenue budget for the Strategic & Corporate Services directorate is attached as appendix 2 to this report.
- 1.4 The final draft budget presented to County Council on 9th February includes Section 6 which sets out all of the changes to each line of the A to Z budget. These detailed variation statements show how the MTFP translates into the spending proposals for individual service lines. This section takes a significant amount of resource to produce and there is not enough time available to produce these detailed statements for Cabinet Committees. We are continuing to develop systems which aim to enable these detailed variation statements to be produced at the same time the draft budget is launched (and thus be available for Cabinet Committee scrutiny) but at the moment these systems do not exist.
- 1.5 The draft capital programme is also presented in directorate format. The draft 2017-20 capital programme for the Strategic & Corporate Services directorate is attached as appendix 3 to this report.
- 1.6 All three financial appendices are exempt from publication until the council's final draft Budget and MTFP is published. These final draft plans will be considered at County Council on 9th February and will be published well in advance of the required timetable for County Council papers to enable Members to have sufficient time to consider the proposals and any alternatives. We intend to publish these papers before the Cabinet Committees meetings so that the appendices are unrestricted by the time of the meeting.

2. Financial Context

- 2.1 The overall financial context remains largely unchanged from that reported to County Council on 20th October following the Chancellor's Autumn Statement on 23rd November. The funding settlement from central

government, including Revenue Support Grant (RSG), is anticipated to include the reductions outlined in the indicative settlement published last year.

- 2.2 Since the October report we have had provisional tax base calculations and collection fund balances which are higher than we had anticipated and help to resolve the unidentified savings. However, some of the spending demands are also greater arising from higher than the budgeted spend in 2016-17 (and need to be reflected in 2017-18 budget) and higher forecast future inflation/demand. Details of the assumptions underpinning spending demands are explored later in this report. Some savings options have also been revised since the October report.
- 2.3 The provisional Local Government Finance Settlement was announced on Thursday 15th December. The settlement sets out the provisional allocation of key government funding streams for 2017/18 and indicative allocations for 2018/19 and 2019/20. The settlement also includes the government's estimate of the change in local authority overall spending power taking into account both government funding and council tax.
- 2.4 Overall the context for local government spending over the medium term remains "flat-cash" between 2015/16 to 2019/20. This flat-cash includes council tax, additional social care funding and reductions in central government grants. Flat-cash means there is no overall additional funding for rising costs or demand pressures, therefore these have to be compensated by savings and spending reductions. Consequently, KCC's position remains that flat-cash for the local government sector is not sufficient as this represents a significant reduction in real spending power.
- 2.5 The settlement offered additional funding for social care within the same overall flat-cash envelope with two key changes:
 - Greater flexibility in social care council tax precept – whilst this remains at 6% over the three years of the settlement (2017/18 to 2019/20), authorities have choice to raise up to 3% in any year (as long as overall the 6% limit over 3 years is not breached). This would enable council tax increases to be brought forward early although council tax charges in 2019/20 cannot be any greater than they would have been under the previous Spending Review (SR2015) announcement
 - A new one-off Social Care Support Grant in 2017/18, funded out of New Homes Bonus (NHB) by bringing forward the proposed changes from 2018/19. In Kent this is at the expense of districts (which collectively receive £6.2m less NHB than announced in SR2015) and KCC receives a net £4.6m more (allowing for both the new social care grant and our loss of NHB).

The final draft budget includes how KCC intends to respond to these two significant changes.

2.6 The table below sets out a high level summary of changes to the 2017-18 budget equation since the Autumn Budget Statement was published for County Council on 20th October.

	Autumn Budget Statement £m	Final Draft budget £m	Movement £m
Spending demands	57.2	66.3	9.1
Grant reductions	51.1	46.4	-4.6
Council Tax:			
- Increase in line with 2% referendum limit	-11.8	-11.9	-0.1
- Social Care Levy	-12.1	-12.2	-0.1
- Growth in taxbase & change in collection fund surplus	-0.9	-7.2	-6.2
Business Rates	-3.1	-3.2	-0.1
Savings	-80.4	-78.3	2.1

Note - this table shows each element to the nearest decimal place, consequently the totals may not appear to add-up, but are accurate.

2.7 This equation of rising spending demands/costs compounded by reducing government funding, offset by council tax increases and the need for significant base budget savings, continues the challenging theme of recent years. The 2017-18 Budget is likely to be the most difficult we have faced during the period of austerity since 2010.

2.8 The most significant movements between the Autumn Budget Statement and the Final Draft budget are explained in the table below:

Movement	Explanation
Spending Demands (increased by +£9.1m)	<p><u>Budget realignments:</u></p> <ul style="list-style-type: none"> • +£3.2m Children's Social Care budget realignment to reflect 2016-17 activity • +£2.0m SEN transport budget realignment to reflect higher journey costs than budgeted in 2016-17 • +£0.8m Learning Disability & Mental Health budget realignment to reflect 2016-17 activity • +£0.6m Waste tonnage budget realignment <p><u>Pay:</u></p> <ul style="list-style-type: none"> • -£2.0m removal of estimated pressure to increase employer pension contribution rate, which is no longer needed following the actuarial revaluation of pension fund <p><u>Prices:</u></p> <ul style="list-style-type: none"> • +£6.8m New provision to increase prices for adult social care contracts to facilitate market sustainability as required under Care Act 2014 • +£1.3m updates to general price provisions reflect Q2 monitoring and latest CPI assumptions • -£1.5m reduction to estimated National Living Wage pressure following Chancellor's Autumn Budget Statement on 23rd November

	<p><u>Demography</u></p> <ul style="list-style-type: none"> • -£1.5m reduction to estimated Older People & Physical Disability demography pressure
Grant reductions (improvement of £4.6m)	<ul style="list-style-type: none"> • +£6.2m Social Care Support Grant announced in provisional local government finance settlement on 15th December • -£1.5m reduction to provisional New Homes Bonus Grant announced in the local government finance settlement
Growth in taxbase & change in collection fund surplus (improvement of £6.2m)	<ul style="list-style-type: none"> • £3.1m growth in council tax base resulting from: increase in number of households; change in discounts; and reviews of local Council Tax Reduction Schemes • £3.1m increase in assumed 2016-17 council tax collection fund surplus
Savings and Income (reduction of £2.1m)	<ul style="list-style-type: none"> • A number of changes as presented in revised MTFP to take into account of latest proposals and phasing and the impact of changes to spending demands and funding outlined above

3. Budget Consultation

3.1 The budget communication and consultation campaign was launched on 13th October to coincide with the publication of the County Council Autumn Budget Statement papers. The campaign was aimed at reaching a wide audience of Kent residents, businesses and other interested parties to better inform them of the budget challenge arising from a combination of additional spending demands (which are unfunded) and reductions in central government funding. As a result of the campaign we hoped that sufficient numbers would be inspired to engage with the consultation.

3.2 The campaign was primarily delivered through the council's website <http://www.kent.gov.uk/about-the-council/have-your-say/budget-201718>. This dedicated page provided a high level summary of the financial challenge with links to consultation questionnaire, budget modelling tool and more detailed supporting information. In total the site had 1,416 unique page views between 13th October and 27th November, 489 accessed from internal users and 927 external visits. The peak traffic for internal users was immediately following the launch i.e. 13th/14th/17th October, which accounted for 302 of the 489 visits. The peak traffic for external users was Monday 14th November (125 of the 927 visits).

3.3 In total 512 responses were received either through the dedicated webpage or the general consultations page. A handful of written responses were also received. A summary of the responses is presented below. The questionnaire explored 4 key issues:

- Council tax increases in relation to the referendum requirement
- Council tax increases for social care precept
- KCC's overall budget strategy
- The level of awareness of the financial challenge

The questionnaire also allowed for any other comments.

3.4 Details of the consultation responses will be presented as part of Cabinet and County Council budget papers. For the sake of brevity we have published the report on all consultation activity as a background document to Cabinet Committee reports rather than including all the information in each committee report. This consultation can be accessed via the link at the end of this report.

4. Specific Issues for the Policy & Resources Cabinet Committee

4.1 Appendices 1, 2 and 3 set out the main budget proposals relevant to the Strategic & Corporate Services directorate that will be included in the final draft MTFP, revenue budget and capital programme. These appendices are exempt until the final draft MTFP and budget book are published. These proposals must be considered in light of the general financial outlook for the County Council for 2017-18 which is for further reductions in overall funding even after planned council tax increases, and flat-cash over the medium term. This means we have no funding for additional spending demands and consequently will continue to need to make budget savings each and every year.

4.2 Savings from any new policy initiatives are shown in the exempt appendices and any significant issues will be raised during the Cabinet Committee meeting following publication of the final draft MTFP and Budget (scheduled for 12th January). Due to the exempt nature of the appendices these proposals cannot be covered in detail in the report.

5. Conclusions

5.1 The financial outlook for the next 3 years continues to look exceptionally challenging. Although the medium term outlook is flat cash i.e. we should have a similar budget in 2019-20 to 2015-16, there is a dip in 2017-18 which makes the forthcoming year the most difficult. Furthermore, the flat cash equation includes additional funding raised through Council Tax, the 2% precept for social care and the Better Care Fund. This additional income is required to fund rising spending demands (and may not be enough to fund all demands). This means the Council will still need to find substantial savings in order cover any shortfall against spending demands and to compensate for the reductions in RSG (and any other changes in specific grants including those referred to in this report).

5.2 At this stage the forecasts for 2018-19 and 2019-20 are our best estimates. If these estimates prove to be accurate then the savings needed to balance the budgets in these years would be less than we have faced for a number of years. At this stage we have made no presumptions on the possible consequences of 100% business rate retention. We know that the extra business rates we will be able to retain will come with additional responsibilities, although we have no indication what these might be and whether there will be enough money to cover the cost. We also know the government is reconsidering the calculation of the existing baseline which determines the top-up we receive (and the tariffs other authorities pay). Once again at this stage we have made no presumption about the outcome of this review until we know more.

5.3 Appendices 1 and 2 include the latest estimates for unavoidable and other spending demands for 2017/18 and future years. These estimates are based on the latest budget monitoring and activity levels as reported to Cabinet in November (quarter 2).

6. Recommendation(s)

6.1 The Policy & Resources Cabinet Committee is asked to note the draft budget and MTFP (including responses to consultation and Government announcements).

6.2 The Policy & Resources Cabinet Committee is invited to make suggestions to the Cabinet Member for Finance and Procurement, Cabinet Member for Corporate & Democratic Services and Cabinet Member for Commercial & Traded Services on any other issues which should be reflected in the draft budget and MTFP prior to Cabinet on 23rd January and County Council on 9th February 2017.

7. Background Documents

7.1 [Consultation materials](#) published on KCC website and the [outcome report](#) (exempt until 11 January 2017)

7.2 [The Chancellor of the Exchequer's Spending Review and Autumn Statement](#) on 23rd November 2016 and [OBR report on the financial and economic climate](#)

7.3 [The provisional Local Government Finance Settlement 2017-18](#) announced on 15th December 2016

8. Contact details

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Heading	Description	Finance & Procurement	Engagement, Organisation Design & Development	General Counsel	Infrastructure	Business Development & Intelligence	Strategy, Policy, Relationships and Corporate Assurance	Business Services Centre	Directorate Management & Support for S&CS	TOTAL Strategic & Corporate Services
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2016-17 Base	Approved budget by County Council on 11th February 2016	11,681.5	16,235.8	1,981.7	36,114.9	1,299.4	1,996.1		-2,380.3	66,929.1
Base Adjustments (internal)	Changes to budgets which have nil overall affect on net budget requirement	915.3	114.3	167.7	144.4	29.1	170.3		-68.2	1,472.9
Revised 2016-17 Base		12,596.8	16,350.1	2,149.4	36,259.3	1,328.5	2,166.4		-2,448.5	68,402.0
Additional Spending Pressures										
Net Budget Realignment	<i>Necessary adjustments to reflect current and forecast activity levels from in-year monitoring reports</i>									
Pay and Prices										
Inflation										
Energy	Anticipated price increases on energy contracts as estimated by Commercial Services				174.0					174.0
Non specific price provision	Non specific provision for CPI inflation on other negotiated contracts without indexation clauses				216.7					216.7
ICT Contracts	Exchange rate impact on ICT software contracts				221.7					221.7
Service Strategies & Improvements										
Invicta Law	Cost to Invicta Law of full recharge of corporate support services (offset by additional income to central corporate support services below), as per the original business case			285.2						285.2
Leases	One off transitional issues around the timing of leases				250.5					250.5
	Total Additional Spending Demands			285.2	862.9					1,148.1
Savings and Income										
Transformation Savings										
GEN2 LATCo	Dividend from and implementation of Property Local Authority Trading Company model				-78.4					-78.4
Contact Centre and Digital Web Platform	Removal of one-off investment in 2016-17 for new contact centre and digital web platform.		-552.7							-552.7
Income										
Corporate Support Services - BSC	Reduction in Engagement, Organisation Design & Development commissioned budget to Business Services Centre to be delivered through Increased profitability		-145.0							-145.0
Market Expertise	Sell Finance and Infrastructure expertise to external bodies	-320.0			-50.0					-370.0
Corporate Support Services	Income from full recharge of corporate support service costs to Invicta Law (offset by pressure above), as per the original business case	-25.0	-159.5		-100.7					-285.2
Corporate Landlord	Increase in rental income from more innovative use of the Corporate Landlord estate				-190.0					-190.0
Efficiency Savings										
Staffing										
Staffing Restructures	Service re-design, integration of services and more efficient ways of working resulting in a reduction of staff costs. The delivery of these savings will be with appropriate stakeholder engagement and detailed consultations	-717.1	-889.2	-50.0	-569.0	-122.0	-191.0			-2,538.3
Infrastructure										
Established Programmes	Existing savings plans arising from asset rationalisation, facilities management and utility contracts				-406.0					-406.0
Contracts & Procurement										
Infrastructure	Reduction in ICT spend on third party contracts and equipment and centralise remaining ICT contract spend				-370.0					-370.0
E-Learning	Further development of e-learning and reducing external training costs		-215.3							-215.3
Total Facilities Management	Review Total Facilities Management contact				-318.0					-318.0

Heading	Description	Finance & Procurement	Engagement, Organisation Design & Development	General Counsel	Infrastructure	Business Development & Intelligence	Strategy, Policy, Relationships and Corporate Assurance	Business Services Centre	Directorate Management & Support for S&CS	TOTAL Strategic & Corporate Services
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
GEN2 LATCo	Reduction of the commissioned budget to GEN2				-282.0					-282.0
Cloud Based Solution	Move Medway DR data centre to 'Cloud-based' solution				-90.0					-90.0
Other	Other minor contracts and procurement savings				-50.0					-50.0
<i>Other</i>										
Discretionary Spend	Pro-rata cut to discretionary spend	-300.0							-99.0	-399.0
Training budget	Identify existing training expenditure permitted to be funded from the new Apprenticeship Levy, to partially offset the pressure above		-100.0							-100.0
Other	Other minor efficiency savings		-60.0	-30.0	-77.2					-167.2
<i>Policy Savings</i>										
Partnership Arrangements with Districts	Rationalise current support payments	-167.0								-167.0
Total savings and Income		-1,529.1	-2,121.7	-80.0	-2,581.3	-122.0	-191.0		-99.0	-6,724.1
Proposed Budget		11,067.7	14,228.4	2,354.6	34,540.9	1,206.5	1,975.4		-2,547.5	62,826.0

Appendix 2 - Directorate Specific A to Z Service Analysis

Strategic & Corporate Services

Row Ref	2016-17 Revised Base	Service	2017-18 Proposed Budget							Affordable Activity
	Net Cost		Staffing	Non staffing	Gross Expenditure	Internal Income	External Income	Grants	Net Cost	
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	
		Community Services								
1	4,250.7	Contact Centre & Digital Web Services	0.0	4,021.6	4,021.6	0.0	-234.6	-89.0	3,698.0	Contact Point is an externally commissioned multi-channel service which provides the primary public telephone and digital web services for the County Council. The contact centre operates extended business hours and emergency contacts overnight throughout the year. Approx. 750,000 contacts are handled every year (690k telephone/60k e-mail) supporting more than 90 KCC services. It will increasingly provide better customer focussed, true multi-channel access to Kent services.
2	921.6	Gateways	324.8	541.8	866.6	0.0	-25.0	0.0	841.6	The Gateway service model is undergoing re-design through active collaboration with internal/external partners (District Councils and third sector). The Gateway budget contributes to shared management, staffing and running costs for each Gateway which supports over 1 million customer visits per year.
		Local Democracy								
3	520.0	County Council Elections	0.0	520.0	520.0	0.0	0.0	0.0	520.0	Annual contribution to a reserve to cover the costs of County Council Elections every four years and by-elections as required.
4	1,680.0	Local Member Grants	0.0	1,620.0	1,620.0	0.0	0.0	0.0	1,620.0	Grants controlled by individual Members which are given to a wide range of community based groups, individuals and organisations.
5	1,788.2	Partnership arrangements with District Councils	0.0	1,621.2	1,621.2	0.0	0.0	0.0	1,621.2	Payments made to district councils out of the County Council's share of Council Tax towards additional costs incurred in running local council tax support schemes and other initiatives to increase the Council Tax yield.
6	9,160.5	Total Direct Services to the Public	324.8	8,324.6	8,649.4	0.0	-259.6	-89.0	8,300.8	

Appendix 2 - Directorate Specific A to Z Service Analysis

Strategic & Corporate Services

Row Ref	2016-17 Revised Base	Service	2017-18 Proposed Budget							Affordable Activity
	Net Cost		Staffing	Non staffing	Gross Expenditure	Internal Income	External Income	Grants	Net Cost	
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	
		<u>Management, Support Services and Overheads</u>								
		Directorate Management and Support for:								These budgets include the directorate centrally held costs, which include the budgets for, amongst other things, the strategic directors and heads of service.
7	-2,448.5	Strategic & Corporate Services (S&CS)	543.0	2,146.4	2,689.4	-716.9	-132.0	-4,388.0	-2,547.5	
		Support to Frontline Services:								
8	0.0	Business Services Centre (BSC)	21,677.8	5,968.9	27,646.7	-21,626.1	-6,020.6	0.0	0.0	Provides transactional HR, ICT and Finance services together with traded services to external customers in these professions.
9	3,405.2	Business Strategy	2,629.0	505.2	3,134.2	0.0	-42.0	0.0	3,092.2	Supports the political and managerial leadership of KCC in a number of ways including strategic policy development across the whole council, effective performance management, research and business intelligence.
10	2,172.2	Communications, Consultation & Engagement	1,624.6	525.3	2,149.9	-373.7	0.0	0.0	1,776.2	Responsible for communicating with the public, ensuring residents are informed about services and how to access them, and promoting and defending KCC's reputation in the public domain. Advises on and delivers consultations, which support robust decision making processes for the authority. Also responsible for ensuring all council decisions take into account the impact they will have on residents or service user groups. Provides the 'Intelligent client' function on behalf of KCC and monitors the contract for the provision of the three primary contact channels: face to face through Gateways; phone & digital web services through Contact Point.

Appendix 2 - Directorate Specific A to Z Service Analysis

Strategic & Corporate Services

Row Ref	2016-17 Revised Base	Service	2017-18 Proposed Budget							Affordable Activity
	Net Cost		Staffing	Non staffing	Gross Expenditure	Internal Income	External Income	Grants	Net Cost	
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	
11	3,693.0	Democratic and Members	1,439.8	2,315.2	3,755.0	0.0	-107.0	-35.0	3,613.0	The cost of supporting the 81 elected members of the County Council and the responsibility for the Council's Overview and Scrutiny function in accordance with the provisions of the Local Government Act 2000, the Health and Social Care Act 2001, as amended in 2012 for the transfer of Public Health responsibilities, and the Local Government and Public Involvement in Health Act 2007.
12	7,882.5	Finance and Procurement <i>(excluding services commissioned from Business Services Centre)</i>	10,859.9	1,562.8	12,422.7	-1,116.9	-3,757.6	-904.8	6,643.4	Responsible for planning, managing and reporting upon the Council's financial resources, in liaison with both Members and senior management, in accordance with the Council's Financial Regulations.
13	2,926.1	Finance and Procurement - services commissioned from the Business Services Centre	0.0	2,804.6	2,804.6	0.0	-1.5	0.0	2,803.1	Transactional financial services commissioned from the Business Services Centre.
14	-1,006.2	General Counsel and Information Governance	747.4	-1,415.4	-668.0	0.0	-53.0	0.0	-721.0	Management of contract with Invicta Law for legal advice and services to KCC, public bodies and other local authorities. Co-ordination of responses to Freedom of Information (FOI) requests.
15	5,861.8	Human Resources <i>(excluding services commissioned from Business Services Centre)</i>	3,786.7	2,046.0	5,832.7	-210.3	-492.6	0.0	5,129.8	Responsible for delivering the strategic and operational HR requirement for KCC. The function has an advisory role to help ensure that KCC meets its statutory responsibility in terms of Health and Safety, Employment Law and Equality legislation in relation to employment.
16	1,553.5	Human Resources - services commissioned from the Business Services Centre	0.0	1,343.0	1,343.0	0.0	-90.5	0.0	1,252.5	Transactional HR services commissioned from the Business Services Centre.
17	30,546.8	Infrastructure (Property & ICT) <i>(excluding services commissioned from Business Services Centre & LATCO)</i>	2,504.0	40,343.7	42,847.7	-6,109.7	-6,897.8	-188.7	29,651.5	Intelligent client function with responsibility for the management of KCC's land and property portfolio together with the management of the service delivery of ICT services, through contract arrangements with appropriate internal and external delivery vehicles. The Kent Public Services Network and other partnership arrangements are also included here.

Appendix 2 - Directorate Specific A to Z Service Analysis

Strategic & Corporate Services

Row Ref	2016-17 Revised Base	Service	2017-18 Proposed Budget							Affordable Activity
	Net Cost		Staffing	Non staffing	Gross Expenditure	Internal Income	External Income	Grants	Net Cost	
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	
18	4,198.3	Infrastructure - ICT services commissioned from Business Services Centre	0.0	4,133.3	4,133.3	0.0	-250.4	-147.3	3,735.6	Transactional ICT services commissioned from the Business Services Centre.
19	1,514.2	Infrastructure - Property services commissioned from Property LATCo	0.0	2,659.9	2,659.9	-886.0	-620.1	0.0	1,153.8	Responsibility for the management of KCC's land and property portfolio. This involves strategic asset management across the estate (Corporate Landlord) and is supported by the provision of professional property services delivered in-house and via external consultants. Includes the dividend from the Property LATCo, GEN2.
20	-1,057.4	Legal Services - Dividend from Invicta Law	0.0	0.0	0.0	0.0	-1,057.4	0.0	-1,057.4	Dividend from Invicta Law, our external legal services provider.
21	59,241.5	Total Management, Support Services and Overheads	45,812.2	64,938.9	110,751.1	-31,039.6	-19,522.5	-5,663.8	54,525.2	
22	68,402.0	TOTAL	46,137.0	73,263.5	119,400.5	-31,039.6	-19,782.1	-5,752.8	62,826.0	

Row Ref	STRATEGIC & CORPORATE SERVICES							
	Appendix 3 - CAPITAL INVESTMENT PLANS 2017-18 TO 2019-20 BY FUNDING							
			Three Year Budget £'000		Cash Limits			
					2017-18 £'000	2018-19 £'000	2019-20 £'000	
	Rolling Programmes	Description of Project						
1	Corporate Property Strategic Capital*	Costs associated with delivering the capital programme	9,180		3,060	3,060	3,060	
2	<i>Disposal Costs</i>	Costs of disposing of surplus property	1,950		650	650	650	
3	<i>Modernisation of Assets</i>	Maintaining KCC estates	8,000		3,000	2,000	3,000	
4	Total Rolling Programmes		19,130		6,710	5,710	6,710	
			Total Cost of Scheme £'000	Prior Years Spend £'000	Cash Limits			
					2017-18 £'000	2018-19 £'000	2019-20 £'000	Later Years £'000
	Individual Projects	Description of Project						
5	<i>Property Investment & Acquisition Fund</i>	To fund strategic acquisitions of land and property	10,375	7,079	3,296			
6	Innovative Schemes Fund	To fund innovative and reactive projects emerging through the year	278	218	60			
7	LIVE Margate	Replace empty and poorly managed housing in Margate with high quality and well managed family housing to regenerate the area	10,038	4,011	993	3,203	331	1,500
8	<i>Rendezvous Hotel</i>	<i>Part of the Regeneration aspirations for Margate</i>	15,750			15,750		
9	<i>Dover Discovery Centre</i>	<i>Refurbishment to make the building fit for purpose</i>	4,306		4,306			
10	Invicta Car Park	To carry out structural repairs, protection & remedial works to extend the useful life of the structure	1,000		1,000			
11	Business Intelligence Tool	Implementation of a new Business Analytics tool for use as a Social Care Case Management system	1,047		1,047			
12	Total Individual Projects		42,794	11,308	10,702	18,953	331	1,500
13	Directorate Total		61,924	11,308	17,412	24,663	7,041	1,500

* Estimated allocations have been included for 2017-18, 2018-19, and 2019-20.

Italic font: these are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved.

Row Ref	STRATEGIC & CORPORATE SERVICES					
	Appendix 3 - CAPITAL INVESTMENT PLANS 2017-18 TO 2019-20 BY FUNDING					
	Total Cost of Scheme	Prior Years Spend	Cash Limits			
			2017-18	2018-19	2019-20	Later Years
Funded by:	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	19,913	3,973	7,406	5,203	3,331	
Grants	14,930		3,060	8,810	3,060	
Developer Contributions	0					
Other External Funding	10,085	85		10,000		
Revenue and Renewals	-41	-41				
Capital Receipts	16,930	7,244	6,886	650	650	1,500
Recycling of Loan Repayments	107	47	60			
Total:	61,924	11,308	17,412	24,663	7,041	1,500

Row Ref	STRATEGIC & CORPORATE SERVICES											
Appendix 3 - CAPITAL INVESTMENT PLANS 2017-18 TO 2019-20 BY FUNDING												
		2017-20 Funded By:										
		Three Year Budget	Borrowing	Grants	Dev Contrs	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2017-20		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ROLLING PROGRAMMES												
1	Corporate Property Strategic Capital*	9,180		9,180						9,180		
2	<i>Disposal Costs</i>	1,950						1,950		1,950		
3	<i>Modernisation of Assets</i>	8,000	7,500					500		8,000		
4	Total Rolling Programmes	19,130	7,500	9,180	0	0	0	2,450	0	19,130		
		Total Cost of Scheme	Prior Years Spend	Borrowing	Grants	Dev Contrs	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2017-20	Later Years
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
INDIVIDUAL PROJECTS												
5	<i>Property Investment & Acquisition Fund</i>	10,375	7,079					3,296		3,296		
6	Innovative Schemes Fund	278	218						60	60		
7	LIVE Margate	10,038	4,011	4,527						4,527	1,500	
8	<i>Rendezvous Hotel</i>	15,750	0		5,750		10,000			15,750		
9	<i>Dover Discovery Centre</i>	4,306	0	1,866				2,440		4,306		
10	Invicta Car Park	1,000	0	1,000						1,000		
11	Business Intelligence Tool	1,047	0	1,047						1,047		
12	Total Individual Projects	42,794	11,308	8,440	5,750	0	10,000	0	5,736	60	29,986	1,500
13	TOTAL CASH LIMIT	61,924	11,308	15,940	14,930	0	10,000	0	8,186	60	49,116	1,500
<p>* Estimated allocations have been included for 2017-18, 2018-19, and 2019-20. <i>Italic font:</i> these are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved.</p>												

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From: Gary Cooke, Cabinet Member for Corporate and Democratic Services
Rebecca Spore, Director of Infrastructure
Michael Lloyd, Head of Technology, Commissioning & Strategy

To: Policy and Resources Cabinet Committee
13th January 2017

Subject: Technology Services Modernisation Programme

Classification: Unrestricted

Past Pathway of Paper: None

Future Pathway of Paper: Cabinet Member Decision (16/00138)

Electoral Division: All

Summary: This paper explains the context for putting in place a technology services contract to deliver a programme of works to support the implementation of the ICT strategy.

Recommendation

The **Policy & Resources Cabinet Committee** is asked to consider and endorse or make recommendations to the Cabinet Member for Corporate and Democratic Services on the proposed decision to delegate to the Director of Infrastructure in consultation with the Cabinet Member for Corporate and Democratic Services, the award of a technology services contract, including the necessary contractual negotiations, as set out in the exempt report at item D1, and enter into any subsequent necessary legal agreements.

1. Introduction

- 1.1 This report outlines the context for putting in a new technology services contract to deliver the strategic outcomes set out in the ICT Strategy, including the expected financial implications.
- 1.2 In May 2016 the Policy and Resources committee was provided with an overview of the new ICT Strategy which was endorsed. The strategy sets out six strategic outcomes to be enabled through the use of technology.

1.3 The strategic outcomes are:

- Provide staff, members, partners and residents with ICT Services that fully exploit the benefits of technology.
- Support new ways of working and new service delivery models.
- Using information assets to support intelligence based commissioning and service delivery.
- Provide agile and flexible solutions to support evolving service and customer needs.
- Facilitating service directorates in embracing technology on the delivery of new service models.
- Ensure the Authority's ICT is managed within budget.

1.4 The Strategy also sets out the main technologies that the Authority will adopt; ensuring we are leveraging the maximum return on our existing investment whilst providing a sustainable, resilient, and flexible technology suite.

2. Financial Implications

2.1 The decision to put in place a technology services contract to deliver a programme of work; to modernise and take advantage of new technology capabilities in a phased approach. This programme commits the Authority to an initial spend of £2.3M for phase one and a maximum of £4.5M for the completion of all three phases over a three year period.

2.2 The funding outlined above is identified within existing budgets and is integral to delivering the medium term financial plan requirements and supporting transformation in service delivery.

3. Bold Steps for Kent, Policy Framework and ICT Strategy

3.1 This contract will allow the Authority to deliver its current services with a modern suite of technology. More importantly this investment is an enabler to support new working models and use of buildings, and to support mobile and flexible working. This is essential in supporting KCC's service provision. Not implementing this will adversely impact the Authority in terms of its technology and ongoing sustainability.

3.2 The ICT Strategy 2016 - 2020 defines the technology capabilities required by the Council, it sets out that Microsoft will be considered first for all future technology requirement to ensure we maximise our existing investment in this technology which equates to 75% of IT in KCC.

3.3 The programme will allow us to sequence a major cloud transition programme by giving KCC access to new cloud based technologies and expertise. This programme is an ICT infrastructure upgrade which will use cloud technology to deliver an upgraded modern ICT platform for our staff and services.

The Report

4.1 This report gives a high level overview of the outcomes that an extensive

‘Analyse’ phase has produced over the last six months. This has been commissioned by the Head of Technology Commissioning and Strategy through our existing Strategic Enterprise Partnership with Microsoft. To put in place a secure, robust, sustainable and resilient technology roadmap to accelerate the modernisation of technology following the outcome of the back office procurement. Microsoft’s technology equates to 75% of the ICT systems and productivity within the Authority. The ‘Analyse’ phase has been very much focussed on how we can maximise our existing investment rather than looking at new solutions which would require new funding.

4.2 The outcome of the analysis can be summarised in six outcomes which very much align to the strategic outcomes defined in the ICT Strategy and determine the goals for a modern ICT Service.

- The delivery of joined-up county wide resident access to regional digital public services, underpinned by a single online identity. This capability will allow the residents of Kent to use a common online identity to access a whole range of public services.
- The enablement of improved service planning and delivery by making informed and data driven decisions.
- The provision of a modern ICT platform that will enable the delivery of new, innovative and cost effective solutions across the region.
- The ability to work anywhere across the region.
- The need to improve collaboration across departmental and organisational boundaries.
- The requirement to resolve current ICT platform constraints in a way that aligns to future strategy.

4.3 To deliver the outcomes listed above and realise the ICT Strategy a programme of works has been developed. The programme consists of three phases broken down as follows:-

Phase	Approach	Outcomes
Phase 1	<ul style="list-style-type: none"> ➤ Lay the groundwork for a rapid movement to the Cloud. ➤ Establish a Cloud adoption Team with Executive sponsorship. ➤ Commence analysis, implement proof of concept projects and pilot migrations to prove the approach. 	<ul style="list-style-type: none"> ➤ Modern end user computing suite in place. ➤ Key IT systems to cloud infrastructure. ➤ People and Processes ready to support a cloud-first approach to KCC.
Phase 2	<ul style="list-style-type: none"> ➤ Migrate key systems to the cloud aiming to reduce datacentre footprint and increase resiliency. ➤ Expose proof of concept projects early across the business. 	<ul style="list-style-type: none"> ➤ Dependence on Medway Datacentre removed. ➤ Visible signs of transformation of KCC are evident both internally and externally. Resident ID programme is being piloted around the county.

		<ul style="list-style-type: none"> ➤ ICT Support is now in a model which not only supports our staff and members but enables staff to get the best of it.
Phase 3	<ul style="list-style-type: none"> ➤ Move remaining services to the cloud at pace. ➤ Exploit new technologies to find innovative solutions to old problems. 	<ul style="list-style-type: none"> ➤ Significant reduction in on-premise ICT Infrastructure. ➤ KCC now in a position as a hub for service delivery across multiple public sector and private partners providing the backbone for technology services to enable cross-collaborative working.

4.4 Phase one has been fully scoped and it is proposed to enter into a contract to support the delivery of the programme.

4.5 This programme of works is essential in order for the Authority to keep up to date with technology, but more importantly create the right systems to support KCC in enabling new ways of working and supporting service transformation and service efficiencies through the use of technology. By not making this investment the Authority will not be able to take advantage of the new technology and will therefore be constrained by its ICT, increasing the pressure on services and budgets.

4.6 There are no legal or equalities implications.

5. Conclusions

The Council makes significant use of ICT for the efficient delivery of many of its services. The proposed programme will enable KCC modernise its technology in line with the ICT Strategy and move to a sustainable, robust, secure and resilient infrastructure which will enable the outcomes listed in this report.

6. Recommendation(s)

Recommendation(s):

The **Policy & Resources Cabinet Committee** is asked to consider and endorse or make recommendations to the Cabinet Member for Corporate and Democratic Services on the proposed decision to delegate to the Director of Infrastructure in consultation with the Cabinet Member for Corporate and Democratic Services, the award of a technology services contract, including the necessary contractual negotiations, as set out in the exempt report at item D1, and enter into any subsequent necessary legal agreements.

7. Background Documents

7.1 None

8. Contact details

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Relevant Directors:

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From: **John Simmonds, Deputy Leader and Cabinet Member for Finance & Procurement**
Gary Cooke, Cabinet Member for Corporate & Democratic Services
Susan Carey, Cabinet Member for Commercial and Traded Services
David Cockburn, Corporate Director for Strategic & Corporate Services

To: **Policy & Resources Cabinet Committee – 13 January 2017**

Subject: **Financial Monitoring 2016-17**

Classification: **Unrestricted**

Summary:

The Policy & Resources Cabinet Committee is asked to note the October 2016-17 budget monitoring position which was presented to Cabinet on 12 December 2016.

Recommendation(s):

The Policy & Resources Cabinet Committee is asked to note the revenue and capital forecast variances from budget for 2016-17 that are in the remit of this Cabinet Committee, based on the October monitoring to Cabinet.

1. Introduction:

1.1 This is a regular report to this Committee on the forecast outturn.

2. Background:

2.1 Cabinet recently agreed a revised format for the regular budget monitoring reports. The Policy & Resources Cabinet Committee noted and commented on the revised format at its meeting on the 22 July 2016, endorsing that in future a short commentary report for the Strategic & Corporate Services Directorate along with a summary of the overall position for the Authority, would be written and presented in a more timely manner than had previously been possible.

This is the third report to be presented to this Committee in the revised format.

2.2 Table 1 below shows the position for the Strategic & Corporate Services Directorate for October 2016, together with the movement in forecast from the September 2016 monitoring position.

2.2 Table 1

Budget Book Heading	Net Budget	Net Forecast Variance	Corporate Director adjustment	Revised Net Variance	Last Reported position	Movement
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Strategic & Corporate Services Directorate						
- Contact Centre, Digital Web Services & Gateways	5,174.0	108.5	0.0	108.5	84.6	23.9
- Local Democracy	5,314.5	-2.9	0.0	-2.9	-2.9	0.0
- Strategic Business Development & Intelligence	1,332.1	-98.3	0.0	-98.3	-53.6	-44.7
- Strategy, Policy, Relationships & Corporate Assurance	2,064.1	-233.4	0.0	-233.4	-236.4	3.0
- Democratic & Members	3,699.4	-89.9	0.0	-89.9	-44.9	-45.0
- Finance & Procurement	10,830.8	-339.7	0.0	-339.7	-348.8	9.1
- Engagement, Organisation Design & Development (HR, Comms & Engagement)	9,607.9	-275.2	0.0	-275.2	-235.8	-39.4
- Legal Services & Information Governance	-2,042.8	249.7	0.0	249.7	249.7	0.0
- S&CS Strategic Management & Directorate Support Budgets	-2,413.5	0.0	0.0	0.0	0.0	0.0
- Infrastructure (Property, ICT & Business Services Centre exc CLL)	15,935.8	85.7	0.0	85.7	133.8	-48.1
Corporate LandLord (reduced by Asset Utilisation saving of -£1,038)	20,346.0	621.0	0.0	621.0	574.3	46.7
Total S&CS	69,848.3	25.5	0.0	25.5	120.0	-94.5

2.3 The Strategic & Corporate Services figures in Table 1 above contain both the forecast for the Directorate itself and the Corporate aspirational savings target of -£1,038k for the Asset Utilisation programme, held against the Corporate Landlord budgets within the Infrastructure Division. The Directorate forecast (excluding the Asset Utilisation target) has moved by -£0.095m to an underspend of -£0.487m, whilst the position on Asset Utilisation remains unchanged at +£0.513m, giving an overall small pressure of +£0.026m. All the Divisions within the control of the S&CS Directorate have moved by less than £0.050m each.

2.4 Directorate Variance of -£0.487m.

Finance & Procurement are reporting an underspend of -£0.340m most of which is coming from unbudgeted income opportunities which have arisen in Procurement from work with the West Kent CCG and Revenue Finance for hosting the Better Care Fund.

Strategy, Policy, Relationships & Corporate Assurance are reporting an underspend of -£0.233m resulting from staff maternity and secondments together with unbudgeted project income from the NHS.

Engagement, Organisation Design & Development are reporting an underspend of -£0.275m primarily due to staffing vacancies.

Legal Services are reporting a pressure of +£0.250m primarily due to staff vacancies, recruitment and training of new staff which is impacting income generation. The Infrastructure Division has a small pressure of +£0.086m which consists of many variances across all areas of the Division, including the Business Services Centre. Corporate LandLord budgets have been reduced by the -£1.038m Asset Utilisation saving which is currently reporting an overspend of +£0.513m. There are other pressures within CLL relating to utilities and other one-off pressures from Total Facilities Management contracts, which are being partially off-set by one-off rates rebates, leaving an overall pressure of +£0.108m.

All other Divisions within the control of the S&CS Directorate have variances of less than +/- £0.100m.

2.5 Asset Utilisation Variance of +£0.513m.

Property Group manages the Corporate Landlord estate which is occupied by front line services and has a savings target attached to it relating to the exiting of some buildings through the Asset Utilisation programme. It is not within Property's control to exit these operational buildings as these depend on operational service requirements and Member decisions reflecting the complex and challenging nature of this target. However, Property Group is working closely with service directorates and Members to identify potential buildings which could deliver the savings requirement. At present there is circa £0.513m of savings to be delivered from the closure of buildings, which are yet to be agreed.

2.6 The Strategic & Corporate Services capital budget is £20.502m. There is one variance of £0.120m which reflects using part of the grant within revenue as permitted under the grant conditions.

3.1 As the Policy & Resources Cabinet Committee has overview of the whole Authority, Members of the Committee are asked to note the overall revenue position for the Authority.

3.2 The Authority is forecasting a revenue pressure of £7.484m (after Corporate Director adjustments), increasing to £8.295m including roll forward requirements. Although we continue to urge budget managers to be less guarded with their forecasting, and after taking into account that all current anticipated management action is now included in this report, the residual position shows no real signs of improving and has in fact worsened again this month. The only potential outstanding adjustment relates to Asylum, so assuming that we receive funding from the Home Office to offset the Asylum pressure, **and this is by no means certain**, then the overall position would reduce by a further £2.136m from £8.295m to £6.159m. This compares to a residual pressure reflected in the September monitoring report of £4.850m, so a further underlying deterioration of £1.309m this month. This increase

predominately relates to further pressure on the SEN transport and Waste budgets, partially offset by improvements within Financing Items, Children's Disability and GET management & support budgets. We therefore still remain a long way short of achieving a balanced position.

- 3.3 Senior management have worked collectively to identify common areas where spend could be reduced and they remain committed to achieving a balanced position by year end without imposing a more draconian set of authority wide moratoria. Whilst we haven't introduced moratoria, we are:
- holding vacancies for non-essential posts and having director level authorisation for those posts that we do recruit to;
 - ensuring rigorous contract management;
 - running a PR campaign to all staff giving the message to stop all non-essential expenditure and increase income generation wherever possible;
 - rigorously reviewing any external advertising for recruitment;
 - promoting the message of "think before you print";
 - stopping any external room hire wherever possible and practical.
- 3.4 Corporate Directors continue to look for further savings, however small, that we hope will be reflected in these forecasts in the coming months. Any residual overspend would need to be funded from reserves, which is a one-off solution, still requiring the underlying pressure to be dealt with by in-year management action in the very early part of 2017-18.

4. Recommendation(s):

The Policy & Resources Cabinet Committee is asked to note the revenue and capital forecast variances from budget for 2016-17 that are in the remit of this Cabinet Committee, based on the October monitoring to Cabinet.

5 Background Document

None

6. Contact details

Report Author

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Relevant Director

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From: Mr G Cooke, Cabinet Member for Corporate and Democratic Services

John Lynch, Head of Democratic Services

To: Policy and Resources Cabinet Committee –13 January 2017

Subject: **Work Programme 2017**

Classification: **Unrestricted**

Past Pathway of Paper: None

Future Pathway of Paper: Standard item

Summary: This report gives details of the proposed work programme for the Policy and Resources Cabinet Committee

Recommendation: The Policy and Resources Cabinet Committee is asked to consider and agree its work programme for 2017.

1. Introduction

- 1.1 The proposed Work Programme has been compiled from items on the Forthcoming Executive Decision List; from actions arising from previous meetings, and from topics identified at agenda setting meetings, held 6 weeks before each Cabinet Committee meeting in accordance with the Constitution and attended by the Chairman, Vice-Chairman and group spokesmen.
- 1.2 Whilst the Chairman, in consultation with the Cabinet Members, is responsible for the final selection of items for the agenda, this item gives all Members of the Cabinet Committee the opportunity to suggest amendments and additional agenda items where appropriate.

2. Terms of Reference

- 2.1 At its meeting held on 27 March 2014, the County Council agreed the following terms of reference for the Policy and Resources Cabinet Committee “To be responsible for those functions that fall within the Strategic and Corporate Services Directorate”.
- 2.2 Further terms of reference can be found in the Constitution at Appendix 2 Part 4 paragraph 21 and these should also inform the suggestions made by Members for appropriate matters for consideration.

3. Work Programme 2017

- 3.1 An agenda setting meeting was held on 29 November 2016 at which items for this meeting’s agenda were agreed. The Cabinet Committee is requested to consider and note the items within the proposed Work Programme, set out in

appendix A to this report, and to suggest any additional topics to be considered for inclusion on the agenda of future meetings.

3.2 The schedule of commissioning activity that falls within the remit of this Cabinet Committee will be included in the Work Programme and is considered at agenda setting meetings to support more effective forward agenda planning and allow Members to have oversight of significant services delivery decisions in advance.

3.3 When selecting future items the Cabinet Committee should give consideration to the contents of performance monitoring reports. Any 'for information' or briefing items will be sent to Members of the Cabinet Committee separately to the agenda or separate member briefings will be arranged where appropriate.

4. Conclusion

4.1 It is important for the Cabinet Committee process that the Committee takes ownership of its work programme to help the Cabinet Members to deliver informed and considered decisions. A regular report will be submitted to each meeting of the Cabinet Committee to give updates on requested topics and to seek suggestions for future items to be considered. This does not preclude Members making requests to the Chairman or the Democratic Services Officer between meetings for consideration.

<p>5. Recommendation: The Policy and Resources Cabinet Committee is asked to consider and agree its work programme for 2017.</p>

6. Background Documents

None.

7. Contact details

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WORK PROGRAMME – 2017

Policy and Resources Cabinet Committee

Agenda Section	Items
8 March 2017 •	
B – Key or Significant Decisions for Recommendation or Endorsement	
C - Performance Monitoring	<ul style="list-style-type: none"> • Performance Dashboards • Financial Monitoring • Work Programme •
D - Other Items for comment/ recommendation	<ul style="list-style-type: none"> • Corporate Assurance Report March 2017 • Risk Management update • Welfare Reform Update • Strategic and Corporate Services Business Plan – 17/18 • Contract Management Report • Housing White paper and KCC's response to it • Update on GEN2 to set out their business plan • Business Services centre in developing trading capabilities • Invicta Law update • Community Rents (Framework for applying discretion under existing policy) • Cross Party Security Update
16 June 2017 •	
B – Key or Significant Decisions for Recommendation or Endorsement	
C - Performance Monitoring	<ul style="list-style-type: none"> • Performance Dashboards • Financial Monitoring • Total Facilities Management – Bi-annual Report • Business Service Centre (Bi-annual performance report) • Work Programme •
D - Other Items for comment/ recommendation	<ul style="list-style-type: none"> • ICT Security Annual Report • Armed Forces Covenant Annual Report (May 2017) • SIRO update and re-assurance • Business Rates update • Commercial Services Update • Revenue Income dividend workstreams (D Shipton)
15 September 2017 •	
B – Key or Significant Decisions for Recommendation or Endorsement	
C - Performance Monitoring	<ul style="list-style-type: none"> • Performance Dashboards • Financial Monitoring

	<ul style="list-style-type: none"> • Contract Management • Work Programme •
D - Other Items for comment/ recommendation	<ul style="list-style-type: none"> • Corporate Assurance Report March 2017 • Gen2 Update – Bi-annual report • Invicta Law Update”
5 December 2017	
B – Key or Significant Decisions for Recommendation or Endorsement	<ul style="list-style-type: none"> •
C - Performance Monitoring	<ul style="list-style-type: none"> • Performance Dashboards • Financial Monitoring • Business Service Centre (bi-annual performance report July and December 2017) • Annual Equalities Report and new equalities objectives • Total Facilities Management Update – Bi-annual report • Work Programme
D - Other Items for comment/ recommendation	
Other items	
	<ul style="list-style-type: none"> • LATC • Gravesham Gateway to be considered by P&R in 2017 as decision as notice needs to be given by November 2017 • Business Disaster Recovery/ Business Continuity • Voluntary Organisations and use of KCC buildings • Contracting and Sub-Contracting arrangements with VCC (minutes of meeting of 8 September 2016) • Consultation Protocol (minutes of meeting of 8 September 2016)

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