



Summons to and  
Agenda for a  
Meeting on  
**Thursday, 11th  
February, 2016  
at 9.30 am**

**Please note the earlier start time for this meeting**





DEMOCRATIC SERVICES  
SESSIONS HOUSE  
MAIDSTONE

Wednesday, 3 February 2016

To: All Members of the County Council

Please attend the meeting of the County Council in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 11 February 2016 at **9.30 am** to deal with the following business. **The meeting is scheduled to end by 5.00 pm.**

### **Webcasting Notice**

Please note: this meeting may be filmed for the live or subsequent broadcast via the Council's internet site or by any member of the public or press present.

By entering into this room you are consenting to being filmed. If you do not wish to have your image captured please let the Clerk know immediately.

### **Voting at County Council Meetings**

Before a vote is taken the Chairman will announce that a vote is to be taken and the division bell shall be rung for 60 seconds unless the Chairman is satisfied that all Members are present in the Chamber.

**20 seconds** are allowed for electronic voting to take place and the Chairman will announce that the vote has closed and the result.

## **A G E N D A**

1. Apologies for Absence
2. Declarations of Disclosable Pecuniary Interests or Other Significant Interests in items on the agenda
3. Minutes of the meeting held on 10 December 2015 and, if in order, **(Pages 5 - 16)** to be approved as a correct record
4. Chairman's Announcements

5. Budget 2016-17 and Medium Term Financial Plan 2016-19 **(Pages 17 - 36)**  
(including Council Tax setting 2016-17)

A handwritten signature in black ink, appearing to read 'Peter Sass', written in a cursive style.

Peter Sass  
Head of Democratic Services

## KENT COUNTY COUNCIL

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MINUTES of a meeting of the Kent County Council held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 10 December 2015.

### PRESENT:

Mr M J Harrison (Chairman)

Mr T Gates (Vice-Chairman)

Mrs A D Allen, MBE, Mr M J Angell, Mr M Baldock, Mr M A C Balfour, Mr R H Bird, Mr H Birkby, Mr A H T Bowles, Mr D L Brazier, Mrs P Brivio, Mr R E Brookbank, Mr L Burgess, Mr C W Caller, Miss S J Carey, Mr P B Carter, CBE, Mr N J D Chard, Mr I S Chittenden, Mr B E Clark, Mrs P T Cole, Mr G Cooke, Mr G Cowan, Mrs M E Crabtree, Ms C J Cribbon, Mr A D Crowther, Mrs V J Dagger, Mr D S Daley, Mr M C Dance, Mr J A Davies, Mrs T Dean, MBE, Dr M R Eddy, Mr J Elenor, Mrs M Elenor, Mr G K Gibbens, Mr R W Gough, Ms A Harrison, Mr M Heale, Mr P M Hill, OBE, Mr C P D Hoare, Mrs S V Hohler, Mr S Holden, Mr P J Homewood, Mr E E C Hotson, Mrs S Howes, Mr A J King, MBE, Mr J A Kite, MBE, Mr S J G Koowaree, Mr R A Latchford, OBE, Mr R L H Long, TD, Mr G Lymer, Mr B E MacDowall, Mr T A Maddison, Mr R A Marsh, Mr B Neaves, Mr M J Northey, Mr P J Oakford, Mr J M Ozog, Mr R J Parry, Mr C R Pearman, Mr L B Ridings, MBE, Mrs E D Rowbotham, Mr J E Scholes, Mr T L Shonk, Mr C Simkins, Mr C P Smith, Mr D Smyth, Mr B J Sweetland, Mr N S Thandi, Mr R Truelove, Mr M J Vye, Mrs C J Waters, Mr J N Wedgbury, Mrs J Whittle, Mr M E Whybrow, Mr M A Wickham and Mrs Z Wiltshire

IN ATTENDANCE: David Cockburn (Corporate Director Strategic & Corporate Services), Geoff Wild (Director of Governance and Law), Peter Sass (Head of Democratic Services), Andy Wood (Corporate Director Finance and Procurement), Amanda Beer (Corporate Director Engagement, Organisation Design & Development), Barbara Cooper (Corporate Director of Growth, Environment and Transport), Emma Mitchell (Director of Strategic Business Development and Intelligence) and Andrew Scott-Clark (Director of Public Health)

### UNRESTRICTED ITEMS

#### **44. Apologies for Absence**

The Director of Governance and Law reported apologies from Mr Bond, Mr Harman, Mr McKenna, Mr Scobie, Mrs Stockell and Mr Terry.

#### **45. Declarations of Disclosable Pecuniary Interests or Other Significant Interests in items on the agenda**

(1) Mr Cowan declared an interest in that both he and his wife were KCC foster carers.

(2) Mr Clark declared an interest in item 8 (Dependent Carers' Allowance) as he had two young children and stated that he would be withdrawing from the meeting when that item was considered.

(3) Mrs Whittle declared a Disclosable Pecuniary Interest in item 8 –(Dependent Carers' Allowance) and stated that she would be withdrawing from the meeting when that item was considered.

**46. Minutes of the meeting held on 22 October 2015 and, if in order, to be approved as a correct record**

RESOLVED that the minutes of the meeting held on 22 October 2015 be approved as a correct record subject to "£" being deleted from the last sentence in paragraph (20) of minute no 41.

**47. Chairman's Announcements**

**(a) The Chairman's Long Service Award for Members**

(1) The Vice-Chairman presented a long service award to the Chairman.

**(b) Emma Mitchell**

(2) The Chairman introduced Ms Emma Mitchell who joined KCC at the end of September as Director, Strategic Business Development and Intelligence.

(3) Ms Mitchell was invited to introduce herself and briefly set out her role.

**(4) Royal Tunbridge Wells Heritage, Cultural & Learning Hub - Heritage Lottery Fund support**

(5) The Chairman stated that he was pleased to announce that the Cultural Hub, which was a partnership project between Tunbridge Wells Borough Council and Kent County Council had been successful in its stage one bid for Heritage Lottery Fund support.

(6) Mr Hill was invited to speak and commended this project, which would bring together the museum, art gallery, library and adult education into a new cultural hub in the centre of Royal Tunbridge Wells.

**(d) Democratic Services Officer of the Year – Theresa Grayell.**

(7) The Chairman announced that Miss Theresa Grayell had been awarded Democratic Services Officer of the Year by the Association of Democratic Services Officers, which represented governance officers from local authorities across the Country.

(8) Miss Grayell was presented with her award by the Chairman.

**(e) LGC Investment Award for the best performing local authority pension fund in property in 2014/15**

(9) The Chairman congratulated the Superannuation Fund Committee, under the chairmanship of Mr Scholes and officers on the Kent Pension Fund winning the LGC Investment Award for the best performing local authority pension fund in property in 2014/15, 89 other funds were considered for this award.

(10) The Chairman explained that the Fund had around £600m invested in property with £450m of that invested in direct UK property managed by DTZ Investors and with KCC Finance acting as client. The award was on display at the meeting.

**(d) Petition - Dorothy Lucy Centre, Maidstone**

(11) The Chairman invited Mr Clark to present a petition relating to the proposed closure of the Dorothy Lucy Centre, Maidstone.

**(e) Petition - Kiln Court, Faversham**

(12) The Chairman invited the Vice Chairman to present a petition relating to the proposed closure of Kiln Court, Faversham.

(13) The Chairman then invited Mr Gibbens, the Cabinet Member for Adult Social Care and Public Health, to approach the dais to collect the petitions and to ensure that they are responded to in accordance with the Petition Scheme.

**(f) Kent youth flag for the 'Magna Carta Foundation of Liberty' event**

(14) The chairman displayed the flag designed by young people in Kent, which had been flown at two events in Parliament Square between 15 - 22 May 2015 to commemorate the 750th anniversary of the Montfort Parliament of 1265

**(g) The Year So Far**

(15) The Chairman introduced a PowerPoint slide show which illustrated some of the events which he and the Vice-Chairman had attended since the previous meeting of the County Council.

**(h) Carols**

(16) The Chairman invited all Members to join him for carols from the Maidstone Singers in the Stone Hall at lunchtime.

**48. Questions**

In accordance with Procedure Rule 1.17(4), six questions were put and the answers given at the meeting. These were available [online](#) with the papers for this meeting.

#### **49. Report by Leader of the Council (Oral)**

(1) The Chairman stated that he had agreed to the Leader being allowed extra time to present his update but that the time for the Leader to reply would be reduced.

(2) The Leader updated the Council on discussions with the Home Office in the support of asylum seekers in Kent, the implications of the Autumn Statement/the Spending Review for Kent County Council and on the amendments to the Cities and Devolution Bill

(3) In relation to the Home Office negotiations in support of unaccompanied asylum seeking young people, he reported that the grant to support the various differing age categories had been increased substantially. In this financial year, £5.2 million of extra grant had been allocated. He expressed his gratitude for the work of Home Office officials and the Immigration Minister, Mr Brokenshire, MP, to achieve this positive outcome. Discussions with the Home Office were continuing including, for the next financial year, issues relating to the 18-plus care leavers. Mr Carter stated that there was a need to keep within the current grant allocation, particularly in relation to the accommodation strategy and commissioning the appropriate support for these young people.

(4) Mr Carter reminded the Council that the Immigration Minister had increased the grants for unaccompanied asylum seekers in an endeavour to encourage more authorities across the country to voluntarily take on full responsibility for many of Kent's asylum seeking youngsters. The take up had had been slow and, therefore, the regulations under the immigration bill would enable the Home Secretary to direct the dispersal of unaccompanied minors out of Kent into other parts of the country. After much lobbying, Government had accepted that Kent could no longer continue to shoulder the full responsibility of care for these 1400 young people.

(5) Mr Carter made reference to the autumn statement and the importance of the detail; for example, he welcomed an increase in the better care fund, outside of health service money, to a total cost of £1.5 billion per annum. However, this would be partially funded through the changes in the new homes bonus funding and he understood that this additional money would not be available until the financial year 2017/18. The new homes bonus was not new money from Government; it was redistributed from the revenue support grant pot. Also those with planning responsibilities, i.e. unitary, Metropolitan and London boroughs would benefit at the expense of counties.

(6) Mr Carter welcomed the option in the autumn statement to raise an additional 2% precept to help fund the adult social care demand-led pressures. He referred to the impact of the living wage on social care. Kent was at a disadvantage compared to London and Surrey due to having a lower wage economy in parts of the county. Counties had a much greater proportion of elderly people, particularly over 75, living within their communities; however, London boroughs currently received four times the amount of funding that Kent received within their revenue support grant. It was essential that care providers were treated fairly and that there was a strong vibrant and growing private sector and charitable sector care market in Kent.

(7) Mr Carter anticipated that most authorities with social care responsibilities would be taking up the precept, if the County Council decided to so it would



regrettably fall on Kent householders. In an area such as Kent, where there were areas of poverty, there was a greater proportion of “state-funders” as opposed to “self-funders” which put a substantial burden on the County Council’s social care budgets.

(8) In relation to County Council reserves, Mr Carter stated that he had made the Secretary of State aware that reserves should be measured against the risk that the authority was carrying and, of course, the substantial borrowing requirements that Kent County Council endured. Kent County Council currently had approaching £1 billion to deliver capital projects, most of which was supported borrowing over the 25 year period to pay the interest and the re-payments. In building the Thanet Way, the East Kent access roads, schools and a number of significant capital projects, Kent County Council was losing about £15 million a year as revenue support grant reduced. He referred to Hampshire County Council who had massive reserves and very small borrowing. He hoped that the Autumn Statement would be better news for Kent County Council in helping it to meet its medium term budget needs.

(9) In relation to the devolution bill, Mr Carter referred to the third reading in the House of Commons earlier that week and expressed the view that although ground had been gained on the unnecessary imposition of directly elected mayors, it appeared from the amendment debate that there was potential for the Secretary of State to be given powers to change County boundaries at will. He had been subsequently been told by the Secretary of State for Local Government and Communities, Mr Clark, MP, that county boundaries were sacrosanct and only in extreme circumstances would this change in regulation be applied. Mr Carter expressed the view that there was a need to make sure that the great track record of county governance in this country was recognised and county boundaries were preserved.

(10) Mr Latchford, Leader of the Opposition, referred to the awaited financial settlement and agreed with the Leader that the devil would be in the detail. He stated that despite the rhetoric from government, national borrowing continued to increase and that the national debt was higher than it had ever been. An increasing number of responsibilities were being devolved from Government to Councils and any short fall in resources for these were falling on the Kent tax payer. He referred to the overseas aid budget, which exceeded the Home Office budget at a time when the world was an uncertain place due, for example, to terrorism.

(11) Mr Latchford made reference to £250m for Operation Stack which would appear to be good news. He referred to a memo from the KCC Cabinet Member and Director on 15 September 2015 which stated that the preliminary cost would be £468m, he asked how the deficit would be met. He expressed his appreciation to those who had to plan KCC’s budget and manage such severe restraints.

(12) Moving on to devolution, which Mr Latchford supported in principle, he referred to a suggestion that central government should be able to claw back some powers if they considered it reasonable to do so. His group believed that if powers were devolved then Councils should be able to exercise those powers in the knowledge that funding was secure for the short and long term. There were many questions relating to devolution that needed to be answered, including where would Medway fit in to the Kent issue and would any devolution plans involve a more regional plan.

(13) Regarding young asylum seekers and the welcome extra grant of £5m, he expressed concern about migration where government had failed to meet their targets and borders were unsafe and insecure. He referred to a report to the Children's Social Care and Public Health Cabinet Committee on 2 December, which analysed the serious situation facing Kent and the ever increasing number of unaccompanied asylum seeking children and expressed sympathy to these young people who were a desperate situation of uncertainty, without parental care. He commended front line staff for their hard work and compassion in the way in which they had carried out this increasing responsibility. He referred to the ongoing discussions at government level to identify a suitable distribution of responsibility both financially and logistically, whilst being compassionate and caring to these young people. He stressed that this was an unfair burden on the Kent tax payer due the County being an UK entry point.

(14) Mr Latchford referred to the Select Committee on Corporate Parenting, which had produced an excellent report under the Chairmanship of Mrs Wiltshire and thanked the Leader for allocating the Chairmanship to his group. He stated that it would be nice to see more chairmanships being offered to political groups other than the Conservatives.

(15) In conclusion, Mr Latchford mentioned growth and infrastructure; he recognised that there was a £2 billion infrastructure shortfall due to unsustainable levels of housing development being forced on Kent by the Government. This was a major issue that needed to be addressed.

(16) Mr Cowan, Leader of the Labour Group, referred to the recent Scrutiny Budget training and expressed disappointment that only three Members of the Administration had attended. In relation to the Chancellor's pledge to remove the structural budget deficit and have an annual surplus by the end of this Parliament, Mr Cowan stated that on 25 November the Chancellor had confirmed that the period of austerity would now last another 5 years. Local government comparatively continued to bear the largest burden of the cut back compared to other government departments and government tended to blame local government for any short comings in delivery. He made reference to the impact of increases in the cost of social care caused by the introduction of the living wage and inflationary pressures.

(17) In relation to Kent County Council's budget, he stated that it looked like there was £81m of cuts already written into the 2016/17 budget which would have an impact on services. He referred to the 2015/16 budget review presented to Cabinet in November, which showed that the overspend position remained at £6.586m. This illustrated the difficulty in reaching a balanced budget in the current year. He mentioned the monies, such as the new homes bonus, which was not new money.

(18) Regarding asylum seekers, he welcomed the money from Government but reminded the Leader that the money that the County Council was being given was what they used to receive over 5 years ago. Therefore the County Council was not receiving any additional money but was back where it had been some years previously. It was important that the County Council did its utmost to ensure that these children were looked after.

(19) Mrs Dean, Leader of the Liberal Democrat Group, welcomed the proposed national dispersal system for unaccompanied asylum seekers by regulation and

hoped that when this was in place the County Council would lobby for a similar arrangement for local authorities who placed their looked after children in Kent. Time has shown that a voluntary system did not work.

(20) In relation to the local government settlement, Mrs Dean stated that the Chancellor, when announcing the additional funding for social services, did not mention that this money would come from additional council tax, what local authorities were actually being given was money raising powers. These powers would only meet £11-£12m of the £42m required. This would be the County Council's biggest challenge, as it had been last year and would be for many years until somebody solved the problem of how to fund elderly care.

(21) Mrs Dean questioned the statement from government that it was going to remove schools completely from local authority control, as local authorities had not controlled schools for 20 years. She also made reference to the national funding formula to be adopted for schools which might or might not benefit Kent.

(22) Regarding devolution, Mrs Dean agreed with the Leaders' concern about the changes, not only in the Cities and Devolution Bill but also in the Housing and Planning Bill, where huge changes were proposed for the planning process. These changes would affect the ability of local people to challenge planning permissions. MPs in Parliament had agreed the new laws which not only allowed them to set local authority boundaries but to strip county councils of those functions that combined district authorities may have devolved to them. She believed that these two pieces of legislation were being amended on a daily basis.

(23) Mrs Dean referred to the statement by the Leader that he was not expecting to have a bid for devolution until the end of this financial year, whereas he had previously said that that the bid would be with the Secretary of State by the end of February. She stated that district councils were talking about a three way split across the county. She mentioned that she had attended a briefing by the Town and Country Planning Association on the Housing and Planning Bill and their conclusion was that it looked like a move to unitary councils by another name. There needed to be more debate about the whole issue as at the moment neither members nor the public knew what was happening.

(24) Mr Whybrow, Leader of the Independents Group, referred to unaccompanied asylum seekers and a recent visit to the Ladesfield Centre with the Cabinet Member for Specialist Children's Services. Mr Whybrow commended the extremely hard working, dedicated, caring staff trying to make the best of a difficult situation. He was pleased to hear about the proposed dispersal regulations and hoped that these youngsters would get a stable, safe and permanent way forward so they could recover from the trauma and rebuild their lives.

(25) In relation to the Autumn Statement, Mr Whybrow referred to the conclusion by the King's Fund that if every local authority in the country was to raise council tax by 2% to pay for social care it would raise about £800 million, not the £2 billion that the government stated. The amount raised would not fill the chronic funding shortfall for social care. He also found it illogical that there was going to be cuts to public health when prevention was so pivotal to actually maintaining services for residents, this would seem to be a false saving.

(26) In conclusion, Mr Whybrow made reference to the impact of the proposed lorry park on residents of Stanford. That part of Kent had already had much infrastructure forced upon it over the years and this proposal was going to potentially be more blight. He mentioned the impact of the flooding in Cumbria and stated that the reality of climate change in the UK was more rainfall, more floods, the army mobilised and devastated homes and lives.

(27) In replying to the other Leaders' comments, Mr Carter referred to the comments made by Mr Latchford on the Cities and Devolution Bill and agreed that this was more about centralisation than devolution, as illustrated by the treatment of education. Kent currently received £14 million in grant. This was primarily support to school improvement and education welfare, which would reduce to £4 million next year. The County Council had a strong track record of supporting schools to raise their standards and therefore this was a retrograde step in the improvement of school outcomes.

(28) In response to Mr Cowan's comments, Mr Carter stated that the Chancellor's economic policy had led to strong economic growth. He hoped that Kent would get a fair share of the additional £24 billion, raised through taxes generated by the stronger economy.

(29) Mr Carter confirmed that in relation to looked after children placed in Kent by other local authorities, the County Council had been lobbying for many years to get a change in regulations, and that he would continue to do so.

(30) On the issue raised by Mrs Dean about the potential for Kent and counties to be split, Mr Carter stated that he would do all that he could, both as Leader of Kent County Council and as Chairman of the County Councils' Network, to make sure that strategic county councils were preserved. He mentioned the statement by Mr Osborne, MP in 2009 expressing the Conservative party's commitment to devolving power to local government.

## **50. Proposed establishment of the Statutory Officer Independent Panel**

(1) The Chairman referred to the additional information on the Independent Persons which had been circulated to all Members.

(2) Mr Cooke moved and Mr Carter seconded the following motion:

“The County Council is invited to approve the establishment of and Terms of Reference for the Statutory Officer Independent Panel, together with the necessary amendments to the Constitution as set out in Sections 5 and 6 above.”

(3) The motion was agreed without a formal vote.

(4) **RESOLVED** that the establishment of and Terms of Reference for the Statutory Officer Independent Panel, together with the necessary amendments to the Constitution as set out in Sections 5 and 6 in the report, be approved.

### **51. Dependent Carers' Allowance**

- (1) Mr Cooke moved and Mrs Allen seconded the following motion:

“The County Council is asked to agree the rewording of the Dependent Carers’ Allowance paragraph in the Members’ Allowance Scheme as set out in paragraph 3 (2) above.”

- (2) The motion was agreed without a formal vote.

(3) RESOLVED that the rewording of the Dependent Carers’ Allowance paragraph in the Members’ Allowance Scheme as set out in paragraph 3 (2) of the report be approved.

*(Mrs Whittle and Mr Clark, in accordance with the interests that they had declared earlier in the meeting, withdrew from the meeting for the consideration and determination of this item).*

### **52. Strategic Support to the Corporate Director Social Care Health & Wellbeing**

- (1) Mr Carter moved and Mr Cooke seconded the following motion

“The County Council is asked to approve the establishment of a new senior level role in the Social Care Health and Wellbeing Directorate.”

- (2) The motion was agreed without a formal vote

(3) RESOLVED that the establishment of a new senior level role in the Social Care Health and Wellbeing Directorate be approved

### **53. Select Committee - Corporate Parenting**

- (1) Mr Oakford moved and Mrs Whittle seconded the following motion:

“County Council is asked to:

applaud the Select Committee’s work for producing an instructive and timely report;

recognise the contribution of the witnesses who provided evidence and the officers who supported the Select Committee’s work;

endorse the report and its recommendations.”

- (2) The motion was agreed without a formal vote.

(3) RESOLVED that the Select Committee’s work to produce an instructive and timely report be applauded, the contribution of the witnesses who provided evidence

and the officers who supported the Select Committee's work be recognised and the report and its recommendations be endorsed.

#### **54. Health and Wellbeing Board - Annual Report**

(1) Mr Gough moved and Mr Gibbens seconded the following motion:

“That the County Council is asked to agree that the Kent Health and Wellbeing Board has fulfilled its responsibilities under its Terms of Reference and to note the comments made by Members on the issues identified in the report for further consideration.”

(2) The motion was agreed without a formal vote

(3) RESOLVED that the Kent Health and Wellbeing Board has fulfilled its responsibilities under its Terms of Reference and that the comments made by Members on the issues identified in the report be noted for further consideration.

#### **55. Embedding strategic commissioning as business as usual**

(1) Mr Carter moved and Mr Cooke seconded the following motion:

“a) Note the changes being made to the business planning arrangements which will require directorates to better identify the pipeline of future strategic commissioning decisions.

b) Agree to reform executive member governance arrangements so that it better fits the strategic commissioning cycle, including:

i) The creation of a Strategic Commissioning Board through the merger of the existing Transformation Advisory Group (TAG) and the Procurement Board (PB).

ii) The creation of a Budget & Performance Board through the merger of existing Budget Programme Board (BPB) and the existing Performance & Evaluation Board (PEB).

c) Agree to the continuation of the Commissioning Advisory Board (CAB) as a vehicle for non-executive member engagement on strategic commissioning for a further 12 month period

d) Note the need for Cabinet Committees operating arrangements to change to ensure their role in the strategic commissioning cycle is secured and effective, and the engagement with Chairman of Cabinet Committee to consider options

e) Note the work undertaken and ongoing to ensure that there are clear roles, responsibilities and accountability to support strategic commissioning approach through:

i) Better demarcating those officers with accountability for strategic commissioning of services and those responsible for the operational delivery of KCC services.

ii) Ensuring that opportunities for joint / integrated commissioning and service design with partners are optimised.”

(2) The motion was agreed without a formal vote.

- (3) RESOLVED that:
- a) the changes being made to the business planning arrangements which will require directorates to better identify the pipeline of future strategic commissioning decisions be noted.
  - b) the reform of executive member governance arrangements to better fit the strategic commissioning cycle be agreed, including:
    - i) the creation of a Strategic Commissioning Board through the merger of the existing Transformation Advisory Group (TAG) and the Procurement Board (PB).
    - ii) the creation of a Budget & Performance Board through the merger of existing Budget Programme Board (BPB) and the existing Performance & Evaluation Board (PEB).
  - c) the continuation of the Commissioning Advisory Board (CAB) as a vehicle for non-executive member engagement on strategic commissioning for a further 12 month period be agreed
  - d) the need for Cabinet Committees operating arrangements to change to ensure their role in the strategic commissioning cycle is secured and effective, and the engagement with Chairmen of Cabinet Committees to consider options be noted
  - e) the work undertaken be noted and ongoing to ensure that there are clear roles, responsibilities and accountability to support strategic commissioning approach through
    - i) better demarcating those officers with accountability for strategic commissioning of services and those responsible for the operational delivery of KCC services.
    - ii) ensuring that opportunities for joint / integrated commissioning and service design with partners are optimised.

## 56. Motion for Time Limited Debate

### *Retaining and recruiting GPs*

- (1) Dr Eddy moved and Ms Harrison seconded the following motion:

"This Council is increasingly concerned by the problem of retaining and recruiting GPs in Kent and calls on Government to address the situation as a matter of urgency by:

1. Improving funding to practices which are prepared to accept for retraining those GPs returning to practise after absence for childcare or work overseas;
2. Reducing the burdens of bureaucracy on GPs; and
3. Increasing the opportunities for training practice nurses to support GPs."

- (2) Mr Gough moved and Mr Gibbens seconded the following amendment:

"This Council is increasingly concerned by the problem of retaining and recruiting GPs in Kent and calls on Government to **support the work underway in Kent** to address the situation as a matter of urgency, **and to ensure best use of resources across the sector** by:

1. Improving **support** to practices which are prepared to accept for retraining those GPs returning to practise after absence for childcare or work overseas;

2. Reducing the burdens of bureaucracy on GPs, **and others across health and social care;**
3. Increasing the opportunities for training practice nurses to support GPs; **and**
- 4. Supporting Kent in reforming primary care so it is a sector of health and care that GPs and other staff groups wish to work in and which could be used as a model for elsewhere in the NHS .”**

(3) Dr Eddy, with the agreement of his seconder, incorporated the amendment into his motion.

(4) The motion, as amended, was agreed without a formal vote.

(5) RESOLVED that this Council is increasingly concerned by the problem of retaining and recruiting GPs in Kent and calls on Government to support the work underway in Kent to address the situation as a matter of urgency and to ensure best use of resources across the sector by:

1. Improving support to practices which are prepared to accept for retraining those GPs returning to practise after absence for childcare or work overseas;
2. Reducing the burdens of bureaucracy on GPs, and others across health and social care;
3. Increasing the opportunities for training practice nurses to support GPs; and
4. Supporting Kent in reforming primary care so it is a sector of health and care that GPs and other staff groups wish to work in and which could be used as a model for elsewhere in the NHS.



From: Paul Carter, Leader of the Council  
John Simmonds, Cabinet Member for Finance & Procurement and Deputy Leader

To: County Council – 11<sup>th</sup> February 2016

Subject: Budget 2016-17 and Medium Term Financial Plan 2016-19  
(including Council Tax setting 2016-17)

Classification: Unrestricted

**Summary:** This report is a summary of the proposed budget for 2016-17 and Medium Term Financial Plan 2016-19 and a guide to the draft budget documents. The County Council has a statutory duty to set an annual budget and the amount to be levied by council tax. In approving the budget the County Council is not only agreeing the total amount to be spent but is also delegating authority to manage the budget in compliance with the authority's financial regulations.

Members are asked to bring to this meeting the revised draft 2016-17 Budget Book and 2016-19 Medium Term Financial Plan documents (half blue cover, white combed) which were published on 3<sup>rd</sup> February 2015. Please note the previous version (white cover, black combed) is now redundant and should not be used.

Members are reminded that Section 106 of the Local Government Finance Act 1992 applies to any meeting where consideration is given to matters relating to, or which might affect, the calculation of council tax. Any Member of a local authority who is liable to pay Council Tax and who has any unpaid Council Tax amount overdue for at least two months, even if there is an arrangement to pay off the arrears, must declare the fact that they are in arrears and must not cast their vote on anything related to KCC's Budget or Council Tax.

## 1. Introduction

- 1.1 The Local Government Finance Act 1992 requires the Council to formally consult on and ultimately set a budget and council tax precept for the next financial year, 2016-17. The accompanying draft Budget Book and Medium Term Financial Plan (MTFP) set out the detailed calculations. The proposed Budget 2016-17 and MTFP enable the Corporate Director of Finance & Procurement to satisfy Section 25 of the Local Government Act 2003, which requires him to give an opinion on the robustness of the budget estimates and the level of reserves held by the Council.
- 1.2 A draft of KCC's revenue budget plan was published on 13<sup>th</sup> October 2015 for the dual purpose of a communication and engagement campaign. The consultation aspect closed on 24<sup>th</sup> November. In total the consultation elicited 1,693 responses to the question on council tax, 1,198 submissions via the budget modelling tool, and 757 face to face interviews conducted by independent consultants. Overall this is a slightly higher level of

engagement than the previous year. However, we continue to recognise that we need to improve communication about KCC's budget and the financial challenge in order to improve engagement. Qualitative evidence from market research gives reassurance that the responses are statistically valid and representative of views generally.

- 1.3 A draft of the revised budget and MTFP proposals was published on 11<sup>th</sup> January 2016. This took into account responses from KCC's consultation, the Spending Review and Autumn Statement announcement on 25<sup>th</sup> November 2015, the provisional local government finance settlement on 17<sup>th</sup> December 2015 and notification of provisional council tax base from district councils. This draft was significantly different from the plan published in October as a result of the changes to funding allocations, principally Revenue Support Grant (RSG), announced in the provisional local government finance settlement. The significance of these changes and very late announcement meant that some aspects of the draft MTFP (sections 1-3) could not be published until a week later alongside Cabinet papers for 25<sup>th</sup> January.
- 1.4 Publication of the draft budget and MTFP in early January allows time for consideration by Cabinet Committees in the January round of meetings, endorsement by Cabinet (and subject to scrutiny), as well as allowing a short period for final comment prior to the County Council meeting. The significant and very late changes in the provisional settlement could have had a detrimental impact on the scrutiny process. However, we have previously recognised that publishing the draft budget early to facilitate the scrutiny process (and so soon after the provisional funding announcements) carries the risk that further changes may be necessary. This is preferable to deferring the scrutiny process. Although there have been some material changes these have not required significant policy changes.
- 1.5 The material changes since the 11<sup>th</sup> January draft was published (including confirmation of council tax collection fund balances for the current year, which is often the case) warrant republishing the draft budget and MTFP documents. The revised drafts were published on 3<sup>rd</sup> February with different colour covers and white binders to distinguish them from earlier drafts. We had not received final notification of business rate tax base/collection funds or the final local government finance settlement in time for the print deadlines for these drafts. The material changes in the republished draft are covered in section 5 of this report, the republished draft also provides the opportunity to make other marginal changes to ensure the budget reflects the very latest forecast activity and prices for the coming year.
- 1.6 The draft budget published on 11<sup>th</sup> January showed a net revenue budget requirement of £901.9m for 2016-17. This was more than the £894m we forecast in October for the communication and consultation campaign. This was due to a combination of:
  - ↑ Higher than anticipated council tax base
  - ↑ Estimated collection fund surplus based on provisional returns from some districts

- ↑ Additional 2% council tax precept specifically for social care
- ↑ Transfer of previously separate grants into RSG
- ↓ Lower than predicted settlement from central government

- 1.7 The 11<sup>th</sup> January draft budget comprised of a reduction in un-ring-fenced Government funding (including RSG and business rate baseline/top-up in the provisional settlement) of £48.3m (13.5%) compared to 2015-16 original. However, RSG now includes the grants previously allocated for new responsibilities under the Care Act 2014 (which adds £8.5m to adjusted grant for 2015-16) meaning on a like for like basis central government funding has reduced by £56.6m (comprising mainly of £58m reduction in RSG). The draft also included £79.7m of additional spending demands (8.7% of net spend), and £33.7m from proposed increases in council tax and the provisional tax base. Combined, these required £94.3m of savings to balance the budget. This was the equation presented and endorsed by Cabinet on 25<sup>th</sup> January.
- 1.8 The republished final draft on 3<sup>rd</sup> February shows a net revenue budget requirement of £905.6m. This change is due to an additional £4.1m in the tax base and collection fund balances notified by district councils compared to the estimate included in the earlier draft and further evaluation of the impact of grants transferred into the 2016-17 provisional RSG settlement. The republished drafts do not take into account the final local government settlement (which was not announced in time for inclusion in this report), or final notification of business rate tax base and collection fund balances (which in some cases were submitted after the 31<sup>st</sup> January deadline). These will impact on the net budget requirement, which once confirmed will be detailed in a supplementary report for Members' consideration at the Council meeting on 11<sup>th</sup> February.
- 1.9 The republished draft on 3<sup>rd</sup> February is based on the latest updated spending demands of £75.3m, the most significant change from the earlier draft being a reduction in the realignment needed for adult social care following notification that Better Care Fund allocations will continue. The combination of revised funding and spending demands means the overall savings needed to balance the budget have reduced from £94.3m in the earlier draft to £86.2m due to additional funding and reduced spending demands. This has allowed for the removal of £4.0m unidentified saving, a reduction of £3.3m in drawdown from reserves, and £0.8m deferment of savings in adult social care pending further consideration of responses to detailed consultation on KCC run care homes.
- 1.10 At the time the final draft was republished a number of grants which are outside the main settlement but contribute to the net budget requirement had still not been announced. A number of ring-fenced and specific grants had also not been announced, estimates have been included but final allocations are likely to result in changes to gross spend and income, but not impact on net budget requirement. A full list of the outstanding grant allocations and other funding sources is included as appendix 1 to this report. We propose to deal with the impact of these grants through the normal budget monitoring arrangements as they are not considered material.

- 1.11 The proposed capital programme for 2016-19 is £708.9m. This includes a Schools' Basic Need programme (estimated £155.3m over the 3 years 2016-19) and highways enhancement (estimated £80m over 3 years) which are significantly or totally funded by government capital grants, which may be subject to change (particularly in 2017-18 and 2018-19). We will have to manage spending on schools and highways within the grants allocated, and the council is unlikely to have scope to provide any top-ups funded from borrowing. This may mean some projects will have to be adjusted once grant allocations have been confirmed. In total £390.7m of the programme is funded by government grants, £101.2m from developer contributions/other external funding, £190m from borrowing/receipts, and £27m revenue and renewals (principally schools devolved capital grants).
- 1.12 The capital programme has not been the subject of formal consultation and is subject to separate governance arrangements granting approval to plan and approval to spend. The capital strategy is set out in section 4 of the MTFP and focuses on achieving maximum effect from capital investment, with a sharper focus on the Council's strategic priorities and to obtain maximum value from our assets. This strategy reinforces the commitment to a fiscal indicator, which limits the cost of borrowing to 15% of net revenue budget. The proposed capital programme includes £83.4m of borrowing, which will count against this indicator (we are more than likely to cover this in the short and medium term from internal loans against cash deposits rather than external borrowing).
- 1.13 Any unavoidable late changes to the proposed budget after this report has been published will be reported separately to the County Council meeting.

## **2. Financial Implications**

- 2.1 Setting the annual budget is one of the most significant decisions the County Council takes each year. It sets the County Council's share of council tax and the overall resource framework in which the Council operates. It also gives delegated authority to manage the budget to Corporate Directors and Directors within the parameters set out in the Council's Constitution and Financial Regulations. Corporate Directors and Directors will be held to account for spending decisions within delegated powers via the budget monitoring arrangements throughout the year.
- 2.2 The budget proposes a council tax increase up to the maximum permitted by the 2% referendum limit, increasing the County Council's band C charge (the most common band) from £968.88 to £988.24 (1.998%). Consultation responses indicated that around 76% of residents would accept a small increase in order to cover additional spending demands and protect services from reductions in central government funding.
- 2.3 The consultation evaluation and market research concluded that residents are not necessarily well informed about the services KCC provides and what their council tax pays for. In recent years KCC has published council tax information on-line via KCC's website (in common with Kent districts),

and has not produced the traditional council tax leaflet previously included with council tax bills. We remain committed to the principle of digital by default and do not propose to revert to printed leaflets to address the communications issues raised through the consultation. Furthermore, the funding arrangements for local government make it virtually impossible to identify precisely which areas of spending have been protected or funded from the proposed 1.998% increase. The 1.998% council tax increase yields £11.2m additional funding which contributes to KCC's overall net budget requirement.

2.4 The budget also includes the proposal to levy an additional 2% council tax precept specifically to support social care spending. This would raise band C further to £1,007.60, an increase of £38.72 per annum over 2015-16 (3.996%). This additional precept could not have been included in KCC's budget consultation as it was an option only available to us as a result of the November announcement of the Spending Review. The budget modelling tool and other research consistently shows that KCC should accord the highest priority to care services for the most vulnerable. The council is facing significant spending demands on adult social care services, arising from a combination of demography (rising elderly population, etc.) and market factors (introduction of National Living Wage, etc.). The additional council tax precept contributes a further £11.2m specifically towards these social care pressures.

2.5 The impact of the proposed increases in each Council Tax band is set out in table 1.

Table 1	2015/16	2016/17 (excl. Social Care Precept)	2016/17 (incl. Social Care precept)
Band A	£726.66	£741.18	£755.70
Band B	£847.77	£864.71	£881.65
Band C	£968.88	£988.24	£1,007.60
Band D	£1,089.99	£1,111.77	£1,133.55
Band E	£1,332.21	£1,358.83	£1,385.45
Band F	£1,574.43	£1,605.89	£1,637.35
Band G	£1,816.65	£1,852.95	£1,889.25
Band H	£2,179.98	£2,223.54	£2,267.10

2.6 The full financial implications for the overall resource framework and delegations to Corporate Directors and Directors are set out in the Budget Book and MTFP. We have not detailed all the changes since consultation in either the original draft Budget Book and MTFP published on 11<sup>th</sup> January or the republished drafts on 3<sup>rd</sup> February in order to keep presentation simple. A number of these changes reflect feedback from the consultation e.g. refocussing the highways maintenance budget to deliver better outcomes for the network (with the first priority being pothole repairs), and other changes reflect the latest forecast activity for 2015-16 taking into account the latest budget monitoring and the impact of funding announcements since the consultation was launched.

- 2.7 One of the considerations when setting up an alternative service delivery model is the treatment of the pensions in respect of employees transferring from Kent County Council to the new model. A key consideration is the accounting of pensions for different schemes and the potential for a dividend trap. In respect of the Property LATco and the staff transferring under a TUPE arrangement, the pension assets and liabilities associated with these staff will be retained by the County Council. This will mean that the LATco can account for their contributions as a defined contribution scheme and will only be required to report on the actual annual contributions that they make to the Pension Fund. This will avoid the 'dividend trap'. The contribution rate will be agreed once we have an actuarial report. Fixing the contribution rate at an agreed level will prevent the LATco having an open ended liability to the LGPS for future changes in the deficit. The current deficit disclosure and pension risk is transferred to the County Council and sits on its single entity balance sheet.

### **3. The Budget Proposals**

- 3.1 This section of the report is based on the revised final draft budget and MTFP published on 3<sup>rd</sup> February. As identified in paragraphs 1.8 to 1.10 this does not include the impact of the final settlement or a number of other grants. Any known changes from the published documents will be clearly identified in the motion presented to County Council.

#### *Realignment*

- 3.2 The baseline for the draft budget has been set based on the November budget monitoring reported to Cabinet on 25<sup>th</sup> January 2016. The draft budget includes realignment of £11.0m for a number of services to reflect current levels of activity and spend. In particular this ensures that budgets are corrected for overspends in adult social care, SEN transport and waste recycling/disposal. The draft budget also includes savings where in-year activity has been lower than anticipated when this year's budget was set, e.g. mainstream home to school transport.
- 3.3 The 2015-16 budget was balanced by £12.4m one-off use of underspends and reserves. Such use of reserves cannot continue to support recurring expenditure and must be replaced in 2016-17. This is achieved through a separate realignment to redress the base budget by an equivalent amount. This should not be confused with replenishing reserves (which we're not doing), which may be necessary at a later date.

#### *Pay and Reward*

- 3.4 The draft budget includes an additional contribution towards the pay and reward package for Kent Scheme staff. The contribution is sufficient to ensure the pay and reward package is managed within an overall pot equivalent to 2% of pay. This pot is derived from the additional funding identified in the budget and headroom within staffing budgets as a result of new appointments being made at the bottom of pay grades and one-off payments for staff on the top of the grade. The 2% pot is likely to result in

a payment of 1.5% for all those assessed as 'achieving' under appraisal ratings which was noted by Personnel Committee who recommended that the final distribution of the pot for 2016-17 be agreed by the Cabinet Member for Corporate & Democratic Services but that there would be a minimum FTE cash award of £340 for all staff assessed achieving or better

- 3.5 This arrangement was introduced in 2014-15 and means staff receive a single reward assessment. The reward payment either increases an individual's salary via progression through the pay grade, or is a non-consolidated lump sum payment for staff on the top of the grade. The minimum cash figure ensures the lowest grades receive a higher percentage than rewards for staff on higher grades. The rewards leave sufficient in the pot for estimated cost of performance assessments falling due during the year i.e. for staff employed for less than 6 months.
- 3.6 There is no separate "cost-of living" award. The top and bottom of pay grades are recalibrated each year to ensure they remain competitive (although this recalibration only applies to new appointments as pay progression for existing staff is subject to the performance assessments described in paragraph 3.3). As a principle this recalibration is generally at least 50% of the "achieving" reward %, subject to this being affordable within the overall budget. It is proposed that the recalibration for 2016-17 should include the £340 uplift to the bottom of KR2 as the minimum reward, and 1% for all other grades. 1% is consistent with the public sector pay guidelines in the Spending Review and Autumn Statement 2015, the higher uplift for KR2 is consistent with KCC aspiration to make further progress towards paying the Foundation Living Wage and keep ahead of National Living Wage. It would mean the bottom of KR2 would increase to £7.41 an hour, compared to National Living Wage of £7.20 an hour from April 2016. This adjustment to grades will be published in an updated Pay Policy Statement for 2016-17 and will be the only change to the statement for this year.

#### *Price Inflation*

- 3.7 The draft budget includes provision for specific contractual price increases. In the main, these are index-linked and summarised on page 36 of the MTFP document. We have also included provision for non-specific increases in negotiated contracts, this includes a proportion of the National Living Wage which the council considers is reasonable for contractors to pass on as price increases, the full year effect of the increase in the National Minimum Wage in October 2015 and forecasts for CPI of 1% in 2016-17 for other costs within negotiated contracts. Managers will be expected to negotiate within these parameters. We have not made any provision for general inflation on goods and services procured by the council and managers will be expected to cover the impact of any inflation within their overall budget.

### *Other Spending Demands*

- 3.8 The draft budget includes the forecast impact of population changes and estimated additional demand arising during the year. The major areas of growth forecast for 2016-17 include adults with learning disabilities, older people and home to school transport for children with special educational needs. The draft budget also includes the impact of additional spending imposed by legislation and government, principally in relation to the transfer of grants to fund new responsibilities under the Care Act 2014 which are now included in RSG. The draft budget includes additional spending on some local choices, e.g. supporting transformation, improving telephone and digital access to KCC, etc. A summary of all the additional spending proposals is set out on pages 35 to 38 of the MTFP.

### *Use of Reserves*

- 3.9 The draft budget proposals include £16.3m of savings from the draw down from reserves in 2016-17 (principally from earmarked reserves, previous year's underspends and council tax equalisation reserve) with further £1.7m draw down identified in 2017-18. This means we plan to start 2016-17 with £37.2m in general reserves and £121.9m in earmarked reserves (the actual level of earmarked reserves will depend on 2015-16 final outturn). This provides a general contingency to just over 4% of net revenue budget, this is deemed to be sufficient to reflect the risk inherent in the budget and deliverability of savings plans. (See Appendix F of the MTFP).
- 3.10 The draft budget proposals also include reduced contributions to a number of reserves and further savings on the cost of financing debt by re-phasing the provision for debt repayment in line with the policy for annual Minimum Revenue Provision (MRP). The MRP guidance requires the Authority to make prudent provision within the revenue budget for repayment of debt accrued on capital projects and to present a statement setting out the MRP policy to the full council. KCC's MRP statement is set out in appendix C to the MTFP.

### *Savings Proposals*

- 3.11 All of the savings and income proposals in the draft budget are summarised on pages 39 to 43 of the MTFP document. Most are as outlined in the draft plan used for consultation in October with more detail provided about proposals for 2016-17. Some additional savings are required in response to the worse than expected settlement from central government and the latest forecast additional spending demands, although these have mainly been delivered through financing items and use of reserves. This is only a short-term solution and means a significant amount of savings need to be identified for 2017-18. Savings are subdivided between transformation savings, income generation, efficiency savings, and policy savings, as well as the financing savings referred to above. Inevitably these categories can never be precise but have been developed to help identify where we plan to do things differently as compared to doing less.



- 3.12 Detailed consultation and equality impact assessments of specific proposals within each directorate will be undertaken, where necessary, once the budget has been approved and prior to implementation. Approval of the budget includes granting delegated power to Cabinet Members to make changes to the proposals in light of detailed consultation and equality impact assessments. Any changes will be reflected in the monthly monitoring reports to Cabinet.
- 3.13 In the Spending Review, the Chancellor of the Exchequer announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts on the revenue costs of reform projects. This directive allows a number of local authorities (Kent being one) to treat as capital expenditure, expenditure which:
- is incurred by the Authorities on the revenue costs of projects designed to reduce future revenue costs and/or transform service delivery; and
  - is properly incurred by the Authorities for the years ending 31 March 2017, 31 March 2018, and 31 March 2019
- 3.14 This direction applies to those capital receipts received in the years to which the direction applies, i.e. April 2016 to March 2019, it does not apply to banked receipts. Qualifying expenditure can be determined by the local authority but the key criterion to consider is that the expenditure to be funded by capital receipts is forecast to generate ongoing savings to an authority's, or several authorities', and/or to another public sector body's net service expenditure. The guidance recommends that a strategy is prepared identifying the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full Council or the equivalent. A report on this will be brought back to County Council later in the year.

#### *Unidentified Savings*

- 3.15 The budget plan for the communication and consultation campaign had £7m of unidentified savings necessary to balance the budget in 2016-17, and £31.7m in 2017-18. The draft budget and MTFP published on 11<sup>th</sup> January had unidentified savings of £4m for 2016-17 and £56.5m for 2017-18. This was principally as a consequence of the worse than anticipated local government finance settlement announced on 17<sup>th</sup> December, with no prior notification or consultation. The provisional settlement was subject to a short consultation, to which we responded as reported to Cabinet on 25<sup>th</sup> January.
- 3.16 The unidentified savings for 2016-17 have now been resolved in the final draft published on 3<sup>rd</sup> February. This was largely as a result of higher than estimated collection fund balances notified by districts (council tax collection fund surpluses and business rate collection fund deficit) and continuation of funding to support the Care Act 2014 from the Better Care Fund that we were previously anticipating would cease (and therefore activity would need to be funded within the net budget requirement). The 3<sup>rd</sup> February draft also includes the final tax base notification, updated

spending demands and changes to savings proposals due to further developments since the earlier drafts. All the material changes between the 11<sup>th</sup> January and 3<sup>rd</sup> February publications are set out in section 5 of this report.

### *Medium Term Financial Plan*

- 3.17 The MTFP includes indicative plans for 2017-18 and 2018-19, although inevitably these are less well developed than 2016-17 and are liable to change. In particular spending demands are a forecast which inevitably contains a degree of uncertainty, and not all of the savings necessary to balance 2017-18 and 2018-19 have been identified. £86m of savings are estimated to be needed in 2017-18, of which £57m are currently unidentified. The process to identify the additional savings required to balance these years has already begun.
- 3.18 The spending demands identified for 2016-17, and forecast for 2017-18 and 2018-19 are higher than the demands we faced in recent years. This is due to a combination forecast demographic growth leading to greater demands on services, inflation forecasts rising to 2% over the medium term, and the impact of legislative changes e.g. National Living Wage. Central funding reductions are greater than in recent years due to the phasing out of RSG and the redistribution proposed in the provisional settlement. The funding reductions are particularly severe in 2016-17 and 2017-18 before the changes to New Homes Bonus and improved Better Care Fund start to have an effect.
- 3.19 The medium term projections assume that council tax is increased up to the referendum level each year and the council levies the 2% extra social care precept each year. These increases combined with forecast tax base growth would increase council tax revenues by 5% each year. However, this additional council tax falls well short of the amount needed to fund spending demands and compensate for central government funding reductions meaning annual savings of £80m to £90m are likely to be needed each year. These savings are on top of the £433m the council has made since 2010.

## **4. Navigating the Budget Book and Medium Term Financial Plan Documents**

- 4.1 This section of the report is aimed at helping members to navigate the Budget Book and MTFP publications. We have reproduced this section this year as some members may still be unfamiliar with these documents. Capital and revenue budgets have been presented to align with directorate structures rather than Cabinet Member portfolio responsibilities. This presentation better reflects budget management and reporting arrangements.
- 4.2 Section 3 of the Budget Book sets out the proposed capital investment plan for the following 3 years. Capital spending is for the purchase and enhancement of assets. For each directorate capital spending is split

between rolling programmes (usually related to the on-going enhancement of assets) and individual projects. There are two templates for each directorate, the first sets out a brief description of each programme/project and the planned spending for each year of the MTFP, with a summary of how the overall directorate plan is funded. A number of projects will only proceed when specific funding has been secured. The second template combines the three years of the capital programme and sets out in more detail the funding sources for each programme/project.

- 4.3 Sections 4 to 8 of the Budget Book set out the proposed revenue budget for 2016-17. Revenue spending is that spent on the day-to-day provision of council services. Section 4 provides a high level summary for each directorate. Gross expenditure is split between staffing (salaries and employer's costs for national insurance and pension contributions) and other costs. Service income from charges and contributions is deducted to derive net spend, although this sub-total is not shown in the budget book to keep it to a manageable size (this net spend is often the quoted figure in government returns and used for comparative purposes). Service income is split between internal and external income to help distinguish recharges and trading activity with KCC maintained schools.
- 4.4 Income from specific government grants is shown separately to derive the net cost attributable to KCC. The net cost is used in the MTFP and a comparison with the revised net cost for 2015-16 is included in the revenue budget book sections. Section 4 also shows how the net cost (net budget requirement) is funded either from council tax, the local share of business rates, or un-ring-fenced government grants.
- 4.5 Section 5 provides more detail of planned spending on individual services. This section is designed in an A to Z format and shows services according to how they are delivered and received by residents, rather than how the Council is organised. This is a conscious effort to provide a more outward facing presentation of the Council's spending. The A to Z is organised according to principal areas of front-line activity:
- Adults and Older People
  - Children's Services
  - Community Services
  - Environment
  - Highways
  - Local Democracy
  - Planning and Transport Strategy
  - Public Health
  - Public Protection
  - Regeneration and Economic Development
  - Schools
  - Services for Schools
  - Transport Services
  - Waste Management

These principal activity areas are consistent with central Government returns. Non frontline services; financing items, assessment services and management, support and overheads are identified separately.

- 4.6 Within each of the broad categories above, spending has been subdivided into individual areas of activity (based on the general principle that any distinct area of activity with spending in excess of £1m should be separately identified). The table also includes a brief description of activities which can be afforded within the budget. Inevitably, this section is a compromise between providing an appropriate level of detail to describe how the Council spends public money and keeping the analysis to a manageable size. The individual entries are kept under review both to reflect changes in the way services are delivered and to ensure we adhere to the principle of transparency without undue complexity.
- 4.7 Section 6 provides a detailed variation statement for each line in the A to Z service analysis showing how the budget has changed between 2015-16 and 2016-17. This provides a direct reconciliation between the Budget Book and MTFP. Inevitably, this is a large document and is the last piece of the budget jigsaw and can only be published in later versions of the Budget Book.
- 4.8 Section 7 will provide a graphical representation of the Council's funding and spending. It also includes a high level subjective analysis which presents information on the type of spending, rather than how the services are provided. The subjective analysis for 2016-17 can only be produced once budgets have been allocated by individual managers, thus for the versions of the Budget Book published on 11<sup>th</sup> January and 3<sup>rd</sup> February we could only show the subjective analysis for the revised 2015-16 base budget derived from in-year monitoring.
- 4.9 Section 8 sets out the total budget under the control of each directorate. This is generally presented at the third tier, i.e. the amounts delegated to the managers reporting to each director (often referred to as service units). Only in exceptional circumstances would budgets be identified below third tier, even though delegation and budget management takes place at lower levels in the organisation. Financing items are notionally shown under Strategic and Corporate Services although these are non-directorate specific costs often arising out of previous decisions or decisions outside of the county council's direct control. As such these costs cannot be attributed to any individual manager and are all under the control of the Corporate Director of Finance & Procurement.
- 4.10 Appendix A is a re-presentation of the A to Z entries in section 5 grouped for each directorate. Appendix B is drawn from the second quarter's budget monitoring report showing the forecasts for 2014-15. These appendices are produced as background information and are not part of the approved budget.
- 4.11 The MTFP provides a description of the Council's overall financial vision and key strategies. It is designed as a reference document, providing background information to set the budget in a wider and longer term

context. The main document includes a short executive summary, together with an appraisal of the national financial and economic context as it affects local government and the Council's capital, revenue, treasury management and risk strategies. These strategies will continue to evolve to reflect the impact of national policy developments affecting local government and the council's overall strategic objectives.

- 4.12 Sections 1 to 3 (Executive Summary, National Context and Revenue Strategy) have been fully updated to take account of the Spending Review and Autumn Statement on 25th November 2015 and provisional local government finance settlement on 17th December. The late announcement of these (and significant unanticipated changes in the latter), meant these sections could not be published along with other sections on 11th January. These sections were published a week later in conjunction with papers for Cabinet on 25th January. These sections have now been incorporated into the republished final draft on 3rd February.
- 4.13 The 3rd February version does not include the outcome of the final local government settlement as this was not announced in time for publication deadlines. Any significant changes in the final settlement will be reported to the County Council meeting, and included in the final MTFP document to be published in March.
- 4.14 The appendices to the MTFP set out the key financial information. Appendix A includes a high level 3 year plan and detailed plans for each directorate summarising the additional proposed spending, income and savings in 2016-17 compared to the 2015-16 approved budget. The row headings in appendix A(ii) use the same row headings as the A to Z variation statements described in paragraph 4.7. This enables a direct comparison of the overall strategic plan with the more detailed individual budget plans. Appendices B (Prudential Indicators) and C (MRP Statement) are presented to full Council for approval.

## **5. Changes in the re-published Draft Budget and MTFP**

- 5.1 Rather than including a comprehensive description of all the changes since the original draft Budget Book and MTFP were published on 11th January we have decided to re-publish these documents for County Council approval. These revised final drafts were published on 3rd February. As already identified these publications could not include the final local government finance settlement, a number of other grants and full details of business rate tax base/collection funds due to late announcements and changes. Delaying the publication of papers or rescheduling the County Council budget meeting was not considered a viable option despite the late announcements. County council motions/amendments will need to be clear whether they are based on the draft amounts in the 3rd February publications, or final amounts following subsequent announcements.
- 5.2 Much of the information in the Budget Book and MTFP is unchanged from the 11th January draft, and most of the changes are not material as they relate to updated activity based on the latest monitoring returns (and

therefore would otherwise have been reflected in the first quarter's budget monitoring report during the year). This section provides a brief description of the following material changes:

- Council tax base and collection fund balances
- Funding to support implementation of Care Act 2014
- Unidentified savings
- Care homes
- Drawdown from reserves

- 5.3 We always have an issue with the balances on council tax and business rate collection funds. These need to be included in the budget as they represent the over/under collection on the budgeted tax base for the current year. District councils are required to notify us of these balances by 31<sup>st</sup> January, and often notification is close to the wire. For the 11<sup>th</sup> January publication we estimated a net surplus on council tax and business rate collection of £5m based on provisional returns from 6 out of 12 districts.
- 5.4 The 3<sup>rd</sup> February publication shows a net surplus of £10.620m on council tax collection funds and net deficit of £2m on business rates. The council tax surplus is based on final notification from ten districts and provisional notification from the other two. In total, eleven out of twelve districts have identified a surplus ranging from £0.311m (0.7%) to £1.893m (4.9%). Surpluses (and deficits) can arise from changes in the number of dwellings liable to pay council tax, changes in discounts and exemptions and changes in collection rates. Surpluses (and deficits) are also affected by individual district council collection fund accounting policies and provisions.
- 5.5 The business rate collection fund balance is based on final notification from six districts, provisional notification from three and KCC estimates for the remaining 3. Two of the nine districts have identified a small surplus, and seven deficits ranging from £0.014m (0.3%) to £0.448m (9.2%). Business rates are much more volatile than council tax due to the number of outstanding appeals from the quinquennial revaluation, applications for discounts and reliefs as well as the economic factor of new or closing businesses. KCC's share of the business rate tax base and collection fund is much lower than council tax.
- 5.6 We will undertake a fuller review of the underlying factors influencing collection fund balances and in particular any indicators which would give early warning of significant movements. The large balances which have only emerged late in the budget process in recent years pose a significant risk to financial planning. Whilst surpluses are always easier to accommodate than deficits, this needs to be addressed. This review will take place during the spring alongside the further work to analyse the underlying factors influencing the tax base already identified in section 3 of the MTFP and in the Budget and MTFP report to Cabinet on 25<sup>th</sup> January.
- 5.7 District councils must also notify the final tax base calculations for the coming year by 31<sup>st</sup> January. We have received final notification of council tax base from all twelve districts. This resulted in a small change from the

amounts published in the 11<sup>th</sup> January draft budget, with a small increase of £0.440m which is now included in the 3<sup>rd</sup> February final draft. Overall the notification of collection fund balances and tax base has contributed significantly to the increased net funding from £901.873m in the 11<sup>th</sup> January draft to £905.639m in the 3<sup>rd</sup> February draft. This net funding is still an estimate pending final notification of business rate tax base, collection fund balances from all districts, and the final local government finance settlement and other outstanding grants.

- 5.8 In 2015-16 we received £3.566m through the Better Care Fund towards the cost of implementing Care Act 2014 and £0.479m as a grant from DCLG towards new responsibility to assess care needs of prisoners. We had no reliable information whether this funding would continue into 2016-17. Consequently we took a cautious approach and assumed we would have to fund ongoing responsibilities under the Care Act from base budget. This was reflected in the proposed realignment of the adult social care budget. However, we are now sufficiently confident funding will continue and this element of the realignment can be removed in the 3<sup>rd</sup> February republished final draft. The realignment pressure of £10.311m shown on page 35 of the 11<sup>th</sup> January MTFP has now been reduced by £4.045m down to £6.266m on page 91 in the 3<sup>rd</sup> February draft. We have not received any detail of the precise funding allocations which may lead to in-year variations, but this is no different to any of the other unannounced grants (see appendix 1).
- 5.9 The combination of additional funding through council tax base and collection fund balances and reduced spending demands outlined in paragraph 5.8 means no further action is needed to resolve the £4m unidentified savings in the previous draft.
- 5.10 The Cabinet Member for Social Care, Health and Wellbeing has deferred his decision on the closure of two care homes pending further work following concerns raised during consultation. This deferment means that proposed savings for 2016-17 cannot be delivered in full. The original proposed savings were £290k and £1,145.9k shown on page 44 of the 11<sup>th</sup> January published MTFP. These have now been revised to £145k and £537k as shown on page 99 of the 3<sup>rd</sup> February published MTFP.
- 5.11 The combination of the changes in funding, spending demands and savings outlined 5.2 to 5.10 above leaves a balance of £3.3m. As previously reported to Cabinet Committees and Cabinet the provisional local government finance settlement announced on 17<sup>th</sup> December included a significant redistribution of RSG. This redistribution was announced with no prior notification or consultation and resulted in RSG allocation which was £18m less than we had previously estimated following the Spending Review announcement. It was subject to a short post announcement consultation. We could not have anticipated this change and the lateness of the announcement left little alternative other than to drawdown more from reserves. The subsequent further developments mean that this additional drawdown can now be reduced by the £3.3m balance. This is reflected in the MTFP with the £7m drawdown

shown on page 43 of the 11<sup>th</sup> January draft being reduced to £3.7m on page 99 of the 3<sup>rd</sup> February draft.

5.12 All of the changes outlined in paragraphs 5.2 to 5.11 have also been reflected in the relevant sections of the final draft Budget Book also published on 3<sup>rd</sup> February.

## **6. Robustness of Estimates and Adequacy of Reserves**

6.1 As required by the Local Government Act 2003, the Section 151 officer (for Kent this is the Corporate Director of Finance and Procurement) must formally give opinion as to the robustness of the budget estimates and the level of reserves held by the Council. A Member briefing to support and explain this opinion is / was given on 8 February.

6.2 The estimates have been produced from a challenging process with Cabinet Members, Corporate Directors and Directors resulting in agreement on the level of service delivery within the identified financial resources. In addition, the Medium Term Plan sets out the main budget risks, alongside the proposed management action for dealing with these.

6.3 The Medium Term Plan also clearly sets out the recommended strategy for ensuring adequate reserves. This has been set in consideration of a number of key factors, such as our continued excellent record on budgetary control, the internal financial control framework, our strong approach to risk management and the expected level of General Reserves at 31<sup>st</sup> March 2016. The level of general reserves is in line with best practice as recommended by CIPFA and the Audit Commission.

6.4 To conclude, the Section 151 officer is able to formally report that the budget estimates are robust and the level of reserves adequate, as required by the Local Government Act 2003. The proposed budget has been formulated following a robust process of internal challenge with Cabinet Members and Corporate Directors, public consultation and scrutiny by Members of all political groups.

## **7. Recommendations**

### **Recommendations:**

In view of the final local government finance settlement being announced after the publication deadline for this report and the late notification of business rate tax base and collection funds, the County Council is asked to take note of both this report and the supplementary report and determine the net budget requirement and the planned drawdown of reserves by agreeing the following:

- (a) Net revenue budget requirement of £905.6m for 2016-17
- (b) Capital investment proposals of £708.896m over three years from 2016-17 to 2018-19 together with the necessary funding and subject to approval to spend arrangements



- (c) The Treasury Management Strategy as per section 5 of the Medium Term Financial Plan
- (d) Prudential Indicators as set out in Appendix B to the Medium Term Financial Plan
- (e) The Revised Minimum Revenue Provision (MRP) Statement as set out in Appendix C to the Medium Term Financial Plan including the revised policy regarding debt repayment
- (f) The directorate revenue and capital budget proposals as set out in draft Budget Book published on 3<sup>rd</sup> February and delegate responsibility to Cabinet Members and Corporate Directors to manage the budget within the parameters set out in the Constitution and Financial Regulations
- (g) The proposed retention of pension assets and liabilities for the Property LATCo set out in paragraph 2.7
- (h) To increase council tax band rates up to the maximum permitted without a referendum as set out in paragraph 2.5 table 1
- (i) To raise the additional 2% social care precept (£11,205,228 of the precept set out in (m) below)
- (j) The total council tax requirement of £583,181,198 to be raised through precepts on districts as set out in section 2 of the Budget Book

In addition:

- (k) To note that the Cabinet Member for Corporate and Democratic Services will determine the TCP reward thresholds for staff assessed as achieving, achieving above, and outstanding, and to set the recalibration of the pay ranges and minimum reward/increase to the bottom of KR2, within the 2% funding approved
- (l) To delegate authority to the Corporate Director of Finance & Procurement (in consultation with the Deputy Leader/Cabinet Member for Finance & Procurement and the political Group Leaders) to resolve any minor technical issues for the final budget publication which do not materially alter the approved budget or change the net budget requirement
- (m) The changes made in (l) above to be reflected in the final version of the Budget Book and MTFP due to be published in March
- (n) To note the financial outlook for 2017-18 and 2018-19 with further anticipated funding reductions and spending demands necessitating additional savings the vast majority of which are yet to be identified

## **8. Background Documents**

8.1 Consultation materials published on KCC website can be found at [www.kent.gov.uk/budget](http://www.kent.gov.uk/budget)

8.2 Full report and executive summary from FACTS International and workshop sessions with staff, businesses and voluntary sector [www.kent.gov.uk/budget](http://www.kent.gov.uk/budget)

- 8.3 The Chancellor of the Exchequer's Spending Review and Autumn Statement on 25<sup>th</sup> November 2015 and OBR report on the financial and economic climate  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/479749/52229\\_Blue\\_Book\\_PU1865\\_Web\\_Accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU1865_Web_Accessible.pdf)  
  
<http://budgetresponsibility.org.uk/economic-fiscal-outlook-november-2015/>
- 8.4 The provisional Local Government Finance Settlement 2016-17 announced on 17th December 2015  
<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2016-to-2017>
- 8.5 [Response to Provisional Local Government Finance Settlement dated 15<sup>th</sup> January 2016](#)
- 8.6 [Submission to Spending Review](#)
- 8.7 [Budget reports to Cabinet Committees in January](#)
- 8.8 Draft Budget Book and MTFP published 11 January 2016 (white cover, blank binding) and as re-published on 3 February 2016 (blue cover white binding):  
[www.kent.gov.uk/budget](http://www.kent.gov.uk/budget)
- 8.9 [Minutes of Cabinet Scrutiny Committee 19 January 2016:](#)
- 8.10 [Cabinet Report 25 January 2016](#)

## **9. Contact details**

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## Schedule of Provisional and Estimated Central Government Grants in Draft Budget Book

2015-16 Published Budget Grant Income £000s	Funding Source	2016-17 Provisional £000s	2016-17 Final £000s	2016-17 Estimate £000s	2016-17 Final Draft Budget Book Grant Income £000s	Comments
<b>Un-ring-fenced counting as funding</b>						
<i>Local Government Finance Settlement</i>						
161,005.1	Revenue Support Grant	111,424.6			111,424.6	
	Business Rate Baseline	47,997.5				Included in settlement but shown under local share of business rates
122,939.1	Business Rate Top-up	123,963.5			123,963.5	
7,325.3	New Homes Bonus Grant	8,908.8			9,324.6	
560.9	New Homes Bonus adjustment			415.7		
	<i>Other Grants</i>					
3,341.7	Business Rate Compensation Grant			3,341.7	3,341.7	
13,750.0	Education Services Grant	13,345.8		12,375.0	12,375.0	Provisional grant based on October pupil numbers. Grant is recalculated quarterly and estimate includes impact of assumed academy transfers
	Local Service Support Grant:					
1,301.4	Extended Free School Travel			1,171.5		
137.9	Inshore Sea Fisheries			124.1	1,295.6	
327.0	Lead Local Flood Authority					Transferred into RSG 2016-17
<b>Grants included as income to offset spending</b>						
<i>Un-ringfenced Grants</i>						
<i>Care Act 2014</i>						
1,425.5	Carers and Care Act Implementation					Transferred into RSG 2016-17
2,388.1	Deferred Payments					Transferred into RSG 2016-17
4,559.8	Early Assessment for Cap on Care Costs					
479.1	Social Care in Prisons Grant			479.0	479.0	
	Better Care Fund					Shown as external income from Health Authorities
	Children's Social Care Innovation Program Grant					
	Disabled Facilities Grant					
830.4	Local Reform and Community Voices Grant			830.4	830.4	
	Property Searches New Burdens Payment					
<i>Ring-fenced Specific Grants</i>						
3.7	Access to Working			1.1	1.1	
19,762.0	Asylum Grant			45,881.3	45,881.3	
1,128.7	Bus Service Operators Grant			1,087.8	1,087.8	
2,997.8	Capital Maintenance Grant			2,997.8	2,997.8	
677,903.3	Dedicated Schools Grant (DSG)			679,826.0	679,826.0	
26.0	Department of Culture, Media & Sport			26.0	26.0	
80.8	Department of Energy & Climate Change			74.0	74.0	
36.0	DVLA			36.0	36.0	
28.4	European Regional Development Fund (ERDF)			25.0	25.0	
13,091.4	Free School Meals Grant			12,155.5	12,155.5	
	Heritage Lottery Fund			149.8	149.8	
	Independent Living Fund Grant (ILFG)			2,216.0	2,216.0	
170.0	Initial Teacher Training (ITT)			0.0	0.0	
110.5	Interreg			100.5	100.5	
468.7	Interreg (EU)			750.5	750.5	
16.0	KEEP Grant			0.0	0.0	
893.8	Local Sustainable Transport Fund			0.0	0.0	
	Marlowe Grant			1,671.3	1,671.3	
10.3	Natural England			6.1	6.1	
1,363.7	PE and Sports Grant			3,189.6	3,189.6	
22,605.5	PFI			22,605.5	22,605.5	
71.7	Police & Crime Commissioner Grant (PCCG)			35.0	35.0	
65,158.0	Public Health			71,166.1	71,166.1	
34,796.1	Pupil Premium (PP)			33,153.8	33,153.8	
140.0	Road Safety - Cycle Training			140.0	140.0	
3.2	Rural Payments Agency			3.2	3.2	
99.3	Rural Payments Agency (New Leader Programme)			99.3	99.3	
849.0	SEN Implementation			849.0	849.0	
659.5	Sensory Impairment			450.0	450.0	
30,226.6	Sixth Form Funding			28,326.8	28,326.8	
10,223.5	Skills Funding Agency			9,863.6	9,863.6	
265.3	Staying Put Grant			530.6	530.6	
0.0	Syrian Vulnerable Persons' Resettlement			1,250.0	1,250.0	
2,192.0	Troubled Families Payment by Results			2,192.0	2,192.0	
	Youth Justice Board			1,230.8	1,230.8	
<b>1,205,752.1</b>	<b>Total</b>				<b>1,185,124.4</b>	

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