AGENDA

CABINET

Monday, 26th September, 2016, at 10.00 am	Ask for:	**Louise Whitaker**
Darent Room, Sessions House, County Hall, Maidstone	Telephone:	**03000 416824**
	E-mail:	**louise.whitaker@kent.gov.uk**

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

Webcasting Notice

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

1. Introduction/Webcasting

2. Apologies and Substitutions

   To receive any apologies from members or notification of substitutes in attendance.

3. Declaration of Interests

   To receive any declarations of interest from members in items on the agenda.

4. Minutes of the Previous Meeting (Pages 3 - 8)

   To approve the minutes of the previous meeting, held on 18 July 2016

5. Revenue and Capital Budget Monitoring - July 2016-17 (Pages 9 - 62)

   To note the latest budget monitoring information and approve any necessary changes to the budget.

6. Four-Year Finance Settlement (Pages 63 - 68)

   To seek agreement to accept the four-year settlement offer for Kent County Council from the Department for Communities and Local Government.

7. Quarterly Performance Report - Quarter 1 - 2016-17 (Pages 69 - 114)

   To receive and note the latest performance monitoring position as at Quarter 1.

8. Business Rate Retention - Consultation Response (Pages 115 - 182)

   To seek endorsement of the responses to the business rate retention consultation and call for evidence on needs and redistribution.

Peter Sass
Head of Democratic Services
Friday, 16 September 2016

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

KENT COUNTY COUNCIL

CABINET

MINUTES of a meeting of the Cabinet held in the Darent Room, Sessions House, County Hall, Maidstone on Monday, 18 July 2016.

PRESENT: Mr P B Carter, CBE (Chairman), Mr M A C Balfour, Miss S J Carey, Mr M C Dance, Mr G K Gibbens, Mr R W Gough, Mr P M Hill, OBE, Mr P J Oakford and Mr J D Simmonds, MBE

UNRESTRICTED ITEMS

176. Apologies and Substitutions

(Item 2)

Apologies were received from:

Mr Gary Cooke, Cabinet member for Corporate and Democratic Services.

Patrick Leeson, Corporate Director for Education and Young People's Services, who was substituted by Gillian Cawley

177. Declarations of Interest

(Item 3)

No declarations of interest were received.

178. Minutes of the Meeting held on 27 June 2016

(Item 4)

The minutes of the previous meeting held on 27 June 2016 were agreed as an accurate record subject to the following amendment;

Mr Dance, Cabinet member for Economic Development was incorrectly recorded as being in attendance; Mr Holden had attended as his substitute.

The amendment having been noted the chairman signed the minutes.

179. 2016-17 Revenue and Capital Budget Monitoring

(Item 5)

Cabinet received the first budget monitoring report for 2016-17.

The report reflected the position for each of the Directorates based on the major issues arising from the 2015-16 outturn and presented to Cabinet on 27 June.

The issues had not been addressed in the 2016-17 budget build either because they came to light after the budget had been agreed or the demand levels on which the budget had been based had increased since the calculations were made.

Andy Wood, Corporate Director of Finance and Procurement spoke to the item:

i. He confirmed in response to comments from the Leader that reporting in the future would be streamlined but that key activity data would continue to be reported. It was intended that the new style of reporting would achieve the following aims:
   - That the time taken to produce quarterly reports to cabinet would be reduced from approximately 70 days to approximately 35-40 days from the end of the relevant period allowing a more responsive approach to budget management.
   - That resources required to prepare and produce the reports would be reduced
   - That members would be able to more easily identify the key issues for consideration

ii. That the first report in the new format would be received by Cabinet in September.

Mr John Simmonds, Cabinet Member for Finance and Procurement introduced the item for members; in particular he referred to the following:

i. That it was essential to the 2017-18 budget that a balanced, or slightly underspent, 2016-17 budget was delivered. Therefore he was disappointed to report a £7.9million overspend for the first month. He urged members not to be complacent; he acknowledged that at this time last year the 2015-16 budget was showing an overspend but argued that having already made approximately £0.5billion of savings in recent years delivery of balanced budgets, and identification and realisation of savings had become more difficult.
ii. Paragraph 1.4 of the report addressed reporting issues within Directorates, and identified ways in which reporting could help to make forecasting simpler and more accurate.
iii. That Specialist Children's Services continued to experience severe pressures currently reported at £4.5million. These areas of forecast overspend related largely to the full year effect of increased activity and expenditure experienced in the last half of 2015-16 on residential and fostering and continued pressure on the staffing budgets based on continuing difficulties in recruiting permanent staff. In addition the adoption/permanency budget (principally special guardianship orders) was also experiencing pressure. Philip Segurola, Director, Specialist Children's Services Social Care, Health and Wellbeing and Peter Oakford, Cabinet Member for Specialist Children's Services had been invited to attend the Budget Programme Board to further consider how these pressures may be mitigated.
iv. Pressures also remained in the following areas:
   a. Unaccompanied asylum seeking children's budget
   b. Adults Social Care and Health - Learning Disabilities and Mental Health budgets
   c. Growth, Environment and Transport – Young Persons Travel Pass and Waste budgets
v. That the Capital Budget was on track with no significant variations to be reported.

He concluded by highlighting the matter for agreement, set out in the report:

i. Movement of £110,000 to the GET budget for weed clearance and other such necessary work that had resulted from a mild winter and wet summer and ring-fencing of a similar amount in future years for such activities should they become necessary.

The Leader expressed concern at the forecast overspend and asked that the matter be discussed further at a meeting of Cabinet Members and Directors, Corporate Board, in order to consider possible future actions as it was crucial that action was taken quickly to address the matters raised.

The item was opened for discussion and the following comments were made and responses to questions received:

Mr Graham Gibbens, Cabinet Member for Adult Social Care and Health commented on the Mental Health budget within Adult Social Care. This area currently showed a forecast overspend of £1.363million. He reminded members that this overspend was in the context of a total spend on Adults Mental Health of only approximately £24million and reflected the high demand for services being experienced.

Mr Peter Oakford Cabinet Member for Specialist Children's Services spoke to the item; he expressed his disappointment that, despite the good work that Philip Segurola and his team had undertaken to control the budget in 2015-16, pressures had continued to emerge owing to a number of factors reported by the Cabinet Member for Finance and Procurement in his introduction. In particular he mentioned the continued difficulties experienced in recruitment of permanent Social Workers and foster carers and the associated costs created by the use of agency workers and independent fostering agencies respectively.

It was RESOLVED that:

CABINET **18 July 2016**	
1.	The initial forecast revenue and capital budget monitoring position for 2016-17, and the need to eliminate the revenue forecast pressure be NOTED.
2	£0.110m of the uncommitted underspend from 2015-16 (previously agreed by Cabinet in June to be transferred to reserves to support future years budgets) be transferred to the GET budget in order to fund a further weed spray to control weed growth on hard highway surfaces.
3	That future highway winter service underspends resulting from a mild winter, of up to the cost of a second weed spray (currently £0.110m) be ring-fenced, in anticipation of higher than average weed growth in the following growing season. Such underspending to be reflected as a committed roll forward requirement into the following financial year.
REASON	
1.	In order that Cabinet can effectively carry out monitoring requirements.

2 & 3	In order that the budget accurately reflects the real time position, is fit for purpose enabling necessary actions to be taken, and can be reflected in the 2015-16 budget as required.
ALTERNATIVE OPTIONS CONSIDERED	None.
CONFLICTS OF INTEREST	None.
DISPENSATIONS GRANTED	None.

180. Local Growth Fund Round 3 and Large Local Major Schemes
(Item 6)
Cabinet received a report detailing the launch by Government of two new calls for project proposals that would help to unlock economic growth in local areas.

Sarah Nurden, Strategic programme Manager (KMEP) introduced the item for members. In particular she referred to the following:

1. That there were currently two significant funding opportunities available to the Council:

    a. In the first call, Local Enterprise Partnerships (LEPs) were invited to bid for a share of the third tranche of Local Growth Funding (LGF), worth £1.8 billion across England.

    b. In the second call, LEPs were invited to bid for a share of the Large Local Major Schemes funding, worth £475m across England.

2. Ms Nurden addressed the LGF fund opportunity and reported that:

    a. The Kent and Medway Economic Partnership (KMEP) had met on 14 June and prioritised 34 business cases that had been put forward for consideration. The prioritisation exercise had taken account of various considerations including, value for money, deliverability, total match funding, and the wishes of stakeholders at sub-county level.

    b. 21 schemes were selected to be submitted to Government via SELEP. Of those 21 schemes one had later withdrawn; East Kent Spatial Development

    c. The submission must be made via SELEP as Government had been clear that submissions from each of the federated areas would not be accepted.

3. Ms Nurden then turned to the second opportunity, the Large Local Major Scheme (LLMS) and reported the following:

a. That there was £475million available nationally and that SELEP had been invited to submit a web tag compliant scheme worth 75m. A web-tag compliant bid was one which met the requirements of the Department for Transport and would be extremely resource intensive to produce. However, an option to bid for development funding in order to produce such a bid was available.

b. The matter was discussed at the recent KMEP meeting and it was agreed to seek improvements to Junction 7 on the M2, known locally as Brenley Corner. Ms Nurden explained that Junction 7 of the M2 was located on the strategic European transport route of the A2/M2 that ran from the Port of Dover through to the Midlands and the North of England, via the Dartford Crossing but that the current configuration of the junction regularly created peak hour congestion as traffic on the strategic Highways England road network mixed with traffic on the local road network. Improvement works to this junction were deemed critical to supporting any new Lower Thames Crossing.

4. Ms Nurden continued; she explained that the purpose of the consideration of both matters by Cabinet was to seek endorsement of the list of bids, confirm that KCC would be willing to act as the accountable body for schemes within its geographical boundaries and that delegation of authority to the Council's S.151 officer to write a letter of support for the bids and draw down funding should they be successful was supported.

The Leader thanked Ms Nurden for her introduction and her hard work in difficult circumstances. He expressed disappointment that the federated nature of SELEP was not to be reflected in the way that Government would accept prioritisation of schemes and warned members that the order may change as the list progressed through the various stages required by the current structure. He hoped that the South East would be treated fairly and that any contribution received would reflect the contribution that the area made to economic growth in Britain.

The Cabinet Member for Adult Social Care and Health, Mr Graham Gibbens spoke to the item, he welcomed the news that a development bid would be made to address the issues at Brenley Corner which he believed had worsened significantly in recent years. As a result he believed that it was unrealistic to expect significant further development in the area of Kent beyond it; East Kent, until the issues had been addressed.

The Cabinet Member for Environment and Transport, Mr Matthew Balfour, also addressed the meeting. He assured members that the Directorate was aware of the issues Mr Gibbens and others had described, but was also looking to the future. When a new Lower Thames Crossing was built it would be necessary to relieve HGV pressure on the M20 through the A2/M2 corridor and therefore this and other issues with the supporting infrastructure must be resolved. Strong representations to government and Highways England had been made to ensure that it was understood that a crossing alone would not be sufficient to alleviate current issues and cope with future demand but that the supporting infrastructure must also be fit for purpose.

The Leader agreed that this was a crucial issue for Kent, not only for the current enjoyment of the roads by residents but in order to facilitate future economic growth in the area and therefore the country.

It was RESOLVED that:

1. The Local Growth Fund Round 3 (LGF3) and Large Local Major Scheme (LLMS) bid submissions to Government proposed by the Kent & Medway Economic Partnership be endorsed.

2. That the proposal that KCC act as the accountable body for projects within Kent County Council's geographical boundaries that are selected by the Government to receive LGF3 and LLMS funding be endorsed.

3. That the proposal that authority be delegated to Section 151 Officer to sign on KCC's behalf a grant offer letter or equivalent, where this is required to draw down funds following business case approval be endorsed.

The decision would now be considered by the Environment and Transport Cabinet Committee and on consideration of its comments and the endorsements of Cabinet the Leader would take a formal decision to agree the recommendations.

By:	Deputy Leader & Cabinet Member for Finance & Procurement, John Simmonds Corporate Director of Finance & Procurement, Andy Wood Corporate Directors
To:	Cabinet – 26 September 2016
Subject:	**REVENUE & CAPITAL BUDGET MONITORING - JULY 2016-17**
Classification:	Unrestricted

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1. SUMMARY

1.1 This report provides the budget monitoring position up to 31 July 2016-17 for both revenue and capital budgets, including an update on key activity data for our highest risk budgets. This is the first budget monitoring report for 2016-17 in the new format.

1.2 The format of this report is:

- This covering summary report which provides a high level financial summary and highlights only the most significant issues, as determined by Corporate Directors.
- Appendix 1 – a high level breakdown of the directorate monitoring positions;
- Appendix 2 – activity information for our highest risk budgets;
- Appendix 3 – details of the Asylum service forecast and key activity information including grant rates compared to actual forecast unit costs;
- Appendix 4 – quarterly monitoring of prudential indicators;
- Appendix 5 – details of realignment of revenue budgets **for approval**.

1.3 Cabinet is asked to note the forecast revenue and capital monitoring position. In the light of further government funding reductions in the short to medium term, it is essential that a balanced revenue position is achieved in 2016-17, as any residual pressures rolled forward into 2017-18 will only compound an already extremely challenging 2017-18 budget position. This forecast revenue pressure of £9.679m (after Corporate Director adjustments), increasing to £10.504m including roll forward requirements, is very clearly a concern, and needs to be managed down to at least a balanced position.

1.4 Whilst it is clear that each year, the position improves as the year progresses, and is in part due to the delivery of management action, history suggests that managers also have a tendency to be pessimistic with their forecasting, by declaring pressures early but holding back on declaring underspending until towards year end. Although we have urged budget managers to be less guarded with their forecasting from the outset so that decisions can be made on a more robust footing, the position has in fact worsened since the last report, predominately due to Specialist Children's Services. The Corporate Directors are considering what immediate steps, other than the usual day-to-day budget management, could and should be taken in response to the forecast pressure. A verbal update of these considerations will be reported at this meeting.

2. RECOMMENDATIONS

Cabinet is asked to:

i) **Note** the forecast revenue budget monitoring position for 2016-17 and capital budget monitoring position for 2016-17 to 2018-19, and that the forecast pressure on the revenue budget needs to be eliminated as we progress through the year.

ii) **Agree** the revenue budget realignment set out in Appendix 5.

iii) **Agree** the changes to the capital programme as detailed in section 6.4.

3. SUMMARISED REVENUE MONITORING POSITION

3.1 Overall the net projected revenue variance for the Council as reported by budget managers is a pressure of £8.789m. Corporate Directors have adjusted this position by +£0.890m, leaving a residual pressure of £9.679m. After allowing for roll forward requirements, the position increases to a pressure of £10.504m. Details of the Corporate Director adjustments and roll forward requirements are provided below in sections 3.4 and 4. respectively. This forecast position, after roll forward requirements, represents a movement of +£2.582m from the position reported to Cabinet in July. The main reasons for this movement are provided in section 3.3 below. In total this position reflects that we are on track to deliver the majority of the £81m of savings included in the approved budget for this year, but further work is urgently required to identify options to eliminate the residual £10.5m forecast pressure. The position by directorate, together with the movement from the last report, is shown in table 1 below.

3.2 Table 1: Directorate **revenue** position

Directorate		Budget	Net Forecast Variance *	Corporate Director adjustment	Revised Net Variance	Last Reported position	Movement
		£m	£m	£m	£m	£m	£m
Education & Young People's Services		65.345	-0.553		-0.553	0.000	-0.553
Social Care, Health & Wellbeing - Specialist Children's Services		128.478	6.614		6.614	4.581	2.033
Social Care, Health & Wellbeing - Asylum		0.550	2.284		2.284	1.407	0.877
Sub Total SCH&W - Specialist Children's Services		*129.028*	*8.898*	*0.000*	*8.898*	*5.988*	*2.910*
Social Care, Health & Wellbeing - Adults		369.648	1.904		1.904	1.422	0.482
Social Care, Health & Wellbeing - Public Health		-0.016	0.000		0.000	0.000	0.000
Growth, Environment & Transport		166.532	1.178		1.178	1.368	-0.190
Strategic & Corporate Services		70.397	-1.242	0.890	-0.352	0.412	-0.764
Financing Items		118.622	-1.395		-1.395	-1.268	-0.127
TOTAL (excl Schools)		**919.556**	**8.789**	**0.890**	**9.679**	**7.922**	**1.757**
Schools (E&YP Directorate)		*0.000*	*6.702*		*6.702*	*0.000*	*6.702*
TOTAL		**919.556**	**15.490**	**0.890**	**16.380**	**7.922**	**8.458**
Variance from above (excl schools)					**9.679**	**7.922**	**1.757**
Roll forwards	- committed				0.106	0.000	0.106
	- re-phased				0.719	0.000	0.719
	- bids				0.000	0.000	0.000
Total roll forward requirements					0.825	0.000	0.825
(-ve Uncommitted balance / (+ve) Deficit					**10.504**	**7.922**	**2.582**

* the variances reflected in appendix 1 & 2 will feature in this column

Table 1b: Directorate **revenue** position after roll forwards:

Directorate	Variance	Roll Forwards committed	Roll Forwards un-committed	Revised Variance	Corporate Director adjustment	Variance after roll fwds & CD adj
	£m	£m	£m	£m	£m	£m
Education & Young People's Services	-0.553		0.719	0.166		0.166
Social Care, Health & Wellbeing - Specialist Children's Services	6.614	0.106		6.720		6.720
Social Care, Health & Wellbeing - Asylum	2.284			2.284		2.284
Sub Total SCH&W - Specialist Children's Services	*8.898*	*0.106*	*0.000*	*9.003*	*0.000*	*9.003*
Social Care, Health & Wellbeing - Adults	1.904			1.904		1.904
Social Care, Health & Wellbeing - Public Health	0.000			0.000		0.000
Growth, Environment & Transport	1.178			1.178		1.178
Strategic & Corporate Services	-1.242			-1.242	0.890	-0.352
Financing Items	-1.395			-1.395		-1.395
TOTAL (excl Schools)	**8.789**	**0.106**	**0.719**	**9.614**	**0.890**	**10.504**

3.3 The main reasons for the movement of +£2.582m since the last report are:

3.3.1 Education & Young People's Services:

The movement in the forecast variance (excluding schools and before roll forward requirements) shows a reduction from the previous forecast breakeven position to an underspend of £0.553m. However this includes an underspend on Tackling Troubled Families of £0.719m which is required to roll forward to be spent in 2017-18, leaving an underlying pressure of £0.166m. This +£0.166m movement is mainly due to a reduction in SEN transport of -£0.270m due to the shift of pupils to more cost effective arrangements such as Personalised Budgets where they are appropriate, the impact of Independent Travel Training and the SEN Transport pilot at Goldwyn Special School. There is also a reduction in pension costs of -£0.205m, which we expect to be a saving in future years. These are offset by an increase of +£0.220m in the forecast for revenue maintenance costs (in excess of the available capital grant) and removal of the previously forecast management action of £0.412m. Options for management action to offset the residual pressure will be discussed with the DMT in September.

3.3.2 Social Care, Health & Wellbeing – Specialist Children's Services:

The current forecast variance represents an increase of +£2.0m since the May exception report. This movement is partly due to increased activity in Children in Care (Looked After) Services including secure accommodation, residential care and fostering between May and July – this accounts for £0.6m. The staffing forecast has increased by £0.6m, which is due to greater analysis of agency staff, future recruitment and vacancy management. The Family Support & Other Children Services forecast has increased by £0.5m which is in part due to increased placement costs for Care Leavers, but also due to more detailed forecasts now having been made; and increased numbers of special guardianships.

3.3.3 Social Care, Health & Wellbeing – Specialist Children's Services – Asylum:

The current forecast pressure of £2.3m represents a movement of +£0.9m since the first exception report for 2016-17. The main increase in this pressure has been for the 16-17 age group due to lower numbers of arrivals than anticipated following the commencement of the national dispersal scheme, leading to lower variable costs (but no change to fixed assessment centre costs), compared against greater reductions in grant. We will discuss this funding arrangement with Home Office officials, in the first instance. Paragraph 3.4.3 of this report provides more detail.

3.3.4 Social Care, Health & Wellbeing – Adult Social Care:

The pressure on Adults Social Care has increased by +£0.5m, which is due to a number of compensating movements, the significant movements include: the overall increasing pressures on Learning Disability and Mental Health Services, along with an increased demand for equipment services. These are offset by reductions in the expected spend on preventative services (including carer support services) and the one-off use of monies to relieve the current pressures specifically within Mental Health & Older People services.

3.3.5 Social Care, Health & Wellbeing – Public Health:

There is an overall movement of +£0.021m since the last reported position in July but this will be met by a drawdown from the Public Health reserve, hence no movement is reflected in table 1. Several of the budgets are now showing forecast pressures namely: Children's Public Health Programmes: 0-5 year olds Health Visiting Service (+£0.382m), Other Children's Public Health Programmes (+£0.309m), and Obesity & Physical Activity (+£0.170m). Collectively these are almost fully matched by underspends on other budget lines primarily: Targeting Health Inequalities (-£0.403m), Tobacco Control and Stop Smoking Services (-£0.213m), and Sexual Health Services (-£0.200m).

3.3.6 Growth, Environment and Transport:

The current forecast outturn for the directorate is a +£1.178m pressure representing a reduction of some -£0.190m since the last report in July. Increases in Other Highways Maintenance and Management (+£0.371m), Coroners (+£0.150m) and Waste (+£0.101m) have been offset by reductions in Libraries, Registration and Archives (-£0.281m), Concessionary Fares (-£0.189m), Economic Development and Other Community Services (-£0.175m), Strategic Management (-£0.115m), and other budgets (-£0.052m).

3.3.7 Strategic and Corporate Services:

The Strategic & Corporate Services figures in Table 1 above contain both the forecast for the Directorate itself and the Corporate aspirational savings target of -£1.038m for the Asset Utilisation programme, held against the Corporate Landlord budgets. The movement in the forecast variance for the Directorate (excluding the Asset Utilisation target) is a positive move from a break-even position to an underspend of -£0.865m, net of the Corporate Director adjustment set out below in section 3.4.7.4. (The reasons for this variance/movement are provided in section 3.4.7 below). The Asset Utilisation programme was reporting a pressure of +£0.412m and this has moved by +£0.101m to +£0.513m. The movement is due to the rejection of a specific Asset Utilisation proposal. Overall therefore the movement reflected in table 1 is -£0.764m (-£0.865m + £0.101m).

3.3.8 Financing Items:

There is a £0.127m increase in the underspend due to lower than budgeted external audit fees together with a small improvement in the interest return on temporary advances.

3.4 **Revenue budget monitoring headlines (please refer to Appendix 1)**

3.4.1 Education & Young People's Services

3.4.1.1 The forecast variance of -£0.6m is made up of a small number of large variances on a number of service lines as follows:

3.4.1.2 The major part of the £0.8m underspend on Early Help & Prevention for Children & Families relates to Tackling Troubled Families (-£0.7m) for which a roll forward request will be submitted in order to continue the scheme.

3.4.1.3 There is a current forecast pressure of +£0.2m on 3 in-house nurseries under the Early Years Education & Childcare service line which have been restructured (resulting in one-off costs) and will be relaunched in September, aiming to reduce costs, increase income and move towards a balanced budget.

3.4.1.4 There continues to be a forecast pressure on the Other Schools' Related Costs service line due to payments for employee tribunal cases for former schools staff of +£0.2m. In addition there is a pressure of +£0.2m on revenue maintenance costs in excess of the capital grant available.

3.4.1.5 There is a forecast underspend (-£0.2m) on the EYP Management & Support Services line for Education Pensions as capitalisation costs are lower than expected.

3.4.1.6 Corporate Director's Adjustment – the re-tendering of SEN transport contracts may reduce the forecast pressure shown above. The directorate is confident that it can achieve a balanced budget position by the end of the financial year and would initially look to cover any residual pressure by reviewing all items of discretionary non staffing spend.

3.4.2 Social Care, Health & Wellbeing – Specialist Children's Services

3.4.2.1 The overall forecast position for Specialist Children's Services (excluding Asylum) is a pressure of £6.7m (including roll forward requirements) - this however is broken down into 2 areas: Specialist Children's Services +£6.3m and Children with a Disability +£0.4m.

3.4.2.2 The main areas of pressure are in relation to residential care +£2.8m; independent fostering +£1.1m; special guardianship +£1.5m; assessment staffing +£1.8m offset by small underspends against other budgets.

3.4.2.3 Detailed work is being undertaken to report to Budget Programme and Delivery Board later in September to ascertain some of the reasons behind the pressures to identify the values attributable to increased demand and those attributable to unachievable budgeted savings.

3.4.2.4 In summary, however, the pressures on residential and independent fostering are due to full year effect of increases in numbers during the latter part of 2015-16 which have continued into 2016-17; costs rising due to increasing complexity and needs, and in part due to transformation and other savings not being delivered.

3.4.2.5 Similarly the pressure on Special Guardianships is due to increased numbers of orders being granted at court, which are greater than the affordable level budgeted for.

3.4.2.6 The pressure on staffing is primarily in relation to the need to retain agency staff at a higher cost, because of the continuing difficulties in recruiting permanent social workers.

3.4.3 Social Care, Health & Wellbeing – Specialist Children's Services - Asylum

3.4.3.1 The current forecast pressure for Asylum is £2.3m. In spite of the commencement of the National Transfer Scheme (NTS) it seems inevitable that this figure will rise. At the time of writing the NTS is not keeping pace with the current rate of arrivals which remains much reduced from the figures of 2015. Whilst there is some reasonable expectation that it will increase its capacity in order to deal with the new entrants it is looking far less likely that it will achieve the transfer of any of the legacy cases. There is a diminishing opportunity for this as the more settled young people become the more the Council would be open to challenge from individuals about being moved against their best interests. This situation is exacerbated by the age profile of the Unaccompanied Asylum Seeking Children (UASC) in Kent. They are turning 18 at the rate of approximately 30 per month and we know that over 100 will have their eighteenth birthday in January 2017. Under the current financial arrangements it remains the case that the Government does not fund local authorities for the full cost of the over 18, care leaver cohort. In order to avoid a significant escalation in the costs of Asylum to the Council directly the Government needs to change its funding regime. The Council is actively lobbying the new ministerial team at the Home Office on both this issue and the need to make the NTS mandatory for local authorities to participate.

3.4.4 Social Care, Health & Wellbeing – Adult Social Care

3.4.4.1 The forecast variance of +£1.9m reflects total pressures of +£5.4m resulting from the direct provision of services to clients across adult social care, which is partially offset by anticipated underspends on assessment staffing mainly within Learning Disability and Mental Health (-£1.1m), preventative services (-£0.7m) and other support budgets (-£0.3m), along with the one-off benefit due to the delay in agreeing the longer term strategy for sustainability of the market (-£1.5m) to offset the rising costs of social care.

3.4.4.2 Significant pressures on Mental Health residential care and supported living services in 2015-16 are expected to continue at a similar level in 2016-17 (+£1.8m & +£0.9m respectively) and are only partially offset by minor underspends on other community based services (-£0.2m). The service has seen significant increases in the cost of residential care due to both the increased complexities of clients going into care along with financial pressures in the market, leading to higher costs.

3.4.4.3 Learning Disability direct services are forecasting a total pressure of +£2.0m. Significant pressures on supported living (+£3.7m, see appendix 2) and day care services (+£0.9m) are partially offset by underspends across other services, the most significant including residential care (-£1.0m see appendix 2), direct payments (-£0.4m see appendix 2), shared lives services (-£0.7m), and non-residential charging income (-£0.4m). The overall pressure on this service is partially due to the delay in the delivery of transformation, day care and transport savings (+£0.8m). The forecast does however assume that further savings of -£1.8m will be delivered before the end of the financial year.

3.4.4.4 Pressures across both residential and community services for Older People have resulted in a net pressure of £1.2m, mainly due to the increased needs of both existing clients and those receiving a service for the first time (see appendix 2). The pressure on domiciliary care services outlined in appendix 2 (+£3.8m) is partially offset by higher levels of client income resulting from the current activity (-£1.4m), along with underspends on other community based services including direct payments (-£2.0m). This forecast also assumes that funding is set aside for winter pressures. If there is no increased spend as a result of winter then this funding will be available to offset other pressures. In addition, the forecast for Older People and Physical Disability services assumes £1.6m of the MTFP savings will be achieved before the end of the financial year.

3.4.4.5 There is a significant pressure on the equipment budget of +£0.7m resulting from higher than anticipated demand, which is partially offset by lower expenditure on other preventative services including lower demand for carer's residential respite services (-£1.5m).

3.4.5 <u>Social Care, Health & Wellbeing – Public Health</u>

3.4.5.1 The overall variance prior to any transfer to/from the Public Health reserve is a small pressure of +£0.021m.

3.4.5.2 Budgets were set based on assumptions around the level of savings which could be delivered within the Health Visiting and School Nursing contracts. However, contract negotiations are ongoing so the current forecast pressure of +£0.691m is expected to reduce. There is a further pressure of +£0.170m within Obesity and Physical Activity due to the costs of additional Tier 3 Weight Management and Dietetics activity. These pressures have been largely offset by an underspend of -£0.403m within the Targeting Health Inequalities budget, which includes underspending resulting from the number of health checks being below the budgeted level. In addition, there are underspends against Tobacco Control & Stop Smoking Services (-£0.213m) and Sexual Health Services (-£0.200m) which primarily relate to unrealised creditors set up in 2015-16.

3.4.6 <u>Growth, Environment and Transport</u>

3.4.6.1 The overall variance for the Directorate is a pressure of +£1.2m. The three main pressures reported to Cabinet in July remain, with small improvements in each area, and the latest forecasts are YPTP +£0.5m, Waste +£0.5m and Economic Development and Other Community Services +£0.3m respectively.

3.4.6.2 The +£0.5m pressure forecast against Young Persons Travel Pass relates to the saving of £0.540m built into the budget to reflect the reduced take-up and fewer journey numbers seen in 2015-16 at the time the budget was being set. Unfortunately increased journey numbers and cost in the third and fourth quarters of 2015-16 has put this saving at risk. The Directorate is in regular communication with bus operators and has had some success in reducing costs and mitigating the pressure. This includes reducing certain additional capacity payments to operators with routes going back into the reimbursement model. We are also awaiting the quarter 1 activity indicators before any management action can be implemented.

3.4.6.3 Waste is forecasting an overall budget pressure of +£0.5m. The Treatment and Disposal of Residual Waste budget is forecasting to break even (as can be seen in Appendix 2.14), with a +£0.2m pressure resulting from an additional 1,870 tonnes being offset by -£0.2m of additional income, as most of the extra tonnage is trade waste for which the costs are recovered. A number of minor pressures are also being offset by favourable price variances.
The +£0.5m pressure within Waste Processing results from the increased costs of the dry recyclables contract (+£0.3m) resulting from the recent procurement exercise, and increased tipping away payments due to on-going issues at Church Marshes Waste Transfer Station in Swale (+£0.2m). Although activity is only forecast to be 210 tonnes over budget this has resulted in a +£0.1m pressure (as can be seen from Appendix 2.15); this primarily relates to an increase in composting.

However reduced tonnage in other areas have not impacted on the financial position because costs are contained within external contracts and do not flex with changes in activity.

3.4.6.4 Economic Development and Other Community Services is forecasting a pressure of +£0.3m as the £0.5m commercial business rate pool saving is currently forecast to not be deliverable. To offset this vacancies have been held and recruitment to the new structure phased throughout the year, meaning significant staff underspends. In addition, the agreed management charge against the Regional Growth Fund capital scheme has also part-mitigated the pressure as the staff supporting this project are not base funded. The division will continue to hold vacancies and look at income generation options.

3.4.6.5 The Other Highways Maintenance and Management budget is showing a +£0.4m pressure on drainage, with management action to be identified to mitigate the pressure.

3.4.6.6 Within Public Protection and Enforcement, Coroners is forecasting a pressure of +£0.1m due to a continuing trend of increased caseloads/activity, as well as unbudgeted costs for a deputy coroner.

3.4.6.7 The pressures above are in part offset through underspends namely:
- Libraries, Registration and Archives -£0.3m through over-delivery of registration income, as well as staffing underspends/over-delivery of savings;
- Concessionary Travel (ENCTS) -£0.2m due to reduced activity and payments to operators in Quarter 1 (see Appendix 2.12);
- Strategic Management -£0.1m through holding vacancies, as well as savings in all non-core expenditure.

3.4.6.8 No Corporate Director adjustments are to be reflected currently, but may well be added in subsequent months as management action is identified to mitigate the pressures faced by the directorate.

3.4.7 <u>Strategic and Corporate Services</u>

3.4.7.1 The overall variance reflected in appendix 1 for the directorate is -£1.2m, but a Corporate Director adjustment of +£0.9m changes this to -£0.3m, which is made up of -£0.8m for the directorate and +£0.5m relating to Asset Utilisation.

3.4.7.2 Directorate variance of -£0.8m: Finance & Procurement are reporting an underspend of -£0.3m 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. Engagement, Organisation Design & Development are reporting an underspend of -£0.3m primarily due to staffing vacancies. Within Infrastructure there are some minor underspendings totalling -£0.2m which are currently offsetting the Asset Utilisation pressure detailed below.

3.4.7.3 Asset Utilisation variance of +£0.5m: 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 £0.5m of savings to be delivered from the closure of buildings, which are yet to be agreed.

3.4.7.4 Corporate Director Adjustment +£0.89m: This adjustment to the Collaborative Planning forecast relates to Member Grants. As at August 2016, the spend to date and contractually committed spend for the Combined Member Grant scheme is £2.1m. This leaves £0.89m which is at present uncommitted. The CD adjustment has been made to this forecast following discussions with both Highways & Community Liaison Officers who have reported that conversations with Members indicate that Members, at this stage, fully intend to commit the entire budget by the end of this financial year. Given that there is a Council decision that there would be no roll forward of this grant in to an election year, there will need to be an early cut-off date, probably January 2017, for remaining commitments to be made.

3.4.8 Financing Items

The financing items budgets are currently forecast to underspend by £1.4m, which is due to:

3.4.8.1 Additional Government funding compared to our assumptions at the time of setting the budget, together with additional retained business rates relating to 2015-16, result in a forecast underspend of £0.9m.

3.4.8.2 A forecast underspend of £0.4m on the net debt charges budget, mainly due to lower than budgeted interest costs, including a reduction in bank charges following the recent retendering for banking services and savings on brokerage fees, as we are not looking to take out any new borrowing this financial year.

3.4.8.3 A £0.1m underspend is forecast as a result of lower than budgeted external audit fees.

3.5 **Schools delegated budgets:**

The schools delegated budget is currently forecast to overspend by £6.702m which is due to:

- +£2.171m as a result of an estimated 20 schools converting to academy status and taking their accumulated reserves with them;
- +£2.297m use of schools unallocated reserves to offset pressures on High Needs and Early Years education;
- +£2.234m use of schools unallocated reserves to fund in year schools related pressures.

As a result, schools reserves are forecast to reduce from £46.361m to £39.659m.

3.6 Table 2: **Performance of our wholly owned companies**

Dividends/Contributions (£m)	Budget	Forecast	From trading surplus	from reserves
Commercial Services	8.700	8.700	6.927	1.773
GEN2	0.542	0.542	0.542	0.000

4. DETAILS OF REVENUE ROLL FORWARDS/RE-PHASINGS

Table 3: **Breakdown of the roll forward figures shown in tables 1a and 1b**.

	Committed £m	Uncommitted £m
Tackling Troubled Families (EYP directorate)		0.719
Re-phasing of Kent Children's Safeguarding Board in to 2017-18. This represents KCC's share of the underspend of the KCSB, which under the terms of the multi-agency agreement, KCC has an obligation to fund (SCHW SCS)	0.106	

5. REVENUE BUDGET VIREMENTS/CHANGES TO BUDGETS

5.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered "technical adjustments" i.e. where there is no change in policy, including the allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.

5.2 In addition, in line with usual practice at this stage of the year, revenue budgets have been realigned to reflect a reallocation of savings and pressures between A-Z service lines in light of the 2015-16 final spend and activity levels and the latest service transformation plans, whereas the budget was set based on forecasts from several months earlier. Further details are provided in appendix 5. **Cabinet is asked to agree these changes to the cash limits as set out in Appendix 5**. The variances reflected in this report assume that these cash limit changes are approved.

6. SUMMARISED CAPITAL MONITORING POSITION

6.1 There is a reported variance of -£10.662m on the 2016-17 capital budget (excluding schools and PFI). This is a movement of -£10.662m from the previously reported position and is made up of -£4.102m real underspend and -£6.560m rephasing.

6.2 Table 4: Directorate **capital** position

Directorate	2016-17 Working budget	2016-17 Variance	Real variance	Re-phasing variance	Last reported position		Movement	
					Real	Rephasing	Real	Rephasing
	£m	£m	£m	£m	£m	£m	£m	£m
Education & Young People's Services	145.094	7.767	0.628	7.139	0.000	0.000	0.628	7.139
Social Care, Health & Wellbeing - Specialist Children's Services	0.109	0.040	0.040	0.000	0.000	0.000	0.040	0.000
Social Care, Health & Wellbeing - Adults	8.888	-2.042	-2.042	0.000	0.000	0.000	-2.042	0.000
Social Care, Health & Wellbeing - Public Health	0.360	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Growth, Environment & Transport	131.055	-16.430	-2.731	-13.699	0.000	0.000	-2.731	-13.699
Strategic & Corporate Services	20.497	0.003	0.003	0.000	0.000	0.000	0.003	0.000
Financing Items	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	**306.003**	**-10.662**	**-4.102**	**-6.560**	**0.000**	**0.000**	**-4.102**	**-6.560**

6.3 **Capital budget monitoring headlines**

The movements over £0.100m since previously reported are as follows:

<u>Education & Young People's Services</u>

- Basic Need Programme: +£8.429m rephasing. Following a review of the latest Commissioning Plan there have been additional requirements for Primary, Secondary and Special School places. This has resulted in money needing to be brought forward to fund these.

- Special School Review Phase 2: +£1.390m real variance in 16-17. Portal House is forecasting additional design and survey costs, increased scheme costs resulting from a partial refurbishment and new build proposal and increased costs associated with phasing requirements. There is also a pressure of £1.000m on Ridge View but this is not forecast until 2017-18. It is proposed that these overspends be funded from the Basic Need contingency. (See "Proposed Cash Limit Changes" at 6.4).
- Priority School Build Programme: -£1.000m rephasing due to the scheme at Chantry Community Academy awaiting approval by the EFA.
- Special Schools Review Phase 1: -£0.703m real underspend. This is to be added to the basic need contingency, to help cover the pressures identified on Special School Review Phase 2.
- Annual Planned Enhancement Programme: -£0.290m rephasing. Due to the reactive element of this budget it is anticipated that this will rephase.
- Repton Park Primary School, Ashford: -£0.123m real underspend to be held for future pressures on the basic need programme.

Social Care, Health & Wellbeing – Specialist Children's Services

There are no movements reported over £0.100m.

Social Care, Health & Wellbeing – Adults

- Home Support Fund & Equipment: -£2.146m underspend. The procurement method for this project has changed, which has resulted in only a small element of legitimate capital expenditure. (See "Proposed Cash Limit Changes" at 6.4).
- Developer Funded Community Schemes: +£0.144m real variance. Additional projects to be funded from additional developer contributions. (See "Proposed Cash Limit Changes" at 6.4).

Social Care, Health & Wellbeing – Public Health

There are no movements reported over £0.100m.

Growth, Environment & Transport

Highways, Transportation & Waste

- Rathmore Road Link: -£2.745m rephasing. Works costs have been reprofiled using the contractor's spend profile. There is no anticipated impact on the completion date at this stage. There is no change to LGF profile spend in 2016-17.
- Sittingbourne Northern Relief Road: -£2.054m variance. -£1.434m real variance is a result of increased knowledge of remaining LCA part 1 liabilities. -£0.620m rephasing to cover land compensation payments in future years.
- East Kent Access Phase 2: -£1.594m variance. -£0.854m real variance is a result of increased knowledge of remaining LCA part 1 liabilities.
  -£0.740m rephasing to cover land compensation payments in future years.

- Maidstone Integrated Transport: -£1.152m rephasing. There are ongoing discussions as to what can be implemented in 2016-17 under Phase 1 of this LGF scheme and whether some schemes will be better implemented directly by the developer, therefore the profile of the scheme is being reviewed resulting in some rephasing to 2017-18.
- Swale Transfer Station: -£0.866m real expected underspend to be used to offset the anticipated pressure on Richborough Landfill Site (see below).
- Richborough Closed Landfill Site: +£0.866m real variance. Further leachate works are required to conform to Environment Agency requirements. The pressure on this scheme is expected to be covered by the predicted underspend on Swale Transfer Station (see above).
- Thanet Parkway: -£0.850m rephasing due to necessary value engineering and additional surveys required to support the planning application and completion of GRIP Stage 3 design report, which have led to a delay in the programme.
- Major Schemes Preliminary Design Fees: -£0.680m rephasing of the budget to cover future preliminary design of projects coming forward for the next round of Local Growth Funding.
- Kent Thameside Strategic Transport Programme: -£0.383m rephasing. Detailed design and procurement is being undertaken for London Road/St Clements. Dartford BC are currently aiming to undertake detailed design & procurement for the town center scheme and costs are as yet unknown.
- Rushenden Link Road: -£0.626m variance. -£0.531m real underspend is a result of increased knowledge of remaining LCA part 1 liabilities. However in 2018-19 this scheme is due to repay previous borrowing, so the underspend will be offset against that and cannot be used for other purposes. -£0.095m rephasing to cover future years land compensation payments.
- Sturry Link Road, Canterbury: -£0.540m rephasing. LGF have recently approved this scheme therefore focus will be on design and survey activity in 2016-17.
- Westwood Relief Strategy – Poorhole Lane: -£0.350m rephasing to cover final landscaping works and future land compensation payments.
- A28 Chart Road, Ashford: -£0.338m rephasing reflects the current stage of design works and procurement of contractor on an Early Contractor Involvement contract and land purchase, some of which will happen in the next financial year. No change to LGF profile spend (£1.115m) for 2016-17.
- Victoria Way: -£0.330m variance. -£0.250m real variance. Underspend is a result of increased knowledge of remaining LCA part 1 liabilities.
  -£0.080m rephasing to cover land compensation payments in future years.
- M20 Junction 4 Eastern Overbridge: +£0.296m real variance. Overspend is due to site issues and increase in the scope of the project, to be funded by additional developer contributions.
- Tunbridge Wells Junction Improvements Package (formerly A26 London Rd/Staplehurst Rd/Yew Tree Junction): -£0.247m rephasing. Currently investigating new junction improvements so that a revised SELEP business case and spend profile can be submitted for phase 2 works. No change to LGF profile spend, (£0.197m) for 2016-17.

- North Farm, Longfield Rd, Tunbridge Wells: +£0.202m real variance expected. Awaiting financial completion once consultants, compensation events and utilities costs are finalised. Overspend to be covered by indexation on developer contributions.
- Integrated Transport Schemes: -£0.152m variance. -£0.141m real variance made up of +£0.485m additional schemes funded by developer contributions and external funding, and -£0.626m grant underspend held to cover potential pressures elsewhere in the GET programme.
  -£0.011m rephasing.
- Highway Major Enhancement: +£0.102m real overspend over a number of schemes, to be funded by external funding and grant.

Environment, Planning and Enforcement and Libraries, Registration and Archives

- Sustainable Access to Maidstone Employment Areas: -£0.390m real variance. £0.390m external funding will not be received as other schemes have been prioritised in the area, therefore this scheme has been scaled back.
- Tunbridge Wells Cultural Hub: -£0.245m rephasing. Architect will not be appointed until Oct 2016 which is later than anticipated.

Economic Development

- Discovery Park Enterprise Zone: -£4.600m rephasing. The project is behind schedule due to the discovery of protected animals on the site and for these to be relocated. Final planning permission is also yet to be received from Dover Council. The funding to be drawn down by Discovery Park in 2016-17 is £3.4m. In addition to the remaining £1.2m of initial allocation of funds a further funding has been allocated of £0.7m, all of which will be drawn down in 2017-18.
- Kent Empty Property Initiative – No Use Empty: +£0.331m real, +£0.304m rephasing. Increased loan demand has led to the real overspend forecast for the year. This will be funded from a £0.285m banked contribution from Shepway District Council, a proposed £0.050m virement from Cyclopark (see “Proposed Cash Limit Changes” at 6.4), and -£0.004m revenue contribution aligned to expected interest. The rephasing is due to spend having been realigned to match expected loan repayments.
- Marsh Million: -£0.260m rephasing. Due to partners revising criteria for the programme, funds will not now be released until Oct 2016, and it is envisaged that some funds will not be defrayed until quarter 1 of 2017-18.
- Regional Growth Fund – Expansion East Kent: +£0.179m rephasing due to amendments to loan repayments due to contract variations.
- TIGER: -£0.091m due to potential bad debts. -£0.053m rephasing due to reprofiling of debt repayments through contract variations.

Strategic & Corporate Services

There have been no movements greater than £0.100m.

6.4 **CAPITAL BUDGET VIREMENTS/CHANGES TO BUDGETS**

<u>Growth, Environment & Transport</u>

- There is a £0.050m underspend on the Cyclopark project, which is requested to be moved to Kent Empty Property Initiative in 2016-17. This is funded from prudential borrowing.

<u>Education & Young People's Services</u>

- To increase the cash limit for Special Schools Review Phase 2 by £1.390m in 16-17 and by a further £1.000m in 17-18, to be funded by grant from the Basic Need Contingency pot.
- To increase the cash limit for Sevenoaks Grammar in 2017-18 by £2.9m, from the Basic Need contingency.

<u>Social Care, Health & Wellbeing - Adults</u>

- Home Support Fund & Equipment – decrease the cash limit in 2016-17 by £2.520m grant and £0.110m developer contributions, in 2017-18 by £2.120m grant and in 2018-19 by £2.120m grant.
- Developer Funded Schemes – increase cash limit in 2016-17 by £0.144m developer contributions.

7. CONCLUSIONS

7.1 It is concerning that the revenue position has deteriorated since the last report, which predominately relates to adverse movements on Children's social care. However, the forecasts show the majority of the £81m savings are on track to be delivered and the intention remains that where delivery proves to be unlikely, equivalent savings elsewhere within the relevant Directorate will be made as appropriate. It is clear that alternative saving plans have not yet been sufficiently developed, but it is our expectation that once these alternative plans are finalised and agreed then the forecast pressure will reduce. However, considering the magnitude of the forecast pressure, especially within social care, Corporate Directors are considering a range of potential mitigations in order to reduce and then eliminate this forecast pressure. Progress on that work will be reported verbally at the meeting. We cannot, under any circumstances, afford to enter 2017-18 with an underlying problem.

8. RECOMMENDATIONS

Cabinet is asked to:

8.1 **Note** the forecast revenue budget monitoring position for 2016-17 and capital budget monitoring position for 2016-17 to 2018-19, and that the forecast pressure on the revenue budget needs to be eliminated as we progress through the year.

8.2 **Agree** the revenue budget realignment set out in Appendix 5.

8.3 **Agree** the changes to the capital programme as detailed in section 6.4.

Appendix 1

Breakdown of Directorate Monitoring Position

	Cash Limit			Variance	Movement
	Gross	Income	Net	Net	Net
	£m	£m	£m	£m	£m
Education & Young People					
Early Help & Prevention for Children and Families	28.2	-9.1	19.1	-0.8	-0.8
Early Years Education & Childcare	63.7	-62.4	1.3	0.2	0.1
Attendance, Behaviour and Exclusion Services	5.1	-4.9	0.1	0.0	0.0
High Needs Education Budgets (excl. Schools & Pupil Referral Units)	31.2	-31.2	0.0	0.0	0.0
SEN & Psychology Services	18.0	-14.7	3.4	-0.1	0.1
Other Services for Young People & School Related Services	17.5	-13.2	4.4	-0.1	-0.1
Pupil & Student Transport Services**	34.2	-3.7	30.5	-0.1	-0.3
Other Schools' Related Costs	36.8	-37.3	-0.5	0.5	0.3
Youth and Offending Services	5.2	-3.5	1.7	0.0	0.0
Adult Education and Employments Services for Vulnerable Adults	13.5	-14.4	-0.9	0.0	0.0
EYP Management & Support Services	20.1	-14.0	6.1	-0.2	-0.2
Sub Total E&YP directorate	**273.8**	**-208.4**	**65.3**	**-0.6**	**-1.0**
Social Care, Health & Wellbeing					
Learning Disability Adult Services**	156.9	-12.4	144.5	2.0	0.9
Physical Disability Adult Services	36.2	-4.2	32.0	-0.2	0.1
Mental Health Adult Services	13.8	-1.7	12.2	2.5	0.4
Older People Adult Services**	169.5	-81.9	87.6	1.2	-0.2
Adult & Older People Preventative & Other Services	66.0	-20.9	45.1	-2.1	-1.0
Adult's Assessment & Safeguarding Staffing	43.6	-6.2	37.4	-1.1	0.1
Children in Care (Looked After) Services**	59.5	-7.2	52.3	4.1	0.6
Adoption & Other Permanent Children's Arrangements	11.6	-0.1	11.5	1.1	0.1
Family Support & Other Children Services	25.1	-6.8	18.2	-0.3	0.5
Asylum Seekers**	46.5	-46.0	0.6	2.3	0.9
Children's Assessment Staffing**	51.6	-9.8	41.9	1.8	0.6
Public Health	77.6	-76.3	1.2	0.0	0.0
Transfer to/from Public Health Reserve	-1.2	0.0	-1.2	*0.0*	0.0
SCH&W Management & Support Services	17.7	-2.1	15.6	-0.5	0.4
Sub Total SCH&W directorate	**774.3**	**-275.7**	**498.7**	**10.8**	**3.4**

Appendix 1

	Cash Limit			Variance	Movement
	Gross	Income	Net	Net	Net
	£m	£m	£m	£m	£m
Growth, Environment & Transport					
Libraries Registrations & Archives	16.9	-6.0	11.0	-0.3	-0.3
Environment	9.3	-5.4	3.9	-0.1	-0.1
Economic Development and Other Community Services	9.1	-3.8	5.3	0.3	-0.2
General Highways Maintenance & Emergency Response	8.9	-0.5	8.4	0.1	0.1
Other Highways Maintenance & Management	31.4	-8.1	23.2	0.4	0.4
Public Protection & Enforcement	11.1	-2.1	8.9	0.2	0.2
Planning & Transport Strategy and Other Related Services (inc School Crossing Patrols)	4.6	-0.7	3.9	0.0	0.0
Concessionary Fares	17.1	0.0	17.1	-0.2	-0.2
Subsidised Bus Services	8.3	-2.2	6.0	0.0	0.0
Young Person's Travel Pass	14.4	-6.1	8.3	0.5	-0.1
Waste Management	2.1	0.0	2.0	0.0	0.0
Waste Processing**	29.8	-1.4	28.4	0.5	0.1
Treatment and Disposal of Residual Waste**	36.2	0.0	36.2	0.0	0.0
GE&T Management & Support Services	4.0	-0.1	3.9	-0.1	-0.1
Sub Total GE&T directorate	**203.1**	**-36.5**	**166.5**	**1.2**	**-0.2**
Strategic & Corporate Services					
Contact Centre, Digital Web Services & Gateways	5.6	-0.4	5.2	0.0	0.0
Local Democracy	5.3	0.0	5.3	-0.9	-0.9
Infrastructure (ICT & Property Services)	47.8	-11.0	36.8	0.3	-0.2
Finance & Procurement	17.1	-6.2	10.8	-0.3	-0.3
Engagement, Organisation Design & Development (HR, Comms & Engagement)	11.4	-1.8	9.6	-0.3	-0.3
Other Support to Front Line Services (incl. Business Services Centre)	44.7	-39.6	5.0	0.0	0.0
S&CS Management & Support Services	2.8	-5.2	-2.4	0.0	0.0
Sub Total S&CS directorate	**134.6**	**-64.2**	**70.4**	**-1.2**	**-1.7**
Financing Items	**135.8**	**-17.2**	**118.6**	**-1.4**	**-0.1**
TOTAL KCC (Excluding Schools)	**1,521.6**	**-602.0**	**919.6**	**8.8**	**0.5**

**See Appendix 2 & 3 within the monitoring report for further details of key cost drivers of specific service lines

Please note that budgets are held in the financial system to the nearest £100 and hence the figures in the table above may not add through exactly due to issues caused by rounding the figures for this report.

Appendix 2.1: Nursing & Residential Care - Learning Disability (aged 18+)

2016-17 Total Forecast	Gross £m	Income £m	Net £m	Client Number as at 31/03/2017
Budget	£74.9	-£6.1	£68.8	1,090
Forecast	£73.8	-£5.9	£67.8	1,036
Variance	-£1.2	£0.2	-£1.0	-54

Position as at 31st Jul 2016	Gross £m	Client Number as at 31/07/2016
Budget: Spend/Activity Year to Date	£25.5	1,191
Actual: Spend/Activity Year to Date	£24.6	1,184
Variance as at 31st Jul 2016	-£0.9	-7

MAIN REASONS FOR FORECAST VARIANCE:

The gross forecast underspend of -£1.2m is due to lower than anticipated demand (-£1.0m) and higher unit cost (+£0.3m), along with an allowance for unrealised creditors based on previous years experience (-£0.5m). This is partially offset by lower than expected service user contributions (+£0.2m) linked to the lower demand and a higher average contribution per service user leading to a net forecast underspend of -£1.0m.

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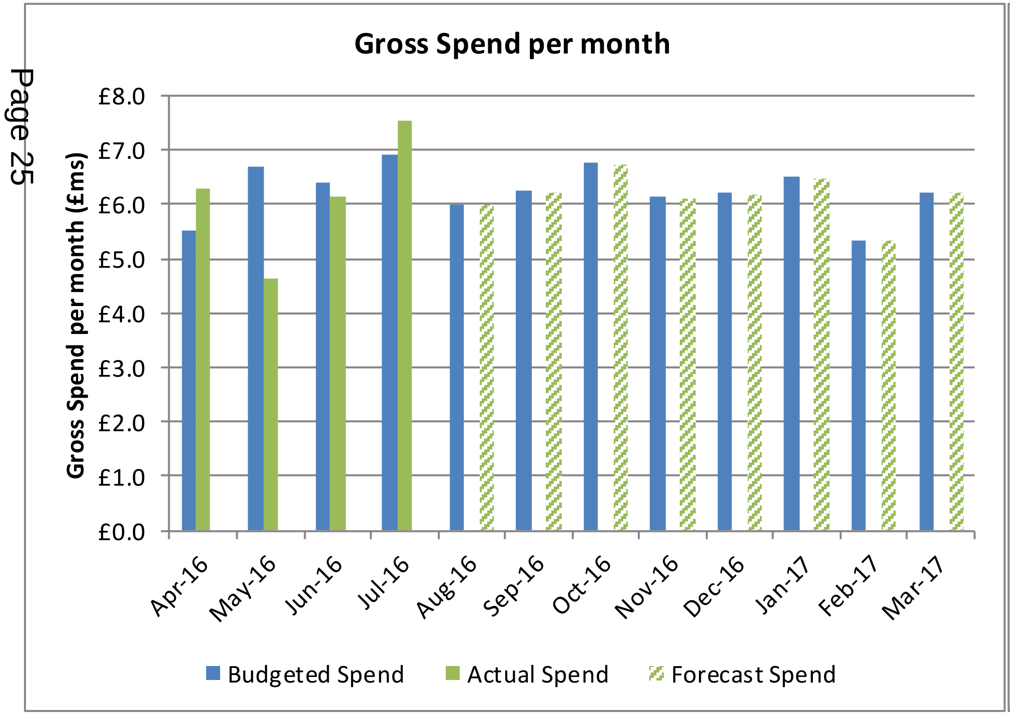
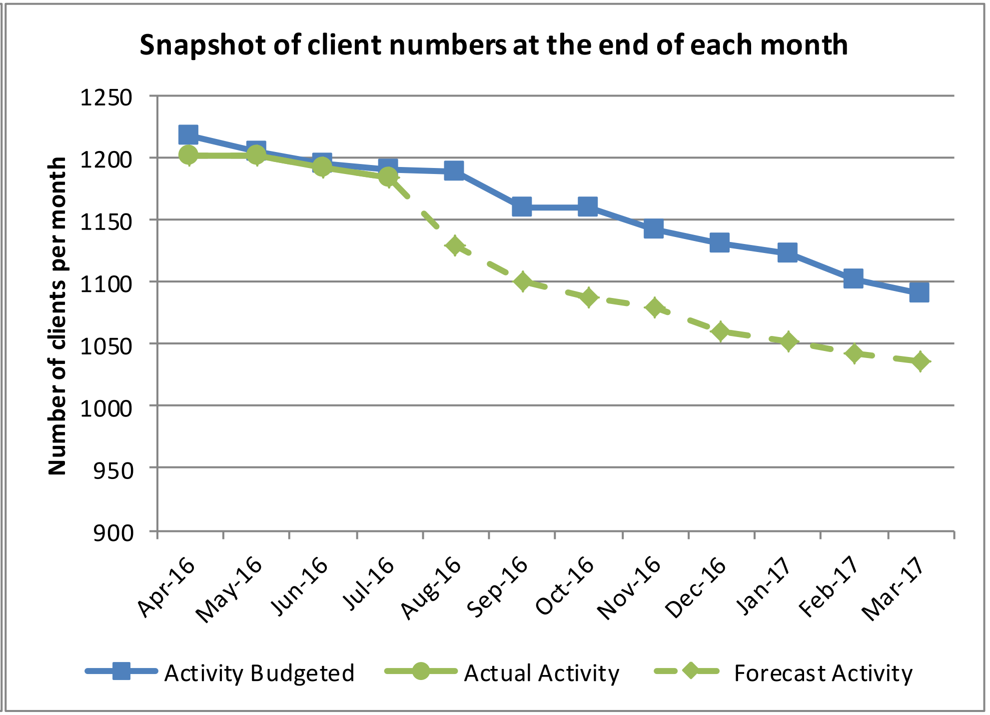




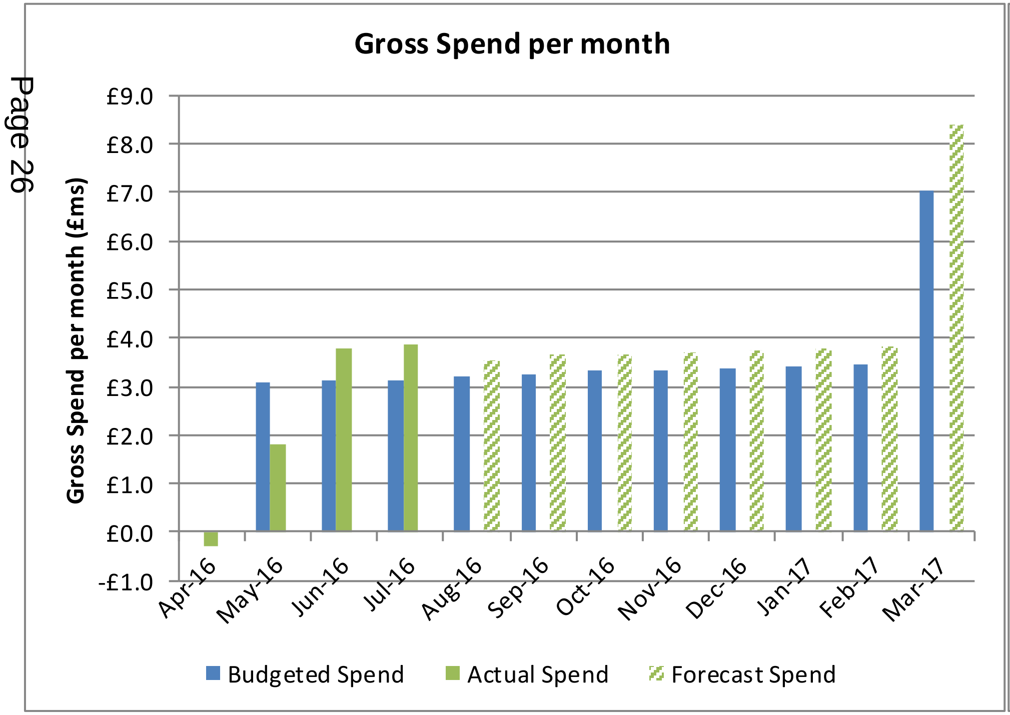
Appendix 2.2: Supported Living - Learning Disability (aged 18+) - Other Commissioned Supported Living arrangements

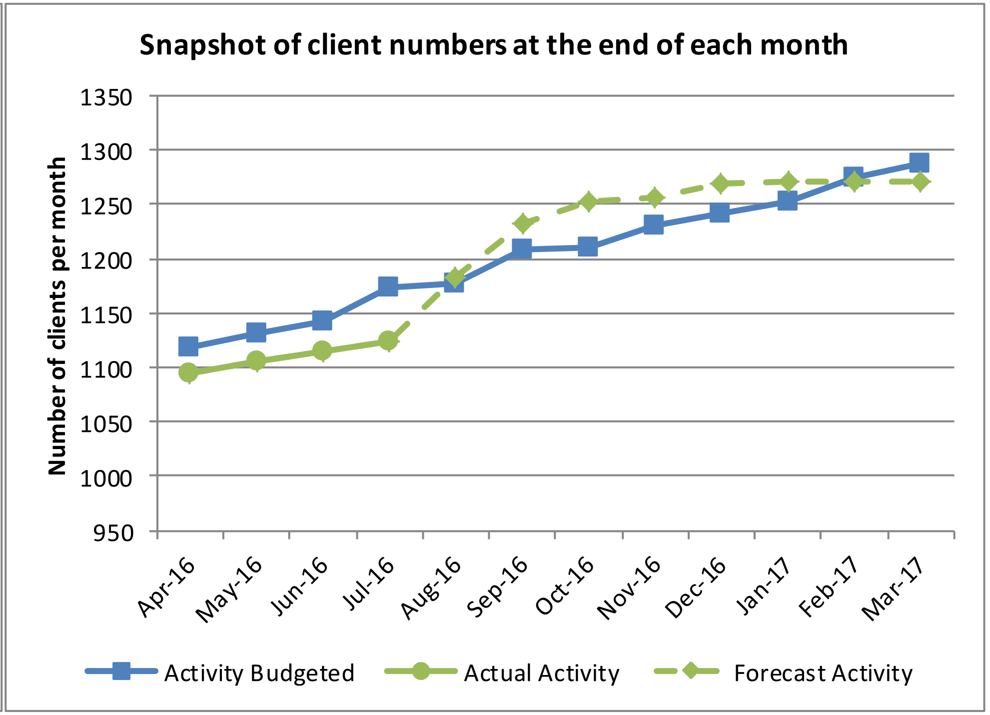
2016-17 Total Forecast	Gross £m	Income £m	Net £m	Client Number as at 31/03/2017
Budget	£39.7	-£0.2	£39.5	1,288
Forecast	£43.4	-£0.2	£43.2	1,271
Variance	£3.7	£0.0	£3.7	-17

Position as at 31st Jul 2016	Gross £m	Client Number as at 31/07/2016
Budget: Spend/Activity Year to Date	£9.3	1,173
Actual: Spend/Activity Year to Date	£9.2	1,123
Variance as at 31st Jul 2016	-£0.1	-50

MAIN REASONS FOR FORECAST VARIANCE:

The forecast pressure of +£3.7m is due to higher than anticipated demand (+£4.9m) resulting in clients having more hours than originally budgeted. This is partially offset by a lower unit cost (-£0.6m) due to higher than anticipated contract savings in the first year. In addition an allowance for unrealised creditors based on previous years experience (-£0.8m) along with other minor variances totalling +£0.2m.





Appendix 2.3: Direct Payments - Learning Disability (aged 18+)

2016-17 Total Forecast	Gross £m	Income £m	Net £m	Client Number as at 31/03/2017
Budget	£19.4	-£0.9	£18.5	1,261
Forecast	£19.0	-£0.9	£18.1	1,216
Variance	-£0.4	£0.0	-£0.4	-45

Position as at 31st Jul 2016	Gross £m	Client Number as at 31/07/2016
Budget: Spend/Activity Year to Date	£6.5	1,261
Actual: Spend/Activity Year to Date	£7.8	1,214
Variance as at 31st Jul 2016	£1.3	-47

MAIN REASONS FOR FORECAST VARIANCE:

The gross forecast underspend of -£0.4m is due to lower than anticipated demand (-£0.5m) and higher unit cost (+£0.1m).

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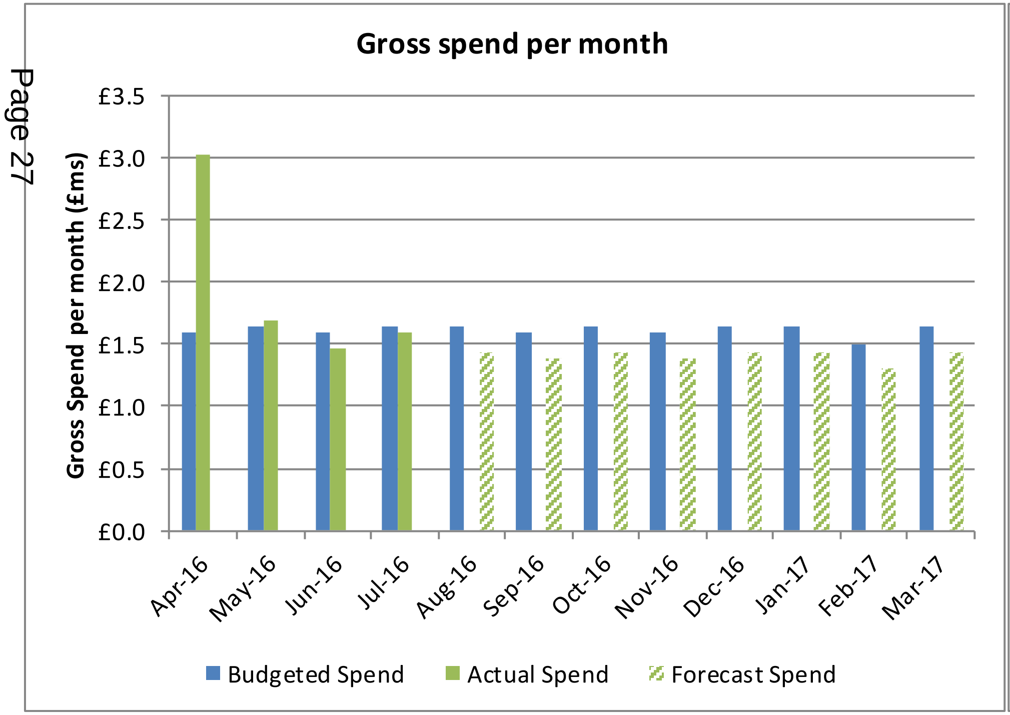
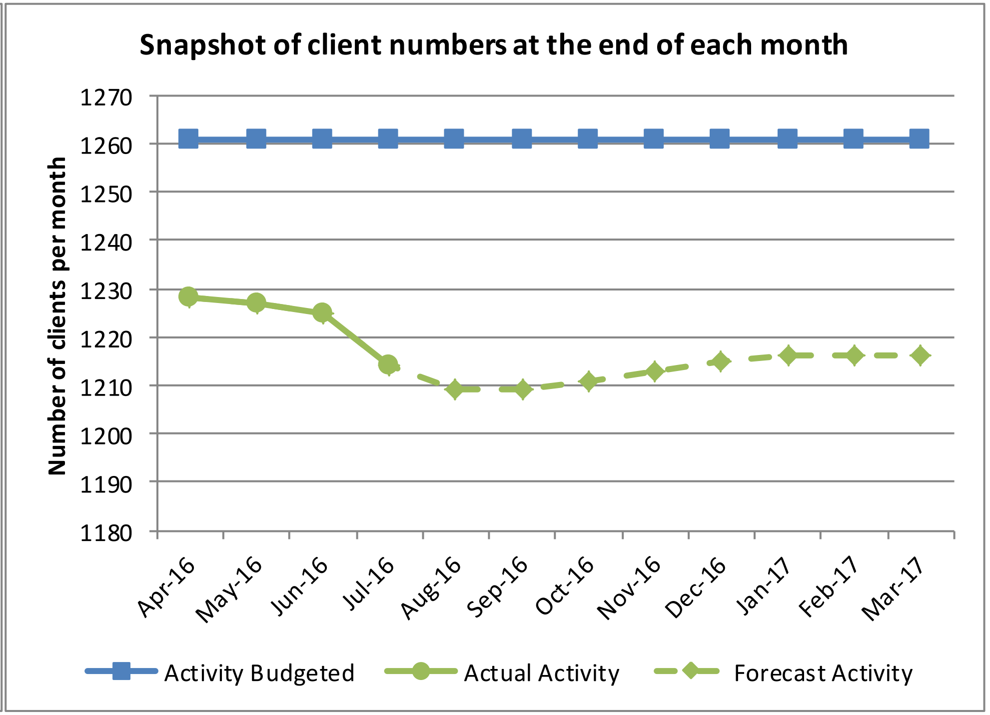




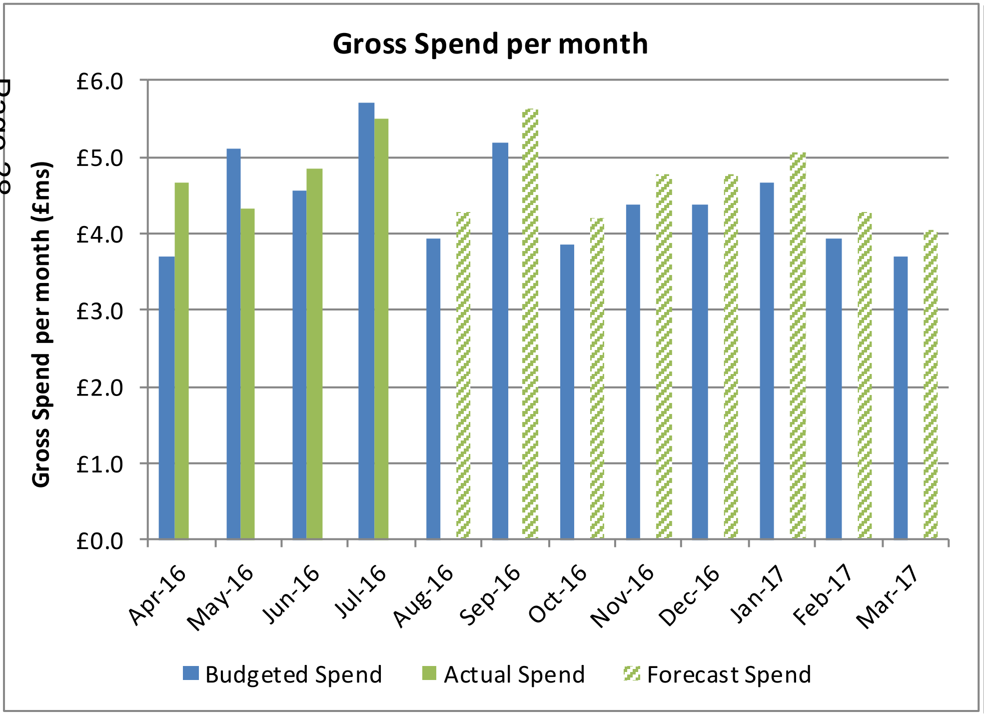
Appendix 2.4: Nursing & Residential Care - Older People (aged 65+) - Residential - Commissioned service

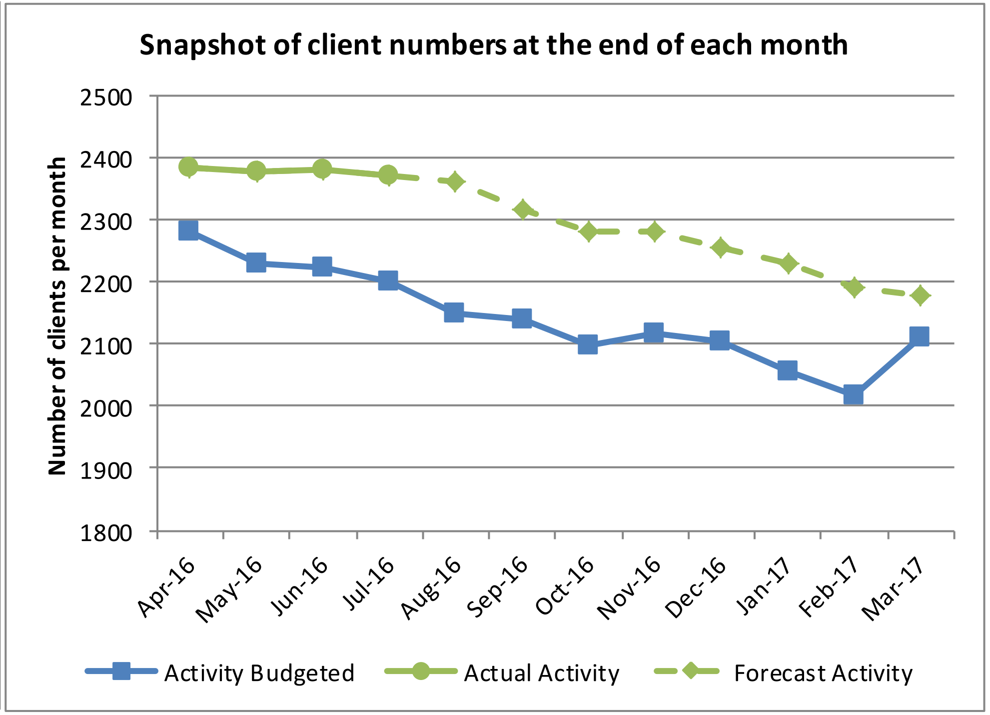
2016-17 Total Forecast	Gross £m	Income £m	Net £m	Client Number as at 31/03/2017
Budget	£53.1	-£27.8	£25.4	2,112
Forecast	£56.3	-£28.4	£27.9	2,178
Variance	£3.2	-£0.6	£2.6	66

Position as at 31st Jul 2016	Gross £m	Client Number as at 31/07/2016
Budget: Spend/Activity Year to Date	£19.1	2,202
Actual: Spend/Activity Year to Date	£19.3	2,372
Variance as at 31st Jul 2016	£0.2	170

MAIN REASONS FOR FORECAST VARIANCE:

The gross forecast pressure of +£3.2m is due to higher than anticipated demand (+£3.7m) and lower unit cost (-£0.5m). This is partially offset by higher than expected service user contributions (-£0.6m) linked to the higher demand (-£1.7m) and a lower average contribution per service user (+£1.1m) leading to a net forecast pressure of +£2.6m.





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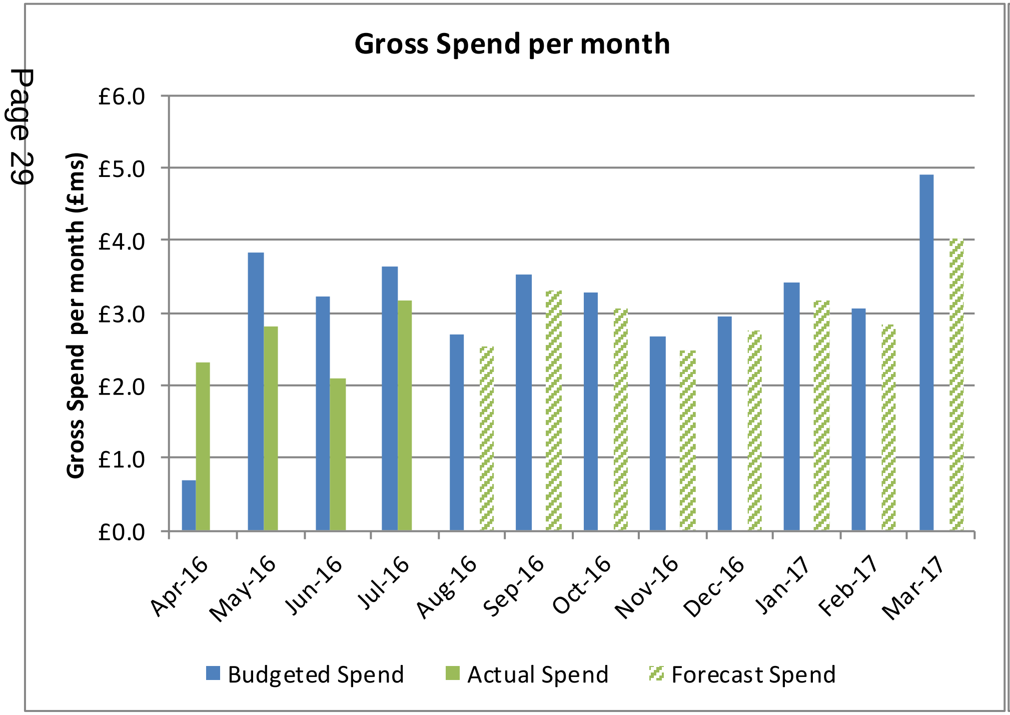
Appendix 2.5: Nursing & Residential Care - Older People (aged 65+) - Nursing

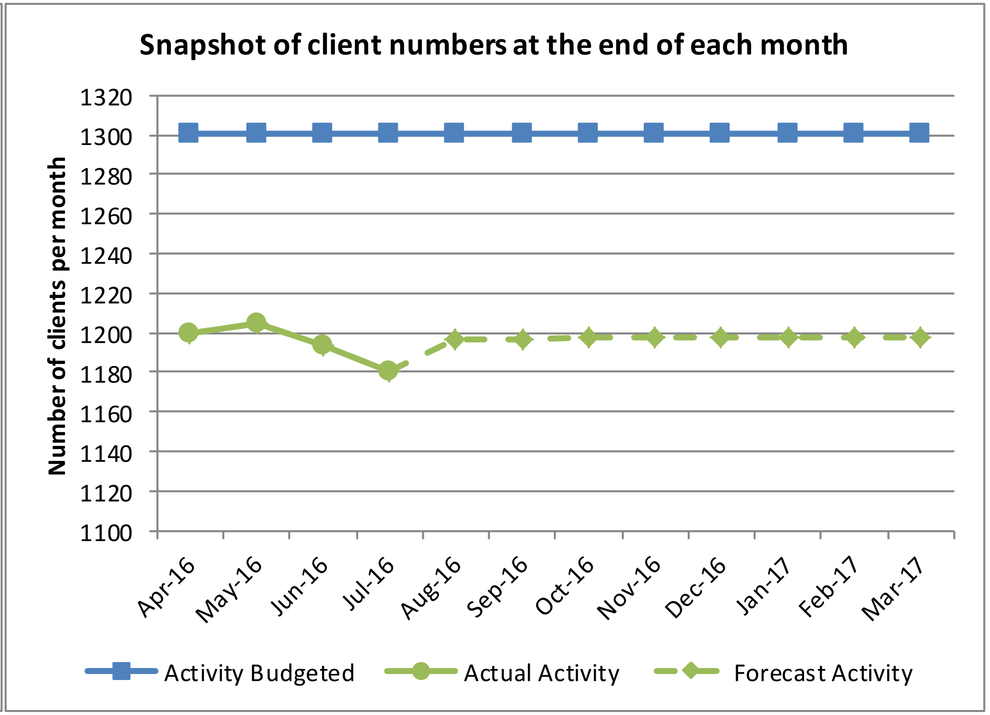
2016-17 Total Forecast	Gross £m	Income £m	Net £m	Client Number as at 31/03/2017
Budget	£37.9	-£14.6	£23.3	1,301
Forecast	£34.5	-£13.2	£21.3	1,198
Variance	-£3.4	£1.5	-£2.0	-103

Position as at 31st Jul 2016	Gross £m	Client Number as at 31/07/2016
Budget: Spend/Activity Year to Date	£11.4	1,301
Actual: Spend/Activity Year to Date	£10.4	1,180
Variance as at 31st Jul 2016	-£1.0	-121

MAIN REASONS FOR FORECAST VARIANCE:

The gross forecast underspend of -£3.4m is due to lower than anticipated demand (-£2.6m) and lower unit cost (-£0.6m), along with non-activity variance against health commissioned beds (-£0.2m). This is partially offset by lower than expected service user contributions (+£1.5m) linked to the lower demand (+£1.0m) and a lower average contribution per service user (+£0.5m) leading to a net forecast underspend of -£2.0m.





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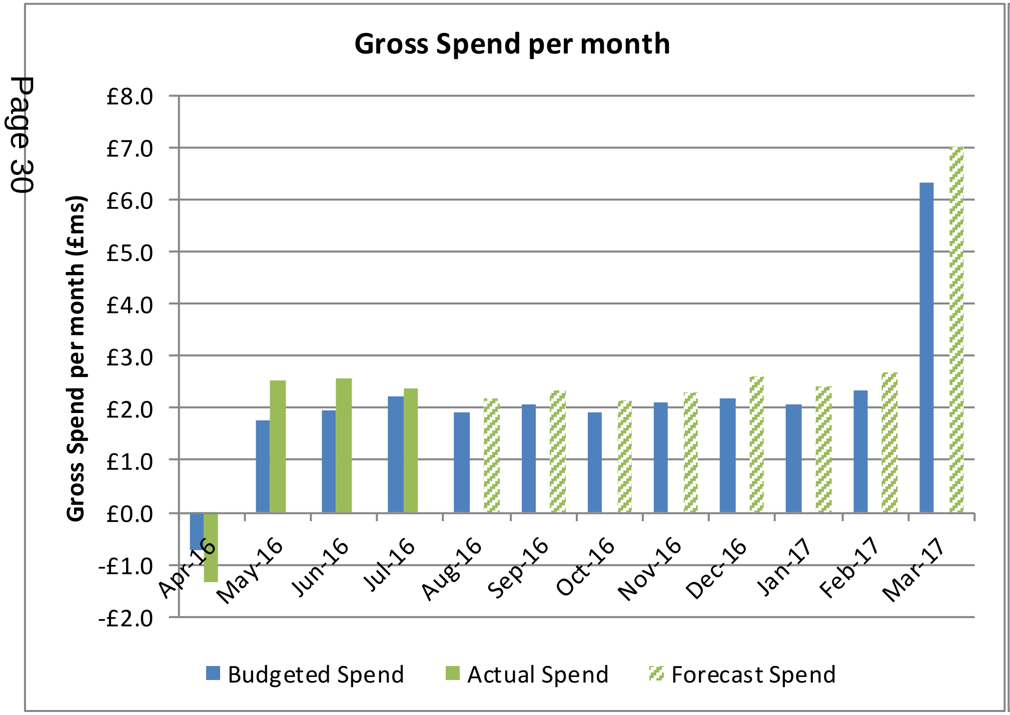
Appendix 2.6: Domiciliary Care - Older People (aged 65+) - Commissioned service

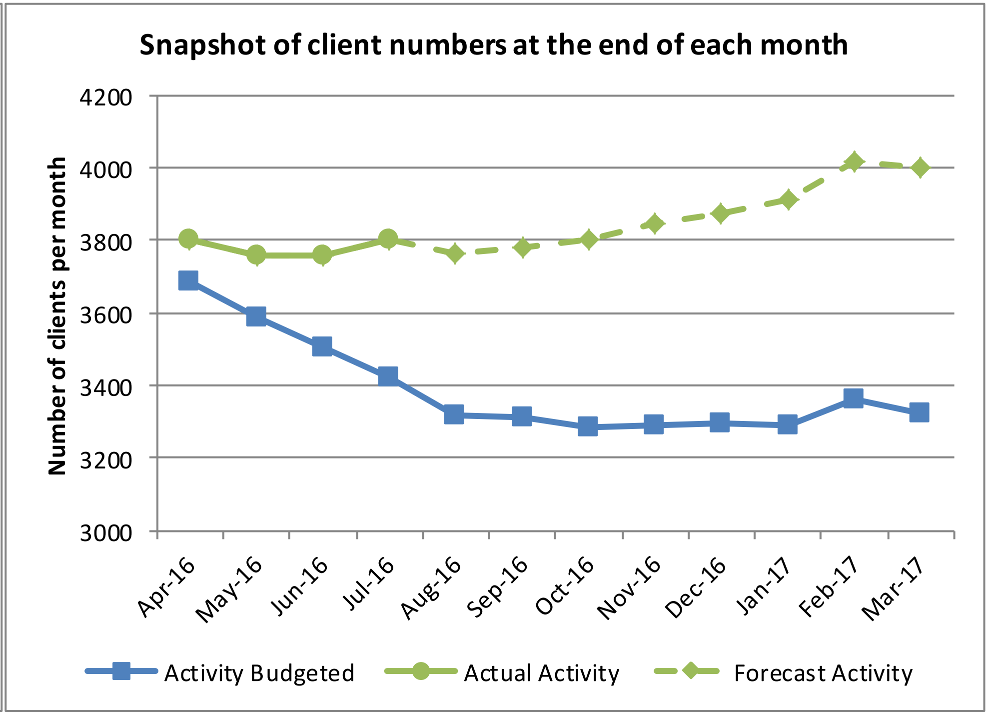
2016-17 Total Forecast	Gross £m	Income £m	Net £m	Client Number as at 31/03/2017
Budget	£26.2	-£10.2	£16.0	3,321
Forecast	£29.8	-£10.2	£19.6	4,002
Variance	£3.6	-£0.0	£3.6	681

Position as at 31st Jul 2016	Gross £m	Client Number as at 31/07/2016
Budget: Spend/Activity Year to Date	£5.2	3,421
Actual: Spend/Activity Year to Date	£6.1	3,805
Variance as at 31st Jul 2016	£0.9	384

MAIN REASONS FOR FORECAST VARIANCE:

The gross forecast pressure of +£3.6m is due to higher than anticipated demand (+£3.0m) linked to both increased care packages and higher than budgeted client numbers along with a higher unit cost (+£0.2m). Additional extra care support has lead to a pressure of +£0.4m, leading to a net forecast pressure of +£3.6m.





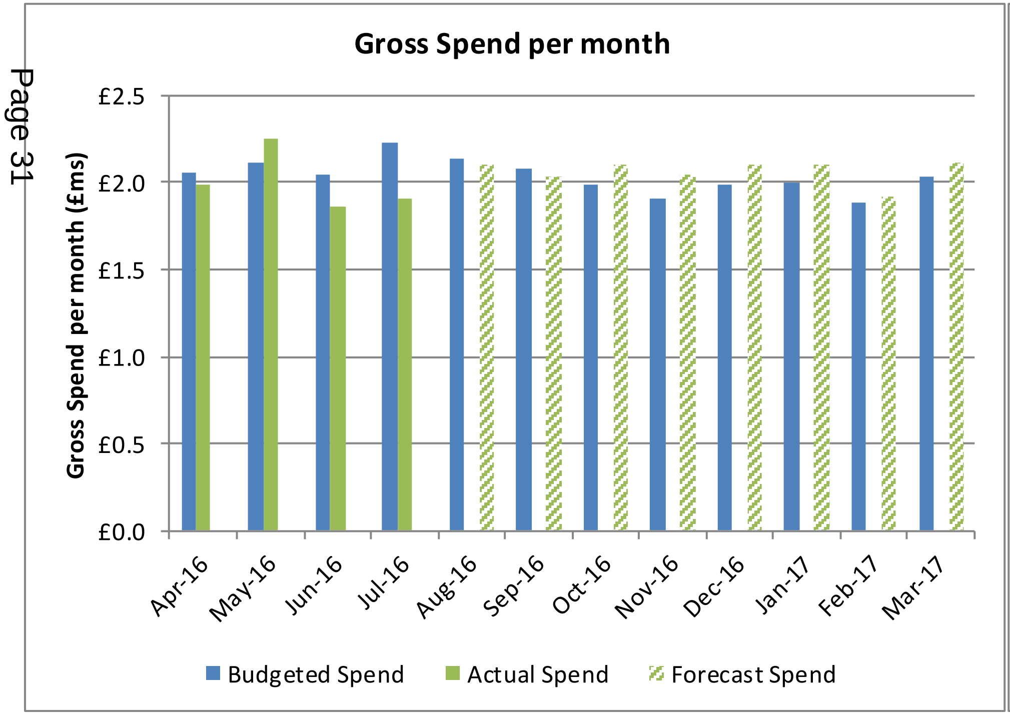
Appendix 2.7: Children in Care (Looked After) - Fostering - In house service

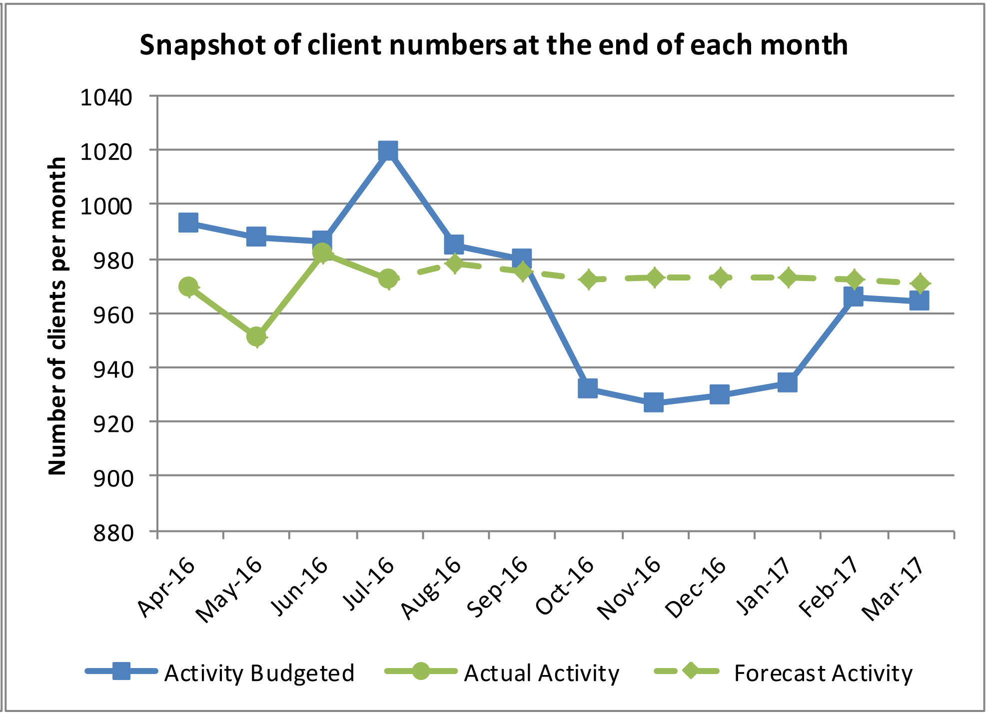
2016-17 Total Forecast	Gross £m	Income £m	Net £m	Client Number as at 31/03/2017
Budget	£24.4	-£0.5	£24.0	964
Forecast	£24.5	-£0.2	£24.2	971
Variance	£0.0	£0.2	£0.3	7

Position as at 31st Jul 2016	Gross £m	Client Number as at 31/07/2016
Budget: Spend/Activity Year to Date	£8.4	1,019
Actual: Spend/Activity Year to Date	£8.0	972
Variance as at 31st Jul 2016	-£0.4	-47

MAIN REASONS FOR FORECAST VARIANCE:

The gross forecast shows a balanced position, but within this there is higher than anticipated demand (+£0.5m) and higher unit cost (+£0.4m), along with non-activity variance explanations of -£0.9m due to -£0.3m funding allocated for prices not committed and -£0.6m due to underspend on staffing in County Fostering due to current vacancy levels. Combined with the lower than expected income of +£0.2m due to fewer than anticipated fostering placements made for Unaccompanied Asylum Seeking Children (UASC), resulting in lower contributions from the UASC Service leads to a net forecast pressure of +£0.3m.





Appendix 2.8: Children in Care (Looked After) - Fostering - Commissioned from Independent Fostering Agencies

2016-17 Total Forecast	Gross £m	Income £m	Net £m	Client Number as at 31/03/2017
Budget	£6.8	£0.0	£6.8	134
Forecast	£7.9	£0.0	£7.9	150
Variance	£1.1	£0.0	£1.1	16

Position as at 31st Jul 2016	Gross £m	Client Number as at 31/07/2016
Budget: Spend/Activity Year to Date	£2.0	142
Actual: Spend/Activity Year to Date	£2.2	155
Variance as at 31st Jul 2016	£0.2	13

MAIN REASONS FOR FORECAST VARIANCE:

The gross forecast pressure of +£1.1m is due to higher than anticipated demand (+£0.7m) and higher unit cost (+£0.4m).

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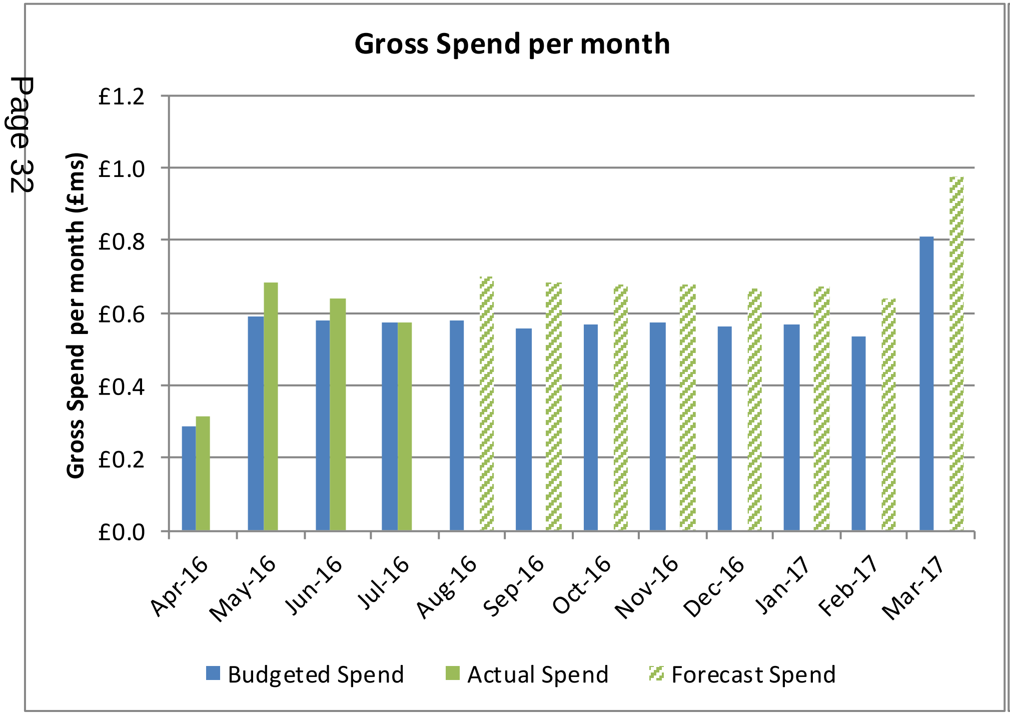

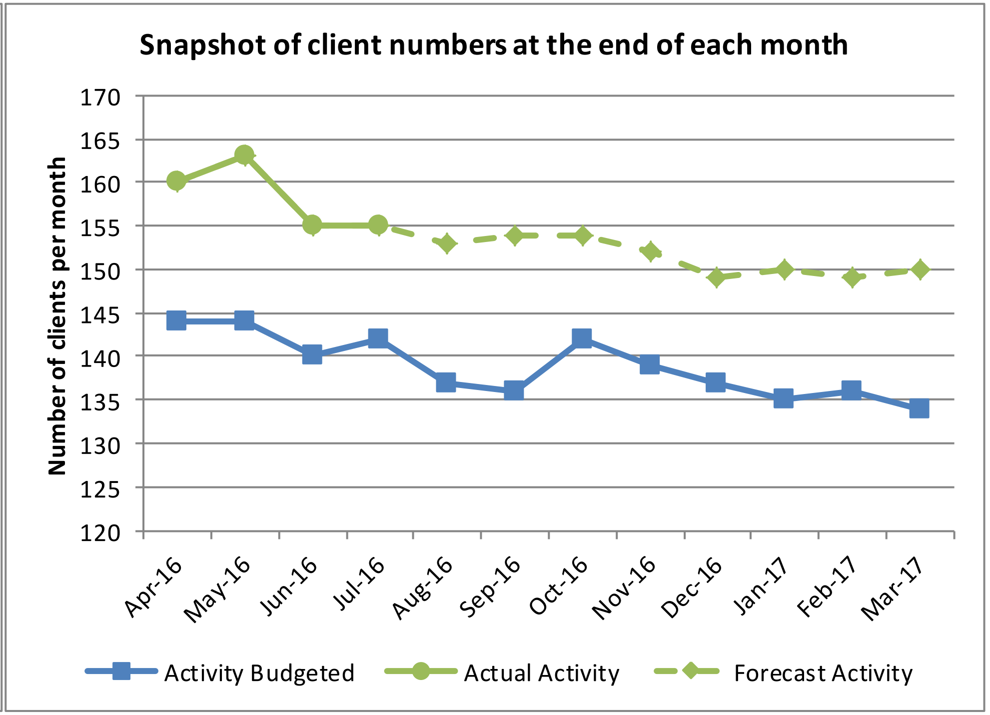

Appendix 2.9: Children in Care (Looked After) - Residential Children's Services - Commissioned from Independent Sector

2016-17 Total Forecast	Gross £m	Income £m	Net £m	Client Number as at 31/03/2017
Budget	£13.2	-£2.3	£10.9	86
Forecast	£15.7	-£2.0	£13.7	96
Variance	£2.5	£0.3	£2.8	10

Position as at 31st Jul 2016	Gross £m	Client Number as at 31/07/2016
Budget: Spend/Activity Year to Date	£3.6	74
Actual: Spend/Activity Year to Date	£4.0	100
Variance as at 31st Jul 2016	£0.4	26

MAIN REASONS FOR FORECAST VARIANCE:

The gross forecast pressure of +£2.5m is due to higher than anticipated demand (+£2.3m) and higher unit cost (+£0.3m). This overspend is further increased by lower than expected income of +£0.3m primarily due to lower than anticipated service income for Children with a Disability, mainly relating to fewer contributions for care costs from Health & Education as a result of an increase in split payments of care at source, resulting in lower costs and recharge income leading, to a net forecast pressure of +£2.8m.

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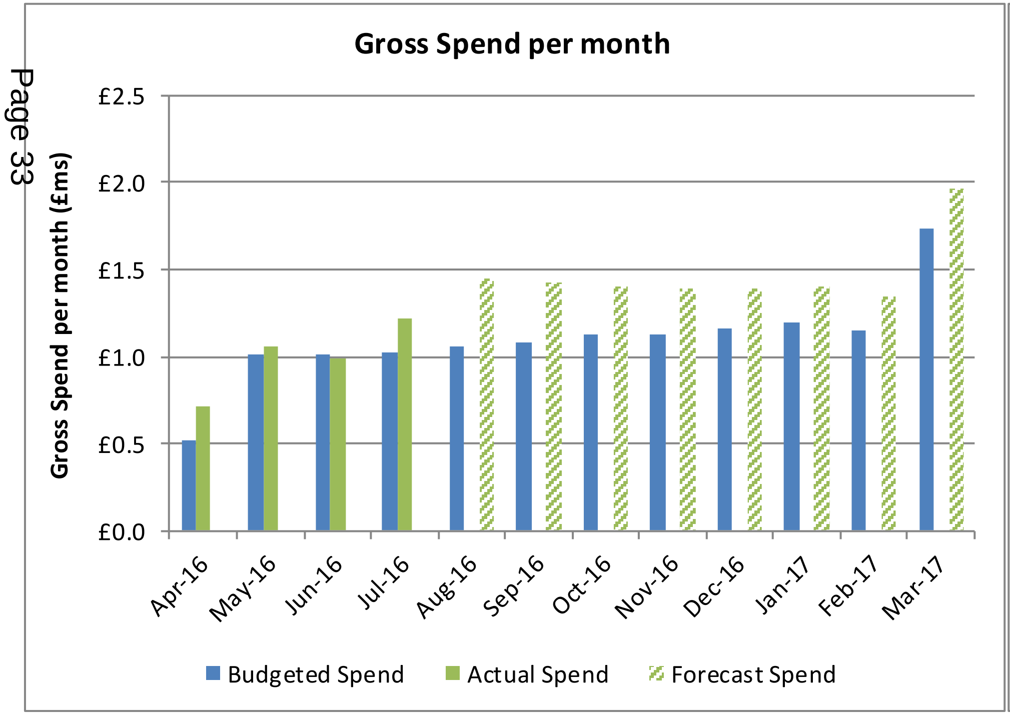
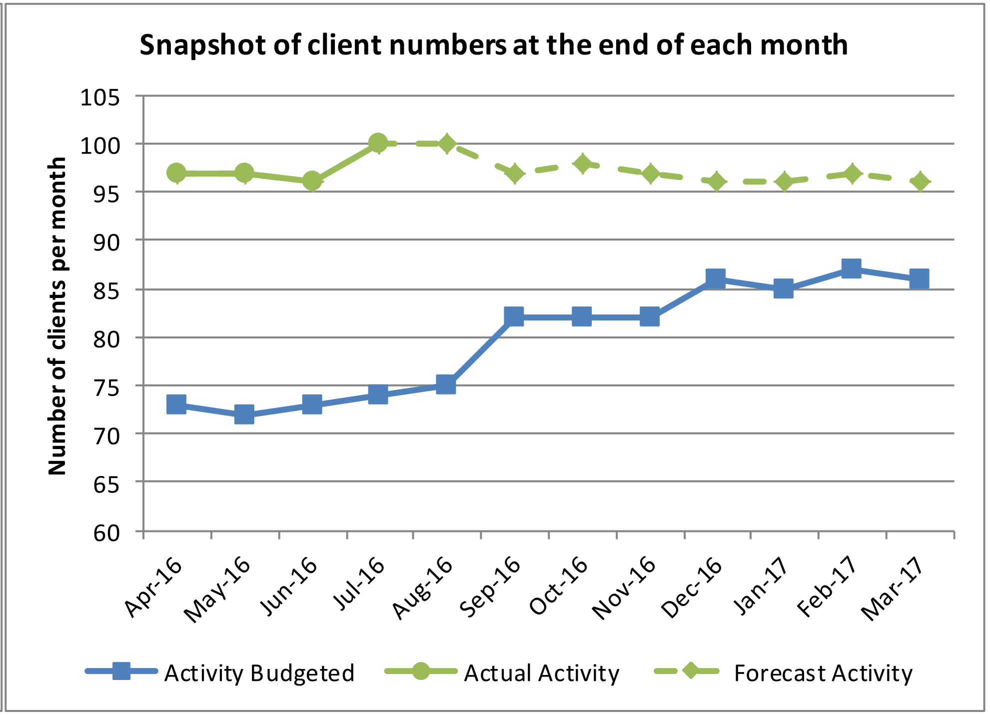




Appendix 2.10: Assessment Services - Children's Social Care (CSC) staffing

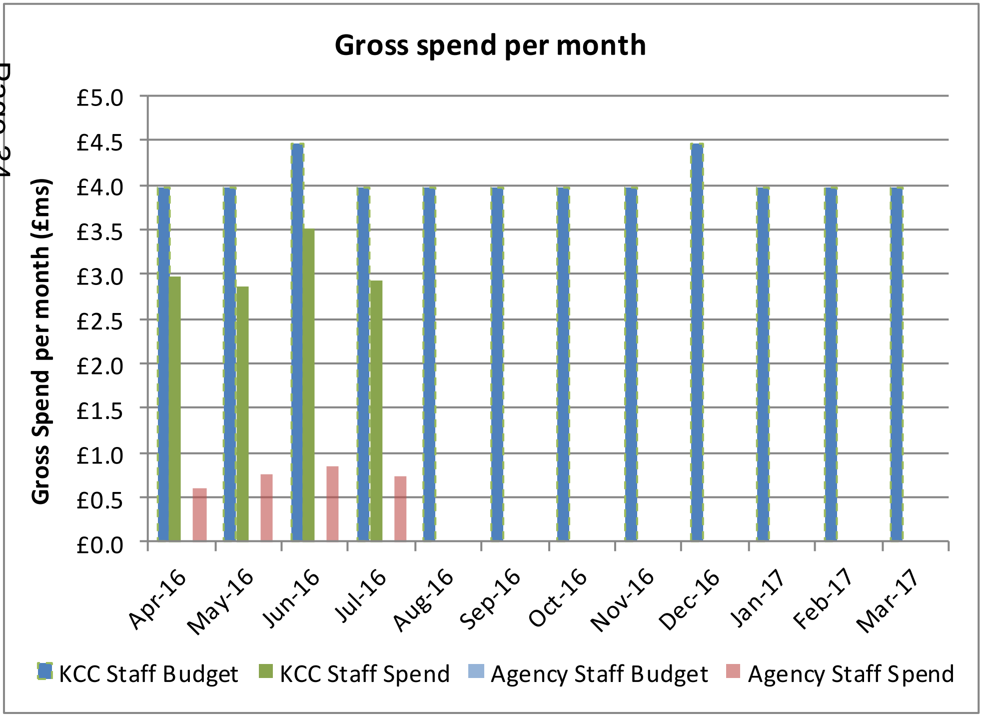
2016-17 Forecast	KCC £m	Agency £m	Gross £m
Budget	£48.6	£0.0	£48.6
Forecast	£37.4	£10.9	£48.4
Variance	-£11.1	£10.9	-£0.2

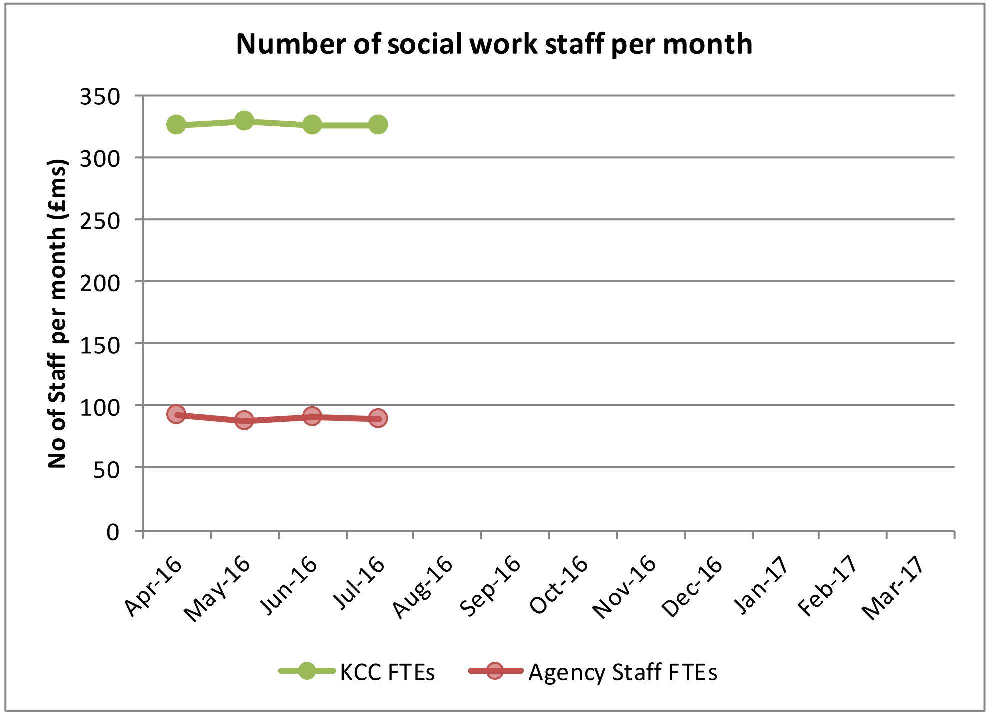
as at 31st July 2016	KCC £m	Agency £m	Gross £m
YTD Budget	£16.4	£0.0	£16.4
YTD Spend	£12.3	£3.0	£15.2
YTD Variance	-£4.1	£3.0	-£1.1

Staff numbers	KCC FTEs	Agency Nos
as at 1st April 2016	326.4	92.8
as at 31 Jul 2016	325.9	90.0
YTD Movement	-0.5	-2.8

MAIN REASONS FOR FORECAST VARIANCE:

This measure focusses on the level of social workers & senior practitioners rather than the overall staffing level within this budget. The budget assumes that CSC Staffing will be met using salaried workers, so every agency worker (who are more expensive than salaried staff) results in a pressure on this budget. This measure shows the extent of the vacancies within CSC that are currently covered by agency workers which contributes to the £1.8m net pressure reported against Children's Assessment staffing in Appendix 1. However, this pressure is offset in the table above by a reduction in the Asylum related gross staffing spend resulting from an expected decline in client numbers due to the planned dispersal programme, but this is matched by a corresponding reduction in income recharges to Asylum (which is not reflected within this indicator as it only includes staffing budgets).





Appendix 2.11: Number of Looked After Children

The figures in the graph represent a snapshot of the number of children designated as looked after at the end of each month (including those currently missing), it is not the total number of looked after children during the period. It is important to note, the OLA LAC information has a confidence rating of 56% and is completely reliant on Other Local Authorities keeping KCC informed of which children are placed within Kent. The Management Information Unit (MIU) regularly contact these OLAs for up to date information, but replies are not always forthcoming.

There is an overall forecast pressure on the SCS budget, with key parts of this relating to the LAC headings of Commissioned Residential Care and Commissioned and In-House Foster Care and non-LAC headings such as Social Care Staffing, Adoption, Leaving Care and Preventative Services.

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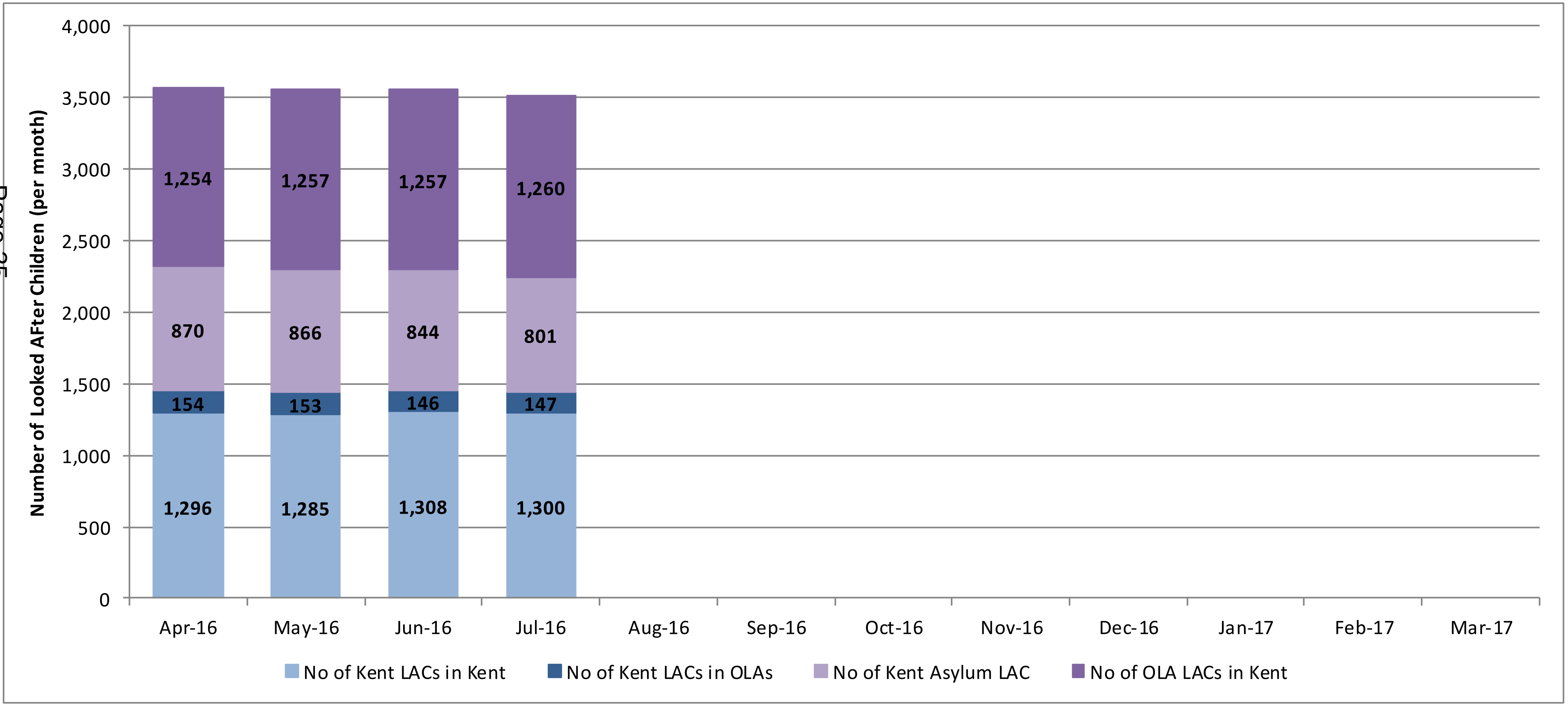


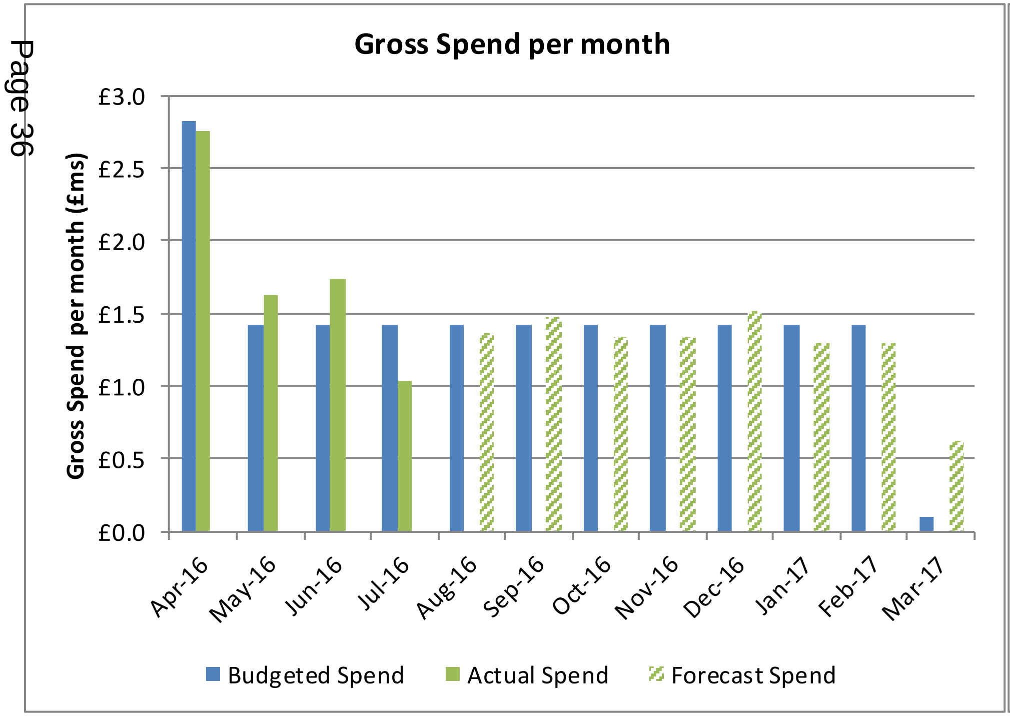
Appendix 2.12: Transport Services - Concessionary fares

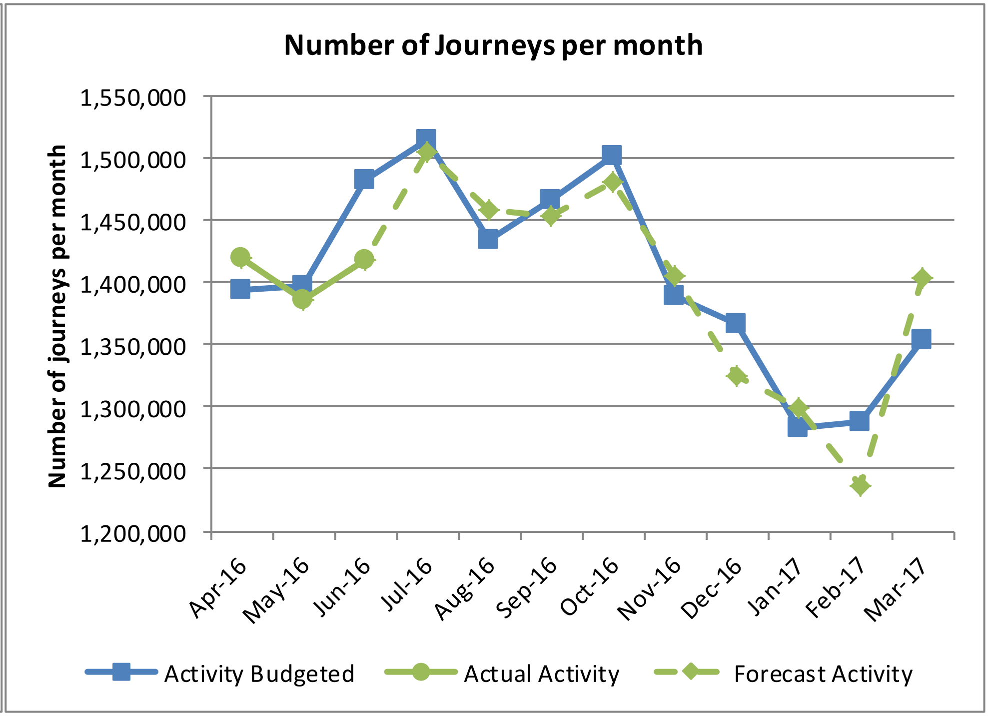
2016-17 Total Forecast	Gross £m	Income £m	Net £m	No of journeys to 31/03/2017
Budget	£17.1	-£0.0	£17.1	16,867,404
Forecast	£17.4	-£0.4	£16.9	16,788,026
Variance	£0.2	-£0.4	-£0.2	-79,378

Position as at 31st Jul 2016	Gross £m	No of journeys to 30/06/2016
Budget: Spend/Activity Year to Date	£7.1	4,271,689
Actual: Spend/Activity Year to Date	£7.2	4,223,257
Variance as at 31st Jul 2016	£0.1	-48,432

MAIN REASONS FOR FORECAST VARIANCE:

The net forecast underspend -£0.2m is due to lower than anticipated demand (-£0.1m), along with other minor variances (-£0.1m). The forecast is based on actual activity for April to May, with estimates for the remaining months; the division has recently received draft actuals to the end of June which show a reduction in the number of journey which is likely due to the changeable weather in June (this was also factored into the financial forecast). Estimates for the remaining months will continue to be reviewed in light of the actuals and the potential impact of the recent warm and dry weather on demand for journeys.





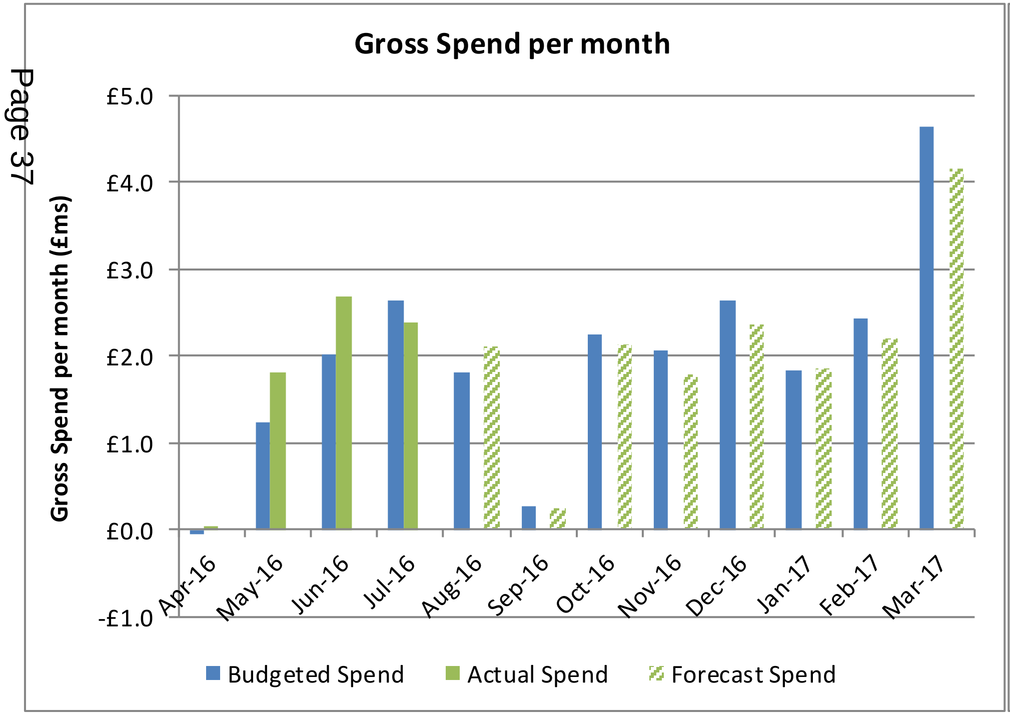
Appendix 2.13: Transport Services - Home to School / College Transport (Special Education Needs)

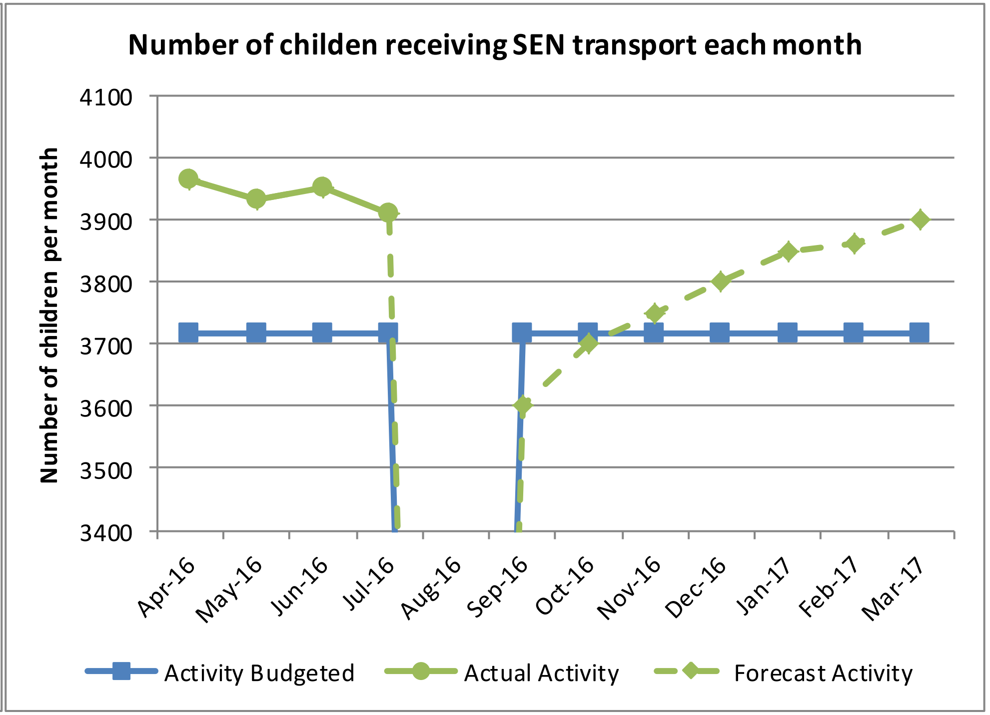
2016-17 Total Forecast	Gross £m	Income £m	Net £m	No of pupils as at 31/03/2017
Budget	£23.8	-£0.8	£23.0	3,717
Forecast	£23.7	-£0.8	£23.0	3,900
Variance	-£0.0	-£0.0	-£0.0	183

Position as at 31st Jul 2016	Gross £m	No of pupils as at 31/07/2016
Budget: Spend/Activity Year to Date	£5.8	3,717
Actual: Spend/Activity Year to Date	£6.9	3,909
Variance as at 31st Jul 2016	£1.1	192

MAIN REASONS FOR FORECAST VARIANCE:

The gross forecast shows a balanced position, but within this there is higher than anticipated demand (+£0.7m) and lower unit cost (-£0.3m), along with non-activity variance of -£0.3m predominately due to lower than anticipated spend on Personal Transport Budgets and a cessation of payments to Pupil Referral Units, leading to a net forecast breakeven position.





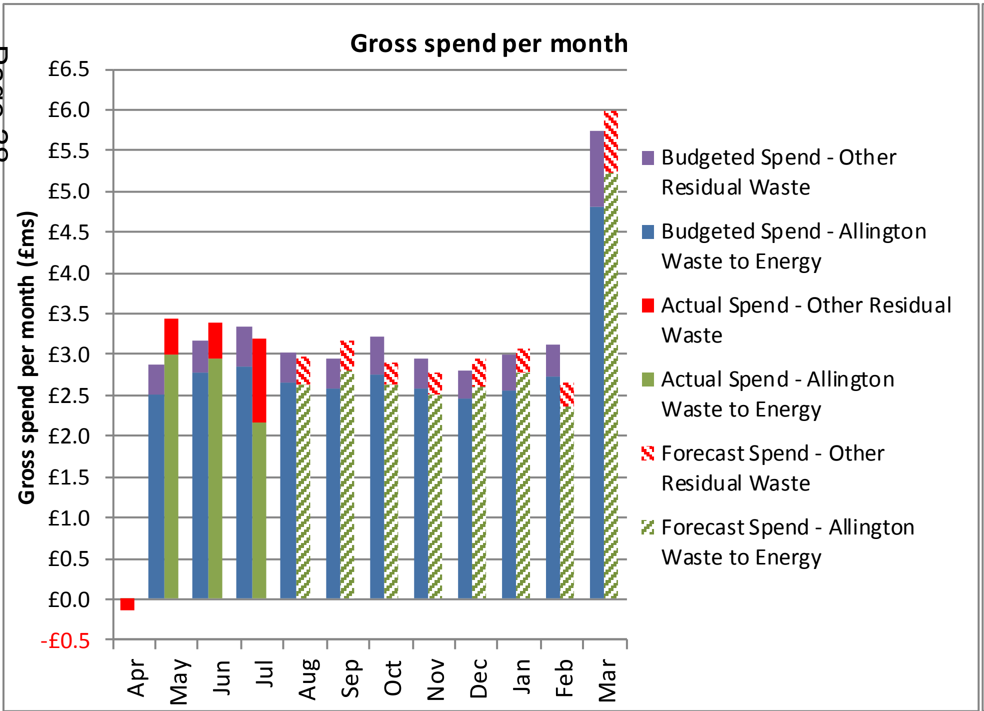
Appendix 2.14: Treatment and disposal of residual waste

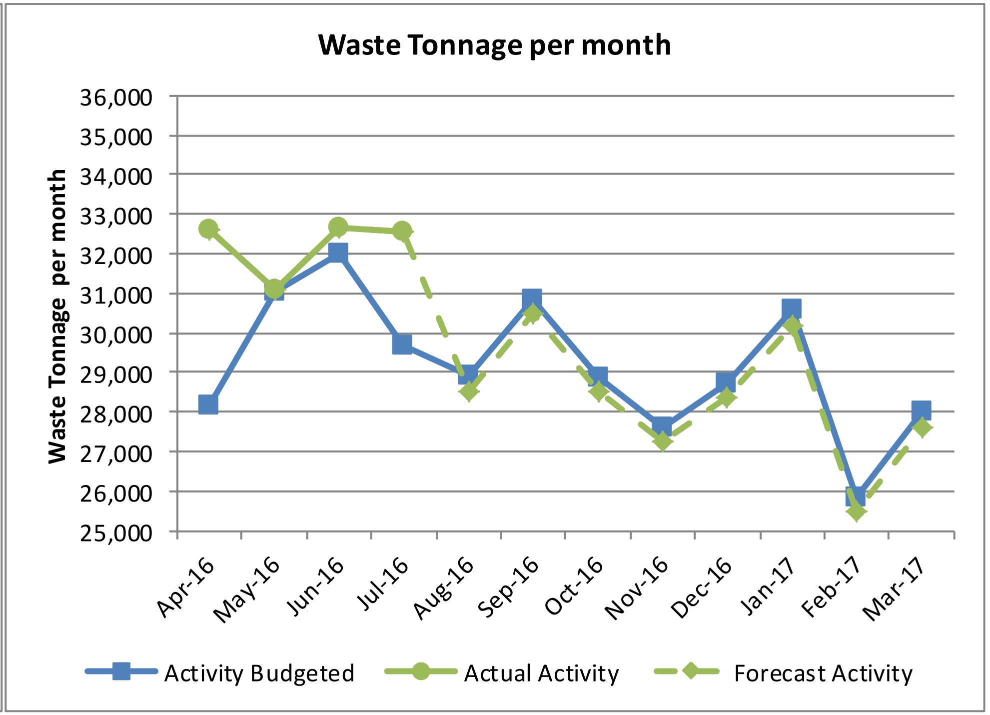
2016-17 Total Forecast	Gross £m	Income £m	Net £m	Waste Tonnage to 31/03/2017
Budget	£36.2	£0.0	£36.2	350,222
Forecast	£36.3	-£0.2	£36.2	352,092
Variance	£0.2	-£0.2	-£0.0	1,870

Position as at 31st Jul 2016	Gross £m	Waste Tonnage to 31/07/2016
Budget: Spend/Activity Year to Date	£9.4	120,879
Actual: Spend/Activity Year to Date	£9.9	128,893
Variance as at 31st Jul 2016	£0.5	8,014

MAIN REASONS FOR FORECAST VARIANCE:

The gross forecast pressure of +£0.2m is due to higher than anticipated demand (+£0.2m), although most of this relates to trade waste, the cost of which is covered through income, and lower unit cost (-£0.1m), along with other minor variances (+£0.1m). This is offset by higher than expected income (-£0.2m), from trade waste tonnes, leading to a net breakeven position. The forecast is based on actual activity for April to June, with estimates for the remaining months; the division has recently received figures for July (included within graph below) which could suggest that the forecast is understated and may result in an increased financial pressure next month.





Appendix 2.15: Waste Processing

2016-17 Total Forecast	Gross £m	Income £m	Net £m	Waste Tonnage to 31/03/2017
Budget	£29.8	-£1.4	£28.4	363,472
Forecast	£30.3	-£1.5	£28.8	363,682
Variance	£0.6	-£0.1	£0.5	210

Position as at 31st Jul 2016	Gross £m	Waste Tonnage to 31/07/2016
Budget: Spend/Activity Year to Date	£7.1	137,896
Actual: Spend/Activity Year to Date	£8.2	140,200
Variance as at 31st Jul 2016	£1.1	2,304

MAIN REASONS FOR FORECAST VARIANCE:

The gross forecast pressure of +£0.6m is due to higher than anticipated demand (+£0.1m) and higher unit cost (+£0.3m) primarily relating to the re-procurement of the dry recyclables contract, along with increased tipping away payments (+£0.2m). This is partially offset by higher than expected income (-£0.1m) on paper and card leading to a net forecast pressure of +£0.5m. The forecast is based on actual activity for April to June, with estimates for the remaining months; recently received figures for July (included within graph below) which could suggest that the forecast is understated however it may not lead to an increased financial forecast as not all changes in waste types attract an additional cost.

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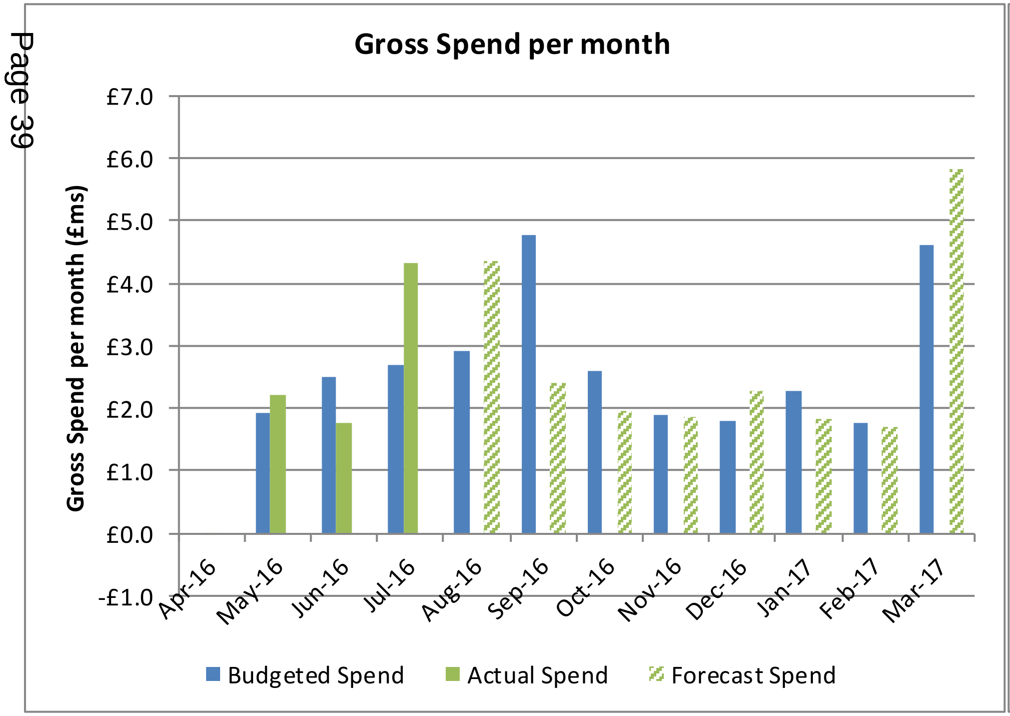
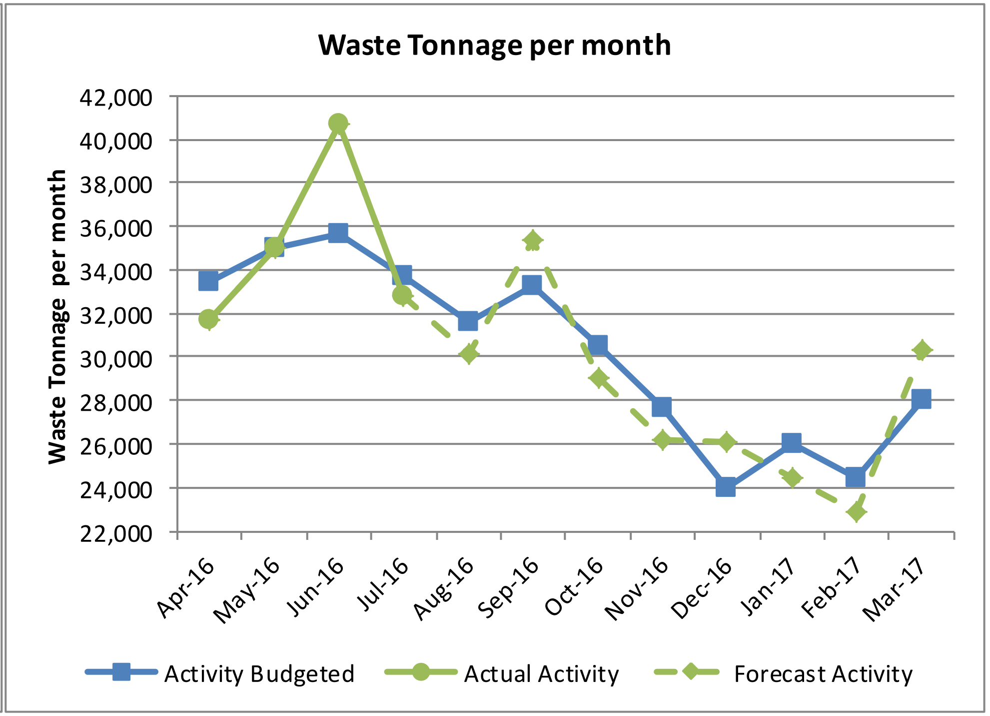




Appendix 2.16: All Staffing Budgets (excluding schools)

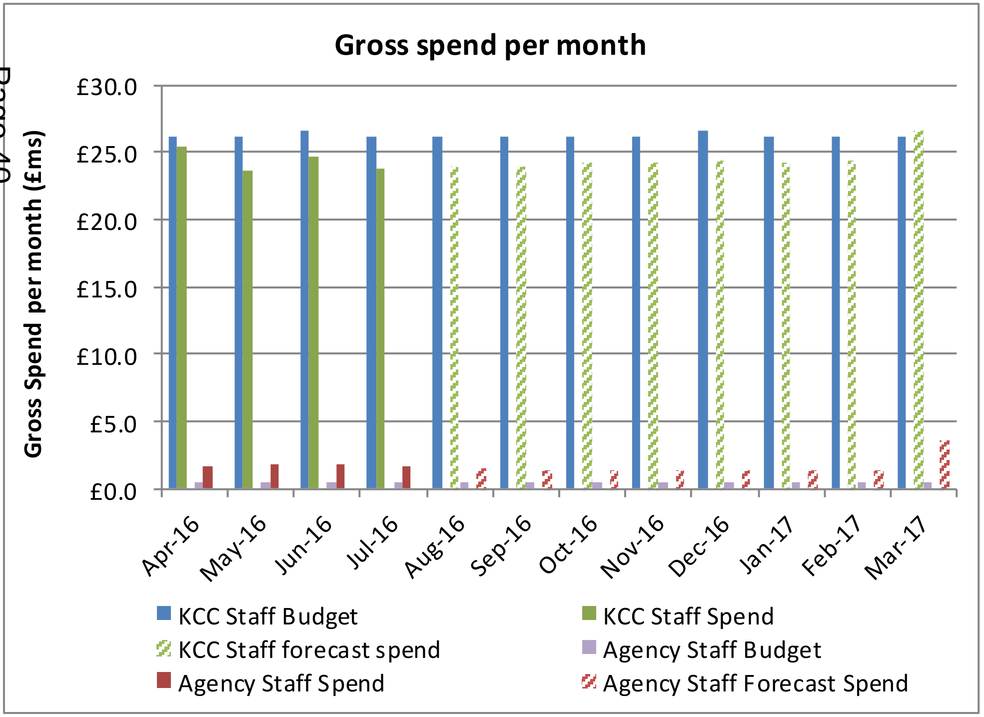
2016-17 Forecast	KCC £m	Agency £m	Gross £m
Budget	£314.3	£5.8	£320.1
Forecast	£294.4	£21.5	£315.9
Variance	-£19.9	£15.7	-£4.2

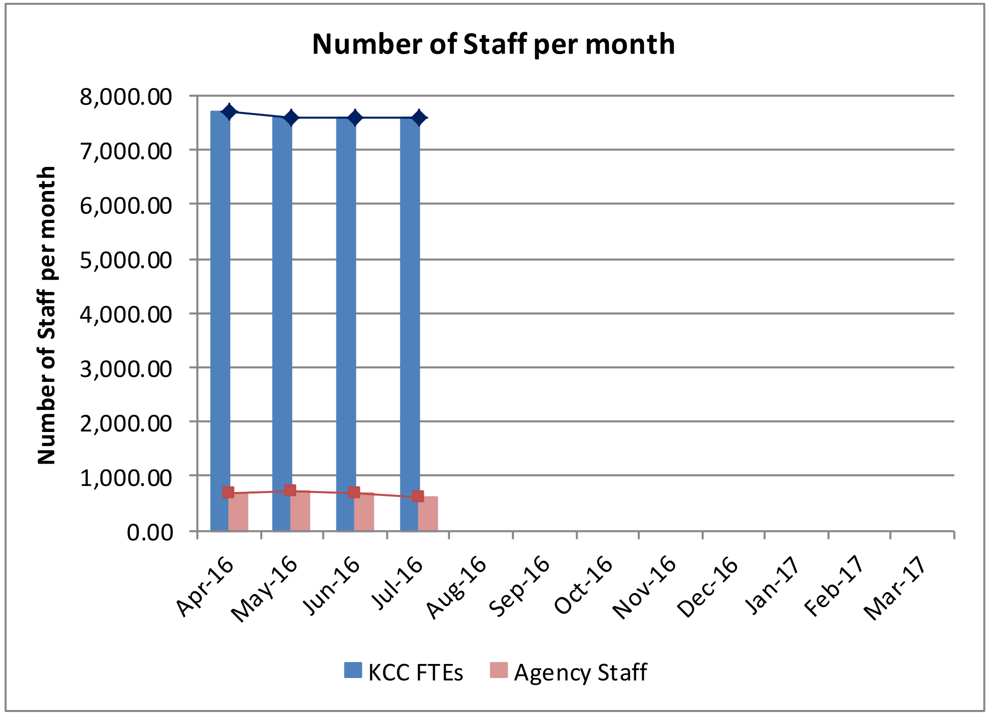
as at 31st July 2016	KCC £m	Agency £m	Gross £m
YTD Budget	£104.9	£1.9	£106.9
YTD Spend	£97.5	£6.9	£104.4
YTD Variance	-£7.5	£5.0	-£2.5

Staff numbers	KCC FTEs	Agency Nos
as at 31st Mar 2016	7,719.59	671
as at 31 Jul 2016	7,591.52	623
YTD Movement	-128.07	-48

MAIN REASONS FOR FORECAST VARIANCE:

There is a significant underspend against KCC staff budgets but this is largely offset by an overspend on agency staff.
Vacancies are being held pending the outcome of restructuring and the uncertainty around future budget cuts, which is contributing to the overall underspend against the combined KCC & Agency staff budgets.





Unaccompanied Asylum Seeking Children (UASC)

1. Forecast position compared to budget by age category

The current position is a forecast overspend of £2.3m as detailed below:

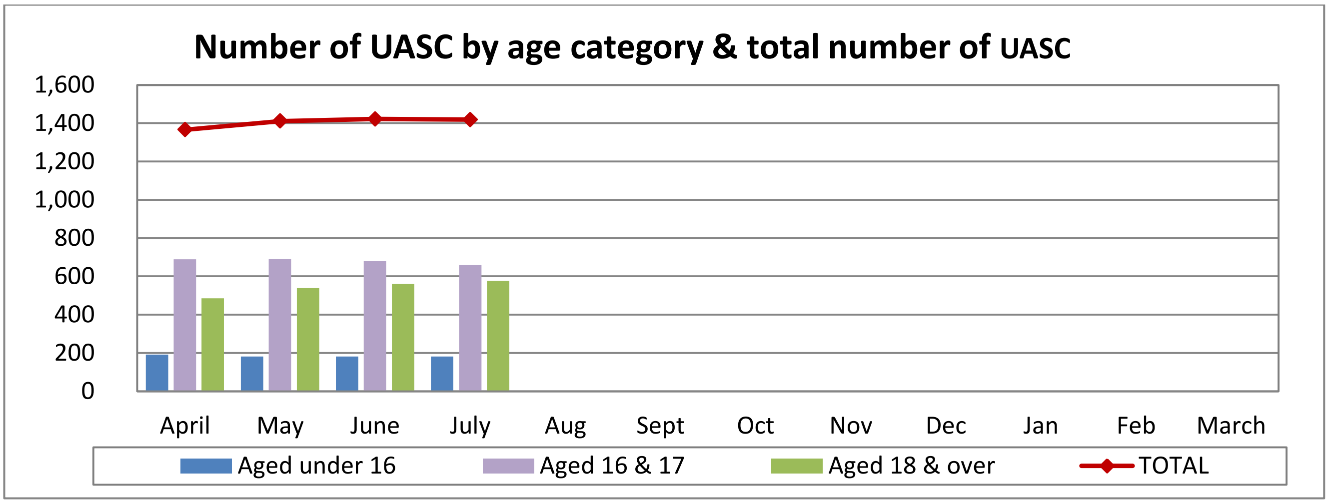
	Cash Limit			Forecast Variance		
	Gross	Income	Net	Gross	Income	Net
	£m	£m	£m	£m	£m	£m
Aged under 16	13.1	-13.1	0.0	-5.4	4.9	-0.5
Aged 16 & 17	25.0	-25.0	0.0	-2.9	4.2	1.3
Aged 18 & over (care leavers)	8.4	-7.9	0.6	-0.8	2.3	1.5
	46.5	**-46.0**	**0.6**	**-9.1**	**11.4**	**2.3**

2. Grant rates compared to actual forecast unit costs by age category

	Grant rate per week	Forecast Unit cost per week	Difference
Aged under 16	£1,050	£959	-£91
Aged 16 & 17	£700	£759	£59
Aged 18 & over (care leavers)	£200	£233	£33

3. Number of UASC & Care Leavers by age category

	Aged under 16	Aged 16 & 17	Aged 18 & over	TOTAL
April	191	689	486	**1,366**
May	181	691	539	**1,411**
June	182	679	561	**1,422**
July	182	660	577	**1,419**
Aug				
Sept				
Oct				
Nov				
Dec				
Jan				
Feb				
March				



The number of Asylum LAC shown in Appendix 2.11 is different to the total number of under 18 UASC clients shown within this indicator, due to UASC under 18 clients including both Looked After Children and 16 and 17 year old Care Leavers.

4. Number of Eligible & Ineligible Clients incl All Rights of appeal Exhausted (ARE) clients at the end of each month

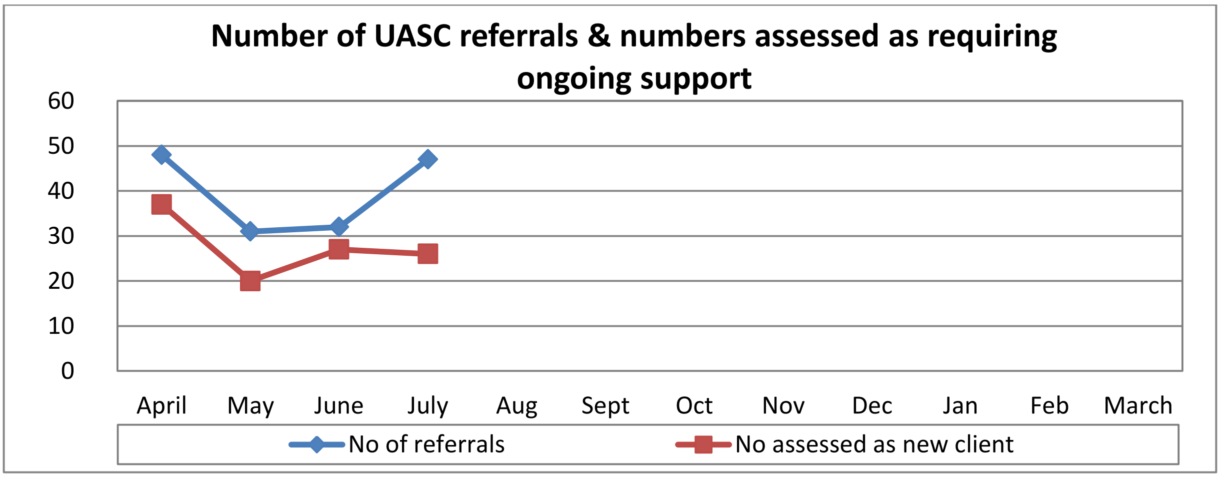
	Eligible Clients	of which AREs	Ineligible Clients	of which AREs	Total Clients	Total AREs
April	1,158	7	208	56	1,366	63
May	1,171	7	240	51	1,411	58
June	1,181	12	241	45	1,422	57
July	1,187	12	232	47	1,419	59
Aug					0	0
Sept					0	0
Oct					0	0
Nov					0	0
Dec					0	0
Jan					0	0
Feb					0	0
March					0	0

Eligible Clients are those who do meet the Home Office grant rules criteria. Appeal Rights Exhausted (ARE) clients are eligible for the first 13 weeks providing a human rights assessment is completed.

Ineligible clients are those who do not meet the Home Office grant rules criteria. For young people (under 18), this includes accompanied minors and long term absences (e.g. hospital or prison). For care leavers, there is an additional level of eligibility as the young person must have leave to remain or “continued in time” appeal applications to be classed as an eligible client.

5. Numbers of UASC referrals, assessed as requiring ongoing support

	No of referrals	No assessed as new client	%
April	48	37	77%
May	31	20	65%
June	32	27	84%
July	47	26	55%
Aug			
Sept			
Oct			
Nov			
Dec			
Jan			
Feb			
March			
TOTAL	158	110	70%



6. Total number of dispersals – new referrals & existing UASC

	Arrivals who have been dispersed post new Government Dispersal Scheme (w.e.f 01 July 16)	Former Kent UASC who have been dispersed (entry prior to 01 July 16)	TOTAL
April		12	12
May		4	4
June		10	10
July	16	8	24
Aug			0
Sept			0
Oct			0
Nov			0
Dec			0
Jan			0
Feb			0
March			0
TOTAL	16	34	50

The 16 arrivals that have need dispersed in July are included within the 47 July referrals in table 5. The dispersal process has been slower than expected and has resulted in Kent becoming involved in some of the work or assessment for these clients prior to their dispersal and are therefore are counting as a referral. It is expected that we will get to the point where clients are dispersed more quickly and therefore will not be included in the referral numbers.

Appendix 4

2016-17 July Monitoring of Prudential Indicators

1. Estimate of Capital Expenditure (excluding PFI)

Actuals 2015-16	£249.121m
Original estimate 2016-17	£299.658m
Revised estimate 2016-17	£306.202m

2. Estimate of capital financing requirement (underlying need to borrow for a capital purpose)

	2015-16 Actual	2016-17 Original Estimate	2016-17 Forecast at 31-7-16	2017-18 Forecast at 31-7-16	2018-19 Forecast at 31-7-16
	£m	£m	£m	£m	£m
Capital Financing requirement	1,348.259	1,335.724	1,368.908	1,320.416	1,277.525
Annual increase/reduction in underlying need to	-34.597	-17.266	20.649	-48.492	-42.891

In the light of current commitments and planned expenditure, forecast net borrowing by the Council will not exceed the Capital Financing Requirement.

3. Estimate of ratio of financing costs to net revenue stream

Actuals 2015-16	13.90%
Original estimate 2016-17	13.71%
Revised estimate 2016-17	13.89%

4. Operational Boundary for External Debt

The operational boundary for debt is determined having regard to actual levels of debt, borrowing anticipated in the capital plan, the requirements of treasury strategy and prudent requirements in relation to day to day cash flow management. The operational boundary for debt will not be exceeded in 2016-17.

a) Operational boundary for debt relating to KCC assets and activities

	Prudential Indicator	Position at 31-7-16
	£m	£m
Borrowing	975	943
Other Long Term Liabilities	248	248
	1,223	1,191

b) Operational boundary for total debt managed by KCC including that relating to Medway Council etc (pre Local Government Reorganisation)

	Prudential Indicator	Position at 31-7-16
	£m	£m
Borrowing	1,015	981
Other Long Term Liabilities	248	248
	1,263	1,229

5. Authorised Limit for External Debt

The authorised limit includes additional allowance, over and above the operational boundary to provide for unusual cash movements. It is a statutory limit set and revised by the Council. The revised limits for 2016-17 are:

	Authorised limit for debt relating to KCC assets and activities £m	Position at 31-7-16 £m	Authorised limit for total debt managed by KCC £m	Position at 31-7-16 £m
Borrowing	1,015	943	1,055	981
Other long term liabilities	248	248	248	248
	1,263	1,191	1,303	1,229

6. Compliance with CIPFA Code of Practice for Treasury Management in the Public Sector

The Council has adopted the Code of Practice on Treasury Management and has adopted a Treasury Management Policy Statement. Compliance has been tested and validated by our independent professional treasury advisers.

7. Upper limits of fixed interest rate and variable rate exposures

The Council has determined the following upper limits for 2016-17

Fixed interest rate exposure	100%
Variable rate exposure	40%

These limits have been complied with in 2016-17

8. Upper limits for maturity structure of borrowings

	Upper limit %	Lower limit %	At 31-7-16 %
Under 12 months	10	0	3.28
12 months and within 24 months	10	0	3.33
24 months and within 5 years	15	0	5.90
5 years and within 10 years	15	0	10.20
10 years and within 20 years	20	5	10.50
20 years and within 30 years	20	5	18.25
30 years and within 40 years	25	10	15.34
40 years and within 50 years	30	10	21.47
50 years and within 60 years	30	10	11.78

9. Upper limit for principal sums invested for periods longer than 364 days

Indicator	£230m
Actual	£130m

Realignment of revenue budgets

In line with usual practice at this stage of the year, revenue budgets have been realigned to reflect a reallocation of savings and pressures between A-Z service lines in light of the 2015-16 final spend and activity levels and the latest service transformation plans, whereas the budget was set based on forecasts from several months earlier, and to present a more accurate gross and income expectation. Further details by directorate are provided below. **Cabinet is asked to approve these changes**. The variances reflected in this report assume that these cash limit changes are approved.

1) Education & Young People's Services

The cash limits which the Directorate is working to, and upon which the variances in this report are based, include technical adjustments where there is no change in policy, including realignment of gross and income to more accurately reflect current levels of services and income to be received, totalling +£142.9k gross and -£142.9k income. Significant changes included within this are:

- -£1,131.5k gross, +£1,131.5k income: Reduction in Pupil Premium Grant anticipated based on latest pupil information;
- +£1,144.7k gross, -£1,144.7k income: estimated increase in DSG for latest headcount information;
- +£588k gross, -£588k income: increase in Universal Infant Free School Meals grant;
- -£477k gross, +£477k income: reduction in EFA post 16 grant to match the new academic year contract;
- -£220.5k gross, +£220.5k income: realignment of CLS budgets, including reductions in SFA and EFA grants
- +£108.0k gross, -£108.0k income: increase in SEND implementation grant from DfE;
- -£93.6k gross, +£93.6k income: reduction in Youth Justice Board and secure accommodation grant;
- +£87.2k gross, -£87.2k income: correction to the EFA grant relating to the merger of Marlowe academy and Ellington & Hereson school compared to budget assumption;
- +£137.6k gross, -£137.6k income: general realignment of unit budgets to reflect latest anticipated income levels.

There are also a number of other corporate adjustments which total +£2,762.5k gross and -£2,202.7k income, which are predominately related to: the allocation of the single pay reward scheme funding and changes to national insurance (+£639.3k gross); allocation to directorates of the publicity saving (-£130.3k gross); the TUPE of Client Services staff and related budgets to Strategic and Corporate Services (S&CS) (-£418.8k gross) and the transfer of Edukent & Schools Financial Services budgets from S&CS to EYP (+£1,701.5k gross and -£2,202.7k income); the transfer of a post from HR to EYP Management Information Unit (+£36.3k gross); and the addition of the roll forwards approved by Cabinet in June (+£934.5k gross).

The overall movements are therefore an increase in gross of +£2,905.4k and income of -£2,345.6k, giving an overall net increase of +£559.8k. This is detailed by A-Z line in the table below, which shows:

- the published budget,
- the proposed budget following adjustments for both formal virement and technical adjustments, together with the inclusion of changes to grant funding notified since the budget was set,
- the total value of the adjustments applied to each A-Z budget line.

Budget Book Heading	Original Cash Limit			Revised Cash Limit			Movement in Cash Limit		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Education & Young People									
Delegated Budget:									
Schools & PRU Delegated Budgets	671,781.9	-671,781.9	0.0	670,681.9	-670,681.9	0.0	-1,100.0	1,100.0	0.0
TOTAL DELEGATED	671,781.9	-671,781.9	0.0	670,681.9	-670,681.9	0.0	-1,100.0	1,100.0	0.0
Non Delegated Budget:									
E&YP Strategic Management & directorate support budgets	10,655.1	-9,126.6	1,528.5	10,629.4	-9,046.6	1,582.8	-25.7	80.0	54.3
Children's Services									
- Early Help									
- Children's Centres	8,289.3	-2,076.5	6,212.8	8,390.0	-2,072.3	6,317.7	100.7	4.2	104.9
- Early Intervention & Prevention	17,142.6	-5,351.5	11,791.1	17,369.3	-5,351.5	12,017.8	226.7	0.0	226.7
	25,431.9	-7,428.0	18,003.9	25,759.3	-7,423.8	18,335.5	327.4	4.2	331.6
- Education & Personal									
- 14 - 24 year olds	1,945.9	-976.0	969.9	2,134.9	-976.0	1,158.9	189.0	0.0	189.0
- Attendance & Behaviour	2,546.0	-2,407.4	138.6	2,556.7	-2,407.4	149.3	10.7	0.0	10.7
- Early Years & Childcare	6,213.6	-4,932.7	1,280.9	6,234.9	-4,932.7	1,302.2	21.3	0.0	21.3
- Early Years Education	56,176.2	-56,176.2	0.0	57,472.9	-57,472.9	0.0	1,296.7	-1,296.7	0.0
- Education Psychology Service	2,981.0	-825.0	2,156.0	3,018.8	-825.0	2,193.8	37.8	0.0	37.8
- Individual Learner Support	7,301.1	-6,821.4	479.7	7,376.3	-6,881.7	494.6	75.2	-60.3	14.9
- Statemented Pupils	5,897.0	-5,897.0	0.0	6,037.3	-6,037.3	0.0	140.3	-140.3	0.0
- Youth Service	2,962.2	-1,726.2	1,236.0	2,962.9	-1,726.2	1,236.7	0.7	0.0	0.7
- Youth Offending Service	2,358.0	-1,865.5	492.5	2,265.0	-1,771.9	493.1	-93.0	93.6	0.6
	88,381.0	-81,627.4	6,753.6	90,059.7	-83,031.1	7,028.6	1,678.7	-1,403.7	275.0
- Other Children's Services									
- Safeguarding	589.5	-228.1	361.4	675.5	-306.6	368.9	86.0	-78.5	7.5
Community Services:									
- Community Learning & Skills (CLS)	12,943.8	-14,284.0	-1,340.2	12,701.8	-14,063.5	-1,361.7	-242.0	220.5	-21.5
- Supporting Employment	786.1	-335.0	451.1	796.9	-335.0	461.9	10.8	0.0	10.8
- Troubled Families Programme	1,726.1	-1,726.1	0.0	2,481.9	-1,726.1	755.8	755.8	0.0	755.8
	15,456.0	-16,345.1	-889.1	15,980.6	-16,124.6	-144.0	524.6	220.5	745.1
School & High Needs Education Budgets:									
- Exclusion Services	2,495.4	-2,495.4	0.0	2,510.1	-2,510.1	0.0	14.7	-14.7	0.0
- High Needs Further Education Colleges - Post 16 year olds	3,050.0	-3,050.0	0.0	3,050.0	-3,050.0	0.0	0.0	0.0	0.0
- High Needs Independent Sector Providers - Post 16 year olds	4,121.0	-4,121.0	0.0	4,121.0	-4,121.0	0.0	0.0	0.0	0.0
- High Needs Independent Special School placements	22,275.4	-22,275.4	0.0	22,275.4	-22,275.4	0.0	0.0	0.0	0.0
- High Needs Pupils - Recoupment	1,801.0	-1,801.0	0.0	1,801.0	-1,801.0	0.0	0.0	0.0	0.0
- PFI Schools Scheme	27,063.4	-27,063.4	0.0	27,063.4	-27,063.4	0.0	0.0	0.0	0.0
	60,806.2	-60,806.2	0.0	60,820.9	-60,820.9	0.0	14.7	-14.7	0.0
Schools Services:									
- Education Staff Pension Costs	7,716.3	-2,684.0	5,032.3	7,716.3	-2,684.0	5,032.3	0.0	0.0	0.0
- Other Schools Services	8,990.5	-9,023.7	-33.2	8,571.7	-9,023.7	-452.0	-418.8	0.0	-418.8
- Redundancy Costs	1,188.7	-1,188.7	0.0	1,188.7	-1,188.7	0.0	0.0	0.0	0.0
- School Improvement	7,322.9	-4,991.1	2,331.8	7,359.6	-4,991.1	2,368.5	36.7	0.0	36.7
	25,218.4	-17,887.5	7,330.9	24,836.3	-17,887.5	6,948.8	-382.1	0.0	-382.1
Transport Services									
- Home to School/College Transport (SEN)	23,757.2	-783.0	22,974.2	23,760.0	-783.0	22,977.0	2.8	0.0	2.8
- Mainstream HTST	7,191.6	-30.0	7,161.6	7,191.6	-30.0	7,161.6	0.0	0.0	0.0
- Kent 16+ Travel Card	3,290.5	-2,880.9	409.6	3,290.5	-2,880.9	409.6	0.0	0.0	0.0
	34,239.3	-3,693.9	30,545.4	34,242.1	-3,693.9	30,548.2	2.8	0.0	2.8

Budget Book Heading	Original Cash Limit			Revised Cash Limit			Movement in Cash Limit		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Assessment Services									
- Assessment & Support of Children with Special Education Needs	8,972.2	-7,822.0	1,150.2	8,968.7	-7,792.7	1,176.0	-3.5	29.3	25.8
Support to Frontline Services:									
- Finance & Procurement (excl services commissioned from BSC)	0.0	0.0	0.0	1,782.5	-2,282.7	-500.2	1,782.5	-2,282.7	-500.2
TOTAL NON DELEGATED	269,749.6	-204,964.8	64,784.8	273,755.0	-208,410.4	65,344.6	4,005.4	-3,445.6	559.8
Total E&YP directorate	**941,531.5**	**-876,746.7**	**64,784.8**	**944,436.9**	**-879,092.3**	**65,344.6**	**2,905.4**	**-2,345.6**	**559.8**

2) Social Care, Health & Wellbeing – Specialist Children's Services:

The cash limits which the Directorate is working to, and upon which the variances in this report are based, include technical adjustments where there is no change in policy, including realignment of gross and income to more accurately reflect current levels of services and income to be received, totalling +£169.4k gross and -£169.4k income. Significant changes included within this are:

- Residential Care Commissioned from the Independent Sector as a greater proportion of Health Contributions are now paid directly to the provider rather than via the authority (-£232.4k gross, +£232.4k income);
- Realigning Care Leavers budget to match anticipated income levels including an increase to Staying Put grant funding from the DfE to support young people to continue to live with their foster carers once they turn 18, partly offset by expected reductions in internal income contributions (+£160k gross, -£160k income);
- Realigning Asylum Seeking Children budgets to match anticipated grant levels (+£148.6k gross, -£148.6k income);
- Increase in Pupil Premium Grant based on LAC numbers (+£51.3k gross, -£51.3k income);
- General realignment of unit budgets to reflect latest anticipated income levels (+£41.9k gross, -£41.9k income).

The Directorate would like to request formal virement through this report to reflect adjustments to cash limits required for the following changes:

- The reallocation of budgets between A-Z service lines in light of the 2015-16 outturn expenditure and activity levels, predominately concerning the latest service transformation plans and a new staffing structure within the Children's Social Work Teams and the Children in Care Teams (met predominately by reductions in allocations within the Residential, Care Leavers and Adoption service lines), whereas the budget was set based on forecasts from several months earlier – this has no effect on the overall total gross and income budgets.
- A +£402.6k gross budget transfer from Adult Services, predominately to fund anticipated increases due to the National Living Wage. This prices funding was previously held centrally for the directorate as a whole within the Other Adult Services A-Z budget line pending decisions on its allocation.
- A -£54k gross budget transfer to Adult Social Care reflecting a realignment of the Deprivation of Liberty Safeguards (DOLs) budgets between A-Z budget lines in Adults and Children's services.

There are also a number of other corporate adjustments which total +£1,002.2k gross, which are predominately related to the allocation of the single pay reward scheme funding and changes to national insurance (+£1,013.0k gross), allocation to directorates of the publicity saving (-£108.3k gross), allocation of a share of the SCHW transport saving from Adult Services (-£65.1k gross); the addition of the roll forwards approved by Cabinet in June (+£162.6k gross).

The overall movements are therefore an increase in gross of +£1,520.2k and income of -£169.4k, giving an overall net increase of +£1,350.8k. This is detailed by A-Z line in the table below, which shows:

- the published budget,
- the proposed budget following adjustments for both formal virement and technical adjustments, together with the inclusion of changes to grant funding notified since the budget was set,
- the total value of the adjustments applied to each A-Z budget line.

Budget Book Heading	Original Cash Limit			Revised Cash Limit			Movement in Cash Limit		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Social Care, Health & Wellbeing - Specialist Children's Services									
Strategic Management & Directorate Support Budgets	2,325.1	-346.9	1,978.2	2,378.9	-346.9	2,032.0	53.8	0.0	53.8
Support to Frontline Services:									
- Children's Social Care Commissioning	1,744.2	0.0	1,744.2	1,801.9	0.0	1,801.9	57.7	0.0	57.7
- Children's Social Care Performance Monitoring	763.1	0.0	763.1	789.9	0.0	789.9	26.8	0.0	26.8
Children's Services:									
- Children In Care (Looked After)									
- Fostering - In house service	24,422.6	-469.1	23,953.5	24,447.4	-469.1	23,978.3	24.8	0.0	24.8
- Fostering - Commissioned from Fostering Agencies	6,782.6	0.0	6,782.6	6,782.6	0.0	6,782.6	0.0	0.0	
- Legal Charges	6,738.0	0.0	6,738.0	6,738.0	0.0	6,738.0	0.0	0.0	0.0
- Residential Children's Services - in house services (short breaks units)	3,098.4	-682.4	2,416.0	3,149.3	-682.4	2,466.9	50.9	0.0	50.9
- Residential Children's Services - commissioned from independent sector	13,412.2	-2,534.7	10,877.5	13,180.4	-2,302.3	10,878.1	-231.8	232.4	0.6
- Virtual School Kent	5,081.3	-3,654.4	1,426.9	5,166.0	-3,705.7	1,460.3	84.7	-51.3	33.4
	59,535.1	-7,340.6	52,194.5	59,463.7	-7,159.5	52,304.2	-71.4	181.1	109.7
- Children In Need									
- Family Support Services	10,535.5	-1,660.0	8,875.5	10,585.3	-1,660.0	8,925.3	49.8	0.0	49.8
- Other Children's Services									
- Adoption & other permanent care arrangements	11,661.3	-104.0	11,557.3	11,553.4	-103.0	11,450.4	-107.9	1.0	-106.9
- Asylum Seekers									
- Aged under 16	13,050.0	-13,050.0	0.0	13,088.6	-13,088.6	0.0	38.6	-38.6	0.0
- Aged 16 & 17	24,975.0	-24,975.0	0.0	25,009.9	-25,009.9	0.0	34.9	-34.9	0.0
- Aged 18 & over (care leavers)	8,195.0	-7,645.0	550.0	8,441.2	-7,891.2	550.0	246.2	-246.2	0.0
- Care Leavers	7,261.7	-2,515.8	4,745.9	6,985.7	-2,504.7	4,481.0	-276.0	11.1	-264.9
- Safeguarding	7,250.9	-2,679.4	4,571.5	7,505.1	-2,679.8	4,825.3	254.2	-0.4	253.8
	72,393.9	-50,969.2	21,424.7	72,583.9	-51,277.2	21,306.7	190.0	-308.0	-118.0
Assessment Services									
- Children's Social Care Staffing	50,418.7	-9,721.5	40,697.2	51,632.2	-9,764.0	41,868.2	1,213.5	-42.5	1,171.0
Total SCH&W (SCS)	**197,715.6**	**-70,038.2**	**127,677.4**	**199,235.8**	**-70,207.6**	**129,028.2**	**1,520.2**	**-169.4**	**1,350.8**

3) Social Care, Health & Wellbeing – Adults:

The cash limits which the Directorate is working to, and upon which the variances in this report are based, include technical adjustments where there is no change in policy, including realignment of gross and income to more accurately reflect current levels of services and income to be received, totalling +£6,890.1k gross and -£6,890.1k income. Significant changes included within this are:

- Increase in the 2016-17 Better Care Fund allocation for protection of social care (+£466k gross & -£466k income); although the Better Care Fund Allocation for Care Act responsibilities has been reduced slightly(-£21k gross & +£21k income);
- Allocation of the Excellent Homes for All budget funded by PFI credits (+£3,859.1k gross & -£3,859.1k income);
- District Councils have agreed to help support the equipment budget (advanced assistive technology) through the Disability Facilities Grant following the loss of Government funding (+£2,100k gross & -£2,100k);
- Revised contributions from health authorities in relation to: Westbrook PFI scheme (+£442.1k gross & -£442.1k income); the rapid response service (-£194k gross & +£194k); and funding of additional posts with Learning Disability (+£87k gross & -£87k income);
- Public Health investment in housing related support (+£200k gross & -£200k income).
- Minor changes in other grants including: reduction in the Social Care in Prison Grant (-£61.5k gross & +£61.5k income); and increase in Local Reform & Community Voices Grant (+£12.4k gross & -£12.4k income).

The Directorate would like to request formal virement through this report to reflect adjustments to cash limits required for the following changes (totalling -£1,204.2k gross & +£855.6k income):

- A -£402.6k gross budget transfer to Children's Services, predominately to fund anticipated increases due to the National Living Wage. This prices funding was previously held centrally for the directorate as a whole within the Other Adult Services A-Z budget line pending decisions on its allocation;
- A +£54k gross budget transfer from Children's Services reflecting a realignment of the Deprivation of Liberty Safeguards (DOLs) budgets between A-Z budget lines in Adults and Children's services;
- The reallocation of budgets temporarily held within "Other Adult Services" A-Z line to the relevant adult services lines including: the allocation of MTFP savings; the prices budget to fund anticipated increases resulting from the National Living Wage and other contractual obligations; and the Better Care Fund for both Care Act responsibilities and Protection of Social Care – this has no effect on the overall total gross and income budgets;
- The minor reallocation of budgets between A-Z service lines in light of the 2015-16 outturn expenditure and activity levels – mainly in relation to Mental health (+£11.4k gross & -£11.4k income) and Older People (-£238.5k gross & +£238.5k income); along with realignment of the equipment budget to reflect lower levels of recycled items than originally estimated based on current activity (-£628.5k gross & income +£628.5k);
- A-Z lines combining Mental Health and Physical Disability services for Supported Living and Non Residential Charging Income have now been split.

There are also a number of other corporate adjustments which total +£6,541.1k gross and +£55.3k income, which are predominately related to the allocation of the single pay reward scheme funding and changes to national insurance (+£2,107.4k gross), allocation to directorates of the publicity saving (-£59.0k gross), the allocation of prices money previously held within Financing items (+£3,816.9k gross), transfer Children Services' share of the SCHW transport saving (+£65.1k gross); and the addition of the roll forwards approved by Cabinet in June (+£610.7k gross & +£55.3k income).

The overall movements are therefore an increase in gross of +£12,227k and income of -£5,979.2k, giving an overall net reduction of -£6,247.8k. This is detailed by A-Z line in the table below, which shows:

- the published budget,
- the proposed budget following adjustments for both formal virement and technical adjustments, together with the inclusion of changes to grant funding notified since the budget was set,
- the total value of the adjustments applied to each A-Z budget line.

Budget Book Heading	Original Cash Limit			Revised Cash Limit			Movement in Cash Limit		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Social Care, Health & Wellbeing - Adult Social Care									
Strategic Management & Directorate Support Budgets	5,274.7	-200.0	5,074.7	5,364.1	-200.0	5,164.1	89.4	0.0	89.4
Support to Frontline Services:									
- Adults Social Care Commissioning	4,350.8	-329.5	4,021.3	5,003.0	-555.5	4,447.5	652.2	-226.0	426.2
- Adults Social Care Performance Monitoring	1,097.4	0.0	1,097.4	1,122.2	0.0	1,122.2	24.8	0.0	24.8
Adults & Older People:									
- Direct Payments									
- Learning Disability (aged 18+)	19,024.5	-945.0	18,079.5	19,414.3	-945.0	18,469.3	389.8	0.0	389.8
- Mental Health (aged 18+)	1,102.9	-84.3	1,018.6	1,127.8	-84.3	1,043.5	24.9	0.0	24.9
- Older People (aged 65+)	12,867.5	-186.5	12,681.0	13,374.9	-186.5	13,188.4	507.4	0.0	507.4
- Physical Disability (aged 18-64)	13,166.6	-982.2	12,184.4	13,707.2	-982.2	12,725.0	540.6	0.0	540.6
Total Direct Payments	46,161.5	-2,198.0	43,963.5	47,624.2	-2,198.0	45,426.2	1,462.7	0.0	1,462.7
- Domiciliary Care									
- Learning Disability (aged 18+)	728.0	-14.0	714.0	755.5	-14.0	741.5	27.5	0.0	27.5
- Older People (aged 65+) - in house service (KEaH)	7,885.2	-5,915.4	1,969.8	8,171.9	-5,721.4	2,450.5	286.7	194.0	480.7
- Older People (aged 65+) - Commissione Service	25,554.2	-9,942.2	15,612.0	26,157.3	-10,188.2	15,969.1	603.1	-246.0	357.1
- Physical Disability (aged 18-64) - in house service	579.4	0.0	579.4	579.4	0.0	579.4	0.0	0.0	0.0
- Physical Disability (aged 18-64) - Commissioned Service	4,184.0	-28.4	4,155.6	4,083.4	-28.4	4,055.0	-100.6	0.0	-100.6
Total Domiciliary Care	38,930.8	-15,900.0	23,030.8	39,747.5	-15,952.0	23,795.5	816.7	-52.0	764.7
- Non Residential Charging Income									
- Learning Disability (aged 18+)	0.0	-3,954.4	-3,954.4	0.0	-3,954.4	-3,954.4	0.0	0.0	0.0
- Older People (aged 65+)	0.0	-9,313.8	-9,313.8	0.0	-9,153.5	-9,153.5	0.0	160.3	160.3
- Physical Disability (aged 18-64)/ Mental Health (aged 18+)	0.0	-1,633.0	-1,633.0	0.0	0.0	0.0	0.0	1,633.0	1,633.0
- Physical Disability (aged 18-64)	0.0	0.0	0.0	0.0	-1,457.8	-1,457.8	0.0	-1,457.8	-1,457.8
- Mental Health (aged 18+)	0.0	0.0	0.0	0.0	-145.0	-145.0	0.0	-145.0	-145.0
Total Non Residential Charging Income	0.0	-14,901.2	-14,901.2	0.0	-14,710.7	-14,710.7	0.0	190.5	190.5
- Nursing & Residential Care									
- Learning Disability (aged 18+)	74,433.9	-6,130.5	68,303.4	74,943.4	-6,130.5	68,812.9	509.5	0.0	509.5
- Mental Health (aged 18+)	8,697.2	-1,015.9	7,681.3	8,862.4	-1,019.3	7,843.1	165.2	-3.4	161.8
- Older People (aged 65+) - Nursing	35,941.4	-14,665.2	21,276.2	37,942.5	-14,641.4	23,301.1	2,001.1	23.8	2,024.9
- Older People (aged 65+) - Residential - in house service	19,542.4	-5,468.7	14,073.7	20,303.0	-5,910.8	14,392.2	760.6	-442.1	318.5
- Older People (aged 65+) - Residential - commissioned service	50,165.1	-27,808.2	22,356.9	53,127.5	-27,763.8	25,363.7	2,962.4	44.4	3,006.8
- Physical Disability (aged 18-64)	13,269.9	-1,739.1	11,530.8	13,509.2	-1,738.3	11,770.9	239.3	0.8	240.1
Total Nursing & Residential Care	202,049.9	-56,827.6	145,222.3	208,688.0	-57,204.1	151,483.9	6,638.1	-376.5	6,261.6

Budget Book Heading	Original Cash Limit			Revised Cash Limit			Movement in Cash Limit		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
- Supported Living									
- Learning Disability (aged 18+) - in house service	3,624.1	-1,047.4	2,576.7	3,438.9	-1,047.4	2,391.5	-185.2	0.0	-185.2
- Learning Disability (aged 18+) - shared lives scheme	4,667.9	0.0	4,667.9	4,682.9	0.0	4,682.9	15.0	0.0	15.0
- Learning Disability (aged 18+) - other commissioned supported living arrangements	38,722.4	-212.5	38,509.9	39,727.9	-212.5	39,515.4	1,005.5	0.0	1,005.5
- Older People (aged 65+) - in house service	4,825.0	-4,825.0	0.0	8,344.3	-8,312.8	31.5	3,519.3	-3,487.8	31.5
- Older People (aged 65+) - commissioned service	395.9	0.0	395.9	408.9	0.0	408.9	13.0	0.0	13.0
- Physical Disability (aged 18-64) / Mental Health (aged 18+) - in house service	107.4	-107.4	0.0	256.0	-256.0	0.0	148.6	-148.6	0.0
- Physical Disability (aged 18-64) / Mental Health (aged 18+) - commissioned service	5,327.3	-113.8	5,213.5	0.0	0.0	0.0	-5,327.3	113.8	-5,213.5
- Physical Disability (aged 18-64) - commissioned service	0.0	0.0	0.0	3,329.4	-15.6	3,313.8	3,329.4	-15.6	3,313.8
- Mental Health (aged 18+) - commissioned service	0.0	0.0	0.0	2,204.3	-98.2	2,106.1	2,204.3	-98.2	2,106.1
Total Supported Accommodation	57,670.0	-6,306.1	51,363.9	62,392.6	-9,942.5	52,450.1	4,722.6	-3,636.4	1,086.2
- Other Services for Adults & Older People									
- Adaptive & Assistive Technology	7,498.8	-5,315.0	2,183.8	8,984.1	-6,786.5	2,197.6	1,485.3	-1,471.5	13.8
- Community Support Services for Mental Health (aged 18+)	1,396.2	-55.4	1,340.8	1,364.8	-57.2	1,307.6	-31.4	-1.8	-33.2
- Day Care									
- Learning Disability (aged 18+) - in house service	6,365.6	-70.7	6,294.9	6,479.9	-70.7	6,409.2	114.3	0.0	114.3
- Learning Disability (aged 18+) - commissioned service	7,732.5	-18.5	7,714.0	7,436.2	-18.5	7,417.7	-296.3	0.0	-296.3
- Older People (aged 65+) - in house service	801.9	-36.0	765.9	819.8	-36.0	783.8	17.9	0.0	17.9
- Older People (aged 65+) - commissioned service	899.1	0.0	899.1	884.5	0.0	884.5	-14.6	0.0	-14.6
- Physical Disability (aged 18-64)	974.2	0.0	974.2	974.2	0.0	974.2	0.0	0.0	0.0
Total Day Care	16,773.3	-125.2	16,648.1	16,594.6	-125.2	16,469.4	-178.7	0.0	-178.7
- Housing Related Support for Vulnerable People (Supporting People)	17,155.6	-193.2	16,962.4	17,545.4	-574.9	16,970.5	389.8	-381.7	8.1
- Legal Charges	550.0	0.0	550.0	550.0	0.0	550.0	0.0	0.0	0.0
- Other Adult Services	12,471.3	-984.1	11,487.2	6,200.4	-745.5	5,454.9	-6,270.9	238.6	-6,032.3
- Safeguarding	1,674.6	-235.6	1,439.0	2,404.7	-182.2	2,222.5	730.1	53.4	783.5
- Social Support									
- Carers - in house service	2,851.2	-0.2	2,851.0	2,883.2	-0.2	2,883.0	32.0	0.0	32.0
- Carers - commissioned service	11,708.4	-6,057.0	5,651.4	11,716.5	-6,063.0	5,653.5	8.1	-6.0	2.1
- Information & Early Intervention	5,344.9	-1,806.8	3,538.1	5,255.6	-1,748.8	3,506.8	-89.3	58.0	-31.3
- Social Isolation	9,096.8	-3,224.4	5,872.4	9,346.6	-3,282.4	6,064.2	249.8	-58.0	191.8
Total Social Support	29,001.3	-11,088.4	17,912.9	29,201.9	-11,094.4	18,107.5	200.6	-6.0	194.6
- Support & Assistance Service (Social Fund) including refugee families	2,731.5	-1,250.0	1,481.5	2,737.4	-1,250.0	1,487.4	5.9	0.0	5.9
Total Other Services for A&OP	89,252.6	-19,246.9	70,005.7	85,583.3	-20,815.9	64,767.4	-3,669.3	-1,569.0	-5,238.3
Community Services:									
- Local Healthwatch & NHS Complaints Advocacy	749.5	-459.0	290.5	760.0	-469.5	290.5	10.5	-10.5	0.0

Budget Book Heading	Original Cash Limit			Revised Cash Limit			Movement in Cash Limit		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Public Health:									
- Drug & Alcohol Services (LASAR)	205.8	0.0	205.8	195.7	0.0	195.7	-10.1	0.0	-10.1
- Assessment Services									
- Adult's Social Care Staffing	39,742.5	-5,717.1	34,025.4	41,231.9	-6,016.4	35,215.5	1,489.4	-299.3	1,190.1
Total SCH&W (Adult Social Care)	**485,485.5**	**-122,085.4**	**363,400.1**	**497,712.5**	**-128,064.6**	**369,647.9**	**12,227.0**	**-5,979.2**	**6,247.8**

4) Social Care, Health & Wellbeing – Public Health:

The cash limits which the Directorate is working to, and upon which the variances in this report are based, include technical adjustments where there is no change in policy, including realignment of gross and income to more accurately reflect current levels of services and income to be received, totalling +£183.2k gross and -£183.2k income; this relates to additional income from NHS England, Clinical Commissioning Groups and the Kent Police and Crime Commissioner.

The Service would also like to request formal virement through this report to reflect some realignment of Public Health budgets between A-Z lines in view of the 2015-16 outturn and activity levels whereas the budget was set based on forecasts from several months earlier. The revised cash limits are reflected in the table below.

There is also a corporate adjustment totalling -£15.9k gross reflecting the allocation of the publicity saving to directorates.

The overall movement is therefore a decrease in gross of +£167.3k and income of -£183.2k, giving an overall net reduction of -£15.9k. This is detailed by A-Z line in the table below, which shows:

- the published budget,
- the proposed budget following adjustments for both formal virement and technical adjustments, together with the inclusion of changes to grant funding notified since the budget was set,
- the total value of the adjustments applied to each A-Z budget line.

Budget Book Heading	Original Cash Limit			Revised Cash Limit			Movement in Cash Limit		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Social Care, Health & Wellbeing - Public Health									
Strategic Management & Directorate Support Budgets	1,137.1	-1,137.1	0.0	1,033.7	-1,033.7	0.0	-103.4	103.4	0.0
Public Health:									
- Children's Public Health Programmes: 0-5 year olds Health Visiting Service	22,256.6	-22,256.6	0.0	22,256.6	-22,256.6	0.0	0.0	0.0	0.0
- Other Children's Public Health Programmes	8,848.5	-8,848.5	0.0	8,848.5	-8,848.5	0.0	0.0	0.0	0.0
- Drug & Alcohol Services	14,735.1	-14,735.1	0.0	14,883.7	-14,883.7	0.0	148.6	-148.6	0.0
- Obesity & Physical Activity	2,329.9	-2,329.9	0.0	2,329.9	-2,329.9	0.0	0.0	0.0	0.0
- Public Health - Mental Health Adults	2,780.3	-2,780.3	0.0	2,280.3	-2,280.3	0.0	-500.0	500.0	0.0
- Public Health Staffing, Advice & Monitoring	3,148.4	-3,148.4	0.0	3,331.5	-3,331.5	0.0	183.1	-183.1	0.0
- Sexual Health Services	12,641.0	-12,641.0	0.0	12,595.9	-12,595.9	0.0	-45.1	45.1	0.0
- Targeting Health Inequalities	6,096.0	-6,096.0	0.0	6,580.1	-6,596.0	-15.9	484.1	-500.0	-15.9

Budget Book Heading	Original Cash Limit			Revised Cash Limit			Movement in Cash Limit		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
- Tobacco Control & Stop Smoking Services	3,226.0	-3,226.0	0.0	3,226.0	-3,226.0	0.0	0.0	0.0	0.0
	76,061.8	-76,061.8	0.0	76,332.5	-76,348.4	-15.9	270.7	-286.6	-15.9
Total controllable	**77,198.9**	**-77,198.9**	**0.0**	**77,366.2**	**-77,382.1**	**-15.9**	**167.3**	**-183.2**	**-15.9**

5) Growth, Environment and Transport:

The cash limits which the Directorate is working to, and upon which the variances in this report are based, include technical adjustments where there is no change in policy, including realignment of gross and income to more accurately reflect current levels of services and income to be received, totalling +£1,990k gross and -£1,990k income. Significant changes included within this are:

- Overall increase in European, Government and Heritage Lottery Fund grants primarily for the Low Carbon Across the South East (LOCASE) ERDF funded programme (+£860k gross and -£860k income).
- Additional external income in respect of the Countryside Management Partnerships including amounts from the Environment Agency, local authorities and other partners (+£433k gross and -£433k income).
- Updated estimates for internal recharging of staffing costs to projects within the Directorate and primarily within the Environmental Management (incl. Coastal Protection) A to Z budget line (+£313k gross and -£313k income).
- Additional external income for Sports and Physical Activity Development including contributions from Sport England and other local authorities (+£303k and -£303k income).
- Other minor adjustments totalling +£81k gross and -£81k income.

The Directorate would also like to request formal virement through this report to reflect adjustments between budget lines as follows:

- Within Waste Management a transfer of gross budget from the Landfill Tax A to Z budget line (-£1,393k gross) to the Treatment and Disposal of Residual Waste A to Z budget line (+£1,393k gross) in respect of waste tonnage which now form part of the 'Waste Treatment and Final Disposal' contract. Further information has become available since the budget setting process meaning that estimates for the amount of tonnage being processed through the new Final Disposal contract were too low and consequently less waste will now be sent for landfill.
- Within Highways a transfer of gross budget from the General maintenance and Emergency Response A to Z budget line (-£100k gross) to the Tree Maintenance, Grass Cutting and Weed Control A to Z budget line (+£100k gross); this is to move the funding for cycle track vegetation cuts to the most appropriate budget line.

There are also a number of other corporate adjustments which total +£2,946k gross which are predominately related to the allocation of the single pay reward scheme funding and changes to national insurance (+£1,174k gross), allocation to directorates of the publicity saving (-£303k gross); the addition of the roll forwards approved by Cabinet in June (+£2,051k gross); and Corporate funding of redundancy costs (+£24k gross).

In addition there is a transfer of gross budget from the Regeneration and Economic Development Services A to Z budget line (-£10k gross) to the Business Strategy A to Z line in Strategic and Corporate Services following the transfer of responsibility for the Kent Equality Cohesion Council.

The overall movements are therefore an increase in gross of +£4,926k and income of -£1,990k, giving an overall net increase of -£2,936k. This is detailed by A-Z line in the table below, which shows:

- the published budget,
- the proposed budget following adjustments for both formal virement and technical adjustments, together with the inclusion of changes to grant funding notified since the budget was set,
- the total value of the adjustments applied to each A-Z budget line.

Budget Book Heading	Original Cash Limit			Revised Cash Limit			Movement in Cash Limit		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Growth, Environment & Transport									
G,E&T Strategic Management & Directorate Support Budgets	4,149.6	-93.6	4,056.0	4,020.3	-93.6	3,926.7	-129.3	0.0	-129.3
Children's Services									
- Education & Personal									
- 14 - 24 year olds (Kent Foundation)	67.0	-17.4	49.6	67.9	-17.4	50.5	0.9	0.0	0.9
Community Services:									
- Arts & Culture Development (incl. grant to Turner Contemporary)	1,996.8	0.0	1,996.8	1,988.6	0.0	1,988.6	-8.2	0.0	-8.2
- Gypsies & Travellers	437.5	-437.5	0.0	462.5	-437.5	25.0	25.0	0.0	25.0
- Libraries, Registration & Archives	16,552.9	-5,930.8	10,622.1	16,918.0	-5,962.0	10,956.0	365.1	-31.2	333.9
- Sports & Physical Activity Development	1,526.6	-1,094.0	432.6	1,870.2	-1,407.8	462.4	343.6	-313.8	29.8
	20,513.8	-7,462.3	13,051.5	21,239.3	-7,807.3	13,432.0	725.5	-345.0	380.5
Environment:									
- Country Parks & Countryside Access	2,428.7	-1,874.2	554.5	2,953.2	-2,371.3	581.9	524.5	-497.1	27.4
- Environmental Management (incl Coastal Protection)	3,289.9	-1,858.3	1,431.6	4,585.4	-2,955.5	1,629.9	1,295.5	-1,097.2	198.3
- Public Rights of Way	1,684.9	-89.0	1,595.9	1,782.3	-108.1	1,674.2	97.4	-19.1	78.3
	7,403.5	-3,821.5	3,582.0	9,320.9	-5,434.9	3,886.0	1,917.4	-1,613.4	304.0
Highways:									
Highways Maintenance:									
- Adverse Weather	3,261.3	0.0	3,261.3	3,261.3	0.0	3,261.3	0.0	0.0	0.0
- Bridges & Other Structures	2,267.1	-221.9	2,045.2	2,273.4	-221.9	2,051.5	6.3	0.0	6.3
- General maintenance & emergency response	7,783.0	-475.8	7,307.2	8,866.3	-475.8	8,390.5	1,083.3	0.0	1,083.3
- Highway drainage	2,586.3	0.0	2,586.3	2,594.4	0.0	2,594.4	8.1	0.0	8.1
- Streetlight maintenance	3,225.7	-154.0	3,071.7	3,511.7	-154.0	3,357.7	286.0	0.0	286.0
	19,123.4	-851.7	18,271.7	20,507.1	-851.7	19,655.4	1,383.7	0.0	1,383.7
Highways Management:									
- Development Planning	1,975.3	-2,135.2	-159.9	2,121.3	-2,135.2	-13.9	146.0	0.0	146.0
- Highways Improvements	1,689.8	-33.3	1,656.5	1,697.3	-33.3	1,664.0	7.5	0.0	7.5
- Road Safety	2,994.3	-2,236.4	757.9	2,882.2	-2,236.4	645.8	-112.1	0.0	-112.1
- Streetlight energy	4,733.8	0.0	4,733.8	4,733.8	0.0	4,733.8	0.0	0.0	0.0
- Traffic management	4,746.1	-3,363.2	1,382.9	4,798.8	-3,358.2	1,440.6	52.7	5.0	57.7
- Tree maintenance, grass cutting & weed control	3,270.1	0.0	3,270.1	3,499.9	0.0	3,499.9	229.8	0.0	229.8
	19,409.4	-7,768.1	11,641.3	19,733.3	-7,763.1	11,970.2	323.9	5.0	328.9
Planning & Transport Strategy:									
- Planning & Transport Policy	1,239.0	0.0	1,239.0	1,375.7	0.0	1,375.7	136.7	0.0	136.7
- Planning Applications	1,096.3	-700.0	396.3	1,122.2	-700.0	422.2	25.9	0.0	25.9
	2,335.3	-700.0	1,635.3	2,497.9	-700.0	1,797.9	162.6	0.0	162.6

Budget Book Heading	Original Cash Limit			Revised Cash Limit			Movement in Cash Limit		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Public Protection:									
- Community Safety (incl Community Wardens)	2,231.1	-68.8	2,162.3	2,292.8	-68.8	2,224.0	61.7	0.0	61.7
- Coroners	3,633.7	-757.2	2,876.5	3,648.6	-762.8	2,885.8	14.9	-5.6	9.3
- Emergency Response & Resilience (incl Flood Risk Management)	1,283.4	-180.7	1,102.7	1,393.5	-212.0	1,181.5	110.1	-31.3	78.8
- Trading Standards (incl. Kent Scientific Services)	3,647.3	-1,094.8	2,552.5	3,725.1	-1,094.8	2,630.3	77.8	0.0	77.8
	10,795.5	-2,101.5	8,694.0	11,060.0	-2,138.4	8,921.6	264.5	-36.9	227.6
Regeneration & Economic Development:									
- Regeneration & Economic Development Services	4,404.3	-1,947.2	2,457.1	4,687.4	-1,947.2	2,740.2	283.1	0.0	283.1
Schools Services:									
- Other Schools Services (road crossing patrols)	453.3	0.0	453.3	461.1	0.0	461.1	7.8	0.0	7.8
Transport Services:									
- Concessionary Fares	17,138.2	-27.0	17,111.2	17,138.2	-27.0	17,111.2	0.0	0.0	0.0
- Subsidised Bus Services (incl Kent Karrier)	8,252.2	-2,208.8	6,043.4	8,252.2	-2,208.8	6,043.4	0.0	0.0	0.0
- Transport Operations	1,407.0	-40.8	1,366.2	1,443.2	-40.8	1,402.4	36.2	0.0	36.2
- Transport Planning	235.7	0.0	235.7	233.6	0.0	233.6	-2.1	0.0	-2.1
- Young Person's Travel Pass	14,435.4	-6,092.9	8,342.5	14,405.4	-6,092.9	8,312.5	-30.0	0.0	-30.0
	41,468.5	-8,369.5	33,099.0	41,472.6	-8,369.5	33,103.1	4.1	0.0	4.1
Waste Management									
- Waste Compliance, Commissioning & Contract Management	796.2	0.0	796.2	816.3	0.0	816.3	20.1	0.0	20.1
- Partnership & development	616.0	0.0	616.0	576.4	0.0	576.4	-39.6	0.0	-39.6
- Closed Landfill Sites	657.9	-16.0	641.9	659.8	-16.0	643.8	1.9	0.0	1.9
Waste Processing									
- Landfill Tax	1,883.1	0.0	1,883.1	490.4	0.0	490.4	-1,392.7	0.0	-1,392.7
- Operation of Waste Facilities	15,299.2	-152.7	15,146.5	15,299.2	-152.7	15,146.5	0.0	0.0	0.0
- Payments to Waste Collection Authorities (District Councils)	5,964.7	0.0	5,964.7	5,964.7	0.0	5,964.7	0.0	0.0	0.0
- Recycling Contracts & Composting	8,506.2	-1,248.7	7,257.5	8,506.2	-1,248.7	7,257.5	0.0	0.0	0.0
- Treatment & Disposal of Residual Waste	34,299.3	0.0	34,299.3	35,692.0	0.0	35,692.0	1,392.7	0.0	1,392.7
	68,022.6	-1,417.4	66,605.2	68,005.0	-1,417.4	66,587.6	-17.6	0.0	-17.6
Total G,E&T	**198,146.2**	**-34,550.2**	**163,596.0**	**203,072.8**	**-36,540.5**	**166,532.3**	**4,926.6**	**-1,990.3**	**2,936.3**

6) Strategic and Corporate Services:

The cash limits which the Directorate is working to, and upon which the variances in this report are based, include technical adjustments where there is no change in policy, including realignment of gross and income to more accurately reflect current levels of services and income to be received, totalling +£1,901.9k gross and -£1,901.9k income. Significant changes included within this are:

- Realignment of Corporate Landlord (+£749.6k gross, -£749.6k income)
- Various realignments relating to the Property LATCo – GEN2 budgets (+£693.5k gross, -£693.5k income)
- Realignment of Internal Audit in relation to the Counter Fraud Initiative (+£447.5k gross, -£447.5k income)

- Realignment of Kent Public Services Network budget to reflect reduced comms charges and a consequent reduction in income from external partners (-£200k gross, +£200k income)
- Increased costs relating to the Pension Fund pooling arrangement to be recharged to the Pension Fund (+£135k gross, -£135k income)
- Other general realignment of unit budgets to reflect latest anticipated income levels (+£76.3k gross, -£76.3k income).

There are also a number of other corporate adjustments which total +£1,662.1k gross and +£1,805.9k income, which are: the allocation of the single pay reward scheme funding and changes to national insurance (+£1,633k gross and -£396.8k income); allocation to directorates of the publicity saving (-£83.4k gross); the TUPE of Client Services staff and related budgets from Education & Young People's Services (EYP) to Infrastructure (+£418.8k gross); the transfer of Edukent & Schools Financial services budgets to EYP (-£1,701.5k gross and +£2,202.7k income); the transfer of a post from HR to EYP Management Information Unit (-£36.3k gross); the transfer of responsibility for the Kent Equality Cohesion Council from Regeneration and Economic Development within the Growth, Environment & Transport directorate to Business Strategy (+£10k gross), together with the addition of the roll forwards approved by Cabinet in June (+£1,421.5k gross).

The overall movements are therefore an increase in gross of +£3,564k and income of -£96k, giving an overall net increase of -£3,468k. This is detailed by A-Z line in the table below, which shows:

- the published budget,
- the proposed budget following adjustments for both formal virement and technical adjustments, together with the inclusion of changes to grant funding notified since the budget was set,
- the total value of the adjustments applied to each A-Z budget line.

Budget Book Heading	Original Cash Limit			Revised Cash Limit			Movement in Cash Limit		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Strategic & Corporate Services									
S&CS Strategic Management & Directorate Support Budgets	2,824.6	-5,204.9	-2,380.3	2,828.7	-5,202.2	-2,373.5	4.1	2.7	6.8
Community Services:									
- Contact Centre & Digital Web Services	4,617.7	-394.0	4,223.7	4,617.7	-365.9	4,251.8	0.0	28.1	28.1
- Gateways	938.3	-38.1	900.2	947.2	-25.0	922.2	8.9	13.1	22.0
	5,556.0	-432.1	5,123.9	5,564.9	-390.9	5,174.0	8.9	41.2	50.1
Local Democracy:									
- County Council Elections	520.0	0.0	520.0	520.0	0.0	520.0	0.0	0.0	0.0
- Local Member Grants	1,680.0	0.0	1,680.0	3,006.3	0.0	3,006.3	1,326.3	0.0	1,326.3
- Partnership arrangements with District Councils	1,788.2	0.0	1,788.2	1,788.2	0.0	1,788.2	0.0	0.0	0.0
	3,988.2	0.0	3,988.2	5,314.5	0.0	5,314.5	1,326.3	0.0	1,326.3
Support to Frontline Services:									
- Business Services Centre (BSC)	28,090.0	-28,090.0	0.0	28,541.1	-28,541.1	0.0	451.1	-451.1	0.0
- Business Strategy	3,344.1	-133.6	3,210.5	3,468.2	-112.0	3,356.2	124.1	21.6	145.7
- Communications, Consultation & Engagement	2,491.4	-383.1	2,108.3	2,550.4	-373.7	2,176.7	59.0	9.4	68.4
- Democratic & Members	3,801.8	-142.0	3,659.8	3,841.4	-142.0	3,699.4	39.6	0.0	39.6
- Finance & Procurement (excl services commissioned from BSC)	14,885.0	-7,798.7	7,086.3	14,108.6	-6,208.0	7,900.6	-776.4	1,590.7	814.3
- Finance & Procurement - services commissioned from BSC	2,807.0	0.0	2,807.0	2,953.7	-23.5	2,930.2	146.7	-23.5	123.2

Budget Book Heading	Original Cash Limit			Revised Cash Limit			Movement in Cash Limit		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
- Human Resources (excl services commissioned from BSC)	7,182.2	-1,371.2	5,811.0	7,206.0	-1,386.0	5,820.0	23.8	-14.8	9.0
- Human Resources - services commissioned from BSC	1,597.6	0.0	1,597.6	1,641.7	-30.5	1,611.2	44.1	-30.5	13.6
- Infrastructure (Property & ICT) (excl services commissioned from BSC & LATCO)	38,760.2	-8,788.6	29,971.6	40,435.9	-9,222.4	31,213.5	1,675.7	-433.8	1,241.9
- Infrastructure - ICT services commissioned from BSC	3,929.9	-142.5	3,787.4	4,412.1	-309.2	4,102.9	482.2	-166.7	315.5
- Infrastructure - Property services commissioned from LATCO	3,112.4	-756.5	2,355.9	2,941.9	-1,427.7	1,514.2	-170.5	-671.2	-841.7
- Legal Services & Information Governance	8,674.1	-10,872.2	-2,198.1	8,829.4	-10,872.2	-2,042.8	155.3	0.0	155.3
- Transformation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	118,675.7	-58,478.4	60,197.3	120,930.4	-58,648.3	62,282.1	2,254.7	-169.9	2,084.8
Total S&CS	**131,044.5**	**-64,115.4**	**66,929.1**	**134,638.5**	**-64,241.4**	**70,397.1**	**3,594.0**	**-126.0**	**3,468.0**

7) Financing Items:

The cash limits upon which the variances in this report are based, include technical adjustments where there is no change in policy, including realignment to more accurately reflect current levels of Government funding and retained business rates income to be received, totalling +£897k gross, as reported in the first exception monitoring report for 2016-17 to Cabinet in July.

There are also a number of other corporate adjustments which total -£6,937.1k gross, which are predominately related to the allocation to directorates of the single pay reward scheme funding and changes to national insurance (-£6,170.2k gross); the allocation to directorates of the publicity saving (+£700k gross); the allocation of prices money to Adults Social Care (-£3,816.9k gross); the funding of workforce reduction within directorates (-£23.8k gross) and the addition of the roll forwards approved by Cabinet in June (+£2.483.8m gross) as amended for the second weed spray at July Cabinet (-£0.110m gross).

The overall movements are therefore a reduction in gross of -£6,040.1k. This is detailed by A-Z line in the table below, which shows:

- the published budget,
- the proposed budget following adjustments for both formal virement and technical adjustments, together with the inclusion of changes to grant funding notified since the budget was set,
- the total value of the adjustments applied to each A-Z budget line.

Budget Book Heading	Original Cash Limit			Revised Cash Limit			Movement in Cash Limit		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Financing Items									
Audit Fees	264.0	0.0	264.0	264.0	0.0	264.0	0.0	0.0	0.0
Carbon Reduction Commitment Levy	704.0	0.0	704.0	704.0	0.0	704.0	0.0	0.0	0.0
Commercial Services (net contribution)	0.0	-8,700.0	-8,700.0	0.0	-8,700.0	-8,700.0	0.0	0.0	0.0
Contribution to IT Asset Maintenance Reserve	3,352.0	0.0	3,352.0	3,352.0	0.0	3,352.0	0.0	0.0	0.0
Contribution to/from Reserves	-6,285.5	0.0	-6,285.5	-3,911.7	0.0	-3,911.7	2,373.8	0.0	2,373.8
Insurance Fund	5,899.0	0.0	5,899.0	5,899.0	0.0	5,899.0	0.0	0.0	0.0
Modernisation of the Council	2,000.0	0.0	2,000.0	1,976.2	0.0	1,976.2	-23.8	0.0	-23.8
Net Debt Charges (incl Investment Income)	126,056.0	-8,452.7	117,603.3	126,056.0	-8,452.7	117,603.3	0.0	0.0	0.0
Other	959.0	-36.0	923.0	959.0	-36.0	923.0	0.0	0.0	0.0
Unallocated	8,902.5	0.0	8,902.5	512.4	0.0	512.4	-8,390.1	0.0	-8,390.1
Total Financing Items	**141,851.0**	**-17,188.7**	**124,662.3**	**135,810.9**	**-17,188.7**	**118,622.2**	**-6,040.1**	**0.0**	**-6,040.1**

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

Andy Wood, Corporate Director for Finance & Procurement

To: **Cabinet, 26th September 2016**

Decision No: **16/00094**

Subject: **Four-year finance settlement**

Classification: **Unrestricted**

Past Pathway of Paper: Corporate Board, 12th September 2016

Future Pathway of Paper: N/A

Electoral Division: N/A

Summary: Local authorities have until 14th October 2016 to respond to DCLG's four-year settlement offer. This report sets out what the four-year settlement would mean for Kent County Council and recommends how the Authority should respond to meet the financial challenge ahead.

Recommendation(s): Cabinet are asked to agree to accept the four-year settlement offer for Kent County Council and for the Corporate Director for Finance & Procurement to provide notification of this to DCLG, in a mutually appropriate format, by 14 October.

1. Introduction

1.1 In the provisional local government finance settlement on 17th December 2015, Greg Clark (then Secretary of State for Communities & Local Government) announced the offer of a 4-year budget "to give certainty and confidence" to local government. On 8th February 2016, along with the final settlement for 2016/17, the allocations available under the four-year offer were confirmed by the Department for Communities & Local Government.

1.2 Local authorities have been given until 14th October 2016 to respond to the four-year settlement offer. This paper outlines what the four-year settlement offer means for KCC and how we should respond to meet the financial challenge ahead.

2. The four-year settlement offer

2.1 Chart 1 below is a screen shot of central government's publication of the four-year Core Spending Power calculation for Kent County Council, published on 8th February 2016. This includes the grant allocations which are available under the four-year offer.

Chart 1

Core Spending Power of Local Government;	2015-16 (adjusted)	2016-17 £ millions	2017-18 £ millions	2018-19 £ millions	2019-20 £ millions
Settlement Funding Assessment	340.0	283.4	241.8	218.2	195.8
Council Tax of which;	549.0	577.2	609.7	644.6	682.2
Council Tax Requirement excluding parish precepts (including base growth and levels increasing by CPI)	*549.0*	*566.0*	*586.3*	*608.0*	*631.1*
additional revenue from 2% referendum principle for social care	-	*11.2*	*23.3*	*36.6*	*51.1*
additional revenue from £5 referendum principle for lower quartile districts Band D Council Tax level	-	-	-	-	-
Improved Better Care Fund	-	-	*0.3*	*17.5*	*33.7*
New Homes Bonus and returned funding	*7.9*	*9.3*	*9.4*	*5.9*	*5.7*
Rural Services Delivery Grant	-	-	-	-	-
Core Spending Power	**896.9**	**869.9**	**861.1**	**886.2**	**917.3**
Change over the Spending Review period (£ millions)					20.4
Change over the Spending Review period (% change)					2.3%

2.2 The four-year settlement is purported to deliver 'flat cash'; this means that there is no material increase or decrease in funding over the period of the four year settlement in cash terms (see the figures circled in red in Chart 1 above). Chart 1 identifies that, in order to achieve 'flat cash', the Settlement Funding Assessment (combination of Revenue Support Grant and retained Business Rates), Better Care Fund and New Homes Bonus figures (all highlighted in yellow) reduce by £113m. Council Tax (highlighted in green) is assumed to increase by £133m over the same period (up to the 2% referendum limit, plus a further 2% Social Care Levy in each year) and includes CLG's estimate of the rising tax base. Without the Council Tax increase 'flat cash' would not be achieved.

2.3 The Core Spending Power does not take account of the increasing costs of and demands on delivering services, such as a growing and ageing population, inflation and the national living wage. The four-year settlement is therefore insufficient to cover our estimated spending demands without the need to make significant savings to balance the budget in each year to 2019/20, even after taking account of council tax increases.

2.4 We have consistently challenged the basis of the distribution for Revenue Support Grant and other grants on the grounds that they do not adequately take account of the needs of shire authorities compared to London and metropolitan areas, nor protect funding that had previously been guaranteed. The distribution methodology was amended in the 2016-20 settlement which further disadvantaged shire areas. By using the indicative allocations from the settlement we are not implying that we now accept the methodology and will continue to campaign for a better distribution through the business rate retention proposals and review of needs and redistribution (see separate paper under agenda item 8).

2.5 Ultimately we have two options: to accept the four-year settlement offer, or not. Subject to exceptional circumstances, accepting the offer would secure the funding highlighted in yellow in Chart 1 above for KCC (Settlement Funding Assessment, Improved Better Care Fund, and New Homes Bonus). There is a risk with not accepting the offer, because we have been advised that any further local government budget reductions could be disproportionately allocated to those Authorities who have not signed up to the four-year settlement. It should be noted that the indicative allocations for the New Homes Bonus are based on proposed changes outlined in a consultation, the outcome of which has not been confirmed. We have also been promised further consultation on the improved Better Care Fund allocations as at the moment this is based on the old Formula Grant methodology. It is unclear how these consultations would impact on four-year settlement offer. On balance, we believe it is better to accept the four-year settlement than not. In the unlikely event that resources increase, then those who haven't taken the settlement will not be at an advantage.

3. Managing the challenge ahead

3.1 Starting with Bold Steps for Kent, launched in 2010, KCC's strategic documents have been designed to shape the Authority to manage with reduced funding and increased spending demands on local government services, as well as to respond to the opportunities and challenges from our customers' changing expectations.

3.2 Since 'Facing the Challenge: Delivering Better Outcomes' (approved by County Council in September 2013), transformation has been a key pillar of activity across the Authority, resulting in a number of market engagement and service reviews being undertaken to challenge fundamental assumptions about how and why KCC delivers services in the way it does. These reviews have already resulted in the establishment of the Property Local Authority Trading Company (Gen2), the external communications/Contact Centre partnership with Agilisys, and the Legal Alternative Business Structure (Invicta Law Ltd). Our transformation partners Newton Europe have also worked with us to identify a number of service transformation opportunities and we must continue to pursue further such opportunities. Kent County Council are committed to seek to deliver as many savings as possible through service transformation and efficiency.

3.3 Facing the Challenge: Towards a Strategic Commissiong Authority (agreed by County Council in May 2014) initiated the development of Kent County Council's strategic commissioning framework, which was agreed at County Council in December 2014. Strategic Commissioning is now embedding across the organisation, as we progress into a Strategic Commissioning Authority. Savings will continue to be driven out as strategic commissioning, effective procurement, and good contract management becomes business as usual at Kent County Council.

3.4 Over the period of the four-year settlement, Kent County Council will continue to deliver as much of the reduction as possible through efficiencies, transformation, better procurement, and a strategic commissioning approach. However, given the scale of the challenge, it is almost inevitable that some of these savings will have to come from a further review of front-line services. This will fit with the Council's objective to move from a service provider to service commissioner.

3.5 In line with the national vision, we must also find ways to reduce dependence on publicly funded local authority services through prevention and promoting greater self-reliance. This will mean a dramatic change in the way local authority services are viewed by the public. We need to find ways of providing advice and support to help more people help themselves or access services elsewhere, and encourage them to view local authority service delivery (whether provided directly or commissioned) as the last resort for those who can't help themselves or have no other alternative.

4. Conclusion

4.1 Managing within the four-year settlement figures set out in Chart 1 will be a very challenging task for the Authority, and it is inevitable that difficult decisions will have to be made. However, not accepting the settlement could lead us to an even worse position. DCLG have advised that the Brexit vote counts as an 'exceptional circumstance' to the four-year settlement offer, and therefore the figures may change in the next settlement. However, it has also been articulated to us that any further local government budget reductions could be disproportionately allocated to those Authorities who have not signed up to the four-year settlement.

4.2 Although the proposal is for Kent County Council to submit an efficiency plan and accept the four-year funding settlement, we will continue to challenge the changes made to the Revenue Support Grant distribution in the 2016/17 settlement, including the transitional grant and previous grant arrangements which do not adequately reflect spending needs and ability to raise income (leaving some London boroughs with very low council tax rates compared to rest of UK). We will also be seeking an improved allocation for the improved Better Care Fund, as we believe the old Formula Grant mechanism is flawed. We will persist with pushing for a fair and equitable funding solution through the business rate retention working groups.

4.3 It is unclear what the Government are expecting by way of an efficiency plan, along with the notification of acceptance of the four-year funding settlement, other than that it should be 'light touch'. We will continue to work with the DCLG on an appropriate format for our efficiency plan.

5. Recommendation(s)

Recommendation(s):

Cabinet are asked to agree to accept the four-year settlement offer for Kent County Council and for the Corporate Director for Finance & Procurement to provide notification of this to DCLG, in a mutually appropriate format, by 14 October.

6. Background Documents

- Oral statement to Parliament on the provisional local government finance settlement 2016 to 2017: https://www.gov.uk/government/speeches/local-government-finance-settlement
- Oral statement to Parliament on the final local government finance settlement speech: https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2016-to-2017
- Letter from the Rt Hon Greg Clark MP 10 March 2016 https://democracy.kent.gov.uk/documents/s72275/SuppdocGCletter.pdf
- KCC Medium Term Financial Plan 2016-19: http://www.kent.gov.uk/__data/assets/pdf_file/0003/56019/MTFP-201619.pdf
- Facing the Challenge: Towards a Strategic Commissioning Authority, 15 May 2014 County Council
- Facing the Challenge: Commissioning Framework, 11 December 2014 County Council
- Embedding strategic commissioning as business as usual, 10 December 2015 County Council

7. Contact details

Report Author

- Lizi Payne, Revenue Budget Manager
- 03000 416558
- lizi.payne@kent.gov.uk

Relevant Director:

- Andy Wood, Corporate Director of Finance & Procurement
- 03000 416854
- andy.wood@kent.gov.uk

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From:	Paul Carter – Leader and Cabinet Member for Business Strategy, Audit & Transformation, and Commercial & Traded Services David Cockburn – Corporate Director, Strategic and Corporate Services
To:	Cabinet – 26 September 2016
Decision No:	N/a
Subject:	**Quarterly Performance Report, Quarter 1, 2016/17**
Classification:	Unrestricted

Summary: The purpose of the Quarterly Performance Report is to inform Cabinet about the key areas of performance for the authority.

Recommendation(s):

Cabinet is asked to NOTE the Quarter 1 Performance Report.

1. Introduction

1.1. The KCC Quarterly Performance Report for Quarter 1, 2016/17 is attached at Appendix 1.

1.2. The Quarterly Performance Report (QPR) is a key mechanism within the Performance Management Framework for the Council.

1.3. The QPR includes 38 Key Performance Indicators (KPIs) where results are assessed against Targets set out in Directorate Business Plans at the start of the year.

2. Quarter 1 Performance

2.1. Results against Target for KPIs are assessed using a Red/Amber/Green (RAG) status.

2.2. Of the 38 Key Performance Indicators included in the report, the latest RAG status are as follows:

- 26 are rated Green - target achieved or exceeded,
- 12 are rated Amber - below target but above floor standard
- None are rated Red – below floor standard

2.3. Net Direction of Travel was positive with 23 indicators improving, seven with no change eight showing a fall in performance.

3. Recommendation(s)

Recommendation(s):
Cabinet is asked to NOTE the Quarter 1 Performance Report.

4. Contact details

Richard Fitzgerald,
Business Intelligence Manager,
Strategic Business Development and Intelligence,
Telephone: 03000 416091
Richard.Fitzgerald@kent.gov.uk

Vincent Godfrey,
Director of Strategic Business Development & Intelligence,
Telephone: 03000 421995
Vincent.Godfrey@kent.gov.uk

Kent County Council

Quarterly Performance Report

Quarter 1

2016/17

Produced by: KCC Strategic Development and Business Intelligence
E-mail: performance@kent.gov.uk
Phone: 03000 416091

Table of Contents

Key to KPI Ratings used

This report includes 38 Key Performance Indicators (KPIs), where progress is assessed against Targets which are set at the start of the financial year through the Council's Directorate Business Plans. Progress against Target is assessed by RAG (Red/Amber/Green) ratings. Progress is also assessed in terms of Direction of Travel (DoT) through use of arrows.

GREEN (G)	Target has been achieved or exceeded
AMBER (A)	Performance at acceptable level, below Target but above Floor
RED (R)	Performance is below a pre-defined Floor Standard *
⇧	Performance has improved
⇩	Performance has worsened
⇔	Performance has remained the same
N/A	Not available

* Floor Standards represent the minimum level of acceptable performance.

Key to Activity Indicator Graphs

Alongside the Key Performance Indicators this report includes a number of Activity Indicators which present demand levels for services or other contextual information.

Graphs for activity indicators are shown either with national benchmarks or in many cases with Upper and Lower Thresholds which represent the range we expect activity to fall within. Thresholds are based on past trends and other benchmark information.

If activity falls outside of the Thresholds, this is an indication that demand has risen above or below expectations and this may have consequences for the council in terms of additional or reduced costs.

Activity is closely monitored as part of the overall management information to ensure the council reacts appropriately to changing levels of demand.

Data quality note

All data included in this report for the current financial year is provisional unaudited data and is categorised as management information. All current in-year results may therefore be subject to later revision.

Executive Summary

Overall performance for the quarter was Good, with a majority of indicators Green, on or ahead of current target. Net Direction of travel was also positive with more indicators showing improvement than showing decline.

	G	A	R	⇧	⇔	⇩
Customer Services	3			2	1	
Economic Development & Communities	1	1		1		1
Environment and Transport	7			6		1
Education and Young People	5	5		7	1	2
Specialist Children's Services	4	2		3	3	
Adult Social Care	4	2		2	2	2
Public Health	2	2		2		2
TOTAL	**26**	**12**	**0**	**23**	**7**	**8**

Customer services - Good performance was maintained for call answering and complaint response times, with call volumes down and web visits up.

Economic Development & Communities – Above target delivery for *No Use Empty* returning empty properties to use and Library usage levels maintained. Economic indicators remain strong.

Environment and Transport - Pothole repairs on time improved to above target and high satisfaction was delivered for Highways maintenance. Recycling of waste and diversion from landfill was ahead of target.

Education and Young People – Continued improvement in Ofsted inspection results for primary and Early Years and further improvements in outcomes within Early Help services. Young people not in education, employment or training remains off target. There is continued pressure on school places as the school age population continues to increase.

Specialist Children Services – Further improvement for the percentage of case files audits assessed as good or outstanding. Stability of placement for children in care and placements with in-house fostering or family and friends remain on target. The number of open cases was below national average and two years ago for all case types. Use of agency staff for qualified social workers remains high.

Adult Social Care – The number of clients receiving enablement and telecare services continues to increase. Admissions to residential and nursing care for older people have increased and were higher than target. Delayed discharges from hospital where KCC is responsible has reduced.

Public health - Health Check completions and Health Visiting were behind target with GUM and drug and alcohol services both on target.

Customer Services	
Cabinet Member	Susan Carey
Corporate Director	Amanda Beer

KPI Summary	GREEN	AMBER	RED	⇧	⇔	⇩
	3			**2**	**1**	

Since 9 December 2015, customer contact through Contact Point and digital channels has been provided by our strategic partnership with Agilisys. Performance for the percentage of calls answered by Contact Point (KCC's call centre) remained above the revised higher target during the quarter.

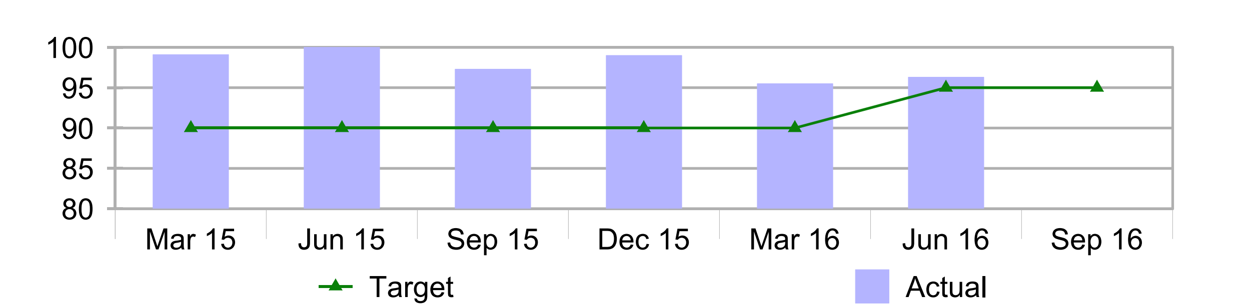
Call volumes handled by Contact Point were 2.1% lower than last quarter, and were at the low end of expectations for the time of year, being 6.3% lower than the same period last year. Overall call volumes handled in the last 12 months were 7% lower than the previous year.

Average call time increased by 7 seconds to 3 minutes 25 seconds, and is now at its highest since March 2015.

Visits to the KCC web-site increased in the quarter and were at their highest level for two years.

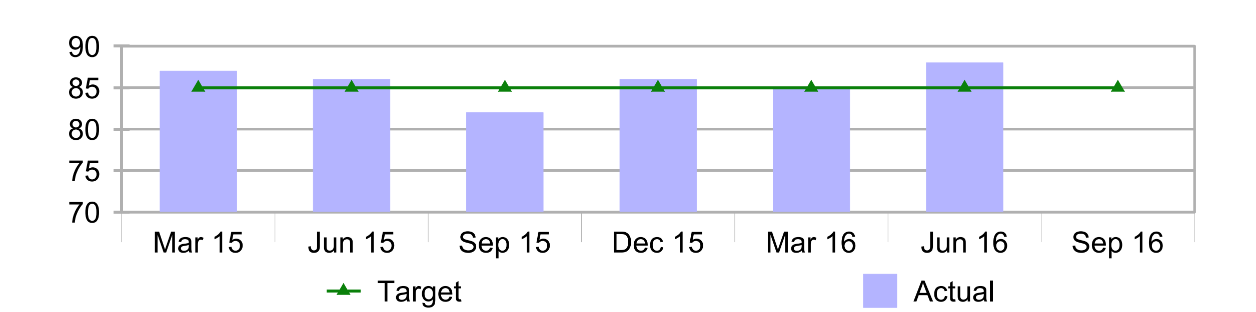
Key Performance Indicators

Percentage of phone calls to Contact Point which were answered — GREEN ⇧



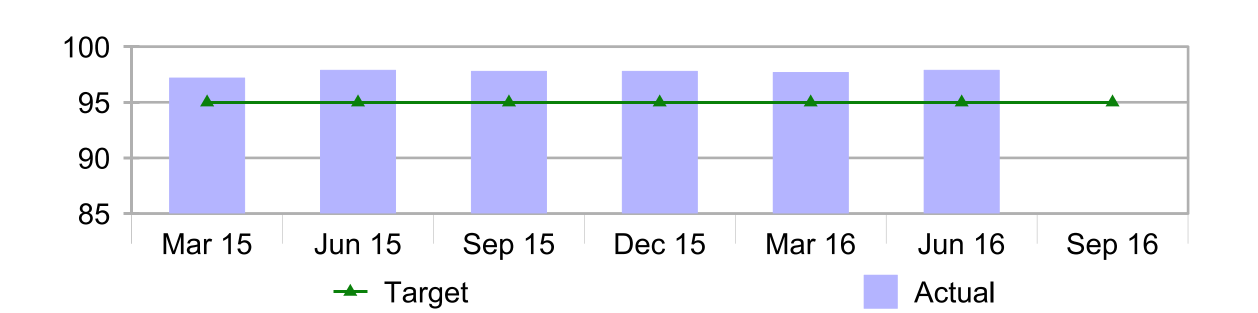
Current: 96.3%	Target: 95%	Previous: 95.5%

Percentage of complaints responded to within timescale — GREEN ⇧



Current: 88%	Target: 85%	Previous: 85%

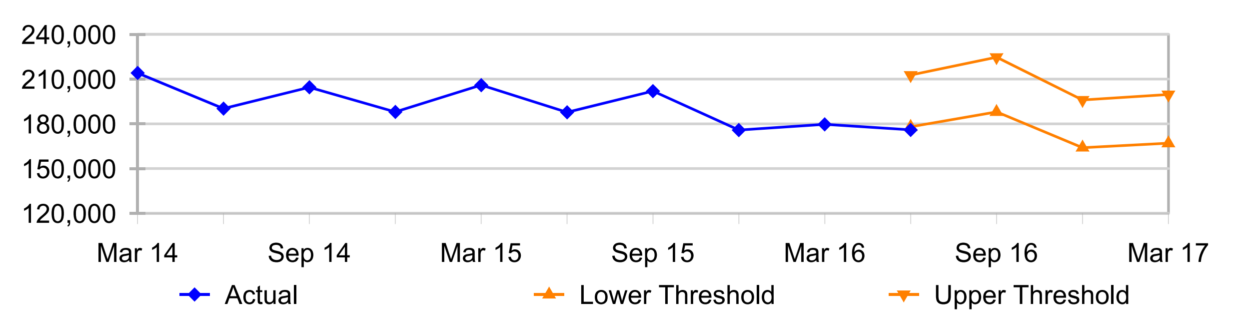
Percentage of callers to Contact Point who rated the advisor who dealt with their call as good	GREEN ⇔



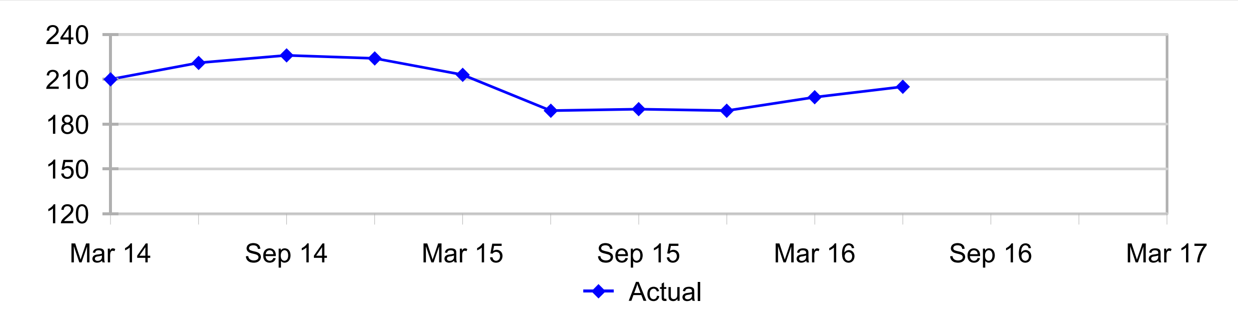
Current: 98%	Target: 95%	Previous: 98%

Activity indicators

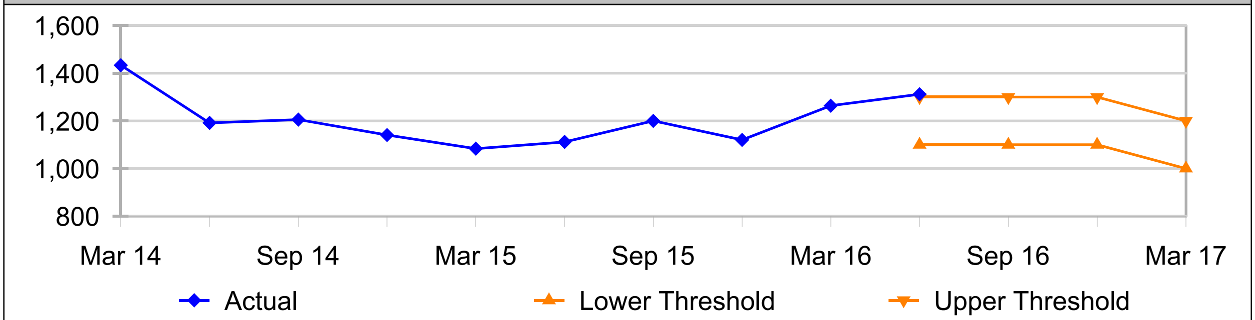
Number of phone calls responded to by Contact Point - by quarter



Average call time with Contact Point - by quarter



Number of visits to the KCC web-site (in thousands) – by quarter



Customer Services – Contact Activity

Number of phone calls, e-mails and post responded to by Contact Point

Contact Point dealt with 6.1% less enquiries than the previous quarter, and 8.2% less than for the same period last year. The 12 months to June 2016 saw 6.4% fewer contacts responded to than the year to June 2015.

Service area	Jul - Sep	Oct - Dec	Jan - Mar	Apr - Jun	Yr to Jun 16	Yr to Jun 15
Adult Social Care	39	35	36	33	143	164
Highways	26	22	26	26	100	108
Specialist Children's Services	27	25	25	25	103	110
Schools and Early Years	16	15	13	14	58	59
Main Enquiry Line	15	13	14	13	56	56
Libraries and Archives	12	11	11	11	46	44
Blue Badges	13	13	12	11	49	43
Registrations	9	9	10	10	38	43
Transport Services	15	7	9	8	39	38
Adult Education	10	7	8	7	31	32
Speed Awareness	6	5	5	6	22	27
Other Services	5	3	4	4	16	29
Waste and Recycling	3	3	3	4	13	13
Kent Social Fund	5	4	3	3	16	19
Total Calls (thousands)	**202**	**172**	**180**	**176**	**730**	**786**
e-mails handled	20	18	20	13*	71	71
Postal applications	11	10	12	10	43	44
Total Contacts (thousands)	**232**	**200**	**212**	**199**	**843**	**901**

Numbers are shown in the 000's, and will not add exactly due to rounding.

* E-mails from June only include those requiring action.
Out of hours calls are allocated 75% to Specialist Children Services, 15% for Highways and 10% Other.
Postal volumes mainly relate to Blue Badges and Concessionary Fares correspondence.

Customer Services – Complaints monitoring

The number of complaints received in the quarter showed a 10% decrease on the previous quarter, but was 2% higher than the corresponding quarter last year.

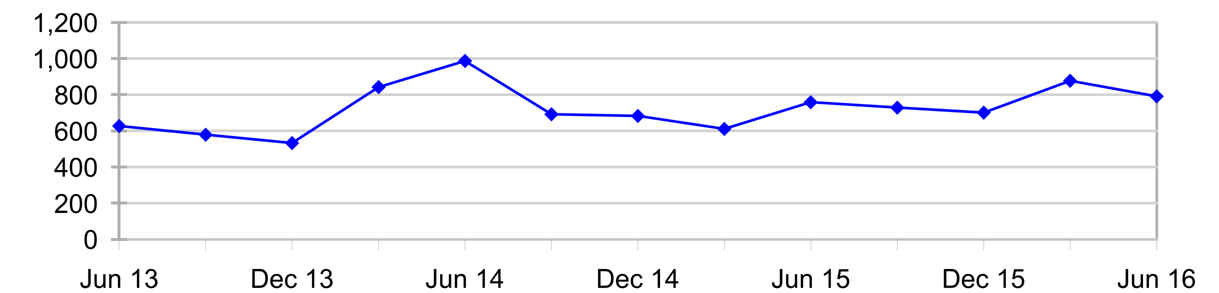
On a rolling 12 month basis, for the year to June 2016 the number of complaints showed an 11% increase on the year to June 2015

We have been focusing on capturing figures from services that have previously not reported against the key performance indicator, due to this we expect a rise in the numbers of complaints recorded over the year.

Service	12 mths to Jun 15	12 mths to Jun 16		Quarter to Mar 16	Quarter to June 16
Highways, Transportation and Waste Management	1,064	977		239	323
Adult Social Services	590	613		171	149
Finance and Procurement	356	268		49	57
Specialist Children's Services	233	253		69	65
Libraries, Registrations and Archives	172	257		75	54
Other Strategic and Corporate Services	98	165		43	61
Environment, Planning and Enforcement	84	360		185	8
Education & Young People Services	83	121		28	41
Adult Education	81	79		16	32
Other Services	4	8		2	1
Total Complaints	**2,765**	**3,101**		**877**	**791**

Activity indicator

Number of complaints received each quarter



Customer Services – Digital Take-up

The table below shows the digital/online or automated transaction completions for Key Service Areas so far this financial year.

Transaction type	Online Jul 15 – Sep 15	Online Oct 15 – Dec 15	Online Jan 16 – Mar 16	Online Apr 16 – Jun 16	Total Transactions Last 12 Months
Renew a library book*	70%	71%	71%	72%	1,500,791
Report a Highways Fault	28%	36%	39%	35%	103,844
Apply for a Concessionary Bus Pass	10%	11%	3%	10%	56,267
Apply for a Young Person's Travel Pass	60%	6%	84%	12%	42,630
Apply for or renew a Blue Badge	30%	26%	36%	36%	35,058
Book a Speed Awareness Course	77%	77%	78%	79%	33,902
Book a Birth Registration appointment	64%	59%	67%	64%	21,880
Highways Licence applications	56%	52%	53%	61%	6,660
Report a Public Right of Way Fault	14%	0%	46%	37%	5,858
Apply for a HWRC recycling voucher	96%	95%	96%	96%	4,184

* Library issue renewals transaction data is based on individual loan items and not count of borrowers.

Economic Development & Communities	
Cabinet Members	Mark Dance, Mike Hill
Corporate Director	Barbara Cooper

KPI Summary	GREEN	AMBER	RED	⇧	⇔	⇩
	1	1		1		1

Support for business
The Regional Growth Fund schemes are now closed to new applicants and by June had awarded loans and equity investments to the value of £56 million. This has supported 249 companies, with loan agreements in place to create or safeguard 5,744 jobs, 3,180 of which have already been created. During Quarter 1, work has started to review the market for business finance, to inform the launch of new programmes, as the RGF funding is recycled.

The first round of the new Innovation Investment Initiative (i3) programme also saw the allocation of £638,500 in business loans, which will support a further 56 jobs. Further funding rounds for i3 will be opened later in the year.

KCC's trade development activities have expanded, with the launch on 1 April of two new programmes to support Kent businesses in maximising exports and trade development, especially focusing on the life science sector and securing around £270,000 in Interreg funding.

Work continues to increasingly integrate KCC's offer of direct support to business. In Quarter 1, our inward investment services were re-tendered and we continued to offer focused support to the tourism (Visit Kent), food and drink (Produced in Kent) and broadcast media (Kent Film Office) sectors. We also started an evaluation of the one year pilot Growth Hub service, to inform the commissioning of a full service later this year, offering a central point of contact to ensure that businesses receive the support they need.

Securing Government investment
Delivery is now underway of £152.5 million of capital projects in Kent and Medway supported by the Government's Local Growth Fund. In April, the Government launched a further round of funding and KCC working with Medway Council and the Kent Districts, developed proposals for 21 additional schemes with a total value of £75 million. The Government is expected to announce the outcome of this in the autumn.

Between 2014 and 2020, KCC has an overall target to secure €100 million in European funding across Kent. Over half this figure has now been reached. The UK's decision to leave the European Union creates some uncertainty for projects that are currently in the pipeline; however work continues to actively pursue European funding opportunities to meet KCC priorities and early discussions have taken place with project partners.

Housing and Infrastructure
There were 111 long term empty properties returned to use through the No Use Empty programme in the quarter to June, exceeding the Programme's target.

In order to fund the infrastructure required to support growth, KCC is able to obtain financial and non-financial contributions to KCC services from developers of new housing sites and the majority of contributions are through Section 106 (s.106) agreements.

Typically, s.106 receipts are lower in the first quarter, as housebuilders seek completion before the end of the financial year. However, the amount secured in Quarter 1 represents 99% of that sought by KCC.

Section 106 developer contributions secured (£ 000's)

	Jul to Sept 2015	Oct to Dec 2015	Jan to Mar 2016	Apr to Jun 2016
Primary Education	6,526	8,663	6,851	524
Secondary Education	1,503	3,926	2,089	261
Adult Social Care	37	155	145	1.6
Libraries	126	210	348	18
Community Learning	22	83	40	1.2
Youth & Community	18	144	34	0.7
Total	**8,230**	**13,181**	**9,507**	**806**

Through the BDUK Phase 1 Project, over 120,000 homes and businesses have been connected to superfast broadband, in areas which would not have been able to gain access to superfast broadband services through commercial upgrade programmes, as these areas were assessed as "areas of market failure". The project remains on track and 91% of homes and businesses across Kent now have access to superfast broadband service of at least 24mbps. Phase 2 of the project started in January 2016 and will run through to late 2018. This work aims to extend the availability of superfast broadband services to 95.7% of homes and businesses.

Planning
The Kent Minerals and Waste Local Plan 2013-30 was adopted by the County Council in July 2016. The Plan will provide the overarching framework and planning policies to determine whether to allow new development for mineral extraction, importation and waste management in the County. It will also provide the context for the future Mineral and Waste Sites Plans.

Libraries, Registration and Archives
The service became internally commissioned on 1 April 2016 working to the agreed service specification. The service plan has been developed to demonstrate how we are targeting services according to customer profile and need and work continues to make the service more commercially focussed. Issues and visits this quarter are

generally on a par with last year. This is an improvement on previous years when we have experienced a significant year on year fall.

Total ceremonies conducted in the quarter to June were slightly above the same period last year. The service delivered events in the quarter which were attended by nearly 50,000 residents, including those for babies, children and parents, people with learning disabilities and older people. Over 1,500 customers receiving the home library service.

Community Services

Eight volunteer Support Wardens were recruited between December 2015 and February 2016, for a 6 month pilot scheme. Activities being carried out by the volunteer Wardens include visible patrols, community engagement and dealing with community concerns such as dog fouling, pest control, overgrown footpaths, and litter and parking problems.

The wardens continue to support uniformed police presence in their communities and have received positive feedback from the Chief Constable in providing this role.

In April, the integrated Kent Community Safety Team (KCST) coordinated one of its regular Community Safety Information Sessions, providing countywide community safety information to approximately 30 attendees from partner agencies including district/borough community safety units. Topics covered were Serious and Organised Crime, Integrated Offender Management, New Psychoactive Substances and Domestic Abuse.

Emergency Planning

During the quarter, the Kent Resilience Team and the Resilience & Emergencies Unit were alerted to 98 incidents. This total included a significant response effort to heavy rainfall in June, which resulted in the flooding of some 149 properties.

In the first quarter, two multi-agency exercises have taken place, testing offsite plans for Control of Major Accident Hazards (COMAH) sites on the Isle of Grain and in Ashford.

The Resilience & Emergencies Unit has recently published a suite of corporate documents to enhance the Council's resilience, including Guidance on the Role of Members in an Emergency, an updated and improved KCC Resilience Programme, the KCC Major Emergency Plan and KCC Recovery Plan, along with a number of other risk specific emergency plans.

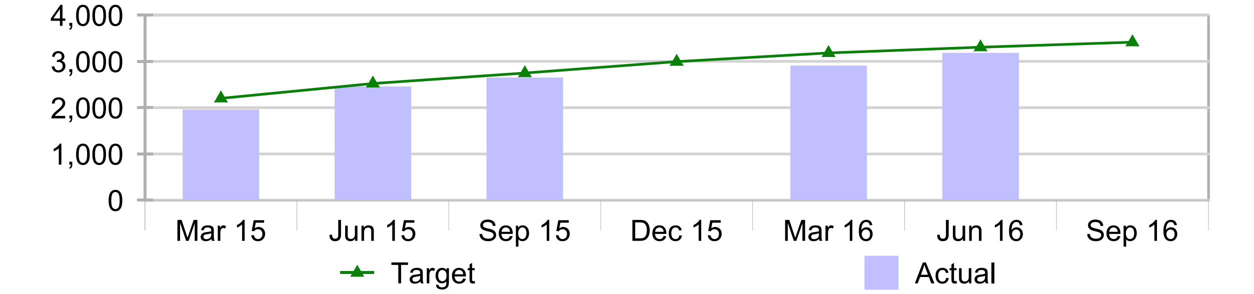
Sport and Physical Activity

This quarter has seen the Kent School Games held. Competitive inter-school heats across all twelve districts continued in this first quarter, leading up to the fortnight of Kent School Games Finals events in June 2016. Attended by Minister for Sport, Tracey Crouch, Finals were staged across 38 sports, all of which are selected only if inspired youngsters can then continue in that sport in a community or school setting. 6, 350 children participated in the Finals. From research on the Kent School Games Finals, we know that a disproportionate number of statemented children participate in the Finals compared to the overall Kent school populations.

National figures on sports participation confirmed Kent as one of only seven counties in England to have significantly grown participation in sport since London were awarded the Olympic and Paralympic Games in 2005.

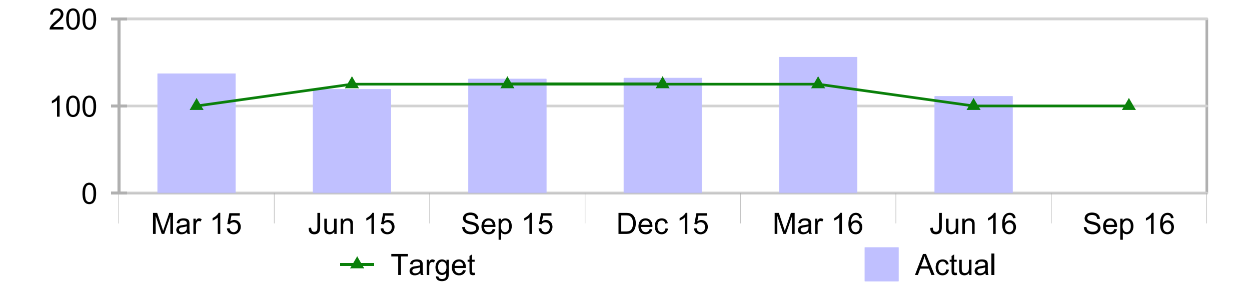
Key Performance Indicators

Full time equivalent jobs created/safeguarded through Regional Growth Fund loan schemes	AMBER ⇧



Current: 3,180	Target: 3,306	Previous: 2,902

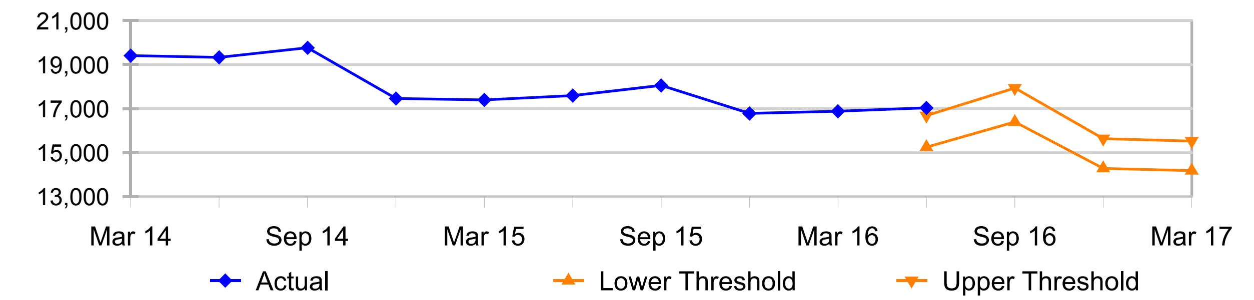
Number of homes brought back to market through No Use Empty (NUE)	GREEN ⇩



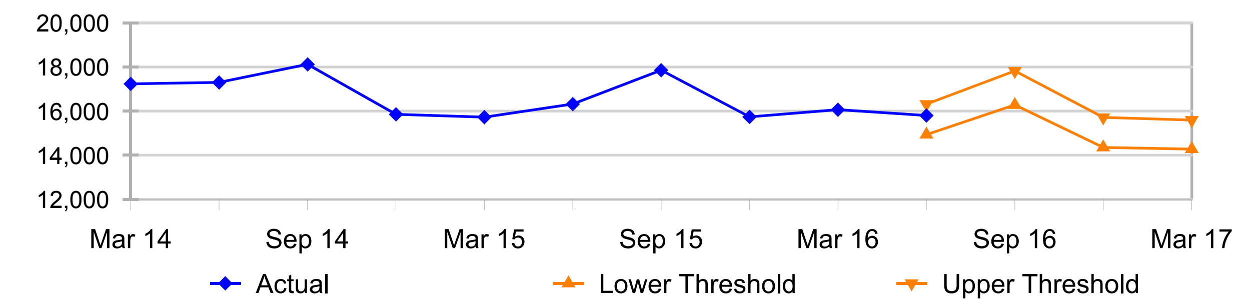
Current: 111	Target: 100	Previous: 156

Activity indicators

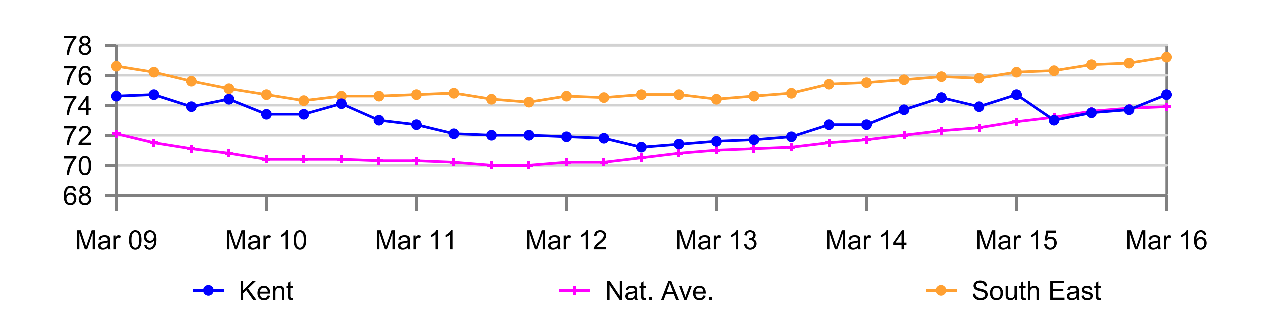
Average number of visits to Kent libraries per day



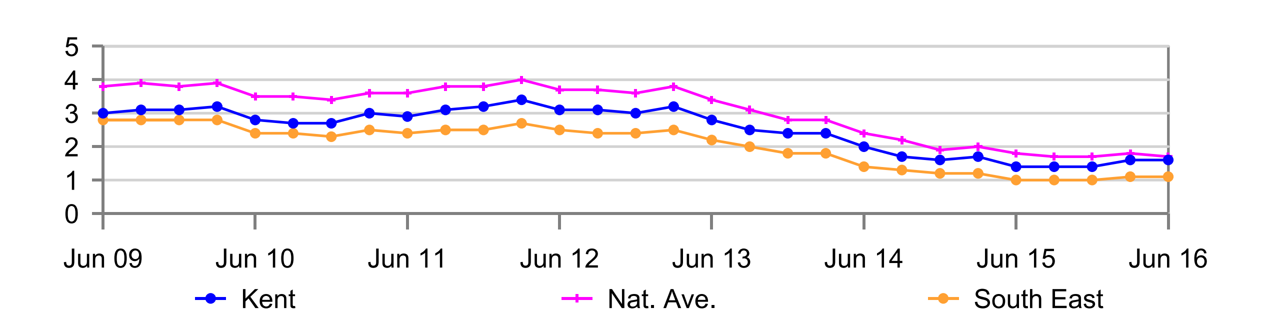
Average number of book issues from Kent libraries per day



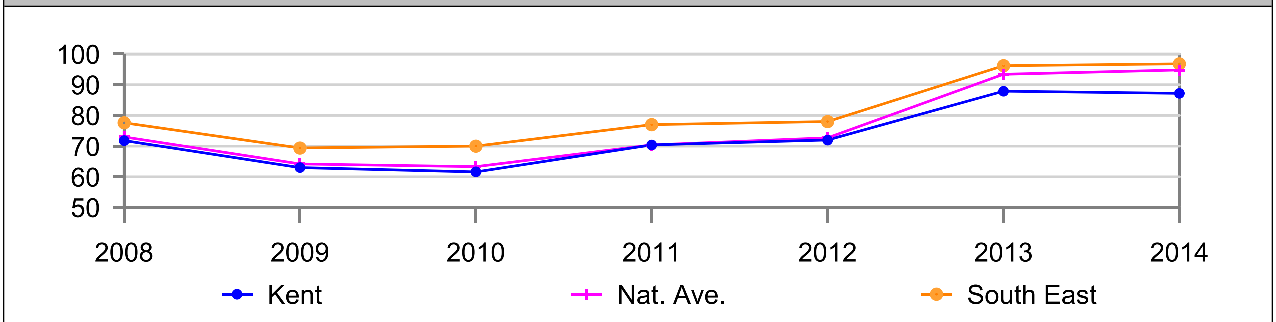
Percentage of population aged 16 to 64 in employment (from the Annual Population Survey)



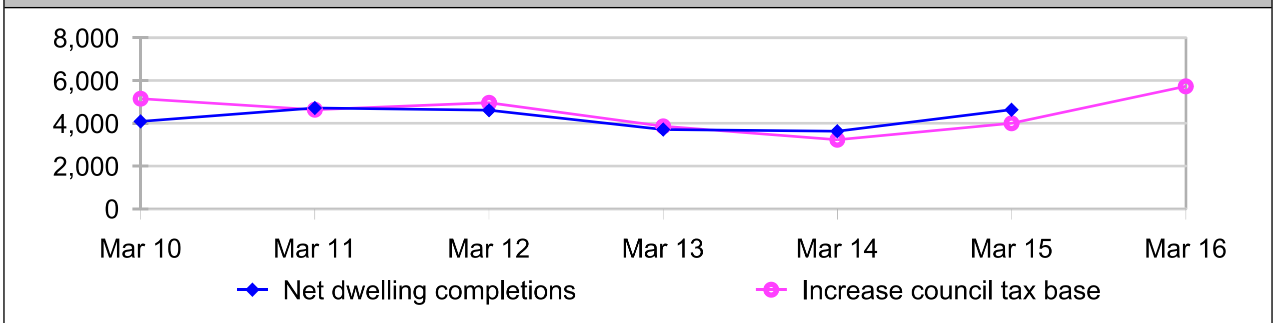
Percentage of population aged 16 to 64 claiming unemployment benefits



Business start-ups per 10,000 population aged 18 to 64



Net Dwelling Completions and additions to council tax base – by year



Environment and Transport	
Cabinet Members	Matthew Balfour
Corporate Director	Barbara Cooper

KPI Summary	GREEN	AMBER	RED	⇧	⇔	⇩
	7			**6**		**1**

Highways
Performance was above target on all four measures for Highway maintenance. New enquiries raised for action in the quarter were at the upper end of seasonal expectations with 25,903 new enquiries compared to 22,431 this time last year. The heavy rain in June created some periods of high demand both for flooding and the resulting pothole damage. The higher demand created an open work in progress of 6,897 enquiries at the end of June which was also at the upper end of seasonal expectations. Staff are working hard with our contractors to ensure we continue to meet our published response times for all enquiries and faults that customers have raised with us.

In this quarter progress was made on a number of key projects including the 2016 Find&Fix programme to repair potholes across the County. We also introduced new arrangements to support delivery of the Combined Member Grant via local District Managers. By the end of June we will have completed almost 11,000 Streetlight LED conversions against our target of 60,000 for the year. An updated Fees & Charges schedule has been published on the KCC website to ensure we are charging fairly for services and to generate income to help the delivery of services.

A revised Divisional Management structure has been developed and will be implemented in August and this will see the Director's senior management reduced from six, to four Heads of Service.

Road Safety
The 2015 calendar year saw 54 Fatalities, 578 Serious Injuries and 5,801 Slight injuries on Kent roads. Compared to 2014, Fatalities were 10% up, Serious Injuries were 4% down and Slight injuries 8% down. Whilst road 'environment' causation factors have decreased, unfortunately road 'user behaviour' causation factors have increased.

We continue to work closely with partners such as the Police to review and deliver the actions set out in our Road Casualty Reduction Strategy. Actions include making improvements in data collection to ensure we have more timely statistics and information in order to assess the cause of crashes and develop future mitigations.

Local Growth Fund Highways Capital Projects
Through the South East Local Enterprise Partnership (SELEP), £113.4 million of funding has so far been allocated for Transport projects within Kent from rounds 1 and 2 of the Local Growth Fund (LGF). The Government recently announced the release of a further tranche of £1.8 billion national LGF funding (LGF 3), with a closing date for bids by 28th July 2016.

All 12 projects allocated LFG in 2015/16 are progressing well, with the exception of the Middle Deal and Sittingbourne Town Centre Regeneration schemes which are being delivered by third parties and are behind on delivery.

Folkestone Seafront (Infrastructure works), phase 1 of Tonbridge High Street and the Yew Tree Junction improvement scheme have all been completed with M20 Junction 4 (Leybourne), Rathmore Road and Maidstone Bridge Gyratory progressing well.

The amended scope of the Yew Tree Junction scheme has been recently approved by the SELEP Accountability Board to become Tunbridge Wells Junction Improvement Package. Additional approvals were given in June 2016 for the Sturry Link Road scheme business case and the transfer of the £3m LGF allocation from Westenhanger Lorry Park to bridge the funding gap for the Ashford Spurs project. The Westenhanger scheme has now been removed from the LGF programme.

Two projects are currently at risk for 2016/17. The Ashford International Rail Connectivity Project (Ashford Spurs) has a current funding gap and a LGF3 bid has been proposed to bridge this gap. The Dover Docks project does not yet have an approved business case which is to be submitted by the third party managing the project.

	Start: 2015/16	**Start: 2016/17**	**Start: 2017/18 and later**	**Total**
Total Value (£m)	47.8	123.1	59.6	230.5
LFG funds (£m)	33.0	46.5	33.9	113.4
Projects	12	9	3	24
Complete	1	-	-	1
Green (on track)	8	4	1	13
Amber (some slippage or further work required)	1	3	2	6
Red (at significant risk)	2	2	0	4
LGF Value of Red projects	6.1	10.7	0	16.8

Waste Management
Performance for the diversion of waste from landfill was above target at 94% in the 12 months to June which was 5% higher than the previous 12 montsh. Performance for recycling and composting at Household Waste Recycling Centres (HWRCs) was above target at 70% the highest we have seen for over a year. Total waste tonnage arisings have increased to 715,000 tonnes in the 12 months to March 2016, up from 713,000 in the previous year and with population growth this level of increase is expected to continue.

Further improvement in reducing the amount of waste going to landfill is likely as alternative methods to treat waste by creating refuse derived fuel (RDF) rather than sending bulky waste to landfill is now on stream through a new contract for Waste Treatment and Final Disposal which started in April 2016.

Our capital projects are progressing well. Church Marshes bridge works are advancing now the broken sewer is repaired and the food compactors have been installed at the transfer station with full completion due in October. The remediation works at the closed landfill site at Richborough are substantially completed.

Carbon Emissions
This is the final report of performance against KCC's 5 year corporate carbon dioxide emissions target. Since 2010/11 these emissions have fallen by 17%, exceeding the target by 4%. Emissions from corporate buildings energy use and business mileage reduced at a greater rate achieving more than 21% reduction over the period, some of which can be attributed to milder weather.

This success is set to continue in the next five year period, with a new corporate target set to reduce all greenhouse gas emissions by 32% by 2021. This will be delivered through the street lighting strategy, further estate rationalisation and energy efficiency opportunities coming forward through the TFM contracts. Business mileage decreased by 3.5 million miles in the last five years and is expected to decrease at a slower rate as significant savings from digital technologies have been realised.

The Council continues to meet the ISO14001 standard for environmental management; the next assessment takes place in September 2016.

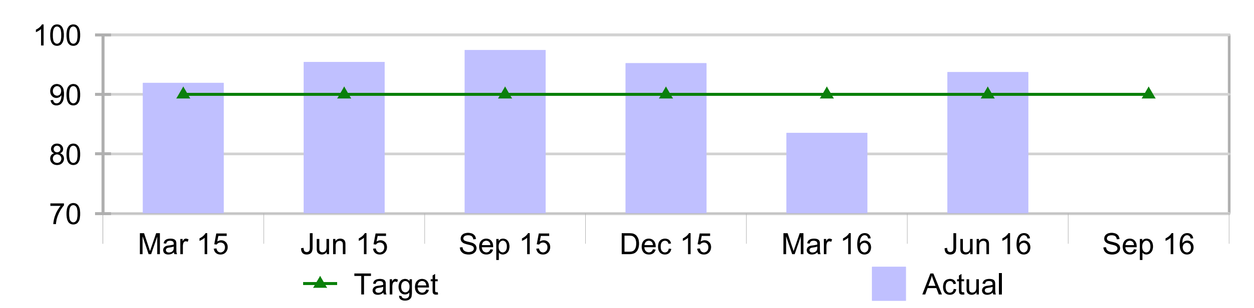
There continues to be strong interest from schools in LED lighting projects, utilising the energy efficiency investment fund and this is contributing to delivery of the Kent Environment Strategy and Kent wide targets to reduce greenhouse gas emissions.

Kent Environment Strategy
Following extensive countywide engagement, the Sustainable Business and Communities team are finalising the KES Implementation Plan, ready for review at the end of August. The plan documents over sixty actions that are being delivered in partnership to address priorities working across environment, health and economic outcomes. A number of soft launches will take place linking to other planned events relevant to the strategy, commencing with the Kent Nature Partnership June 2016 Conference. The team also successfully bid for EU funds to deliver a pan-LEP ERDF project totalling £18.5 million, called Low Carbon Across the South East (LoCASE). The project will run for 3 years and will assist businesses in Kent and across the southeast to optimise the use of resources and adopt eco-innovative and low carbon solutions in ways that improve business performance in terms of resilience, profitability and competitiveness, at the same time contributing to the protection and preservation of the environment.

Kent Country Parks
The Country Parks team has retained all seven Green Flag awards this year awarded at the Country Parks of Shorne Woods, Lullingstone, Trosley, Teston Bridge, Brockhill, Pegwell Bay and Manor Park. This award is the independently assessed mark of a quality park or green space, and confirms that communities in Kent are benefitting from a green space of the very highest quality.

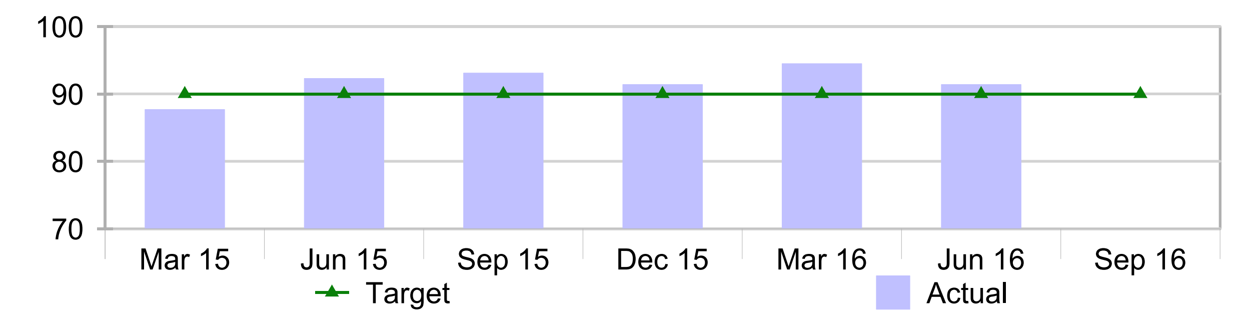
Key Performance Indicators

Percentage of routine pothole repairs within 28 days — GREEN ⇧



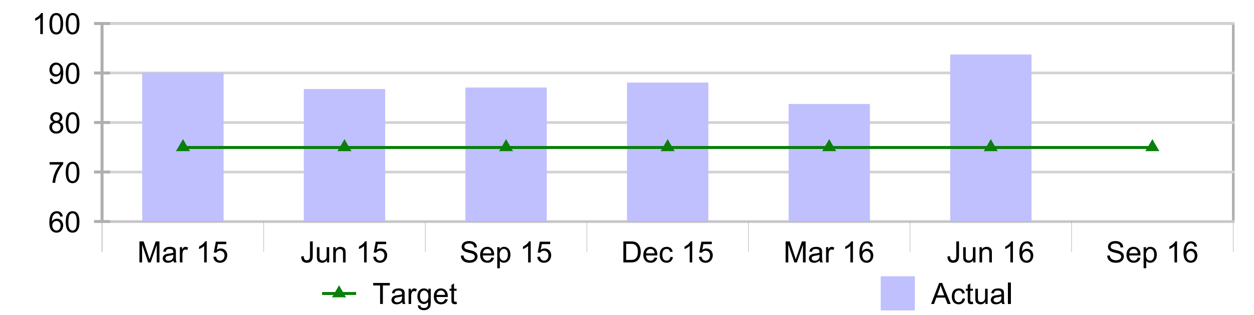
Current: 94%	Target: 90%	Previous: 84%

Percentage of routine highway repairs reported by residents completed within 28 days — GREEN ⇩



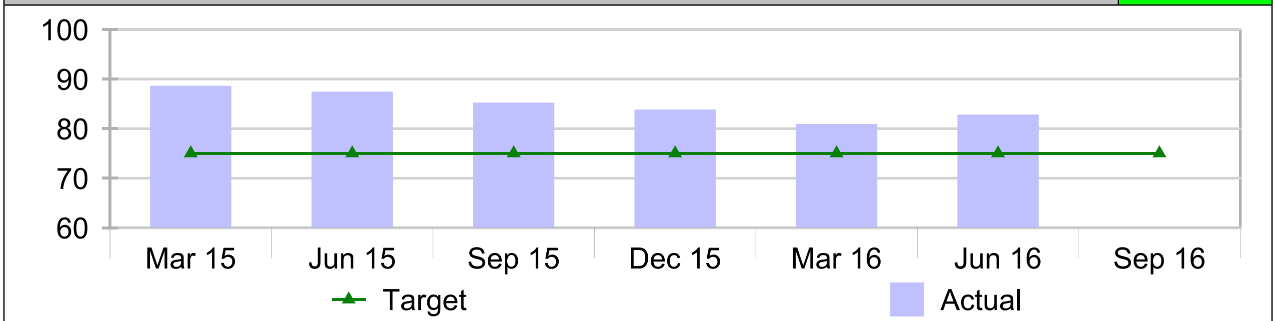
Current: 91%	Target: 90%	Previous: 95%

Percentage of satisfied callers for Kent Highways and Transportation, 100 call back survey — GREEN ⇧



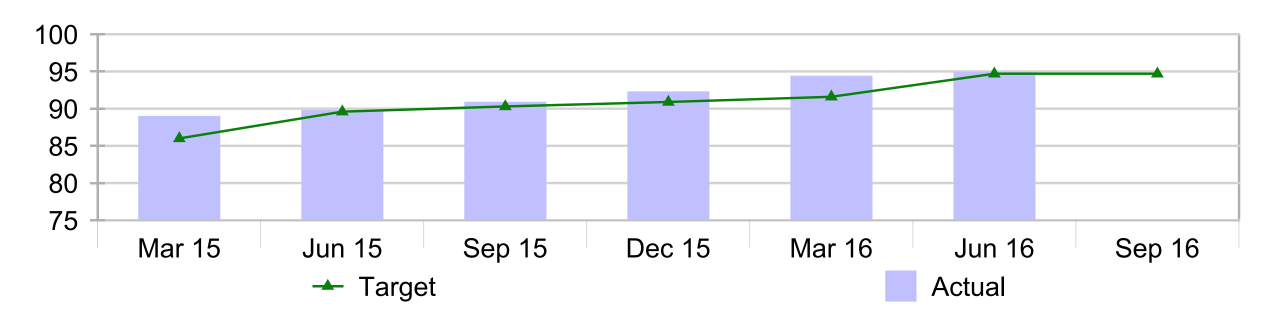
Current: 94%	Target: 75%	Previous: 84%

Resident satisfaction with completed Highways schemes (survey) — GREEN ⇧



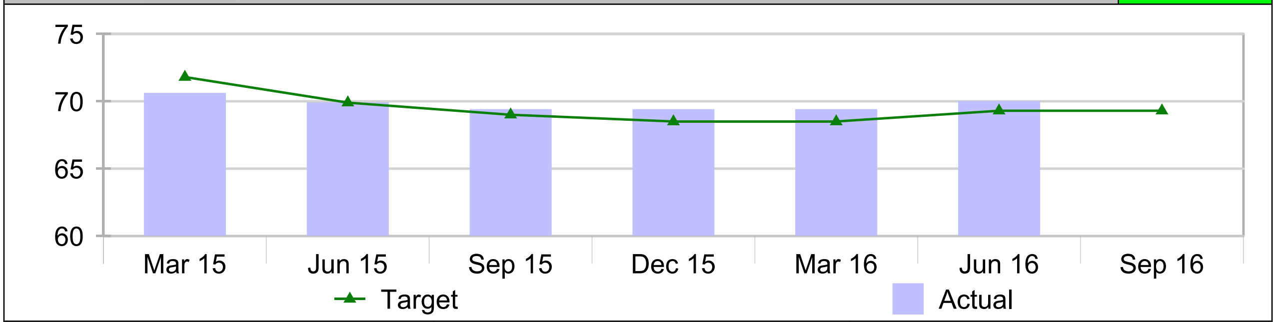
Current: 83%	Target: 75%	Previous: 81%

Percentage of municipal waste recycled or converted to energy and not taken to landfill - rolling 12 months	GREEN ⇧



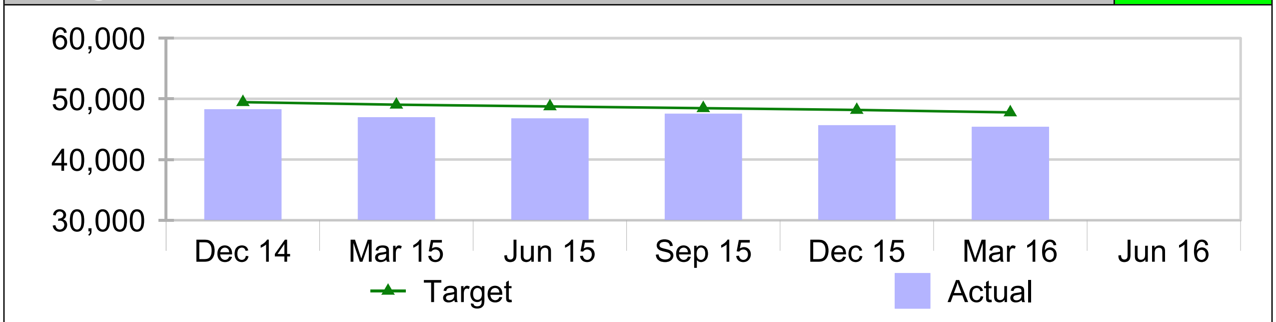
Current: 94.9%	Target: 94.7%	Previous: 94.4%

Percentage of waste recycled and composted at Household Waste Recycling Centres (HWRC) – rolling 12 months	GREEN ⇧



Current: 70.0%	Target: 69.3%	Previous: 69.4%

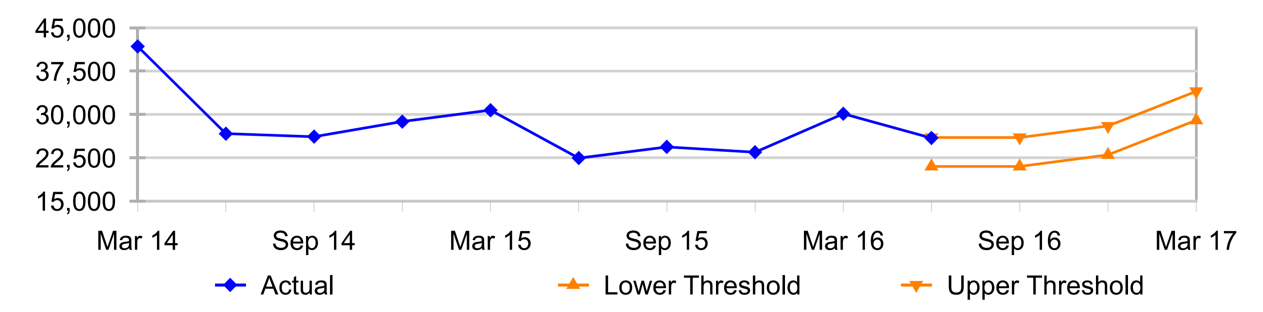
Carbon Dioxide emissions from KCC estate (excluding schools) in tonnes – rolling 12 months	GREEN ⇧



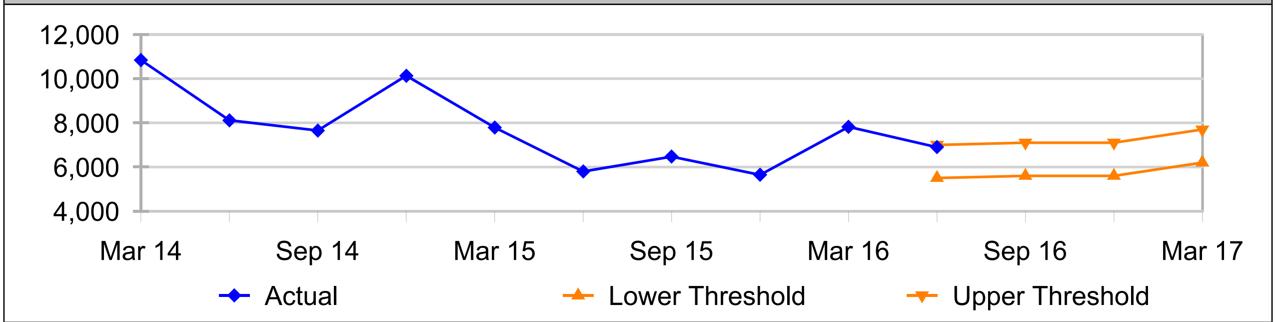
Current: 45,359	Target: 47,762	Previous: 45,628

Activity indicators

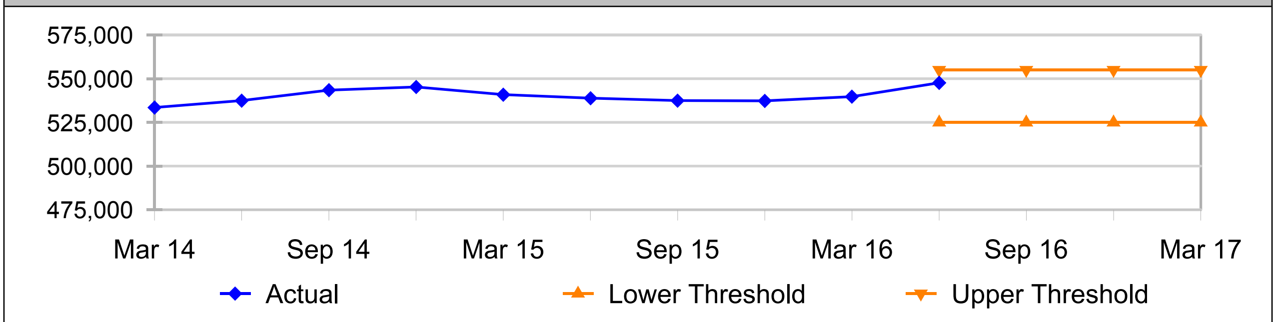
Number of Highways enquiries raised for action - by quarter



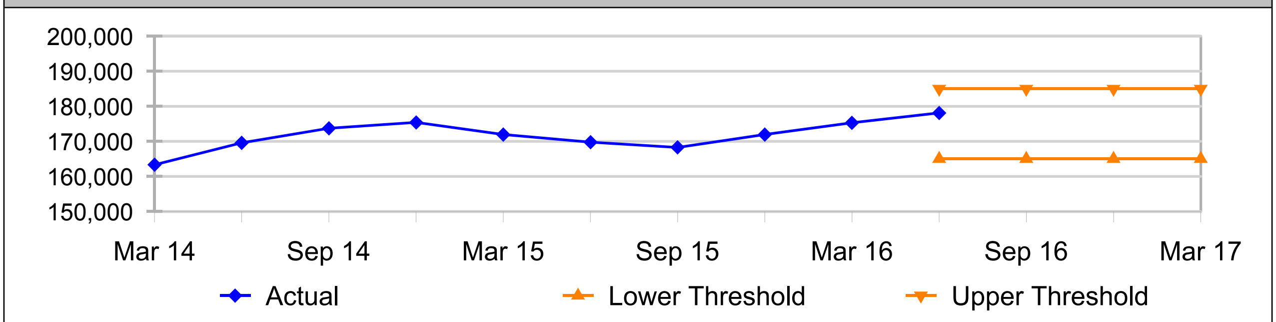
Highways Open enquiries work in progress (Routine and Programmed works)



Tonnage collected by districts - rolling 12 months



Tonnage managed through HWRC - rolling 12 months



Education and Young People	
Cabinet Member	Roger Gough, Peter Oakford, Mike Hill
Corporate Director	Patrick Leeson

KPI Summary	GREEN	AMBER	RED	⇧	⬄	⇩
	6	**5**	**0**	**8**	**1**	**2**

Schools
In June 2016, 480 of the 583 schools in Kent were Good or Outstanding with 86% of pupils attending a Good or Outstanding schools compared to 83% at the same time last year, an increase of 8,182 children receiving a better education. The percentage of Primary schools judged by Ofsted as Good or Outstanding improved by 1% in the quarter, ahead of target, with the percentage of Secondary schools remaining the same, just below the target of 90%, but ahead of the national average. The priorities for the Standards and School Improvement Team continue to be sustaining the increase in the number of good and outstanding schools, reducing the number of schools causing concern and requiring improvement. We will maintain a relentless focus on raising standards and narrowing performance gaps for disadvantaged and vulnerable learners.

Early Years
The percentage of Early Years settings which were Good or Outstanding at 94% was above the national average of 90.5% and the target of 92%. Key priorities for the Early Years and Childcare Service are to continue to increase the percentage of settings judged as good or outstanding, to continue to increase the take up of free early education places by eligible two year olds working in partnership with Children's Centres, and to continue to ensure that sufficient high quality places for these two year olds are available. Other priorities are to increase the number of children achieving a Good Level of Development at the end of the Early Years Foundation Stage, to narrow achievement gaps, and increase the number of Early Years settings working within a collaboration.

Skills and Employability
The number of young people who are NEET has improved this year with June 2016 numbers being nearly half a percent lower than the same time last year. This coupled with the 2.2% improvement in Not Known figures demonstrates improvements on the ground, as in June a reduction in Not Knowns would normally lead to an increase in NEETs. Kent is now 4th out of 11 statistical neighbours for the Not Known figures but the NEET figures remains stubbornly above expectations. However there is a good foundation for further reduction with the introduction of a new DfE joint NEET/Not Known measure in the Autumn, and the change to only counting 17 and 18 year olds in future. At the same time, there has been an increase of 15% this year in Kent 16-18 year olds in apprenticeships, compared to 2014/15. As a result of this improvement we will achieve over 3,000 16 - 18 year old starts for 2015/16 for the first time. The Kent Employment Programme (KEP) has been a huge success, moving unemployed young people into apprenticeships, working with local employers in Kent. KEP 2 has successfully achieved its target with 109 apprenticeship starts, of which 76% were NEET young people. There has been continued success with the Assisted Apprenticeship scheme with 179 starts over the last five years, Care Leavers make up 19% of all starts.

SEND

The percentage of Education, Health and Care Plans (EHCPs) issued within the statutory 20 weeks was 82.0% in the quarter against a target of 90%. DfE published data for 2015 showed that Kent is performing well compared to other LAs nationally, issuing 86.2% of new EHCPs issued within 20 weeks, compared to 59.2% nationally and transferring 30.3% of all existing statements to EHCPs, compared to 18.2% nationally. However maintaining this pace and responding to new duties following the first cycle of annual review of plans from 2015 has created volume pressure and most recently adversely affected overall performance. This is a national issue. A review of quality assurance has been completed and new arrangements are being introduced from September 2016 to refine the processes further. Whilst the training and development of staff has seen positive outcomes for individuals to take on more responsibilities, in the light of new SEND duties under the 2014 Act, area teams have lost experienced SEN Officers and the volume demands of the statutory assessment process have increased.

School Places and Admissions

We have been successful in securing the necessary additional school places required for admission to Primary and Secondary school in September 2016. For 2015/16 across Kent as a whole the target was achieved in ensuring there are 5% surplus school places in both the Primary and Secondary sectors. There are fewer Districts with less than 5% surplus capacity in Year R than in previous years. Our forecasts in 2015/16 were accurate to within 0.2% for both Year Reception and Primary school rolls, and 0.6% for Secondary school rolls. Year 7 forecasts differed from the actual roll by 2 pupils out of a cohort of over 16,000. The proportion of parents securing their preferred schools has increased. For admission in September 2016 over 81% of parents secured their first preference Secondary school, almost 1% higher than in 2015. Primary school place offers saw 87% of families securing their first preference school (up over 1% on the previous year), which exceeded the 85% target.

Early Help

The percentage of Early Help cases closed with positive outcomes achieved increased in the quarter from 83% to 85%. The percentage of cases closed to SCS that were safely stepped-down to Early Help and Preventative Services is at 22%, just below the 23% target. For permanent exclusions, the rolling 12 months total has improved (across both Primary and Secondary phases) to 0.03% (69 children) and the target was met. This is a significant reduction compared to the previous year. The number of first time entrants to the Youth Justice system has also shown further reduction ahead of target.

Intensive Early Help support is delivered in integrated teams in all districts, with casework managed through Early Help Units. There is close working with schools and alignment of all systems and processes with Specialist Children's Services. Significant improvements have already been seen to case throughput and effectiveness, securing improved outcomes for children, young people and families. Performance is monitored and managed using an outcome tracker system for all cases and the monthly scorecard which includes data for all performance measures.

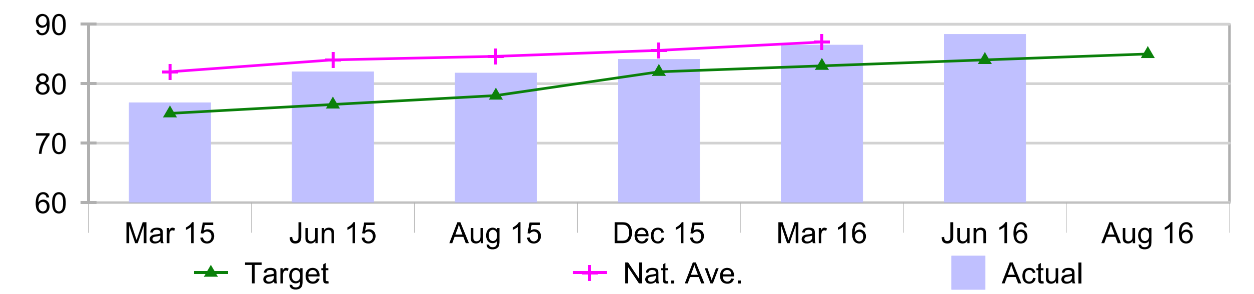
All work within the service is underpinned by a new Quality Assurance Framework, with a clear cycle for audit, evaluation and feedback. Family work is underpinned by the Signs of Safety model which has been rolled out to all staff working with families. The Early Help Strategy and Three Year Plan provides the vision, ways of working and priorities for Kent's Early Help and Preventative Services for 2015-18.

Implementation is underway of a project to streamline the way in which schools access support from the PRU, Inclusion and Attendance service. This process will ensure one single route into the service, and appropriate and timely allocation of work. This has been successfully piloted and will roll-out to all schools in September 2016.

New processes have been introduced to embed the NEET strategy into all aspects of Early Help and Preventative Services, to ensure an integrated approach across the service when working with young people at risk of NEET, or with those already NEET.

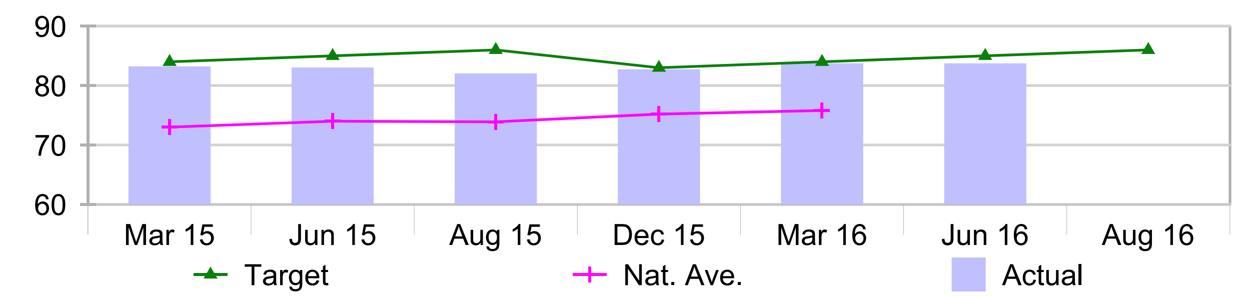
Key Performance Indicators

Percentage of Primary schools with Good or Outstanding Ofsted inspection judgements	GREEN ⇧



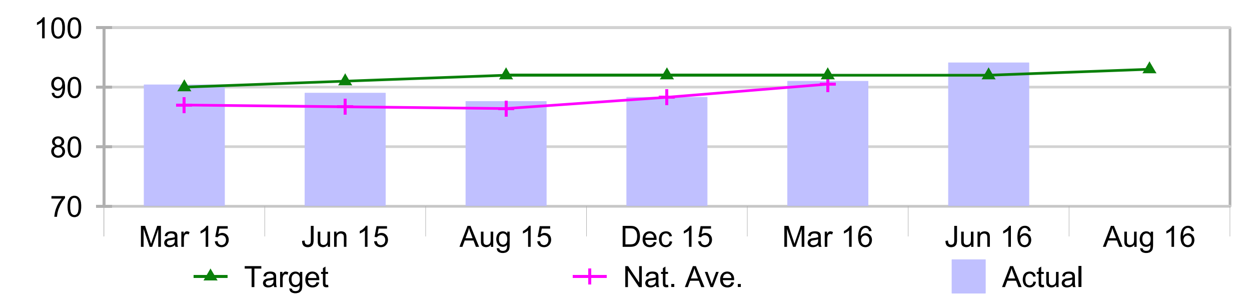
Current: 88%	Target: 87%	Previous: 87%

Percentage of Secondary schools with Good or Outstanding Ofsted inspection judgements	AMBER ⇔



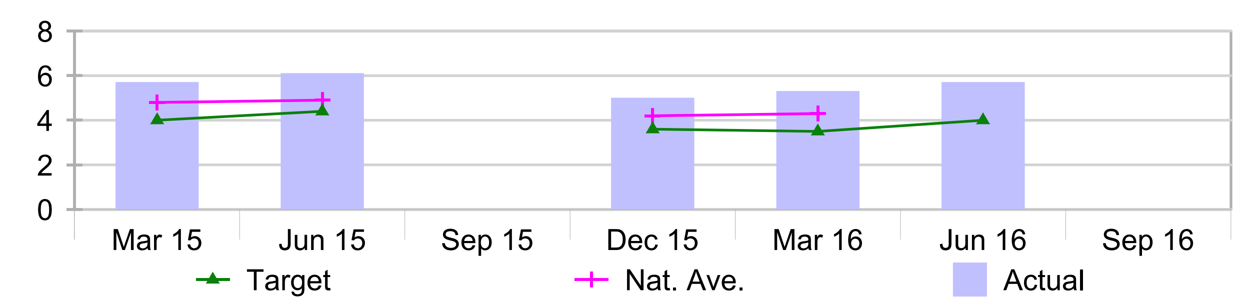
Current: 84%	Target: 85%	Previous: 84%

Percentage of Early Years settings with Good or Outstanding Ofsted inspection judgements (childcare on non-domestic premises)	GREEN ⇧



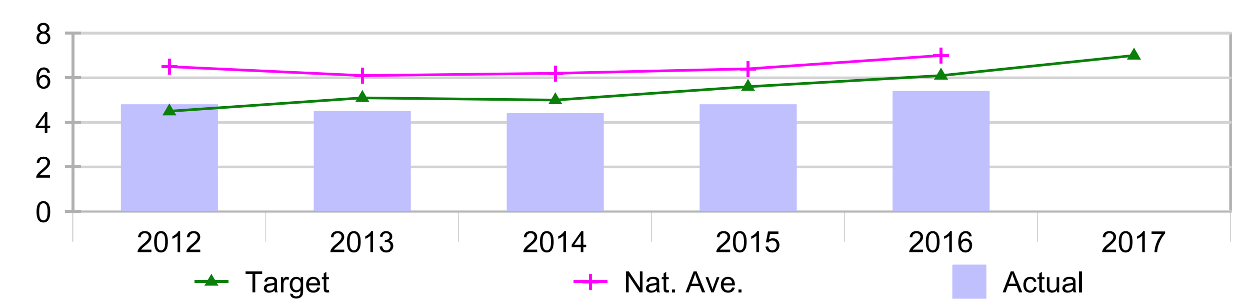
Current: 94%	Target: 92%	Previous: 91%

Percentage of 16-18 years olds not in education, employment or training (NEETs)	AMBER ⇩



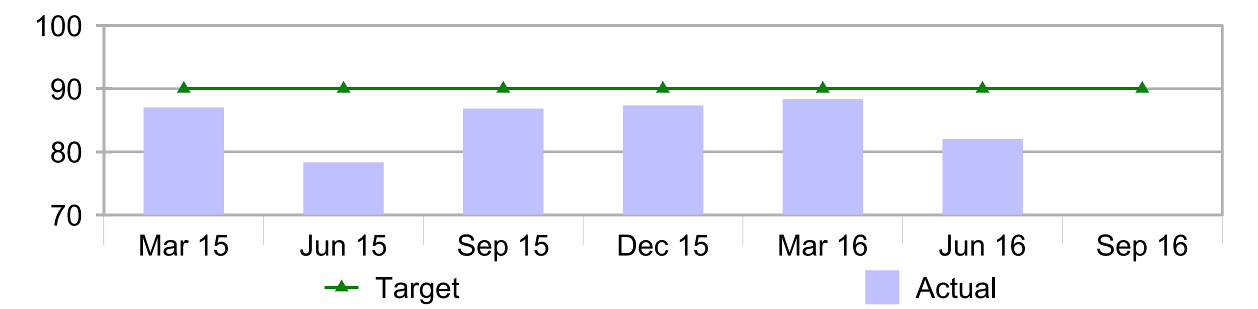
Current: 5.7%	Target: 4.0%	Previous: 5.3%

Percentage of 16-18 year olds who start an apprenticeship	AMBER ⇧



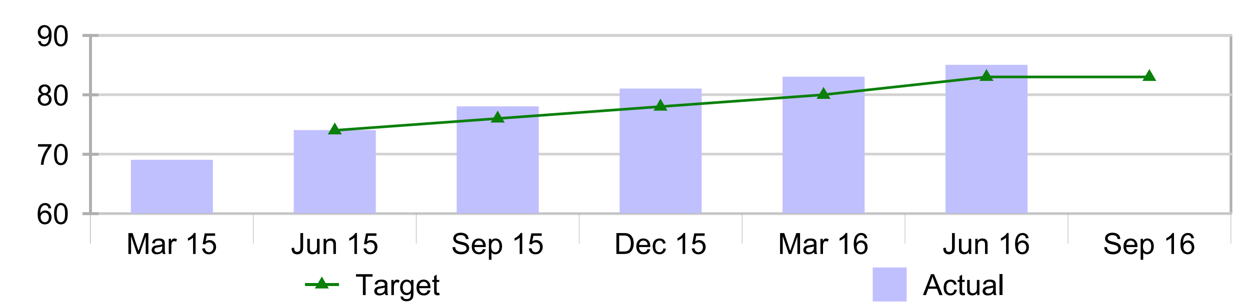
Current (Estimate): 5.4%	Target: 6.1%	Previous: 4.8%

Percentage of Education, Health and Care Plans (EHCPs) issued within 20 weeks	AMBER ⇩



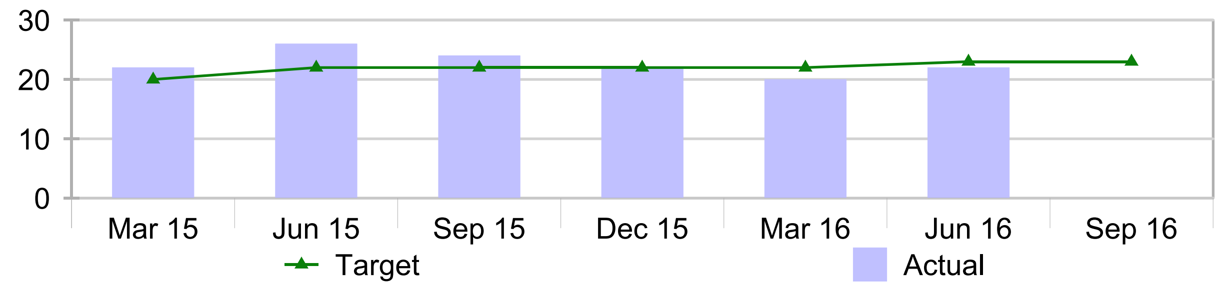
Current: 82%	Target: 90%	Previous: 88%

Percentage of cases closed by Early Help Units with outcomes achieved	GREEN ⇧



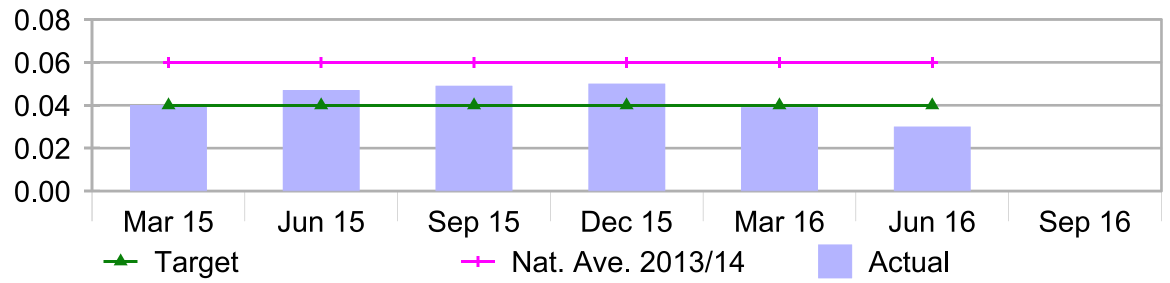
Current: 85%	Target: 83%	Previous: 83%

Percentage of children in need cases stepped down to Early Help & Preventative Services	AMBER ⇧



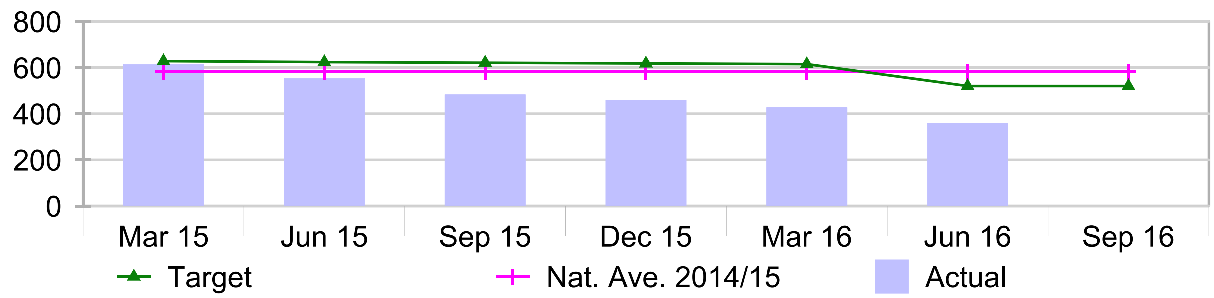
Current: 22%	Target: 23%	Previous: 20%

Percentage of pupils permanently excluded from school - rolling 12 months	GREEN ⇧



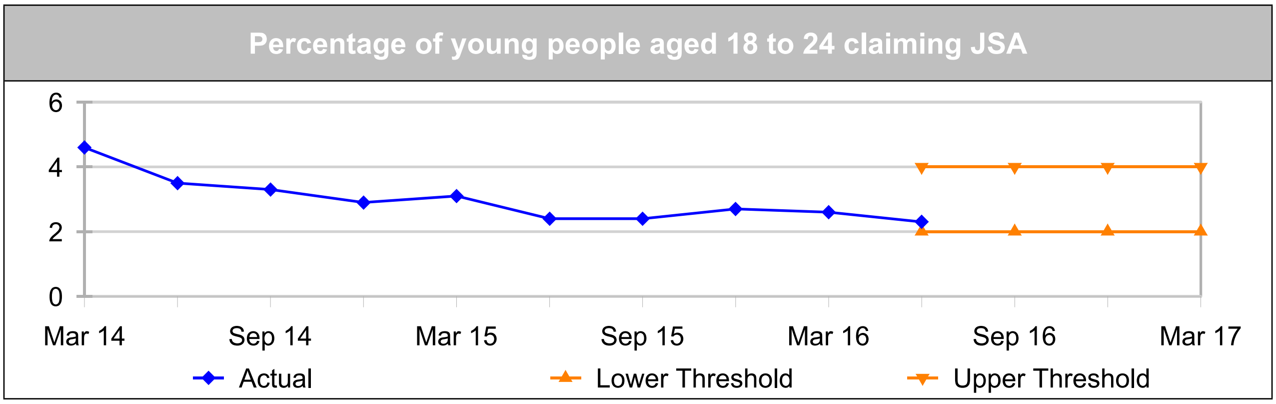
Current: 0.03%	Target: 0.04%	Previous: 0.04%

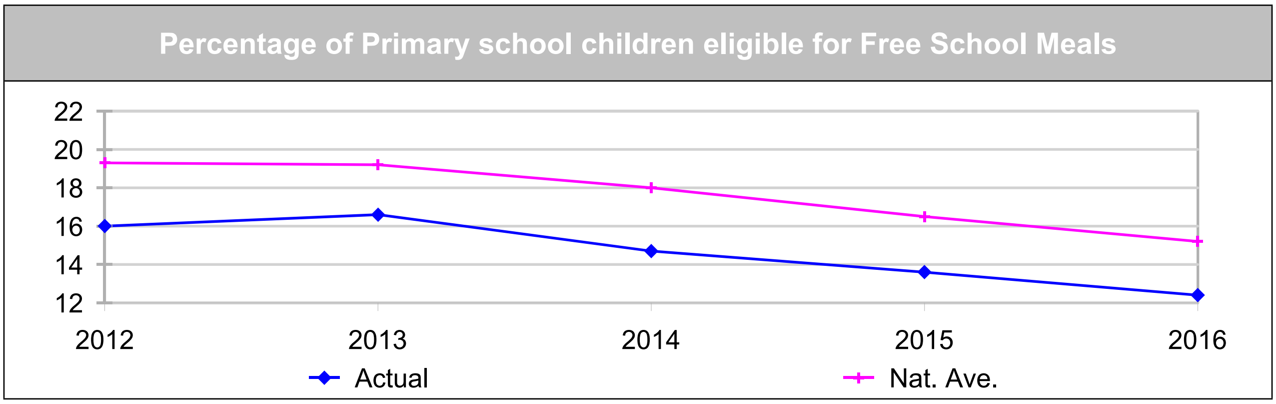
Number of first time entrants to youth justice system - rolling 12 months	GREEN ⇧

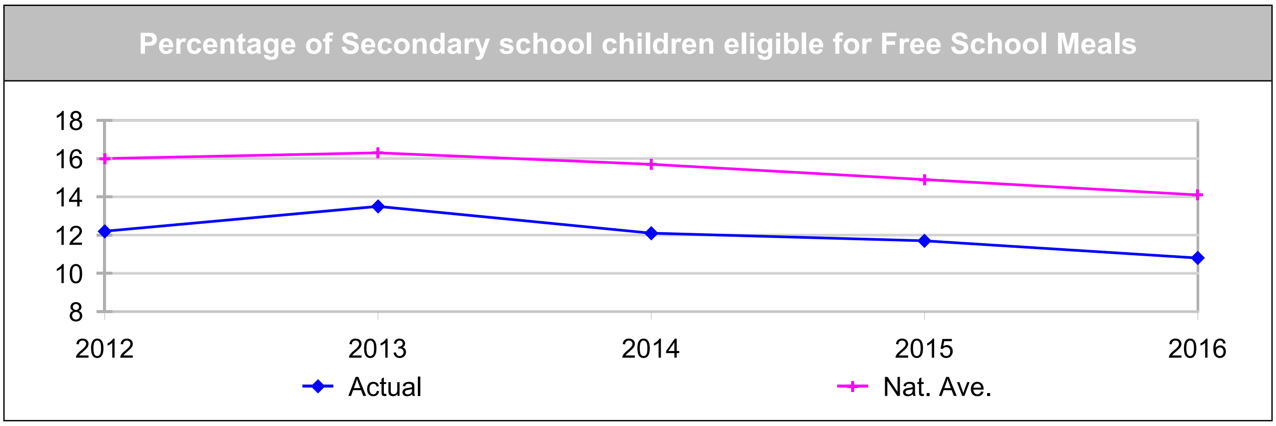


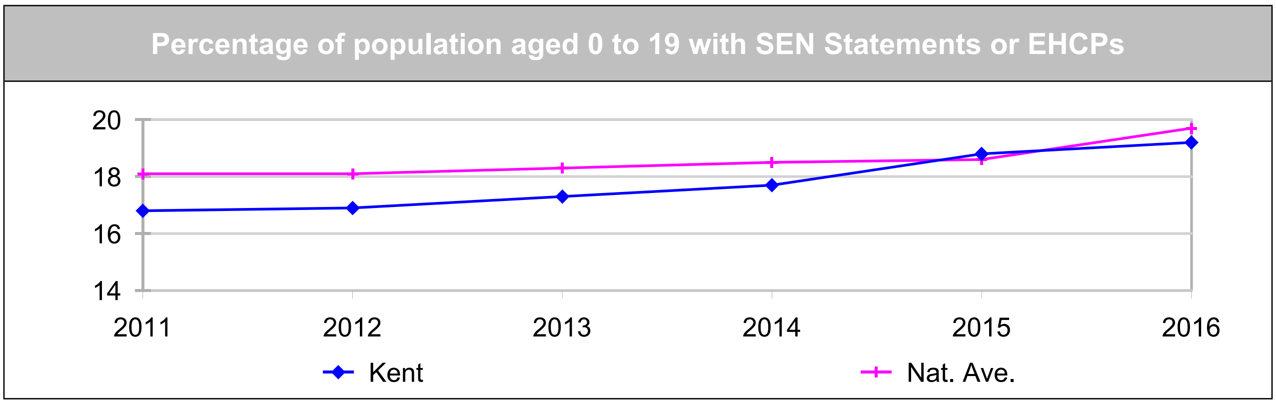
Current: 359	Target: 520	Previous: 427

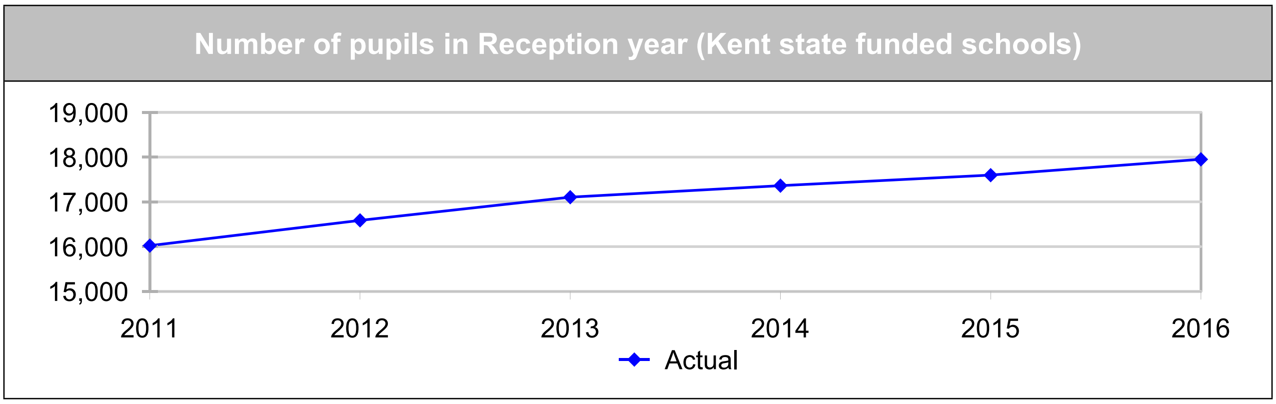
Activity indicators

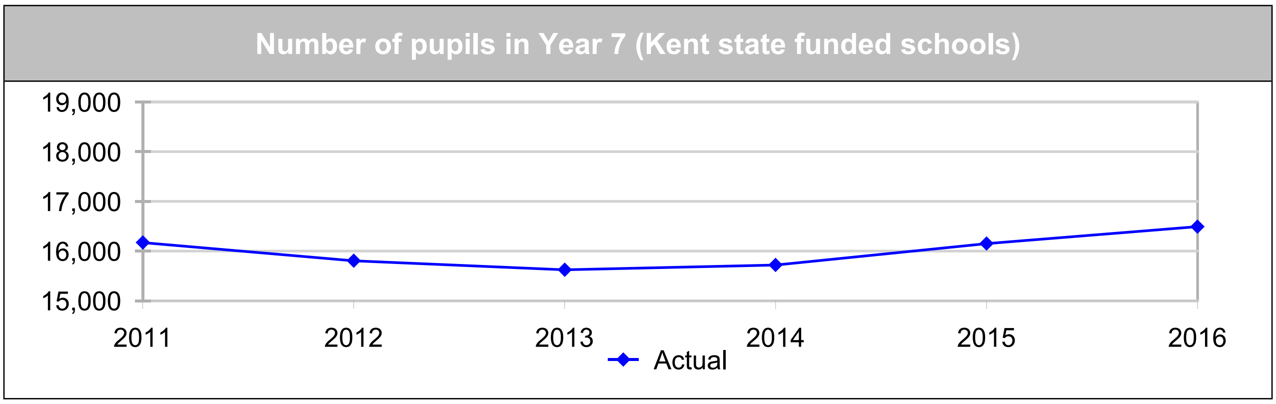


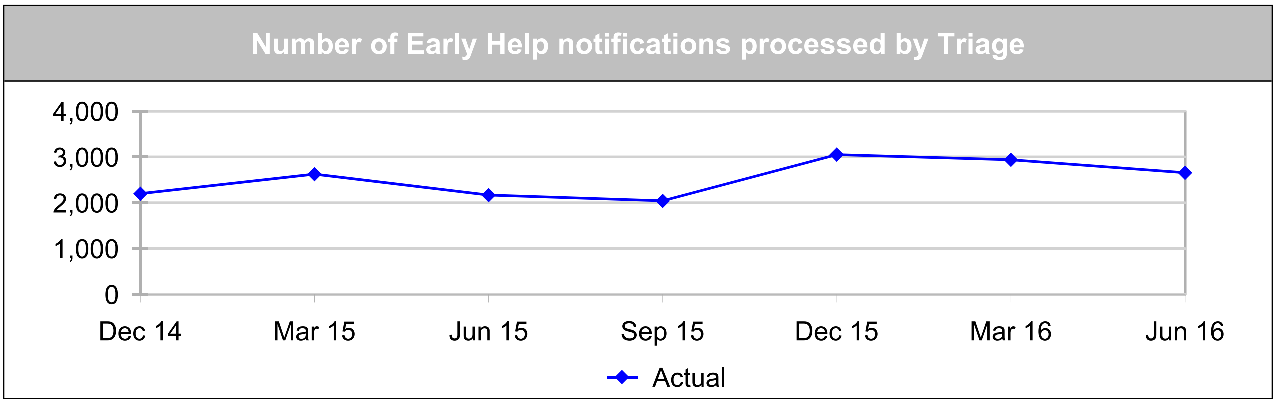


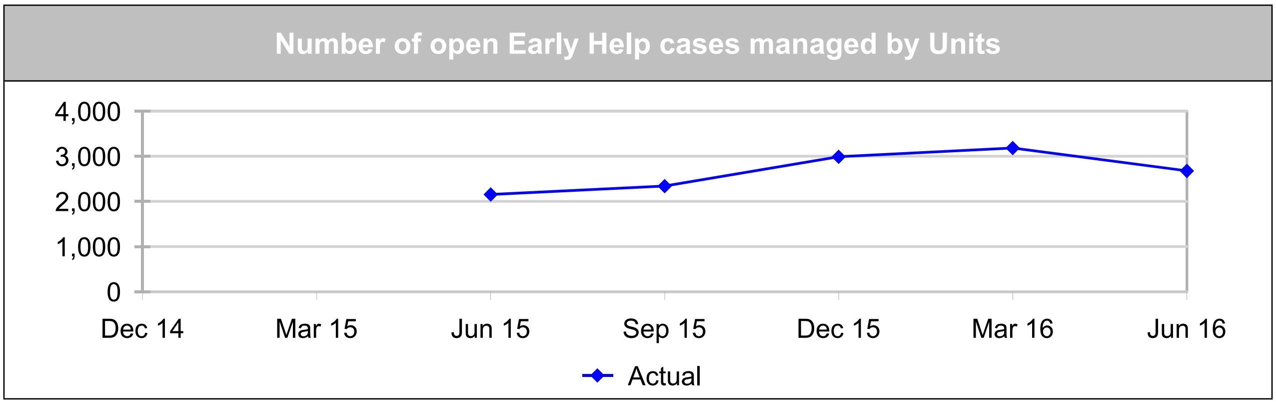





Number of pupils in Reception year (Kent state funded schools)
19,000
18,000
17,000
16,000
15,000
2011
2012
2013
2014
2015
2016
Actual


Number of pupils in Year 7 (Kent state funded schools)
19,000
18,000
17,000
16,000
15,000
2011
2012
2013
2014
2015
2016
Actual


Number of Early Help notifications processed by Triage
4,000
3,000
2,000
1,000
0
Dec 14
Mar 15
Jun 15
Sep 15
Dec 15
Mar 16
Jun 16
Actual


Number of open Early Help cases managed by Units
4,000
3,000
2,000
1,000
0
Dec 14
Mar 15
Jun 15
Sep 15
Dec 15
Mar 16
Jun 16
Actual

Specialist Children's Services	
Cabinet Member	Peter Oakford
Corporate Director	Andrew Ireland

KPI Summary	GREEN	AMBER	RED	⇧	⇔	⇩
	4	**2**	**0**	**3**	**3**	

Staffing and Quality of Practice
The percentage of case holding social worker posts held by permanent qualified social workers remained constant in the quarter to June 2016 at 75%, with 18% of posts being filled by Agency staff. Over 40 Newly Qualified Social Workers (NQSWs) were successfully recruited in June 2016, so the staffing position will continue to improve over the summer months and into September as they join district teams. Recruitment activity continues, with further NQSWs expected to be recruited at the end of September 2016.

There has been an increase in the percentage of case files rated good or outstanding, with the indicator now above target. In addition, there has been a steer towards more chronologies being present on case records, which is also very positive. The Quality Assurance Unit continues to undertake targeted, thematic audits, in addition to the online audit programme. Themed audits arise from the service's self-scrutiny. Recent audits have examined, among other topics, the thresholds for closing a child or young person's case following a step down from Child Protection.

The Signs of Safety practice model continues to be embedded, with further rounds of briefings happening for multi-agency partners and training for social work team Practice Leaders. Training is also being planned for the cohort of NQSWs starting with Kent in September. Work is ongoing to integrate Signs of Safety into the templates and plans on Liberi, the electronic case recording system.

Demand and Caseloads
Through the embedded Transformation Programme and Practice Development work, there have been significant efforts to ensure children and young people receive the right help at the right time. At June 2016 the number of repeat referrals within 12 months was 22%, compared to 26% for the same period last year.

At 9,719 the caseload number increased by 342 in the quarter to June 2016 but remains within the expected range. There were 1,098 children with child protection plans at the end of June 2016, which was an increase of 49 from the previous quarter and is now within the expected range. The percentage of children becoming subject to a child protection plan for a second or subsequent time remains at 20% which is the same as for the previous quarter.

Adolescents
Alongside the established Adolescent Support Teams, work is being led by the Specialist Children's Services and Early Help and Preventative Services Joint Divisional Management Team to ensure the safety of teenagers who find themselves at risk of homelessness. A three month project is currently underway in a few areas of the county, to host a 'crash pad' facility for young people requiring emergency help.

Knowledge of the nature of child sexual exploitation in Kent has begun to be fed into the Multi-Agency Sexual Exploitation (MASE) meetings, for analysis and action.

Children in Care

At 1,454 the number of indigenous children in care remained the same as for the previous quarter. The number of indigenous children in care placed with Independent Fostering Agencies increased by 2 in the quarter, from 153 in March 2016 to 155 in June 2016. The number of children in care placed in Kent by other Local Authorities decreased by 26 in the quarter and at the end of June 2016 was 1,257.

The stability of children in care who have been in the same placement for the last two years has increased slightly in the quarter to 70% and is at the target level set. The percentage of indigenous children placed in KCC foster care or with family remained at 87% which is the same as the previous quarter and above target.

Adoption

For children who were adopted in the last 12 months the average number of days between coming into care and moving in with their adoptive family was 452 days, a reduction of 33 days on the previous quarter.

UASC

During 2015 Specialist Children's Services (SCS) saw an unprecedented rate of arrivals of Unaccompanied Asylum Seeking Children (UASC), which far exceeded previous years. The number of UASC in care at the end of June 2016 was 844, an increase of 373 from June 2015. Additional social workers and staff within the Virtual School Kent were recruited to ensure children's needs are assessed and they were enabled to access education and language help as soon as possible. The Interim National Transfer Scheme for UASC, launched in July 2016 has already seen 22 children find permanence with Other Local Authorities.

Voice of the Child

The work of the Children and Young People's Council continues to increase its membership and have greater representation by establishing local and more specialist groups, including a group for Care Leavers.

In the early part of the year the Service piloted MOMO (Mind of Your Own), a Web based App that provides a way for children and young people to tell their social workers what they think about our services and about their care plan. This app is being used and young people report it is easy and they like using it.

Care Leavers

Following the success of the "Team Operational Dashboard" (TOD) with district social work teams, a Dashboard for the Care Leaving Service has been put in place. This enables managers to have easier access to their specific data on a daily basis, helping to track compliance against statutory timescales, and providing oversight of caseloads. An additional team manager has also started, in order to further assist the management and quality of Pathway Planning work for young adults leaving Kent's Care.

Our Children in Care (including Unaccompanied Asylum Seeking Children)

Age Profile

Age Group	Mar 14	Mar 15	Jun 16
0 to 4	318	205	180
5 to 9	351	320	288
10 to 15	657	708	831
16 to 17	679	637	999
Total	**1,842**	**1,870**	**2,298**

Gender

	Mar 14	Mar 15	Jun 16
Male	1,124	1,162	1,611
Female	718	708	687

Ethnicity

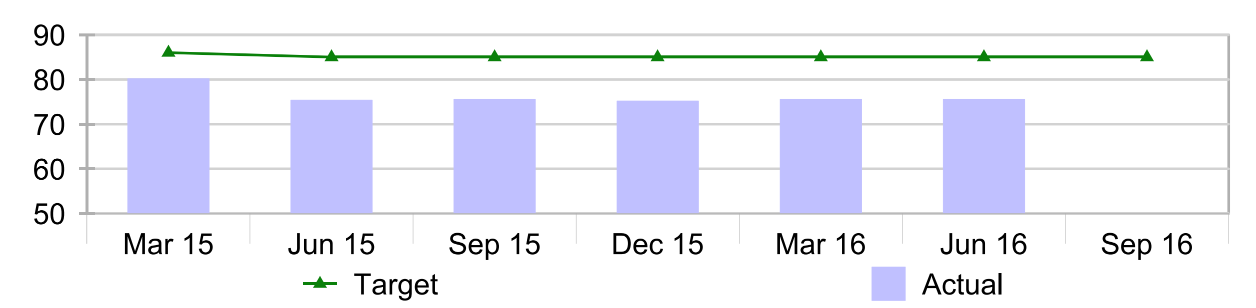
	Mar 14	Mar 15	Jun 16
White	1,543	1,404	1,361
Mixed	79	85	81
Asian	10	16	66
Black	50	104	353
Other	160	261	437

Kent and Unaccompanied Asylum Seekers (UASC)

Status	Mar 14	Mar 15	Jun 16
Kent Indigenous	1,624	1,502	1,454
UASC	218	368	844

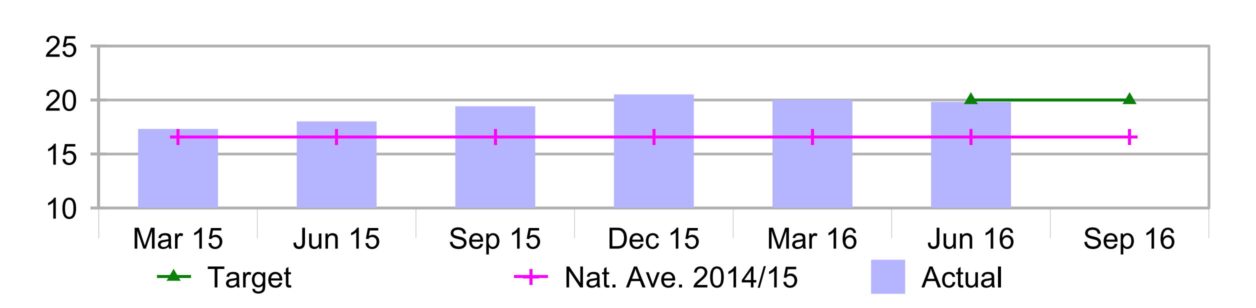
Key Performance Indicators

Percentage of case holding posts filled by permanent qualified social workers	AMBER ⇔



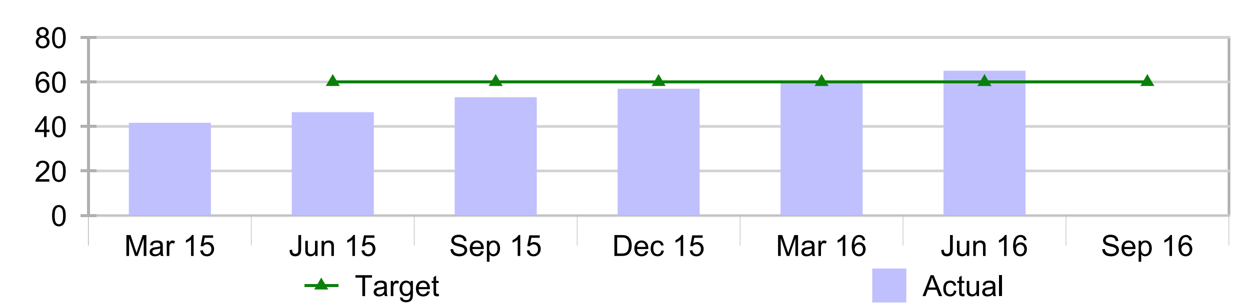
Current: 76%	Target: 85%	Previous: 76%

Percentage of children becoming subject to a child protection plan for the second or subsequent time - rolling 12 months	GREEN ⇔



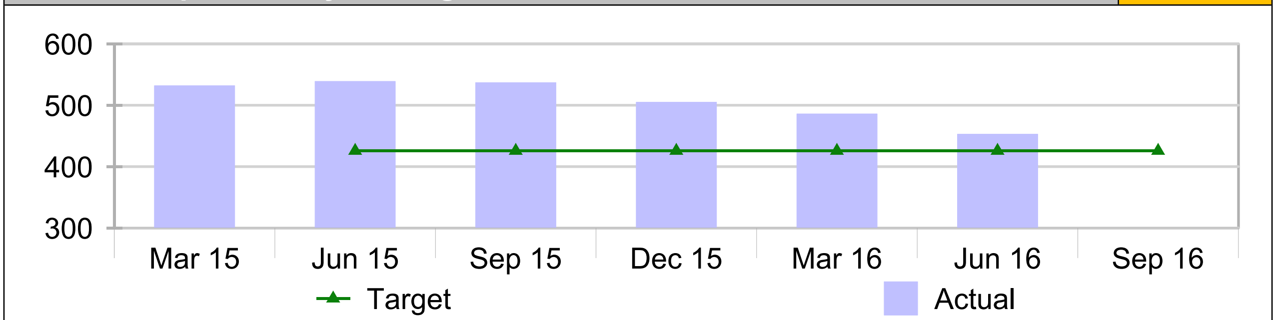
Current: 20%	Target: 15-20%	Previous: 20%

Percentage of on-line Case File Audits rated as Good or outstanding - rolling 12 months	GREEN ⇧



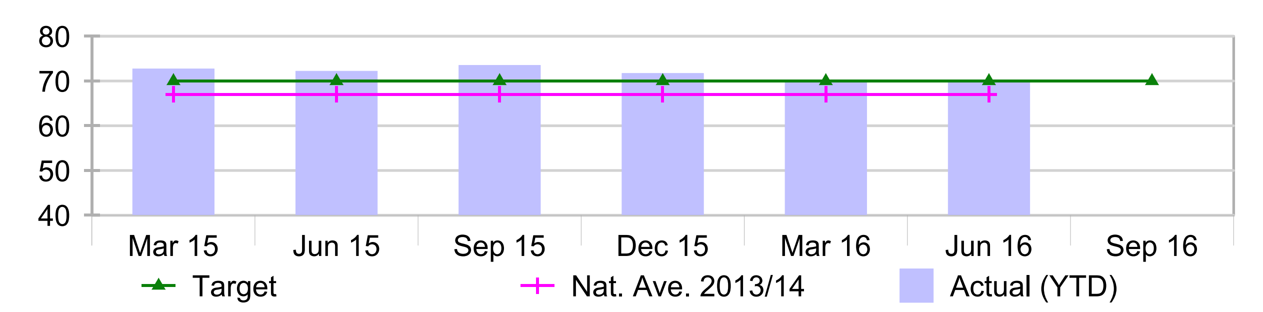
Current: 65%	Target: 60%	Previous: 60%

Average number of days between becoming a child in care and moving in with an adoptive family - rolling 12 month	AMBER ⇧



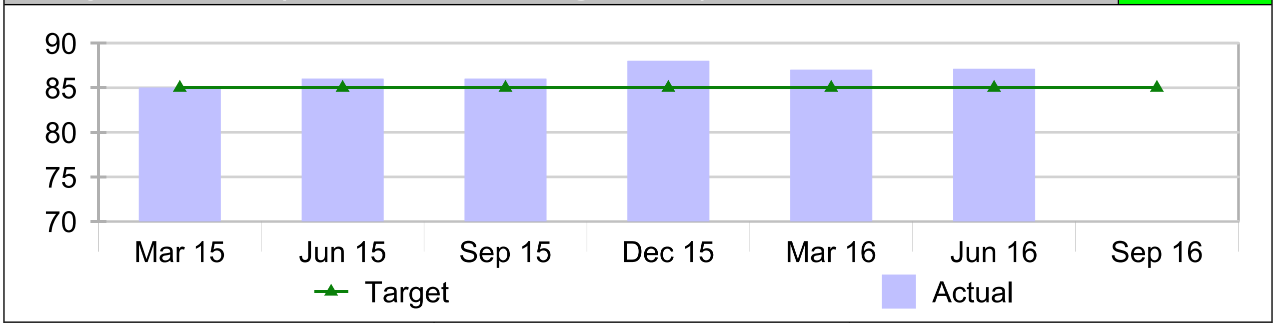
Current: 453	Target: 426	Previous: 486

Children in Care in same placement for the last 2 last years (for those in care for 2 and half years or more)	GREEN ⇧



Current: 71%	Target: 70%	Previous: 70%

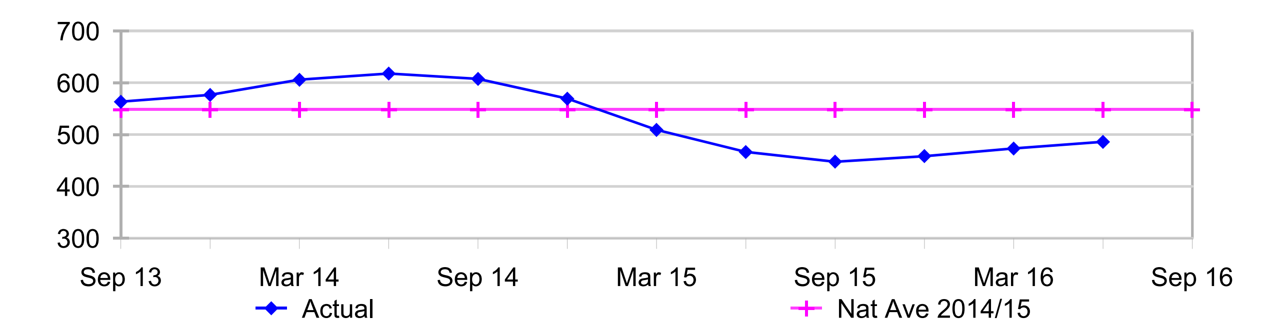
Percentage of indigenous children in foster care placed in house or with family and friends (excludes care leaving service)	GREEN ⇔



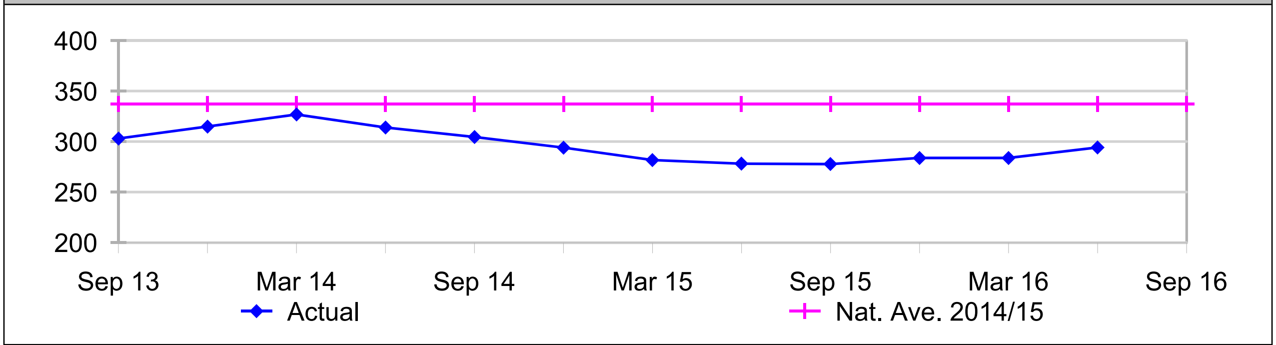
Current: 87%	Target: 85%	Previous: 87%

Activity indicators

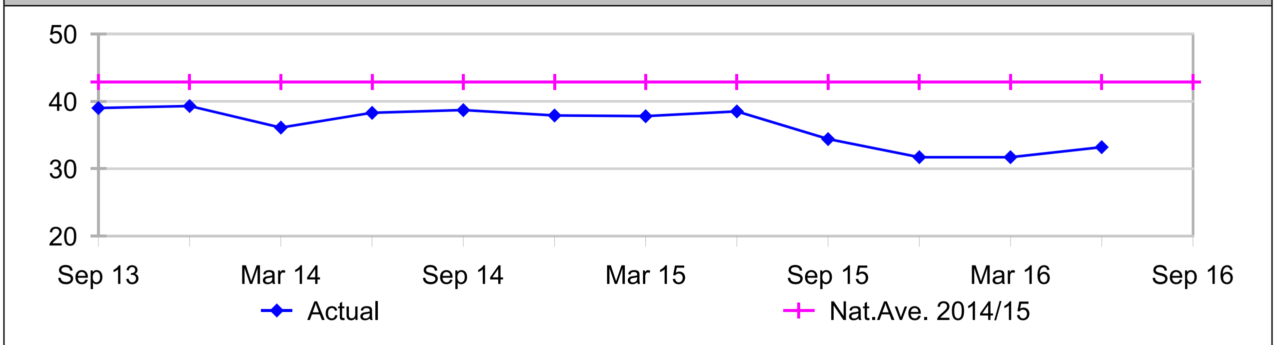
Referrals per 10,000 population aged under 18 - rolling 12 months



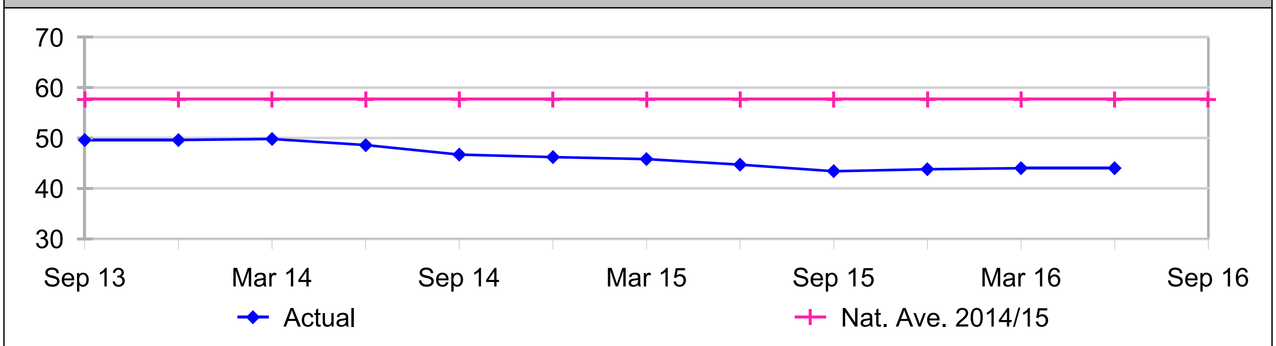
Number of Children in Need per 10,000 population - at quarter end



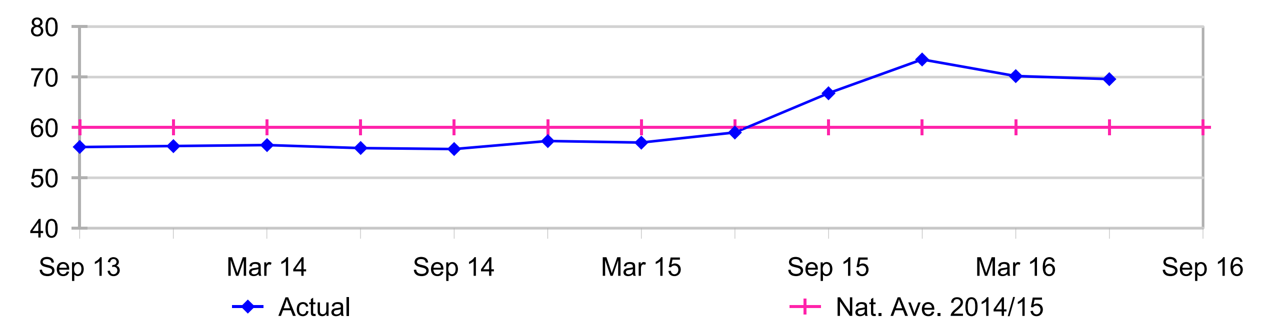
Number of children with Child Protection Plans per 10,000 population - at quarter end



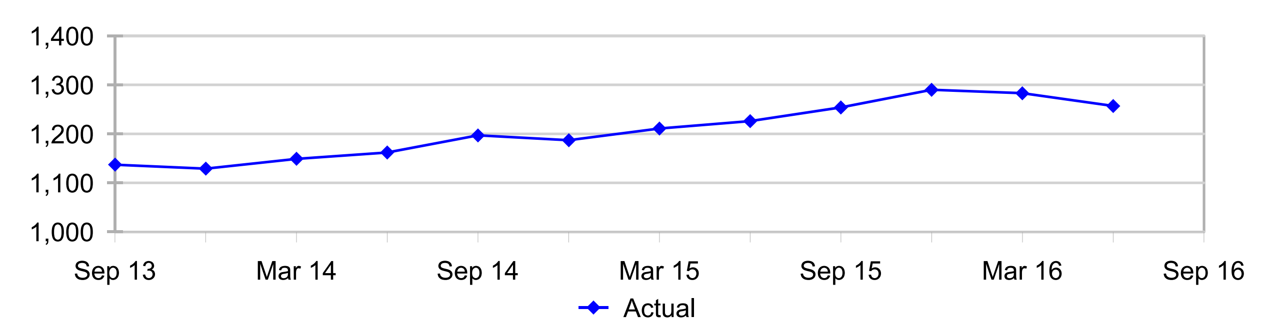
Number of indigenous Children in Care per 10,000 population - at quarter end



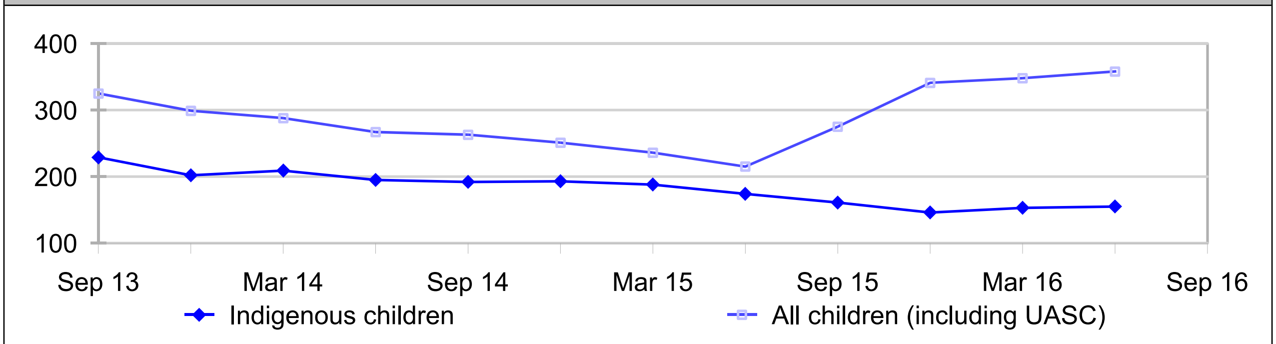
All Children in Care including UASC per 10,000 population - at quarter end



Number of other local authority children in care placed into Kent



Number of children in care placed with independent fostering agency



Adult Social Care	
Cabinet Member	Graham Gibbens
Corporate Director	Andrew Ireland

KPI Summary	GREEN	AMBER	RED	⇧	⇔	⇩
	4	**2**		**2**	**2**	**2**

The percentage of contacts resolved at first point of contact was head of target for the quarter.

The number of referrals to enablement increased and this was against a higher tarhet target as additional capacity has been built in within Kent Enablement at Home (KEaH) as part of our transformation programme. A key priority for Adult Social Care is to refer more clients through enablement, with a stronger focus on short term interventions, to reduce the need to provide long term care packages.

The number of clients receiving a Telecare service continues to be ahead of target.

The number of Admissions to residential care has been increasing in the last two quarters and did not meet target in the last quarter.

The percentage of clients still independent after enablement dipped in the quarter slightly behind the target. However, the average ongoing care package size, after enablement, is decreasing. The introduction of Occupational Therapy provision in each KEaH team is having an impact on the effectiveness of enablement services as is the type of equipment available in the community compared to within hospital settings. Both factors help reduce the time for an enablement service and reduce the level of care package provided following enablement.

The proportion of delayed discharges from hospital where KCC was responsible is currently within the 30% target. The top three reasons for delays are attributed to waiting for further non-acute NHS care, awaiting nursing home placement availability and patient/family choice.

Service User Feedback

All local authorities carry out a survey with their adult social care services users on an annual basis, as set out by Department of Health guidance.

A sample of service users are chosen from all ages, all client groups and all services. The last survey in 2015-16 had responses from 483 service users.

The results of some of the key areas are found below. **National averages are shown in brackets.** However, the 2015-16 national averages are not yet available as these have only recently been submitted in May 2016**.**

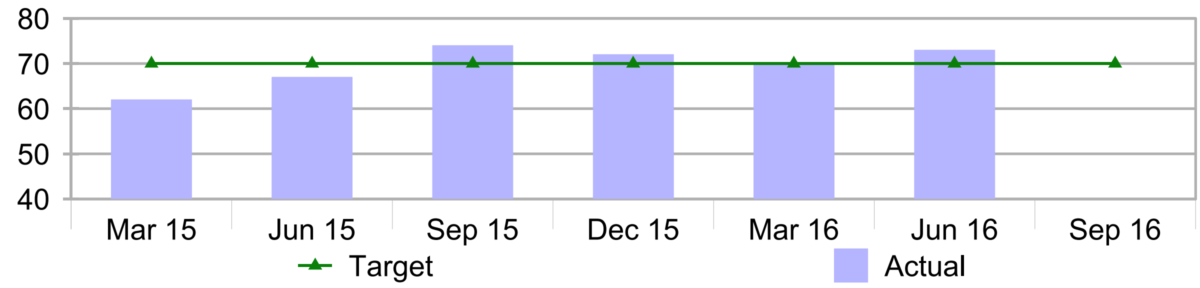
	2012-13	**2013-14**	**2014-15**	**2015-16**
Service users who are extremely or very satisfied with their care and support	67% (64%)	66% (65%)	70% (62%)	66% (TBC)
Service users who have adequate or better control over their daily life	79% (76%)	78% (77%)	84% (77%)	80% (TBC)
Service users who find it easy to find information about services	76% (74%)	70% (75%)	78% (74%)	75% (TBC)
Service users who say they feel safe as they want	65% (65%)	65% (66%)	73% (69%)	71% (TBC)
Service users who say that the services they receive help them feel safe and secure	79% (78%)	76% (79%)	84% (85%)	84% (TBC)

The Directorate Management Team have considered the results and the information gathered from the survey is being used together with further feedback from people that have volunteered to take part in additional surveys to understand how we can make improvements to the services we deliver.

In 2014/15 Kent was above the national average for most indicators.

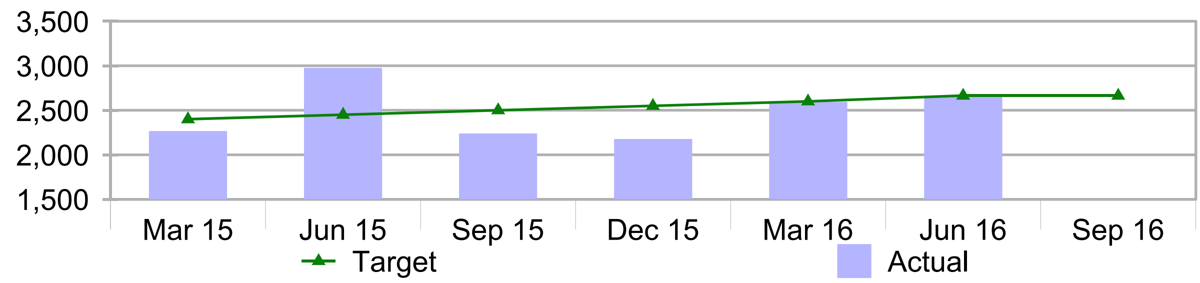
Key Performance Indicators

Percentage of initial contacts resolved at first point of contact	GREEN ⇧



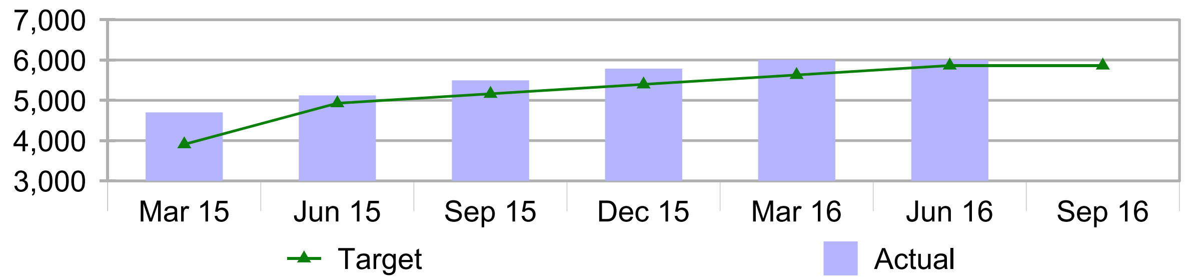
Current: 73%	Target: 70%	Previous: 70%

Number of new clients referred to an enablement service	GREEN ⇧



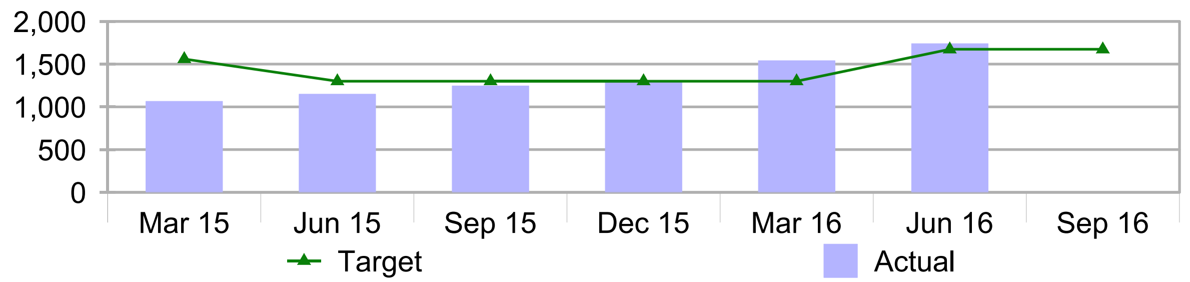
Current: 2,650	Target: 2,650	Previous: 2,592

Number of clients receiving a Telecare service	GREEN ⇔



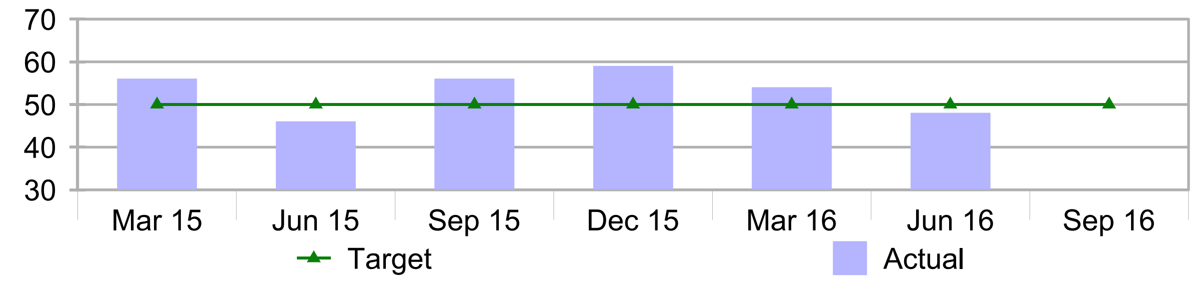
Current: 6,000	Target: 5,864	Previous: 6,000

Number of admissions to permanent residential and nursing care for older people - rolling 12 months	AMBER ⇩



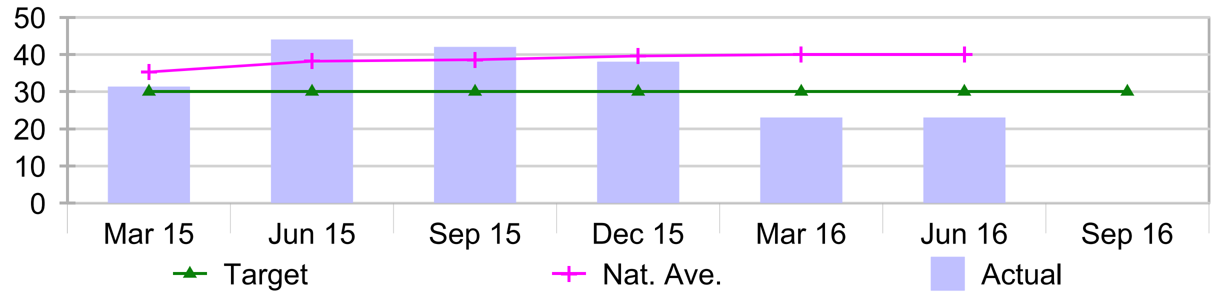
Current: 1,740	Target: 1,670	Previous: 1,541

Percentage of clients still independent after receiving an enablement service	AMBER ⇩



Current: 48%	Target: 50%	Previous: 54%

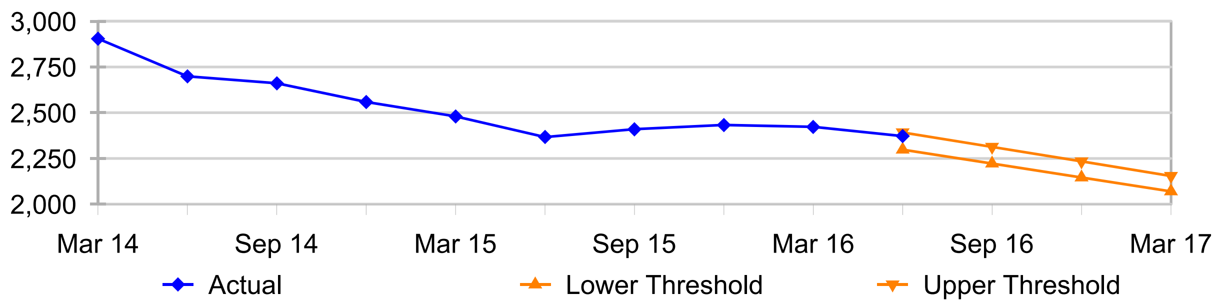
Percentage of Delayed Discharges from hospital with Adult Social Care responsible - quarter-end snapshot	GREEN ⇔



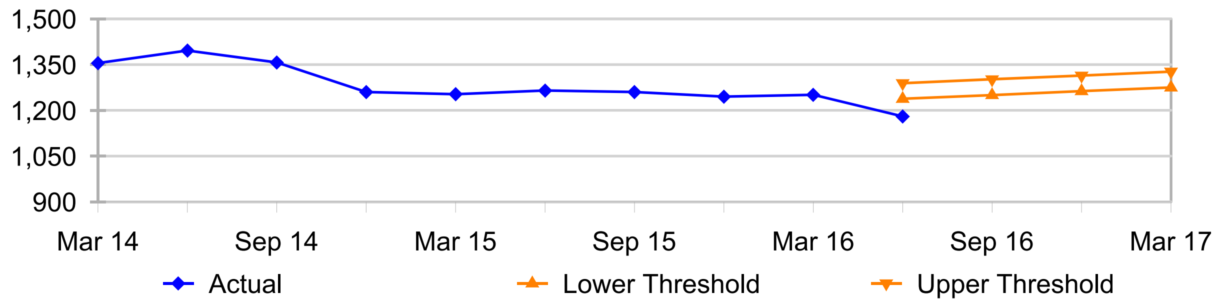
Current: 23%	Target: 30%	Previous: 23%

Activity indicators

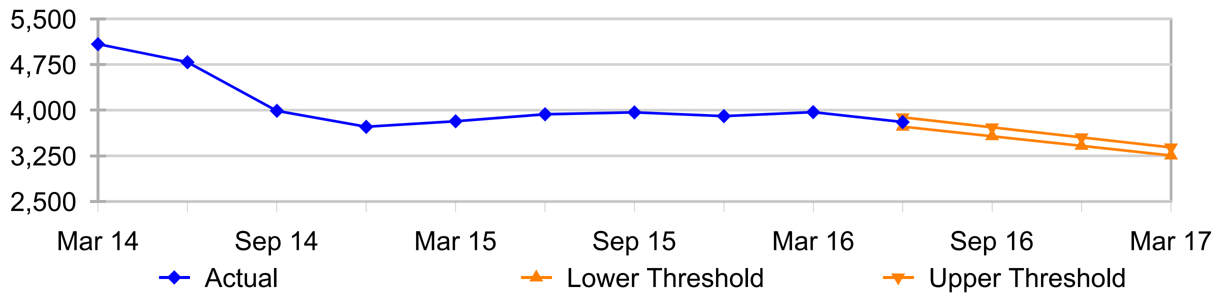
Number of clients aged 65+ supported in permanent residential care



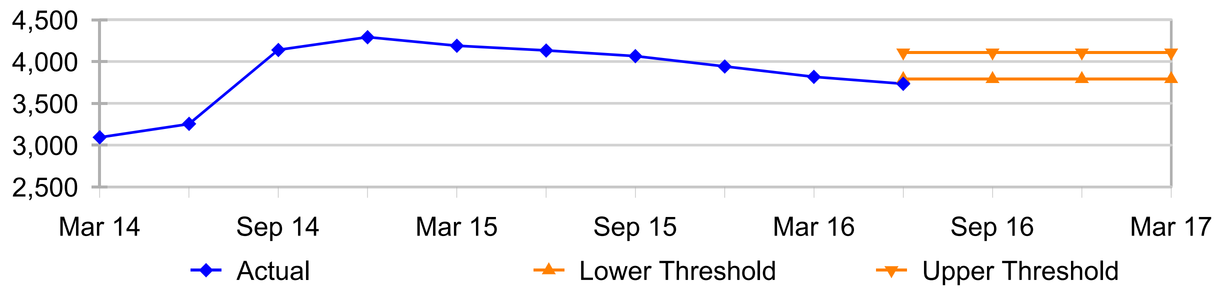
Number of clients aged 65+ supported in permanent nursing care



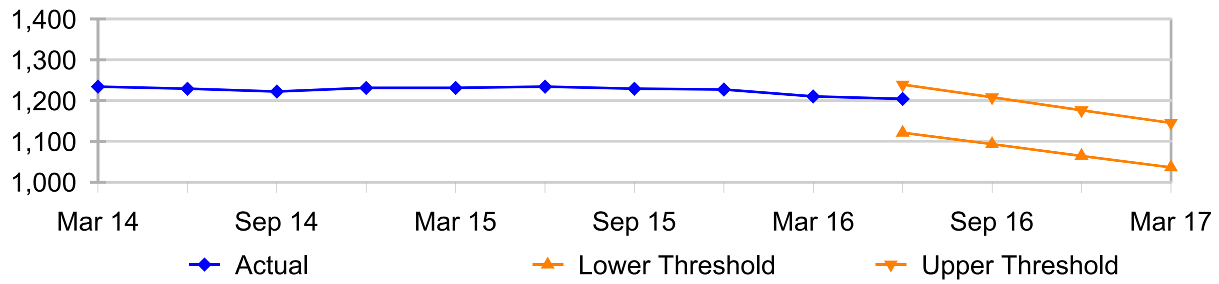
Number of clients aged 65+ who receive domiciliary care



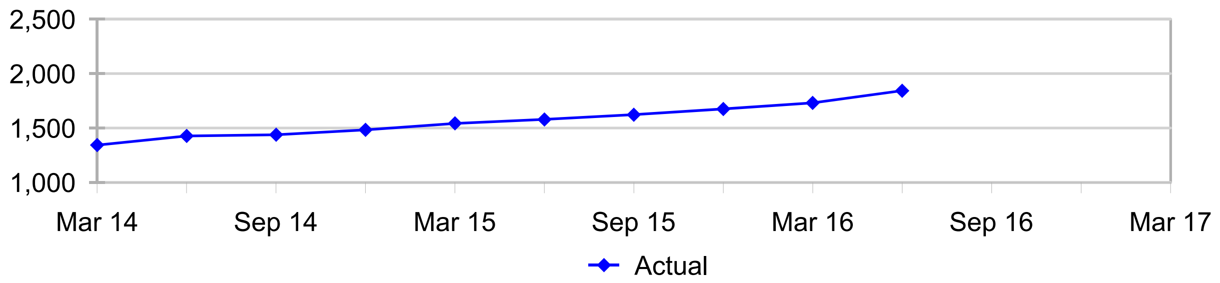
Number of social care clients receiving a direct payment



Number of learning disability adult clients in residential care



Number of learning disability adult clients with community care support



Public Health	
Cabinet Member	Graham Gibbens
Director	Andrew Scott-Clark

KPI Summary	GREEN	AMBER	RED	⇧	⇔	⇩
	2	**2**		**2**		**2**

Public Health continue to work on the transformation and integration of Healthy Lifestyle services for weight management, smoking, physical activity and mental wellbeing. This has included further engagement with a range of stakeholders to shape the new model and the future delivery of NHS health checks. Procurement will commence in the autumn for the new integrated service (One You Kent) and the NHS health checks core programme, with the aim to deliver improved outcomes. Current performance of the NHS health check programmes shows an increase in numbers of health checks completed with over 9,000 checks completed in the quarter.

Performance on the 2-2½ year health visiting check fell back to 76% in the quarter, however delivery remains above the performance prior to transfer of commissioning from NHS England to Kent County Council from October 2015. There have been ongoing improvements on the other mandated checks. As part of its transformation plans, Public Health have reached provisional agreement with the providers of the Health Visiting service to deliver the efficiency savings over the next two years as part of an extended contract that will run to May 2018. As well as delivering the required savings, the extension will also provide the opportunity to transform the service model to deliver improved performance and efficiency before the service is re-tendered.

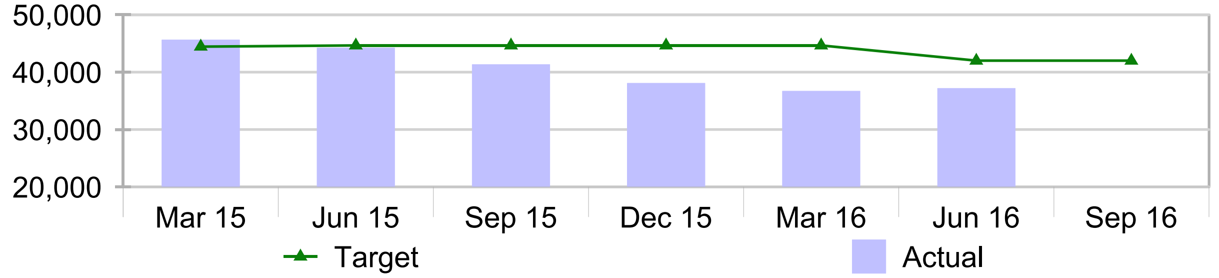
Performance for access to sexual health services remains consistently high.

The substance misuse service metric now contains all clients accessing structured treatment and includes for the first time all alcohol clients. In Kent there are approximately 2,000 alcohol only clients accessing treatment, accounting for over a third of all clients.

Public Health campaigns continuing during this period included Smokefree Kent, which has achieved over 21,000 visits to the webpage on the KCC website. The Release the Pressure campaign has had an initial evaluation which identified that the number of calls to the Mental Health Matters line increased overall by 21% and by 37% amongst men, and that 515 people accessed the web chat from the Kent website. The Know Your Score campaign ran from March to April to promote the online alcohol advice tool on the KCC website. The post campaign evaluation identified that 31,743 people clicked through to the webpage to find out more about their drinking levels, and 3,862 people completed the online test and received a video briefing from an expert. The local extension to the national Change4Life Sugar Smart Campaign ran in February to encourage and support families to reduce the amount of sugar they consume. The post campaign evaluation found from a sample of 242 parents, that the campaign had made 81% think more about the amount of sugar they give their children, with 73% acting upon the message and reducing the amount of sugar they gave their child. Public Health England provided data from the campaign website which revealed that 1,660 registrations were made during the local campaign in addition to the 1,788 achieved during the national campaign which ran in January.

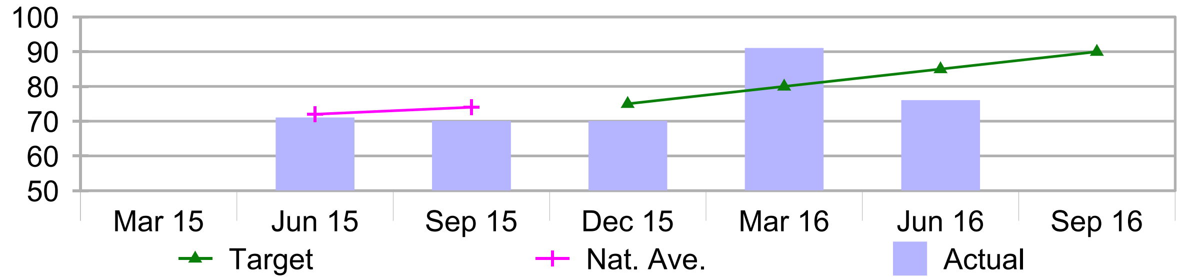
Key Performance Indicators

Number of eligible population receiving an NHS Health Check - rolling 12 months	AMBER ⇧



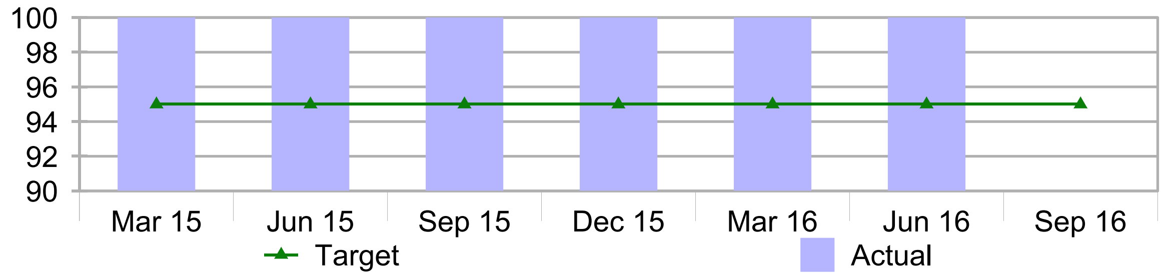
Current: 37,175	Target: 42,000	Previous: 36,685

Percentage of children who received a 2- 2½ year review with the Health Visiting Service	AMBER ⇩



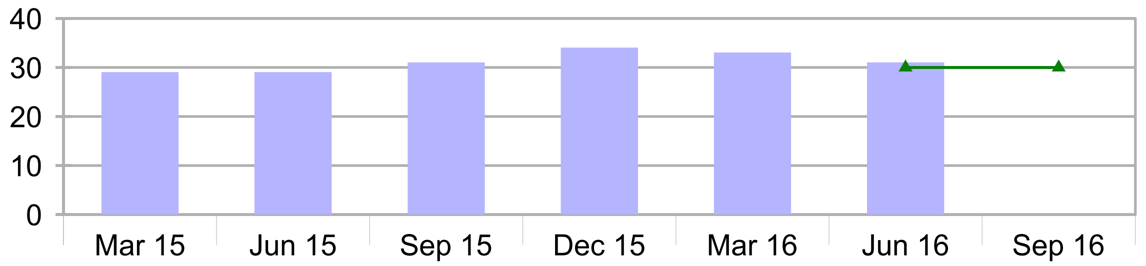
Current: 76%	Target: 85%	Previous: 91%

Proportion of clients accessing GUM offered an appointment to be seen within 48 hours	GREEN ⇧



Current: 100%	Target: 90%	Previous: 100%

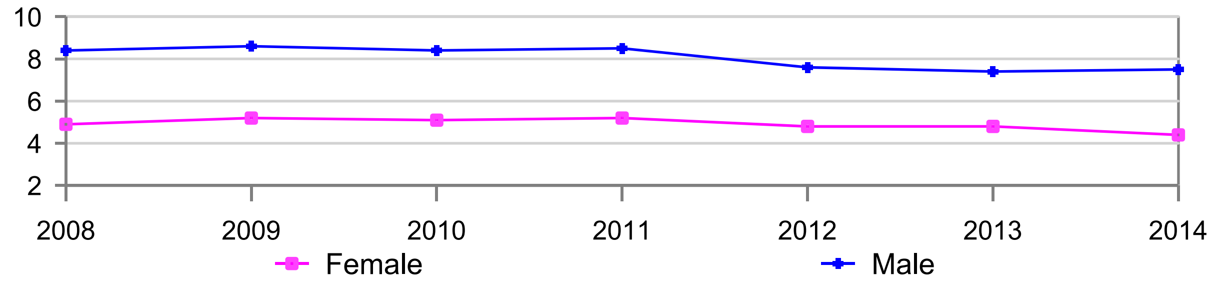
Successful completion of drug and alcohol treatment – rolling 12 months	GREEN ⇩



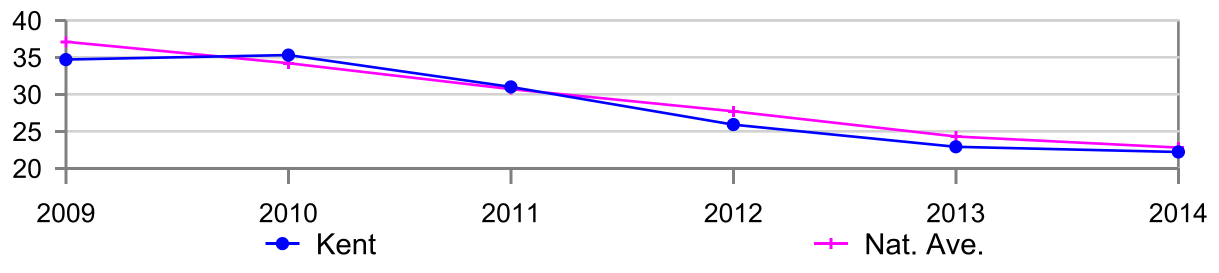
Current: 31%	Target: 30%	Previous: 33%

Activity indicators

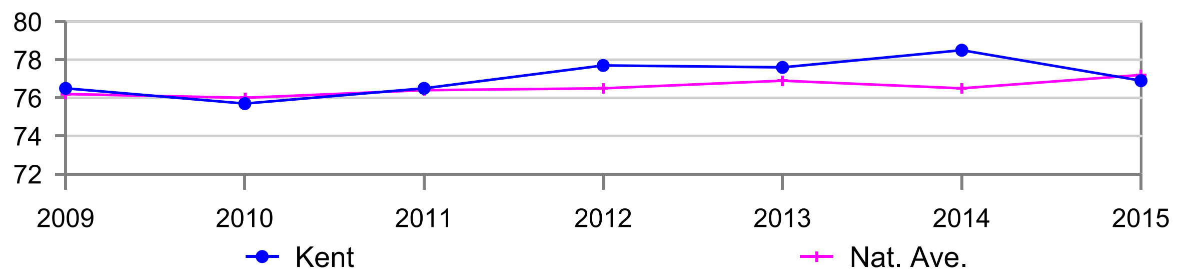
Life expectancy gap in years between least and most deprived areas



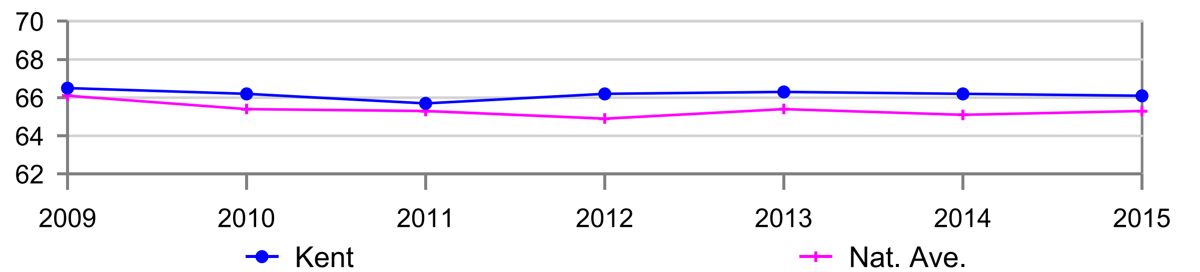
Conceptions per 1,000 females aged 15 to 17



Percentage of children in reception year with healthy weight



Percentage of children in year 6 with healthy weight



Corporate Risk Register – Overview

The table below shows the number of Corporate Risks in each risk level (based on the risk score). The Target risk level is the expected risk level following further management action. Those with a current High risk level are outlined below.

	Low Risk	Medium Risk	High Risk
Current risk level	0	5	9
Target risk level	3	11	0

Safeguarding – protecting vulnerable children and adults
Fulfilling our statutory duty to safeguard vulnerable children and adults remains a top priority for the Council. This risk includes the wider perspective relating to the prevention of Child Sexual Exploitation and Trafficking and our duties under the Government's 'Prevent' anti-terrorism strategy.

Management of demand in Adult Social Care and Children's Services: Adult Social Care services across the country are facing growing pressures, particularly with factors such as increasing numbers of young adults with long-term complex needs, increases in Deprivation of Liberty Safeguards Assessments and likely implications for providers of the adoption of a National Living Wage. Meanwhile, local authorities continue to face increasing demand for early help and specialist children's services due to consequences of highly publicised child protection incidents and serious case reviews, and policy/legislative changes. At a local level KCC is faced with additional demand challenges such as those associated with significant numbers of Unaccompanied Asylum Seeking Children (UASC) and 'pressure points' in several districts.

Future financial and operating environment for local government: This risk reflects the increasingly complex and challenging environment that presents both risks and opportunities for the Council. The context includes the prospect of further spending demands, reductions in Government funding, the next steps for the Government's devolution agenda, business rate retention plans and uncertainty arising from the result of the EU referendum.

Implications of increased numbers of Unaccompanied Asylum Seeking Children: While the increase in numbers of Unaccompanied Asylum Seeking Children (UASC) arriving in Kent has slowed, there are still risks relating to sufficiency of accommodation and pressures on social work assessment capacity. A national voluntary dispersal scheme was introduced on 1st July 2016 and its impact is being monitored.

Health & Social Care Integration: The level of risk in this area is judged to be high due to significant pressures in the health system having repercussions for social care.

Access to resources to aid economic growth: There is increasing pressure to secure external funding with much reduced resources and limited ability to use funding to support the necessary administration costs to operate schemes.

Corporate Risk Register – Mitigating Actions

Updates have been provided for 14 actions listed to mitigate elements of Corporate Risks that were due for completion or review up to the end of June 2016, together with updates for 7 actions due for completion or review by September 2016.

Due Date for Completion	**Actions Completed/ Closed**	**Actions Outstanding or Partially complete**	**Regular Review**
April to June 2016	6	3	5
June 2016 and beyond	1	4	2

Mitigating actions during this period are summarised below:

- Safeguarding (adults and children) – workshops have been held to raise staff awareness of the Council's responsibilities under the Prevent aspect of the Government's counter-terrorism strategy, along with more specific ideology training for key identified staff. An audit of open Child Sexual Exploitation (CSE) risk cases has been conducted showing improved social work practices. High numbers of specialist children's services staff have undertaken CSE training through the Kent Safeguarding Children Board.
- Civil Contingencies and Resilience - Reporting arrangements for KCC's Business Continuity agenda have been reviewed to include appropriate elected Member oversight. Elected Members have now received resilience training, with the rest to be delivered by end of September 2016. The sufficiency of KCC emergency and resilience resource is currently being reviewed.
- Health & Social Care Integration: The Kent and Medway Sustainability and Transformation Plan (STP) has been submitted and was accepted with some conditions. A revised plan, showing further refined financial planning, will be re-submitted in September 2016
- Data and Information Management: A finalised version of KCC's action plan has been submitted to the Information Commissioner's Office (ICO). The majority of actions have been completed, with the remainder in hand.
- Access to resources to aid economic growth and enabling infrastructure: An interim refresh of the Kent and Medway Growth and Infrastructure Framework has been commissioned and is scheduled for completion in September 2016.
- Management of social care demand: a project exploring a systemic approach to Demand Management for Care Leavers is now complete. The methodology has been well received and it is proposed to embed the approach across the organisation.
- Unaccompanied Asylum Seeking Children implications: The National Transfer Scheme was launched by Government on 1st July 2016 and processes continue to be refined involving input from partner agencies. Specialist Children's Services are continuing to work closely with colleagues in the UASC arm of the UK Visas and Immigration Service to ensure new arrivals are transferred to the care of other local authorities in the most timely and child-centred way.

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

To: Cabinet 26th September 2016

Subject: **Business Rate Retention Consultation**

Classification: **Unrestricted**

Summary:
The government launched a consultation paper "Self-sufficient local government: 100% Business Rates Retention" on 5th July. This consultation deals with the legal aspects of the proposed devolution of all the proceeds from local business rates to local authorities, as announced in the Autumn Budget 2015 and Queen's Speech 2016. It is anticipated that a bill will go before parliament in this session.

At the same time the government also launched a separate call for evidence paper on Needs and Redistribution to help reset the existing distribution of funding through baselines and tariffs/top-ups. This redistribution aspect is vitally important but does not require primary legislation.

This reports sets out the main issues in both the consultation paper and the call for evidence together with KCC's initial assessment. Final responses are included appendices for endorsement by Cabinet. The deadline for responses to both documents is the same day as Cabinet i.e. 26th September.

Recommendation(s):
Cabinet is asked to ENDORSE the formal consultation and call for evidence responses.

1. Introduction

1.1 The current arrangements for local government finance were introduced in 2013. These allow for 50% of business rates to be retained locally (subject to tariffs and top-ups which perpetuate the national pattern of redistribution under previous grant regimes). The remaining 50% is pooled nationally and allocated via revenue support grant (RSG) and other grants to fund local authority services (details of which grants are funded from the central share have not been made available).

1.2 The current arrangements are incredibly complex and have been comprehensively explained in KCC's Medium Term Financial Plan (MTFP) documents. Significant changes to local authority funding arrangements were previously made in 2006 and 2011. This illustrates that local authority funding reviews are commonplace and can be fast moving.

1.3 The biggest challenges under the current arrangements are the significant reductions in RSG which have been made since 2013 (and are planned up to 2019-20), and the level of financial risk that councils face due to business rate appeals and avoidance. In two tier areas the upper tier authority is largely immune from volatility in business rates as they receive a small share of the local yield (18%/20%) and receive a large top-up based on historic baseline grants.

1.4 The distribution of RSG was altered in 2016-17 with reductions made pro rata to a combination of historic grant and council tax income (previously reductions had been pro rata to individual elements within RSG). This change was announced in December 2015 with no prior consultation or notification and had a significant detrimental impact on KCC's grant settlement (and those for other shire areas). We have consistently challenged the RSG distribution on the basis it inadequately reflects needs in shire areas and we opposed the late changes introduced for 2016-17 as a further retrograde step.

1.5 The government's intention to allow local authorities to keep 100% of the local business rates and to scrap core grants was first announced at the Conservative Party conference in 2015. It was subsequently confirmed in the Autumn Budget Statement in November 2015 and included in Queen's Speech in March 2016. Formal consultation on the aspect requiring primary legislation was launched on 5th July. A separate call for evidence on the fair funding needs led redistribution of resources was launched on the same day. KCC's final responses to these are attached as appendices 1 & 2.

2. Essential Features of New Proposals

2.1 The use of property based taxes to fund local services dates back to medieval times. In Kent we have one of the best documented examples where landowners on Romney Marsh paid a local tax to fund the maintenance of sea defences and land drainage. This local tax was in force from 1252 to 1932. Business rates were used more widely as the basis of Elizabethan Poor Laws and provided revenue for municipal corporations established in the 19th century.

2.2 The concept of redistributing business rate income via a block grant mechanism is more recent, having been introduced in 1929. This was the start of the trend throughout the 20th century of increasing centralisation of business rates. This culminated with the introduction of National Non Domestic Rates in 1991 which put in place national arrangements for the first time with all yields pooled and redistributed via block grant. Only recently has this trend started to reverse through the un-ring-fencing of grants and local retention. The latest retention proposals should continue and extend this de-centralisation.

2.3 Under the proposed new arrangements individual authorities would retain all the proceeds from local business rates. It is estimated this will amount to an extra £12.5bn by 2020. It is clear that the government intends this will come with matching new responsibilities i.e. existing spending, and thus will not compensate for planned RSG reductions up to 2019-20. The consultation makes no reference to how the other local authority grants (unspecified) currently funded from the 50% central share of business rates will be treated following 100% local retention.

2.4 It is clear that under the new arrangements individual authorities will not necessarily keep all the business rates raised in their local area and a system of redistribution based on tariffs and top-ups will continue. Effectively this means that 100% retention means local authorities retain 100% of any growth in the tax base (or suffer from any decline), rather than retaining 100% of the yield. The baseline for these tariffs and top-ups will need to be agreed as part of the new arrangements. The existing baseline for the current 50% retention will also be reviewed as part of the new arrangements (but this does not require primary legislation and hence is covered in a separate call for evidence and later consultation). The baseline for the newly devolved responsibilities will need to be established once the areas for further devolution have been agreed. The baseline (and therefore tariffs/top-ups) would be set for a fixed period, after which it could be fully or partially reset including some or all of the retained growth (or decline). The various options around resets are considered in the consultation.

2.5 The devolution aspects of the new arrangements are likely to be the most contentious, and are considered in the subsequent section. The consultation also deals with local flexibility over business rates, rewarding growth and sharing risk, and accountability and accounting issues.

2.6 Some changes to business rates were announced in the March 2016 Budget:

- taking the smallest businesses (those with a rateable value of less than £12,000 such as small shops, vehicle repair workshops, etc.) out of business rates altogether through permanent relief from April 2017
- allowing more businesses (those with rateable value under £51,000) to be charged the lower business rate multiplier from April 2017
- the NNDR multiplier or all businesses to be uprated by Consumer Price Index (CPI) from April 2020

These changes will reduce the business rate yield. At the time of the announcement it was confirmed that local authorities would be compensated by a separate grant. There are no further details about this grant in the consultation.

3. Devolution Proposals

3.1 By far the most significant aspect of the new proposals is the devolution of additional responsibilities. The consultation states that this devolution should be fiscally neutral i.e. at least equivalent to the additional local share to be retained, and allows for top-up funds if the further devolution exceeds the additional business rate income.

3.2 The consultation proposes that the devolution should be founded on four core principles:

- Build on the strengths of local government i.e. represent opportunities for greater integration across local services, remove barriers, reflect appetite for local delivery and local capacity
- Support the drive for economic growth e.g. links to local employment, skills and infrastructure
- Support improved outcomes for service users and local residents

- Take account of medium-term financial impact on local government e.g. costs should be predictable, relative to changes in business rate tax base, demand is stable or can be managed

These principles appear to be sound; however, some of proposed responsibilities in the paper do not appear to fit well with them.

3.3 The consultation paper suggests 10 possible areas for further devolution. The majority of these represent existing grants already paid to local authorities e.g. remaining RSG, Rural Services Delivery, Public Health, Early Years, Youth Justice, Council Tax Support and Pensioner Housing Benefit Administration Subsidies, and GLA Transport. The possible transfer of grants also includes the Improved Better Care Fund planned to be introduced from 2017-18.

3.4 It is questionable whether transferring existing grants to be funded out of local business rate yield constitutes further devolution. It achieves the aspiration of fiscal neutrality and where it includes the un-ring-fencing of grants allows some additional local flexibility. However, it also means that income to support these activities is likely to be more volatile as a result of changes in the business rate tax base (in many cases these grants are currently allocated according to either activity or relative need). Hence, devolution presents additional risks for local government.

3.5 The Early Years element of Dedicated Schools Grant (DSG) is an example of an existing grant which is proposed to be devolved. The grant is currently worth around £2.7bn nationally to local authorities in 2016-17and is allocated according the actual number of 2, 3 and 4 year olds taking up the Early Years offer. If the grant is fully devolved then changes in participation rates would not necessarily be funded and it is unclear from the consultation whether authorities would have the ability to tailor local schemes. It is also unclear whether the extension of entitlement from 15 hours a week to 30 hours will be fully funded within the business rate devolution. If not, this could present a significant financial risk for local authorities.

3.6 A number of the existing grants are already funded out of the 50% central share of business rates under the current arrangements. Therefore devolution does not present such a challenge for these grants other than they will in future be funded out of a combination of local retained business rates and tariffs/top-up derived from the baseline. This would mean that existing formula would only be reflected in the baseline and would be fixed until the next reset. This could leave authorities with funding shortfalls between resets.

3.7 The most significant proposed further devolution would transfer responsibility for Attendance Allowance payments to local authorities from the Department for Work and Pensions. Attendance Allowance is paid to approx. 1.5m UK residents aged over 65 who have care needs (need help with daily activities). It is non-means tested and applies to claimants with disabilities or illness. It does not cover those with mobility needs. It is paid as a weekly amount (£55.10 or £82.30 depending on severity on need) directly into recipients bank accounts. It does not have to be spent on care support. It is estimated that total spending on Attendance Allowance payments will be £6bn by 2019-20.

3.8 The proposed devolution of Attendance Allowance is likely to cause most comment in consultation responses. At this stage it is unclear whether the proposed devolution would leave local authorities with the responsibility to administer the current scheme or whether authorities would be able to vary the criteria and/or amount (it is clear that support for existing claimants would be protected). There is a strong risk that responsibility for a growing demand for Attendance Allowance ends up being devolved due to an ageing population.

3.9 There are also concerns that Attendance Allowance is non-means tested (while other aspects of local authority social care remain means tested), and devolution could lead to earlier contact with potential social care clients (with the attendant risk of rising demand for local authority social care) and income from charging could reduce (if the authority had the option to reduce Attendance Allowance amounts). There are also concerns that devolution risks undermining the vital role played by Attendance Allowance in keeping people out of the formal care system, of supporting carers (and their access to Carers Allowance), as well as a number of other potentially significant issues if devolution means authorities have to consider reducing Attendance Allowance for new clients. The proposed devolution of Attendance Allowance does not include Personal Independence Payments for those aged under 65.

3.10 Many local authorities are likely to respond that first priority from 100% business rate retention should be to address unfunded pressures. At a time when funding from central government has been reducing for a number of years (and the power to raise council tax has been limited by referendum requirements) most local authorities have had to deal with rising demand for/cost of services. Many of these additional spending pressures are either a direct result of central government policy e.g. National Living Wage, removal of National Insurance rebate; or arise from demographic or economic trends. This has meant that most local authorities have had to make far greater savings than those required to offset the central government funding reductions. The main problem with using retained business rates for unfunded pressures is that it would not meet the fiscal neutrality condition.

3.11 The consultation considers separately whether the funds from 100% business rate retention could be used to support devolution deals. This carries the risk of making an already very complex system even more complex as authorities in different areas could end up having different responsibilities funded from the same source. This is unfortunate, particularly as some of the spending covered by devolution deals (especially that relating to adult education, transport infrastructure and local growth fund) is the spending that we have identified should be a priority to be devolved to “historic county” level. This spending more closely fits the 4 core principles than some of the spending proposed to be devolved to all authorities (see above). Consideration of whether Mayoral Combined Authorities should be given additional powers under business rate retention is a consistent theme throughout the consultation.

4. Other Consultation Issues

4.1 The consultation deals with how authorities should be rewarded from business rate growth and how risks can be shared. In particular it considers how often the funding system should be reset and whether the resets should take account of the business rate growth which authorities have retained in the intervening periods. The government is keen that the new arrangements give local authorities the right incentives to promote economic growth. The consultation confirms that the new arrangements will not include a levy on any growth. Balancing this improved incentive to promote growth with the need for a sufficiently nuanced system that ensures authorities have sufficient funding to meet statutory obligations is likely to be difficult and finely balanced.

4.2 The section on rewarding growth and sharing risks considers the interaction between local authority funding and the periodic revaluation of business rates. Currently business rates are revalued every 5 years (although the review for 2015 has been deferred until 2017). The government is considering whether reviews should be undertaken more frequently and reform to the appeal system to make the impact less unpredictable. The national multiplier is reset at each revaluation to maintain a consistent overall yield. The revaluation in individual areas is linked to market rental and is an indicator of overall economic conditions. The business rate income for local authorities would rise and fall in line with revaluations and the consultation considers whether this should be reflected through changes in the funding system or whether authorities should retain a share of the impact of revaluations as well tax base changes through new/changed businesses.

4.3 The consultation provides an opportunity to comment on the current 80:20 split in two tier areas and whether this split should be changed under the proposed 100% retention. The advantage of the low share for upper tier authorities is that they are largely cushioned from the impact of tax base changes (since the majority of funding comes through the top-up). This provides a degree of assurance for demand led services like social care. The downside is that upper tier authorities may not receive adequate incentive for promoting growth. The corollary is that lower tier authorities could be over incentivised/bear too much risk from business rate decline. The consultation also considers whether Fire Authority funding should be removed from business rate retention arrangements.

4.4 The consultation recognises that some authorities have already identified their exposure to financial risk under the current arrangements and this may be even greater under 100% retention. These risks can either arise from revaluations/appeals or changes to the business use of premises (including closure from business failure). In particular the consultation considers whether this exposure could be managed by transferring high risk national infrastructure to the central list (business rates paid directly to CLG) e.g. power stations, national airports, etc. The consultation also considers whether risks can be managed by establishing new wider “area based” lists which by their nature would mitigate risks. The consultation also considers how a safety net could insulate authorities from shocks (significant reductions in business rate yields).

4.5 The section on business rate flexibility considers a number of options to allow local authorities greater control over the amount of business rate levied. The government has already announced its intention to allow authorities to reduce the multiplier in their area (the consultation considers how this should work in two tier areas) and to allow Mayors to raise the multiplier (the consultation considers how this sits with existing supplementary business rate powers). We have challenged the additional powers for Mayoral authorities and have urged the same powers to be available to all authorities whether they have chosen to have a mayor or not. The consultation also considers the impact of decisions to vary the multiplier in neighbouring authorities and impact of consequential business rate migration.

4.6 The accountability and accounting section deals with the balance between central and local accountability, collection fund accounting and how 100% retentions sits with the requirement on local authorities to set a balanced budget.

5. Needs and Redistribution

5.1 The resetting of the existing baseline is covered in a separate Call for Evidence. This aspect of the new arrvangements does not require primary legislation and thus can be resolved over a longer period. It is nonetheless an important consideration as it deals with resetting the existing top-up and tariffs, as well as the distribution of some of the grants proposed to be devolved via 100% retention (principally the remaining RSG and Improved Better Care Fund).

5.2 The call for evidence focusses on the formula to be used to assess local authority needs. In particular it considers the extent to which this should be simple/transparent compared to a more complex approach (which should in theory be more nuanced towards individual needs). We remain convinced that a simple formula should be possible and should be satisfactory for the vast majority of authorities if it focuses on getting a more accurate allocation for the material aspects of local authority spending. For most authorities the vast majority of the budget (excluding schools) is spent on adult social care, children's services, capital financing, waste collection/disposal, public transport, highway maintenance/management, and planning/building control. However, we also recognise that adequately reflecting spending needs through redistribution should be the prime objective and should not be sacrificed for the sake of simplicity. This means the final redistribution methodology may have to be sufficiently complex to achieve this.

5.3 We have consistently contended that the funding allocated by previous block grant and specific grant mechanisms does not adequately take account of spending needs in county areas. This can be evidenced by the lower per capita grant allocations, lower core spending power (which includes both grants and council tax, and despite our reservations is the government's preferred approach to assessing local authority spending) and higher levels of council tax in county areas, particularly in comparison to Inner London Boroughs.

5.4 We will also be contending that since the baseline will be used to determine tariffs and top-ups for a number of years until the next reset, the formula should include forward looking indicators. These should be based on forecast trends e.g. population growth, and not rely on backward looking indicators such as previous census or regression against current spend. This latter aspect is particularly relevant as we contend that spending is influenced by the previous funding arrangements (which we believe are flawed and thus regression risks crystallising this previous pattern of redistribution).

5.5 The Call for Evidence also considers how a local authority's ability to raise income through council tax and business rates should be reflected in the needs based formula. We are largely supportive that income should be included in the calculation and that it should include all major sources of income e.g. car parking charges, but should not include discretionary decisions of individual councils to levy additional income (this was one of our chief criticisms of the changes introduced to RSG in 2016-17 in that authorities were penalised for historical discretionary decisions over council tax levels).

5.6 The Call for Evidence also considers transitional arrangements, the geographical area to which needs assessments should be applied and future resets. We are supportive of transitional arrangements as long as they ensure a manageable transition from the historical pattern to the new needs led distribution (a criticism of previous transitional arrangements is that they have effectively crystallised the previous distribution and prevented change). We can also see some merit in assessing needs at combined authority level as this should result in a simpler formula (although this will need much more evaluation particularly in two tier areas).

6. Conclusions

6.1 The consultation poses 36 specific questions (with a further 14 questions considered in the Call for Evidence). By its nature this is a very complex topic and some of the issues are technical while others have a significant policy implication. We have explored the main policy implications in this paper (particularly in relation to further devolution, rewarding business rate growth and managing business rate flexibility).

6.2 The proposed 100% retention marks a significant change in local authority funding arrangements. We have previously reported the possible issues arising from business rate devolution to County Council in March and comments made during this debate have been fed into KCC's response. We have also had a full debate of the consultation and KCC's response at Policy and Resources Committee on 8th September. The final responses to the consultation and call for evidence are attached as appendices to this report and need to be submitted on the same day following the Cabinet meeting on 26th September.

7. Recommendation(s)

Recommendation(s):

Cabinet is asked to ENDORSE the formal consultation and call for evidence responses.

7. Background Documents

8.1 DCLG Consultation and Call for Evidence
https://www.gov.uk/government/consultations/self-sufficient-local-government-100-business-rates-retention

8.2 KCC Medium Term Financial Plans
http://www.kent.gov.uk/about-the-council/strategies-and-policies/corporate-policies/medium-term-financial-plan

9. Contact details

Report Author

- Dave Shipton, Head of Financial Strategy
- 03000 419418
- dave.shipton@kent.gov.uk

Relevant Director:

- Andy Wood, Corporate Director Finance & Procurement
- 03000 416854
- andy.wood@kent.gov.uk

KCC Response to the Formal Consultation

This response to the consultation on the proposed 100% business rate retention is on behalf of Kent County Council (KCC). Kent is the largest shire area in the country with a population of around 1.5 million and over 640,000 households. This makes KCC the largest council responsible for services to more people than any other council in the country.

KCC welcomes the opportunity to comment on the 100% business rate proposals. We recognise that this consultation is to inform the primary legislation and much of the detail will emerge at a later date. We hope we will be given an opportunity to comment on the detailed arrangements as often these can have a more significant impact than the general principles. Accordingly this response focuses on the key issues of devolution, rewarding growth/sharing risk, local flexibility and accountability/accounting. We will be providing a separate response to the Call for Evidence on Needs and Redistribution.

KCC supports the principle of business rate retention. It is a long established principle that the proceeds from business rates should be used to fund local services. Local authority funding became increasingly centralised and complex throughout the 20th century and into 21st century. As a consequence far too much of a local authority's budget was reliant on central government core and specific grants. It is only recently that we have seen this trend start to reverse and 100% retention is a welcome further step in is direction.

Having welcomed this move we are concerned that the proposed retention has not been put into the context of the significant role that local authorities have played since 2010 in reducing the budget deficit. Over this period we have seen substantial reductions in central government grants at the same time as councils have faced rising spending demands/costs and have been encouraged to freeze council tax/keep increases low. This has meant that authorities have had to make unprecedented year on year savings of around 10% per annum for several years. KCC has to date already delivered over £0.5bn of savings over this period.

Due to the nature of the financial challenge i.e. rising spending demands which are unfunded, this magnitude of savings is not immediately obvious from the council's published budget. KCC, along with many other authorities, would like to see the highest priority given to using 100% business rate retention to fund such spending demands/costs which arise in the future in the lead up to and post 100% business rate retention. We appreciate that this isn't strictly in line with the fiscal neutrality aim of retention but it would mean council budgets better reflect the rising spending demands/costs. The retention proposals as they currently stand seem to be more about further deficit reductions (by switching other grants to be funded from retained business rates) than genuine devolution and localism. We will return to this point in answers to the specific questions on devolution.

We are also concerned that post 100% rate retention that the additional funding available to local authorities through business rate growth will not be sufficient to meet continued rising demands and costs. These rising demands and costs arise form a number of reasons, largely unavoidable, including the impact of inflation and National Living Wage on the price of contracts and rising demands from an increasing and ageing population. These pressures are particularly severe in adults and children's social care. If authorities are to be self-sufficient and there are no central grants to top-up funding this means authorities will continue to have to find further savings to balance their budgets. Eventually the scope for savings will run out and authorities would be forced to cut statutory services. We strongly urge ministers to leave scope in the primary legislation to be able to top-up the funding for local government through central grant in response to rising spending demands and costs.

We would also like to urge ministers that it is essential that the funding system is simplified. The current system is so complex, and has so many historical quirks hardwired into it, that it becomes virtually impossible to explain or understand the wide variations in funding that ensue. Intuitively this feels wrong and leads to a general sense of injustice. We firmly believe that a simpler system can also be more generally accepted as fairer. Having said this we recognise that adequately reflected spending needs in the funding system should be the prime objective. As a consequence we would support the formula being sufficiently complex to achieve this, especially where the complexity adds value and results in a funding system which better matches the needs. This will be particularly where such complexity is in the interests of all local authorities i.e.we not support complexity that reflects local choices or adds perverse incentives.

Question 1: Which of these identified grants / responsibilities do you think are the best candidates to be funded from retained business rates?

As already mentioned in the introduction to this response we are concerned that many of the proposed items identified to be funded out of 100% rates retention are existing grants already paid to local government e.g. public health, early years, etc. Effectively this is simply passing additional risk to local government, particularly for grants like early years where funding is allocated according to actual participation and take-up of early years offer. It is unclear whether this funding will be un-ring-fenced and whether local authorities will have any control over demand for and/or cost of services. If not local authorities could find themselves in the same situation we currently face with concessionary bus fares where funding has been devolved but the statutory entitlement remains and authorities can do nothing to manage demand or cost. This would severely compromise core principle 4. This is not devolution as it merely passes the administration of prescribed national schemes down to local government. We urge the government to clarify whether if these grants are to be funded out of retained business rates that funding will be un-ring-fenced and authorities will have more freedom to determine their own local arrangements according to local circumstances and potential business rate income.

We would like to comment on each of the proposed areas for devolution in detail:

Attendance Allowance (AA)
This proposed devolution is by far our biggest concern. It seems to be implied that devolution is consistent with local authority social care functions. In fact in many cases local authority social care deals with a very different client base to AA, not least because local authority social care is means tested and AA isn't. Furthermore, local authority social care is all spent on the assessment and provision of care services (including those clients opting to receive a cash payment who still have to spend this money to meet agreed outcomes and needs). AA payments do not need to be spent on care. Unless this changes under the proposals this would be very confusing for social care clients and AA recipients.

It is still not clear from the paper whether it is merely the administration of AA is being proposed or whether authorities will also be able to determine their own policy towards AA eligibility and payments. The paper suggests that payments for existing claimants will be protected but makes no mention of new claimants. This needs urgent clarification, and in particular the extent to which AA payments for individuals can be protected when funded from a volatile income source such as business rates. Some of the reasons for this are set out below.

Currently the reach of AA is far greater than adult social care. This is despite the fact that the criteria are broadly the same as local authority (Care Act) eligibility criteria. The receipt of AA (which bolsters the income for people with disabilities/chronic illness), with the knock on impact on other benefits, plays a key role in keeping people out of the formal local authority care system. There is a risk that if AA is not protected many more people would come into contact with the local authority and be assessed for formal social care. This could undermine the “Promoting Wellbeing” strand of social care as well increasing local authority assessment workload. Either way, this leaves local authorities with a dilemma and the need to meet spending demands (which are likely to increase due to an ageing population) from a volatile funding stream. This could place authorities in an extremely difficult financial position.

AA enables recipients to higher levels of pension credit and other means-tested benefits and exemptions. If AA is not protected it would not only result in a direct loss of income for recipients but also the loss of these other benefits. This would not only exacerbate the risks outlined above but would also mean those entering formal local authority care would have lower income and thus contribute less towards the cost of their care.

AA helps self-funders pay for the cost of their care. If it is not protected this could have a significant impact on care providers, and in turn put a pressure on prices for local authority clients.

There will also be a potential knock-on effect on carers. Many carers rely on Carers Allowance and related benefits if they have had to give up work or reduce hours. Receipt of Attendance Allowance is one of the main gateway benefits needed to qualify for Carers Allowance. Any reduction in the numbers of people able to claim Carers Allowance will affect their ability to provide care and may lead many more carers/the people they care for to seek help from local authorities.

Ultimately we feel that AA proposals fail to meet three of the four core principles (1, 2 & 4), and as a result is not appropriate to be funded from retained business rates. The demand is likely to increase due to an ageing population and the need to protect AA (and the knock on consequences to local authority social care if it is not) would put undue strain on local authority budgets. The current arrangements provide an appropriate balance of risk between local authorities and central government, the proposals would shift all this risk to local authorities.

Early Years (EY)
As we have already identified we are concerned that transferring the funding for existing local authority grants is not devolution unless these are un-ring-fenced and allow local authorities greater flexibility. Devolution of this grant could be fruitful if it enables us to tailor early year’s services to better meet local needs and maintain and enhance outcomes-focussed commissioning.

The funding for EY is currently included within the Dedicated Schools Grant (DSG) and any risk/opportunity from over or under spending remains in DSG. The EY sub block within DSG is based on a termly count of actual participation by 3 and 4 year olds. In common with schools DSG, the EY amount per pupil has remained the same for the last 6 years. This has put financial pressure on early years' providers who have had to increase top-up fees for additional hours over and above the 15 hour statutory entitlement. This situation cannot endure forever and eventually the pupil rates would have to increase (not least because providers will experience additional cost pressures through the introduction of the National Living Wage). Transferring funding to business rates will inevitably transfer this pressure to increase the hourly rate onto local authorities.

The government has recently launched a consultation to make changes to the DSG to introduce a national formula. A separate EY consultation has also been launched. There are already concerns that the increase in statutory entitlement from 15 hours to 30 hours has not been adequately funded and that the proposed national formula will do little to address this. Ensuring that there is sufficient capacity of high quality places in the childcare market based on current funding prediction is extremely challenging. There is a risk that transferring EY funding to business rates transfers this risk of underfunding. This is totally inconsistent with the four core principles.

If funding for early years is to be transferred to business rates it is essential that these underfunding risks are identified and adequately taken into account within the overall quantum. It would not be appropriate to transfer these risks to individual authorities. Furthermore, if funding for EY is to be transferred to business rates there will need to be an adequate mechanism to adjust funding for changes in pupil numbers and participation rates. This could not be resolved through whatever reset mechanisms are finally agreed as these would be far too infrequent. Failure to adequately adjust could leave local authorities too exposed to demographic factors with insufficient business rate income to meet demand.

Public Health

In principle funding public health from retained business rates has some appeal. Furthermore, public health does seem to better fit the four core principles than some of the other options presented e.g. a general improvement in health should support drive for economic growth. Ever since the responsibility for public health transferred to local authorities we have campaigned to have the ring-fencing of funding to be removed. If the transfer to business rates includes the un-ring-fencing this would be welcome. We believe there are many opportunities for improved integration between public health and other public services which the ring-fencing precludes from achieving.

Having said that funding from retained business rates has some appeal we are concerned that public health inequalities still remain. We would need to see more detail how these inequalities would be reflected in the baseline and how there would not be a perverse incentive not to tackle these inequalities in order to secure a larger baseline in future.

We are also concerned that changes in business rates may not reflect changing public health needs and the risk of declining business rate income in some areas could coincide with rising public health needs.

Improved Better Care Fund (iBCF)

Our response is based on the presumption that this funding is already part of the local government finance settlement and as such is un-ring-fenced and local authorities are not accountable to the department for health over its use. If so, effectively this is already funded from the 50% central share of rates, and therefore funding from 100% retention could be viewed as little change. Consequently we do not have any significant concerns with this proposal, although we do have two issues which need to be addressed prior to any transfer.

Firstly we only have indicative allocations for iBCF for 2017-18 to 2019-20. These are based on the social care relative needs formula within the old Formula Grant. We have consistently challenged that the relative needs formula did not adequately reflect needs in shire areas (particularly for social care) and this has to be addressed before funding is transferred. It is essential that the baseline transferred via the iBCF is based on an accepted methodology.

Secondly we are concerned that having developed an acceptable methodology that this baseline is updated periodically. All the evidence is that needs are growing in social care due to a combination of demographic and market factors. We are particularly concerned that business rate growth is unlikely to keep pace with these changes and that the biggest increase in social care needs could be in areas with the lowest business rate growth. Consequently we would like to see more frequent resets for social care elements of funding.

Revenue Support Grant (RSG)
As with iBCF this is already funded from the 50% central share and therefore this is no significant change. However, we wish to repeat our opposition to the changes made to RSG distribution in 2016-17 which were introduced at very short notice with no prior consultation or notification. We believe these changes had a detrimental impact on the RSG for some authorities, particularly authorities which for a variety of reasons have set higher council tax rates. We do not think it appropriate that authorities should be penalised through the grant system for the effect of local democratic choices. We also remain concerned about the impact of the negative RSG allocations for some authorities in 2018-19 and 2019-20 arising from the changes made to the distribution of grant in 2016-17 which came with no prior consultation or notification. Reversing these negative amounts should be a priority from the additional quantum available from 100% business rate retention.

We are also concerned that all the individual elements of RSG were merged in the 2016-17 settlement with reductions based on the totality of grant and council tax revenues. This did not afford any protection for individual elements within RSG. We believe some elements of RSG should be protected from reductions as was the case prior to the 2016-17 changes.

Finally as we have already commented we continue to have concerns about the previous distribution methodology in the old Formula Grant and other grants. These methodologies have effectively been crystallised into the current arrangements without adequate redress of our concerns. We would like to see these concerns considered before a flawed methodology is hard-wired into the baselines for business rate retention by default.

Independent Living Fund (ILF)
This funding is needed for the ongoing support for protected clients following the closure of the ILF. We are unconvinced that this should be funded from retained business rates and think it should remain as a separate ring-fenced grant. Our main reason for this is that a separate grant can more accurately take account of different attrition rates in individual authorities.

We accept that the responsibility for new clients is now the responsibility of the local authority within the current business rate/RSG/council tax funding arrangements. In an ideal world we would integrate the protected ILF funding within this but we cannot see how this is possible without reflecting the different attrition rates.

Youth Justice
This is a fairly insignificant amount in comparison to the overall quantum from retained business rates. However, we feel devolution of this grant to be funded from retained business rates may be beneficial, provided the money can be used flexibly to better meet the needs of young offenders. In particular we feel that this would provide opportunities to embrace innovative ways of working and methods of service delivery.

However, the Ministry of Justice contribution to Youth Justice Boards has been reduced significantly in recent years. The remand budget was devolved to local authorities in 2013 although it was insufficient to cover the full costs of delivering the additional responsibilities. Therefore, we are wary that youth justice grant could also be devolved with insufficient resources available from business rates to meet new responsibilities. This would put additional pressure on already stretched services and may lead to difficulty in providing high quality youth justice and non-custodial provision.

We are also conscious that the Charlie Taylor Review, which is due to be published imminently, is likely to make a series of recommendations about youth justice funding arrangements e.g. potentially devolving the Youth Justice Grant to the DCLG. We would want to ensure that any arrangements agreed under the devolved business rates proposals would dovetail with these recommendations.

Greater London Authority Transport Grant
In theory using business rates to fund transport infrastructure is a much better fit to the four core principles than any of the other proposals. Indeed there is a long and rich history of using business rates to fund local infrastructure. However, we are concerned that London already has a superior transport infrastructure than anywhere else in the UK, and that this effectively would mean a greater share of the business rate yield would be retained in London. Business rate retention should be an opportunity to improve transport infrastructure across the country and not just in London.

In Kent we have tried to protect local transport infrastructure and reduce congestion through providing subsidies to bus companies to run socially necessary bus routes, and we are the only county council that offers subsidised home to school transport to all children aged 11-15 through the Young Person's Travel Pass. As our central funding reduces we will find it increasingly difficult to maintain these services. The fact that we have funded these from local sources should not be any different the GLA Transport Grant and we would like consideration to be given to include local transport schemes in business rate retention as well as GLA Transport Grant. This could be achieved by including the local funding in an authority's baseline for business rate retention which would better ensure that we can continue to provide these essential transport services.

Rural Services Delivery Grant
This does not apply to KCC but since it is part of the local government finance settlement in the same way as RSG and iBCF the same principles should apply that it's not unreasonable to transfer this to business rates.

Local Council Tax Support Administration Subsidy and Housing Benefit Pensioner Administration Subsidy
These apply to lower tier authorities and thus in a two tier areas their views should carry most weight. KCC fully supports the work and effort made by districts councils to maximise the council tax base and collect as much as possible from those in receipt of council tax support discounts under local reduction schemes. Since the majority of council tax is collected on behalf of major precepting authorities it is essential that lower tier councils in two tier areas are adequately funded for council tax support administration. We would like to see adequate safeguards if this funding were to be included in business rate retention in order to avoid any detrimental impact on the county council's share of the council tax base.

Question 2: Are there other grants / responsibilities that you consider should be devolved instead of or alongside those identified above?

We fully support the four principles set out in the consultation which should guide the functions to be devolved under 100% business rate retention. As covered in our response to question 1 we are concerned that some of the grants/responsibilities proposed to be devolved are not consistent with these principles. We believe it would be much better if functions that that directly contribute to business growth and development were devolved. In broad terms, infrastructure development, business support and adult skills and training fulfil these criteria, whereas the demand-led people services (social and welfare services) do not fit well.

Below, we set out examples of the sort of responsibilities that we believe could be devolved to 'historic county' level, some of these are identified in the consultation paper as functions which could be devolved to combined authorities.

- *Local Growth Fund (LGF)* – there should be a block allocation of LGF funds down to historic county level, based on the proportion of England's overall housing growth in each area. Devolution of LGF should not just be restricted to Mayoral Combined Authorities. This would simplify the management of LGF and remove the need for central Government to spend resources approving individual projects. We would envisage the Skills Capital Funding continuing to be part of the (devolved) LGF.
- *Specific Government funds to unlock development* (such as the loan products managed by the Homes & Communities Agency)
- *Highway Maintenance* – Devolving some of the budgets managed by Highways England through a Key Route Network.
- *16-19 funding from the Education Funding Agency* - This funding is currently allocated according to a formula based on student numbers, adjusted for subject and area costs. This should be devolved to county-level authorities to commission according to local economic demand, involving strong local business voices in the commissioning process.
- *Adult Skills Budget* - This is currently administered by the Skills Funding Agency and supports learning provision primarily for people aged 19-23 undertaking Level 1 and 2 English and Maths and Vocational courses. This too could be commissioned taking into account local economic demand and specific community needs, as for the 16-19 funding. The new Adult Education Budget is intended to be linked with local economic need and be focused on provision which cannot otherwise be paid for by employers and learners, and the Government has already indicated a willingness to make this available via block grant as part of devolution agreements.

- *Careers information, advice and guidance* – Funding and provision is currently piecemeal and confusing. In addition to services provided by the National Careers Service, the nationally-funded Careers Enterprise Service seeks separately to promote employer engagement with schools, while Jobcentre Plus also now has a remit to deliver careers advice services. This is overly complicated. It is obvious that the task of linking local schools with local employers to provide information about local career opportunities should be managed locally. When the contract for the Careers Enterprise Company comes to an end, the devolution of the funding associated with it should be devolved, and integrated over time with local commissioning of other nationally-funded careers services.
- *Apprenticeship Grant for Employers* - This supports businesses to recruit people aged 16-24 through the apprenticeship programme, where they would not otherwise be able to do so. This funding should be devolved directly to local authorities and funded from retained business rates. This would allow greater flexibility on eligibility requirements, enabling grants to be focused on small employers within priority sectors or working in activities where there is evidence of high skills demand. It would also provide businesses with a direct service from local authorities in return for some of the business rates they pay.

Question 3: Do you have any views on the range of associated budgets that could be pooled at the Combined Authority level?

We recognise that some functions would better to be devolved to combined authority level. In particular the functions we have identified in response to question 2 we have already suggested would be better devolved to "historic county level" in shire areas. These are similar to the items identified in the consultation paper and therefore we generally agree with the types of functions which could be included in pooled budgets for combined authorities.

The grant funding provided through devolution deals listed in the consultation would be appropriate for pooling at the combined authority level for those areas which have devolution deals and combined authority areas. However, on a point of principle, we do not believe greater fiscal autonomy should be granted to areas that have Mayoral Combined Authorities and the presumption throughout much of the consultation that a two-tier devolution arrangement between areas with and without a Mayoral Combined Authority is both unfair and impractical. There is no reason those grants listed or indeed other grants, cannot be pooled across all areas without the need for new and artificial governance structures.

Question 4: Do you have views on whether some or all of the commitments in existing and future deals could be funded through retained business rates?

Given the intention is to move the local government sector to a self-financing model through full rate retention the broad policy objective of funding devolution deals from retained business rates is understandable. However, there is considerable tension between achieving this and how it can be fairly applied, how the interests of those areas without devolution deals are protected and the impact on the redistribution effect such an approach would have. Consequently we urge ministers to carefully consider the full implications of funding devolution deals from retained business rates to ensure devolution deal and non-devolution deal areas are treated equitably. These deals are a voluntary arrangement; having a devolution deal (which is subject to ministerial discretion and not within an area's direct control) should not provide significant advantage, or perhaps better put, a significant disadvantage to those areas that do not.

Funding devolution deals from retained business rates should mean that the funding comes from the business rate income levied within the devolution deal area. It should not come from the business rate income from non-devolution deal areas. We presume devolution deal authorities would have these additional devolved responsibilities included within their assessed need, and that most areas with devolution deals are metropolitan urban areas that receive top-ups. If so, this would effectively mean that devolution commitments will not be funded from within the devolved area, but through additional redistribution from areas that do not benefit directly from the devolution deal. This would be fundamentally unfair and undermine the stated position that rate retention should minimise the need for redistribution, as it would likely increase it.

We accept (as does the wider public) the need for financial redistribution to support the delivery of public services in poorer or less economically vibrant parts of the country. However, we do take exception to the funding of additional responsibilities agreed through devolution deals which are not within any revised agreed needs-based formula, or indeed are not available to their own communities simply because they do not have a devolution deal. Therefore, 100% business rate retention and bespoke devolution deals make difficult bedfellows, and this consultation does not set out how these tensions will be managed.

The likelihood is that the Government will continue with some form of bespoke devolution deals over the course of this parliament. If so, our preference would be that devolved commitments must be funded from a ring-fenced amount within the business raised in the local area and not subject to redistribution via tariffs and top-ups. This would better incentivise areas with devolution deals to successfully grow rates to fund their deal commitments, and would be fairer across the sector. Alternatively devolution deals would have to be funded by separate grant arrangements outside business rate retention.

Question 5: Do you agree that we should continue with the new burdens doctrine post- 2020?

Yes, we fully support the principle of new burdens doctrine and this being funded via separate Section 31 grants prior to the transparent transfer of funds into the mainstream local authority funding arrangements (previously formula grant). Indeed, we would argue the risk of increased volatility in local authority budgets following business rate retention requires the new burdens doctrine to be more rigorously and broadly applied.

The new burdens doctrine itself and the associated guidance are fundamentally sound. However, our experience is that the application of the doctrine across departments is too sporadic. Too many new burdens assessments are undertaken with limited or cursory evidence of the true cost on local authorities. Neither is it clear departments appreciate that changes to existing duties and powers constitute a new burden and therefore should be assessed and, if necessary, funded.
For example, we believe the changes made to the RSG methodology for 2016-17 are inconsistent with the doctrine. These changes were made with no prior consultation or notification. Previously new burdens funding which had been

transferred into the main grant could be protected as it was individually identifiable within RSG. The changes made in 2016-17 have combined all these individual elements into a single amount which has then been reduced pro rata to each council's overall RSG and council tax yield. There is no evidence that new burdens funding has been protected and therefore becomes a pressure on council tax. Furthermore the inclusion of council tax yields within the RSG calculation means those councils which have used local democratic authority to raise additional council tax have faced larger RSG reductions. This puts further pressure on council tax and thus is incompatible with the doctrine. We would also like to highlight that the funding to support the 2015 implementation of the Care Act was also transferred into the existing business rate retention/RSG arrangements in 2016-17 with no protection for the RSG element. This is contrary to statements made when the Care Act was being debated that the impact on local authorities would be fully funded.

We are concerned that 100% rate retention leaves open the scope to transfer further unfunded burdens onto local authorities. This too would be inconsistent with the doctrine. We contend that new burdens assessments should be independently tested for rigour and robustness before being signed off and the new burdens doctrine should be extended to cover non-departmental government bodies.

Question 6: Do you agree that we should fix reset periods for the system?

We agree with principle that the baseline should be set periodically rather than every year. We also agree that this period should be on a fixed cycle rather than chosen by the Government according to pre-determined indicators, we concur that this would be too uncertain. Option b with a full reset including all achieved growth every 20 years is not appropriate as it leaves too long between resets (particularly if there are still defects hard-wired into the arrangements). This option should be rejected.

This leaves options for a full or partial reset more frequently say around every 5 years (to coincide with revaluations?). Generally we think the partial reset has more appeal, it would enable to the reset to focus on the most significant/material changes in need (this is likely to be adult social care) and those areas with the greatest changes in circumstances (particularly areas with high population growth which may not have been matched by business rate growth). The ability to retain some of the business rate growth beyond the reset period also has some appeal compared to a full reset

Question 7: What is the right balance in the system between rewarding growth and redistributing to meet changing need?

We strongly believe in the principle of local authority's retaining business rate growth. We fully support the incentivisation argument. We also believe that the current arrangements place too much emphasis on redistribution to meet "need" and identifying the drivers for need had become overly complex and yet still do not adequately reflect need in all types of authority. We have already outlined in our desire for simplification. We believe that for a number of services the only redistribution which is necessary is to ensure most authorities start with the same level of funding per head of population (or other simple measures for relevant services such as km of highway, number of households, etc.) and only where appropriate weighted by secondary cost factors such as deprivation, health, sparsity, etc. There will always be outliers where this is not the case but these should be treated as such rather than designing a complex system in order to accommodate their often unique circumstances. If authorities feel they need to spend more they should raise this through business rate growth, council tax or other income sources. Similarly authorities which face a decline in business rates will either have to spend less or raise additional income from other sources. We believe this will result in a simpler, more efficient and arguably fairer system rather than trying to replicate every authority's needs in a high level of detail.

However, business rate growth should not be over exaggerated. Growth rates in recent years have been relatively modest. Business rate growth has certainly not kept pace with rising demand for/cost of local authority services. Therefore, even under the current 50% retention arrangements, local authorities have had to make substantial savings in to counter the effect of this rising demand/cost, reductions in central government funding, business rate growth/decline and restrictions on the ability to raise council tax. We are under no illusions that 100% business rate retention with no core central funding will be a panacea for this challenge of rising demand/cost which is not matched by rising income. This is especially the case for adult social care services where demands and expectations are rising at an increasing rate.

It is also worth noting that the upward impact of new businesses is offset by the downward impact of business closures and appeals. Business rate growth is also significantly affected by mandatory reliefs. Many of these are factors outside local authority control.

Question 8:   Having regard to the balance between rewarding growth and protecting authorities with declining resources, how would you like to see a partial reset work?

A partial reset should take account of changes in the main cost drivers which are outside the local authority's control. Similarly it should take account of business rate/council tax changes outside the local authority control e.g. changes to mandatory reliefs. The partial reset should not take account of those things either within local authority control e.g. waste recycling rates, granting of planning permission, etc., or arising from local democratic decisions e.g. discretionary spending, council tax rates, business rate multiplier reductions etc. Having outlined these principles we would still be looking to keep the resets relatively simple without the use of complex sub formulae or collection of additional data.

We also think the partial reset should focus on those services where demand/cost is most volatile. For upper tier councils social care is by far the most significant and most volatile area of spending. Spending trends will often be inverse proportion to tax trends and resets will need to be frequent enough to take this into account.

Question 9: Is the current system of tariffs and top-ups the right one for redistribution between local authorities?

We accept that under a business rate retention scheme tariffs and top-ups work reasonably well as a method of redistribution. We fully support the principle of redistribution i.e. the transfer of resources from high wealth/low need areas to low wealth/high need areas. We remain concerned that the current way these are identified are inadequate and take far too much account of historical funding distributions and local decisions. In particular the use of regression analysis and transitional damping has had the effect of reinforcing previous funding distributions rather than a genuine redistribution according to wealth/needs. The result is that ensuing redistribution does not adequately reflect spending needs/ability to raise income, particularly for demand led services such as social care. Until the devolution responsibilities and the needs led redistribution have been agreed it is difficult to estimate what the baseline will look like and therefore what tariffs and top-ups will be required.

Question 10: Should we continue to adjust retained incomes for individual local authorities to cancel out the effect of future revaluations?

Partially at least. It could be argued that revaluations based on “market rental” value include both national economic conditions and local influence. If it is possible we think that authorities should be rewarded/incentivised beyond the reset period for the impact of local influence/decisions. However, we accept this may be difficult to ascertain on a consistent basis and that a partial adjustment may have to be set on an arbitrary/average basis rather than detailed evaluation. A partial adjustment is better than full adjustment and better fits the desired incentivisation.

Question 11: Should Mayoral Combined Authority areas have the opportunity to be given additional powers and incentives, as set out above?

No. We do not agree that Mayoral Combined Authority areas should have additional powers and responsibilities over retained business rates. Mayoral Combined Authorities are voluntary arrangements which are controversial in non-metropolitan areas where many local councils, including KCC, do not believe the directly-elected mayoral model is appropriate. As such, additional powers and incentives for Mayoral Combined Authorities over rate retention will create a further structural divide in local government between metropolitan and non-metropolitan areas, when the intention of full rate retention is to provide universal devolution to all local councils. Any proposal to provide additional powers to Mayoral Combined Authorities is not directly related to full rate retention, but vicariously to place further pressure on local authority areas to accept a Mayoral Combined Authority. Additional powers and incentives made available to Mayoral Combined Authorities should be made available to all areas, including two-tier county areas like Kent, where we have strong and existing partnerships arrangements that have already successfully managed the 50% retention scheme and pooling arrangements.

Question 12: What has your experience been of the tier splits under the current 50% rates retention scheme? What changes would you want to see under 100% rates retention system?

As an upper tier authority the 20% split with a significant top-up has provided a more secure funding base for demand led services. As we have already identified neither the annual uplift nor the share of business rate growth has kept pace with these demands, but this would have been the case anyway with a greater % share and lower top-up. We are concerned that 20% understates the role the upper tier authority plays in promoting economic growth.

We are concerned about the 80% share for lower tier councils. We are particularly concerned that this leaves them over exposed to the risk of business rate decline through business failure or appeals. This exposure would be less of a risk for upper tier authorities due to both the much larger budgets and that risks can be smoothed out by growth across the wider geographical area.

We believe there is a strong case for increasing the upper tier share (and reducing the lower tier share) together with a reassessment of tariffs and top-ups. The balance will depend on the outcome of which additional responsibilities are finally devolved under 100% retention to ensure risks are balanced i.e. we would not want to see upper tier councils taking on significant additional risks from devolution at the same time as a significant transfer of risk from business rate volatility due to changing the split.

Notwithstanding earlier points made about the need for additional functions and responsibilities to be closely linked to services which support business and further business rate growth, the system for full business rate retention must also reflect the distribution of responsibilities and services in two-tier areas. Simply scaling up the current arrangements for the 50% retention scheme whereby the split of 40% to Districts, 9% to Counties and 1% to Fire Authorities is scaled up so that the 100% scheme provides 80% to Districts, 18% to County Councils and 2% to Fire Authorities would be unacceptable. In two-tier areas, county councils account for approximately 80% of all local government spend, and as the social care authority for both adults and children, county councils face need and demographic pressures on their services that are not felt as sharply by District Councils. As such, the current split in rate distribution must change to more adequately and fairly reflect the demands and pressures faced on our services. We would not, however, suggest there should be a straight reversal of the split towards counties, given the disproportionate effect this would have on District Council budgets. What the right split should be must be based on a clear evidence base and, in the first instance, a matter for negotiation between counties and districts (through representative bodies such as DCN, CCN and their equivalent treasury groups).

Question 13: Do you consider that fire funding should be removed from the business rates retention scheme and what might be the advantages and disadvantages of this approach?

No. Central to the Policing and Crime Bill is that Police and Crime Commissioners (PCCs) can take on responsibility for fire and rescue authorities where a local case is made and there is local agreement. This approach reflects that in many local areas, including Kent, the fire and rescue service and police force already collaborate on a range of operational areas, and the benefit from integration with PCCs is more limited than perhaps anticipated. Like the points made earlier regarding devolution to Mayoral Combined Authorities, this proposal is less about making full retention work, than using the scheme as a mechanism to promote alternative policy objectives. Removing fire from the business rate retention altogether would signal that there is an expectation that PCCs should take responsibility for fire, when the stated government position is this is a matter for local determination in the first instance. Such mixed messages need to be avoided.

Furthermore, we are concerned that in order to meet the fiscal neutrality requirement taking the funding for fire authorities out of business rate retention would increase the quantum which would need to be devolved to local government. This could prove problematic to find sufficient functions to devolve bearing in mind our reservations about some of the significant elements proposed to be devolved to meet the existing estimated quantum. We would not want to see inappropriate functions devolved to local authorities just to enable the transfer of fire out of business rate retention.

Question 14: What are your views on how we could further incentivise growth under a 100% retention scheme? Are there additional incentives for growth that we should consider?

We have already commented on the aspects of business rate growth which are outside of a local authority's control e.g. mandatory discounts/reliefs, appeals, etc. We believe these are things which authorities should have greater control over in order to incentivise growth. The overall tax base is only part of the equation which results in the final business rate tax yield.

We also believe that local authorities should have more flexibility to increase the multiplier, or at least have other mechanisms to protect/increase income to offset reductions. The current business rate retention proposals are based on retention of growth in the tax base although as we have already responded historically growth has not been that great and can be mitigated by factors outside the local authority control.

Question 15: Would it be helpful to move some of the 'riskier' hereditaments off local lists? If so, what type of hereditaments should be moved?

We are concerned that local lists include some properties which are part of national infrastructure and decisions about future expansion or closure are taken at a national level. This would include major power stations, ports, airports, etc. By far the largest single hereditament in Kent is the Channel Tunnel with a rateable value of £15.4m. There is an argument that such premises should be on the central list although any changes in rates for these are likely to have a very long lead time and thus can be planned. Often the most risky properties are industrial premises which can close at much shorter notice and finding alternative use can prove difficult.

We are also concerned about the impact on local lists of national policy decisions. For example should all the remaining schools in Kent be transferred to academies this would reduce the business rates yield by £5.2m due to the application of mandatory charitable relief. Similarly should the policy in relation to hospital trusts change this could result in a substantial loss of business rate income. With 100% retention we would like to see the national quantum and individual tariffs and top-ups adjusted for any national policy impact on the business rate yield so that other local authority services do not suffer the consequences. The only mitigation for the impact of academies under the current 50% retention is if it pushes an authority into the safety net. We do not think this is sufficient safeguard.

Question 16: Would you support the idea of introducing area level lists in Combined Authority areas? If so, what type of properties could sit on these lists, and how should income be used? Could this approach work for other authorities?

We can see the appeal of area based lists for combined authorities but we are concerned how this would work in practice e.g. would the combined authority be responsible for collection from the area list, how would it be determined which properties are transferred to the list, etc. Assessing the riskier properties is not straightforward as referred to above

Question 17: At what level should risk associated with successful business rates appeals be managed? Do you have a preference for local, area (including Combined Authority), or national level (across all local authorities) management as set out in the options above?

The impact of appeals is a significant issue. We appreciate the efforts the government is considering to make the appeals system work better. Currently there is very little risk to the appellant and all the risk is borne by local and central government. This leads to a very volatile tax yield. It is disappointing that no consideration has been given of managing some of the risk through the multiplier. The multiplier is reset as part of the revaluation every 5 years but is not reset in between following appeals against the revaluation. This is a fundamental flaw and should be addressed before 100% retention is set (and effectively all the risk passed to local authorities).

We have formed a pool with 10 district authorities and the fire authority. One of the aims of the pool is to better manage the risk from appeals/business closures over a wider geographical area. Consequently, we certainly would support a wider pooling arrangement within 100% business rate retention (albeit we still contend some of the risk should be borne by business rate tax payers through the multiplier as outlined above). This pool could operate at a combined authority level or a national level. We are concerned that a national pool may be overly complicated and thus a wider area combined authority pool may be easier to manage and be more flexible.

Question 18: What would help your local authority better manage risks associated with successful business rates appeals?

Better information and intelligence sharing between local authorities and the Valuation Office Agency (VOA) would certainly help in as much as we could make better local provision to reflect both tax base growth and/or decline. This would not negate the impact but would make it more predictable. We still believe that not resetting the multiplier following appeals is a fundamental flaw, which if addressed would help all authorities.

We are also concerned that once an authority gets close to or drops into the safety net there is a disincentive to manage any further risks as the safety net picks up all the consequences.

Question 19: Would pooling risk, including a pool-area safety net, be attractive to local authorities?

We have been operating a business rate pool for two years. Having previously commented that we support pooling there is a danger that without the incentive of being better able to benefit from growth pools will become unattractive. To include a pool safety net (which presumably would be funded by pool members) could make membership even less attractive, especially to those authorities at low risk of requiring the safety. Without the right mix of authorities pools become pointless.

Question 20: What level of income protection should a system aim to provide? Should this be nationally set, or defined at area levels?

This is difficult to answer until we know what additional functions are to be delegated and therefore the risks from a volatile funding stream. We do believe the current safety net threshold is too low, particularly if a greater proportion of the business rate yield is to be transferred to upper tier authorities. The impact of falling just short of the threshold can be catastrophic. Furthermore there is a perverse incentive once in the safety net not to grow back out. This needs to be tackled as well as reviewing the threshold once we know which additional functions are to be devolved.

Question 21: What are your views on which authority should be able to reduce the multiplier and how the costs should be met?

We would certainly not want a situation in two tier areas where the decision of individual councils can have a significant impact on the income for other tiers. We already have this with council tax reduction schemes where it is the lower tier authority which decides on local schemes, but the majority of the impact is on the tax yield of the upper tier authorities. In Kent we are fortunate that we work closely across the tiers but this remains a risk that the lower tier authority chooses a generous reduction scheme.

We are not sure that splitting the power will work very well. This would require authorities to identify the impact of individual council decisions on business rates bills in a similar way we show council tax decisions on council tax bills. In general we think the decision should be left to the most local level (districts in two tier areas and boroughs in London). The upper tier authorities (counties/fire and GLA) should have the power to veto proposals and/or propose alternatives (which in turn the lower tier authority would have the power to veto). This would ensure there is a clear accountability for decisions but any decision would have to be supported across the tiers. Inevitably the costs of reducing the multiplier would have to be borne according to the proportionate split.

We remain concerned that varying the multiplier is a rather blunt instrument. We would rather this was combined with greater flexibility to vary discounts and reliefs so that business rate reductions can be better targeted.

Question 22: What are your views on how decisions are taken to reduce the multiplier and the local discount?

As we have already responded above we believe the power to reduce the multiplier is too blunt as a tool and we are not convinced that existing discretions over discounts provide sufficient means to target business rate reductions most effectively. We believe reductions could be better targeted if local authorities were also given the ability to vary mandatory discounts and reliefs.

Question 23: What are your views on increasing the multiplier after a reduction?

This should be left to local discretion without any centrally imposed limits (other than obviously authorities could not exceed the national multiplier). If there are concerns that the resulting increases would be unmanageable for businesses then legislation could place a requirement on local authorities to consider the affordability of increasing the multiplier after it has been reduced (and guidance issued on the economic and other factors which authorities should take into account in their considerations).

Question 24: Do you have views on the above issues or on any other aspects of the power to reduce the multiplier?

As we have already stated we are not convinced that having the power to reduce the multiplier is very effective. It is too blunt to be able to target reductions to particular localities, types of business or businesses facing particular difficulties. Whilst there are some local discretionary powers, these tend to only be used in very exceptional circumstances. We remain disappointed that there is very little, if any, ability to increase business rates for some to pay for reductions for others. This was a feature of the devolution of council tax support which worked well.

Question 25: What are your views on what flexibility levying authorities should have to set a rateable value threshold for the levy?

Individual authorities should have the power the set their own thresholds for raising a levy. Local authorities are best placed with the knowledge of their local economies and which businesses are best placed to help pay for and benefit from the sort of infrastructure which a levy would support. One of the criticisms of the current supplementary power, and we would argue a contributory factor why this power isn't used, are the imposed thresholds restricting the levy to larger premises.

Question 26: What are your views on how the infrastructure levy should interact with existing BRS powers?

We do not agree with there being different powers for an infrastructure levy. As we have already responded in question 11 we cannot see the case for Mayoral Combined Authorities having any additional powers under the business rates arrangement compared to other authorities. The business rate retention arrangements should not be used as a mechanism to progress other policy objectives.

Question 27: What are your views on the process for obtaining approval for a levy from the LEP?

We do not think it appropriate that the LEP should take on executive powers to approve a levy. The LEP should be statutory consultees but should not be approvers. The existing infrastructure levy powers set out the consultation and ballot requirements for individual proposals and we consider these arrangements should be followed by all authorities irrespective of whether they have chosen to have an elected Mayor.

Question 28: What are your views on arrangements for the duration and review of levies?

We agree that the duration of any levy should be set out in the initial prospectus. As with the response to question 27 above we do not think there should be any different arrangements for Mayoral Combined Authorities than any other authority.

Question 29: What are your views on how infrastructure should be defined for the purposes of the levy?

We agree that the purposes of the levy should be clearly defined and limited to infrastructure development. We think the purposes for the existing Business Rates Supplements are sufficient and there is no need for different infrastructure levy arrangements for Mayoral Combined Authorities.

Question 30: What are your views on charging multiple levies, or using a single levy to fund multiple infrastructure projects?

As with previous responses we do not think there should be any different powers for Mayoral Combined Authorities. We think it would be simpler to raise multiple levies covering different projects but agree that the combined effect of these levies should be capped to 2p in £ i.e. the same as the current Business Rate Supplementary powers.

Question 31: Do you have views on the above issues or on any other aspects of the power to introduce an infrastructure levy?

As we have already stated we cannot see the case for different infrastructure levy arrangements in Mayoral Combined Authorities and other authorities. If there is to be a separate arrangement it should mirror the existing Business Rates Supplementary power and be clear than any authority (or group of authorities) can only use one of the powers and the over effect of ant levies will be no more than 2p in the £

Question 32: Do you have any views on how to increase certainty and strengthen local accountability for councils in setting their budgets?

We have fully supported multi-year settlements in the past as a way of increasing certainty for local authorities. We are concerned that 100% business rate retention could result in funding being less certain as authorities become more self-sufficient and reliant on the funds raised locally. In particular we are concerned that demand for both existing and new responsibilities could move in the opposite direction to local tax yields. Even with a safety net this could leave authorities having to hold more in reserves to manage variations.

We are also concerned that local authorities do not have full control over business rates and variations can arise outside their control e.g. mandatory reliefs, impact of appeals, etc. This can add to the uncertainty and should be recognised through appropriate share of risk. Consequently we can still see a role for continuation of some grants including multi-year settlements for these.

In terms of accountability there should be a greater onus on local authorities to explain to local tax payers (both business rates and council tax) what their money is spent on and the extent to which it arises from local decisions as opposed to meeting statutory obligations.

Question 33: Do you have views on where the balance between national and local accountability should fall, and how best to minimise any overlaps in accountability?

This question depends upon what additional responsibilities end up being devolved. As we have previously identified if the devolution merely means handing down the administration of national schemes, with very little scope to make local changes, it is very difficult to be accountable. True accountability would allow local authorities greater flexibility to increase local taxation to support local spending priorities where this is agreed. Currently this flexibility does not exist, nor is it proposed through business rate retention.

We do not believe that mayoral combined authorities should be the only model of devolved powers to local government or demonstrate improved accountability. Local members are accountable to the electorate as is the governing administration of each local authority. Local areas should have the ability to choose the most appropriate format of local governance without in-built incentives/disincentives in the funding arrangements for any particular choice.

Question 34: Do you have views on whether the requirement to prepare a Collection Fund Account should remain in the new system?

We think collection fund accounting arrangements should continue. The declaration of estimated and actual tax yields is a transparent mechanism. We are concerned about the rise in council tax collection fund surpluses since the transfer of council tax support to local schemes. This has made forecasting the tax yield less certain. We have already commented on the volatility of business rates and in particular the impact of factors outside of local authority controls e.g. mandatory discounts/reliefs, appeals, etc. These will impact on collection fund balances and we can see some merit in identifying the impact of factors within and outside local authority control separately.

Question 35: Do you have views on how the calculation of a balanced budget may be altered to be better aligned with the way local authorities run their business?

We support the principle of setting a balanced budget and KCC takes this very seriously. We have set and delivered a balanced budget in each of the last 16 years. We are concerned that the current concept of a net budget requirement leading ultimately to a council tax requirement is flawed. In particular at the time the budget is set some funding is still uncertain and thus the council tax requirement does not in itself represent certainty of a balanced budget. Furthermore, the ability for an authority to raise council tax is effectively capped through the referendum requirements. We have consistently challenged both previous capping regimes and the current referendum arrangements as significant obstacles to setting a balanced budget. We believe that authorities should assess the certainty of estimates as part of the balanced budget requirement.

Question 36: Do you have views on how the Business Rates data collection activities may be altered to collect and record information in a more timely and transparent manner?

We agree that some form of reporting will still be required but the current forms should be reviewed if they require data which is no longer required or relevant. In terms of the transparency and timeliness of this data collection we believe the views of lower tier authorities should influence the response in two tier areas as these are the councils who will have to compile and submit the returns.

We hope that you find our responses helpful. KCC is keen to continue to help the government to develop the arrangements as we believe we are close to be a "typical" shire area with many issues and challenges in common with shire areas elsewhere across the country. We have found it difficult to give a full response to all the issues due to the uncertainty around some of the proposals. We hope we will be given further opportunity to comment on the detailed arrangements as these uncertainties are resolved.

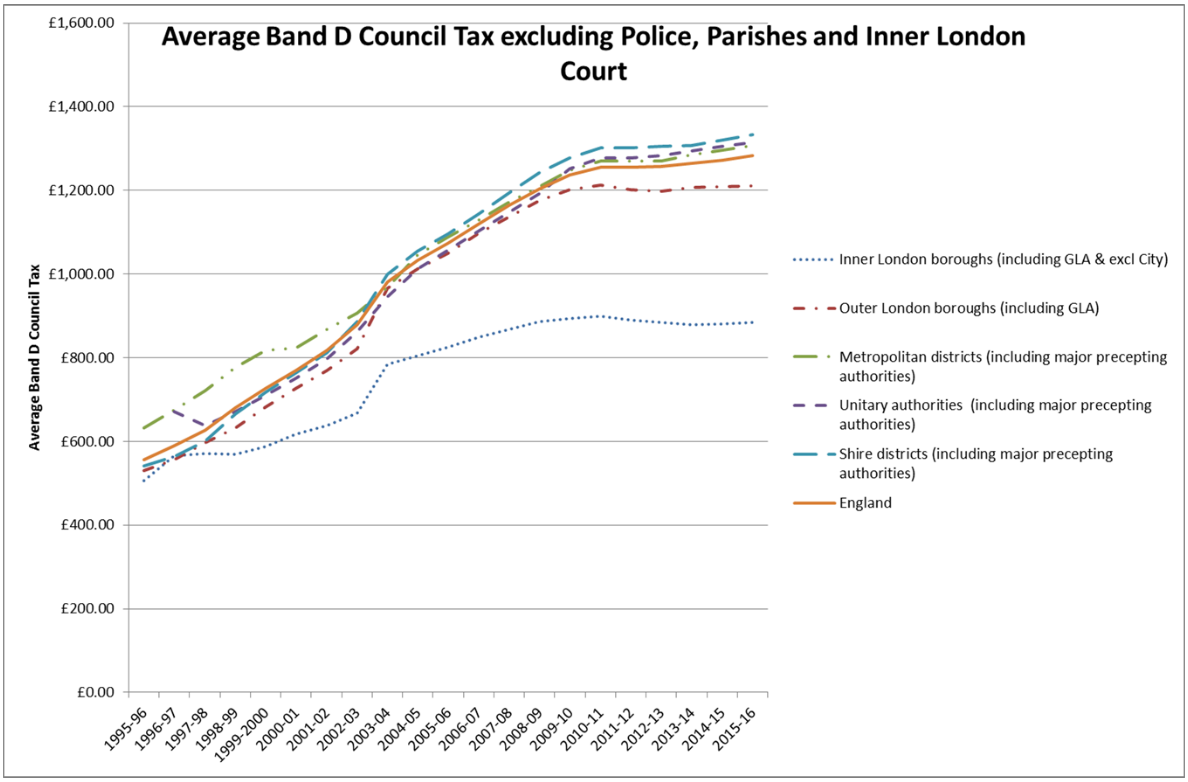
KCC Response to the Call for Evidence

This response to the call for evidence on needs and redistribution is on behalf of Kent County Council (KCC) and complements our response to the proposed 100% business rate retention. Kent is the largest shire area in the country with a population of around 1.5 million and over 640,000 households. This makes KCC the largest council responsible for services to more people than any other council in the country.

KCC welcomes the opportunity to comment on this review, which is long overdue. We have contributed to previous reviews and consistently made the case that county areas are less favourably treated than London and Metropolitan boroughs. Without repeating in full our previous arguments these can be summarised that we believe the indicators used for grant allocations (Formula Grant and many of the specific grants which have now been added into Formula Grant/Revenue Support Grant/business rate baseline) had an urban bias. This was compounded by the use of regression analysis to compare distribution with previous spend patterns and transitional damping, both of which served to perpetuate the historical allocations and negated a proper needs driven system.

We also contend that the current system has become overly complex. It has evolved from a variety of previous arrangements, the rationale for which have become lost. Furthermore, commitments made under previous arrangements have been cast aside leaving individual authorities to suffer the consequences. We believe that it should be possible to produce a simpler, more efficient and more equitable system. This system should focus on the key cost drivers for the main areas of local authority spend and be based on forward predictors of spending needs. Any system which cannot be readily explained to local councillors, residents, businesses and other stakeholders, or can justify the outcomes it produces, should be rejected. However, we also recognise that adequately reflecting spending needs through redistribution should be the prime objective and should not be sacrificed for the sake of simplicity. This means the final redistribution methodology may have to be sufficiently complex to achieve this.

We believe the most compelling evidence that the current system is flawed is large disparity in council tax charges in different authorities. How can it be justified that council tax payers in county like Kent have to pay more than twice as much as the same banded property in some London boroughs? This cannot simply be explained away as efficiency or local choices over service levels; the original concept of council tax was that the funding redistribution would enable authorities to provide a similar range/level of services for the same tax charge. This concept has become increasingly eroded over time (see the graph below showing comparable band D tax rates in different classes of authority) and this review should seek to redress this imbalance over a reasonable period of time to allow tax rates in London to rise and to restore equilibrium.



We would like assurances that the needs led review will not only reconsider the baseline for the existing 50% retention but also the distribution of grants being considered to be devolved from the additional business rate retention (especially the remaining RSG and improved Better Care Fund). We recognise that this may require transitional damping but this must be on the basis of a managed transfer to new needs-led redistribution and acceptable impact on council tax.

Question 1: What is your view on the balance between simple and complex funding formulae?

We are very much in favour of simple formulae in principle. To try take account of every nuance for particular authorities is virtually impossible, and we would argue inappropriate. If the aim is for local authorities to be more self-sufficient and rely on the income raised through local taxes, then a complex formula which redistributes funding for a wide range of individual needs and nuances is counter-intuitive. Of course to be genuinely self-sufficient authorities should have more flexibility over how the taxes are raised in the local area e.g. we have consistently argued that authorities should be given greater powers to vary mandatory discounts/reliefs.

We believe that a formula based on simple measures such as population, number of households, etc., would suffice for the vast majority of authorities. Of course there will always be outliers where this is not the case. However, we do not believe that the formula used for all authorities should be determined by the needs of outliers. Furthermore we would urge that the formulae be measured according to the overall distribution it delivers rather than the individual elements within it. This would better take account of the inevitable “swings and roundabouts” which will occur from a simple approach.

It is our experience from complex formulae that within a few years there becomes a strong desire for simplification (mainly because the original reasons for the complications no longer exist or aren't clear) but this is difficult as it creates winners and losers. Therefore, it is easier to go simple from the outset.

However, having stated this aim for simplicity we accept that any system which redistributes resources according to needs must adequately reflect need and this should be the prime objective. Consequently we accept that the formula will need to ne sufficiently complex to achoieve this, especially where such complexity adds value and results in a funding system which better matches the needs. This should particularly apply where such complexity is in the interests of the wider local authority family i.e. we would not support complexity in order to reflect local choices or which adds perverse incentives.

Question 2: Are there particular services for which a more detailed formula approach is needed, and – if so – what are these services?

We believe attention should be focussed on the most significant services. For most upper tier authorities these are (in order of significance); adult social care, children's social care, capital financing, waste collection (lower tier in two tier areas) and disposal, public transport, and highway maintenance/management. If we do not get the distribution of funding right for these areas of significant spending then it's largely irrelevant whether we get the allocations right for some of the lesser areas of spending under the old Environment Protection & Community Services (EPCS) sub block.

In particular we have challenged the previous distribution of funding for adult social care. This applies to both older persons and more pertinently adults (especially those with learning disabilities and mental health issues). We believe the previous formulae have relied too much on measures of deprivation and not enough on health indicators. In particular for adults with learning disability we believe deprivation is not a factor as these disabilities are as likely to occur in more affluent families as deprived ones. It comes as a surprise to many that we spend a greater proportion of the adult social care budget on adults with learning disabilities than we do on older people (and these clients stay in the social care system much longer than older people). It is therefore imperative that we get the distribution of funding right for this significant (and often overlooked) client group. We are also concerned that support for adults with mental health issues is often overlooked and inadequately resourced.

Similarly, the funding and support for children with special educational needs is another area which should be given special attention. The presumption that SEN is linked to deprivation is overly simplistic with many special needs unrelated to deprivation. Providing SEN transport has been one of the rising spending demands which have not been funded under the current arrangements.

We have previously expressed our significant reservations that the funding to finance capital schemes under the old supporting borrowing regime has not been adequately protected since 50% retention was introduced (or from the reductions in RSG since 2010). These capital investments were made on the understanding that the borrowing would be fully funded for the lifetime of the debt. We now find ourselves having to finance long term debt (both interest and repayment of the principal) from a diminishing funding base. This puts added pressure on those authorities which took up supported borrowing. We would particularly like to see this addressed as part of the needs and redistribution review.

Question 3: Should expenditure based regression continue to be used to assess councils' funding needs?

We do not support expenditure based regression and this approach should not be used as the basis on needs assessment or redistribution. Expenditure based regression effectively preserves the historic funding distribution and therefore, maintains existing deficiencies in the funding arrangements. We have already expressed our opinion that the previous funding arrangements favoured metropolitan authorities, particularly Inner London. This is reflected in the lower per capita funding allocations for shire authorities. This in turn has led to shire authorities increasing council tax but even after taking this into account these authorities still have a lower core spending power than London and metropolitan authorities. It has also led to the very large divergence in council tax charges which we have already exemplified, and which we believe is totally unjustifiable.

Question 4: What other measures besides councils' spending on services should we consider as a measure of their need to spend?

We strongly support the concept of identifying key cost drivers. The main key cost driver should be population (split into appropriate age segments). For many services e.g. adults with learning disabilities, waste collection and disposal (although in the case of waste number of households may be more appropriate than population), this should be sufficient. Other services may need to weighted by other factors e.g. deprivation for older persons and children's social care, health indicators for older persons and public health, bus patronage for public transport, etc.

Since the baseline will be set and fixed for a number of years we think it essential that the indicators used the reflect key cost drivers should be forward looking i.e. reflecting likely need over the entire period of the reset, and not set based on a previous census or some other count. We accept this introduces some degree of estimating error but believe this is preferable to using indicators which could be woefully out of date towards the end of the reset period.

We recommend that the CLG/LGA needs and redistribution working group be charged with identifying the key cost drivers for the most significant services and model the impact. We do not support the use of expenditure or non-expenditure based regression to evaluate the impact for the reasons we have already explained i.e. these perpetuate previous patterns which are influenced by a wide variety of factors, chiefly previous funding distribution and local discretionary choices, neither of which should be reflected in needs assessment or funding redistribution. If necessary an independent body which represents the views of all local authorities should make the judgement on which factors and weights should finally be used. There is plenty of time to do the necessary modelling and reach a conclusion which can be accepted by all authorities.

Question 5: What other statistical techniques besides those mentioned above should be considered for arriving at the formulae for distributing funding?

Ultimately we are not convinced that any statistical technique will help to evaluate the right formulae. The main problem being that whatever the outcomes are evaluated against can be criticised. Therefore, we think it more important to secure consensus on the key factors which should (and those that should not) be taken into account in determining needs and redistribution. We believe the key factors which should be taken into account are:

- Focus on the most significant service areas which councils have to provide
- Identify key cost drivers (one of which should always be population) for those service areas
- Seek to re-establish the principle that redistribution should seek to equalise resources so that authorities can provide a similar level of services for the same rate of council tax/business rates
- If authorities want to vary the rate of tax this should be matched by varying spend/other income sources

Key factors which should not be taken into account include:

- Historic funding levels
- Local discretionary choices
- Delivery of other political objectives

As we have already indicated we believe the only way to reach an acceptable decision on the formulae is through an independent body representing the views of all local authorities.

Question 6: What other considerations should we keep in mind when measuring the relative need of authorities?

As we have already indicated the arrangements should focus on the significant areas of statutory responsibilities and not be driven by the need of (a few) significant outliers.

Question 7: What is your view on how we should take into account the growth in local taxes since 2013-14?

We think all authorities should be able to keep a proportion of growth in perpetuity. This is consistent with the concept of incentivisation. Growth (and indeed decline) can occur for all sorts of reasons, some within the gift of local authorities and some outside their control. We think it will be virtually impossible to measure the amount of growth with a local authority's control, and thus it may have to be an arbitrary amount which is retained in perpetuity. Furthermore, some of the growth reflect growing population and provides funding for the services consumed by the additional people.

We are concerned that resource equalisation did not take into account local authorities' ability to raise other income as well as taxes. Where such income streams are significant, the authorities concerned have scope to deliver higher services levels and/or tax reductions. We believe these significant income sources e.g. car parking charges, social care client contributions, etc., should also be factored into resource equalisation equation.

Question 8: Should we allow step-changes in local authorities' funding following the new needs assessment?

We recognise the need for transitional damping but not to the extent that in significantly impairs or negates the effect of needs based redistribution. One of the main criticisms of previous damping regimes is that they returned funding allocations to their previous relative position and that the reform which prompted the damping was never fully implemented. Therefore, we would support damping which is set for a fixed period during which it would be fully phased out.

Question 9: If not, what are your views on how we should transition to the new distribution of funding?

As above, we fully support a fixed period for damping which is then fully phased out.

Question 10: What are your views on a local government finance system that assessed need and distributed funding at a larger geographical area than the current system – for example, at the Combined Authority level?

We cannot see how this arrangement would work without extensive and difficult negotiations between the individual authorities. Furthermore we cannot see how a formula which has been devised to determined baseline need at a combined authority level could be disaggregated down to individual authority level without producing unintended consequences. Therefore althougth this suggestion would promote better collaboration between authorities we think it should be rejected as being unworkable. . .

Question 11: How should we decide the composition of these areas if we were to introduce such a system?

. We cannot see how combined areas would work and therefore this questionis not appropriate

Question 12: What other considerations would we need to keep in mind if we were to introduce such a system?

Once again this is not appropriate as we think the notion of combined areas is unworkable.

Question 13: What behaviours should the reformed local government finance system incentivise?

We support the principles of self-sufficiency and incentivisation. We have already commented in this response and in our response to the full consultation that local authorities should be given more flexibility over local taxes. This would include greater freedoms over mandatory discounts and reliefs, and greater flexibility to increase as well reduce local tax rates. We believe this would enhance local democracy and accountability.

We also believe that the finance system should encourage councils to integrate and collaborate more, especially where this can deliver better services which are easier/quicker for residents and businesses to access, and can be provided at lower overall cost.

We would like to see a finance system which encourages and supports authorities to make infrastructure investments with greater certainty that the funding will be secure to finance the investment. The current system which has not secured the funding under the supported borrowing regime, leaves authorities with a large spending obligation through the Minimum Revenue Provision, and inappropriate/unworkable Community Infrastructure Levy arrangements, does not do this. Most infrastructure investment is now funded from central government grants. This is not consistent with the concept of self-sufficiency and needs to be addressed (although we have not seen much evidence of this to date)

We believe the finance system should reward enterprise and innovation. In particular we would like to see a system which encourages authorities to take more risks and does not vilify them for holding reserves as a way of managing these risks. Authorities can and should do more to identify the reasons for holding reserves and general reserves for unforeseen eventualities should be confined to reasonable levels. However, in our experience most reserves are not held for such unforeseen circumstances but are held either to manage risk should particular eventualities arise or to smooth expenditure to avoid large variations in tax levels needed over short periods of time.

We believe the finance system should discourage over reliance on central funding or provide safeguard/protection for authorities which make inappropriate choices. Safeguards should exist for unavoidable/uncontrollable occurrences.

Question 14: How can we build these incentives in to the assessment of councils' funding needs?

We believe a simpler system, which focuses on the significant areas of statutory activity and starts from the premise that the vast majority of authorities have similar needs per head of relevant population will go a long way towards reinforcing these incentives. We certainly believe the current wide range in council tax rates which the current system has created needs to be addressed. We accept this will take time but these differences cannot be justified and need to be tackled.

We hope that you find our responses helpful. KCC is keen to continue to help the government to develop the arrangements as we believe we are close to be a "typical" shire area with many issues and challenges in common with shire areas elsewhere across the country.

Strategic & Corporate Services

Sessions House
County Hall
Maidstone
Kent ME14 1XQ

Phone: Ask for: E
Email:

Business Rates Retention Consultation,
Local Government Finance,
Dept. for Communities & Local Govt.,
2nd Floor, Fry Building,
2 Marsham Street,
London SW1P 4DF

Dear Sir,

Self Sufficient Local Government: 100% Business Rates Retention

This response to the consultation on the proposed 100% business rate retention is on behalf of Kent County Council (KCC). Kent is the largest shire area in the country with a population of around 1.5 million and over 640,000 households. This makes KCC the largest council responsible for services to more people than any other council in the country.

KCC welcomes the opportunity to comment on the 100% business rate proposals. We recognise that this consultation is to inform the primary legislation and much of the detail will emerge at a later date. We hope we will be given an opportunity to comment on the detailed arrangements as often these can have a more significant impact than the general principles. Accordingly this response focuses on the key issues of devolution, rewarding growth/sharing risk, local flexibility and accountability/accounting. We will be providing a separate response to the Call for Evidence on Needs and Redistribution.

KCC supports the principle of business rate retention. It is a long established principle that the proceeds from business rates should be used to fund local services. Local authority funding became increasingly centralised and complex throughout the 20th century and into 21st century. As a consequence far too much of a local authority's budget was reliant on central government core and specific grants. It is only recently that we have seen this trend start to reverse and 100% retention is a welcome further step in is direction.

Having welcomed this move we are concerned that the proposed retention has not been put into the context of the significant role that local authorities have played since 2010 in reducing the budget deficit. Over this period we have seen substantial reductions in central government grants at the same time as councils have faced rising spending demands/costs and have been encouraged to freeze council tax/keep increases low. This has meant that authorities have had to make unprecedented year on year savings of around 10% per annum for several years. KCC has to date already delivered over £0.5bn of savings over this period.

Due to the nature of the financial challenge i.e. rising spending demands which are unfunded, this magnitude of savings is not immediately obvious from the council's published budget. KCC, along with many other authorities, would like to see the highest priority given to using 100% business rate retention to fund such spending demands/costs which arise in the future in the lead up to and post 100% business rate retention. We appreciate that this isn't strictly in line with the fiscal neutrality aim of retention but it would mean council budgets better reflect the rising spending demands/costs. The retention proposals as they currently stand seem to be more about further deficit reductions (by switching other grants to be funded from retained business rates) than genuine devolution and localism. We will return to this point in answers to the specific questions on devolution.

We are also concerned that post 100% rate retention that the additional funding available to local authorities through business rate growth will not be sufficient to meet continued rising demands and costs. These rising demands and costs arise form a number of reasons, largely unavoidable, including the impact of inflation and National Living Wage on the price of contracts and rising demands from an increasing and ageing population. These pressures are particularly severe in adults and children's social care. If authorities are to be self-sufficient and there are no central grants to top-up funding this means authorities will continue to have to find further savings to balance their budgets. Eventually the scope for savings will run out and authorities would be forced to cut statutory services. We strongly urge ministers to leave scope in the primary legislation to be able to top-up the funding for local government through central grant in response to rising spending demands and costs.

We would also like to urge ministers that it is essential that the funding system is simplified. The current system is so complex, and has so many historical quirks hardwired into it, that it becomes virtually impossible to explain or understand the wide variations in funding that ensue. Intuitively this feels wrong and leads to a general sense of injustice. We firmly believe that a simpler system can also be more generally accepted as fairer. Having said this we recognise that adequately reflected spending needs in the funding system should be the prime objective. As a consequence we would support the formula being sufficiently complex to achieve this, especially where the complexity adds value and results in a funding system which better matches the needs. This will be particularly where such complexity is in the interests of all local authorities i.e.we not support complexity that reflects local choices or adds perverse incentives.

Question 1: Which of these identified grants / responsibilities do you think are the best candidates to be funded from retained business rates?

As already mentioned in the introduction to this response we are concerned that many of the proposed items identified to be funded out of 100% rates retention are existing grants already paid to local government e.g. public health, early years, etc. Effectively this is simply passing additional risk to local government, particularly for grants like early years where funding is allocated according to actual participation and take-up of early years offer. It is unclear whether this funding will be un-ring-fenced and whether local authorities will have any control over demand for and/or cost of services. If not local authorities could find themselves in the same situation we currently face with concessionary bus fares where funding has been devolved but the statutory entitlement remains and authorities can do nothing to manage demand or cost. This would severely compromise core principle 4. This is not devolution as it merely passes the administration of prescribed national schemes down to local government. We urge the government to clarify whether if these grants are to be funded out of retained business rates that funding will be un-ring-fenced and authorities will have more freedom to determine their own local arrangements according to local circumstances and potential business rate income.

We would like to comment on each of the proposed areas for devolution in detail:

Attendance Allowance (AA)
This proposed devolution is by far our biggest concern. It seems to be implied that devolution is consistent with local authority social care functions. In fact in many cases local authority social care deals with a very different client base to AA, not least because local authority social care is means tested and AA isn't. Furthermore, local authority social care is all spent on the assessment and provision of care services (including those clients opting to receive a cash payment who still have to spend this money to meet agreed outcomes and needs). AA payments do not need to be spent on care. Unless this changes under the proposals this would be very confusing for social care clients and AA recipients.

It is still not clear from the paper whether it is merely the administration of AA is being proposed or whether authorities will also be able to determine their own policy towards AA eligibility and payments. The paper suggests that payments for existing claimants will be protected but makes no mention of new claimants. This needs urgent clarification, and in particular the extent to which AA payments for individuals can be protected when funded from a volatile income source such as business rates. Some of the reasons for this are set out below.

Currently the reach of AA is far greater than adult social care. This is despite the fact that the criteria are broadly the same as local authority (Care Act) eligibility criteria. The receipt of AA (which bolsters the income for people with disabilities/chronic illness), with the knock on impact on other benefits, plays a key role in keeping people out of the formal local authority care system. There is a risk that if AA is not protected many more people would come into contact with the local authority and be assessed for formal social care. This could undermine the "Promoting Wellbeing" strand of social care as well increasing local authority assessment workload. Either way, this leaves local authorities with a dilemma and the need to meet spending demands (which are likely to increase due to an ageing population) from a volatile funding stream. This could place authorities in an extremely difficult financial position.

AA enables recipients to higher levels of pension credit and other means-tested benefits and exemptions. If AA is not protected it would not only result in a direct loss of income for recipients but also the loss of these other benefits. This would not only exacerbate the risks outlined above but would also mean those entering formal local authority care would have lower income and thus contribute less towards the cost of their care.

AA helps self-funders pay for the cost of their care. If it is not protected this could have a significant impact on care providers, and in turn put a pressure on prices for local authority clients.

There will also be a potential knock-on effect on carers. Many carers rely on Carers Allowance and related benefits if they have had to give up work or reduce hours. Receipt of Attendance Allowance is one of the main gateway benefits needed to qualify for Carers Allowance. Any reduction in the numbers of people able to claim Carers Allowance will affect their ability to provide care and may lead many more carers/the people they care for to seek help from local authorities.

Ultimately we feel that AA proposals fail to meet three of the four core principles (1, 2 & 4), and as a result is not appropriate to be funded from retained business rates. The demand is likely to increase due to an ageing population and the need to protect AA (and the knock on consequences to local authority social care if it is not) would put undue strain on local authority budgets. The current arrangements provide an appropriate balance of risk between local authorities and central government, the proposals would shift all this risk to local authorities.

Early Years (EY)
As we have already identified we are concerned that transferring the funding for existing local authority grants is not devolution unless these are un-ring-fenced and allow local authorities greater flexibility. Devolution of this grant could be fruitful if it enables us to tailor early year's services to better meet local needs and maintain and enhance outcomes-focussed commissioning.

The funding for EY is currently included within the Dedicated Schools Grant (DSG) and any risk/opportunity from over or under spending remains in DSG. The EY sub block within DSG is based on a termly count of actual participation by 3 and 4 year olds. In common with schools DSG, the EY amount per pupil has remained the same for the last 6 years. This has put financial pressure on early years' providers who have had to increase top-up fees for additional hours over and above the 15 hour statutory entitlement. This situation cannot endure forever and eventually the pupil rates would have to increase (not least because providers will experience additional cost pressures through the introduction of the National Living Wage). Transferring funding to business rates will inevitably transfer this pressure to increase the hourly rate onto local authorities.

The government has recently launched a consultation to make changes to the DSG to introduce a national formula. A separate EY consultation has also been launched. There are already concerns that the increase in statutory entitlement from 15 hours to 30 hours has not been adequately funded and that the proposed national formula will do little to address this. Ensuring that there is sufficient capacity of high quality places in the childcare market based on current funding prediction is extremely challenging. There is a risk that transferring EY funding to business rates transfers this risk of underfunding. This is totally inconsistent with the four core principles.

If funding for early years is to be transferred to business rates it is essential that these underfunding risks are identified and adequately taken into account within the overall quantum. It would not be appropriate to transfer these risks to individual authorities. Furthermore, if funding for EY is to be transferred to business rates there will need to be an adequate mechanism to adjust funding for changes in pupil numbers and participation rates. This could not be resolved through whatever reset mechanisms are finally agreed as these would be far too infrequent. Failure to adequately adjust could leave local authorities too exposed to demographic factors with insufficient business rate income to meet demand.

Public Health

In principle funding public health from retained business rates has some appeal. Furthermore, public health does seem to better fit the four core principles than some of the other options presented e.g. a general improvement in health should support drive for economic growth. Ever since the responsibility for public health transferred to local authorities we have campaigned to have the ring-fencing of funding to be removed. If the transfer to business rates includes the un-ring-fencing this would be welcome. We believe there are many opportunities for improved integration between public health and other public services which the ring-fencing precludes from achieving.

Having said that funding from retained business rates has some appeal we are concerned that public health inequalities still remain. We would need to see more detail how these inequalities would be reflected in the baseline and how there would not be a perverse incentive not to tackle these inequalities in order to secure a larger baseline in future.

We are also concerned that changes in business rates may not reflect changing public health needs and the risk of declining business rate income in some areas could coincide with rising public health needs.

Improved Better Care Fund (iBCF)

Our response is based on the presumption that this funding is already part of the local government finance settlement and as such is un-ring-fenced and local authorities are not accountable to the department for health over its use. If so, effectively this is already funded from the 50% central share of rates, and therefore funding from 100% retention could be viewed as little change. Consequently we do not have any significant concerns with this proposal, although we do have two issues which need to be addressed prior to any transfer.

Firstly we only have indicative allocations for iBCF for 2017-18 to 2019-20. These are based on the social care relative needs formula within the old Formula Grant. We have consistently challenged that the relative needs formula did not adequately reflect needs in shire areas (particularly for social care) and this has to be addressed before funding is transferred. It is essential that the baseline transferred via the iBCF is based on an accepted methodology.

Secondly we are concerned that having developed an acceptable methodology that this baseline is updated periodically. All the evidence is that needs are growing in social care due to a combination of demographic and market factors. We are particularly concerned that business rate growth is unlikely to keep pace with these changes and that the biggest increase in social care needs could be in areas with the lowest business rate growth. Consequently we would like to see more frequent resets for social care elements of funding.

Revenue Support Grant (RSG)
As with iBCF this is already funded from the 50% central share and therefore this is no significant change. However, we wish to repeat our opposition to the changes made to RSG distribution in 2016-17 which were introduced at very short notice with no prior consultation or notification. We believe these changes had a detrimental impact on the RSG for some authorities, particularly authorities which for a variety of reasons have set higher council tax rates. We do not think it appropriate that authorities should be penalised through the grant system for the effect of local democratic choices. We also remain concerned about the impact of the negative RSG allocations for some authorities in 2018-19 and 2019-20 arising from the changes made to the distribution of grant in 2016-17 which came with no prior consultation or notification. Reversing these negative amounts should be a priority from the additional quantum available from 100% business rate retention.

We are also concerned that all the individual elements of RSG were merged in the 2016-17 settlement with reductions based on the totality of grant and council tax revenues. This did not afford any protection for individual elements within RSG. We believe some elements of RSG should be protected from reductions as was the case prior to the 2016-17 changes.

Finally as we have already commented we continue to have concerns about the previous distribution methodology in the old Formula Grant and other grants. These methodologies have effectively been crystallised into the current arrangements without adequate redress of our concerns. We would like to see these concerns considered before a flawed methodology is hard-wired into the baselines for business rate retention by default.

Independent Living Fund (ILF)
This funding is needed for the ongoing support for protected clients following the closure of the ILF. We are unconvinced that this should be funded from retained business rates and think it should remain as a separate ring-fenced

grant. Our main reason for this is that a separate grant can more accurately take account of different attrition rates in individual authorities.

We accept that the responsibility for new clients is now the responsibility of the local authority within the current business rate/RSG/council tax funding arrangements. In an ideal world we would integrate the protected ILF funding within this but we cannot see how this is possible without reflecting the different attrition rates.

Youth Justice
This is a fairly insignificant amount in comparison to the overall quantum from retained business rates. However, we feel devolution of this grant to be funded from retained business rates may be beneficial, provided the money can be used flexibly to better meet the needs of young offenders. In particular we feel that this would provide opportunities to embrace innovative ways of working and methods of service delivery.

However, the Ministry of Justice contribution to Youth Justice Boards has been reduced significantly in recent years. The remand budget was devolved to local authorities in 2013 although it was insufficient to cover the full costs of delivering the additional responsibilities. Therefore, we are wary that youth justice grant could also be devolved with insufficient resources available from business rates to meet new responsibilities. This would put additional pressure on already stretched services and may lead to difficulty in providing high quality youth justice and non-custodial provision.

We are also conscious that the Charlie Taylor Review, which is due to be published imminently, is likely to make a series of recommendations about youth justice funding arrangements e.g. potentially devolving the Youth Justice Grant to the DCLG. We would want to ensure that any arrangements agreed under the devolved business rates proposals would dovetail with these recommendations.

Greater London Authority Transport Grant
In theory using business rates to fund transport infrastructure is a much better fit to the four core principles than any of the other proposals. Indeed there is a long and rich history of using business rates to fund local infrastructure. However, we are concerned that London already has a superior transport infrastructure than anywhere else in the UK, and that this effectively would mean a greater share of the business rate yield would be retained in London. Business rate retention should be an opportunity to improve transport infrastructure across the country and not just in London.

In Kent we have tried to protect local transport infrastructure and reduce congestion through providing subsidies to bus companies to run socially necessary bus routes, and we are the only county council that offers subsidised home to school transport to all children aged 11-15 through the Young Person's Travel Pass. As our central funding reduces we will find it increasingly difficult to maintain these services. The fact that we have funded these from local sources should not be any different the GLA Transport Grant and we would like consideration to be given to include local transport schemes in business rate retention as well as GLA Transport Grant. This could be achieved by including the local funding in an authority's baseline for business rate retention which would better ensure that we can continue to provide these essential transport services.

Rural Services Delivery Grant
This does not apply to KCC but since it is part of the local government finance settlement in the same way as RSG and iBCF the same principles should apply that it's not unreasonable to transfer this to business rates.

Local Council Tax Support Administration Subsidy and Housing Benefit Pensioner Administration Subsidy
These apply to lower tier authorities and thus in a two tier areas their views should carry most weight. KCC fully supports the work and effort made by districts councils to maximise the council tax base and collect as much as possible from those in receipt of council tax support discounts under local reduction schemes. Since the majority of council tax is collected on behalf of major precepting authorities it is essential that lower tier councils in two tier areas are adequately funded for council tax support administration. We would like to see adequate safeguards if this funding were to be included in business rate retention in order to avoid any detrimental impact on the county council's share of the council tax base.

Question 2: Are there other grants / responsibilities that you consider should be devolved instead of or alongside those identified above?

We fully support the four principles set out in the consultation which should guide the functions to be devolved under 100% business rate retention. As covered in our response to question 1 we are concerned that some of the grants/responsibilities proposed to be devolved are not consistent with these principles. We believe it would be much better if functions that that directly contribute to business growth and development were devolved. In broad terms, infrastructure development, business support and adult skills and training fulfil these criteria, whereas the demand-led people services (social and welfare services) do not fit well.

Below, we set out examples of the sort of responsibilities that we believe could be devolved to 'historic county' level, some of these are identified in the consultation paper as functions which could be devolved to combined authorities.

- *Local Growth Fund (LGF)* – there should be a block allocation of LGF funds down to historic county level, based on the proportion of England's overall housing growth in each area. Devolution of LGF should not just be restricted to Mayoral Combined Authorities. This would simplify the management of LGF and remove the need for central Government to spend resources approving individual projects. We would envisage the Skills Capital Funding continuing to be part of the (devolved) LGF.
- *Specific Government funds to unlock development* (such as the loan products managed by the Homes & Communities Agency)

- *Highway Maintenance* – Devolving some of the budgets managed by Highways England through a Key Route Network.
- *16-19 funding from the Education Funding Agency* - This funding is currently allocated according to a formula based on student numbers, adjusted for subject and area costs. This should be devolved to county-level authorities to commission according to local economic demand, involving strong local business voices in the commissioning process.
- *Adult Skills Budget* - This is currently administered by the Skills Funding Agency and supports learning provision primarily for people aged 19-23 undertaking Level 1 and 2 English and Maths and Vocational courses. This too could be commissioned taking into account local economic demand and specific community needs, as for the 16-19 funding. The new Adult Education Budget is intended to be linked with local economic need and be focused on provision which cannot otherwise be paid for by employers and learners, and the Government has already indicated a willingness to make this available via block grant as part of devolution agreements.
- *Careers information, advice and guidance* – Funding and provision is currently piecemeal and confusing. In addition to services provided by the National Careers Service, the nationally-funded Careers Enterprise Service seeks separately to promote employer engagement with schools, while Jobcentre Plus also now has a remit to deliver careers advice services. This is overly complicated. It is obvious that the task of linking local schools with local employers to provide information about local career opportunities should be managed locally. When the contract for the Careers Enterprise Company comes to an end, the devolution of the funding associated with it should be devolved, and integrated over time with local commissioning of other nationally-funded careers services.
- *Apprenticeship Grant for Employers* - This supports businesses to recruit people aged 16-24 through the apprenticeship programme, where they would not otherwise be able to do so. This funding should be devolved directly to local authorities and funded from retained business rates. This would allow greater flexibility on eligibility requirements, enabling grants to be focused on small employers within priority sectors or working in activities where there is evidence of high skills demand. It would also provide businesses with a direct service from local authorities in return for some of the business rates they pay.

Question 3: Do you have any views on the range of associated budgets that could be pooled at the Combined Authority level?

We recognise that some functions would better to be devolved to combined authority level. In particular the functions we have identified in response to question 2 we have already suggested would be better devolved to "historic county level" in shire areas. These are similar to the items identified in the consultation paper and therefore we generally agree with the types of functions which could be included in pooled budgets for combined authorities.

The grant funding provided through devolution deals listed in the consultation would be appropriate for pooling at the combined authority level for those areas which have devolution deals and combined authority areas. However, on a point of principle, we do not believe greater fiscal autonomy should be granted to areas that have Mayoral Combined Authorities and the presumption throughout much of the consultation that a two-tier devolution arrangement between areas with and without a Mayoral Combined Authority is both unfair and impractical. There is no reason those grants listed or indeed other grants, cannot be pooled across all areas without the need for new and artificial governance structures.

Question 4: Do you have views on whether some or all of the commitments in existing and future deals could be funded through retained business rates?

Given the intention is to move the local government sector to a self-financing model through full rate retention the broad policy objective of funding devolution deals from retained business rates is understandable. However, there is considerable tension between achieving this and how it can be fairly applied, how the interests of those areas without devolution deals are protected and the impact on the redistribution effect such an approach would have. Consequently we urge ministers to carefully consider the full implications of funding devolution deals from retained business rates to ensure devolution deal and non-devolution deal areas are treated equitably. These deals are a voluntary arrangement; having a devolution deal (which is subject to ministerial discretion and not within an area's direct control) should not provide significant advantage, or perhaps better put, a significant disadvantage to those areas that do not.

Funding devolution deals from retained business rates should mean that the funding comes from the business rate income levied within the devolution deal area. It should not come from the business rate income from non-devolution deal areas. We presume devolution deal authorities would have these additional devolved responsibilities included within their assessed need, and that most areas with devolution deals are metropolitan urban areas that receive top-ups. If so, this would effectively mean that devolution commitments will not be funded from within the devolved area, but through additional redistribution from areas that do not benefit directly from the devolution deal. This would be fundamentally unfair and undermine the stated position that rate retention should minimise the need for redistribution, as it would likely increase it.

We accept (as does the wider public) the need for financial redistribution to support the delivery of public services in poorer or less economically vibrant parts of the country. However, we do take exception to the funding of additional responsibilities agreed through devolution deals which are not within any revised agreed needs-based formula, or indeed are not available to their own communities simply because they do not have a devolution deal. Therefore, 100% business rate retention and bespoke devolution deals make difficult bedfellows, and this consultation does not set out how these tensions will be managed.

The likelihood is that the Government will continue with some form of bespoke devolution deals over the course of this parliament. If so, our preference would be that devolved commitments must be funded from a ring-fenced amount within the business raised in the local area and not subject to redistribution via tariffs and top-ups. This would better incentivise areas with devolution deals to successfully grow rates to fund their deal commitments, and would be fairer across the sector. Alternatively devolution deals would have to be funded by separate grant arrangements outside business rate retention.

Question 5: Do you agree that we should continue with the new burdens doctrine post- 2020?

Yes, we fully support the principle of new burdens doctrine and this being funded via separate Section 31 grants prior to the transparent transfer of funds into the mainstream local authority funding arrangements (previously formula grant). Indeed, we would argue the risk of increased volatility in local authority budgets following business rate retention requires the new burdens doctrine to be more rigorously and broadly applied.

The new burdens doctrine itself and the associated guidance are fundamentally sound. However, our experience is that the application of the doctrine across departments is too sporadic. Too many new burdens assessments are undertaken with limited or cursory evidence of the true cost on local authorities. Neither is it clear departments appreciate that changes to existing duties and powers constitute a new burden and therefore should be assessed and, if necessary, funded.
For example, we believe the changes made to the RSG methodology for 2016-17 are inconsistent with the doctrine. These changes were made with no prior consultation or notification. Previously new burdens funding which had been transferred into the main grant could be protected as it was individually identifiable within RSG. The changes made in 2016-17 have combined all these individual elements into a single amount which has then been reduced pro rata to each council's overall RSG and council tax yield. There is no evidence that new burdens funding has been protected and therefore becomes a pressure on council tax. Furthermore the inclusion of council tax yields within the RSG calculation means those councils which have used local democratic authority to raise additional council tax have faced larger RSG reductions. This puts further pressure on council tax and thus is incompatible with the doctrine. We would also like to highlight that the funding to support the 2015 implementation of the Care Act was also transferred into the existing business rate retention/RSG arrangements in 2016-17 with no protection for the RSG element. This is contrary to statements made when the Care Act was being debated that the impact on local authorities would be fully funded.

We are concerned that 100% rate retention leaves open the scope to transfer further unfunded burdens onto local authorities. This too would be inconsistent with the doctrine. We contend that new burdens assessments should be independently tested for rigour and robustness before being signed off and the new burdens doctrine should be extended to cover non-departmental government bodies.

Question 6: Do you agree that we should fix reset periods for the system?

We agree with principle that the baseline should be set periodically rather than every year. We also agree that this period should be on a fixed cycle rather than chosen by the Government according to pre-determined indicators, we concur that this would be too uncertain. Option b with a full reset including all achieved growth every 20 years is not appropriate as it leaves too long between resets (particularly if there are still defects hard-wired into the arrangements). This option should be rejected.

This leaves options for a full or partial reset more frequently say around every 5 years (to coincide with revaluations?). Generally we think the partial reset has more appeal, it would enable to the reset to focus on the most significant/material changes in need (this is likely to be adult social care) and those areas with the greatest changes in circumstances (particularly areas with high population growth which may not have been matched by business rate growth). The ability to retain some of the business rate growth beyond the reset period also has some appeal compared to a full reset

Question 7: What is the right balance in the system between rewarding growth and redistributing to meet changing need?

We strongly believe in the principle of local authority's retaining business rate growth. We fully support the incentivisation argument. We also believe that the current arrangements place too much emphasis on redistribution to meet "need" and identifying the drivers for need had become overly complex and yet still do not adequately reflect need in all types of authority. We have already outlined in our desire for simplification. We believe that for a number of services the only redistribution which is necessary is to ensure most authorities start with the same level of funding per head of population (or other simple measures for relevant services such as km of highway, number of households, etc.) and only where appropriate weighted by secondary cost factors such as deprivation, health, sparsity, etc. There will always be outliers where this is not the case but these should be treated as such rather than designing a complex system in order to accommodate their often unique circumstances. If authorities feel they need to spend more they should raise this through business rate growth, council tax or other income sources. Similarly authorities which face a decline in business rates will either have to spend less or raise additional income from other sources. We believe this will result in a simpler, more efficient and arguably fairer system rather than trying to replicate every authority's needs in a high level of detail.

However, business rate growth should not be over exaggerated. Growth rates in recent years have been relatively modest. Business rate growth has certainly not kept pace with rising demand for/cost of local authority services.

Therefore, even under the current 50% retention arrangements, local authorities have had to make substantial savings in to counter the effect of this rising demand/cost, reductions in central government funding, business rate growth/decline and restrictions on the ability to raise council tax. We are under no illusions that 100% business rate retention with no core central funding will be a panacea for this challenge of rising demand/cost which is not matched by rising income. This is especially the case for adult social care services where demands and expectations are rising at an increasing rate.

It is also worth noting that the upward impact of new businesses is offset by the downward impact of business closures and appeals. Business rate growth is also significantly affected by mandatory reliefs. Many of these are factors outside local authority control.

Question 8: Having regard to the balance between rewarding growth and protecting authorities with declining resources, how would you like to see a partial reset work?

A partial reset should take account of changes in the main cost drivers which are outside the local authority's control. Similarly it should take account of business rate/council tax changes outside the local authority control e.g. changes to mandatory reliefs. The partial reset should not take account of those things either within local authority control e.g. waste recycling rates, granting of planning permission, etc., or arising from local democratic decisions e.g. discretionary spending, council tax rates, business rate multiplier reductions etc. Having outlined these principles we would still be looking to keep the resets relatively simple without the use of complex sub formulae or collection of additional data.

We also think the partial reset should focus on those services where demand/cost is most volatile. For upper tier councils social care is by far the most significant and most volatile area of spending. Spending trends will often be inverse proportion to tax trends and resets will need to be frequent enough to take this into account.

Question 9: Is the current system of tariffs and top-ups the right one for redistribution between local authorities?

We accept that under a business rate retention scheme tariffs and top-ups work reasonably well as a method of redistribution. We fully support the principle of redistribution i.e. the transfer of resources from high wealth/low need areas to low wealth/high need areas. We remain concerned that the current way these are identified are inadequate and take far too much account of historical funding distributions and local decisions. In particular the use of regression analysis and transitional damping has had the effect of reinforcing previous funding distributions rather than a genuine redistribution according to wealth/needs. The result is that ensuing redistribution does not adequately reflect spending needs/ability to raise income, particularly for demand led services such as social care. Until the devolution responsibilities and the needs led redistribution have been agreed it is difficult to estimate what the baseline will look like and therefore what tariffs and top-ups will be required.

Question 10: Should we continue to adjust retained incomes for individual local authorities to cancel out the effect of future revaluations?

Partially at least. It could be argued that revaluations based on “market rental” value include both national economic conditions and local influence. If it is possible we think that authorities should be rewarded/incentivised beyond the reset period for the impact of local influence/decisions. However, we accept this may be difficult to ascertain on a consistent basis and that a partial adjustment may have to be set on an arbitrary/average basis rather than detailed evaluation. A partial adjustment is better than full adjustment and better fits the desired incentivisation.

Question 11: Should Mayoral Combined Authority areas have the opportunity to be given additional powers and incentives, as set out above?

No. We do not agree that Mayoral Combined Authority areas should have additional powers and responsibilities over retained business rates. Mayoral Combined Authorities are voluntary arrangements which are controversial in non-metropolitan areas where many local councils, including KCC, do not believe the directly-elected mayoral model is appropriate. As such, additional powers and incentives for Mayoral Combined Authorities over rate retention will create a further structural divide in local government between metropolitan and non-metropolitan areas, when the intention of full rate retention is to provide universal devolution to all local councils. Any proposal to provide additional powers to Mayoral Combined Authorities is not directly related to full rate retention, but vicariously to place further pressure on local authority areas to accept a Mayoral Combined Authority. Additional powers and incentives made available to Mayoral Combined Authorities should be made available to all areas, including two-tier county areas like Kent, where we have strong and existing partnerships arrangements that have already successfully managed the 50% retention scheme and pooling arrangements.

Question 12: What has your experience been of the tier splits under the current 50% rates retention scheme? What changes would you want to see under 100% rates retention system?

As an upper tier authority the 20% split with a significant top-up has provided a more secure funding base for demand led services. As we have already identified neither the annual uplift nor the share of business rate growth has kept pace with these demands, but this would have been the case anyway with a greater % share and lower top-up. We are concerned that 20% understates the role the upper tier authority plays in promoting economic growth.

We are concerned about the 80% share for lower tier councils. We are particularly concerned that this leaves them over exposed to the risk of business rate decline through business failure or appeals. This exposure would be less of a risk for upper tier authorities due to both the much larger budgets and that risks can be smoothed out by growth across the wider geographical area.

We believe there is a strong case for increasing the upper tier share (and reducing the lower tier share) together with a reassessment of tariffs and top-ups. The balance will depend on the outcome of which additional responsibilities are finally devolved under 100% retention to ensure risks are balanced i.e. we would not want to see upper tier councils taking on significant additional risks from devolution at the same time as a significant transfer of risk from business rate volatility due to changing the split.

Notwithstanding earlier points made about the need for additional functions and responsibilities to be closely linked to services which support business and further business rate growth, the system for full business rate retention must also reflect the distribution of responsibilities and services in two-tier areas. Simply scaling up the current arrangements for the 50% retention scheme whereby the split of 40% to Districts, 9% to Counties and 1% to Fire Authorities is scaled up so that the 100% scheme provides 80% to Districts, 18% to County Councils and 2% to Fire Authorities would be unacceptable. In two-tier areas, county councils account for approximately 80% of all local government spend, and as the social care authority for both adults and children, county councils face need and demographic pressures on their services that are not felt as sharply by District Councils. As such, the current split in rate distribution must change to more adequately and fairly reflect the demands and pressures faced on our services. We would not, however, suggest there should be a straight reversal of the split towards counties, given the disproportionate effect this would have on District Council budgets. What the right split should be must be based on a clear evidence base and, in the first instance, a matter for negotiation between counties and districts (through representative bodies such as DCN, CCN and their equivalent treasury groups).

Question 13: Do you consider that fire funding should be removed from the business rates retention scheme and what might be the advantages and disadvantages of this approach?

No. Central to the Policing and Crime Bill is that Police and Crime Commissioners (PCCs) can take on responsibility for fire and rescue authorities where a local case is made and there is local agreement. This approach reflects that in many local areas, including Kent, the fire and rescue service and police force already collaborate on a range of operational areas, and the benefit from integration with PCCs is more limited than perhaps anticipated. Like the points made earlier regarding devolution to Mayoral Combined Authorities, this proposal is less about making full retention work, than using the scheme as a mechanism to promote alternative policy objectives. Removing fire from the business rate retention altogether would signal that there is an expectation that PCCs should take responsibility for fire, when the stated government position is this is a matter for local determination in the first instance. Such mixed messages need to be avoided.

Furthermore, we are concerned that in order to meet the fiscal neutrality requirement taking the funding for fire authorities out of business rate retention would increase the quantum which would need to be devolved to local government. This could prove problematic to find sufficient functions to devolve bearing in mind our reservations about some of the significant elements proposed to be devolved to meet the existing estimated quantum. We would not want to see inappropriate functions devolved to local authorities just to enable the transfer of fire out of business rate retention.

Question 14: What are your views on how we could further incentivise growth under a 100% retention scheme? Are there additional incentives for growth that we should consider?

We have already commented on the aspects of business rate growth which are outside of a local authority's control e.g. mandatory discounts/reliefs, appeals, etc. We believe these are things which authorities should have greater control over in order to incentivise growth. The overall tax base is only part of the equation which results in the final business rate tax yield.

We also believe that local authorities should have more flexibility to increase the multiplier, or at least have other mechanisms to protect/increase income to offset reductions. The current business rate retention proposals are based on retention of growth in the tax base although as we have already responded historically growth has not been that great and can be mitigated by factors outside the local authority control.

Question 15: Would it be helpful to move some of the 'riskier' hereditaments off local lists? If so, what type of hereditaments should be moved?

We are concerned that local lists include some properties which are part of national infrastructure and decisions about future expansion or closure are taken at a national level. This would include major power stations, ports, airports, etc. By far the largest single hereditament in Kent is the Channel Tunnel with a rateable value of £15.4m. There is an argument that such premises should be on the central list although any changes in rates for these are likely to have a very long lead time and thus can be planned. Often the most risky properties are industrial premises which can close at much shorter notice and finding alternative use can prove difficult.

We are also concerned about the impact on local lists of national policy decisions. For example should all the remaining schools in Kent be transferred to academies this would reduce the business rates yield by £5.2m due to the application of mandatory charitable relief. Similarly should the policy in relation to hospital trusts change this could result in a substantial loss of business rate income. With 100% retention we would like to see the national quantum and individual tariffs and top-ups adjusted for any national policy impact on the business rate yield so that other local authority services do not suffer the consequences. The only mitigation for the impact of academies under the current 50% retention is if it pushes an authority into the safety net. We do not think this is sufficient safeguard.

Question 16: Would you support the idea of introducing area level lists in Combined Authority areas? If so, what type of properties could sit on these lists, and how should income be used? Could this approach work for other authorities?

We can see the appeal of area based lists for combined authorities but we are concerned how this would work in practice e.g. would the combined authority be responsible for collection from the area list, how would it be determined which properties are transferred to the list, etc. Assessing the riskier properties is not straightforward as referred to above

Question 17: At what level should risk associated with successful business rates appeals be managed? Do you have a preference for local, area (including Combined Authority), or national level (across all local authorities) management as set out in the options above?

The impact of appeals is a significant issue. We appreciate the efforts the government is considering to make the appeals system work better. Currently there is very little risk to the appellant and all the risk is borne by local and central government. This leads to a very volatile tax yield. It is disappointing that no consideration has been given of managing some of the risk through the multiplier. The multiplier is reset as part of the revaluation every 5 years but is not reset in between following appeals against the revaluation. This is a fundamental flaw and should be addressed before 100% retention is set (and effectively all the risk passed to local authorities).

We have formed a pool with 10 district authorities and the fire authority. One of the aims of the pool is to better manage the risk from appeals/business closures over a wider geographical area. Consequently, we certainly would support a wider pooling arrangement within 100% business rate retention (albeit we still contend some of the risk should be borne by business rate tax payers through the multiplier as outlined above). This pool could operate at a combined authority level or a national level. We are concerned that a national pool may be overly complicated and thus a wider area combined authority pool may be easier to manage and be more flexible.

Question 18: What would help your local authority better manage risks associated with successful business rates appeals?

Better information and intelligence sharing between local authorities and the Valuation Office Agency (VOA) would certainly help in as much as we could make better local provision to reflect both tax base growth and/or decline.

This would not negate the impact but would make it more predictable. We still believe that not resetting the multiplier following appeals is a fundamental flaw, which if addressed would help all authorities.

We are also concerned that once an authority gets close to or drops into the safety net there is a disincentive to manage any further risks as the safety net picks up all the consequences.

Question 19: Would pooling risk, including a pool-area safety net, be attractive to local authorities?

We have been operating a business rate pool for two years. Having previously commented that we support pooling there is a danger that without the incentive of being better able to benefit from growth pools will become unattractive. To include a pool safety net (which presumably would be funded by pool members) could make membership even less attractive, especially to those authorities at low risk of requiring the safety. Without the right mix of authorities pools become pointless.

Question 20: What level of income protection should a system aim to provide? Should this be nationally set, or defined at area levels?

This is difficult to answer until we know what additional functions are to be delegated and therefore the risks from a volatile funding stream. We do believe the current safety net threshold is too low, particularly if a greater proportion of the business rate yield is to be transferred to upper tier authorities. The impact of falling just short of the threshold can be catastrophic. Furthermore there is a perverse incentive once in the safety net not to grow back out. This needs to be tackled as well as reviewing the threshold once we know which additional functions are to be devolved.

Question 21: What are your views on which authority should be able to reduce the multiplier and how the costs should be met?

We would certainly not want a situation in two tier areas where the decision of individual councils can have a significant impact on the income for other tiers. We already have this with council tax reduction schemes where it is the lower tier authority which decides on local schemes, but the majority of the impact is on the tax yield of the upper tier authorities. In Kent we are fortunate that we work closely across the tiers but this remains a risk that the lower tier authority chooses a generous reduction scheme.

We are not sure that splitting the power will work very well. This would require authorities to identify the impact of individual council decisions on business rates bills in a similar way we show council tax decisions on council tax bills. In general we think the decision should be left to the most local level (districts in two tier areas and boroughs in London). The upper tier authorities (counties/fire and GLA) should have the power to veto proposals and/or propose alternatives (which in turn the lower tier authority would have the power to veto). This would ensure there is a clear accountability for decisions but any decision would have to be supported across the tiers. Inevitably the costs of reducing the multiplier would have to be borne according to the proportionate split.

We remain concerned that varying the multiplier is a rather blunt instrument. We would rather this was combined with greater flexibility to vary discounts and reliefs so that business rate reductions can be better targeted.

Question 22: What are your views on how decisions are taken to reduce the multiplier and the local discount?

As we have already responded above we believe the power to reduce the multiplier is too blunt as a tool and we are not convinced that existing discretions over discounts provide sufficient means to target business rate reductions most effectively. We believe reductions could be better targeted if local authorities were also given the ability to vary mandatory discounts and reliefs.

Question 23: What are your views on increasing the multiplier after a reduction?

This should be left to local discretion without any centrally imposed limits (other than obviously authorities could not exceed the national multiplier). If there are concerns that the resulting increases would be unmanageable for businesses then legislation could place a requirement on local authorities to consider the affordability of increasing the multiplier after it has been reduced (and guidance issued on the economic and other factors which authorities should take into account in their considerations).

Question 24: Do you have views on the above issues or on any other aspects of the power to reduce the multiplier?

As we have already stated we are not convinced that having the power to reduce the multiplier is very effective. It is too blunt to be able to target reductions to particular localities, types of business or businesses facing particular difficulties. Whilst there are some local discretionary powers, these tend to only be used in very exceptional circumstances. We remain disappointed that there is very little, if any, ability to increase business rates for some to pay for reductions for others. This was a feature of the devolution of council tax support which worked well.

Question 25: What are your views on what flexibility levying authorities should have to set a rateable value threshold for the levy?

Individual authorities should have the power the set their own thresholds for raising a levy. Local authorities are best placed with the knowledge of their local economies and which businesses are best placed to help pay for and benefit from the sort of infrastructure which a levy would support. One of the criticisms of the current supplementary power, and we would argue a contributory factor why this power isn't used, are the imposed thresholds restricting the levy to larger premises.

Question 26: What are your views on how the infrastructure levy should interact with existing BRS powers?

We do not agree with there being different powers for an infrastructure levy. As we have already responded in question 11 we cannot see the case for Mayoral Combined Authorities having any additional powers under the business rates arrangement compared to other authorities. The business rate retention arrangements should not be used as a mechanism to progress other policy objectives.

Question 27: What are your views on the process for obtaining approval for a levy from the LEP?

We do not think it appropriate that the LEP should take on executive powers to approve a levy. The LEP should be statutory consultees but should not be approvers. The existing infrastructure levy powers set out the consultation and ballot requirements for individual proposals and we consider these arrangements should be followed by all authorities irrespective of whether they have chosen to have an elected Mayor.

Question 28: What are your views on arrangements for the duration and review of levies?

We agree that the duration of any levy should be set out in the initial prospectus. As with the response to question 27 above we do not think there should be any different arrangements for Mayoral Combined Authorities than any other authority.

Question 29: What are your views on how infrastructure should be defined for the purposes of the levy?

We agree that the purposes of the levy should be clearly defined and limited to infrastructure development. We think the purposes for the existing Business Rates Supplements are sufficient and there is no need for different infrastructure levy arrangements for Mayoral Combined Authorities.

Question 30: What are your views on charging multiple levies, or using a single levy to fund multiple infrastructure projects?

As with previous responses we do not think there should be any different powers for Mayoral Combined Authorities. We think it would be simpler to raise multiple levies covering different projects but agree that the combined effect of these levies should be capped to 2p in £ i.e. the same as the current Business Rate Supplementary powers.

Question 31: Do you have views on the above issues or on any other aspects of the power to introduce an infrastructure levy?

As we have already stated we cannot see the case for different infrastructure levy arrangements in Mayoral Combined Authorities and other authorities. If there is to be a separate arrangement it should mirror the existing Business Rates Supplementary power and be clear than any authority (or group of authorities) can only use one of the powers and the over effect of ant levies will be no more than 2p in the £

Question 32: Do you have any views on how to increase certainty and strengthen local accountability for councils in setting their budgets?

We have fully supported multi-year settlements in the past as a way of increasing certainty for local authorities. We are concerned that 100% business rate retention could result in funding being less certain as authorities become more self-sufficient and reliant on the funds raised locally. In particular we are concerned that demand for both existing and new responsibilities could move in the opposite direction to local tax yields. Even with a safety net this could leave authorities having to hold more in reserves to manage variations.

We are also concerned that local authorities do not have full control over business rates and variations can arise outside their control e.g. mandatory reliefs, impact of appeals, etc. This can add to the uncertainty and should be recognised through appropriate share of risk. Consequently we can still see a role for continuation of some grants including multi-year settlements for these.

In terms of accountability there should be a greater onus on local authorities to explain to local tax payers (both business rates and council tax) what their money is spent on and the extent to which it arises from local decisions as opposed to meeting statutory obligations.

Question 33: Do you have views on where the balance between national and local accountability should fall, and how best to minimise any overlaps in accountability?

This question depends upon what additional responsibilities end up being devolved. As we have previously identified if the devolution merely means handing down the administration of national schemes, with very little scope to make local changes, it is very difficult to be accountable. True accountability would allow local authorities greater flexibility to increase local taxation to support local spending priorities where this is agreed. Currently this flexibility does not exist, nor is it proposed through business rate retention.

We do not believe that mayoral combined authorities should be the only model of devolved powers to local government or demonstrate improved accountability. Local members are accountable to the electorate as is the governing administration of each local authority. Local areas should have the ability to choose the most appropriate format of local governance without in-built incentives/disincentives in the funding arrangements for any particular choice.

Question 34: Do you have views on whether the requirement to prepare a Collection Fund Account should remain in the new system?

We think collection fund accounting arrangements should continue. The declaration of estimated and actual tax yields is a transparent mechanism. We are concerned about the rise in council tax collection fund surpluses since the transfer of council tax support to local schemes. This has made forecasting the tax yield less certain. We have already commented on the volatility of business rates and in particular the impact of factors outside of local authority controls e.g. mandatory discounts/reliefs, appeals, etc. These will impact on collection fund balances and we can see some merit in identifying the impact of factors within and outside local authority control separately.

Question 35: Do you have views on how the calculation of a balanced budget may be altered to be better aligned with the way local authorities run their business?

We support the principle of setting a balanced budget and KCC takes this very seriously. We have set and delivered a balanced budget in each of the last 16 years. We are concerned that the current concept of a net budget requirement leading ultimately to a council tax requirement is flawed. In particular at the time the budget is set some funding is still uncertain and thus the council tax requirement does not in itself represent certainty of a balanced budget. Furthermore, the ability for an authority to raise council tax is effectively capped through the referendum requirements. We have consistently challenged both previous capping regimes and the current referendum arrangements as significant obstacles to setting a balanced budget. We believe that authorities should assess the certainty of estimates as part of the balanced budget requirement.

Question 36: Do you have views on how the Business Rates data collection activities may be altered to collect and record information in a more timely and transparent manner?

We agree that some form of reporting will still be required but the current forms should be reviewed if they require data which is no longer required or relevant. In terms of the transparency and timeliness of this data collection we believe the views of lower tier authorities should influence the response in two tier areas as these are the councils who will have to compile and submit the returns.

We hope that you find our responses helpful. KCC is keen to continue to help the government to develop the arrangements as we believe we are close to be a “typical” shire area with many issues and challenges in common with shire areas elsewhere across the country. We have found it difficult to give a full response to all the issues due to the uncertainty around some of the proposals. We hope we will be given further opportunity to comment on the detailed arrangements as these uncertainties are resolved.
Yours Faithfully

Name
Job Title
Department

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Strategic & Corporate Services

Sessions House
County Hall
Maidstone
Kent ME14 1XQ

Phone:
Ask for:
Email:

Local Government Finance Reform (Fair Funding Review),
Department for Communities and Local Government
2nd Floor, Fry Building,
2 Marsham Street,
London SW1P 4DF

Dear Sir,

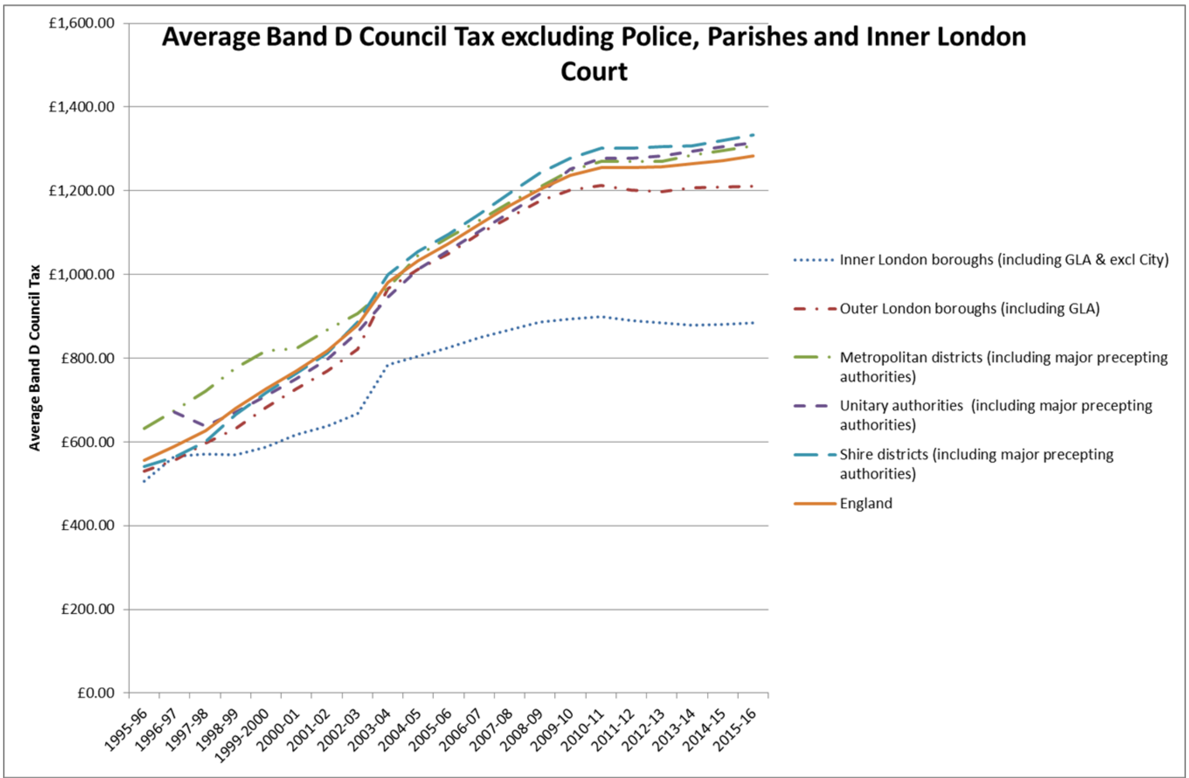
Fair Funding Review: Call for evidence on Needs and Redistribution

This response to the call for evidence on needs and redistribution is on behalf of Kent County Council (KCC) and complements our response to the proposed 100% business rate retention. Kent is the largest shire area in the country with a population of around 1.5 million and over 640,000 households. This makes KCC the largest council responsible for services to more people than any other council in the country.

KCC welcomes the opportunity to comment on this review, which is long overdue. We have contributed to previous reviews and consistently made the case that county areas are less favourably treated than London and Metropolitan boroughs. Without repeating in full our previous arguments these can be summarised that we believe the indicators used for grant allocations (Formula Grant and many of the specific grants which have now been added into Formula Grant/Revenue Support Grant/business rate baseline) had an urban bias. This was compounded by the use of regression analysis to compare distribution with previous spend patterns and transitional damping, both of which served to perpetuate the historical allocations and negated a proper needs driven system.

We also contend that the current system has become overly complex. It has evolved from a variety of previous arrangements, the rationale for which have become lost. Furthermore, commitments made under previous arrangements have been cast aside leaving individual authorities to suffer the consequences. We believe that it should be possible to produce a simpler, more efficient and more equitable system. This system should focus on the key cost drivers for the main areas of local authority spend and be based on forward predictors of spending needs. Any system which cannot be readily explained to local councillors, residents, businesses and other stakeholders, or can justify the outcomes it produces, should be rejected. However, we also recognise that adequately reflecting spending needs through redistribution should be the prime objective and should not be sacrificed for the sake of simplicity. This means the final redistribution methodology may have to be sufficiently complex to achieve this.

We believe the most compelling evidence that the current system is flawed is large disparity in council tax charges in different authorities. How can it be justified that council tax payers in county like Kent have to pay more than twice as much as the same banded property in some London boroughs? This cannot simply be explained away as efficiency or local choices over service levels; the original concept of council tax was that the funding redistribution would enable authorities to provide a similar range/level of services for the same tax charge. This concept has become increasingly eroded over time (see the graph below showing comparable band D tax rates in different classes of authority) and this review should seek to redress this imbalance over a reasonable period of time to allow tax rates in London to rise and to restore equilibrium.



We would like assurances that the needs led review will not only reconsider the baseline for the existing 50% retention but also the distribution of grants being considered to be devolved from the additional business rate retention (especially the remaining RSG and improved Better Care Fund). We recognise that this may require transitional damping but this must be on the basis of a managed transfer to new needs-led redistribution and acceptable impact on council tax.

Question 1: What is your view on the balance between simple and complex funding formulae?

We are very much in favour of simple formulae in principle. To try take account of every nuance for particular authorities is virtually impossible, and we would argue inappropriate. If the aim is for local authorities to be more self-sufficient and rely on the income raised through local taxes, then a complex formula which redistributes funding for a wide range of individual needs and nuances is counter-intuitive. Of course to be genuinely self-sufficient authorities should have more flexibility over how the taxes are raised in the local area e.g. we have consistently argued that authorities should be given greater powers to vary mandatory discounts/reliefs.

We believe that a formula based on simple measures such as population, number of households, etc., would suffice for the vast majority of authorities. Of course there will always be outliers where this is not the case. However, we do not believe that the formula used for all authorities should be determined by the needs of outliers. Furthermore we would urge that the formulae be measured according to the overall distribution it delivers rather than the individual elements within it. This would better take account of the inevitable “swings and roundabouts” which will occur from a simple approach.

It is our experience from complex formulae that within a few years there becomes a strong desire for simplification (mainly because the original reasons for the complications no longer exist or aren’t clear) but this is difficult as it creates winners and losers. Therefore, it is easier to go simple from the outset.

However, having stated this aim for simplicity we accept that any system which redistributes resources according to needs must adequately reflect need and this should be the prime objective. Consequently we accept that the formula will need to ne sufficiently complex to achieve this, especially where such complexity adds value and results in a funding system which better matches the needs. This should particularly apply where such complexity is in the interests of the wider local authority family i.e. we would not support complexity in order to reflect local choices or which adds perverse incentives.

Question 2: Are there particular services for which a more detailed formula approach is needed, and – if so – what are these services?

We believe attention should be focussed on the most significant services. For most upper tier authorities these are (in order of significance); adult social care, children’s social care, capital financing, waste collection (lower tier in two tier areas) and disposal, public transport, and highway maintenance/management. If we do not get the distribution of funding right for these areas of significant spending then it’s largely irrelevant whether we get the allocations right for some of the lesser areas of spending under the old Environment Protection & Community Services (EPCS) sub block.

In particular we have challenged the previous distribution of funding for adult social care. This applies to both older persons and more pertinently adults (especially those with learning disabilities and mental health issues). We believe the previous formulae have relied too much on measures of deprivation and not enough on health indicators. In particular for adults with learning disability we believe deprivation is not a factor as these disabilities are as likely to occur in more affluent families as deprived ones. It comes as a surprise to many that we spend a greater proportion of the adult social care budget on adults with learning disabilities than we do on older people (and these clients stay in the social care system much longer than older people). It is therefore imperative that we get the distribution of funding right for this significant (and often overlooked) client group. We are also concerned that support for adults with mental health issues is often overlooked and inadequately resourced.

Similarly, the funding and support for children with special educational needs is another area which should be given special attention. The presumption that SEN is linked to deprivation is overly simplistic with many special needs unrelated to deprivation. Providing SEN transport has been one of the rising spending demands which has not been funded under the current arrangements.

We have previously expressed our significant reservations that the funding to finance capital schemes under the old supporting borrowing regime has not been adequately protected since 50% retention was introduced (or from the reductions in RSG since 2010). These capital investments were made on the understanding that the borrowing would be fully funded for the lifetime of the debt. We now find ourselves having to finance long term debt (both interest and repayment of the principal) from a diminishing funding base. This puts added pressure on those authorities which took up supported borrowing. We would particularly like to see this addressed as part of the needs and redistribution review.

Question 3: Should expenditure based regression continue to be used to assess councils' funding needs?

We do not support expenditure based regression and this approach should not be used as the basis on needs assessment or redistribution. Expenditure based regression effectively preserves the historic funding distribution and therefore, maintains existing deficiencies in the funding arrangements. We have already expressed our opinion that the previous funding arrangements favoured metropolitan authorities, particularly Inner London. This is reflected in the lower per capita funding allocations for shire authorities. This in turn has led to shire authorities increasing council tax but even after taking this into account these authorities still have a lower core spending power than London and metropolitan authorities. It has also led to the very large divergence in council tax charges which we have already exemplified, and which we believe is totally unjustifiable.

Question 4: What other measures besides councils' spending on services should we consider as a measure of their need to spend?

We strongly support the concept of identifying key cost drivers. The main key cost driver should be population (split into appropriate age segments). For many services e.g. adults with learning disabilities, waste collection and disposal (although in the case of waste number of households may be more appropriate than population), this should be sufficient. Other services may need to weighted by other factors e.g. deprivation for older persons and children's social care, health indicators for older persons and public health, bus patronage for public transport, etc.

Since the baseline will be set and fixed for a number of years we think it essential that the indicators used the reflect key cost drivers should be forward looking i.e. reflecting likely need over the entire period of the reset, and not set based on a previous census or some other count. We accept this introduces some degree of estimating error but believe this is preferable to using indicators which could be woefully out of date towards the end of the reset period.

We recommend that the CLG/LGA needs and redistribution working group be charged with identifying the key cost drivers for the most significant services and model the impact. We do not support the use of expenditure or non-expenditure based regression to evaluate the impact for the reasons we have already explained i.e. these perpetuate previous patterns which are influenced by a wide variety of factors, chiefly previous funding distribution and local discretionary choices, neither of which should be reflected in needs assessment or funding redistribution. If necessary an independent body which represents the views of all local authorities should make the judgement on which factors and weights should finally be used. There is plenty of time to do the necessary modelling and reach a conclusion which can be accepted by all authorities.

Question 5: What other statistical techniques besides those mentioned above should be considered for arriving at the formulae for distributing funding?

Ultimately we are not convinced that any statistical technique will help to evaluate the right formulae. The main problem being that whatever the outcomes are evaluated against can be criticised. Therefore, we think it more important to secure consensus on the key factors which should (and those that should not) be taken into account in determining needs and redistribution. We believe the key factors which should be taken into account are:

- Focus on the most significant service areas which councils have to provide
- Identify key cost drivers (one of which should always be population) for those service areas
- Seek to re-establish the principle that redistribution should seek to equalise resources so that authorities can provide a similar level of services for the same rate of council tax/business rates
- If authorities want to vary the rate of tax this should be matched by varying spend/other income sources

Key factors which should not be taken into account include:

- Historic funding levels
- Local discretionary choices
- Delivery of other political objectives

As we have already indicated we believe the only way to reach an acceptable decision on the formulae is through an independent body representing the views of all local authorities.

Question 6: What other considerations should we keep in mind when measuring the relative need of authorities?

As we have already indicated the arrangements should focus on the significant areas of statutory responsibilities and not be driven by the need of (a few) significant outliers.

Question 7: What is your view on how we should take into account the growth in local taxes since 2013-14?

We think all authorities should be able to keep a proportion of growth in perpetuity. This is consistent with the concept of incentivisation. Growth (and indeed decline) can occur for all sorts of reasons, some within the gift of local authorities and some outside their control. We think it will be virtually impossible to measure the amount of growth with a local authority's control, and thus it may have to be an arbitrary amount which is retained in perpetuity. Furthermore, some of the growth reflect growing population and provides funding for the services consumed by the additional people.

We are concerned that resource equalisation did not take into account local authorities' ability to raise other income as well as taxes. Where such income streams are significant, the authorities concerned have scope to deliver higher services levels and/or tax reductions. We believe these significant income sources e.g. car parking charges, social care client contributions, etc., should also be factored into resource equalisation equation.

Question 8: Should we allow step-changes in local authorities' funding following the new needs assessment?

We recognise the need for transitional damping but not to the extent that in significantly impairs or negates the effect of needs based redistribution. One of the main criticisms of previous damping regimes is that they returned funding allocations to their previous relative position and that the reform which prompted the damping was never fully implemented. Therefore, we would support damping which is set for a fixed period during which it would be fully phased out.

Question 9: If not, what are your views on how we should transition to the new distribution of funding?

As above, we fully support a fixed period for damping which is then fully phased out.

Question 10: What are your views on a local government finance system that assessed need and distributed funding at a larger geographical area than the current system – for example, at the Combined Authority level?

We cannot see how this arrangement would work without extensive and difficult negotiations between the individual authorities. Furthermore we cannot see how a formula which has been devised to determined baseline need at a combined authority level could be disaggregated down to individual authority level without producing unintended consequences. Therefore althougth this suggestion would promote better collaboration between authorities we think it should be rejected as being unworkable. . .

Question 11: How should we decide the composition of these areas if we were to introduce such a system?

. We cannot see how combined areas would work and therefore this questionis not appropriate

Question 12: What other considerations would we need to keep in mind if we were to introduce such a system?

Once again this is not appropriate as we think the notion of combined areas is unworkable.

Question 13: What behaviours should the reformed local government finance system incentivise?

We support the principles of self-sufficiency and incentivisation. We have already commented in this response and in our response to the full consultation that local authorities should be given more flexibility over local taxes. This would include greater freedoms over mandatory discounts and reliefs, and greater flexibility to increase as well reduce local tax rates. We believe this would enhance local democracy and accountability.

We also believe that the finance system should encourage councils to integrate and collaborate more, especially where this can deliver better services which are easier/quicker for residents and businesses to access, and can be provided at lower overall cost.

We would like to see a finance system which encourages and supports authorities to make infrastructure investments with greater certainty that the funding will be secure to finance the investment. The current system which has not secured the funding under the supported borrowing regime, leaves authorities with a large spending obligation through the Minimum Revenue Provision, and inappropriate/unworkable Community Infrastructure Levy arrangements, does not do this. Most infrastructure investment is now funded from central government grants. This is not consistent with the concept of self-sufficiency and needs to be addressed (although we have not seen much evidence of this to date)

We believe the finance system should reward enterprise and innovation. In particular we would like to see a system which encourages authorities to take more risks and does not vilify them for holding reserves as a way of managing these risks. Authorities can and should do more to identify the reasons for holding reserves and general reserves for unforeseen eventualities should be confined to reasonable levels. However, in our experience most reserves are not held for such unforeseen circumstances but are held either to manage risk should particular eventualities arise or to smooth expenditure to avoid large variations in tax levels needed over short periods of time.

We believe the finance system should discourage over reliance on central funding or provide safeguard/protection for authorities which make inappropriate choices. Safeguards should exist for unavoidable/uncontrollable occurrences.

Question 14: How can we build these incentives in to the assessment of councils' funding needs?

We believe a simpler system, which focuses on the significant areas of statutory activity and starts from the premise that the vast majority of authorities have similar needs per head of relevant population will go a long way towards reinforcing these incentives. We certainly believe the current wide range in council tax rates which the current system has created needs to be addressed. We accept this will take time but these differences cannot be justified and need to be tackled.

We hope that you find our responses helpful. KCC is keen to continue to help the government to develop the arrangements as we believe we are close to be a "typical" shire area with many issues and challenges in common with shire areas elsewhere across the country.

Yours Faithfully

Name
Job Title
Department