

From: John Simmonds, Cabinet Member Finance & Procurement and Deputy Leader
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To: Social Care and Public Health Cabinet Committee – 5 December 2013

Subject: **Budget 2014/15 and Medium Term Financial Plan 2014/17 Consultation**

Classification: **Unrestricted**

Electoral Division: All

Summary: Consultation on the forthcoming Budget and Medium Term Financial Plan was launched on 8th November. The aim of the consultation is to better inform Kent residents and businesses of the financial challenge the authority faces as a result of continued reductions in funding from central government combined with additional spending demands and restrictions on our ability to raise Council Tax. We also want to better engage with people and the consultation seeks views on the broad direction and pace of travel rather than the detail of specific proposals. We have commissioned specific market research to support the consultation and explore issues in more detail. We will undertake more detailed consultation about specific aspects of the budget before changes are implemented.

Recommendation(s):

The Cabinet Committee is asked to consider and comment on the consultation strategy/process. The Cabinet Committee is also invited to make any recommendations to the Cabinet Members for Adult Social Care and Public Health and Specialist Children's Services arising from the draft financial proposals outlined in the consultation for inclusion in the final draft budget to be considered by Cabinet on 22nd January prior to debate at County Council on 13th February

1. Introduction

- 1.1 This report provides Cabinet Committee members with more background to the current budget consultation and an opportunity to engage as part of the consultation prior to the finalisation of the draft budget proposals. During the September round of Cabinet Committee meetings members were informed that the consultation could not be launched until November.
- 1.2 The overall objective of the consultation is to inform more people of the financial challenge the authority faces and to engage with them about how we respond. Previously we have consulted about the detail of budget proposals but have not been successful in getting a wide engagement. The main consultation this year is based on a campaign "2 minutes 2 questions" where we are asking residents to devote a small amount of time to answer two fundamental questions.

- 1.3 The main campaign will be backed up with a summarised “at a glance” presentation of the budget challenge for the next three years (with additional detail for those who wish to explore the budget issues in more depth). We have provided an on-line tool to enable those who wish to provide more feedback through submitting their opinion on what should be KCC’s budget priorities over the coming years.
- 1.4 In previous years we have been successful in carrying out market research with a small representative sample of residents, and engagement with this group has worked well through face to face workshops. We have run these workshops again this year (albeit employing a different independent market research agency from previous years). This agency has also carried out a face to face survey using the on-line tool with a wider representative sample of Kent residents (1,200), and undertaken a similar process of a workshop with KCC staff and an e-mail survey (using the on-line tool) with a sample of staff.
- 1.5 In previous years we have been less successful in engaging with residents outside the workshops and responses to the consultation have been very low (we managed to get a slightly higher response in 2012 with over 400 responses). To date the new campaign approach seems to have succeeded and many more residents and staff are engaging in the process.
- 1.6 The consultation closes on 13th December. The outcome from the main campaign together with the feedback from the more in depth responses on-line, the independent market research findings and discussions with key stake holder groups will be available for the January cycle of meetings. The final draft budget will be considered by Cabinet on 22nd January before it is presented to County Council on 13th February for final approval.
- 1.7 We have assumed a “digital by default” approach and produced all of the material on-line. This is designed in such a way that information can be accessed in layers. There is high level headline information for those who only want to get a feel for the financial challenge. There is then a slightly more detailed picture below the headline level which gives readers a flavour of how we propose to meet the challenge and below this there is pull down menu with a detailed narrative of each element of the budget options. This “digital by default” information is difficult to reproduce in printed form but we have attached examples of the consultation material in the attached appendices although it is not possible to reproduce the information included in drop down menus in print.

2. Financial Implications

- 2.1 We have kept the overall cost of the consultation process within the same amount as last year (£50k budget). Within this we have devoted more resource to promoting the campaign and have obtained significantly more independent market research by using a new agency (BMG Research). To stay within budget and to comply with communications standards we have significantly reduced the volume of printed material and produced more information on-line.
- 2.2 The overall financial equation presented in the consultation shows estimated government funding reductions of £142.6m over the next 3 years. We are confident that the reduction for 2014/15 (£39m) is robust (this is based on the

indicative settlement included in the 2013/15 MTFP adjusted for subsequent announcements), although there is more uncertainty about the estimate for 2015/16. We anticipate we will get the outcome of Government decisions on the 2014/15 and 2015/16 settlement when the provisional settlement is announced in December (likely to be around 19th December). We are not anticipating a provisional settlement for 2016/17 (the June Spending Round only related to 2015/16 and we are expecting that 2016/17 will not be resolved until a new government is elected following General Election in 2015). Therefore the amounts identified in the consultation and the final draft MTFP can only be our best estimates.

- 2.3 We also estimated additional spending demands over the next 3 years of £139.5m. There is still some uncertainty about the pressures for 2014/15 (these will be updated in light of the latest budget monitoring) and we have made provision for emerging pressures in the following years i.e. reasons unquantified at this stage. Within the pressures for 2014/15 we know we need to find £24.9m to replace the one-off savings in the 2013/14 which were necessary due to late and unexpected changes in the funding arrangements. We have offset the additional spending with forecast increase in Council Tax base (0.5%), impact of Council Tax Collection and inflationary uplift to our share of Business rates. These reduce the pressure of additional spending demands to £130m.
- 2.4 Overall this means the County Council is facing the challenge to find an estimated £273m to balance the budgets over the next 3 years as a result of a combination of funding reductions and additional spending demands. Within the draft budget included in the consultation we assumed a Council Tax increase for 2014/15 of 1.99% (the referendum limit). If this were agreed and repeated for the following two years, this would produce £31.4m additional income over 3 years and reduce the savings target to £241.2m.

3. Bold Steps for Kent and Policy Framework

- 3.1 Putting more power into the hands of Kent residents so that they have the opportunity to shape how services are provided to them and their local communities is a key feature of Bold Steps. This budget consultation is an essential feature of this by engaging better with Kent residents in a way which encourages them to respond.
- 3.2 We have been conducting budget consultations for a number of years. We have found that direct engagement with focus groups has worked well but we have been less successful in communicating the budget challenge with residents at large or engaging with them about the council's spending priorities. This year's strategy has been developed to build on the successful aspects from previous years whilst at the same time getting this wider communication and engagement. We aim to achieve this by presenting a simpler message and asking fewer questions while at the same time providing the opportunity for those who wish to delve deeper. Early indications are this enhanced strategy is achieving the overall objective of better communication and more engagement.
- 3.3 We will provide a demonstration of the on-line facilities to the committee meeting.

4. The Report

- 4.1 KCC has a strong track record of delivering difficult budgets. Over the last 3 years the budget has included savings of £269m. We have achieved these savings and delivered a balanced budget, albeit inevitably there have been some areas which have over delivered and some areas which haven't achieved their budget targets. The challenge of the next three years will be to deliver further savings of a similar magnitude to the previous three years.
- 4.2 As part of this challenge we will have to insist on much greater financial rigour and delivery of budgets as our scope to over deliver to cover shortfalls elsewhere will be severely restricted. The new structures being proposed under "Facing the Challenge" will include medium term financial targets. To support this we are proposing to present the final draft MTFP in directorate format rather than the portfolio presentation used in the past. This will enable senior managers to have a much better understanding of their contribution to meeting the budget challenge.
- 4.3 We have considered alternative options to engage residents in the budget consultation and have concluded that the proposed "2 minutes 2 questions" campaign offers the best chance of wider engagement. In particular we have looked at other on-line tools and use of more market research but were concerned these would not meet our expectations of engagement with the wider public.
- 4.4 We have undertaken an Equality Impact Assessment of the overall budget consultation and setting process. We have arranged telephone support for residents who need help with engaging with the on-line information. The information on the web-site can be produced in alternative formats upon request. Equality impact assessment screening on individual budget lines will be carried out prior to the budget being set and equality impact assessments of individual proposals within the overall budget package will be carried out prior to the more detailed consultation and implementation which will be needed after the budget has been approved. In some instances managers have been given authority to start planning for implementation in advance in order to ensure savings can be delivered for the next financial year but this cannot be completed until the budget has been approved and all necessary consultation and Equality Impact Assessment has been completed.
- 4.5 Consultation on the overall budget closes on 13th December. Following that we will analyse the results and report them to Cabinet and Cabinet Committees in January. We will produce a final draft budget which will be considered by Cabinet on 22nd January and will be open for a short window for any final comments prior to publication of County Council papers for 13th February. The precise format for the County Council debate has not yet been agreed, although it is likely to follow a similar pattern to previous years with the day devoted to debate about the proposed budget and scope to consider amendments. At this stage we are not suggesting that alternative budgets should be prepared for consideration at County Council, but we have not finally ruled this out.
- 4.6 The budget must be agreed by the County Council which in doing so sets the Council Tax precept for the forthcoming year and gives delegated authority to

Cabinet Members and Corporate Directors to manage services within the resources allocated. As already indicated there will be a requirement for further more detailed consultation prior to individual elements within the budget being implemented. The “at a glance” presentation of the 3 year plan presented as part of the consultation is designed to help understanding and engagement and unlike previous years is not a full draft of the budget and MTFP “for consultation”. This means we will only produce two versions of the full budget and MTFP, “final draft for Cabinet/County Council” and the “final approved version following County Council”.

5. Conclusions

- 5.1 We have developed a revised and enhanced consultation and engagement strategy with the aim of improving Kent residents’ understanding of the financial challenge facing local authorities and to better engage with them to get their views on how we should respond. The main “2 minutes 2 questions” campaign is aimed at having a face to face debate with a much wider audience and to get instant feedback (or signpost them to KCC’s website to give a response to either the 2 questions and the more detailed budget modelling tool).
- 5.2 Ideally we would have launched consultation earlier with a longer period for response. However, uncertainty around the 2015/16 settlement would have meant we would have been restricted to the 2014/15 budget and previous experience has shown that we need to engage about the substantial challenge we are facing over a number of years.

6. Recommendation(s)

The Policy and Resources Cabinet Committee is asked to consider and comment on the consultation and engagement strategy/process set out in this report. The Cabinet Committee is also invited to make any recommendations to the Cabinet Members for Adult Social Care and Public Health and Specialist Children’s Services arising from the draft financial proposals outlined in the consultation for inclusion in the final draft budget to be considered by Cabinet on 22nd January prior to debate at County Council on 13th February

7. Background Documents

- 7.1 Consultation materials published on KCC website can be found at

www.kent.gov.uk/budget

8. Contact details

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Headline Budget Information

	2014/15				2015/16				2016/17			
	Estimated Total		Change on Previous Year		Estimated Total		Change on Previous Year		Estimated Total		Change on Previous Year	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Government Funding		357.5		-39.2		295.8		-61.7		254.0		-41.8
Local Taxation		571.7		14.0		584.1		12.4		598.7		14.6
Total Resources		929.2		-25.1		879.9		-49.3		852.7		-27.1
Council Spending												
Base Budget		954.3				929.2				879.9		
Additional Spending				56.0				36.4				47.1
<i>Savings and Income</i>												
Ring Fenced Grants				-4.9				0.0				0.0
Income Generation				-5.5				-4.8				-1.8
Efficiency Savings				-14.0				-6.1				-1.3
Service Transformation & Demand Management				-56.8				-74.8				-71.3
Total savings needed to balance budget presuming 1.99% Council Tax increase is agreed		-81.2				-85.7				-74.3		
Proposed Budget				929.2				879.9				852.7

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Appendix 2

Summary of Budget Proposals

	A	I	J	K	L	M	N	O	P	Q	R	S	T
2		2014/15				2015/16				2016/17			
3		Estimated Total		Change on Previous Year		Estimated Total		Change on Previous Year		Estimated Total		Change on Previous Year	
4		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
5													
6	Government Funding		357.5		-39.2		295.8		-61.7		254.0		-41.8
7	Revenue Support Grant	205.2		-41.5		151.4		-53.9		118.0		-33.4	
8	Business Rate Top-up	122.2		3.9		125.6		3.4		123.0		-2.6	
9	Education Services Grant	18.0		-2.6		13.0		-5.0		13.0		0.0	
10	Council Tax Freeze 2013/14	5.8		0.0		5.8		0.0		0.0		-5.8	
11	Other Grants (incl NHB)	6.2		1.1		0.0		-6.2		0.0		0.0	
12													
13	Local Taxation		571.7		14.0		584.1		12.4		598.7		14.6
14	Council Tax	522.4		12.8		535.5		13.1		548.9		13.4	
15	Council Tax Collection Fund	2.0		-0.2		0.0		-2.0		0.0		0.0	
16	Business Rates	47.3		1.5		48.6		1.3		49.8		1.2	
17													
18	Total Resources		929.2		-25.1		879.9		-49.3		852.7		-27.1
19													
20	Council Spending												
21	Base Budget		954.3				929.2				879.9		
22													
23	Additional Spending				56.0				36.4				47.1
24	Pay and Prices			9.4				15.8				19.0	
25	Legislative			2.0				1.4				0.0	
26	Demand & Demography			7.8				11.0				11.0	
27	Impact of local decisions			12.0				8.1				7.1	
28	Unquantified											10.0	
29	One-Off Savings in Previous Year			24.9				0.0				0.0	
30													
31	<i>Savings and Income</i>												
32	Ring Fenced Grants				-4.9				0.0				0.0
33	Public Health Grant			-4.9				0.0				0.0	
34													
35	Income Generation				-5.5				-4.8				-1.8
36	Commercial Services			-2.8				-3.0				0.0	
37	Uplift in Social Care Fees			-1.7				-1.7				-1.7	
38	Other			-1.0				-0.1				-0.1	

