From:	Paul Carter, Leader John Simmonds, Cabinet Member for Finance & Procurement and Deputy Leader Andy Wood, Corporate Director of Finance & Procurement
To:	Cabinet 25th January 2016
Decision No:	
Subject:	**Budget 2016-17 and Medium Term Financial Plan 2016-19**
Classification:	**Unrestricted**

Summary: This report relates to the proposed draft budget for 2016-17 and Medium Term Financial Plan (MTFP) 2016-19 to be presented to County Council on 11th February 2016. The proposed draft budget includes a 1.998% council tax increase (up to the referendum limit) and a further 2% through the Social Care Levy. The draft budget represents the Council's response to local budget consultation and consequences of the Spending Review and Autumn Statement 2015 and the provisional Local Government Finance Settlement.

The local budget consultation ran from 13th October 2015 until 24th November 2015 and identifies separately the feedback from the following activities:

a) Responses directly to the Council either through the website or via other channels
b) Independent market research conducted by FACTS International via deliberative workshop sessions and face to face interviews, both completed by a representative sample of residents
c) Staff workshops conducted by FACTS International and KCC
d) Responses from workshop sessions with representatives from the business and voluntary sectors and Kent Youth County Council.

The provisional Local Government Finance Settlement was announced on 17th December 2015. Responses to the settlement had to be submitted by 15th January 2016.

Recommendation(s):
Cabinet is asked to endorse the draft budget and the council tax precept (including the additional Social Care Levy) taking into account proposed amendments from Cabinet Committees and late changes to the draft Budget and MTFP published on 11th January 2016.

Cabinet Members are asked to bring the black comb-bound draft Budget Book 2016-17, Medium Term Financial Plan 2016-19 (published on 11th January) and the supplementary information (published on 15th January) to this meeting.

Members are reminded that Section 106 of the Local Government Finance Act 1992 applies to any meeting where consideration is given to a matter relating to, or which might affect, the calculation of council tax.

Any Member of a Local Authority who is liable to pay council tax, and who has any unpaid council tax amount overdue for at least two months, even if there is an arrangement to pay off the arrears, must declare the fact that he/she is in arrears and must not cast their vote on anything related to KCC's Budget or council tax.

1. Introduction

1.1 Setting the Council's revenue and capital budgets continues to be exceptionally challenging. Funding from central government (particularly revenue funding) is reducing following the Spending Review announcement on 25th November. This has been exacerbated by the proposed redistribution of Revenue Support Grant (RSG) included in the provisional Local Government Finance Settlement announced on 17th December. Whilst central funding is reducing we continue to face additional spending demands and we cannot fully compensate for these demands and loss of grants through council tax and nor would it be reasonable to do so. As a result the authority will need to find substantial savings in order to balance the budget for 2016-17 and the following years in the MTFP.

1.2 The proposed RSG in the provisional settlement included 3 key changes:

- The transfer of £8.4m of previously separate grants for Care Act 2014 and Lead Local Flood Authority
- A greater reduction than the overall reduction in central government funding for local authorities set out in the Spending Review, with money transferred into other grants (New Homes Business, Business Rate Safety Net, etc.)
- A fundamental change in the methodology for redistribution

In the case of the latter bullet, previously RSG reductions have been based on pro rata reduction to individual elements within the grant including protection for some elements e.g. Learning Disability, Council Tax Freeze, etc. The revised methodology is based on pro rata reduction to the aggregate of all the individual elements (including transfers in the first bullet) and each authority's business rate baseline (including tariff/top-up) and council tax requirement for 2015-16. This afforded no protection for individual elements. The overall impact of these 3 key changes resulted in £18m greater reduction than we had anticipated following the Spending Review. This came with no prior notification nor consultation, and was subject to a short post-announcement consultation period running from 17th December to 15th January. KCC's response to the consultation is included as appendix A.

1.3 The Spending Review included a new power for authorities with social care responsibilities to levy a 2% precept on council tax specifically to support adult social care spending. This is in addition to increases up to the 2% referendum threshold (or larger increases subject to a referendum). In response to the scale of budget pressures in social care it is proposed that KCC agrees to levy the additional 2% for social care, as well as increasing council tax up to the 2% referendum threshold. The provisional tax base notification from districts also shows an increase compared to 2015-16 as a result of new dwellings and changes in discounts. Overall the proposed council tax increases and tax base yields an additional £33.7m. This will help towards funding additional spending demands and reductions in central government funding, but falls well short of fully compensating. Therefore, significant savings are required to balance the budget.

1.4 The budget proposals show additional spending demands of £79.7m. These include:

- £38.6m of recurring pressures to cover increased costs and rising demands for services
- £17.8m of legislative demands including changes in employer's national insurance contributions, the transfer of Care Act grant and impact on prices due to the introduction of the National Living Wage
- £12.4m arising from the one-off use of reserves to support base budget spending in 2015-16
- £10.9m arising for local policy and revenue investment proposals

1.5 We are still awaiting the announcement on a number of specific and ring-fenced grants. Most of these grants are treated as income to offset expenditure and thus have no impact on the net budget requirement. The Council's policy is to limit spending to the amount available from these ring-fenced grants and not to provide top-up from un-ring-fenced grants or council tax.

1.6 The capital budget is also under significant pressure. The capital programme has increasingly relied on government grant allocations, developer contributions, external funding and capital receipts over recent years. We have imposed our own fiscal rule to limit the cost of servicing borrowing to fund the capital programme to 15% of net revenue budget. As a consequence of the further reductions in revenue funding it is unlikely any new borrowing will be able to be considered (funding commitments to existing projects and programmes in the capital budget will be honoured) and new schemes will have to limited to resources available from capital grants and external sources/receipts.

1.7 The draft Budget Book 2016-17 and Medium Term Financial Plan 2016-19 was published as planned on 11th January 2016 despite the very late settlement and the unexpected change in RSG distribution, albeit some sections had "to follow" and £4m of savings were "unidentified". Some of the additional sections "to follow" (Sections 1 to 3 of the draft MTFP) are published alongside this report. The three publications combined provide a comprehensive analysis setting out the national context, key financial strategies (revenue, capital, treasury management, risk management) as well as the detailed financial calculations. This additional publication also includes a different presentation of Section 5 of the draft Budget Book; which provides a more detailed breakdown of the 2015-16 budget to enable fuller comparison of the proposed changes between 2015-16 and 2016-17 for each revenue budget A to Z line. A revised draft Budget Book and MTFP (incorporating the additional publication) will be published as part of the County Council papers for 11th February including any subsequent changes (final grant allocations, tax base, etc. and the identification of the remaining savings necessary to balance the budget).

2. Financial Implications

2.1 The provisional Local Government Finance Settlement included a spending power calculation for each authority setting out the overall change in funding from central government and council tax that the government anticipates for each authority over the four years from 2015-16 to 2019-20. This spending power calculation is reproduced in table 1 below.

Table 1

Core Spending Power of Local Government;	2015-16 (adjusted)	2016-17	2017-18	2018-19	2019-20
		£ millions	£ millions	£ millions	£ 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 settlement funding assessment (SFA) comprises of the Revenue Support Grant (RSG) and the business rate baseline (which is split between business rate top-up grant and the local share of business rates). The spending power includes the estimates of increases in council tax base and tax rates up to the referendum threshold estimated by Government for each authority. It also includes the Government’s estimate of the additional amounts raised through the 2% social care levy each year, the new improved Better Care Fund (BCF) included within the local authority settlement and preferred changes to New Homes Bonus (NHB) which is subject to separate consultation. This is a simplistic view which does not include all funding sources for local authorities (although it does represent the principle sources), and takes no account of additional spending demands.

2.3 Table 2 shows a high level summary of the main revenue equation for 2016-17 and the estimated equation over the three years 2016-19 as set out in the published draft Budget Book and MTFP published on 11th January. This represents a more accurate picture than spending power and shows a real terms reduction of 23% over the three years between 2016-17 to 2018-19.

Table 2	2016-17		3 Year total £m
	£'m	%	
Grant reductions	48.3	13.5%	102.5
Council Tax/Business Rates	-33.7	6.0%	-85.6
Spending Demands	79.7	8.7%	195.0
Savings/Income	-94.3	10.3%	-211.9

2.4 The allocations for individual grants are explained in depth in the MTFP publication. The provisional Local Government Finance Settlement is based on the adjusted 2015-16 RSG and includes the transfers for Care Act and Lead Local Flood Authority (LLFA). The budget and MTFP are based on unadjusted figures as Care Act was factored into the 2015-16 budget as income to offset expenditure (and we have shown the consequential increase in net spending in 2016-17 proposed budget and MTFP within social care pressures now this is part of general funding towards the net budget). LLFA grant was already shown under other grant funding in 2015-16. The grant reductions also include estimated changes to Education Services Grant (ESG) and a number of other minor grants listed in appendix A(ii) of the MTFP, as well as those in the spending power. Table 3 shows a comparison of the change in adjusted RSG and business rate baseline/top-up and other grants.

Table 3	2015-16	2016-17	Change	
	£000s	£000s	£000s	
Original Revenue Support Grant	161,005			
Care Act and LLFA adjustments	8,470			
Adjusted RSG	169,475	111,425	-58,050	-34.3%
Business Rate baseline/top-up	170,540	171,961	+1,421	+0.8%
Settlement Funding Assessment	340,015	283,386	-56,619	-16.7%
New Homes Bonus	7,886	9,325	+1,439	+18.2%
Other un-ring-fenced grants (est.)	18,858	17,306	-1,552	-8.2%
All Central Funding	366,759	310,017	-56,742	-15.5%
Net Central Funding less RSG adj	358,289		-48,272	

2.5 The provisional council tax base notified by districts has increased by 2.1% on 2015-16 due to a combination of factors. We hope to provide an analysis of the underlying reasons identifying separately the effect of new households, changes in discounts and exemptions, and collection rates in the Spring. Detail of the provisional tax base notification is included in Section 2 of the draft Budget Book 2016-17. The additional tax base has been built into the draft budget and MTFP. Section 2 of the draft budget also includes the proposed council tax rates to precept for 2016-17. As outlined in paragraph 1.3 the Council proposes to precept up to the 2% referendum threshold and by the further 2% for social care. The impact of the proposed increase on individual band rates is shown in Table 4.

Table 4	2015-16	2016-17 (excl. Social Care Precept)	2016-17 (incl. Social Care precept)
Band A	£726.66	£741.18	£755.70
Band B	£847.77	£864.71	£881.65
Band C	£968.88	£988.24	£1,007.60
Band D	£1,089.99	£1,111.77	£1,133.55
Band E	£1,332.21	£1,358.83	£1,385.45
Band F	£1,574.43	£1,605.89	£1,637.35
Band G	£1,816.65	£1,852.95	£1,889.25
Band H	£2,179.98	£2,223.54	£2,267.10

2.6 When we published the draft budget and MTFP we had only been notified of provisional balance on council tax collection funds from a 6 districts. Since publishing the draft documents we have had provisional notification from 2 other districts. This is sufficient to give us confidence that we can use some of this anticipated Collection Fund balance towards the unidentified savings although we need balances from the remaining 4 districts before this can be confirmed. Collection fund balances are one-off funding and thus would increase the unidentified savings in 2017-18

2.7 We are awaiting notification of the County Council's share of the business rates tax base and collection fund balances. This is a relatively small share of overall funding as under the national distribution the County's share is only 9%. We have agreed pooling arrangements with 10 districts and KCC's share is 30% of the additional business rates receipts generated within the pool area. As shown in table 3, the business rate baseline (which effectively affects RSG reduction and business rate top-up grant) has been inflated by 0.8% in line with the uplift in the NNDR multiplier based on September Retail Price Index (RPI).

2.8 The additional spending demands for 2016-17 are outlined in more detail in appendix A(ii) of the MTFP. This has been presented in a revised order, firstly identifying additional spending consequences of factors which have already happened and affect 2015-16 (spending pressures identified in monitoring reports and replacing the one-off use of reserves and underspends in the 2015-16 base budget). Forecasts for new demands arising in 2016-17 are split between those affecting the price of goods and services (including KCC staff pay), and demographic pressures from population changes (including increasing complexity). The impact of legislative changes is identified separately. The final set of additional spending demands relate to local decisions including investment in service transformation and service improvements.

2.9 Savings proposals for 2016-17 are also set out in more detail in appendix A(ii) of the MTFP. These are categorised into transformation savings, efficiencies, financing, income generation and policy changes. As indicated in paragraph 1.7, the published draft budget and MTFP had £4m of savings yet to be identified following the late RSG announcement and unexpected changes. In total we had to find an additional £15m as a result of the late changes to RSG and a number of other minor changes which slightly improved the net funding position. These proposals to balance this final aspect of the budget will be included in the revised draft budget and MTFP papers for County Council (white combed).

3. Budget Consultation

3.1 The budget consultation opened on 13th October with a press launch and closed on 24th November. The communication and engagement strategy was aimed at increasing the understanding of the financial challenge, particularly around the growing demand for our services, and to get more engagement with Kent residents. This strategy included the following:

- Press launch on 13th October
- A question seeking views on council tax open from 13th October to 24th November (principally accessed on-line)
- An on-line budget modelling tool to evaluate 20 areas of front line spending open from 13th October to 24th November
- A free text area for any other comments
- A simple summary of updated 2015-18 MTFP published on KCC website
- Web-chat on 16th November with Deputy Cabinet Member for Finance & Procurement, Corporate Director for Finance & Procurement and other finance staff
- Workshops with business and voluntary & community sectors on 18th November
- Workshop session with managers and staff
- Presentation and discussion with Kent Youth County Council on 15th November

3.2 To support the above, independent consultants FACTS International were commissioned to carry out more in-depth research with a representative sample of residents. This included face-to-face interviews with a structured sample of 750 residents, going through the same information as the online materials, and three half-day deliberative workshops with a smaller sample of residents.

3.3 Headline results from the council tax question and online budget modelling tool were reported to January Cabinet Committees, and Appendix B provides an executive summary of the findings from FACTS International's report. The market research and focus groups provide valuable qualitative evidence, and the full report on these will be available as background material for the County Council meeting on 11th February.

3.4 The main conclusions that can be drawn from the consultation are:

- Support for a council tax increase up to the referendum threshold was consistent with last year, with a minority (less than 25% supporting a freeze);
- The prioritisation of support for services is in line with the 2015-16 budget consultation findings, with greatest importance being attached to the most vulnerable residents;
- The greatest support for ways to deliver savings was for options that do not involve reducing services, such as further efficiencies, encouraging volunteers to provide certain services, and raising additional income (but in entrepreneurial ways rather than introducing charges for core services);
- There was recognition by residents and staff that savings have to be found in response to the fiscal consolidation;
- Residents are generally not well informed about the wide range of services KCC provides and what their council tax pays for. This reinforces that we need to find more effective ways of communicating information about how KCC spends public money and the financial challenge we are facing;
- There are no significant differences between the views of residents and staff/businesses/voluntary sector

3.5 The consultation did not include any questions about the 2% Social Care precept, because we were unaware of the possibility of this at the time.

4. Spending Review and Autumn Statement

4.1 The Spending Review and Autumn Statement were announced 25th November. The main points from the announcement affecting KCC and other local authorities are covered in full in Section 2 of the MTFP (paragraphs 2.5 to 2.37), published on 15th January as part of the supplementary information. Section 2 (paragraphs 2.38 to 2.51) also includes a fuller analysis of the provisional Local Government Finance Settlement.

4.2 Guidance on submitting representations in response to the Autumn Statement was published on 14th December. Representations have to be submitted by 29th January 2016. Representations provide an opportunity for interest groups, individuals, or representative bodies to comment on government policy and suggest new policy ideas for inclusion in future Budget and Autumn Statements. New ideas should include policy rationale, costs, benefits and deliverability, and provide clear arguments on how they contribute to the government's stated aims. Representations can also consider likely effectiveness and value for money, revenue implications for the Exchequer and wider macroeconomic implications.

4.3 KCC intends to make a submission. This submission will be largely based on the response to the Local Government Finance Settlement. In particular it will focus on the additional spending demands being placed on local government (including social care) and how these can be contained within a "flat cash" settlement. It will also consider the impact of government funding for, and lack of capacity in local authority budgets, for capital. It will also consider the case for a fundamental review of needs-led redistribution within the local government funding arrangements.

4.4 The final submission will be agreed by the Leader in consultation with other Cabinet members. The impact of the late announcement of the provisional Local Government Finance Settlement and the unexpected changes means that all our efforts have gone in to preparing a response to that particular consultation by 15th January. This means a draft of the Autumn Budget submission cannot be included within these published papers as it is not yet drafted.

5. Other Changes to Draft Publications

5.1 There may need to be some minor changes between the publications approved by County Council and the final Budget Book and MTFP published in March. Where these do not materially affect the budget we will seek delegated authority to make the necessary changes in the final publications.

5.2 There are some amounts which have been held unallocated in the draft publications on 11th January as it was not possible to finalise the allocation of these amounts in time for the printing deadlines. These are identified in appendix A(ii) of the MTFP and include the following:

- £3.2m towards the single pay and reward payments. The value of reward payments for those staff assessed as "achieving", "achieving above" and "outstanding" need to be set within the overall amount available in the budget[1]. The amounts can only be assessed and allocated to directorates once the Total Contribution Pay assessments have been analysed. This analysis will be reported to Personnel Committee and included in the report to County Council. A separate increase in the Kent Scheme pay grades will also need to be confirmed to ensure the scales remain competitive in the same way as previous years. These new scales would only apply to new appointments during 2016-17 as payments for existing appointments are subject to the single reward arrangements. Future increases to the lowest scale (KR2) will need to take account of increases in the National Living Wage
- £4.6m compensation for the removal of the 3.4% rebate on employer's national insurance contributions for staff included in the pension scheme. This will be allocated at the same time as funding for single pay and reward identified above;
- £4.7m of savings including £4m unidentified and £0.7m from reducing publicity spend pending further investigation to identify essential publicity.

5.3 Any other material changes which emerge before the County Council papers are finalised will be identified and reflected in re-published documents.

[1] this not only includes the additional £3.2m but also the headroom within staffing budgets as result of new appointments starting at the bottom of the grade and one-off reward payments for staff at the top of the grade

6. Conclusions

6.1 Setting the 2016-17 budget has proved to be extremely challenging. In the absence of government spending plans or indicative settlements we had to include estimates of potential reductions in central funding in the 2015-18 MTFP. For 2016-17 we estimated a £36m reduction in RSG (22%) as part of overall £33m (10%) reduction in SFA. The budget consultation in the Autumn was based on these funding assumptions, together with £58m estimated additional spending demands and £11m extra raised through proposed council tax increase up to the referendum threshold. This required savings £80m to balance the budget. This formula has now changed significantly, principally as a result of the late and unexpected change in Central Government funding, and the latest position is set out in Table 2.

6.2 The published draft budget takes account of views expressed in consultation. In particular the majority of respondents support the proposed council tax increase up to the referendum threshold in order to contribute towards additional spending demands and provide some protection for local services from reductions in central funding. Further work is needed to improve communication of the financial challenge and how the Council spends public money.

6.3 Following the Spending Review the funding assumptions continued to look reasonably robust. The additional 2% national social care council tax levy helped to address increased spending demands within social care over and above those identified in the original MTFP (including the new National Living Wage announced in the Summer Budget). However, the late and unexpected changes to RSG distribution had a significant impact on the original assumptions and required additional savings to be identified.

6.4 The budget for 2017-18 looks to be even more challenging. The provisional settlement includes further significant reductions in RSG and the improved Better Care Fund will not start to make any significant impact until 2018-19. Even if representations about the RSG redistribution lead to further changes we will still need to find significant savings to compensate for the phasing out of RSG (complete removal of the planned reductions seems highly unlikely). The position for 2017-18 is compounded by the significant one-off use of reserves to support the 2016-17 base budget. At this stage we estimate we will need to find a further £84.5m of savings in 2017-18, of which £56.5m have yet to be identified. Work on the 2017-18 budget has already started.

6.5 The unallocated budgets identified in this report will either be resolved for County Council, or treated as in-year adjustments in accordance with the Council's Financial Regulations and procedures.

7. Recommendation(s)

Recommendation(s): Cabinet is asked to endorse the draft budget and the council tax precept (including the additional Social Care Levy) taking into account proposed amendments from Cabinet Committees and late changes to the draft Budget and MTFP published on 11th January 2016.

8. Background Documents

8.1 Consultation materials published on KCC website can be found at www.kent.gov.uk/budget

8.2 The Chancellor of the Exchequer's Spending Review and Autumn Statement on 25th November 2015 and OBR report on the financial and economic climate
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU1865_Web_Accessible.pdf

http://budgetresponsibility.org.uk/economic-fiscal-outlook-november-2015/

8.3 The provisional Local Government Finance Settlement 2016-17 announced on 17th December 2015
https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2016-to-2017

8.4 Full report and executive summary from FACTS International and workshop sessions with staff, businesses and voluntary sector
www.kent.gov.uk/budget

9. Contact details

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APPENDIX A

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Date: 15th January 2016

Dear Mr Khan

Provisional Local Government Finance Settlement 2016-17

This response to the consultation on the provisional local government finance settlement 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.

We appreciate that the Secretary of State has sought to address a number of concerns raised by the local government sector. This includes recognition of the pressures in adult social care with the new power to levy a specific 2% council tax precept and the improved Better Care Fund. We recognise that the settlement is against the backdrop of need to tackle the national budget deficit and that local government's chief contribution is through reductions in Revenue Support Grant (RSG).

However, having recognised the need to tackle the deficit we firmly believe that there is not enough money within the overall settlement for local government and flat cash is not good enough over the four year period, and better settlement is needed in the first two years. This is particularly the case for upper-tier authorities where disproportionate additional spending demands are imposed upon them compared to other tiers. This is especially severe for county councils in two tier areas. To give evidence for KCC the spending power shows a £27m reduction in 2016-17 and a further £9m reduction in 2017-18, however, when recurring additional spending demands of £67m each year are factored in this leaves real terms reductions of £94m and £76m respectively. To address this we ask the Secretary of State to consider:

- A fundamental review of the redistribution in the 2016-17 settlement based upon needs led analysis of all the current and future spending demands across all types of authority factoring in all sources of additional income (not just council tax). This should be used to inform revised 2017-18 allocations and redistribution under the proposed new 100% business rates arrangements. It would mean that the offer of a 4 year guaranteed settlement should be withdrawn

- Additional funding in the settlement for 2017-18, especially for county councils. One option would be to bring forward and enhance the introduction of the Better Care Fund. We also request reconsideration of the 80/20 split for New Homes Bonus in two tier areas

Setting the budget continues to be one of the biggest challenges for the council with reducing central funding at the same time as spending demands are rising. This increase in spending demands continues to be overlooked in the settlement which includes a pro rata reduction in central funding for all authorities irrespective of individual circumstances. We note the proposed change in the provisional settlement with the reductions for 2016-17 to 2019-20 pro rata to central funding, business rate baseline/top-up and council tax yields, we will come back to this change in this response. We contend that this disregard of individual circumstances is a fundamental flaw in the settlement and adds significantly to the challenge to find savings in order to balance the budget.

The settlement represents a significant real terms reduction in the council's revenue budget for 2016-17 and future years. This will require the council to make substantial savings as increases in council tax fall well short of the money needed to fund additional spending demands and compensate for reductions in central grants. The county council already has a substantial amount of long term debt taken out under the previous supported borrowing regime, and the ongoing cost of financing this borrowing has not been protected from the significant RSG reductions.

One of the consequences of the further reductions in central funding is that the council will be unable to provide any additional funding towards capital infrastructure (principally roads and schools) over and above central government capital grants and any external funding for individual projects. This will inevitably mean that if the capital grants from other government departments (principally DfE and DfT) prove to be inadequate then there will be a knock on consequence through the deterioration of assets (especially condition of the roads) or provision of inferior quality asset replacement (especially schools where if basic need allocations are inadequate we will be forced to consider mobile accommodation). This is regrettable and we hope the Secretary of State for Communities and Local Government will make these consequences clear to other ministers should they be considering reductions or reprioritisation of capital grants. We are particularly concerned that the Spending Review appears to suggest that capital funding for transport initiatives will be focused on rail (£46.7bn of the £61bn) and the majority of the remaining £13.4bn for roads will be earmarked for the strategic network leaving little for local infrastructure.

Our initial reaction to the settlement was one of dismay that once again Inner London authorities have benefitted from some of the lowest RSG reductions e.g. Westminster 19.7%, Wandsworth 20.6%, Greenwich 21.4%, compared to 34.3% for Kent County Council. We support the objective of providing protection for those authorities with a low council tax base and high social care pressures, which cannot be addressed through the additional social care council tax levy. However, we do not believe the settlement has totally achieved this objective and has resulted in some perverse outcomes, particularly in the low reductions in RSG for Inner London boroughs.

KCC has consistently challenged that the previous Formula Grant which underpins the RSG and business rate distribution favoured Inner London boroughs disproportionately, meaning they received significantly more per capita than other authorities. This has been compounded as London boroughs have become more affluent and can raise more income from other sources e.g. car parking charges. We contend that the effect of both of these deficiencies means London boroughs (particularly Inner London) have much lower council tax band rates than other authorities e.g. Westminster charge £672.74 for a band D property (excluding parishes), while in Kent the average is £1,490.03. A difference of this magnitude cannot be due to better efficiency on the part of the London Borough of Westminster. We contend that the inclusion of each authority's council tax requirement (which includes the impact of these differential band D rates) in the RSG redistribution is the principle reason why London boroughs have fared so well (unjustifiably in our opinion).

The combination of these historical discrepancies in the previous funding arrangements and that the redistribution of RSG has not taken into account the current/projected needs of individual authorities (including population changes) has resulted in unjustifiable funding allocations both in 2016-17 and over the four-year Spending Review period. Given the significance of the impact of the funding reductions KCC believes a fundamental reassessment of the needs and historic factors influencing council tax rates is vital and calls on the Government to reconsider the proposals in the provisional settlement. Reluctantly we accept this now may be unrealistic for 2016-17 but we strongly urge further consideration and consultation for 2017-18.

We are also disappointed that the spending power determination is still misleading. Whilst we welcome this no longer includes specific grants it still takes no account of the additional spending demands councils are facing. Many of these are imposed on us and outside our control. The spending power actually represents our change in funding. The fact that the things we need to spend it on are rising in cost e.g. impact of the National Living Wage, and the demands from residents are rising from increasing population and ever more complex needs, means the published 2.4% increase in spending power for KCC has to go an awful lot further, and is actually a significant reduction in real terms.

Before we address the individual questions there are a number of other specific points we would like to make.

Late Announcement

The announcement of the provisional settlement came very late in the year and more than three weeks after the Autumn Statement/Spending Review announcement. Considering the fundamental changes within the settlement we believe this timing, which only leaves 4 weeks to consider and prepare responses (including bank holidays over the Christmas and New Year period), is far too tight. We not only need to respond to the significant issues in the consultation but at the same time we have to factor the consequences into our budget plans for next year. The County Council has to consider and approve the budget in February. The uncertainty created by the late and unexpected redistribution in the settlement makes preparing the necessary reports and analysis for the proper scrutiny process of the council's budget for 2016-17 virtually impossible.

We had prepared budget plans based on our estimates of the potential settlement. We updated these plans as best we could from the Spending Review announcement using the previous pro rata arrangements, albeit this included very limited information about the levels of RSG for 2016-17 and subsequent years within the Departmental Expenditure Limit (DEL) totals. However, the announcement of the redistribution of RSG means KCC's funding shows a much steeper decline that we could reasonably have anticipated. As a consequence we have to publish budget plans for scrutiny which includes an amount for as yet unidentified savings.

Social Care Spending

We are experiencing particularly acute pressures on adult social care services in Kent. These pressures include £10.3m to meet the cost of activity/cost in the current year and £29.2m of forecast new additional pressures for next year. This means we need to increase the adult social care budget by £39.5m for 2016-17.

The new pressures include the need to address a severe recruitment crisis for care providers (made even greater as a result of the impending introduction of the National Living Wage in April) and the widening gap between the amounts we can afford to pay providers for state funded clients compared to self-funders. This is putting a significant inflationary pressure on prices for social care next year of an estimated £16.4m in 2016-17. The new pressures also include rising demand for social care services as a result of £8.3m due to a range of demographic factors (within this we have particular pressures in Kent on the numbers with learning disabilities arising from a combination of children transferring into adult care/increasing complexity of need and longer life expectancy), and £4.5m for the transfer of Care Act grants into RSG.

These social care pressures are particularly acute in county areas and are exacerbated by historically low levels of funding for social care. The additional 2% social care precept on council tax would raise an additional £11.2m towards addressing these pressures in 2016-17, this falls well short of the total additional spending demands. However, the change in the RSG distribution mechanism means we lose more than this amount from RSG compared to the previous pro rata reduction arrangements.

We are opposed to the changes to the distribution methodology for RSG because they only take into account resources the raised through council tax (which as we have already identified includes a significant historical discrepancy between London and the rest of the country) and takes no account of the additional social care spending needs for individual authorities. As outlined above for Kent these not only arise from rising population and demographic factors but also severe price pressures necessary to stabilise the social care market. For example in Kent the number of over 65 has increased by 12.2% between the 2011 census and the latest 2014 population forecasts compared to national increase of 3.2%, with over 65s now comprising 19.5% of the total population. By 2020 this is age group is forecast to increase by 26.6% compared to the census and will account for 21% of the total population.

We recognise that including spending demands/population changes is a complicated equation, and it is unlikely this can be addressed in time for 2016-17. However, we are very willing to work with the Government on the development of a new social care needs formula, which addresses historical discrepancies and better takes into account of future demographic and price pressures which could be implemented in future years.

We are also concerned over the requirement to report social care spending in RA and RO returns linked to the additional 2% council tax precept. This could prevent the council from making transformational changes in social care aimed at improving outcomes for clients at lower cost. We believe a more effective alternative to the reporting requirements through RA/RO would be to require external auditors to confirm that the additional funds raised through the social care council tax precept have been spent on adult social care as part of the annual accounts audit.

The Government should also consider that in two tier areas the 2% social care levy is only on the upper tier authority's precept whereas in other areas it is levied on the full council tax amount including the lower-tier (and Fire and Rescue in those authorities unaffected by previous local government review and retaining fire functions within the upper tier element). This underlines the need for social care funding to be calculated on need rather than the current arbitrary levels of current council tax requirement across different authorities.

Improved Better Care Fund

The consultation paper includes details of how the additional funding through the improved Better Care Fund (BCF) is included in the spending power calculation. KCC is concerned that these calculations are based on the 2013 adult social care relative needs formula adjusted according to the amount which can be levied through the 2% social care council tax precept. We have already restated our concerns that the relative needs formula provides an unrealistically high per capita funding for some types of authority and the data underpinning this formula is out of date. We are also concerned that this approach will penalise those authorities which are unable to justify levying the additional 2% precept. We accept this is only an illustrative calculation at this stage and will be subject to further consultation.

We suggest that BCF calculations should be based on an updated needs formula and does not make assumptions that councils will raise the additional 2% social care council tax precept. We would also like to see increased BCF allocations made available from 2017-18 to provide additional support towards the considerable pressures on social care spending which include more than the planned escalation in the National Living Wage. This would go some way towards compensating for the sharper than anticipated decline in funding in 2016-17.

Moving on to the specific questions

1. **Do you agree with the methodology for allocating central funding in 2016-17, as set out in paragraphs 2.6 to 2.8?**

KCC strongly disagrees with the proposed approach to redistribute RSG allocations for 2016-17 and the following years. The methodology results in KCC losing an estimated £12.4m in funding in 2016-17 compared to the our calculation of what the 2016-17 RSG would have been under the previous approach based on pro rata reduction of RSG excluding 2015-16 council tax requirement. We contend that the consultation should have illustrated the impact of this change for all authorities rather than leaving individual respondents to make their own calculations (and thus could include different assumptions).

We are also strongly opposed to the aggregation of the individual constituent components in the adjusted 2015-16 RSG into a single amount from which the reductions are made. This aggregation precludes the protection of individual elements which have been protected to date e.g. Learning Disability and Health Reform, Council Tax Freeze, etc. It also means the adjustments to the 2015-16 allocations e.g. Care Act, are not protected from future reductions. We contend this lack of protection has a greater impact on upper tier authorities and thus penalises county councils in particular.

The RSG reductions in 2016-17 and 2017-18 are much greater for county councils than the illustration in the Spending Review. This means we need to find even more savings in both 2016-17 and 2017-18 compared to those we had expected. We can only respond by drawing down from ring-fenced reserves. These reserves will not only need to be replenished at some time in the future, but also means we need to find substantial additional savings in 2017-18 as the use of reserves is only a one-off solution.

KCC has always supported a local government finance system which enables redistribution between authorities, but this redistribution should take into account not only resources but also should reflect spending needs. The proposals as they currently stand clearly do not reflect this. We believe this significant change should only be made following a full and timely consultation. Ideally the changes to RSG should be aligned to other changes in the New Homes Bonus and the increased funding for the improved Better Care Fund, to provide complete transparency in the distribution of resources. However, we reluctantly accept this is now unrealistic for 2016-17 but we strongly urge further consideration and consultation for 2017-18.

2. Do you agree with the proposed methodology for calculation of the council tax requirement for 2016-17, as set out in paragraphs 2.10 and 2.11?

The calculations are correct but as we have already stated we do not believe council tax requirement should be a factor in the redistribution of RSG as it has been applied in the proposed allocations. The four-block model which underpins the existing RSG allocations already includes a resource equalisation element which assesses authorities' ability to raise council tax based on their relative band D equivalent tax base. The proposed RSG distribution is different to the four-block approach as it uses the council tax requirement rather than relative band D equivalent tax base. We contend that the existing resource equalisation is more appropriate as it more accurately reflects the relative tax base (and there relative affluence) than the council tax requirement (which as we have already outlined includes all sorts of historical factors that result in significantly different band D charges in individual authorities).

Including the council tax requirement in the calculation of RSG not only therefore takes council tax into account twice in determining RSG, but also protects authorities with low tax rates for a number of historical reasons. If a further adjustment to RSG is needed (particularly to help those most deprived authorities with the lowest tax base) we suggest it should use the same methodology as the resource equalisation rather than actual 2015-16 council tax requirement. As we have already commented we do not think it acceptable to introduce a new adjustment for relative resources, effectively as a 'bolt-on' to the current system, without also reassessing the measures of relative need at the same time.

3. Do you agree with the proposed methodology in paragraph 2.12 for splitting the council tax requirement between sets of services?

This does not impact on KCC, and thus our views should carry less weight, but we think the approach is reasonable.

4. Do you wish to propose any transitional measures to be used?

We have already responded that we believe the changes to RSG should have been subject to a full and timely consultation. The impact on KCC is very significant (and we believe disproportionately unjustifiable), and the very late announcement does not leave sufficient time to undertake proper financial and service planning or budget scrutiny. Ideally, the changes should be delayed by a year, to enable proper consideration to be given to the proposals and other options to be explored.

Alternatively, if this is not feasible at this stage (which we have already reluctantly accepted may be the case), DCLG should treat the changes to the 2016-17 settlement as a ‘one-off’ and undertake a full and inclusive review taking into account the issues we have raised.

We always think that any funding change should include transitional mechanisms to ensure the impact is manageable. In this instance we believe the changes should have been subject to a floor which limits reductions to manageable proportions, especially as a result of the very late announcement. In particular we believe that the effective negative RSG for some authorities by 2018-19 or 2019-20 could have been avoided through floor protection arrangements. Bearing in mind the objective of assisting those authorities with high social care needs and low tax base we are not convinced in this instance a ceiling would have been appropriate.

5. Do you agree with the Government’s proposal to fund the New Homes Bonus in 2016-17 with £1.275 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.15?

KCC notes that the contribution from the DCLG Communities DEL to New Homes Bonus (NHB) is reducing by £40m compared to previous years. No justification is provided for this reduction at the same time as NHB is rolling out as originally planned. This means that the contribution from the Local Government DEL is increasing by more than originally planned resulting in greater RSG reduction than implied in the Spending Review (which KCC like most authorities based their funding estimates). We find it very hard to agree with this further reduction in RSG and ask Government to reconsider the timing of the reduction in the DCLG Communities contribution to NHB, which should be the same £250m in 2016-17 as in 2015-16. This reduction should coincide with the reform of NHB in 2017-18.

6. Do you agree with the Government's proposal to hold back £50 million to fund the business rates safety net in 2016-17, on the basis of the methodology described in paragraph 2.19?

KCC does not agree with this proposal. The original principle of business rates retention scheme was that the safety net protection should be self-financing from levy payments. Holding back £50m with the Local Government DEL effectively reduces RSG by a further £50m from the amount implied in the Spending Review (on which we based our funding estimates). KCC suggests the £50m should be returned to 2016-17 RSG and safety net and levy payments adjusted to maintain the original self-financing principle.

7. Do you agree with the Government's proposed approach in paragraph 2.24 to paying £20 million additional funding to the most rural areas in 2016-17, distributed to the upper quartile of local authorities based on the super-sparsity indicator?

KCC agrees with the findings of independent research which identified the additional costs of providing services in rural areas. We have provided evidence to previous spending reviews that peninsular authorities (those like Kent where the majority of the border has no neighbouring authority) also face additional costs in providing services as there is no scope for cross border efficiencies from joint working. We ask again for consideration of this issue.

8. Do you agree with the Government's proposal that local welfare provision funding of £129.6 million and other funding elements should be identified within core spending power in 2016-17, as described in paragraph 2.28?

KCC does not think it appropriate to identify welfare provision and the other spending elements within the spending power when the funding for these has not been protected from the reductions in RSG (we have previously expressed our opposition to the aggregation of funding in RSG with no protection for specific elements). Identifying these elements in the spending power has the effect of implying ring-fencing of the amounts to be spent on these services. If these elements are to be shown in the spending power then corresponding amounts should be specifically identified and protected with the RSG calculation methodology.

KCC does not understand why the Government has proposed to identify the original £129.6m for welfare provision in the 2015-16 settlement (which we commented last year had effectively been top-sliced from RSG with no funding transferred from DWP) and not also the additional £74m included in the final settlement for upper tier authorities. We are concerned that this additional settlement for upper tier authorities has not been included in the 2016-17 RSG despite recognition in 2015-16 that the transfer of welfare provision in the original £129.6m was inadequate. We request that the impact of reductions to the £74m in the 2015-16 final settlement be clearly identified in 2016-17 and future years.

9. Do you agree with the Government's proposal to include all of the grant funding for the Care Act 2014 (apart from that funded through the Better Care Fund) in the settlement, using the methodology set out in paragraph 3.2?

We do not understand why the adjusted baseline for RSG in 2015-16 includes £302.8m for Care Act implementation funding when only £285m was paid to local authorities for activities related to the Care Act. Within the £285m in 2015-16 was £146m for the assessment of clients for the cap on care costs which has now been deferred. This funding for the cap appears to have been reallocated within the elements for universal deferred payments and support for carers etc. We are pleased that the funding for the cap has been transferred into the adjusted 2015-16 RSG (thus honouring the principle that following the deferment this funding would be available towards other pressures on social care spending) but we suggest this should have been transparent in adjustment calculation and not absorbed into the other elements of the Care Act. We would like confirmation of how the £302.8m included in the adjusted 2015-16 settlement has been derived.

We have previously expressed our opposition to aggregating the individual elements within RSG and applying pro rata reduction to the aggregated sum. This means that the individual amounts are no longer separately identifiable. This is particularly the case for Care Act which is effectively lost in RSG reductions. For KCC a total of £8.1m is identified for Care Act in the adjusted 2015-16 RSG (out of a total of £169.5m). The provisional RSG reduces to £9.5m by 2019-20 but it is unclear whether this includes all the original Care Act funding or whether responsibility for the Care Act is increasingly to be borne from council tax (and therefore whether it is part of the additional 2% flexibility). When the Care Act was introduced, assurances were given that new burdens arising from additional responsibilities would be fully funded. This no longer appears to be the case.

KCC would prefer that funding for the Care Act should continue to be provided through a separate un-ring-fenced section 31 grant. This would ensure that funding commensurate with previous assurances is transparent. Alternatively, as we have already suggested for other elements, the funding for Care Act should be separately determined within RSG and explicitly identified for each authority. Including Care Act within the core spending power calculations and not RSG is misleading, for the reasons highlighted above. If neither of these are feasible and it is the government's intention that the new responsibilities under the Care Act are to be borne out of council tax (including the 2% social care flexibility) this should be clearly identified so that councils can explain this to residents in the justification for the additional 2% precept.

10. Do you agree with the Government's proposal to include all 2015-16 Council Tax Freeze Grant in the 2016-17 settlement, using the methodology set out in paragraph 3.3?

KCC did not take up the grant in 2015-16 and thus our views should carry less weight. However, if this funding is transferred into RSG we think it should be protected from reductions (as should previous year's council tax freeze grants) as authorities froze council tax on the understanding that compensating funding would be permanent.

11. **Do you agree with the Government's proposal to include all 2015-16 Efficiency Support Grant funding in the settlement and with the methodology set out in paragraph 3.5?**

KCC supports this approach

12. **Do you agree with the Government's proposal to include funding for lead local flood authorities in the 2016-17 settlement, as described in paragraphs 3.6 and 3.7?**

KCC supports this approach as it has been confusing to have some funding for core flooding responsibility included in RSG and some allocated as separate Section 31 grant. However, as already outlined above for Care Act this should not be included within the aggregated amount an should continue to be separately identifiable within RSG and SFA. This would provide a transparent link whether increasingly this responsibility is to be borne from council tax.

13. **Do you agree with the Government's proposal to pay a separate section 31 grant to lead local flood authorities to ensure funding for these activities increases in real terms in each year of the Parliament?**

KCC welcomes this proposal.

14. **Do you have any views on whether the grant for lead local flood authorities described in paragraph 3.8 should be ringfenced for the Spending Review period?**

Generally KCC is opposed to ring-fencing and thus would not support any ring-fencing of this section 31 grant.

15. **Do you agree with the Government's proposal to adjust councils' tariffs / top ups where required to ensure that councils delivering the same set of services receive the same percentage change in settlement core funding for those sets of services?**

KCC is opposed to the Government's proposal to adjust the tariffs/top-ups for those authorities that effectively would otherwise have a negative RSG. We have already commented that floors should have been included in the RSG methodology to avoid this.

16. Do you have an alternative suggestion for how to secure the required overall level of spending reductions to settlement core funding over the Parliament?

KCC welcomes the publication of figures for four years as this is essential for effective financial and service planning. However, these figures need to be derived from a proper, open and transparent process, particularly where responsibilities are effectively transferring from central funding to council tax within the flat cash equation. This would help authorities to explain to tax payers that tax increases are not only to fund spending pressures and service improvements but are also part of the overall fiscal consolidation of public finances. It would also help authorities to explain the conundrum that council tax may increase at the same time as savings need to be found which could include service reductions.

KCC remains unconvinced that the spending power currently provides an accurate picture of the real terms impact on local authorities. Whilst we accept the need for some sort of spending power measure, any measure which fails to take into account the impact of inflation and demographic growth is fundamentally flawed. Similarly, whilst there may be a case that council tax income should be taken into account in a measure of spending power, we are not convinced it is reasonable to include assumptions about increases in council tax. Council tax is a local tax and it is for democratically elected councillors to make decisions on the council tax levels over the next four years. We suggest that it should be a requirement for council's to publish their own spending power figures setting out the combined impact of spending demands, council tax changes and reductions in central funding equivalent to the real change in spending power. This requirement should be included in council tax information so residents are clear about the need for councils to make savings in order to meet the change in real spending power.

One of our previous suggestions is that the 2016-17 settlement should be considered a one-off. If this were agreed then it would not be possible to offer any authority a guaranteed four year settlement. If some authorities are given guaranteed settlements there could effectively be no review for 2017-18 as the scope for headroom to make changes would be restricted. We strongly urge the Secretary of *State* to remove the offer of a guaranteed settlement until after the full review and further consultation on the changes to RSG methodology which we have previously suggested.

17. Do you have any comments on the impact of the 2016-17 settlement on persons who share a protected characteristic, and on the draft equality statement published alongside this consultation?

The disproportionate effect of the proposed changes to RSG will have a detrimental impact on equalities for KCC residents. These are likely to be significantly greater than those living in London boroughs and metropolitan areas for the reasons we have outlined in this response. Whilst we accept there may be a case for disproportional impact to protect the poorest metropolitan areas with high social care needs and low council tax base we do not accept the same case for London (particularly affluent Inner London boroughs). The draft equality statement fails to recognise this disproportionate impact.

Furthermore, there is a real risk the lack of transparent funding for the Care Act could have an impact on elderly and disabled persons. These risks should be properly acknowledged in the equality statement.

We hope ministers find these comments helpful.

Yours sincerely

John Simmonds
Deputy Leader and Cabinet Member for Finance & Procurement

APPENDIX B

Kent County Council Budget Consultation 2015: Executive Summary
January 2016

APPENDIX B

Key Findings: Council Tax and Service Priorities

- KCC has a mandate to increase Council Tax by 1.99%.
- An increase is acceptable to those seeing this as inevitable and required to pay for services.
- A minority would agree to a greater increase to help protect services – but the expense and uncertainty of a referendum was strongly rejected.
- When asked to prioritise, respondents attached the greatest importance to support for the most vulnerable residents, with universal infrastructure services also considered key, while discretionary "quality of life" services were rated as less important.
- Support for the most vulnerable is not necessarily top of mind for the average resident – but this area of activity was prioritised over more universal infrastructure issues when residents were presented with a choice between the two.
- The prioritisation of services this year is in line with 2015/16 budget consultation findings.

Greater communication by KCC to residents about why Council Tax needs to increase and what it pays for is essential to help taxpayers understand these budget challenges. This will give residents a more informed context when they evaluate the difficult decisions KCC has to make to reduce or restrict services in future.

Key findings: Budget Challenge Awareness and Strategic Options

- Residents are not always necessarily well informed about the services KCC provides and what their Council Tax pays for.
- Deliberative participants were surprised by the wide scope of services provided by KCC and dismayed by the enormity of the task facing KCC in addressing the funding gap.
- When given a range of strategic options for closing the gap, respondents preferred positive options which did not involve reducing services.
- There was widespread belief that there was still more opportunity for KCC efficiencies.
- Income generation by KCC was generally supported where it was interpreted as an entrepreneurial, positive approach, rather than introducing charges for “core services”.

Key findings: Budget Challenge Awareness and Strategic Options

- Participants disliked strategic options requiring KCC to make a judgement i.e. “most needy”, “least valued” – There was scepticism around how well this could be done fairly and cost-effectively.
- Means testing is a contentious issue: income alone was considered a blunt criterion which could penalise workers/ savers and those living in rural communities – but there was recognition that if it was not possible for KCC to deliver services to everyone, then those most in need should be prioritised.
- There was some appetite for encouraging residents to take greater responsibility and for not letting those who abuse the system continue to get away with this.
- A range of practical concerns were expressed about how options/principles requiring significant cultural change would be implemented.
- Cost/benefit analysis was seen as an important aspect of the evaluation process with a need to fully understand the relationship between potential savings and the administration costs to be able to judge whether an option is worthwhile investing in.

There was concern that if KCC withdrew some services, this would lead to escalating problems for households with increased demand for statutory services in the long run.

Deliberative: Spontaneous views on spending priorities

- **There was a widespread lack of understanding about which services are provided by KCC (as opposed to District Councils). Key themes were the perception that care standards have fallen, pothole repairs are inadequate, and waste collection/disposal is inefficient.**

- Social care recognised as KCC's responsibility by some participants, but not spontaneously mentioned by many others.
- Considered essential services which protect the vulnerable, particularly the elderly.
- Some participants perceived standards of care have suffered as a result of cuts to frontline services.

- Complaints about highway maintenance top of mind for many participants; some perceived this had deteriorated recently.
- Many perceived that KCC does not spend efficiently or effectively e.g. some roads resurfaced at great expense (e.g. central Maidstone) or traffic calming measures introduced (Tonbridge) whilst potholes on local roads are not repaired adequately, so that the problem recurs (false economising).
- Some complaints about partial street lighting leading to personal safety concerns.

- Waste collection spontaneously discussed in almost all groups at the events; participants were largely unaware that this was not managed by KCC.
- Some complained about inconsistencies in recycling and collection policies.
- Some felt this was an area where efficiencies could be made (e.g. fewer collections, less bins, less waste management companies involved).

**Larger words = more mentions*

Response to proposal to increase Council Tax: Summary

KCC has a mandate to increase Council Tax by 1.99% with the majority of respondents and participants in favour of an increase.

- However, the degree to which this was supported varied between responses to the online survey on the KCC website and the face to face random and demographically representative survey.
- Respondents in the online survey on the KCC website were **more supportive** of an increase in Council Tax with over three quarters (76%) in favour, compared to a more even split between the respondents surveyed face to face who were almost evenly split between those favouring some level of increase in Council Tax (51%) and those favouring no increase (49%)*.
- Participants at the beginning of the deliberative events more closely resembled the on-street respondents with 57% in support of an increase and 42% in favour of no increase or a reduction in Council Tax.
- However, this proportion did change as a result of their deliberations so that by the end of the events 68% were in support of an increase and 32% were in favour of no increase or a reduction.
- Although the base size for the deliberative events is small, this movement demonstrates that the better informed residents are of the budget challenges facing KCC and the scope of services it provides, the more supportive they are of an increase in Council Tax.
- It also shows that deliberative event participants by virtue of being more informed moved closer to the position held by those respondents motivated to complete the question on the KCC website, who by definition were respondents who were more aware and interested in this issue than the average Kent resident.

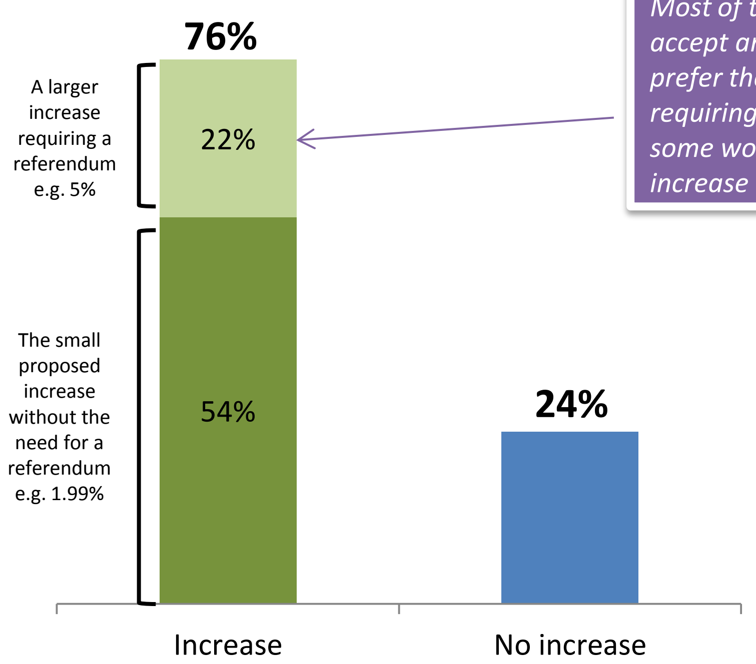
*Unfortunately the online Council Tax question did not capture any information on the nature of respondents answering. It is therefore unclear what proportion of online respondents are KCC staff for example and whether this may have had an impact on the overall results. Although based on small numbers., the deliberative events suggest that staff are more likely to accept an increase in Council Tax than the general public. We would therefore suggest that ,in future, respondents answering the online Council Tax question are asked to give some information about themselves. Being able to identify whether respondents are members of KCC staff would allow further analysis in this area to be conducted.

Council Tax: Quantitative data

Significant Findings:
- Those working full time were significantly more likely to accept an increase in Council Tax.
- Those who were retired were also significantly more likely to accept an increase.
- Men were significantly more likely than women to accept a higher increase over 2%.
- See Annex 3 for further detail.

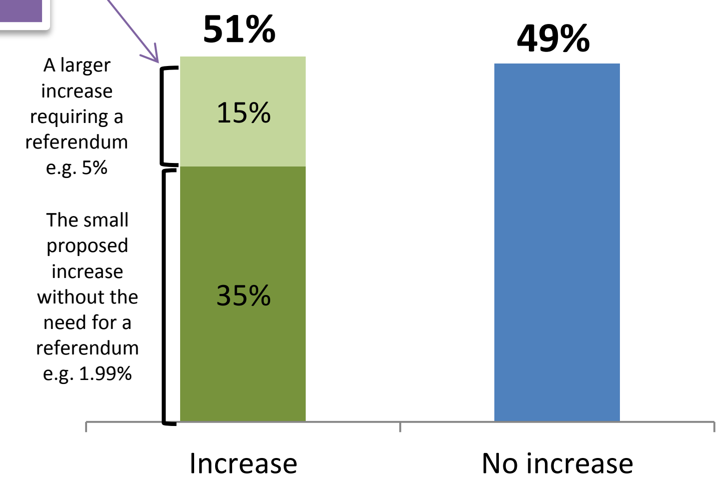
- **Strong support for an increase in Council Tax in the online consultation.**
- **Views of face to face respondents are more mixed – but just over half would accept an increase.**
- **Differences likely to reflect differing interest in/ knowledge of budget issues/ challenges.**

Response to proposal to increase council tax – Online Consultation



Most of those prepared to accept an increase would prefer the lower increase not requiring a referendum - but some would accept a larger increase

Response to proposal to increase council tax – Face to Face Survey



Bases: Face to face survey = 757 respondents, Online consultation = 1693 respondents.

Question: KCC is proposing a small increase in Council Tax to contribute towards the additional spending demands being placed on council services and to provide some protection for local services from the savings that would otherwise need to be found…How much Council Tax would you be willing to pay towards the financial challenge the authority faces next year?. Illustrations of the equivalent monetary increase per week and per year were given. The "No increase" option was framed as "No increase and make equivalent cuts to and make equivalent cuts to services (of around £11m per year) on top of the estimated £80m already needed to balance the budget

Kent County Council
kent.gov.uk

"Max Diff" exercise: Summary

- **Highest priority placed on services to protect the most vulnerable**
- **Essential infrastructure activity (with universal impact) next most important**
- **Discretionary "Quality of life" services least important**

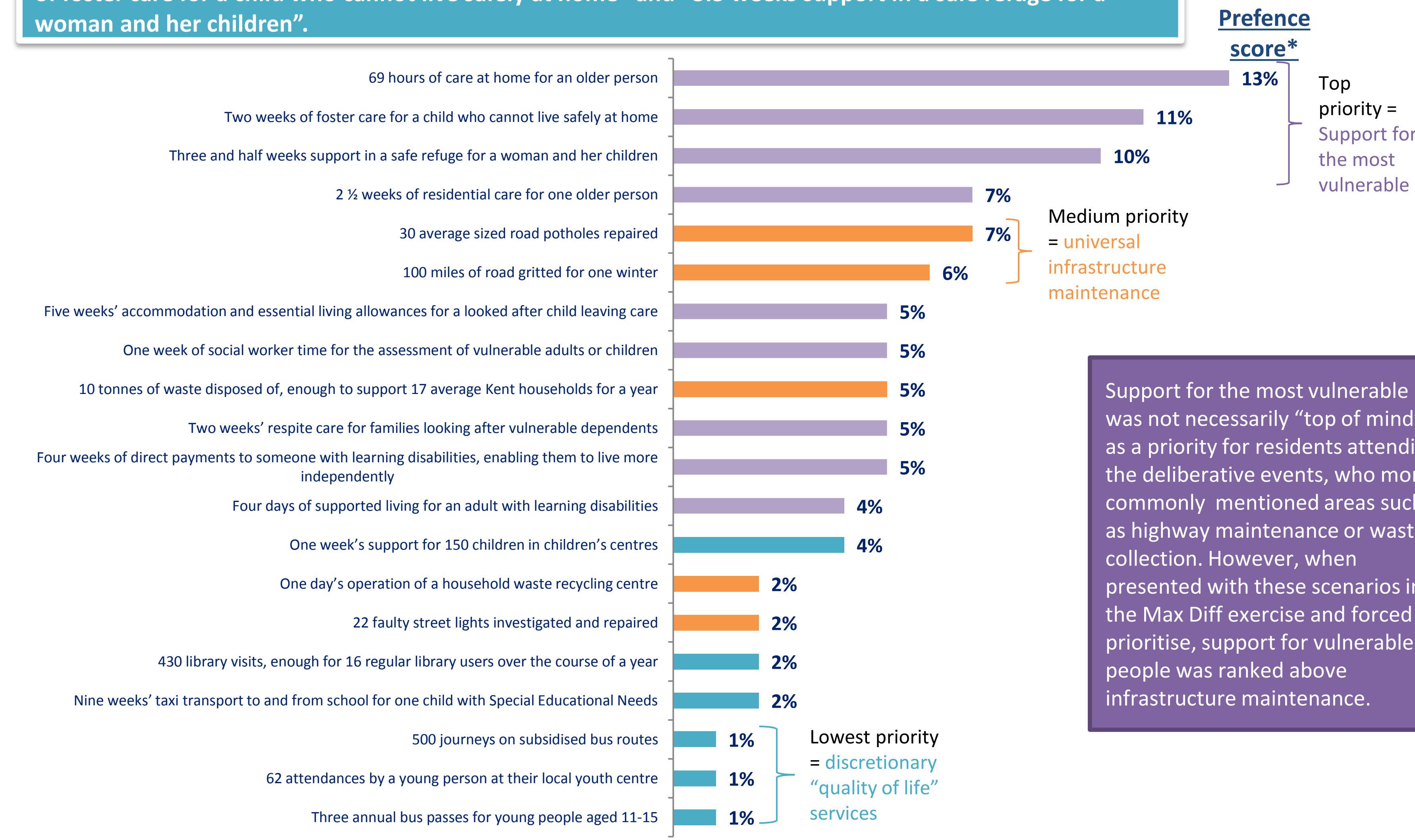
		Which services?	Who does it impact?
ABSOLUTE PRIORITY	Care of society's most vulnerable	• Care at home • Foster care • Refuge	• Elderly • Children • Women
	Essential infrastructure needs	• Potholes • Gritting	• All residents
Important	Support care services	• Respite • Assessment • Accommodation	• Families with vulnerable dependents • Children leaving care • Those with learning disabilities
Less important	Lower priority infrastructure needs	• Waste disposal • Recycling • Street light faults • Subsidised bus routes	• All residents
	Discretionary "quality of life" services	• Libraries • Youth centres • Taxi transport • Bus passes	• Young people • Children with special educational needs

Note the ranking is ***relative*** – residents do value discretionary/ quality of life services and would prefer them to be protected if a choice did not have to be made.

FACTS international

“Max Diff” exercise: Detail

The top ranked service area tested is “69 hours of care at home for an older person”, followed by “2 weeks of foster care for a child who cannot live safely at home” and “3.5 weeks support in a safe refuge for a woman and her children”.

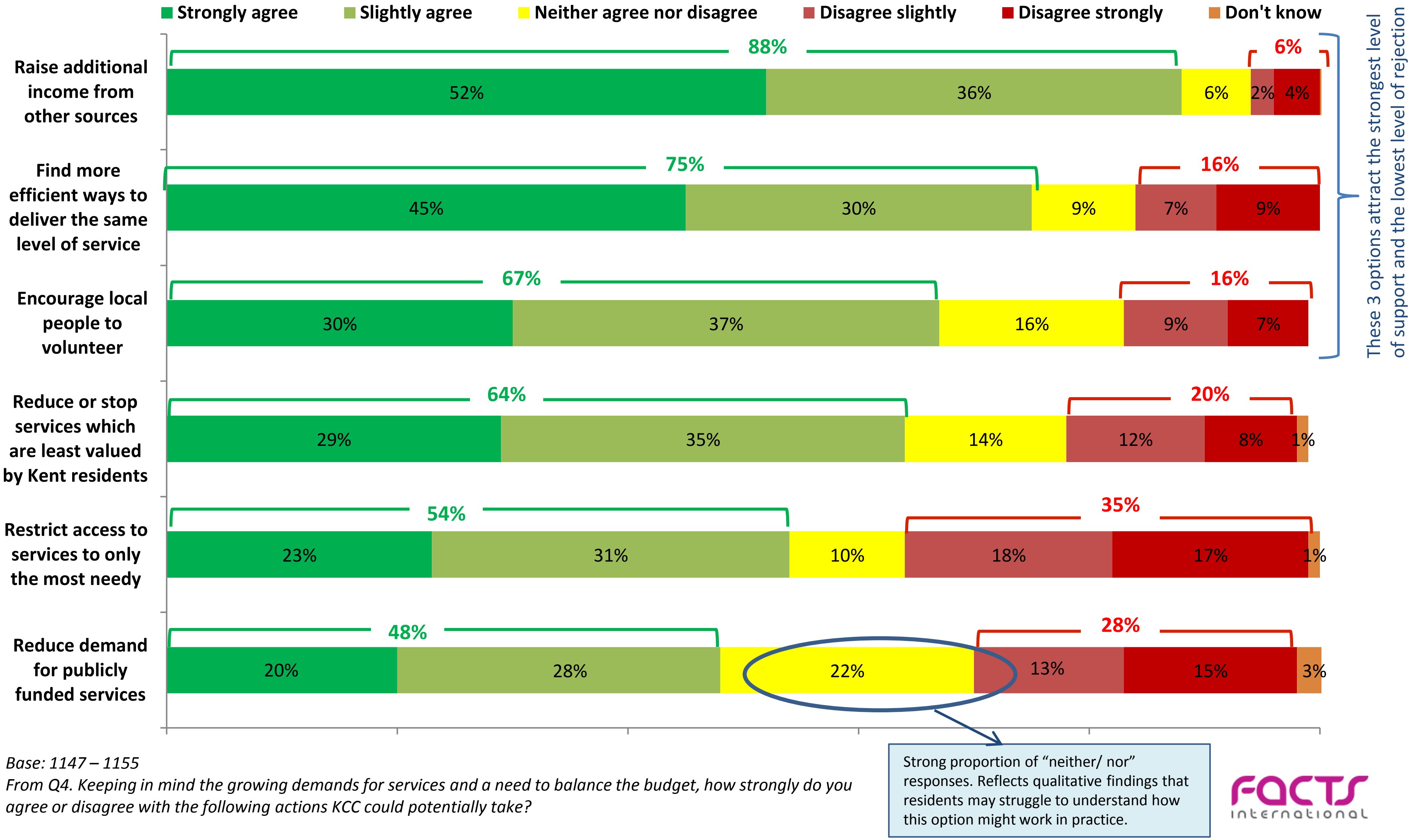


Support for the most vulnerable was not necessarily “top of mind” as a priority for residents attending the deliberative events, who more commonly mentioned areas such as highway maintenance or waste collection. However, when presented with these scenarios in the Max Diff exercise and forced to prioritise, support for vulnerable people was ranked above infrastructure maintenance.

Combined results from face to face and online surveys - Base = 1,955 respondents. (Little difference between on-street and online results. For comparison see Annex 6).
From Q3: You will now see a series of screens that list key services and what £1,000 of council spending buys. Please think about your household’s circumstances and tell us which of these services are most and least important to you. *Preference score = a statistical index figure showing the overall level of preference given to each item across all respondents completing the survey.

Online response to Strategic Policy Options

- **Respondents favoured positive, pro-active approaches felt not to threaten service delivery.**

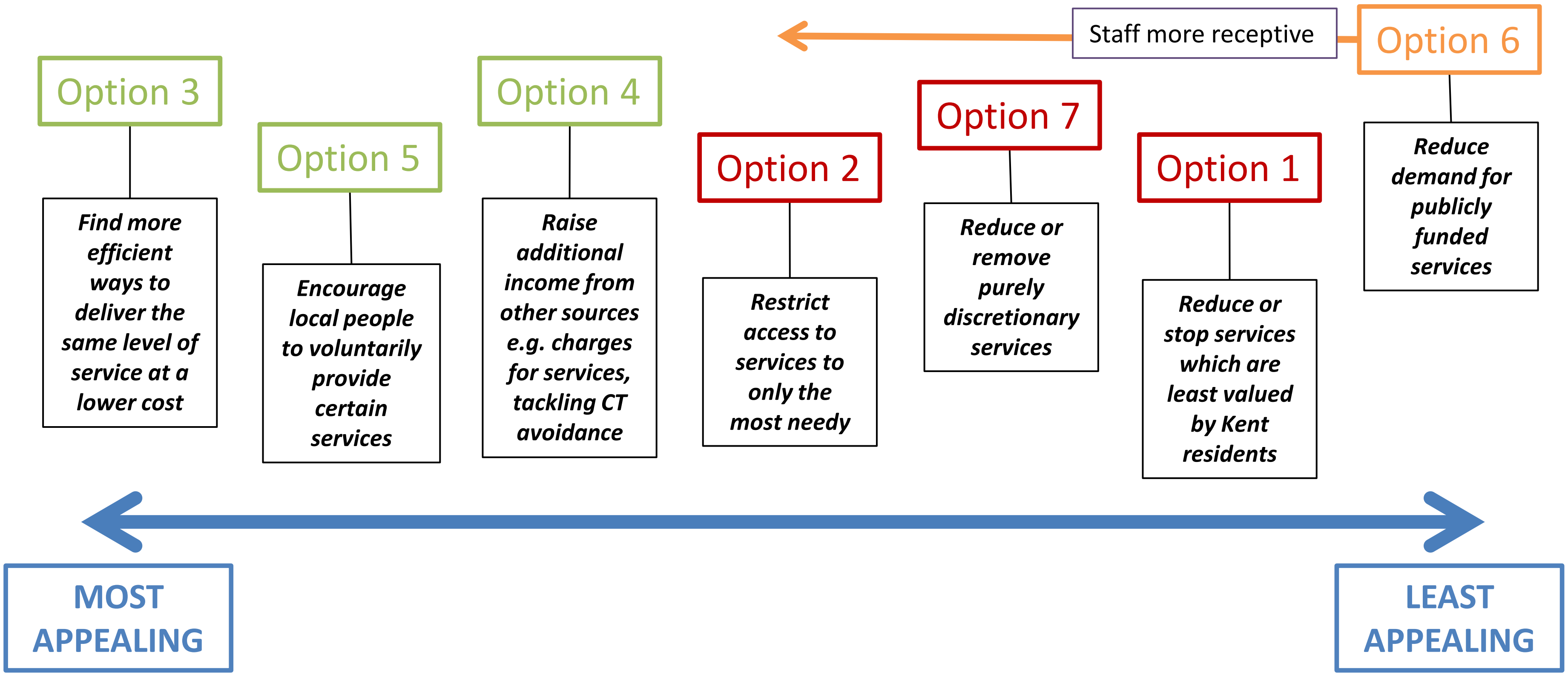


Base: 1147 – 1155
From Q4. Keeping in mind the growing demands for services and a need to balance the budget, how strongly do you agree or disagree with the following actions KCC could potentially take?

FACTS international

Deliberative response to Strategic Policy Options: overview

- Consistent: Strongest appeal = options that do not threaten to reduce existing services; positive, proactive alternatives
- Participants were reluctant to endorse options cutting essential frontline services / involving means testing



Methodology: Group exercise to work together to map these options on a spectrum from least appealing to most appealing. Group discusses each in turn and works to come to a consensus. Diagram reflects general view across all groups. In some cases, respondents found identifying a distinct order quite difficult.

Deliberative Response to 3 Broad Principles: Overview

- **Unenthusiastic response consistent with views on strategic options.**

Penalising people who abuse the services by fining them or withdrawing Council services from them *e.g. fines for traffic violations, withdrawal of services for those in arrears on Council Tax, fines for those who don't recycle waste correctly.*

Better targeting of current universal services so that they are provided only to those most in need *e.g. young person's travel card means tested by parental income, families to make financial contribution towards cost of care services for relatives (including looked after children). getting children to school, etc. In these cases services would no longer be available.*

Stop providing services which the council is not obliged by law to provide e.g. support for those not meeting the criteria for care intervention, subsidised bus routes, community wardens, etc.

PREFERRED = LEAST UNAPPEALING

LESS PREFERRED = MOST UNAPPEALING