

Budget Consultation 2021-22

# Consultation document

**Have your say on where you think spending reductions could be made to service areas and on our Council Tax proposals**



***[kent.gov.uk/budget](https://kent.gov.uk/budget)***

**Consultation closes on 24 November 2020**

# Budget Consultation 2021-22

## 14 October to 24 November



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### Alternative formats

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#### Have your say on Kent County Council's Budget for next year

## 1. Introduction

Kent County Council (KCC) provides a wide range of essential services. Some of these services, like keeping Kent's roads working and running libraries, are highly visible, others less so. KCC provides help, care and support to people of all ages. We believe services to the young, the elderly, the vulnerable and those with disabilities to help them to live a fulfilling life are a true test of a successful Kent community.

### KCC's strategy for Kent

KCC's current strategic statement (our plan), [Increasing Opportunities, Improving Outcomes](#) was developed in 2015 and set out the outcomes we wanted to achieve for Kent's residents, businesses and communities. It set our priorities for spending. In 2019-20, we talked to Kent residents and partners about what is important to them and what they want from their County Council, which informed a [draft 5 Year Plan](#).

Due to COVID-19, we paused the 5 Year Plan and are working on an Interim Strategic Plan this winter (and a new 5 Year Plan in 2021). This will mean our plans and budget are brought together so our spending is aligned with our priorities. Our Interim Plan will set out the challenges and opportunities we will focus on responding to over the next year to support the county to recover, build resilience and reset.

### How we've met the financial challenge so far

Since 2010, the Council has had to respond to reductions in government funding, place a greater reliance on local sources of funding (e.g. Council Tax) and at the same time seen an increased demand for some of our services and rising costs in excess of the funding available. This pattern of real terms reductions has been a common theme for most councils, as local government has made the most significant contribution to reducing the public spending deficit (as recognised by the National Audit Office). We have worked hard to make savings of over £710m during this period by doing the same for less money (efficiency) and by doing a better job by doing things differently (transformation). We have listened to your feedback in our previous consultations and strived to protect and improve the services you've said are most important to you.

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## What's happened this year?

We consulted over the summer on amending our current year's budget in light of the additional spending pressures and loss of income arising from the COVID-19 pandemic. We thank everyone who took the time to submit a response. You told us that "Continue to lobby government for additional funding" was your top option for closing the budget gap. You will be pleased to know that we have received additional funding and our budget gap for the current financial year was closed without the need to cut services, charge users more or use reserves. We know that whilst we have balanced the 2020-21 budget, **balancing the 2021-22 budget is currently looking like a more significant challenge.**

The full impact of the COVID-19 pandemic on both additional spending and loss of income, specifically Council Tax and Business Rates, is not yet fully known. In light of what you told us, we continue to discuss our financial situation with government and Kent MPs and we are actively engaged in raising the profile of our plight (as are the other county councils in England) to seek further government financial support to avoid the need to make cuts to services for the residents of Kent. We also know that the Government has run up a substantial budget deficit during the pandemic and we do not yet know how they intend to respond until we have the outcome of the Comprehensive Spending Review and future national budgets. This is an important context to this budget consultation because the future resources that might be available for local government services are more uncertain than ever before, so we are having to make plans for a number of different scenarios.

## What we need your views on

Unlike last year's consultation where we focused on spending priority areas, this year the challenge we potentially face if additional funding from government is not forthcoming is a year of spending reductions. We want to be open and honest with you about this possibility. We need to consider that we may have to make some difficult decisions in the near future, but before we do this, we would like to hear your views on:

- The future of our services – how comfortable would you be to see spending reductions on a range of services?
- Council Tax – is a modest rise acceptable if it helps to sustain the services you most value?

We will also use the feedback from this consultation to shape the Interim Strategic Plan and the priorities that we focus on. This document gives you information about the budget challenge we are facing. Please read through the information and tell us your views online at [www.kent.gov.uk/budget](http://www.kent.gov.uk/budget).

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## 2. Current budget information (spending and funding)

### What we spend our money on

For every £100 we spend, this is how it is split between the various services we provide.



No	Service	Amount
1	Adults and older people	£35
2	Children's social care	£12
3	Children's other services	£9
4	Borrowing costs	£8
5	Management, support services and overheads	£7
6	Transport services	£5
7	Schools and high needs	£5

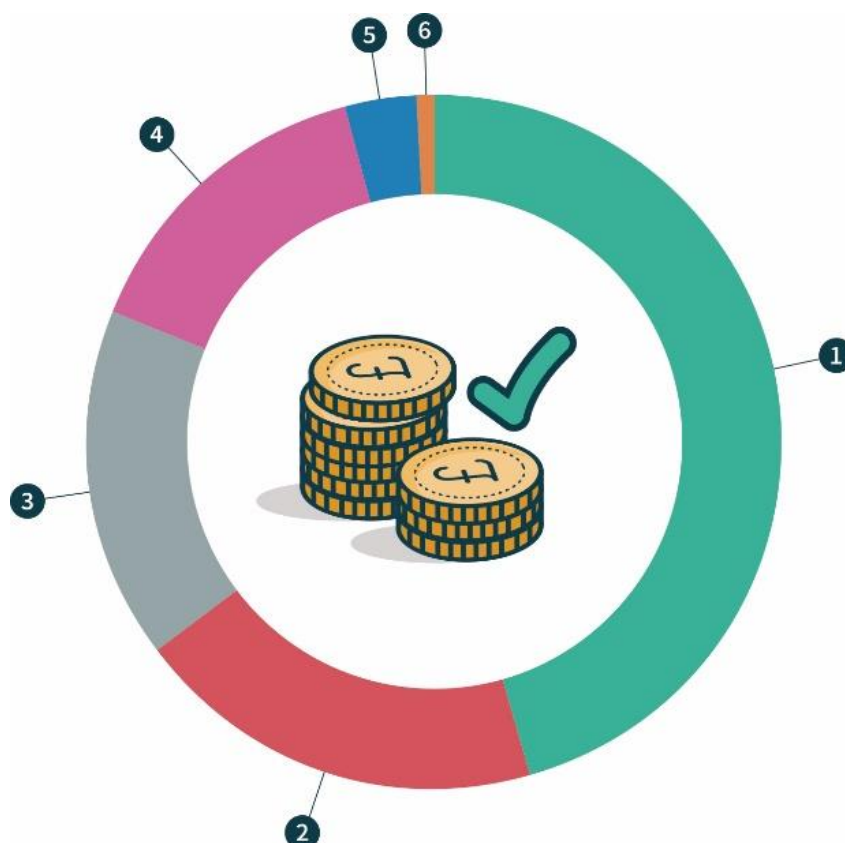
8	Waste services	£5
9	Public health	£4
10	Highways	£3
11	Other direct services to the public	£2
12	Community services	£2
13	Operational premises	£2
14	Schools' services	£1

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## How we are funded

For every £100 of funding we receive, this is how it is split between the different sources of income.



No	Funding	Amount
1	Council Tax	£46
2	Grants (ring-fenced for a specific purpose)	£19
3	Income from service users	£16
4	Grants (un-ring-fenced)	£14
5	Business Rates	£4
6	Revenue Support Grant	£1

### 3. What finances look like for the near future

#### **The medium-term outlook for local government (councils) finances is highly uncertain**

We are having to make a number of assumptions on what our funding might be for next year. This is because there is currently a review taking place called the 2020 Comprehensive Spending Review (CSR), launched by the Chancellor of the Exchequer.

The review aims to set government spending budgets for the years 2021-22 to 2023-24. This would usually include the overall spending from grants for local government. It would also include the amounts expected to be raised locally through Council Tax and Business Rate increases. No firm date has been set when the outcomes of this review will be reported, and no overall spending amount has been fixed. We will therefore need to work with our assumptions and revise these later in the year when government announcements about funding are released.

The Chancellor has been clear that, given the impact COVID-19 has had on the economy, there will need to be tough choices in areas of spending that are not among the Government's stated priorities. The Government has already confirmed that some reforms to local government funding will now not go-ahead next year. This would have included changes to the amount of business rate income councils could keep, and also the reform of government grant funding distribution to councils to reflect local need more accurately. We expected that Kent would have benefited from these if they were to have gone ahead.

Each year KCC faces additional spending pressures including:

- Increase in the price of our contracts
- Government legislation such as funding social care providers for the costs of paying the increased National Living Wage
- A rise in demand for some of our services
- KCC deciding to invest in initiatives now to save money later.

In our consultation in the Summer, we explained the additional spending incurred in our response to the pandemic and the loss of income arising from the temporary closure of some of our services during lockdown. Some of this additional spending will continue into next year and adds further pressure on our budget.

We estimate our additional spending pressures (non-COVID-19 and COVID-19-specific) are between £70m and £120m next year.



### **There has been an impact on how much Council Tax is collected**

The recession is likely to also affect Council Tax and Business Rates precepts (how much income KCC receives). KCC's share of Council Tax and Business Rates accounts for around half of the total funding towards the Council's annual spending, as shown on page 5.

Working age households on low incomes can claim discounts of 75% to 90% of their Council Tax bill (the discount is determined by local schemes agreed individually by each district council). If, as anticipated, the recession leads to higher levels of unemployment, this would increase the number of people claiming Council Tax support which would therefore reduce the amount that KCC receives.

Council Tax collection rates have already declined during the first five months of the current financial year (since April 2020). The combined impact of the increase in Council Tax support claims and lower collection rates for the remainder of the financial year could result in KCC having to account for a substantial in-year collection fund deficit (a shortfall). We could also have an overall reduction in the amount of Council Tax income we were expecting to collect next year (known as our taxbase). The Government has already confirmed that councils can spread the costs of a collection fund deficit over a three-year period (normally this would have to be fully paid for the following year). However, a solution has not yet been provided for taxbase reductions. If our assumptions on taxbase reductions are correct, this will be a significant additional challenge for KCC.

### **The big pressure on our budget**

We are facing a combination of more growth in spending than in previous years (largely arising from the COVID-19 pandemic) and the potential reduction in how much Council Tax and Business Rates income we receive.

**This combination presents a much greater threat to KCC's finances than the challenge we have faced over the last 10 years through austerity.**



### 4. Setting Council Tax

The Government has traditionally set a maximum limit for Council Tax increases without holding a referendum. Last year this limit was 2% and the Government has not yet confirmed what this limit will be for next year.

An increase of just under 2% would add £24 per year (or 46 pence per week) to the KCC element of the bill for a typical band C property and take the total KCC element of Council Tax to £1,225.12 (or £23.56 per week). Such an increase would raise £14.4m towards the Council's rising costs.

### 5. Social Care Levy

In 2016, the Government introduced a Social Care Levy, which allows councils with adult social care responsibilities like KCC to raise Council Tax a little further in return for a guarantee to spend it only on those services. Since KCC already has a commitment to provide the best possible services for the most vulnerable people in society, it was a deal we were ready to sign-up for and in last year's consultation we asked you whether you were prepared to pay a little extra Council Tax for it (55% of respondents supported this increase, up 14% on the previous year). We are asking the same question this year. Such an increase would help fund the additional costs of these services e.g. increases to the National Living Wage. Alternatively, budget reductions would need to be found to meet these additional costs if this increase were not supported.

Again, the Government have not yet confirmed whether councils will be able to continue to levy an additional charge for adult social care costs. Should we be allowed, a 2% increase would raise an additional £14.4m to be spent on adult social care services and increase the KCC element for a band C property by a further £24 (or 46 pence per week). This would make the final estimated band C bill, after the social care levy, to be £1,249.12.

So, when KCC sets its 2021-22 budget in February 2021, we will need to consider whether Council Tax should rise to the referendum level. The limit is currently assumed to be just under 2% but if the limit is changed, we will need the flexibility to consider setting at a different percentage. We will need to consider whether the Social Care Levy should also apply (if permitted by Government).

### 6. Looking ahead - big decisions are needed

Every year, KCC must agree an annual budget, which balances the money we spend, with the money we have. That means that the money we spend must balance with what we receive from: Council Tax, a proportion of Business Rates and government grants, and income we generate from things like our successful Kent

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Commercial Services. It is possible to top-up with money from reserves but of course, that's not sustainable as you can only use your reserves once.

The financial challenge we face in 2021-22 is significant and means we will need to make some difficult decisions in February 2021 (if government funding is not forthcoming).

We are also looking into how we might do things differently in the future to make some savings such as:

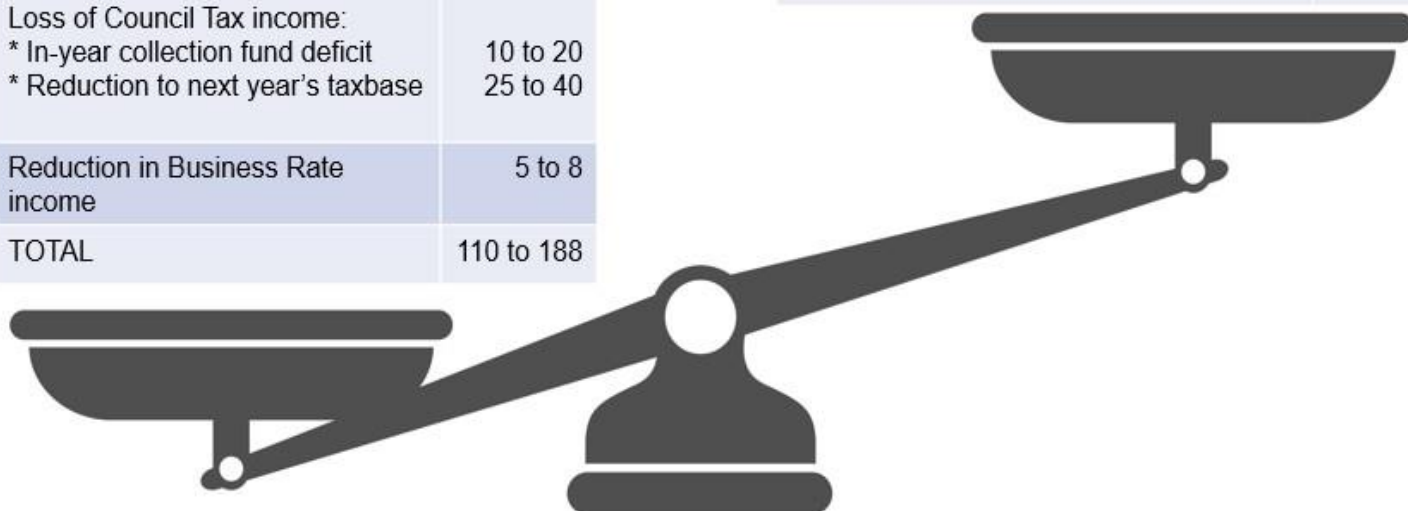
- Reducing our number of buildings
- Delivering more than one service from our buildings
- Delivering more services using online technology

However, any savings from these would not solve the budget challenge.

The image below shows the scale of the challenge we are facing. On the left, we see the challenge arising from additional spending and loss of income. On the right, we see the current solution. The scales are unbalanced because we still must find between £62m and £143m to balance the scales - and balance the budget.

Challenge	£m
Additional spending pressures	70 to 120
Loss of Council Tax income: * In-year collection fund deficit * Reduction to next year's taxbase	10 to 20 25 to 40
Reduction in Business Rate income	5 to 8
TOTAL	110 to 188

Solution (so far)	£m
Council Tax increase (currently based on 4% but dependent on consultation)	28
Full year effect of current year's savings and increases in income (existing policy)	17
Growth in government grants	0 to 3
TOTAL	45 to 48



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**The estimated funding gap for next year's budget is between £62m and £143m.** This broad range illustrates the different scenarios we have modelled in response to the significant uncertainty.

## 7. How to give your views

The consultation runs from 14 October to 24 November 2020. To take part, please visit our website [www.kent.gov.uk/budget](http://www.kent.gov.uk/budget) and complete the online questionnaire.

Completing the questionnaire online helps us to make the best use of our resources. However, if you are unable to take part online, a hard copy of the questionnaire can be requested via our Alternative Formats team: email [alternativeformats@kent.gov.uk](mailto:alternativeformats@kent.gov.uk) or call 03000 421553 (text relay service number: 18001 03000 421553). This number goes to an answering machine which is monitored during office hours.

Consultation responses will be considered by Councillors at their Cabinet Committee meetings taking place throughout January 2021 before the budget is debated and approved at the full County Council meeting in February 2021.

# Have your say



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