

Chairmen, Ladies and Gentlemen

This is my 20th Annual Report, in it I cover a number of areas; Education, Finance and Street Lighting.

Finance and Street Lighting

Kent County Council continues to face unprecedented financial challenges.

- a reduction of grants from central government means that we are required to make £76m of savings this year. We have been given no extra funds to cover the rising costs, such as demography and inflation.
- the greatest pressures for 17/18 are in Adult Social Care, Children's Services and rising costs for SEN Transport.
- KCC members approved a 3.99% increase in council tax (1.99% for general services and £2% for the National Social Care Levy). This will raise an additional £24m of funding.
- A significant proportion of savings will come from efficiencies. This includes savings through better procurement from both the private and voluntary sector and staff reductions.

How much will my council tax bill be going up?

Once again this year the government is allowing Local Authorities to raise Council Tax by up to 2%. However, 2% and over will trigger an expensive referendum. In addition, a social care levy of 6% over the next 3 years is also permitted. The 6% can be taken in variations as long as no more than 3% is charged in one year. You may also be aware that in last year's Spending Review the Government expected that councils would increase council tax in line with inflation and the social care levy in their spending assumptions which led to "flat cash" between 15/16 and 19/20.

KCC will charge a Council Tax of 1.99% plus a Social Care Levy of 2% for 17/18 which will raise around an extra £24m of revenue.

The following table sets out what this means to the amount charged to Kent residents for KCC services (KCC generally represents around 70% of a household's total council tax bill).

	2016/2017	2017-18	2017-18
		(Excl Social Care Levy)	(Incl Social Care Levy)
Band A	£755.70	£770.76	£785.88
Band B	£881.65	£899.22	£916.86
Band C	£1,007.60	£1,027.68	£1,047.84
Band D	£1,133.55	£1,156.14	£1,178.82
Band E	£1,385.45	£1,413.06	£1,440.78
Band F	£1,637.35	£1,669.98	£1,702.74
Band G	£1,889.25	£1,926.90	£1,964.70
Band H	£2,267.10	£2,312.28	£2,357.64

Most houses fall into the Band C bracket and the following table shows how the annual amount is split.

Band C Council Tax Service Split	£	%
Adults & Older People's Services	£424.71	40.53%
Children's Services	£174.11	16.62%
Community Services	£18.14	1.73%
Highways	£32.64	3.12%
Public Health ¹	£0.00	0.00%
School & High Needs Education Budgets ²	£0.00	0.00%
Schools' Services	£3.87	0.37%
Transport Services	£74.07	7.07%
Waste Management	£79.18	7.56%
Other Direct Services to the Public	£23.31	2.22%
Financing Items	£134.40	12.83%
Management Support & Overheads	£83.41	7.96%
Unidentified Savings	£0.00	0.00%
Total	£1,047.84	

NB KCC accounts for the largest share of council tax (about 70%) but the total council tax bill includes district/borough councils, Kent Police, Kent Fire and Rescue Service and town/parish council who all set their own rate

Don't you have to hold a referendum if the rise is 2% or more?

No, that restriction only applies to the Council Tax element and not the Social Care Levy. The government accepts that councils with social care responsibilities need to raise more funds to address rising spending pressures in social care. These pressures are particularly acute for 2017/18 with nearly £28m of additional spending demands in adult social care. However as the additional 2% raises approximately £12m we still need to find significant savings to fund the remainder (not to mention offset the loss of Revenue Support Grant which included funding for social care services).

Have we received the Collection Fund balances from all districts?

The Collection Fund is the additional amount of Council Tax collected during the current year over and above the estimated KCC share of the base included in the approved budget. Both the estimated base and collection fund balances are calculated on our behalf by district councils. We have received approximately £8m more than we were expecting. £1.9m will be used to fund additional spending

¹ Funded by direct government grant

² Funded directly from government

pressures which have arisen since the draft budget was published early in January, we are reducing the highest risk draw down from reserves by £2m, and £4m to general reserves for a rainy day.

Where will you make savings?

We are making more of our services available online which both saves money and allows people to contact us 24/7. We are making savings through better procurement from both the private and voluntary sector. Around 300 jobs will be cut (we have already taken out over 2,300 over the last five years). We have invested £40m in LED streetlights which not only reduce energy and maintenance bills but also provide a more controlled light. We expect to recover our investment within 7-8 years.

What about the Young Persons Travel Pass (successor to the Freedom Pass)?

Apart from London, Kent is the only area in England with a bus pass for children 11 – 16 years old (in school years 7 – 11). Each pass (depending on usage) costs KCC around £600 (but we have to reimburse bus companies the normal fare for journeys travelled) but is sold to parents for just £270. (The charge to parents is reviewed each year and will change in line with bus fares).

The Young Person's Travel Pass allows free use of scheduled bus routes in Kent from the start of the school year in September to 31 July, from 06 00 – 19 00 Monday to Friday. Around 25,000 children hold a Young Persons Travel Pass.

The Young Persons Travel Pass is a discretionary service i.e. it is an optional service as opposed to concessionary bus passes for older people which is statutory.

The government says your spending power is the same and you say you have had a reduction.

The government actually acknowledges there will be a dip in funding in 2017-18, before it starts to rise in 2018-19 and fully recovers in 2019-20. The government's "spending power" is actually a measure of the amount of funding KCC is likely to receive from the main sources i.e. the central government settlement (which is declining), the annual inflationary uplift in local share of business rates, New Homes Bonus, new improved Better Care Fund (once introduced) and estimated council tax yields including increases in the base (number of properties paying council tax), inflationary increases up the referendum threshold and the 2% social care precept. It takes no account of rising spending demands, thus in real terms the spending power is reducing. This is called "flat cash". Flat-cash means there is no overall additional funding for rising costs or demand pressures, therefore these have to be compensated by savings and spending reductions.

What is the Revenue Support Grant?

Revenue Support Grant is a central government grant given to local authorities to top up local funding sources and can be used to finance revenue expenditure on any service. The amount of Revenue Support Grant to be provided to authorities is established through the local government finance settlement.

This grant is being phased out ahead of the proposed 100% business rate retention by 2020, with the roll-out to pilot areas in 2017/18. The following table shows the reduction in RSG up to 2020. The new 100% business rate retention (we currently retain 50%) will come with new responsibilities and is not a replacement for the loss of RSG. We will continue to campaign for a fairer redistribution of the existing retention (we have long contended this distribution favours London and metropolitan authorities at the expense of counties) and for a close match between the new functions.

Revenue Support Grant	
2016/2017	£111.4m
2017/2018	£66.5m
2018/2019	£37.6m
2019/2020	£9.5m

How much money do we have in our reserves?

As at 31 March 2016, our Statement of Accounts shows usable revenue reserves of £202.2m (£165m earmarked, £37.2m general).

The 2016/17 budget assumed the net use of reserves of £10.5m to balance the budget which, together with the planned use of reserves, would reduce the balance at 31 March 2017 to £169.5m (£132.3m earmarked, £37.2m general).

The draft 2017/18 proposals (as revised in the County Council report) assume a further net draw-down of reserves of £9.3m which, together with the planned use of reserves, would further reduce earmarked reserves to £113.9m in 2017-18. The proposals also include an additional £4m contribution to general reserves, increasing these to c£41.1m in 2017-18. The anticipated combined balance in reserves in 2017-18 is £155m.

Why do we need to use our reserves?

We must publish our budget in early January to allow time for councillors to scrutinise and debate it. We must set our budget by mid-February to give time for the district/borough councils to send out council tax bills in time for the new financial year. With so little time available we will be using some of our reserves to bridge our budget gap. These are our earmarked reserves set aside for specific eventualities e.g. payment of PFI school building contracts, replacement of vehicles and equipment, variations in council tax collection due to economic conditions, etc. We can only use these reserves to support on-going activity once and thus the £9.25m planned to support the 2017-18 budget will need to be replaced at a later date if the activity the reserves support is to carry on. At some point in the future the reserves

will have to be replenished, although at this stage this is not factored into our budget plans. Using the reserves only postpones the need to make long term savings.

KCC holds a low level of reserves relative to its size compared with our peer group authorities.

What about the money that was with the Icelandic Banks?

KCC had £50m on deposit in various Icelandic Banks and has now recovered this in full plus around £1.5m in interest payments. KCC is the only council that made a full recovery as other councils sold their rights at less than 100% of value. KCC had always said that the Icelandic Banks had good assets and that we would work for full recovery. This has paid off handsomely.

What is happening about street lighting?

The costs of LED lighting have now made it cost effective to switch all KCC's street lighting to LED which will save energy & maintenance costs, carbon tax and allow more controllable dimming of lights at night and non-peak times. The switchover has begun and will cover the whole of Kent within two years. It is estimated that the capital investment will be repaid through the energy and other savings over 7 to 8 year period. I believe the quality of the light is also much better as it lights the road and pavement rather than the sky!

What about broadband?

KCC has just completed a programme to bring access to broadband to 95% of households in Kent. If you go to www.kent.gov.uk and search for 'broadband' you can use your postcode or phone number to check what broadband services are available in your area.

I get nothing for my council tax (rural areas – no streetlights, pavements etc.)

You get around 300 services for your council tax many of which you only need in an emergency or would only miss if they disappeared. Your rubbish is recycled or buried/incinerated, children are educated, the elderly and disabled cared for, children protected from harm, a library service either in a building, a mobile or on-line, roads maintained and kept open in bad weather, births, deaths and marriages are registered, coroners courts run, children are fostered or adopted, footpaths kept open and much, much more. Council tax is not like your weekly shopping bill. It is a contribution to the local community or, as someone said in one of our resident's budget workshops, "the price we all pay for living in local civilised society".

What about my local member grant?

It was agreed at the County Council meeting on 9 February that the Combined Members' Grant fund will be increased from £20,000 to £22,000 per councillor in 2017/18. KCC will get some saving from the boundary changes as there are only 81 seats following the May elections.

Education

GCSE

At Key Stage 4 in 2016 there is also an overall positive and improved picture. Provisional results show that Secondary schools in Kent performed well against the new and old headline GCSE performance measures and compared to national averages for state funded schools. Compared with 2015 on the old measures there have been clear improvements in attainment.

In the new Progress 8 measure, which is used to establish the floor standard, progress is judged across eight subjects, including English (double-weighted), mathematics (double-weighted), three English Baccalaureate qualifications and three other qualifications which can include English Baccalaureate subjects and other high value academic, arts and vocational qualifications from the DfE approved list.

Kent state funded schools achieved a Progress 8 score of -0.04 in 2016, which is slightly below the national average of -0.03. DfE provisional figures show that 59 of Kent's 98 Secondary schools met or achieved above the national average for this measure and of these 31 are Grammar schools.

On the Progress 8 measure, Kent is ranked sixth amongst its statistical neighbours for this measure and 80th out of 151 local authorities nationally.

On the previous measure (the percentage of pupils achieving 5 or more GCSE grades A*-C including English and mathematics) Kent state funded schools achieved 59% in 2016, which is an improvement on last year's figure of 57% and above the 2016 national average of 57%.

On this old measure, Kent is ranked fifth amongst its statistical neighbours and 54th out of 151 local authorities nationally.

In the new headline Basics measure in 2016, the proportion of pupils in Kent schools achieving grades A*-C in English and mathematics is 63.5% which is 0.7% above the national average and 3.7% above last year's result of 59.8%. Kent is ranked sixth amongst its statistical neighbours for this measure and 66th out of 151 local authorities nationally.

Improvements have also been made in GCSE A*-C passes for English. The Kent schools success rate in 2016 is 76.0%, compared to 70.4% last year, which is 1.3% above the national average of 74.7%. In mathematics, there is a small increase: this year to 68.0%, compared to 66.6% last year, which is in line with the national average of 68.5%.

Performance in the English Baccalaureate (Ebacc) measure has also improved. This year it is 29.5%, rising from 26.5% last year, and 4.9% above the 2016 national figure. Kent is ranked first amongst its statistical neighbours and as 33rd out of 151 local authorities nationally.

Kent Schools

The quality of education in Kent schools has improved year on year since 2011, which is reflected in Ofsted Inspection judgements. The percentage of good and outstanding schools in Kent was 55% in 2011. Overall, the latest Ofsted data (as at December 2016) for Kent shows that 90% of schools are rated good or outstanding. This includes 20.8% of schools judged to be outstanding and 69.2% judged to be good. In Kent, there are now 373 good and 112 outstanding schools, 51 schools requiring improvement (including 38 Primary schools and 12 Secondary schools) and 3 schools in a category, out of a total of 539 schools that have a current inspection result. There are now 23 more good and better schools than at the same time the previous year. We expect this positive trend to continue towards our targets of at least 95% of Primary and 93% of Secondary schools judged to be good or outstanding by 2018.

Leyland Ridings

March 2017