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Dear Member

COUNTY COUNCIL - THURSDAY, 11 FEBRUARY 2021

I am now able to enclose, for consideration at Budget County Council meeting on 11 February 2021 the following papers which reflect additional information that was not available when the original agenda pack was published.

The Budget Addendum outlines the new information and the resulting technical changes and a revised High Level Revenue Budget (Appendix C from the original agenda pack) is provided to illustrate the updated figures in the budget presented for approval.

Agenda Item No

5

Capital Programme 2021-24, Revenue Budget 2021-22 and Medium Term Financial Plan 2021-24

- **Budget Addendum (Pages 1 – 3)**
- **Updated Appendix C – High level Revenue Budget 2021/22 (Page 5)**

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ben Watts', is written over a faint circular stamp.

Benjamin Watts
General Counsel

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Addendum to Final Draft Budget 2021-22

Since the budget report for County Council was published on 3rd February, the Council has received updated information on three items in the budget that are largely technical in nature, but do need to be reflected in the budget being presented for approval:

1. The final estimated business rate tax base has now been received from Kent districts. This is £3,144.7k higher than the original estimate included in the report. This updated figure is still an estimate and the actual figure will not be confirmed until the end of 2021-22 due to uncertainties over future appeals, bad debts, and empty property discounts as well as potential impact of revaluations and reforms to business rates and retention arrangements. The updated estimate also requires a revised estimate of the compensation grant for additional reliefs increasing this by £221.3k. It is therefore proposed that these additional estimated amounts from the precept and compensation grant are held in the Local Taxation Equalisation Reserve until the final out-turn figure is confirmed.
2. The final business rate collection fund and compensation grant for additional Covid-19 business rate discounts have been received. Due to Covid-19 KCC's estimated share of the deficit is £27.25m. This is largely offset by a compensation grant of £26.7m which must be accounted for in the current year and held in reserve to offset the impact on 201-22 budget. The net impact is £28.1k more than the estimates included in the published budget report. It is usual practice that any changes in the final estimate for collection fund balances are transferred to the Local Taxation Equalisation Reserve as these are a one-off adjustment to the previous year's tax base estimate and is reflected in the tax base estimate for the forthcoming year.

The net impact of these changes is a movement of £3.4m in the net change in reserves in 2021-22 budget which now shows as £1.8m in appendix C due to the changes from 1 & 2 above.

The budget report clearly identifies all three amounts in the proposed budget as estimates and it is not uncommon (as has been the case in previous years) that some estimated figures included in the budget papers for County Council need to be updated if further information becomes available between publication of the Council papers and the budget County Council meeting.

These technical changes to the published budget have small cascading impacts on the figures presented in the original agenda pack.

The changes are summarised below:

1. The net revenue budget requirement will increase from £1,129.032m to £1,132.426m (this is reflected in the updated Council Recommendation provided at the end of this note).
2. The contributions to reserves detailed in appendices C and E will increase from £17,000k to £20,394.1k.
3. The drawdown from reserves detailed in appendices C and F remains at £22,227.3k

The above changes only result in one minor amendment to the formal recommendation to Council; recommendation (a), which details the net budget requirement.

For ease of reference, the full updated recommendation to Council, including the updated net revenue budget requirement figure (underlined for clarity), is provided below:

Capital Programme 2021-24, Revenue Budget 2021-22 and Medium Term Financial Plan 2021-24

Recommendation:

County Council, having given due regard to the s25 Report (published for consideration and noting as agenda item 4 of this meeting), is asked to agree:

- (a) The net revenue budget requirement of £1,132.426m for 2021-22.
- (b) The 10-year Capital programme and investment proposals of £1,057.925m over three years from 2021-22 to 2023-24 together with the necessary funding and subject to approval to spend arrangements.
- (c) The directorate capital programmes as set out in appendices A & B of the final draft budget report published on 3rd February 2021.
- (d) The directorate revenue budget proposals as set out in appendices C to F of the final draft budget report published on 3rd February 2021.
- (e) The Capital Strategy as set out in appendix J of the final draft report published on 3rd February 2021 including the Prudential Indicators. Page 11 Agenda Item 5
- (f) The Treasury Management Strategy as set out in appendix K of the final draft report published on 3rd February 2021

- (g) The Minimum Revenue Provision (MRP) Statement as set out in appendix M of the final draft report published on 3rd February 2021.
- (h) The Reserves Policy as set out in Appendix N, including the review of the rollover procedures for 2020-21 outturn to improve financial resilience and treatment of general underspends
- (i) To delegate responsibility to Cabinet Members and Corporate Directors to manage the budget within the parameters set out in the Constitution and Financial Regulations.
- (j) To increase Council Tax band rates up to the maximum permitted without a referendum as set out in section 6 table 5 (page 20 of the report) in the final draft report published on 3rd February 2021.
- (k) To levy the additional 3% social care precept (raising an additional £22,228,900 and taking the total social care precept to £87,335,000 out of precept set out in recommendation (l) below).
- (l) The total Council Tax requirement of £778,704,100 to be raised through precepts on districts as set out in section 6, table 4 (page 19 of the report) in the final draft report published on 3rd February.
- (m) The Personnel Committee recommendation of an increase of 2% for 2021- 22 for all Kent Scheme staff with the corresponding adjustment to pay scales (and noting the voluntary freeze for 2021-22 to Kent Range 17 and above offered by Corporate Directors and Directors)
- (n) The Personnel Committee recommendation to increase to the entry value of the lowest grade (KR2/3) to £9.55 per hour to maintain the position above the national minimum and marginally above the Living Wage Foundation for April 2021.

In addition:

- (o) To delegate authority to the Corporate Director of Finance (after consultation with the Leader, the Deputy Leader and Cabinet Member for Finance, Corporate & Traded Services and the political Group Leaders) to resolve any minor technical issues for the final budget publication which do not materially alter the approved budget or change the net budget requirement and for any changes made to be reflected in the final version of the Budget Book (blue combed) due to be published in March 2021.
- (p) To note the uncertain financial outlook for later years in the absence of a multi-year settlement from government and the potential scenarios for recovery from the Covid-19 pandemic as set out in appendix I of the final draft report published on 3rd February 2021.

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Appendix C - High Level 2021-22 Revenue Budget

2020-21			2021-22	
£000s	£000s		£000s	£000s
	986,374.4	Approved Base Budget per 13th February 2020 County Council		1,063,654.3
		Recurring Base Budget changes per Budget Amendment approved at County Council 10th September 2020		32,821.8
		Growth Proposals		
10,153.4		Net Base Budget Changes	8,512.3	
21,115.2		Replacement of Use of Reserves and Other One-off Budget Solutions	11,892.5	
		Reduction in Grant Funding	1,463.3	
1,400.0		Pay	4,609.6	
7,893.0		Prices	17,316.8	
23,806.5		Demand & Cost Drivers	16,007.5	
21,229.0		Government & Legislative	3,638.6	
9.5		<u>Service Strategies and Improvements</u>		
		Contributions to reserves	20,394.1	
21,867.3		Other	13,865.4	
	107,473.9	Growth Proposals		97,700.1
		Total Growth Proposals including recurring changes to budgets in the Budget Amendment approved at County Council 10th September 2020		130,521.9
		Savings & Income		
		<u>Transformation Savings</u>		
-6,200.0		Adults Transformation Programmes	-7,700.0	
-1,733.0		Other Transformation Programmes	-1,024.0	
-6,253.0		Income Generation	-2,459.1	
4,451.9		Increases in Grants & Contributions	-2,642.0	
		<u>Efficiency Savings</u>		
-40.0		Staffing	-481.9	
-110.0		Premises	-108.0	
-4,245.2		Contracts & Procurement	-7,450.6	
-842.0		Other	-2,748.4	
		<u>Financing Savings</u>		
-9,061.5		Drawdowns from reserves	-22,227.3	
-5,066.0		Other	-5,913.0	
-1,095.2		Policy Savings	-8,995.9	
	-30,194.0	Total Savings & Income		-61,750.2
	1,063,654.3	Net Budget Requirement		1,132,426.0
		<u>Funded by</u>		
9,641.7		Revenue Support Grant	9,695.0	
10,530.9		Social Care Support Grant	34,366.8	
23,835.9		New Social Care Grant for 2021-22	4,776.5	
		Covid 19 grant	32,357.0	
		Local Council Tax Support grant *	14,281.5	
138,429.0		Business Rate Top-Up Grant	138,429.0	
48,544.2		Improved Better Care Fund	48,544.2	
20,830.0		Other un-ringfenced grants *	20,515.1	
55,938.0		Local Share of Retained Business Rates	51,845.3	
2,562.9		Business Rate Collection Fund	-27,250.0	
		Drawdown from reserves of S31 grant for Covid-19 business rate reliefs	26,691.6	
		Drawdown from reserves of S31 grant for compensation for irrecoverable local taxation losses due to Covid-19	2,511.6	
683,653.7		Council Tax Yield (including increase up to referendum limit but excluding social care levy)	691,369.1	
65,789.7		Council Tax Adult Social Care Levy	87,335.0	
3,898.3		Council Tax Collection Fund	-3,041.7	
	1,063,654.3	Total Funding		1,132,426.0

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