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Date: 02/11/23

Dear Member

HEALTH REFORM AND PUBLIC HEALTH CABINET COMMITTEE - TUESDAY, 7 NOVEMBER 2023

I am now able to enclose, for consideration at next Tuesday, 7 November 2023 meeting of the Health Reform and Public Health Cabinet Committee, the following reports that were unavailable when the agenda was printed.

Agenda Item No

6 **Initial Draft Budget 24/25 and 24/27 Medium Term Financial Plan - To Follow**
(Pages 1 - 78)

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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From: Dan Watkins, Cabinet Member for Adult Social Care and Public Health
Peter Oakford, Deputy Leader and Cabinet Member for Finance, Corporate & Traded Services

To: Health Reform and Public Health Cabinet Committee – 7 November 2023

Subject: **Initial Draft Budget 2024-25 and MTFP 2024-27**

Classification: Unrestricted

Summary:

The attached report sets out the background to the setting of the capital programme, revenue budget and medium-term financial plan (MTFP) for the forthcoming year. The report includes fuller details of funding, spending, savings, income and reserves estimates in the initial draft revenue budget together with analysis of risks.

The same budget report is being presented to each Cabinet Committee as it is a standard report for the whole council, focussing on the key strategic considerations underpinning the decisions necessary for County Council to agree the budget at the Budget Meeting in February.

The relevant Cabinet Members will outline the key budget points relating to their portfolio as part of the Cabinet Committee consideration, to clarify the budget areas within scope of the Committee and to seek feedback on the relevant proposals.

To support ongoing budget consideration by Members, outside of the particular Cabinet Committee stage of the budget development process, a separate interrogatable dashboard is available to Members, setting out key information about individual elements of the initial draft revenue budget.

Recommendations:

The Health Reform and Public Health Cabinet Committee is asked to:

- a) **NOTE** the initial draft capital and revenue budgets including responses to consultation
- b) **SUGGEST** any changes which should be made to the section of the budget related to the Cabinet Committee's portfolio area before the draft is considered by Cabinet on 25th January 2024 and presented to Full County Council on 19th February 2024

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Initial Draft Budget 2024-25 and 2024-27 MTFP

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From Leader of the Council; Roger Gough
Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services; Peter Oakford
Cabinet Members

Relevant Director(s) Corporate Director Finance; Zena Cooke
Interim Chief Executive,
Corporate Directors, ASCH, CYPE and GET

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Circulated to Cabinet Committees and Scrutiny Committee

Classification Unrestricted

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Directorates – abbreviations in this report

ASCH - Adult Social Care and Health	CYPE - Children, Young People and Education
GET - Growth, Environment & Transport	CED - Chief Executive's Department
DCED – Deputy Chief Executive's Department	NAC - Non-Attributable Costs

1.1 This report sets out the proposals in the administration's initial draft revenue budget 2024-25 and three-year medium term financial plan (MTFP) 2024-27. The report and appendices provide the essential information for the scrutiny process in advance of full Council approval in February 2024. As reported to Policy & Resources committee in July 2023 the draft budget for scrutiny is being published earlier than in recent years for the November 2023 cycle of meetings; initially enabled by the announcement of the settlement principles for 2024-25 in the 2023-24 local government finance settlement, and more importantly to free up capacity in the January 2024 cycle of meetings for key decisions on individual aspects of the budget proposals to be considered and agreed in principle pending County Council approval of the budget on 19th February 2024.

1.2 This timescale was planned before the challenge of further significant revenue overspends emerged in the first budget monitoring for 2023-24 as reported to Cabinet on 17th August 2023. These overspends are principally in adult social care (older persons and to a lesser extent vulnerable adults), home to school transport, and placement costs for children in care. The level of spending growth in these areas in recent years has been increasing at an unsustainable rate within the constraints of current government spending plans for local government. This growth has added significantly to the revenue budget challenge for 2024-25, not only from the need to reflect the full year effect of unbudgeted activity and costs during 2023-24 (and later stages of 2022-23) into 2024-25, but also on future forecasts for impact from cost drivers and demand. Inevitably an earlier publication for scrutiny also means that the initial draft budget is based on the best estimates available at the time and the final draft budget will need to be based on the latest information available in December/January (including the local government settlement announcement for 2024-25 and tax base estimates). Therefore, all the financials in the initial draft are necessarily provisional.

1.3 The report to Cabinet on 5th October "Securing Kent's Future – Budget Recovery Strategy" set out the necessity to address the structural budget deficits that have led to overspends in 2022-23 and 2023-24, and to bring the council back into financial sustainability based on securing the provision of services for Kent residents whilst meeting the statutory Best Value duties. The budget recovery plan set out the broad strategic approach with specific focus on the actions in 2023-24 that would have an immediate impact to bring current year spending back into balance as quickly as possible (many of which are one-offs and would not feed through into 2024-25).

1.4 The recovery plan set out separately the proposed strategies to meet the objective of delivering savings and future cost reductions over the medium to longer term impacting on 2024-25 budget and 2024-27 MTFP. Not all the detail of this second objective has yet been fully worked up in time for the publication of the initial draft budget for November scrutiny and delivering some of the structural changes to resolve deficits will take time. At this stage the administration's initial draft budget for 2024-25 and MTFP 2024-27 is unbalanced with budget gaps, and with indicative amounts from the broad strategic objectives in the recovery plan identified but with further detail to follow. However, this does not preclude scrutiny of the initial draft spending, savings, income and reserves estimates towards balancing the budget against the estimated 2024-25 settlement and council tax. An updated draft will need to be published in January 2024 with any missing detail for further scrutiny and consideration of key decisions in March 2024. As in previous years a final draft will be published on 9th February in accordance with publication deadlines for County Council consideration and approval on 19th February 2024.

1.5 The budget recovery strategy identified 3 main areas where there is the biggest opportunity for further substantial savings and to reduce costs in 2024-25 to resolve the gap and balance the budget. These include review of demand and cost drivers in adult social care, children's services and home to school transport leading to scope to reduce future cost growth; contract renewals in the next 12 months; and further targeted savings including bringing forward savings in later years of MTFP.

1.6 The financial sustainability of a number of councils is a national concern at this time, and many of the spending growth pressures impacting on KCC are common in other councils. Whilst KCC will seek to take all the necessary steps to manage future spending within resources available through savings, income and future cost avoidance this will not necessarily fully secure the Council's financial resilience and sustainability if future spending growth continues at unsustainable levels. In particular, if the structural deficits in key spending areas in adults and children's are not addressed there will become a point where the council is unable to balance the budget on a sustainable basis from savings in other spending areas.

1.7 The draft revenue estimates for spending, savings, income and reserves have been set out in a more accessible format. This change was planned alongside the earlier publication timescale and the development of outcomes based budgeting. It is designed to enable plans to be considered from the perspective of the main spending areas accounting for over 80% of revenue spending (excluding non-attributable costs), as well as the traditional directorate perspective. The main spending areas cover care support & preventative services for older persons, care support & preventative services for vulnerable adults, care support & preventative services for vulnerable and disabled children, public transport (including home to school transport), waste recycling & disposal, and highways management & maintenance. The more accessible format comprises of dashboards that allow interrogation in more detail of current spending and proposed changes from spending growth, savings, income and reserves that lead to draft net spending plans for 2024-25 and subsequent years, as well as providing background information on key impacts, risks, sensitivities and dependencies. These dashboards replace the previous tabular formats and are only available internally within the Council (link sent with budget papers). The estimates are an early forecast which can, and in all likelihood will, change in the final draft budget. Effectively this means the gap presented is a figure within a likely range.

1.8 The draft capital plan will not be published for November scrutiny. The final draft programme will be published in January to ensure that the plan can fully reflect grant notifications and the latest forecast spending on projects and rolling programmes including rollovers from the 2022-23 outturn.

1.9 As well as the impacts of current year overspends and future forecast cost drivers and demand, inflation is still forecast to remain at historically high levels during 2023-24 and into 2024-25. Inflation impacts on the costs of goods and services in revenue budgets and costs of labour, fees and materials on capital projects. At this stage the impact of inflation built into budget estimates is based on the March 2023 forecasts from the Office of Budget responsibility (OBR). The March 2023 OBR forecasts were for Consumer Price Index (CPI) to peak at 10.7% in quarter 4 2022, thereafter reducing to:

- 9.7% in quarter 1 2023
- 6.9% in quarter 2 2023
- 5.4% in quarter 3 2023
- 2.9% in quarter 4 2023
- 1.5% in quarter 1 2024

1.10 Inflationary uplifts are applied according to the terms of individual contracts including timing. This means that in many cases mid-year uplifts have a part year impact in 2023-24 and full year impact in 2024-25. The rate of inflation in 2023 has not reduced as quickly as the March 2023 OBR forecast, with reported CPI from Office for National Statistics (ONS) of 10.2% quarter 1, 8.4% quarter 2 and 6.7% quarter 3 2023. Revenue spending subject to inflation is around £1.4bn, so each 1% adds £14m to council costs.

1.11 The administration's initial draft budget includes a 4.992% assumed increase in Council Tax charge. This would increase the County Council share of the bill for a typical band D household by £1.47 per week (£76.59 per year). Council Tax is the council's most significant source of income to fund essential services, and whilst the administration seeks to keep increases to a minimum, the assumed amount is in line with the government's principles for 2024-25 announced in the 2023-24 local government finance settlement of a 3% referendum limit and 2% adult social care precept. The tax base (the number of dwellings liable for council tax after discounts, exemptions and assumed collection rates) is assumed to increase by 1.7%, which is around the normal level we would expect from growth in the number of households and anticipated changes to discounts. The council tax precept is based on combination of the council tax band D charge and the estimate of the net number of band D equivalent properties in the tax base for 2024-25. The tax base estimate is ultimately determined by collection authorities (district and borough councils) for the final draft budget and council tax precept for full Council approval on 19th February.

2.1 The setting of the budget is a decision reserved for Full Council. The Council's Budget and Policy Framework requires that a draft budget is issued for consultation with the Cabinet and Scrutiny Committees to allow for their comments to be considered before the final budget proposals are made to Full Council.

2.2 The overall strategy for the budget is to ensure that the Council continues to plan for revenue and capital budgets which are affordable, reflect the Council's strategic priorities, allow the Council to fulfil its statutory responsibilities and continue to maintain and improve the Council's financial resilience. This is consistent with the objectives set out in Securing Kent's Future – Budget Recovery Strategy. However, these aims are not always an easy combination and involves some difficult decisions about service levels and provision both for the forthcoming year and over the medium term. In reaching this balance it is essential that the Council has regard to bearing down on spending growth (future price inflation, non inflation related cost increases and demand increases), delivering efficiency/transformation savings, generating income to fund services, and agreeing changes in policies to reduce current recurring spending and/or avoid future spending while making the necessary investments to support service improvement. In this context it is worth clarifying that savings relate to reducing current recurring spend whereas bearing down on future growth is cost avoidance, both amount to the same end outcome of reducing future spending from what it would otherwise have needed to be without action and intervention. The initial draft budget should be assessed against these aims recognising that there are still gaps to close.

2.3 The Council is under a legal duty to set a balanced and sustainable budget and maintain adequate reserves such that it can deliver its statutory responsibilities and priorities. A MTFP covering the entirety of the resources available to the Council is considered to be the best way that resource prioritisation and allocation decisions can be considered and agreed in a way that provides a stable and considered approach to service delivery and takes into account relevant risks and uncertainty. However, it must also be acknowledged that the Government's Autumn Budget 2022 statement only covered a 2-year period, and the Local Government Finance settlement (LGFS) announcements to date only contained high level principles for 2024-25 with little detail and no indicative allocations for individual authorities. This means that the funding for 2024-25 is a best estimate at this stage and the forecasts for later years are speculative, consequently planning has to be sufficiently flexible to respond accordingly. Even so, it is clear that 2024-25 and medium term to 2026-27 are likely to continue to be exceptionally challenging and will require real terms reductions even though overall net cash spending is increasing. This will be a difficult message to convey.

2.4 As the Council develops its detailed proposals it must continue to keep under review those key financial assumptions which underpin the Council's MTFP particularly in the context of wider public spending and geo-economic factors. Over the previous decade the Council had to become ever more dependent on locally raised sources of income through Council Tax and retained business rates, and it is only in recent years that additional central government funding has been made available to local authorities primarily to address spending pressures in social care (albeit at a time when the national public sector deficit has been increasing). However, there is no certainty that this additional central government funding will be baselined for future years.

2.5 In accordance with Financial Regulations, a medium-term capital programme and financing plan is prepared on an annual basis. Where capital estimates are included, funding must be secured and approved prior to any expenditure being incurred.

2.6 Setting the annual budget is one of the most significant decisions the County Council takes each year. It sets the County Council's share of council tax and the overall resource framework in which the Council operates. The administration's budget is the financial expression of the council's strategic priorities. The budget gives delegated authority to manage the budget to Corporate Directors and Directors within the parameters set out in the Council's Constitution and Financial Regulations. Corporate Directors and Directors are accountable for spending decisions within delegated powers reporting to the Chief Executive, and these are monitored through the council's budget monitoring arrangements regularly reported to Cabinet. The draft budget is developed, scrutinised and ultimately approved in compliance with the following six key considerations:

A) Strategic Priorities – Strategic Statement

2.7 The County Council approved a new strategic statement "Framing Kent's Future (FKF)" on 26th May 2022. The statement sets out the challenges and opportunities Kent is faced with and the actions the Council will prioritise to address them over the next four years focussing on four key priorities. The 2023-24 budget recognised that the significant shift in the financial and operating landscape since FKF's approval meant that policy and service decisions had to be taken to balance the budget which could run counter to the priorities and ambition set out in Framing Kent's Future.

2.8 Securing Kent's Future (SKF) has explored these shifts in more depth and acknowledges that given the significance of adults and children's social care within the council's budget, and that spending growth pressures on the council's budget overwhelming (but not exclusively) come from social care, that the priority of delivering New Models of Care and Support within FKF must take precedence over the other priorities. This creates an expectation that council services across all directorates must collectively prioritise delivering the new models of care and support objective as a collective enterprise.

2.9 This does not mean that the other objectives of Levelling Up Kent, Infrastructure for Communities, and Environmental Step Change are not still important and all work on these must stop. However, the scope of these other three objectives will have to be scaled back in terms of additional investment and funding, and management time and capacity that can reasonably be given to them.

B) Best Value

2.10 SKF has recognised that the Council must prioritise its Best Value statutory responsibility. The expansion of the legislative framework in which councils operate in has extended statutory duties without the necessary additional financial resources through increased government funding or income generating/local tax raising powers to cover the additional costs. The government has recently issued revised statutory Best Value guidance (subject to consultation) reminding local authorities of the requirement to secure continuous improvement having regard to economy, efficiency and effectiveness. The revised guidance goes on to explicitly state that this covers delivering a balanced budget, providing statutory services, including adult social care and children's services, and securing value for money in all spending decisions.

2.11 The implication is clear. Those councils that cannot balance competing statutory duties, set a balanced budget, deliver statutory services, and secure value for money are not meeting their legal obligations under the Local Government Act 1999. Consequently, the statutory Best Value duty must frame all financial, service and policy decisions and the council must pro-actively evidence the best value considerations, including budget preparation and approval. The initial draft budget is a step towards this enhanced Best Value compliance and we will look to develop Best Value assessment of individual elements within budget proposals in later drafts (and subsequent budgets) but these will not be ready for this initial draft and until the further detail to resolve budget gaps has been completed.

C) Requirement to set a balanced budget

2.12 The Local Government Finance Act 1992 requires the Council to consult on and ultimately set a legal budget and Council Tax precept for the forthcoming financial year, 2024-25. This requirement applies to the final draft budget presented for County Council approval. It does not apply to interim drafts. Whilst there is no legal requirement to set a balanced MTFP, this is considered good practice with an expectation that the financial strategy is based on a balanced plan in the medium term (albeit the resource equation beyond 2024-25 is still highly uncertain)

2.13 Setting the Council's revenue and capital budgets for the forthcoming year will be incredibly challenging due to the economic circumstances and forecast levels of growth pressures on council services. This has made current year budgets significantly more volatile due to unpredictable cost of providing council services from inflation, market conditions, delivering statutory responsibilities and ultimately client and resident expectations. Demand is also unpredictable although currently this is less volatile in terms of client numbers in most services. This volatility has knock-on consequences for our ability to forecast future spending requirements and income levels.

2.14 The LGFS for 2023-24 provided some additional certainty and increase in the resources available to the local government sector as a whole (and social care in particular) through the announcement of core principles for council tax referendum and grant settlements for 2024-25. The announcement did not include any indicative amounts for individual authorities for 2024-25 although we are able to estimate the likely amount with a reasonable degree of certainty providing the allocation methodology is not significantly altered for 2023-24.

2.15 The Council has a statutory duty to set a balanced budget. However, what is meant by 'balanced' is not defined in law and relies on the professional judgement of the Chief Financial Officer to ensure that the budget is robust and sustainable. A prudent definition of a balanced budget would be a financial plan based on sound assumptions which shows how planned spending and income equals the available funding for the forthcoming year. Plans can take into account deliverable cost savings and/or local income growth strategies as well as useable reserves. The government has confirmed that the Statutory Override for the Dedicated Schools Grant deficits is extended for a further 3 years from 2023-24 to 2025-26. However, despite this extension under the Safety Valve programme the Council will have to start to make provision for a contribution in the 2024-25 budget and subsequent years for the duration of the agreement towards the accumulated DSG deficit.

2.16 While there is no legal definition of a balanced budget, legislation does provide a description to illustrate when a budget is considered not to balance:

- where the increased uncertainty leads to budget overspends of a level which reduce reserves to unacceptably low levels, or
- where an authority demonstrates the characteristics of an insolvent organisation, such as an inability to pay creditors.

2.17 The administration's initial draft budget includes a significant increase in risks, due to the combination of the magnitude of overspends in the current year (including under delivery of savings plans), unsustainable levels of growth and the need to avoid/reduce these, the magnitude of savings/income required for 2024-25, and external factors including geo economic circumstances and the impact of a recent high court order that the Council must take all possible steps to care for all Unaccompanied Asylum Seeking (UAS) children arriving in the county under the Children's Act 1989, unless and until they are transferred to other local authorities under the National Transfer Scheme. The risks from the judgment not only arise from the cost of securing additional care provision for UAS children should government departments not fully compensate the council but also knock-on consequences on the availability and cost of care for other children already in Kent. To date the offer is circa £9m which is insufficient to cover forecast costs for caring for UAS children for the remainder of 2023-24 which if not resolved would leave a forecast deficit, and no offer has yet been made for 2024-25. This combination poses a major threat to the Council's financial sustainability.

2.18 The increased risks means there will need to be a very robust approach to negotiating and agreeing prices for a range of council services to stay within the inflation allocations in the draft budget, an enhanced emphasis on controlling the drivers of non-inflation related cost increases, a more rigorous approach to managing, monitoring and reporting on demand for council services and greater oversight, monitoring and reporting of savings delivery to reduce the risk of further calls on reserves. The level of savings required in 2024-25 and over the medium term continues to be higher than in recent years driven largely by growth in spending rather than cuts in funding, representing a new and very specific challenge.

2.19 To avoid the risk of an unbalanced budget the Council has to be financially resilient. Good financial management is fundamental in establishing confidence in the budget and ensuring that the finances can withstand unexpected shocks. The Council undertook a review of each Directorate's financial management arrangements, following the Council wide financial management review undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Council is also developing Outcomes Based Budgeting which will see a more integrated approach to budget and service planning over the MTFP period focussing on priority outcomes and value for money.

2.20 Setting a clear medium-term financial plan (MTFP) also strengthens the Council's financial resilience by identifying financial issues early and options for potential solutions.

D) Budget Consultation

2.21 The Council launched a consultation on the 2024-25 budget on 13th July 2023. The consultation was open until 6th September 2023 and can still be viewed via the <https://letstalk.kent.gov.uk/budget-consultation-2024-25> [Council's website](#).

2.22 2,620 responses were received which is higher than the 2,161 responses to last year's budget consultation. Responses were received from Kent residents, KCC staff and local businesses. 49.8% of respondents found out about the consultation via Facebook advertising, 19.4% via a KCC e-mail and/or website.

2.23 A supporting document set out the background to the consultation including key facts about Kent, KCC's strategic priorities, the financial challenges the council has had to address in recent years, the 2022-23 budget outturn, and the 2023-24 budget. The document included information on the council tax referendum principles together with the assumed levels for 2024-25 and impact on council tax bills. The document sets out the financial outlook for the forthcoming year and the difficult decisions that will be needed to balance significant forecast spending increases with the forecast resources from council tax and central government settlement.

2.24 The supporting document focuses on the six main spending areas which account for over 80% of revenue spending (excluding non-attributable costs):

- Care, support and preventative services for vulnerable adults (32%)
- Care, support and preventative services for vulnerable and disabled children (17%)
- Care, support and preventative services for older persons (15%)
- Public transport including home to school transport (8%)
- Waste recycling and disposal (7%)
- Highways management and maintenance (4%)

2.25 The consultation sought views on both the general council tax and the adult social care levy, and whether increases up to the referendum level are supported, increases should be less than referendum level, or any increase is opposed. The consultation sought views on spending priorities within the big six areas, and whether current spending is too little, too much or about right. The consultation sought views on if spending has to be reduced in one of the big six areas which should it be. The consultation also sought views on ideas for savings.

2.26 A separate detailed report setting out the responses received is included as a background document to this report.

E) Equalities Considerations

2.27 The Equality Act 2010 requires the Council, in the exercise of its functions to have due regard to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.

2.28 To help meet its duty under the Equality Act the council undertakes equality impact assessments to analyse a proposed change to assess whether it has a disproportionate impact on persons who share a protected characteristic. As part of our budget setting process an equality impact assessment screening will be completed for each savings proposal to determine which proposals will require a full equality impact analysis (with mitigating actions set out against any equality risks) prior to a decision to implement being made.

2.29 The amounts for some savings can only be confirmed following consultation and completion of an equalities impact assessment. Consequently, amounts are only planned at the time the budget is approved and can change. Any changes will be reported through the in-year budget monitoring reports which will include separate and specific consideration of delivery of savings plans.

F) Treasury Management Strategy

2.30 The Treasury Management Strategy Statement will be included as an appendix to the report for approval by full Council in accordance with the CIPFA Treasury Management Code of Practice. The Statement sets out the proposed strategy with regard to borrowing, the investment of cash balances and the associated monitoring arrangements.

2.31 The prudential indicators set out in the Treasury Management Strategy and Capital Strategy will be based on the first three years of the 10 year Capital Programme.

3.1 The provisional local government finance settlement for 2023-24 included guiding principles for 2024-25, although no indicative figures for individual councils were set out. The guiding principles related to council tax referendum principles, additional social care grants announced as part of a two-year package for 2023-24 and 2024-25 in the Autumn 2022 Budget, and uplifts to retained business rates and Revenue Support Grant (RSG) linked to business rate multipliers.

3.2 The guiding principle on council tax is that referendum limits for 2024-25 would be the same as 2023-24 i.e. for authorities with adult social care responsibilities an increase in the general precept of up to but not exceeding 3% without the requirement for a referendum, and adult social care levy of up to but not exceeding 2%. The initial draft budget assumes a council tax increase of 4.992%, the maximum that would be allowed without a referendum.

3.3 The additional grants for social care include:

- an extra £532m nationally in the Social Care Grant for adults and children's social care (increasing the total grant from £1,345m to £1,877m). If the same distribution methodology is used for 2024-25 as 2023-24 KCCs estimated share of the extra would be £14.4m (increasing Social Care grant from £88.8m to £103.2m).
- an extra £283m nationally in the Market Sustainability and Improvement Fund (increasing the total grant from £562m to £845m). If the same distribution methodology is used for 2024-25 as 2023-24 KCCs estimated share of the extra would be £7.3m (increasing Market Sustainability and Improvement Fund grant from £14.4m to £21.7m).
- an extra £200m nationally in the local authority 50% share of the Discharge Fund (increasing the total grant from £300m to £500m). If the same distribution methodology is used for 2024-25 as 2023-24 KCCs estimated share of the extra would be £4.7m (increasing Discharge Fund grant from £7.0m to £11.7m).

3.4 On 28th July 2023 the government announced a further £600m funding for adult social care over 2023-24 and 2024-25. £570m was added to the Market Sustainability and Improvement Fund (£365m in 2023-24 and a further £205m in 2024-25). KCC's share in 2023-24 was £9.4m with an estimated share of £5.2m in 2024-25. The remaining £30m is to be targeted to those authorities in the most challenged health systems (no details have yet been published).

3.5 The estimated increased social care grants have been included in the initial draft budget assumptions. The additional social care grants and increase in the adult social care council tax precept must be passported into social care budgets. This effectively sets a minimum increase in net spending on social care services between 2023-24 and 2024-25 and caps the amount that can be delivered from efficiency and transformation programmes in social care services to offset increasing costs.

3.6 The Non-Domestic Rating Bill is currently making its way through parliament. Most of this will not affect the retained funding for local authorities other than it will confirm that the annual indexation will be based on Consumer Price Index (CPI) rather than Retail Price Index (RPI) and the increase in the small business and standard multipliers would be decoupled. The impact of these changes on retained business rates funding is subject to technical consultation which closes on 2nd November. Ministers will still have the power to approve a lesser increase in the multiplier. Ministers have used the power of a lesser increase in recent years including using CPI rather than RPI (although local authorities have been compensated for the impact on retained business rates through a separate Section 31 grant).

3.7 The initial draft budget assumes that retained business rates (including top-up grant) and RSG will be uplifted by CPI (with no further compensation to RPI) as this was set out in the guiding principles. At this stage there has been no assumption about the decoupling of small business and standard multipliers pending the outcome of the consultation. This could mean that future uplifts are either based on local weighted average tailored for each authority according to the individual mix of small businesses and standard businesses within the tax base, or an England wide national weighted average. The initial draft budget assumes all increases are based on the un-decoupled small business rate multiplier (assumed 1.4p less than standard multiplier for 2024-25). The final impact of the decision on decoupled uplifts will need to be included in subsequent drafts once decisions have been confirmed.

4.1 Traditionally the revenue budget has been determined on an incremental basis. Incremental budgeting starts with the current year's budget and then adds/subtracts for known and forecast changes. These changes include the full year effect of current year forecast variances as well as future forecasts for pay/prices, service demands (largely driven by non-inflation related demand and cost drivers), service improvements and government legislation. These spending forecasts are then balanced against available funding by spending reductions through savings and income. Non inflation related demand and cost drivers would include things like increased costs of additional hours in care packages, longer journey routes, and supplier competition.

4.2 Incremental budgeting is relatively simple to understand and is appropriate if the primary cost drivers do not change from year to year, or changes can be robustly forecast. One of the big challenges in recent years has been the scale and unpredictability of changes in these non-inflation related demand and cost drivers and the difficulty in forecasting them accurately. This has resulted in overspends. There are also other problems with incremental budgeting as it tends to reinforce current practices and can lead to budget slack due to the inbuilt incentive to over-estimate incremental changes or failure to challenge the basis of current budgets. It is also highly susceptible to volatility from external factors.

4.3 Outcomes based budgeting (OBB) seeks to challenge the orthodoxy of incremental budgeting as it seeks to measure the difference that council spending is expected to make to the quality of life for local residents and communities and target spending accordingly. It will take some time to fully move to OBB due to the large amount of recurrent spending that is effectively fixed in the short to medium term due to existing care and support packages, contractual obligations, and long-standing agreements. This means that initially OBB is focused on an alternative approach to determining the distribution of the available year on year change in resources. This continues to be through the calculation of resource envelopes. For 2024-25 budget and MTFP resource envelopes were set for each of the next three years covering 2024-25 and indicative allocations for 2025-26 and 2026-27. The envelopes for 2024-25 are more predictable with the announcement of guiding principles within the 2023-24 settlement which confirmed increases in social care grants and council tax referendum principles for 2024-25.

4.4 The resource envelopes allocate the forecast available additional resources after taking account of corporate issues such as maintaining adequate and prudent reserves, provision for Kent scheme pay award and debt charges to fund capital programme. The resource envelopes for social care (adults and children's) need to ensure that additional resources from targeted government grants and specific council tax levy are passported in full.

4.5 Envelopes have been set on an Outcomes Based approach for the "big six" spending areas:

- care, support and preventative services for older persons
- care, support and preventative services for vulnerable adults
- care, support and preventative services for vulnerable and disabled children
- public transport (including home to school transport)
- waste recycling and disposal
- highways management & maintenance

4.6 The resource envelope calculation for the big six is based on a combination of unavoidable spending increases (largely contractual price increases) and savings from existing incremental MTFP, with the balance of available resources allocated according to outcomes. Effectively this replaces the previous incremental demographic demand growth and service improvements with an Outcomes basis. The envelopes for remaining spending outside the big six (other envelope) are set from the remaining resources based on historical spend and existing incremental MTFP growth and savings/income.

4.7 Services were tasked with identifying the actions they would need to take to manage spending within the resource envelopes. The initial draft plans to date have led to significant gaps in older people & vulnerable adults, integrated children’s and public transport envelopes where spending growth to date is forecast to be greater than the envelope and sufficient new savings/income have not been identified to manage within the envelope. It will be essential in closing the gap that the further outstanding actions seek to find ways to manage down the spending growth in these areas although this will take some time and it is inevitable that spending in other areas will also have to reduce below the levels expected in the envelope allocations. The council will need to engage additional external support to assist with identifying solutions that enable future spending growth in these key areas to be managed within the likely resources available within general fund from local taxation and government settlement and that these services do not take up an ever increasing and disproportionate share of the Council’s overall budget.

4.8 Currently there is a smaller gap in the waste recycling and disposal envelope and small surpluses in highways and other envelopes. The overall gap in the initial draft revenue budget of £48.8m will need to be closed across all envelopes for subsequent and final drafts through the objectives and actions identified in the strategy reported to Cabinet on 5th October 2023 “Securing Kent’s Future – Budget Recovery Strategy”. The latest position compared to the envelopes is set out in table 1 below.

Table 1 – Resource Envelopes compared to Initial Draft Spending Plans

	Resource Envelope £m	Initial Draft Plans £m	Gap / (surplus) £m
Older people & vulnerable adults	40.4	52.3	11.9
Integrated Children’s Services	3.7	21.4	17.8
Highways management & maintenance	4.8	4.3	-0.5
Waste recycling & disposal	0.7	3.0	2.3
Transport	3.9	26.3	22.3
Other	-0.4	-1.3	-0.9
Corporate for reserves, pay & financing	46.9	42.7	-4.2
Total	99.8	148.6	48.8

4.9 The spending plan submissions have been captured in a new way using sharepoint templates. This allows for more consistency with strategic business planning, enables more information to be collected and held centrally to inform budget decisions, and allows members to access more information about the draft budget proposals as part of the scrutiny process. The information from the templates is presented in a series of dashboards that can be interrogated. These dashboards have been designed to provide a high level of summary information which can then be drilled down. The information can be viewed from directorate, OBB service category, and the traditional MTFP categories (prices, demand, efficiencies, etc) perspectives.

4.10 A short video demonstration of the dashboards has been prepared to help to use them. The dashboards can only be accessed through a kent.gov e-mail account. The attached appendix C includes screen shots of examples from the dashboards. A brief description of each of the spending growth, savings & income, and reserves entries in the dashboard is set out in appendix D. The templates and dashboards are a new approach to gathering and presenting budget information. This means that inevitably further developments and improvements both to the design and presentation of them, and quality of information, will be needed as these evolve.

4.11 This approach is part of a transition towards Outcomes Based Budgeting ensuring a greater outcome focus on the most significant spending areas. This is not to say that other services are not necessarily a priority and cannot be added to the outcome based approach in later years. As the approach is developed increasingly future years envelopes will be based on finance and performance outcomes metrics. These metrics will need to be developed and agreed.

4.12 The core objectives of the revenue strategy are largely unchanged by an Outcome Based approach. The core budget objectives are as follows:

- Maintain a balanced budget and medium-term financial plan with net expenditure (after income and specific grants) not exceeding available funding from un-ringfenced grants and local taxation
- Set a council tax that does not exceed the government referendum limits
- Ensure the council is financially sustainable minimising the risk that the council could cease to be responsible for its financial and other affairs through government intervention or appointment of commissioners
- Maintain an adequate and prudent level of reserves commensurate with risks
- Maintain and improve the council's overall financial resilience through sustainability of reserves, levels of external borrowing and debt costs, balance of income compared to spend, proportion of council budget spent on social care
- Prudent management of cashflow and liquidity through Treasury Strategy which balances risks and returns on financial investments and low interest costs and certainty on borrowing
- Full cost recovery on charges for discretionary services other than where Cabinet agrees to provide services at a subsidy and/or concession
- Prudent capital investment programme
- Aligns resources to the council's strategic vision and priorities whilst allowing the council to fulfil statutory obligations

5.1 Council Tax income is a key source of funding for council services. The amount generated through Council Tax is based on precept on collection authorities derived from the estimated band D equivalent Council Tax Base (the number of weighted properties in each band adjusted for exemptions, discounts and assumed collection rates) and the county council share of the band D household charge.

5.2 A significant proportion of the funding towards the revenue budget is derived from the County Council’s share of council tax. The County Council share of council tax typically amounts to around 70% of a household council tax bill. The County Council charge is the same for all households in the county (as is the share for Police & Crime Commissioner and Fire and Rescue authority), the amount for district/borough and town/parish councils will vary depending on the local area and the individual decisions of these councils.

5.3 The Council currently can, subject to legislative constraints, increase its Council Tax rate through two mechanisms, the Adult Social Care (ASC) precept and general tax rate increases. Each 1% increase in the Council Tax rate generates circa £8.9m per annum in 2024-25, which equates to an extra 29.5 pence per week for a band D property.

5.4 The guiding principles for 2024-25 allow for up to but not exceeding 3% general tax rate increases without a referendum plus an additional Adult Social Care precept of up to 2%. These increases are based on the total county council share of the household charge for 2023-24 (£1,534.23 for band D household). The administration’s initial draft budget 2023-24 includes an assumed 2.998% increase for the general precept (up to but not exceeding the referendum level) and a further 1.994% increase for the adult social care levy (ASCL). The impact of these assumed council tax increases on individual bands are shown in table 2.

Table 2 – Assumed Council Tax Band Charges

Band	Proportion of Band D Tax Rate	2023-24 (incl. ASCL)	2024-25 (excl. increase in ASCL)	2024-25 (incl. increase in ASCL)
A	6/9	£1,022.82	£1,053.48	£1,073.88
B	7/9	£1,193.29	£1,229.06	£1,252.86
C	8/9	£1,363.76	£1,404.64	£1,431.84
D	9/9	£1,534.23	£1,580.22	£1,610.82
E	11/9	£1,875.17	£1,931.38	£1,968.78
F	13/9	£2,216.11	£2,282.54	£2,326.74
G	15/9	£2,557.05	£2,633.70	£2,684.70
H	18/9	£3,068.46	£3,160.44	£3,221.64

5.5 The County Council’s 2023-24 council tax charge (including Fire and Rescue Authority to ensure valid like for like comparison) is currently 10th highest of the 21 counties and 4th of the 7 south east counties. We will not know KCC’s relative position on Council Tax for 2024-25 until all county councils have agreed their precept and Council Tax charge for 2024-25.

5.6 The assumed tax base in the initial draft budget is 1.7% increase. This is based on an assumed historical average increase of 1.5% for increases in number of dwellings and changes in discounts, exemptions and assumed collection rates plus a further 0.2% for the assumed impact if the remaining 9 councils remove the remaining discounts on empty dwellings. Removing such discounts would be consistent with reducing the number of empty dwellings and reducing collection costs. Removing empty property discounts would also be more consistent with reforms in the Levelling up and Regeneration Bill which would allow premiums to be charged on dwellings empty for more than one year as otherwise owners of empty dwellings would pay reduced or no council tax in the first year a property became empty but then double council tax in second year. At this stage the tax base includes no assumption of these increased premiums pending progress of the Bill through parliament.

5.7 The final council tax precept and council tax funding levels will have to be based on tax base estimates notified by the 12 collection authorities. This could change from the assumed tax base in the initial draft 2024-25 budget. Collection authorities also have to notify estimated collection fund balance for over/under collection. This must also be reflected in the final budget as over/under collection has to be taken into account as part of the final decision on council tax charge for 2024-25. The initial draft includes an assumed £7m collection fund balance.

6.1 The administration's initial draft capital and revenue budgets are subject to the budget scrutiny process in November (with scrutiny of further detail to follow in January). The estimates in the initial draft budget are early forecasts which can, and in all likelihood will, change in the final draft budget. Following the scrutiny process the administration's final draft budget for approval by County Council will be published by 9th February 2024. The full Council is responsible for agreeing the budget at the County Council meeting on 19th February 2024 (this is later than previous years to avoid the school holidays but does mean that the council tax precept must be agreed even if other aspects of the budget are deferred to the reserve date as district and borough councils need certainty over the county council precept for their budget setting which is scheduled in the days immediately after the county council meeting). As required by the Council's Constitution and Financial Regulations, the final draft budget for County Council approval will be proposed by the Leader and published in a format recommended by the Corporate Director, Finance and agreed by the Leader.

6.2 The draft proposed ten-year capital spending plans for 2024-34 are being updated to reflect the recent monitoring position and are currently work in progress. The updated plans will need to include some minor changes as detailed below, with the comprehensive refresh scheduled to be published in January:

- Roll overs from the 2022-23 outturn position,
- The transfer of small recurring annual spend to revenue,
- The addition of £26.1m between 2024-25 to 2026-27 to the corporate Modernisation of Assets programme, funded from additional capital receipts,
- Reflection of the 2025-26 basic need grant allocations which resulted in £20.5m additional grant in 2025-26,
- Replacement of £2.6m prudential borrowing with available grant in 2024-25.

6.3 The presentation of the administration's draft revenue budget 2024-25 and 2024-27 MTFP focuses on the key policy and strategic implications of the proposals. The revenue proposals are summarised in appendices A to D of this report. These appendices show the spending, income and savings changes from the current year's approved budget (2023-24) and the financing requirements. Appendix A provides a high-level summary of the proposed three-year plan for the whole council, showing separately the spending growth, savings & income, changes in reserves for core KCC funded activity (funding from the local government settlement and local taxation) from changes in externally funded activities (largely specific grant funded).

6.4 Appendix B provides a directorate high level summary of the proposed plan for 2024-25 again showing separately spending growth, savings & income, changes in reserves and funding for core KCC funded activity (funding from the local government settlement and local taxation) from changes in externally funded activities (largely specific grant funded). Throughout this report the focus is on core funded spending, savings, income and reserves as changes on externally funded spend are financially neutral.

6.5 Appendix C shows examples of the more detailed information available through the dashboards. Appendix D provides a full list of individual spending and savings & income items. Subsequent versions of the draft and final budget will provide more budget details in other formats as the dashboards can only be accessed via a kent.gov e-mail account. The dashboards have been designed specifically to address issues with previous budget presentations for scrutiny purposes.

6.6 The final draft budget presented to County Council will include the key service analysis. The original planned spending on key services is set out in appendix E of the final approved Budget Book for 2023-24 (published in March) and available on KCC website at https://www.kent.gov.uk/_data/assets/pdf_file/0006/148947/Budget-Book-2023-24.pdf

It is not feasible or appropriate to produce a key service presentation in the initial draft budget for scrutiny as the scrutiny process needs to focus on the proposed changes to the approved budgets for 2023-24 before more detailed delivery plans are completed and these plans will inform the key service budgets for 2024-25.

6.7 Additional proposed spending growth includes the impact of decisions and activities already being delivered in the current year not included in the current base budget and known future contractual obligations. It also includes forecasts for future cost or activity changes for the forthcoming year, or changes in Council policy. These are set out in fuller detail in dashboards including an explanation of the reasons for the change, key impacts and risks, dependencies and sensitivities. As outlined in section 4, the dashboards have been designed as a new approach but inevitably will need further development on design, content and data quality.

6.8 The savings and income options in the dashboards follows a similar pattern with proposed savings amounts derived from the full year effect of 2023-24 plans already agreed; savings and income for 2024-25 in the original 2023-26 MTFP (albeit updated); savings/income from the application of existing policies; savings/income that do not require any changes in policy; and those that require policy changes presented as policy savings, efficiency/transformation savings, income or financing savings. Given the scale of the savings, enhanced detailed delivery plans will need to be prepared and monitoring arrangements will be put in place in addition to the arrangements already embedded through the monthly monitoring with budget managers and regular quarterly budget monitoring reports to Cabinet.

6.9 The high-level equation for changes in planned revenue spending for 2024-25 (growth and savings), income and net budget, together with the balancing changes in funding is shown in table 3 below. This summarises how the requirement to set a balanced budget will be met once the outstanding actions for 2024-25 outlined in Securing Kent's Future have been finalised and confirmed. To improve transparency the spending, savings and reserves from core KCC funds are shown separately from externally funded changes (consistent with revised presentation of appendices A and B).

Table 3 – Net Change in Spending and Funding

Change in Net Spending	Core Funded	External Funded	Change in Net Funding	Core Funded
Assumed additional spending	£201.5m	-£24.1m	Increase in Social Care grants	£31.7m
Proposed savings from spending reductions and future cost avoidance	-£59.2m*		Net Increase in other government grants	£7.9m
Proposed changes in income	-£10.1m*	-£0.3m	Change in council tax base	£14.9m
Savings & future cost avoidance from SKF to be identified	-£48.8m		Assumed increase in council tax charge	£44.5m
Assumed changes in specific government grants		£20.9m	Change in retained business rates	£3.0m
Proposed net change in reserves	£16.4m	£3.5m	Change in net collection fund balances/S31 compensation	-£2.2m
Total Change in Net Spending	£99.8m	£0.0m	Total Change in Net Funding	£99.8m

*Net figures from original 2023-26 plan updated and new proposals

6.10 The increased and additional grants have been set out in more detail in the section on the principles for 2024-25 local government finance settlement (section 3 of this report). This includes the ASC Discharge Fund, increases in Social Care Grant and Market Sustainability and Improvement Fund.

6.11 The initial draft MTFP does not show a balanced 3 year plan. The initial draft budget for 2024-25 has a gap of £48.8m due to spending growth after savings, income and reserves exceeding the estimated resources from the government settlement and local taxation. The early forecasts on which the initial draft budget is based means that effectively this means the gap presented is a figure within a likely range. The recovery plan has set out indicative amounts from the further actions to close this gap although at this stage these have not been worked in sufficient detail to include as savings and cost reduction plans for the initial draft budget. The recovery plan identified 3 main areas where there is the biggest opportunity for further savings and to reduce costs in 2024-25 to resolve the gap and balance the budget. These include:

- review of demand and cost drivers in adult social care, children's services and home to school transport leading to scope to reduce future cost growth with a particular focus on managing down demand and non-inflationary cost increases in line with the best value principles outlined in section 2B of this report
- Review of all contracts due for renewal in the next 12 months with particular regard to those that can be allowed to lapse and those where there can be a significant change in specification leading to lower tender prices
- Further targeted policy savings in areas of non-statutory spending (including elements of SEN, adult social care and children's services), efficiency/transformation savings such as planning of SEN transport routes, and bringing forward savings in later years of MTFP.

These further detailed plans will need to be presented for scrutiny in January in advance of the publication of final draft budget plans for full Council approval in February. The plans for 2025-26 and 2026-27 have further albeit lesser gaps although the funding and spending forecasts are less reliable for these later years.

6.12 Pressures arising from Special Education Needs & Disabilities (SEND) impact upon both the Dedicated Schools Grant (DSG) and the General Fund. Pressures on DSG are addressed primarily by the Safety Valve mechanism, whereby Department for Education provides a substantial contribution (up to £140m), in return for improvements to the SEND system. Pressures on the General Fund are reflected primarily on the number of requests to assess, produce and then annually review Education & Health Care Plans (EHCP) and the associated increased SEND home to school transport costs.

6.13 There is already substantial work being undertaken to manage down this financial pressure and additional work will focus on identifying and reviewing changes to existing policy and practice so that we are meeting statutory minimum requirements, but ceasing discretionary services where they are not cost effective and only issuing EHCPs where they are necessary, and needs cannot be met by other means.

6.14 Where required consultation and Equality Impact Assessments (EQIA) will need to be undertaken on individual new savings and income proposals. The final planned amounts can only be confirmed following consultation and EQIA. Any variances between the approved budget and final planned amounts will be included in the budget monitoring report to Cabinet, together with progress on delivery.

Proposed Initial Draft 2024-25 Revenue Budget – key numbers

£1,415.4m	Assumed net revenue budget for 2024-25. This represents a £99.8m increase on the final approved budget for 2023-24 of £1,315.6m.
£201.5m	Additional assumed core funded spending growth – see paragraph 7.1 for more detail.
-£69.3m	Assumed savings, income and future cost increase avoidance. Of this £28.3m relates to proposed savings, £10.1m additional income generation (mainly fees and charges), and £30.9m reductions in the amount assumed for future demand and cost increases in adult social care and home to school transport – see paragraph 7.2 for more detail.
£16.4m	Assumed net impact on the budget of changes in use of reserves including new contributions and removing previous years drawdown and contributions – see section 8 for more detail
-£48.8m	Outstanding actions yet to be finalised from Securing Kent’s Future – Budget Recovery Strategy. These additional reductions will need to mainly come from further avoidance of future spending increases from reviewing impact of cost and demand drivers, contract renewals and further service savings.
£936.2m	Assumed to be raised from Council Tax precept. An increase of £59.4m on 2023-24. £14.9m is due to a 1.7% assumed increase in the tax base due to additional dwellings, changes in discounts and exemptions and assumed collection rates. £44.5m is from the assumed increase in the household charge up to but not exceeding 5% (including £17.8m from the adult social care levy).
£39.6m	Assumed increase in the local government grant settlement. This comprises: <ul style="list-style-type: none"> • £14.4m increase in Social Care Grant announced in 2023-24 settlement from repurposed funding from social care charging reforms • £12.5m increase in Market Sustainability and Improvement Fund to support capacity and discharge (including £7.3m announced in 2023-24 settlement and £5.2m further announcement in summer 2023) • £4.7m ASC Discharge Fund • £10.2m indexed linked uplifts in business rate top-up, business rate compensation and Revenue Support Grant • -£2.3m removal of New Homes Bonus Grant

Revenue spending: a reminder of what it is
 Revenue spending is spent on the provision of day to day services, either directly through KCC staff and operational buildings, or commissioned from third parties. Revenue spending is identified as gross spend and net spend after taking account of service income and specific government grants. The net revenue budget requirement is funded by a combination of council tax, locally retained business rates and un-ring-fenced grants from the Department for Levelling-up, Housing and Communities (DLUHC) included in the local government finance settlement. Grants from other government departments are ring-fenced to specific activities and are shown as income to offset the related spending.

7.1 The additional assumed core funded spending growth (i.e. excluding changes arising from external funding changes) of £201.5m for 2024-25 is summarised in appendices A and B and set out in more detail in appendix D together with more detail in the dashboard. It has been subdivided into the following categories:

Net base budget changes £45.5m	Changes to reflect full year effect of variations in the current year's monitoring forecast compared to approved budget. These adjustments are necessary to ensure the draft budget is based on a robust and sustainable basis.
Demand and cost drivers £80.9m	Forecast estimates for future non-inflationary cost and demand increases such as additional care hours, increased journey length's, etc. across a range of services including adult social care, integrated children's services, home to school transport and waste tonnage.
Price uplifts £46.2m	Contractual and negotiated price increases on contracted services, including full year effect of planned mid-year uplifts in current year and forecast future price uplifts.
Pay £14.2m	Additional net cost of assumed pay award and progression after savings from appointing new staff lower in pay ranges.
Service Strategies & Improvements £13.2m	Other assumed spending increases to deliver strategic priorities and/or service improvements and outcomes including financing of capital programme
Government & Legislative £1.4m	Additional spending to meet compliance with legislative and regulatory changes

7.2 The proposed savings, income and future cost increase avoidance of £69.3m for 2024-25 are summarised in appendices A and B and set out in more detail in appendix D together with more detail in the dashboard. It has been subdivided into the following categories:

Policy Savings £6.6m	Savings arising from proposed changes in KCC policies including full year effect of 2023-24 savings and new proposals for 2024-25 (full year effect in later years will be shown in detail in future drafts). Savings in this category are changes to charging policies and changes in our service offer.
Transformation & Efficiency Savings £49.4m	Savings aimed at achieving improved or the same outcomes at less cost including full year effect of 2023-24 savings and new proposals for 2024-25 (full year effect in later years will be shown in detail in future drafts). Savings in this category include future cost increase avoidance as well as reductions to existing recurring spend. Transformation and efficiency savings include contracted spending as well as in-house spending on staffing and premises.
Financing Savings £3.3m	Review of amounts set aside for debt repayment (MRP) based on asset life and increased investment income returns.
Income Generation £10.1m	Increases in fees and charges for council services from applying existing policies on fee uplifts (including contributions from other bodies) and new income generation proposals. Existing policies include increases in client contributions in line with estimated 2024-25 benefits and other personal income increases and increases in contributions to Kent Travel Saver and 16+ pass linked to fare increases.

8.1 Reserves are an important part of the Council's financial strategy and are held to create long-term financial stability. They enable the Council to manage change without undue impact on the Council Tax and are a key element of its financial standing and resilience.

8.2 The Council's key sources of funding face an uncertain future and the Council therefore holds earmarked reserves and a working balance to mitigate future financial risks.

8.3 There are two main types of reserves:

- Earmarked Reserves – held for identified purposes and are used to maintain a resource in order to provide for expenditure in a future year(s).
- General Reserves – these are held for 'unforeseen' events.

8.4 The Council maintains reserves both for its General Fund activities and it accounts for the reserves of its maintained schools. Schools are funded by a 100% government grant, Dedicated Schools Grant (DSG). Local authorities cannot fund DSG activities from the general fund without express approval from the Secretary of State. The Statutory Override on DSG deficits has been extended for 3 years from 2023-24 to 2025-26, however during this period it is essential that the Council makes provision for the local authority contributions to the Safety Valve agreement. The Secretary of State has given the council the necessary approval for KCC's contribution to the Safety Valve to be funded from the general fund. The Safety Valve agreement does not fully eliminate the risk of DSG overspends until the plan has been fully delivered and high needs spending is contained within the block of funding available within DSG.

8.5 There remains a significant risk to reserves from the forecast overspend for 2023-24 and the gap in 2024-25 in the initial draft budget until all the actions to bring spending in 2023-24 back into balance have been delivered and the actions to balance planned spending in 2024-25 finalised and agreed. The level of reserves held is a matter of judgment which takes into account the reasons why reserves are maintained and the Council's potential financial exposure to risks. A Reserves Policy is included as Appendix E to this report. An analysis of budget risks is included as Appendix F, and risk register as Appendix G.

8.6 The Council holds reserves in order to mitigate future risks, such as increased demand and costs; to help absorb the costs of future liabilities; and to enable the Council to initially resource policy developments and initiatives without a disruptive impact on Council Tax. Capital reserves play a similar role in funding the Council's capital investment strategy.

8.7 The Council also relies on interest earned through holding cash and investment balances to support its general spending plans.

8.8 Reserves are one-off monies and, therefore, the Council generally aims to avoid using reserves to meet on-going financial commitments other than as part of a sustainable budget plan. The Council has to balance the opportunity cost of holding reserves in terms of Council Tax against the importance of interest earning and long-term future planning.

8.9 Reserves are therefore held for the following purposes:

- Providing a working balance
- Smoothing the impact of uneven expenditure profiles between years e.g. collection fund surpluses or deficits, local elections, structural building maintenance and carrying forward expenditure between years.
- Holding funds for future spending plans e.g. capital expenditure plans, and for the renewal of operational assets e.g. information technology renewal.
- Meeting future costs and liabilities where an accounting 'provision' cannot be justified.
- Meeting future costs and liabilities so as to cushion the effect on services e.g. the Insurance Reserve for self-funded liabilities arising from insurance claims.
- To provide resilience against future risks.
- To create policy capacity in the context of forecast declining future external resources.

8.10 All earmarked reserves are held for a specific purpose. A summary of the movement on each category of reserves is published annually, to accompany the annual Statement of Accounts.

8.11 The administration's Initial draft budget 2024-25 includes an assumed net £16.4m increase in reserves impacting on the budget including new contributions and removing previous years drawdown and contributions. These changes include the following main changes:

Increased/new contributions £36.7m

- £16.2m general reserves including £11.1m repayment of 50% of the amount drawn down to balance 2022-23 and £5.1m for the additional annual contribution to reflect the increase in net revenue budget to maintain general reserves at 5%. The phased repayment of 2022-23 drawdown means general reserves are not planned to be returned to 5% of net revenue until 2025-26
- £15.1m DSG reserve for the planned 2024-25 local authority contribution to the safety valve programme
- £4.3m repayment to smoothing reserves for planned drawdown to support 2023-24 budget
- £1.0m annual contribution to establish new Emergency Capital Events Reserve for emergency capital works and revenue costs related to capital spend such as temporary accommodation, and condition surveys which don't result in capital works

Drawdowns and Removal of Prior Year Drawdown and Contributions -£20.2m

- -£5.8m removal of 2023-24 contribution to general reserve for increase in net budget
- -£12m removal of contribution to risk reserve (now treated as contingent spend rather than reserve)
- -£5.6m removal of 2023-24 contribution to Local Taxation Equalisation reserve
- -£1.2m removal of annual contribution for phased repayment of long term reserves borrowed to fund grant reductions in 2011-12 as these are now fully repaid
- +£4.3m replace drawdown from reserves to support 2023-24 budget

Appendices and background documents

Appendices

High Level Summary 3 Year Draft Revenue Plan and Financing 2024-27	A
Directorate Summary of 2024-25 Spending, Savings & Income and Reserves	B
Budget 2024-25 Dashboard	C
List of individual spending growth and savings & income items	D
Reserves Policy	E
Budget Risks and Adequacy of Reserves	F
Budget Risk Register	G

Background documents

Below are click-throughs to reports, more information, etc.
Click on the item title to be taken to the relevant webpage.

KCC's Budget webpage	1
KCC's Corporate Risk Register (item 9)	2
KCC's Risk Management Strategy, Policy and Programme (item 11)	
KCC's approved 2023-24 Budget	3
2024-25 Budget Consultation (Let's Talk Kent) including the Budget Consultation report	4
June 2023 (high level update for August 2023) Monitoring Report	5
Securing Kent's Future – Budget Recovery Strategy	6
Securing Kent's Future – Budget Recovery Report	7

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APPENDIX A: HIGH LEVEL 2024-27 REVENUE PLAN AND FINANCING

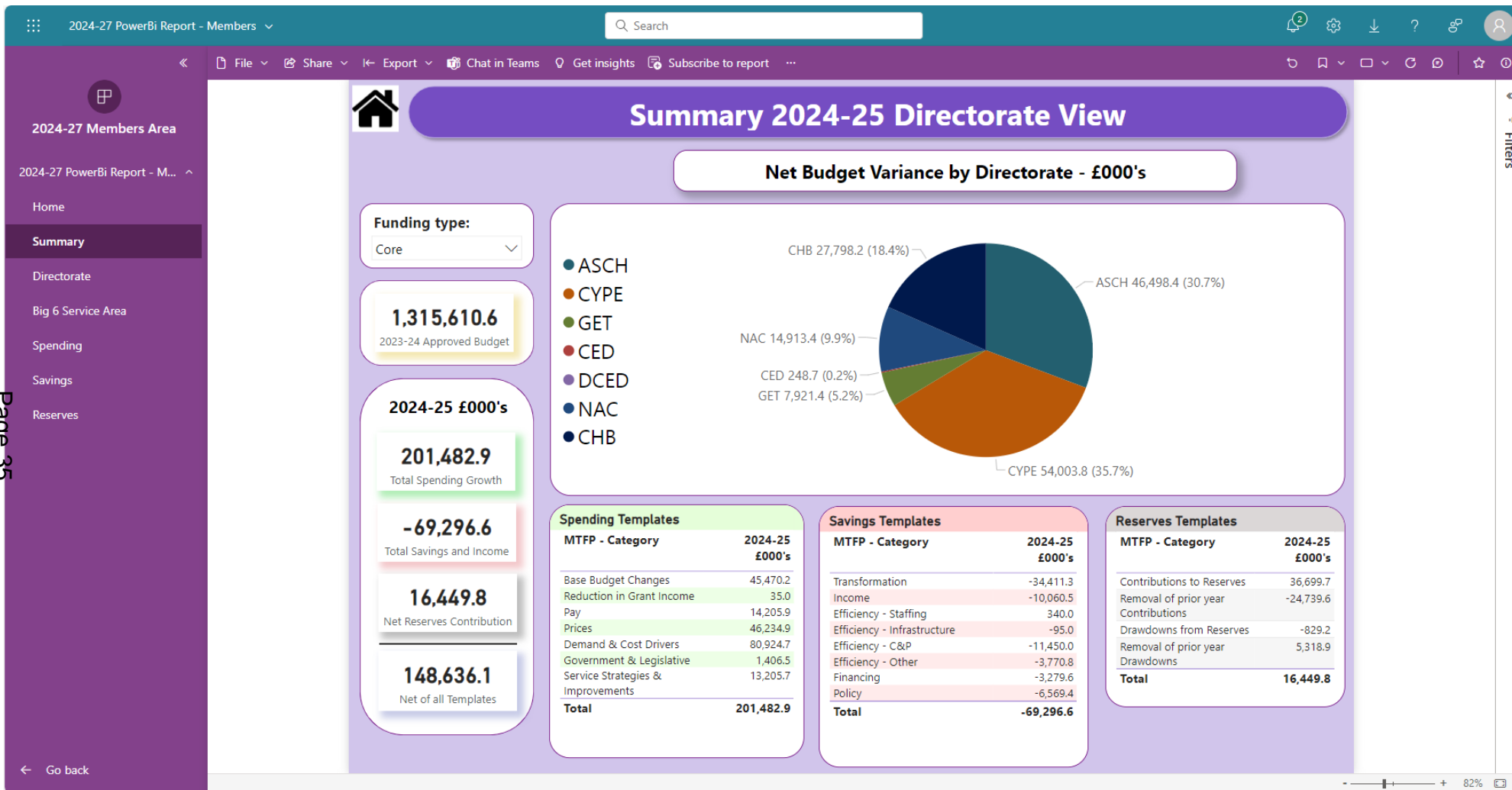
	2024-25			2025-26			2026-27		
	core funded	externally funded	TOTAL	core funded	externally funded	TOTAL	core funded	externally funded	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Revised Base Budget	1,315,610.6		1,315,610.6	1,415,450.7		1,415,450.7	1,473,162.2		1,473,162.2
Spending									
Base Budget Changes	45,470.2	0.0	45,470.2	20,355.0	0.0	20,355.0	20,400.0	0.0	20,400.0
Reduction in Grant Income	35.0	0.0	35.0	0.0	0.0	0.0	0.0	0.0	0.0
Pay	14,205.9	505.1	14,711.0	7,611.8	0.0	7,611.8	7,560.1	0.0	7,560.1
Prices	46,234.9	967.4	47,202.3	28,345.0	0.0	28,345.0	22,513.2	0.0	22,513.2
Demand & Cost Drivers	80,924.7	314.7	81,239.4	84,447.6	0.0	84,447.6	82,879.0	0.0	82,879.0
Service Strategies & Improvements	13,205.7	-2,568.8	10,636.9	572.6	-3,952.0	-3,379.4	738.8	0.0	738.8
Government & Legislative	1,406.5	-23,337.5	-21,931.0	126.5	-4,520.6	-4,394.1	0.0	0.0	0.0
Total Spending	201,482.9	-24,119.1	177,363.8	141,458.5	-8,472.6	132,985.9	134,091.1	0.0	134,091.1
Savings, Income & Grants									
Transformation & Efficiency	-49,387.1	0.0	-49,387.1	-46,852.2	-13.9	-46,866.1	-41,833.7	0.0	-41,833.7
Income	-10,060.5	-281.3	-10,341.8	-5,170.3	0.0	-5,170.3	-4,695.4	0.0	-4,695.4
Financing	-3,279.6	0.0	-3,279.6	222.4	0.0	222.4	-281.8	0.0	-281.8
Policy	-6,569.4	-9.2	-6,578.6	-14,499.1	0.0	-14,499.1	-5,032.9	0.0	-5,032.9
Total Savings & Income	-69,296.6	-290.5	-69,587.1	-66,299.2	-13.9	-66,313.1	-51,843.8	0.0	-51,843.8
Increases in Grants and Contributions		20,949.1	20,949.1		8,136.0	8,136.0		0.0	0.0
Total Savings & Income & Grant	-69,296.6	20,658.6	-48,638.0	-66,299.2	8,122.1	-58,177.1	-51,843.8	0.0	-51,843.8
RESERVES									
Contributions to reserves	36,699.7	0.0	36,699.7	29,910.0	0.0	29,910.0	15,560.0	0.0	15,560.0
Removal of prior year Contributions	-24,739.6	0.0	-24,739.6	-36,699.7	0.0	-36,699.7	-29,910.0	0.0	-29,910.0
Drawdowns from reserves	-829.2	-350.5	-1,179.7	0.0	0.0	0.0	0.0	0.0	0.0
Removal of prior year Drawdowns	5,318.9	3,811.0	9,129.9	829.2	350.5	1,179.7	0.0	0.0	0.0
Net impact on MTFP	16,449.8	3,460.5	19,910.3	-5,960.5	350.5	-5,610.0	-14,350.0	0.0	-14,350.0
NET CHANGE	148,636.1	0.0	148,636.1	69,198.8	0.0	69,198.8	67,897.3	0.0	67,897.3
Outstanding Actions for Securing Kent's Future (-ve)	-48,796.0		-48,796.0	-11,487.3		-11,487.3	-2,385.2		-2,385.2
NET BUDGET REQUIREMENT	1,415,450.7	0.0	1,415,450.7	1,473,162.2	0.0	1,473,162.2	1,538,674.3	0.0	1,538,674.3
MEMORANDUM:									
The net impact on our reserves balances is:									
Contributions to Reserves	36,699.7	0.0	36,699.7	29,910.0	0.0	29,910.0	15,560.0	0.0	15,560.0
Drawdowns from Reserves	-829.2	-350.5	-1,179.7	0.0	0.0	0.0	0.0	0.0	0.0
Net movement in Reserves	35,870.5	-350.5	35,520.0	29,910.0	0.0	29,910.0	15,560.0	0.0	15,560.0
FUNDING									
Revenue Support Grant			11,649.6			11,716.1			11,716.1
Business Rate Top-Up Grant			148,138.7			148,985.2			148,985.2
Business Rate Compensation Grant			46,546.6			46,812.6			46,812.6
Social Care Support Grant			103,212.0			103,212.0			103,212.0
Market Sustainability & Improvement Fund			26,969.4			21,703.9			21,703.9
Hospital Discharge Grant			11,686.6			11,686.6			11,686.6
Services Grant			7,599.4			7,599.4			7,599.4
Improved Better Care Fund			50,014.7			50,014.7			50,014.7
Other un-ringfenced grants			3,257.7			3,257.7			3,257.7
Local Share of Retained Business Rates			63,177.9			63,521.7			63,521.7
Business Rate Collection Fund			0.0			0.0			0.0
Council Tax Income (including increase up to referendum limit but excluding social care levy)			800,774.3			841,243.1			884,201.0
Council Tax Adult Social Care Levy			135,423.8			156,409.2			178,963.4
Council Tax Collection Fund			7,000.0			7,000.0			7,000.0
Total Funding			1,415,450.7			1,473,162.2			1,538,674.3

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APPENDIX B: HIGH LEVEL 2024- 25 REVENUE PLAN BY DIRECTORATE

	TOTAL			ASCH Adult Social Care & Health	PH Public Health	CYPE Children, Young People & Education	GET Growth, Environment & Transport	CED Chief Executive's Department	DCED Deputy Chief Executive's Department	NAC Non Attributable Costs	CHB Corporately Held Budgets						
	core funded £000s	externally funded £000s	TOTAL £000s	core funded £000s	externally funded £000s	core funded £000s	externally funded £000s	TOTAL £000s	core funded £000s	externally funded £000s	TOTAL £000s	core funded £000s	externally funded £000s	TOTAL £000s			
Revised Base Budget	1,315,610.6		1,315,610.6	527,430.4	0.0	360,353.0		360,353.0	194,949.0	33,118.9		33,118.9	83,989.0	116,062.2	-291.9		-291.9
Spending																	
Base Budget Changes	45,470.2	0.0	45,470.2	16,900.0	0.0	21,666.0	0.0	21,666.0	-468.9	-55.4	0.0	-55.4	-3,000.0	-3,369.7	13,798.2	0.0	13,798.2
Reduction in Grant Income	35.0	0.0	35.0	0.0	0.0	0.0	0.0	0.0	35.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pay	14,205.9	505.1	14,711.0	0.0	505.1	553.0	0.0	553.0	85.0	0.0	0.0	0.0	0.0	67.9	13,500.0	0.0	13,500.0
Prices	46,234.9	967.4	47,202.3	28,482.3	967.4	13,384.0	0.0	13,384.0	2,841.5	0.0	0.0	0.0	1,482.1	45.0	0.0	0.0	0.0
Demand & Cost Drivers	80,924.7	314.7	81,239.4	50,602.0	314.7	29,181.5	0.0	29,181.5	1,141.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Service Strategies & Improvements	13,205.7	-2,568.8	10,636.9	296.1	-2,568.8	2,008.0	0.0	2,008.0	5,065.0	656.6	0.0	656.6	-320.0	5,500.0	0.0	0.0	0.0
Government & Legislative	1,406.5	-23,337.5	-21,931.0	0.0	-489.6	0.0	-777.0	-777.0	1,406.5	0.0	59.9	59.9	0.0	0.0	0.0	-22,130.8	-22,130.8
Total Spending	201,482.9	-24,119.1	177,363.8	96,280.4	-1,271.2	66,792.5	-777.0	66,015.5	10,105.3	601.2	59.9	661.1	-1,837.9	2,243.2	27,298.2	-22,130.8	5,167.4
Savings, Income & Grants																	
Transformation & Efficiency	-49,387.1	0.0	-49,387.1	-39,758.1	0.0	-9,240.0	0.0	-9,240.0	-94.0	-250.0	0.0	-250.0	-45.0	0.0	0.0	0.0	0.0
Income	-10,060.5	-281.3	-10,341.8	-8,773.9	-281.3	-417.7		-417.7	-868.9	0.0		0.0	0.0	-500.0	500.0		500.0
Financing	-3,279.6	0.0	-3,279.6	0.0	0.0	0.0		0.0	0.0	0.0		0.0	0.0	-3,279.6	0.0		0.0
Policy	-6,569.4	-9.2	-6,578.6	-1,250.0	-9.2	-3,131.0		-3,131.0	-1,221.0	-102.5		-102.5	-864.9	0.0	0.0		0.0
Total Savings & Income	-69,296.6	-290.5	-69,587.1	-49,782.0	-290.5	-12,788.7	0.0	-12,788.7	-2,183.9	-352.5	0.0	-352.5	-909.9	-3,779.6	500.0	0.0	500.0
Increases in Grants and Contributions		20,949.1	20,949.1		-1,898.8		777.0	777.0			-59.9	-59.9			22,130.8		22,130.8
Total Savings & Income & Grant	-69,296.6	20,658.6	-48,638.0	-49,782.0	-2,189.3	-12,788.7	777.0	-12,011.7	-2,183.9	-352.5	-59.9	-412.4	-909.9	-3,779.6	500.0	22,130.8	22,630.8
RESERVES																	
Contributions to reserves	36,699.7	0.0	36,699.7	0.0	0.0	0.0		0.0	0.0	0.0		0.0	160.0	36,539.7	0.0	0.0	0.0
Removal of prior year Contributions	-24,739.6	0.0	-24,739.6	0.0	0.0	0.0		0.0	0.0	0.0		0.0	-160.0	-24,579.6	0.0	0.0	0.0
Drawdowns from reserves	-829.2	-350.5	-1,179.7	-567.2	-350.5	0.0		0.0	0.0	-262.0		-262.0	0.0	0.0	0.0	0.0	0.0
Removal of prior year Drawdowns	5,318.9	3,811.0	9,129.9	567.2	3,811.0	0.0		0.0	0.0	262.0		262.0	0.0	4,489.7	0.0	0.0	0.0
Net impact on MTFP	16,449.8	3,460.5	19,910.3	0.0	3,460.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16,449.8	0.0	0.0	0.0
NET CHANGE	148,636.1	0.0	148,636.1	46,498.4	0.0	54,003.8	0.0	54,003.8	7,921.4	248.7	0.0	248.7	-2,747.8	14,913.4	27,798.2	0.0	27,798.2
Outstanding Actions for Securing Kent's Future	-48,796.0		-48,796.0												-48,796.0		-48,796.0
NET BUDGET REQUIREMENT	1,415,450.7	0.0	1,415,450.7	573,928.8	0.0	414,356.8	0.0	414,356.8	202,870.4	33,367.6	0.0	33,367.6	81,241.2	130,975.6	-21,289.7	0.0	-21,289.7
MEMORANDUM:																	
The net impact on our reserves balances is:																	
Contributions to Reserves	36,699.7	0.0	36,699.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	160.0	36,539.7	0.0	0.0	0.0
Drawdowns from Reserves	-829.2	-350.5	-1,179.7	-567.2	-350.5	0.0	0.0	0.0	0.0	-262.0	0.0	-262.0	0.0	0.0	0.0	0.0	0.0
Net movement in Reserves	35,870.5	-350.5	35,520.0	-567.2	-350.5	0.0	0.0	0.0	0.0	-262.0	0.0	-262.0	160.0	36,539.7	0.0	0.0	0.0

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2024-27 PowerBi Report - Members

Search

File Share Export Chat in Teams Get insights Subscribe to report

2024-27 Members Area

2024-27 PowerBi Report - M...

Home

Summary

Directorate

Big 6 Service Area

Spending

Savings

Reserves

Go back

100%

Funding type: Core

Directorate selected:

Division selected: --

Big 6 Service Area selected: --

Director:
 ASCH
 CYPE
 GET
 CED
 DCED
 NAC
 CHB
 Public Health

Division:

Big 6 Service Area:

Click on the + to see the descriptions of the templates under that Category

Spending Templates

MTFP - Category

	No. of Templates	2024-25 £000's
+ Base Budget Changes	23	45,470.2
+ Reduction in Grant Income	1	35.0
+ Pay	7	14,205.9
+ Prices	34	46,234.9
+ Demand & Cost Drivers	14	80,924.7
+ Government & Legislative	2	1,406.5
+ Service Strategies & Improvements	15	13,205.7
Total	96	201,482.9

Please select a Individual Spending Template

The screenshot shows a PowerBI report titled "2024-27 PowerBi Report - Members". The interface includes a top navigation bar with a search box and various utility icons. A left-hand navigation pane lists menu items: "2024-27 Members Area", "2024-27 PowerBi Report - M...", "Home", "Summary", "Directorate", "Big 6 Service Area" (highlighted), "Spending", "Savings", and "Reserves".

The main content area features a filter section with a home icon, a "Funding type:" dropdown menu set to "Core", and a "Big 6 Service Area selected:" field containing "--". To the right, a "Big 6 Service Area:" section contains a list of checkboxes for: Older People, Vulnerable Adults, Integrated Children's Services, Highways, Transport, Waste, Adult Social Care Staffing, and Other.

Below the filters is a call-to-action bar: "Click on the + to see the descriptions of the templates under that Category".

The primary data visualization is a table titled "Spending Templates". The table has three columns: "Directorate", "No. of Templates", and "2024-25 £000's". The rows are as follows:

Directorate	No. of Templates	2024-25 £000's
+ ASCH	11	96,280.4
+ CYPE	23	66,792.5
+ GET	36	10,105.3
+ CED	3	601.2
+ DCED	10	-1,837.9
+ NAC	10	2,243.2
+ CHB	3	27,298.2
Total	96	201,482.9

A black callout box on the right side of the table contains the text: "Please select a Individual Spending Template".

At the bottom left of the report, there is a "Go back" button. The bottom right corner shows a zoom level of 100%.

2024-27 PowerBi Report - Members

Search

File Share Export Chat in Teams Get insights Subscribe to report

2024-27 Members Area

2024-27 PowerBi Report - M...

Home

Summary

Directorate

Big 6 Service Area

Spending

Savings

Reserves

Go back

Home

Funding type: Core

MTFP Spending Category selected: --

Click on the + to see the descriptions of the templates under that Category

MTFP Spending Category:

- Base Budget Changes
- Reduction in Grant Income
- Pay
- Prices
- Demand & Cost Drivers
- Government & Legislative
- Service Strategies & Improvements

Please select a Individual Spending Template

Spending Templates

Directorate	No. of Templates	2024-25 £000's
ASCH	11	96,280.4
CYPE	23	66,792.5
GET	36	10,105.3
CED	3	601.2
DCED	10	-1,837.9
NAC	10	2,243.2
CHB	3	27,298.2
Total	96	201,482.9

Filters

100%

2024-27 PowerBi Report - Members

File Share Export Chat in Teams Get insights Subscribe to report

2024-27 Members Area

2024-27 PowerBi Report - M...

Home

Summary

Directorate

Big 6 Service Area

Spending

Savings

Reserves

Go back

Search

Home

Funding type:
Core

MTFP Savings category selected:
--

Click on the + to see the descriptions of the templates under that Category

MTFP Savings Category:

- Transformation
- Income
- Increases in Grants and Contribut...
- Efficiency - Staffing
- Efficiency - Infrastructure
- Efficiency - C&P
- Efficiency - Other
- Financing
- Policy

Please select a Individual Savings Template

Savings Templates

Directorate	No. of Templates	2024-25 £000's
ASCH	22	-49,782.0
CYPE	17	-12,788.7
GET	19	-2,183.9
CED	3	-352.5
DCED	3	-909.9
NAC	3	-3,779.6
CHB	1	500.0
Total	68	-69,296.6

Filters

100%

The screenshot shows a PowerBI report titled '2024-27 PowerBi Report - Members'. The interface includes a top navigation bar with a search box and various utility icons. A left-hand navigation pane lists several sections, with 'Reserves' currently selected. The main content area features a home icon, a 'Funding type' dropdown menu set to 'Core', and a section for 'MTFP Reserves category selected:' which is currently empty. To the right, there is a list of 'MTFP Reserves Category' options, each with an unchecked checkbox: 'Contributions to Reserves', 'Removal of prior year Contributio...', 'Drawdowns from Reserves', and 'Removal of prior year Drawdowns'. A callout box with a purple border instructs the user to 'Click on the + to see the descriptions of the templates under that Category'. Below this, a dark banner prompts the user to 'Please select a Individual Reserves Template'. The 'Reserves Templates' table is displayed below, with columns for 'Directorate', 'No. of Templates', and '2024-25 £000's'. The table lists four directorates: ASCH, CED, DCED, and NAC, along with a 'Total' row. A 'Go back' button is located at the bottom left of the navigation pane.

2024-27 PowerBi Report - Members

Search

File Share Export Chat in Teams Get insights Subscribe to report

2024-27 Members Area

2024-27 PowerBi Report - M...

Home

Summary

Directorate

Big 6 Service Area

Spending

Savings

Reserves

Home

Funding type: Core

MTFP Reserves category selected: --

Click on the + to see the descriptions of the templates under that Category

MTFP Reserves Category:

- Contributions to Reserves
- Removal of prior year Contributio...
- Drawdowns from Reserves
- Removal of prior year Drawdowns

Please select a Individual Reserves Template

Directorate	No. of Templates	2024-25 £000's
ASCH	2	0.0
CED	2	0.0
DCED	2	0.0
NAC	13	16,449.8
Total	19	16,449.8

Go back

Filters

100%

APPENDIX D: 2024-25 DRAFT BUDGET - SPENDING PROPOSALS

						177,363.8		
A9 - MTFP Category	A2 - Directorate	A5 - Cabinet Member	A6ii - Headline description of spending increase	A6iii - Brief description of spending increase	A8i - 2024-25 Amount £000's - LATEST Figure	B1i - What priority service area (Big 6) does the Spending Template relate to?	E3i - Is this Externally or Core funded?	
Base Budget Changes	ASCH	Dan Watkins	Adult Social Care	Realignment of Vulnerable Adults budget to reflect underlying pressure forecast in 2023-24	9,900.0	Vulnerable Adults	Core	
Base Budget Changes	ASCH	Dan Watkins	Adult Social Care	Realignment of Older People budget to reflect underlying pressure forecast in 2023-24	7,000.0	Older People	Core	
Base Budget Changes	CED	Roger Gough	Safeguarding Adults	Removal of Review Manager at the end of the two year fixed term appointment for dealing with the increased number of Adult Safeguarding reviews being undertaken and to free up capacity to undertake development work for the Safeguarding Adults Board	-55.4	Adult Social Care staffing	Core	
Base Budget Changes	CHB	Peter Oakford	Corporately Held Contingency	Emerging pressures contingency for risk of inability to deliver against approved budget estimates due to unforeseen changes in external factors that arise after the budget is set	14,000.0	Other	Core	
Base Budget Changes	CHB	Dylan Jeffrey	Pay and Reward	Release of 2023-24 unallocated pay and reward allocation. The costs of the pay award and increase in annual leave entitlement for some staff were less than assumed when the 2023-24 budget was set	-201.8	Other	Core	
Base Budget Changes	CYPE	Rory Love	Home to school transport	Realignment of the home to school transport budget to reflect the full year effect of the cost and number of children being transported in 2023-24	10,900.0	Transport	Core	
Base Budget Changes	CYPE	Sue Chandler	Children's Social Care	Realignment of looked after children's placement budget to reflect the increase in cost of supporting children due to the market and complexity, and the number of children in different placement types in 2023-24	7,950.0	Integrated Children's Services	Core	
Base Budget Changes	CYPE	Sue Chandler	Children's Social Care	Realignment of children in need packages of care budget to reflect the cost of home support services including daycare and direct payments seen in 2023-24	2,121.0	Integrated Children's Services	Core	
Base Budget Changes	CYPE	Sue Chandler	18-25 placements	Realignment of the 18-25 Adult Learning & Physical Disability Community Services budget to reflect the increase in cost of supporting these clients in 2023-24	695.0	Vulnerable Adults	Core	
Base Budget Changes	DCED	Peter Oakford	KCC Estate Energy	Reduction in the price of gas and electricity for the KCC estate in 2023-24 compared to the assumptions at the time of setting the budget	-3,000.0	Other	Core	
Base Budget Changes	GET	Susan Carey	Waste prices	Realignment of prices for a variety of waste streams within the Materials Recycling Facilities contract	960.0	Waste	Core	
Base Budget Changes	GET	Susan Carey	Waste haulage costs	Right sizing of budget for waste haulage contracts due to inflation being higher than the increase assumed in the 2023-24 budget	623.9	Waste	Core	
Base Budget Changes	GET	Susan Carey	Waste Facilities	Right sizing of budget for household waste recycling centre and waste transfer station management fees and rent due to higher inflation than assumed in the 2023-24 budget	257.9	Waste	Core	
Base Budget Changes	GET	Clair Bell	Coroners	Rightsize budget for post mortems, Coroner's pay, Senior Coroner fees, pathologists fees and funeral director costs due to increasing number and complexity of cases	223.0	Other	Core	
Base Budget Changes	GET	Clair Bell	Trading Standards	Delay in achieving income from Trading Standards Checked service due to economic climate which was originally planned for 2021 -22	-40.0	Other	Core	

APPENDIX D: 2024-25 DRAFT BUDGET - SPENDING PROPOSALS

A9 - MTFP Category	A2 - Directorate	A5 - Cabinet Member	A6ii - Headline description of spending increase	A6iii - Brief description of spending increase	A8i - 2024-25 Amount £000's - LATEST Figure	B1i - What priority service area (Big 6) does the Spending Template relate to?	E3i - Is this Externally or Core funded?
Base Budget Changes	GET	Neil Baker	Public Transport	Removal of budget for the public transport smartcard following the winding down of the scheme	-48.0	Transport	Core
Base Budget Changes	GET	Susan Carey	Waste income from paper & card	An increase in the price per tonne received for recycled paper and card	-485.8	Waste	Core
Base Budget Changes	GET	Neil Baker	Streetlight Energy	Figure has been adjusted to reflect additional costs of £475k to upgrade from 3g to 4g due to third party providers removing 3g capability in 24/25. This is required for functionality of the CMS and LED street lighting management	-1,959.9	Highways	Core
Base Budget Changes	NAC	Peter Oakford	Insurance	Rightsize budget for increase in insurance premiums	564.5	Other	Core
Base Budget Changes	NAC	Peter Oakford	Other Non Attributable costs	Payment to Kent Fire and Rescue Service of 3% share of the Retained Business Rates levy in line with the Kent Business Rates pool agreement	90.0	Other	Core
Base Budget Changes	NAC	Peter Oakford	Environment Agency Levy	Rightsize budget for the Environment Agency Levy as the increase in 2023-24 was lower than anticipated when the budget was set	-8.2	Other	Core
Base Budget Changes	NAC	Peter Oakford	Non Attributable Costs	Removal of budget for Transferred Services Pensions as these payments have now ceased	-16.0	Other	Core
Base Budget Changes	NAC	Peter Oakford	Capital Financing Costs	Reduction in debt charges from 2023-24 due to decisions taken by Members to contain the capital programme, significant levels of re-phasing of the capital programme in 2022-23 and changes in interest rates	-4,000.0	Other	Core
TOTAL BASE BUDGET CHANGES					45,470.2		Core
Demand & Cost Drivers	ASCH	Dan Watkins	Adult Social Care	Provision for impact of the full year effect of all current costs of care, further increases in client numbers including young people coming into Adult Social Care through transition, and additional costs arising for existing clients and for those new clients whose needs are becoming more complex- Vulnerable Adults	34,945.3	Vulnerable Adults	Core
Demand & Cost Drivers	ASCH	Dan Watkins	Adult Social Care	Provision for impact of the full year effect of all current costs of care, further increases in client numbers including young people coming into Adult Social Care through transition, and additional costs arising for existing clients and for those new clients whose needs are becoming more complex- Older People	15,656.7	Older People	Core
Demand & Cost Drivers	CYPE	Rory Love	Home to School transport - SEN	Estimated impact of rising pupil population on SEN Home to School and College Transport	15,500.0	Transport	Core
Demand & Cost Drivers	CYPE	Sue Chandler	Children's Social Care	Estimated impact of an increase in the population of children in Kent, leading to increased demand for children's social work and disabled children's services - number of children & increasing packages of support	6,371.5	Integrated Children's Services	Core
Demand & Cost Drivers	CYPE	Sue Chandler	Adult Social Care	Provision for impact of the full year effect of all current costs of care, further increases in client numbers expected through transition into adulthood from Children's Social Care, additional costs arising for existing clients and for those new clients whose needs are becoming more complex.	3,400.0	Vulnerable Adults	Core
Demand & Cost Drivers	CYPE	Sue Chandler	Children's Social Care	Estimated impact of an increase in the population of children in Kent, leading to increased demand for children's social work and disabled children's services - complexity of packages	2,260.0	Integrated Children's Services	Core

APPENDIX D: 2024-25 DRAFT BUDGET - SPENDING PROPOSALS

A9 - MTFP Category	A2 - Directorate	A5 - Cabinet Member	A6ii - Headline description of spending increase	A6iii - Brief description of spending increase	A8i - 2024-25 Amount £000's - LATEST Figure	B1i - What priority service area (Big 6) does the Spending Template relate to?	E3i - Is this Externally or Core funded?
Demand & Cost Drivers	CYPE	Rory Love	Home to School transport - Mainstream	Estimated impact of rising pupil population on Mainstream Home to School transport	1,400.0	Transport	Core
Demand & Cost Drivers	CYPE	Sue Chandler	Care Leavers	Estimated increase in number of children supported by the care leaver service	250.0	Integrated Children's Services	Core
Demand & Cost Drivers	GET	Susan Carey	Waste - tonnage changes	Estimated impact of changes in waste tonnage as a result of population and housing growth	936.7	Waste	Core
Demand & Cost Drivers	GET	Clair Bell	Coroners	Increase in budget for toxicology analysis due to increasing number and complexity of cases	60.0	Other	Core
Demand & Cost Drivers	GET	Clair Bell	Trading Standards	Increase in legal costs as a result of more Crown Court cases	55.0	Other	Core
Demand & Cost Drivers	GET	Susan Carey	Planning Applications	Costs of the independent examination of the Minerals & Waste Local Plan by the Planning Inspectorate in the summer of 2024	50.0	Other	Core
Demand & Cost Drivers	GET	Neil Baker	Streetlight energy & maintenance	Adoption of new streetlights at new housing developments and associated increase in energy costs	27.5	Highways	Core
Demand & Cost Drivers	GET	Clair Bell	Public Rights of Way	Adoption of new routes	12.0	Other	Core
TOTAL DEMAND & COST DRIVERS					80,924.7		Core
Government & Legislative	GET	Neil Baker	Highways	Costs of meeting our statutory duties in relation to inspection of bridges and structures and complying with the Tunnels Regulations	960.0	Highways	Core
Government & Legislative	GET	Susan Carey	Waste charging	Loss of income from removal of charging for disposal of non DIY waste materials at Household Waste Recycling centres following change in legislation	446.5	Waste	Core
TOTAL GOVERNMENT & LEGISLATIVE					1,406.5		Core
Pay	CHB	Dylan Jeffrey	Pay and Reward	Contribution to pay pot and impact on base budget of uplifting pay grades in accordance with single pay reward scheme including the revision of lower Kent Scheme pay scales to further increase the differential between the lowest pay range and the Foundation Living Wage and increasing the annual leave entitlement for some staff. This is the subject of pay bargaining with Trade Unions.	13,500.0	Other	Core
Pay	CYPE	Sue Chandler	Agency Staff	Uplift in pay budget in line with average earnings for posts which are temporarily covered by agency staff- Integrated Children's Services	332.0	Integrated Children's Services	Core
Pay	CYPE	Rory Love	Agency Staff	Uplift in pay budget in line with average earnings for posts which are temporarily covered by agency staff - Special Educational Needs	181.0	Other	Core
Pay	CYPE	Sue Chandler	Agency Staff	Uplift in pay budget in line with average earnings for posts which are temporarily covered by agency staff - lifespan pathway 0-25	40.0	Integrated Children's Services	Core
Pay	GET	Clair Bell	Public Protection	Increase in staffing costs and consumables within Kent Scientific Services to deliver scientific testing which are offset by increased income	49.0	Other	Core
Pay	GET	Clair Bell	Coroners	Increase in pay for senior, area and assistant coroners in accordance with the pay award agreed by the national Joint Negotiating Committee for Coroners	36.0	Other	Core
Pay	NAC	Peter Oakford	Apprenticeship Levy	Increase in the Apprenticeship Levy in line with the pay award	67.9	Other	Core
TOTAL PAY					14,205.9		Core

APPENDIX D: 2024-25 DRAFT BUDGET - SPENDING PROPOSALS

A9 - MTFP Category	A2 - Directorate	A5 - Cabinet Member	A6ii - Headline description of spending increase	A6iii - Brief description of spending increase	A8i - 2024-25 Amount £000's - LATEST Figure	B1i - What priority service area (Big 6) does the Spending Template relate to?	E3i - Is this Externally or Core funded?
Prices	ASCH	Dan Watkins	Adult Social Care	Provision for contractual and negotiated price increases across all adult social care packages including nursing, residential, domiciliary, supporting independence and direct payments - Vulnerable Adults	14,317.2	Vulnerable Adults	Core
Prices	ASCH	Dan Watkins	Adult Social Care	Provision for contractual and negotiated price increases across all adult social care packages including nursing, residential, domiciliary, supporting independence and direct payments - Older People	10,075.9	Older People	Core
Prices	ASCH	Dan Watkins	Adult Social Care	Provision for contractual and negotiated price increases across all adult social care packages funded by the Market Sustainability and Improvement Fund included in the provisional local government finance settlement - Older People	2,155.1	Older People	Core
Prices	ASCH	Dan Watkins	Adult Social Care	Provision for contractual and negotiated price increases across all adult social care packages funded by the Market Sustainability and Improvement Fund included in the provisional local government finance settlement - Vulnerable Adults	1,934.1	Vulnerable Adults	Core
Prices	CYPE	Rory Love	Home to School Transport	Provision for inflation on contracted services and season tickets for mainstream & SEN Home to School and College Transport	4,933.0	Transport	Core
Prices	CYPE	Sue Chandler	Children's Social Care	Provision for price negotiations with external providers, and uplift to in-house foster carers in line with DFE guidance - Integrated Children's Services	4,513.0	Integrated Children's Services	Core
Prices	CYPE	Sue Chandler	Adult Social Care	Provision for contractual and negotiated price increases across all adult social care packages including nursing, residential, domiciliary, supporting independence and direct payments - Vulnerable Adults 18-25	2,447.0	Vulnerable Adults	Core
Prices	CYPE	Sue Chandler	Children's Social Care	Provision for price negotiations with external providers, and uplift to in-house foster carers in line with DFE guidance - lifespan pathway 0-25	937.0	Integrated Children's Services	Core
Prices	CYPE	Rory Love	Kent Travel Saver & Kent 16+ Travel Saver	Provision for price inflation related to the Kent Travel Saver and Kent 16+ Travel Saver which is recovered through uplifting the charge for the pass - Kent 16+ Travel Saver	210.0	Transport	Core
Prices	CYPE	Rory Love	Non specific price provision	Non specific provision for CPI inflation on other negotiated contracts without indexation clauses - Children, Young People & Education	180.0	Other	Core
Prices	CYPE	Rory Love	Facilities Management	Estimated future price uplift to new Facilities Management contracts - schools	91.0	Other	Core
Prices	CYPE	Sue Chandler	Children's Social Care	Provision for price negotiations with external providers, and uplift to in-house foster carers in line with DFE guidance	73.0	Integrated Children's Services	Core
Prices	DCED	Peter Oakford	Facilities Management	Estimated future price uplift to new Facilities Management contracts - Corporate Landlord	867.7	Other	Core
Prices	DCED	Peter Oakford	Corporate Landlord	Provision for price inflation for rates for the office estate	417.4	Other	Core
Prices	DCED	Peter Oakford	Cantium Business Solutions (CBS)	Inflationary uplift on the CBS ICT contract	390.3	Other	Core
Prices	DCED	Peter Oakford	Technology contracts	Provision for price inflation on Third Party ICT related contracts	272.2	Other	Core
Prices	DCED	Peter Oakford	Corporate Landlord	Provision for price inflation for rent for the office estate	269.6	Other	Core
Prices	DCED	Peter Oakford	Kent Commercial Services (KCS)	Inflationary uplift on the KCS HR Connect contract	109.6	Other	Core

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A9 - MTFP Category	A2 - Directorate	A5 - Cabinet Member	A6ii - Headline description of spending increase	A6iii - Brief description of spending increase	A8i - 2024-25 Amount £000's - LATEST Figure	B1i - What priority service area (Big 6) does the Spending Template relate to?	E3i - Is this Externally or Core funded?
Prices	DCED	Dylan Jeffrey	Contact Centre	Price inflation on Agilisys contract for provision of Contact Centre	103.9	Other	Core
Prices	DCED	Peter Oakford	KCC Estate Energy	Anticipated price change on energy contracts for the KCC estate as estimated by Commercial Services	-948.6	Other	Core
Prices	GET	Neil Baker	Contract related inflation	Provision for price inflation related to Highways, Waste and other contracted services (based on contractual indices) - Highways contracts	1,170.3	Highways	Core
Prices	GET	Susan Carey	Contract related inflation	Provision for price inflation related to Highways, Waste and other contracted services (based on contractual indices) - Waste contracts	1,117.6	Waste	Core
Prices	GET	Neil Baker	Other Transport Related inflation	Provision for price inflation related to other transport services including subsidised bus services - subsidised bus routes	584.0	Transport	Core
Prices	GET	Neil Baker	Kent Travel Saver	Provision for price inflation related to the Kent Travel Saver and Kent 16+ Travel Saver which is recovered through uplifting the charge for the pass - Kent Travel Saver	463.5	Transport	Core
Prices	GET	Neil Baker	Highways Management	The handing back of the urban grass cutting and rural verge mowing contract by Folkestone & Hythe District Council	100.0	Highways	Core
Prices	GET	Clair Bell	Contract related inflation	Provision for price inflation related to Highways, Waste and other contracted services (based on contractual indices) - Public Rights of Way contracts	81.7	Other	Core
Prices	GET	Clair Bell	Contract related inflation	Provision for price inflation related to Highways, Waste and other contracted services (based on contractual indices) - Coroners Funeral Directors contract	37.0	Other	Core
Prices	GET	Clair Bell	Coroners	Provision for inflationary increase in specialist pathologist fees	25.5	Other	Core
Prices	GET	Clair Bell	Contract related inflation	Provision for price inflation related to Highways, Waste and other contracted services (based on contractual indices) - Coroners Post Mortem contract	21.2	Other	Core
Prices	GET	Clair Bell	Contract related inflation	Provision for price inflation related to Highways, Waste and other contracted services (based on contractual indices) - annual uplift to the SLA with Tunbridge Wells Borough Council for the running costs of the Amelia	13.0	Other	Core
Prices	GET	Clair Bell	Other Transport Related inflation	Provision for price inflation related to other transport services including subsidised bus services - Mobile libraries fuel	5.0	Other	Core
Prices	GET	Neil Baker	Streetlight Energy	Provision for price changes related to Streetlight energy as estimated by Commercial Services	-777.3	Highways	Core
Prices	NAC	Peter Oakford	Levies	Estimated increase in Environment Agency Levy together with impact of estimated change in taxbase	23.8	Other	Core
Prices	NAC	Peter Oakford	Non specific price provision	Non specific provision for CPI inflation on other negotiated contracts without indexation clauses - increase in Inshore Sea Fisheries Conservation Area (IFCA) Levy	21.2	Other	Core
TOTAL PRICES					46,234.9		Core
Reduction in Grant Income	GET	Clair Bell	EU funding	Replace a reduction in EU Funding ensuring sufficient resource is available to continue delivering the Positive Wellbeing Service at current levels	35.0	Older People	Core
TOTAL REDUCTION IN GRANT INCOME					35.0		Core

APPENDIX D: 2024-25 DRAFT BUDGET - SPENDING PROPOSALS

A9 - MTFP Category	A2 - Directorate	A5 - Cabinet Member	A6ii - Headline description of spending increase	A6iii - Brief description of spending increase	A8i - 2024-25 Amount £000's - LATEST Figure	B1i - What priority service area (Big 6) does the Spending Template relate to?	E3i - Is this Externally or Core funded?
Service Strategies & Improvements	ASCH	Dan Watkins	Adult Social Care	Increase in the bad debt provision to reflect the anticipated impact of the high cost of living on our income collection rates from client contributions - Older People	256.3	Older People	Core
Service Strategies & Improvements	ASCH	Dan Watkins	Adult Social Care	Increase in the bad debt provision to reflect the anticipated impact of the high cost of living on our income collection rates from client contributions - Vulnerable Adults	81.8	Vulnerable Adults	Core
Service Strategies & Improvements	ASCH	Dan Watkins	Adult Safeguarding	Removal of two year pilot to combat Serious and Organised Crime	-42.0	Adult Social Care staffing	Core
Service Strategies & Improvements	CED	Peter Oakford	Partnership Arrangements with District Councils	Incentive payments for Kent District Councils to remove the remaining empty property discounts to maximise council tax, and reimburse Kent District Councils for temporary discretionary council tax discounts provided for properties affected by fire or flooding	541.1	Other	Core
Service Strategies & Improvements	CED	Peter Oakford	Member Allowances	Uplift to Member Allowances	115.5	Other	Core
Service Strategies & Improvements	CYPE	Rory Love	Special Educational Needs	Increase in staff numbers in SEN service to support improved quality of Education Health & Care Plans	2,000.0	Other	Core
Service Strategies & Improvements	CYPE	Sue Chandler	Adult Social Care	Increase in the bad debt provision to reflect the anticipated impact of the high cost of living on our income collection rates from client contributions - Vulnerable Adults 18-25	8.0	Vulnerable Adults	Core
Service Strategies & Improvements	DCED	Peter Oakford	Oakwood House Development	Removal of holding costs and loss of income in the short term once Oakwood House is no longer operational, offset by savings in the longer term following change of use	-320.0	Other	Core
Service Strategies & Improvements	GET	Neil Baker	Highways	<p>Increased highway spend in line with additional Outcome allocation for 2024/24. Activity focused on supporting the front line operational activities across the highway network as follows:</p> <p>Service improvement: £2.4m to enhance the national pothole funding</p> <p>Unavoidable (realignment): £1.2m committed HTMC operational impact on district teams £1.0m to drainage to realign budget for current activity levels £0.4m to winter service to realign for current activity projections</p>	5,000.0	Highways	Core
Service Strategies & Improvements	GET	Clair Bell	Country Parks	Change the funding of improvements and adaptations to country parks from capital to revenue	70.0	Other	Core
Service Strategies & Improvements	GET	Clair Bell	Sports Facilities	Change the funding of refurbishment and provision of sports facilities and community projects from capital to revenue	37.5	Other	Core
Service Strategies & Improvements	GET	Clair Bell	Village Halls & Community Centres	Change the funding of grants for improvements and adaptations to village halls and community centres from capital to revenue	37.5	Other	Core
Service Strategies & Improvements	GET	Derek Murphy	Economic Development Recovery Plan	Removal of time limited funding for re-design of the service and additional staffing and consultancy capacity to draft and deliver the Economic Recovery Plan/Economic Strategy following the Covid pandemic	-80.0	Other	Core

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A9 - MTFP Category	A2 - Directorate	A5 - Cabinet Member	A6ii - Headline description of spending increase	A6iii - Brief description of spending increase	A8i - 2024-25 Amount £000's - LATEST Figure	B1i - What priority service area (Big 6) does the Spending Template relate to?	E3i - Is this Externally or Core funded?
Service Strategies & Improvements	NAC	Peter Oakford	Project Prime	Loss of income from a review of contract with Commercial Services Group, specifically due to the removal of buy back of services	3,000.0	Other	Core
Service Strategies & Improvements	NAC	Peter Oakford	Capital Programme	The impact on debt charges of the review of the 2021-24 capital programme.	2,500.0	Other	Core
TOTAL SERVICE STRATEGIES & IMPROVEMENTS					13,205.7		Core
Demand & Cost Drivers	Public Health	Dan Watkins	Public Health	Estimated increase in internal recharges for support services	375.1	Other	External
Demand & Cost Drivers	Public Health	Dan Watkins	Public Health - Healthy Lifestyles	Removal of additional temporary funding for reducing waiting lists for Postural Stability	-60.4	Other	External
TOTAL DEMAND & COST DRIVERS					314.7		External
Government & Legislative	CED	Roger Gough	Domestic Abuse New Burdens	Costs of undertaking domestic abuse support in safe accommodation duties funded by specific grant	59.9	Other	External
Government & Legislative	CHB	Peter Oakford	Household Support Fund	Removal of the extension of the Government funded Household Support Fund into 2023-24 as announced in the Chancellor's Autumn Statement on 17th November 2022	-22,130.8	Other	External
Government & Legislative	CYPE	Sue Chandler	Family Hubs	Estimated reduction in our share of the DfE/DHSC Family Hubs and Start for Life grant	-777.0	Integrated Children's Services	External
Government & Legislative	Public Health	Dan Watkins	Public Health - Substance Misuse	Targeted housing support interventions for people in drug and alcohol treatment funded by Drug Strategy Housing Support Grant from Office for Health Improvement & Disparities	23.1	Other	External
Government & Legislative	Public Health	Dan Watkins	Public Health - Substance Misuse	Investment in substance misuse services funded by Individual Placement and Support in Community Drug and Alcohol Treatment Grant from Office for Health Improvement & Disparities	7.5	Other	External
Government & Legislative	Public Health	Dan Watkins	Public Health - Substance Misuse	Removal of wraparound and engagement and community treatment funded by one-off Rough Sleeping Drug and Alcohol Treatment Grant from Office for Health Improvement & Disparities in 2023-24	-520.2	Other	External
TOTAL GOVERNMENT & LEGISLATIVE					-23,337.5		External
Pay	Public Health	Dan Watkins	Public Health Pay	Estimated net impact of KCC pay award and other adjustments for KCC Public Health staff	505.1	Other	External
TOTAL PAY					505.1		External
Prices	Public Health	Dan Watkins	Public Health contracts	Estimated increase in public health contract values linked to the NHS Agenda for change pay increases	614.2	Other	External
Prices	Public Health	Dan Watkins	Public Health - Sexual Health	Contractual increases in other services including Sexual Health and Health Improvement	353.2	Other	External
TOTAL PRICES					967.4		External
Service Strategies & Improvements	Public Health	Dan Watkins	Public Health - Substance Misuse	Investment in Substance Misuse services funded by Supplemental Substance Misuse Treatment and Recovery grant from Office for Health Improvement & Disparities	1,412.9	Other	External
Service Strategies & Improvements	Public Health	Dan Watkins	Other	Removal of additional temporary investment in other minor service improvements	-20.0	Other	External
Service Strategies & Improvements	Public Health	Dan Watkins	Public Health - Healthy Lifestyles	Removal of temporary investment in Public Health services to promote and support health visiting	-118.4	Other	External

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A9 - MTFP Category	A2 - Directorate	A5 - Cabinet Member	A6ii - Headline description of spending increase	A6iii - Brief description of spending increase	A8i - 2024-25 Amount £000's - LATEST Figure	B1i - What priority service area (Big 6) does the Spending Template relate to?	E3i - Is this Externally or Core funded?
Service Strategies & Improvements	Public Health	Dan Watkins	Public Health - Healthy Lifestyles	Removal of additional temporary investment in Public Health services to promote and support Healthy Lifestyles	-195.4	Other	External
Service Strategies & Improvements	Public Health	Dan Watkins	Public Health - Sexual Health	Removal of additional temporary investment in Public Health Sexual Health Services	-212.9	Other	External
Service Strategies & Improvements	Public Health	Dan Watkins	Public Health - Healthy Lifestyles	Removal of temporary public health contribution towards the voluntary sector in 2023-24	-350.0	Other	External
Service Strategies & Improvements	Public Health	Dan Watkins	Public Health - Children's Programme	Removal of additional temporary investment in counselling services for children	-1,085.0	Other	External
Service Strategies & Improvements	Public Health	Dan Watkins	Public Health - Mental Health	Removal of one-off public health investment in Live Well Kent in 2023-24	-2,000.0	Other	External
TOTAL SERVICE STRATEGIES & IMPROVEMENTS					-2,568.8		External

APPENDIX D: 2024-25 DRAFT BUDGET - SAVINGS PROPOSALS

						-48,638.0		
A9 - MTFP Category	A2 - Directorate	A5 - Cabinet Member	A6ii - Headline description of saving/income	A6iii - Brief description of saving/income	A8i - 2024-25 Amount £000's - LATEST Figure	B1i - What priority service area (Big 6) does the Saving/ Income Template relate to?	E3 - Is this Externally or Core Funded?	
Policy	ASCH	Dan Watkins	Adult Social Care Charging	Review of the Adults Charging Policy, in line with Care Act legislation and the statutory guidance	-1,250.0	Vulnerable Adults	Core	
Policy	CED	Peter Oakford	Partnership arrangements with District Councils	Cease Early Intervention Payments to District Councils	-82.5	Other	Core	
Policy	CED	Peter Oakford	Member Services	End Select Committees and Short Focused Inquiries	-20.0	Other	Core	
Policy	CYPE	Sue Chandler	Review of Open Access - Youth Services & Children's Centres	Review of open access services in light of implementing the Family Hub model	-1,500.0	Integrated Children's Services	Core	
Policy	CYPE	Rory Love	Services to Schools	Review our offer to schools in light of the latest DFE funding changes and guidance including exploring alternative funding arrangements and engaging in efficiency measure to reduce costs	-1,200.0	Other	Core	
Policy	CYPE	Rory Love	SEN Transport	Introduction of charging for post 16 SEN transport and reductions to the Post 19 transport offer	-781.0	Transport	Core	
Policy	CYPE	Sue Chandler	Children's Residential Care	Development of in-house residential units to provide an alternative to independent sector residential care placements (invest to save)	100.0	Integrated Children's Services	Core	
Policy	CYPE	Rory Love	Kent 16+ Travel Saver	Removal of undeliverable 2023-24 saving and review the Kent 16+ Travel Saver scheme	250.0	Transport	Core	
Policy	DCED	Peter Oakford	Corporate Landlord	Review of Office Assets	-763.9	Other	Core	
Policy	DCED	Peter Oakford	Corporate Landlord	Review of Community Delivery including Assets	-101.0	Other	Core	
Policy	GET	Susan Carey	Waste - Household Waste & Recycling Centres (HWRCs)	Review of the number and operation of HWRC sites	-616.0	Waste	Core	
Policy	GET	Clair Bell	Review of Community Wardens	Review of Community Warden Service to deliver a £1m saving which is likely to result in an overall reduction in wardens	-500.0	Other	Core	
Policy	GET	Clair Bell	Reduction of Trading Standards Budget	Adjustment of Trading Standards legal costs as Courts recover post-Covid	-55.0	Other	Core	
Policy	GET	Susan Carey	Planning Applications	Savings from delayed recruitment	-50.0	Other	Core	
TOTAL POLICY SAVINGS					-6,569.4		Core	
Income	ASCH	Dan Watkins	Review of Charges for Service Users - existing service income streams & inflationary increases	Uplift in social care client contributions in line with estimated benefit and other personal income uplifts, together with inflationary increases and a review of fees and charges across all KCC services, in relation to existing service income streams - Older People	-4,773.1	Older People	Core	
Income	ASCH	Dan Watkins	Adult Social Care	Estimated annual inflationary increase in Better Care Fund - Older People	-2,188.0	Older People	Core	
Income	ASCH	Dan Watkins	Review of Charges for Service Users - existing service income streams & inflationary increases	Uplift in social care client contributions in line with estimated benefit and other personal income uplifts, together with inflationary increases and a review of fees and charges across all KCC services, in relation to existing service income streams - Vulnerable Adults	-1,529.1	Vulnerable Adults	Core	
Income	ASCH	Dan Watkins	Adult Social Care	Estimated annual inflationary increase in Better Care Fund - Vulnerable Adults	-179.5	Vulnerable Adults	Core	

APPENDIX D: 2024-25 DRAFT BUDGET - SAVINGS PROPOSALS

A9 - MTFP Category	A2 - Directorate	A5 - Cabinet Member	A6ii - Headline description of saving/income	A6iii - Brief description of saving/income	A8i - 2024-25 Amount £000's - LATEST Figure	B1i - What priority service area (Big 6) does the Saving/ Income Template relate to?	E3 - Is this Externally or Core Funded?
Income	ASCH	Dan Watkins	Adult Social Care	Estimated annual inflationary increase in Better Care Fund - Adult Social Care Staffing	-99.8	Adult Social Care staffing	Core
Income	ASCH	Dan Watkins	Adult Social Care	Estimated annual inflationary increase in Better Care Fund - Integrated Community Equipment Service and Assistive Technology	-4.4	Other	Core
Income	CHB	Peter Oakford	Review of fees & charges	Removal of corporately held saving from a review of all fees and charges as these savings are reflected within the individual directorate proposals	500.0	Other	Core
Income	CYPE	Sue Chandler	Adoption Service	Adoption Service	-200.0	Integrated Children's Services	Core
Income	CYPE	Sue Chandler	Review of Charges for Service Users - existing service income streams & inflationary increases	Uplift in social care client contributions in line with estimated benefit and other personal income uplifts, together with inflationary increases and a review of fees and charges across all KCC services, in relation to existing service income streams - 0-25	-123.7	Vulnerable Adults	Core
Income	CYPE	Rory Love	Kent 16+ Travel Saver	Kent 16+ Travel Saver price realignment to offset bus operator inflationary fare increases	-94.0	Transport	Core
Income	GET	Neil Baker	Kent Travel Saver	Kent Travel Saver price realignment to offset bus operator inflationary fare increases	-463.5	Transport	Core
Income	GET	Neil Baker	Highways	Increase in net income from recovery of costs from third parties for streetworks and permit scheme	-100.0	Highways	Core
Income	GET	Neil Baker	Highways	Income from traffic management penalties including contravening traffic restrictions, box junctions and bus lanes	-100.0	Highways	Core
Income	GET	Clair Bell	Public Protection	Increased income within Kent Scientific Services for toxicology analysis for the Coroners Service	-60.0	Other	Core
Income	GET	Clair Bell	Review of Charges for Service Users - existing service income streams & inflationary increases	A review of fees and charges across all KCC services, in relation to existing service income streams	-50.0	Other	Core
Income	GET	Clair Bell	Review of Charges for Service Users - existing service income streams & inflationary increases	Increased contribution from Medway Council under SLA relating to increasing costs for provision of Coroner service in Medway	-49.0	Other	Core
Income	GET	Clair Bell	Public Protection	Inflationary increase in income levels and pricing policy for Kent Scientific Services	-45.0	Other	Core
Income	GET	Clair Bell	Trading Standards	Inflationary increase in fees and charges	-1.4	Other	Core
Income	NAC	Peter Oakford	Income return from our companies	Estimated increase in the income contribution from our limited companies	-500.0	Other	Core
TOTAL INCOME					-10,060.5		Core
Transformation & Efficiency	ASCH	Dan Watkins	Adult Social Care service redesign phase 2 of the ASCH restructure	Review and reshape the ASCH savings plans set out in the sustainability plan to deliver new models of social care, and reducing costs associated with care and support with a specific focus on growth - Vulnerable Adults	-15,745.3	Vulnerable Adults	Core

APPENDIX D: 2024-25 DRAFT BUDGET - SAVINGS PROPOSALS

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Transformation & Efficiency	ASCH	Dan Watkins	Adult Social Care service redesign phase 2 of the ASCH restructure	Review and reshape the ASCH savings plans set out in the sustainability plan to deliver new models of social care, and reducing costs associated with care and support with a specific focus on growth - Older People	-8,856.7	Older People	Core
Transformation & Efficiency	ASCH	Dan Watkins	Older People's Residential & Nursing Care	Negotiate 5% reduction in Older People's Residential & Nursing contract expenditure	-8,000.0	Older People	Core
Transformation & Efficiency	ASCH	Dan Watkins	Care & Support in the Home	Negotiate 5% reduction in Care & Support in the Home contract expenditure	-3,400.0	Older People	Core
Transformation & Efficiency	ASCH	Dan Watkins	Adult Social Care service redesign	Continuation of of savings from earlier years from the redesign of the Adult Social Care operating model. This saving focuses on increasing the take up of direct payments for use on micro-enterprises, Personal Assistants - Vulnerable Adults	-1,581.4	Vulnerable Adults	Core
Transformation & Efficiency	ASCH	Dan Watkins	Adult Social Care service redesign	Continuation of of savings from earlier years from the redesign of the Adult Social Care operating model. This saving focuses on increasing the take up of Technology Enabled Care - Older People	-1,471.2	Older People	Core
Transformation & Efficiency	ASCH	Dan Watkins	Adult Social Care service redesign	Continuation of of savings from earlier years from the redesign of the Adult Social Care operating model. This saving focuses on increasing the take up of direct payments for use on micro-enterprises, Personal Assistants - Older People	-1,459.7	Older People	Core
Transformation & Efficiency	ASCH	Dan Watkins	Adult Social Care Equipment contract	Efficiencies from new contract for the supply of equipment for adult social care clients	-900.0	Older People	Core
Transformation & Efficiency	ASCH	Dan Watkins	Adult Social Care service redesign	Continuation of of savings from earlier years from the redesign of the Adult Social Care operating model. This saving focuses on increasing the take up of Technology Enabled Care - Vulnerable Adults	-577.8	Vulnerable Adults	Core
Transformation & Efficiency	ASCH	Dan Watkins	Adult Social Care	Regular review of new and existing care packages to ensure that they are achieving the best outcomes - Vulnerable Adults	-347.4	Vulnerable Adults	Core
Transformation & Efficiency	ASCH	Dan Watkins	Adult Social Care	Regular review of new and existing care packages to ensure that they are achieving the best outcomes - Older People	-309.4	Older People	Core
Transformation & Efficiency	ASCH	Dan Watkins	Adult Social Care service redesign	Continuation of of savings from earlier years from the redesign of the Adult Social Care operating model. This saving focuses on digital self service - by developing new, accessible and user-friendly ways for people to access clear information and support from adult social care when they need it. Includes the use of self-assessment and financial assessment tools so people can access this remotely - Vulnerable Adults	-212.1	Vulnerable Adults	Core
Transformation & Efficiency	ASCH	Dan Watkins	Adult Social Care service redesign	Continuation of of savings from earlier years from the redesign of the Adult Social Care operating model. This saving focuses on digital self service - by developing new, accessible and user-friendly ways for people to access clear information and support from adult social care when they need it. Includes the use of self-assessment and financial assessment tools so people can access this remotely - Older People	-195.8	Older People	Core

APPENDIX D: 2024-25 DRAFT BUDGET - SAVINGS PROPOSALS

A9 - MTFP Category	A2 - Directorate	A5 - Cabinet Member	A6ii - Headline description of saving/income	A6iii - Brief description of saving/income	A8i - 2024-25 Amount £000's - LATEST Figure	B1i - What priority service area (Big 6) does the Saving/ Income Template relate to?	E3 - Is this Externally or Core Funded?
Transformation & Efficiency	ASCH	Dan Watkins	Adult Social Care service redesign	Rephasing of 2023-24 service redesign saving - Older People	1,356.6	Older People	Core
Transformation & Efficiency	ASCH	Dan Watkins	Adult Social Care service redesign	Rephasing of 2023-24 service redesign saving - Vulnerable Adults	1,942.1	Vulnerable Adults	Core
Transformation & Efficiency	CED	Peter Oakford	Historic Pension Costs	Reduction in the number of Historic Pension Arrangements within CED Directorate	-250.0	Other	Core
Transformation & Efficiency	CYPE	Rory Love	Home to School transport - SEN	Estimated reduction to the impact of rising pupil population on SEN Home to School and College Transport	-6,300.0	Transport	Core
Transformation & Efficiency	CYPE	Sue Chandler	Looked After Children	Implement strategies to reduce the cost of packages for looked after children, including working with Health	-1,000.0	Integrated Children's Services	Core
Transformation & Efficiency	CYPE	Sue Chandler	Adult Social Care	Review of 18-25 community-based services: ensuring strict adherence to policy, review of packages with high levels of support and enhanced contributions from health	-650.0	Vulnerable Adults	Core
Transformation & Efficiency	CYPE	Sue Chandler	Early Help & Preventative Services	Expanding the reach of caseholding Early Help services	-560.0	Integrated Children's Services	Core
Transformation & Efficiency	CYPE	Sue Chandler	Disabled Children's Placement and Support	Review of children with disability packages ensuring strict adherence to policy, review packages with high levels of support and enhanced contributions from health	-550.0	Integrated Children's Services	Core
Transformation & Efficiency	CYPE	Sue Chandler	Children's Social Care	Explore strategies, including statutory guidance, to reduce dependency on social work agency staff	-300.0	Integrated Children's Services	Core
Transformation & Efficiency	CYPE	Rory Love	Initiatives to increase use of Personal Transport Budgets	Initiatives to increase use of Personal Transport Budgets to reduce demand for Hired Transport	-300.0	Transport	Core
Transformation & Efficiency	CYPE	Rory Love	Historic Pension Costs	Reduction in the number of Historic Pension Arrangements - CYPE Directorate	-180.0	Other	Core
Transformation & Efficiency	CYPE	Sue Chandler	Open Access - Youth & Children's Centres	Removal of one-off saving in 2023-24 from vacancy management and avoiding all non-essential spend across open access	600.0	Integrated Children's Services	Core
Transformation & Efficiency	DCED	Peter Oakford	Corporate Landlord	Property savings from a review of specialist assets	-45.0	Other	Core
Transformation & Efficiency	GET	Susan Carey	Improved Food Waste Recycling Rates	Work with Kent District Councils to deliver savings from improving kerbside food waste recycling rates	-160.0	Waste	Core
Transformation & Efficiency	GET	Susan Carey	Waste - Household Waste & Recycling Centres (HWRCs)	Increased waste material segregation, increased re-use, black-bag splitting and trade waste recycling with a view to generating income or reducing cost	-105.0	Waste	Core
Transformation & Efficiency	GET	Neil Baker	Highways	Renegotiate income levels to include inflationary uplift for permit scheme, lane rental scheme & National Driver Offender Retraining Scheme	-50.0	Highways	Core
Transformation & Efficiency	GET	Susan Carey	Windmills	Temporary reduction in spend on weatherproofing windmills	-50.0	Other	Core
Transformation & Efficiency	GET	Clair Bell	Kent Sport	Withdraw the remaining contribution to the KCC hosted Active Kent and Medway.	-28.0	Other	Core

APPENDIX D: 2024-25 DRAFT BUDGET - SAVINGS PROPOSALS

A9 - MTFP Category	A2 - Directorate	A5 - Cabinet Member	A6ii - Headline description of saving/income	A6iii - Brief description of saving/income	A8i - 2024-25 Amount £000's - LATEST Figure	B1i - What priority service area (Big 6) does the Saving/ Income Template relate to?	E3 - Is this Externally or Core Funded?
Transformation & Efficiency	GET	Clair Bell	Libraries, Registration & Archives (LRA)	Removal of one-off reduction in 2023-24 in the Libraries Materials Fund and one year contribution holiday for the Mobile Libraries renewals reserve	-1.0	Other	Core
Transformation & Efficiency	GET	Susan Carey	Environment	Removal of one-off saving in 2023-24 from planned delay in recruiting to the new structure in the Environment Team	300.0	Other	Core
TOTAL TRANSFORMATION & EFFICIENCY SAVINGS					-49,387.1		Core
Financing	NAC	Peter Oakford	Investment Income	Increase in investment income largely due to the increase in base rate	-2,279.6	Other	Core
Financing	NAC	Peter Oakford	Debt repayment	Review amounts set aside for debt repayment (MRP) based on review of asset life	-1,000.0	Other	Core
TOTAL FINANCING SAVINGS					-3,279.6		Core
Policy	Public Health	Dan Watkins	Public Health	Review of Public Health Services principally related to Healthy Lifestyles to ensure spending is contained within ringfenced grant	-9.2	Other	External
TOTAL POLICY SAVINGS					-9.2		External
Income	Public Health	Dan Watkins	Additional income linked to HIV prevention	Additional income from NHSE to fund increased costs linked to HIV prevention	-275.2	Other	External
Income	Public Health	Dan Watkins	Public Health	Estimated additional income for externally funded posts	-6.1	Other	External
TOTAL INCOME					-281.3		External
Increases in Grants and Contributions	CED	Roger Gough	Domestic Abuse	Increase in Domestic Abuse Duty grant to fund new burdens in providing domestic abuse support in safe accommodation	-59.9	Other	External
Increases in Grants and Contributions	CHB	Roger Gough	Household Support Fund	Removal of the extension of the Government funded Household Support Fund into 2023-24 as announced in the Chancellor's Autumn Statement on 17th November 2022	22,130.8	Other	External
Increases in Grants and Contributions	CYPE	Sue Chandler	Family Hubs	Estimated reduction in our share of the DfE/DHSC Family Hubs and Start for Life grant	777.0	Integrated Children's Services	External
Increases in Grants and Contributions	Public Health	Dan Watkins	Public Health - Substance Misuse	Supplemental Substance Misuse Treatment and Recovery grant from Office for Health Improvement & Disparities	-1,412.9	Other	External
Increases in Grants and Contributions	Public Health	Dan Watkins	Public Health Grant	Estimated increase in Public Health Grant pending announcement from Department of Health and Social Care	-975.5	Other	External
Increases in Grants and Contributions	Public Health	Dan Watkins	Public Health - Substance Misuse	Drug Strategy Housing Support Grant from Office for Health Improvement & Disparities	-23.1	Other	External
Increases in Grants and Contributions	Public Health	Dan Watkins	Public Health - Substance Misuse	Individual Placement and Support in Community Drug and Alcohol Treatment Grant from Office for Health Improvement & Disparities	-7.5	Other	External
Increases in Grants and Contributions	Public Health	Dan Watkins	Public Health - Substance Misuse	Remove one-off Rough Sleeping Drug and Alcohol Treatment Grant from Office for Health Improvement & Disparities	520.2	Other	External
TOTAL INCREASES IN GRANTS & CONTRIBUTIONS					20,949.1		External

APPENDIX D: 2024-25 DRAFT BUDGET - RESERVES PROPOSALS

						19,910.3		
A9 - MTFP Category	A2 - Directorate	A5 - Cabinet Member	A6ii - Headline description of reserve template	A6iii - Brief description of reserve template	A8i - 2024-25 Amount £000's - NEW Figure	B1 - What priority service area does the Reserve Template relate to?	E3 - Is this Externally or Core Funded?	
Contributions to reserves	NAC	Peter Oakford	Dedicated Schools Grant (DSG) Deficit - Safety Valve	KCC Contribution towards funding the DSG deficit as agreed with DfE as part of the Safety Valve agreement	15,100.0	Other	Core	
Contributions to reserves	NAC	Peter Oakford	General Reserves repayment	Repay the General Reserve over two years (2024-25 & 2025-26) for the drawdown required in 2022-23 to fund the overspend	11,050.0	Other	Core	
Contributions to reserves	NAC	Peter Oakford	General Reserves	Contribution to reserves in order to maintain general reserve at 5% of net revenue budget	5,100.0	Other	Core	
Contributions to reserves	NAC	Peter Oakford	Corporate Reserves	Contribution to reserves to repay the drawdown required to balance the budget in 2023-24 in order to maintain financial resilience	4,289.7	Other	Core	
Contributions to reserves	NAC	Peter Oakford	Emergency capital events reserve	Annual contribution to a new reserve for emergency capital works and revenue costs related to capital spend such as temporary accommodation, and condition surveys which don't result in capital works	1,000.0	Other	Core	
Contributions to reserves	DCED	Peter Oakford	Facilities Management	Contribution to reserves to smooth the impact of the mobilisation costs of the Facilities Management contracts over the life of the contracts (2022-23 to 2026-27)	160.0	Other	Core	
TOTAL CONTRIBUTIONS TO RESERVES					36,699.7		Core	
Drawdowns from reserves	ASCH	Dan Watkins	Drawdown corporate reserves	Fund the Kent Support and Assistance Service from Corporate Reserves for two years 2023-24 and 2024-25 - ASCH Directorate	-567.2	Other	Core	
Drawdowns from reserves	CED	Roger Gough	Drawdown corporate reserves	Fund the Kent Support and Assistance Service from Corporate Reserves for two years 2023-24 and 2024-25 - CED Directorate	-262.0	Other	Core	
TOTAL DRAWDOWNS FROM RESERVES					-829.2		Core	
Removal of prior year Contributions	NAC	Peter Oakford	Risk Reserve	Removal of prior year one-off contribution to risk reserve (2023-24 increase in annual contribution)	-7,000.0	Other	Core	
Removal of prior year Contributions	NAC	Peter Oakford	General Reserves	Removal of prior year one-off contribution to general reserve	-5,800.0	Other	Core	
Removal of prior year Contributions	NAC	Peter Oakford	Risk Reserve	Removal of prior year one-off contribution to risk reserve (original contribution)	-5,000.0	Other	Core	
Removal of prior year Contributions	NAC	Peter Oakford	Local Taxation Equalisation - Council Tax Collection Fund	Removal of prior year contribution to Local Taxation Equalisation smoothing reserve of Council Tax Collection Fund surplus above £7m assumed	-4,488.7	Other	Core	
Removal of prior year Contributions	NAC	Peter Oakford	Removal of contribution related to repayment of previous "borrowing" from reserves	Reduction & full removal of the annual repayment of the "borrowing" from reserves to support the budget in 2011-12, reflecting when the reserves will be fully repaid	-1,223.3	Other	Core	
Removal of prior year Contributions	NAC	Peter Oakford	Local Taxation Equalisation - Business Rates Collection Fund	Removal of prior year contribution to the Local Taxation Equalisation smoothing reserve of the Business Rates Collection Fund surplus	-1,067.6	Other	Core	
Removal of prior year Contributions	DCED	Peter Oakford	Facilities Management	Removal of prior year contribution to reserves to smooth the impact of the mobilisation costs of the Facilities Management contracts over the life of the contracts (2022-23 to 2026-27)	-160.0	Other	Core	
TOTAL REMOVAL OF PRIOR YEAR CONTRIBUTIONS					-24,739.6		Core	

APPENDIX D: 2024-25 DRAFT BUDGET - RESERVES PROPOSALS

A9 - MTFP Category	A2 - Directorate	A5 - Cabinet Member	A6ii - Headline description of reserve template	A6iii - Brief description of reserve template	A8i - 2024-25 Amount £000's - NEW Figure	B1 - What priority service area does the Reserve Template relate to?	E3 - Is this Externally or Core Funded?
Removal of prior year Drawdowns	NAC	Peter Oakford	Drawdown corporate reserves	Removal of one-off use of reserves in 2023-24	4,289.7	Other	Core
Removal of prior year Drawdowns	ASCH	Dan Watkins	Drawdown corporate reserves	Removal of use of corporate reserves in prior year to fund the Kent Support and Assistance Service - ASCH Directorate	567.2	Other	Core
Removal of prior year Drawdowns	CED	Roger Gough	Remove prior year drawdown from Covid reserve	Removal of use of corporate reserves in prior year to fund the Kent Support and Assistance Service - CED Directorate	262.0	Other	Core
Removal of prior year Drawdowns	NAC	Peter Oakford	Drawdown corporate reserves	Removal of one-off drawdown from No Use Empty reserve in 2023-24	200.0	Other	Core
TOTAL REMOVAL OF PRIOR YEAR DRAWDOWNS					5,318.9		Core
Drawdowns from reserves	Public Health	Dan Watkins	Public Health Reserves	Use of Public Health reserves to fund one-off costs and invest to save initiatives in 2024-25	-336.6	Other	External
Drawdowns from reserves	Public Health	Dan Watkins	Public Health Reserves	Use of Public Health reserves to balance 2024-25 budget plans	-13.9	Other	External
TOTAL DRAWDOWNS FROM RESERVES					-350.5		External
Removal of prior year Drawdowns	Public Health	Dan Watkins	Public Health Reserves	Removal of use of Public Health reserves to fund one-off costs in previous year	2,440.3	Other	External
Removal of prior year Drawdowns	Public Health	Dan Watkins	Public Health Reserves	Removal of use of Public Health (Kent Community Health NHS Foundation Trust) reserves to fund one-off costs in previous year	1,313.9	Other	External
Removal of prior year Drawdowns	Public Health	Dan Watkins	Public Health Reserves	Removal of use of Public Health (Maidstone & Tunbridge Wells NHS Trust) reserves to fund one-off costs in previous year	56.8	Other	External
TOTAL REMOVAL OF PRIOR YEAR DRAWDOWNS					3,811.0		External

Key

ASCH	Adult Social Care & Health
CED	Chief Executive's Department
CHB	Corporately Held Budgets
CYPE	Children, Young People & Education
DCED	Deputy ChiefExecutive's Department
GET	Growth, Environment & Transport
NAC	Non Attributable Costs

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Reserves Policy

1. Background and Context

- 1.1. Sections 32 and 43 of the Local Government Finance Act 1992 require councils to consider the level of reserves when setting a budget requirement. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to report formally on the adequacy of proposed reserves when setting a budget requirement. The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting.
- 1.2. CIPFA issued Local Authority Accounting Panel (LAAP) Bulletin No.99, Guidance Note on Local Authority Reserves and Balances in July 2014, which updated previous Bulletins to reflect the new requirements of the International Financial Reporting Standards (IFRS) Code of Practice. In addition, during the period of financial austerity for the public sector, the Local Authority Accounting Panel considered it necessary to update the guidance on local authority reserves and balances. Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government. In response to the above requirements, this policy sets out the Council's approach for compliance with the statutory regime and relevant non-statutory guidance for the Council's cash backed usable reserves.
- 1.3. All reserves are categorised as per the Local Authority Accounting Practice guidance, into the following groups:
 - **Smoothing** – These are reserves which are used to manage large fluctuations in spend or income across years e.g., PFI equalisation reserves. These reserves recognise the differences over time between the unitary charge and PFI credits received.
 - **Trading** – this reserve relates to the non-company trading entities of Laser and Commercial Services to cover potential trading losses and investment in business development.
 - **Renewals for Vehicles Plant & Equipment** – these reserves should be supported by an asset management plan, showing projected replacement profile and cost. These reserves help to reduce fluctuations in spend.
 - **Major projects** – set aside for future spending on projects.
 - **Insurance** - To fund the potential cost of insurance claims in excess of the amount provided for in the Insurance Fund provision, (potential or contingent liabilities)
 - **Unspent grant/external funding** – these are for unspent grants which the Council is not required to repay, but which have restrictions on what they may be used for e.g., the Public Health grant must be used on public health services. This category also consists of time limited projects funded from ringfenced external sources.
 - **Special Funds** – these are mainly held for economic development, tourism and regeneration initiatives.
 - **Partnerships** – these are reserves resulting from Council partnerships and are usually ringfenced for the benefit of the partnership or are held for investing in shared priorities.
 - **Departmental underspends** – these reserves relate to re-phasing of projects/initiatives and bids for use of year end underspending which are requested to roll forward into the following year.
- 1.4. Within the Statement of Accounts, reserves are summarised by the headings above. By categorising the reserves into the headings above, this is limited to the nine groups, plus Public Health, Schools and General. Operationally, each will be divided into the relevant sub reserves to ensure that ownership and effective management is maintained.

- 1.5 Reserves are an important part of the Council's financial strategy and are held to create long-term budgetary stability. They enable the Council to manage change without undue impact on the Council Tax and are a key element of ensuring the Council's strong financial standing and resilience. The Council's key sources of funding face an uncertain future and the Council therefore holds earmarked reserves and a working balance in order to mitigate future financial risks.
- 1.6 Earmarked reserves are reviewed regularly as part of the monitoring process and annually as part of the budget process, to determine whether the original purpose for the creation of the reserve still exists and whether or not the reserves should be released in full or in part or require topping up based on known/expected calls upon them. Particular attention is paid in the annual review to those reserves whose balances have not moved over a three-year period.

2. Overview

- 2.1. The Council's overall approach to reserves will be defined by the system of internal control. The system of internal control is set out, and its effectiveness reviewed, in the Annual Governance Statement (AGS). Key elements of the internal control environment are objective setting and monitoring, policy and decision-making, compliance with statute and procedure rules, risk management, achieving value for money, financial management and performance management. The AGS includes an overview of the general financial climate which the Council is operating within and significant funding risks.
- 2.2. The Council will maintain:
 - a general reserve; and
 - a number of earmarked reserves.
- 2.3. The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer. The level of the reserve will be a matter of judgement which will take account of the specific risks identified through the various corporate processes. It will also take account of the extent to which specific risks are supported through earmarked reserves. The level will be expressed as a cash sum over the period of the general fund medium-term financial strategy. The level will also be expressed as a percentage of the general funding requirement (to provide an indication of financial context). The Council's aim is to hold general reserves of 5% of the net revenue budget to recognise the heightened financial risk the Council is facing.

3. Strategic context

- 3.1. The Council continues to face a shortfall in funding compared to spending demands and must annually review its priorities in order to address the shortfall.
- 3.2. The Council also relies on interest earned through investments of our cash balances to support its general spending plans.
- 3.3. Reserves are one-off money. The Council aims to avoid using reserves to meet ongoing financial commitments other than as part of a sustainable budget plan and one of the Council's financial principles is to stop the use of one-off funding to support the base budget. The Council has to balance the opportunity cost of holding reserves in terms of Council Tax against the importance of interest earning and long-term future planning.

4. Management and governance

- 4.1 Each reserve must be supported by a protocol. All protocols should have an end date and at that point any balance should be transferred to the general reserve. If there is a genuine reason for slippage then the protocol will need to be updated.

A questionnaire is completed by the relevant budget holder and reviewed by Finance to ensure all reserves comply with legislative and accounting requirements. A de-minimis limit has been set to avoid small funds being set up which could be managed within existing budgets or declared as an overspend and then managed collectively. This has been set at £250k.

- 4.2 Reserves protocols and questionnaires must be sent to the Chief Accountant's Team within Finance for review and will be approved by the Corporate Director of Finance, Corporate Management Team and then by the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services. Protocols should clearly identify contributions to and drawdowns from reserves, and these will be built into the MTFP and monitored on a quarterly basis.

Accessing reserves will only be for significant unusual spend, more minor fluctuations will be managed or declared as budget variances. In-year draw-downs from reserves will be subject to the governance process set out in the revised financial regulations. Ongoing recurring costs should not be funded from reserves. Any request contrary to this will only be considered during the budget setting process. The short term use of reserves may be agreed to provide time to plan for a sustainable funding solution in the following financial year.

Decisions on the use of reserves may be delayed until financial year end and will be dependent on the overall financial position of the council rather than the position of just one budget area.

The current Financial Regulations state:

Maintenance of reserves & provisions

A.24 The Corporate Director of Finance is responsible for:

- i. proposing the Council's Reserves Policy.
- ii. advising the Leader and the Council on prudent levels of reserves for the Authority when the annual budget is being considered having regard to assessment of the financial risks facing the Authority.
- iii. ensuring that reserves are not only adequate but also necessary.
- iv. ensuring that there are clear protocols for the establishment and use of each earmarked reserve. Reserves should not be held without a clear purpose or without a planned profile of spend and contributions, procedures for the reserves managements and control, and a process and timescale for review of the reserve to ensure continuing relevance and adequacy.
- v. ensuring that all renewals reserves are supported by a plan of budgeted contributions, based on an asset renewal plan that links to the fixed asset register.
- vi. ensuring that no money is transferred into reserves each financial year without prior agreement with him/herself.
- vii. ensuring compliance with the reserves policy and governance procedures relating to requests from the strategic priority and general corporate reserves.

- 4.3. All reserves are reviewed as part of the monitoring process, the budget preparation, financial management and closing of accounts processes. Cabinet is presented with the monitoring of reserves on a regular basis and in the outturn report and the Council will consider a report from the S151 Officer on the adequacy of the level of reserves in the annual budget setting process. The report will contain estimates of reserves where necessary. The Governance and Audit Committee will consider actual reserves when approving the statement of accounts each year.
- 4.4. The following rules apply:
- Any in year use of the General Reserve will need to be approved by Cabinet and any planned use will be part of the budget setting process.
 - In considering the use of reserves, there will be no or minimal impairment to the Council's financial resilience unless there is no alternative.
- 4.5. The Council will review the Reserves Policy on an annual basis.

Budget risks and adequacy of reserves

The assessment of budget risks and the adequacy of reserves is even more important for 2024-25 initial draft budget and the medium-term plan due to the priority to restore the council's financial resilience as set out in Securing Kent's Future – Budget Recovery Strategy". The strategy recognises that the current in-year overspend on the scale forecast and the underlying causes from rising costs most notably in adult social care, children in care and home to school transport represent a fundamental risk to the council's ability to set a balanced budget for 2024-25 and a sustainable MTFP to 2026-27. Those risks are assessed in more detail In this section of the budget. In the circumstances it is more essential than ever that the Council is sufficiently financially resilient to avoid the risk of financial failure leading to the Council losing the ability to manage its finances. This section includes a new and separate assessment of the current position of the council against the key symptoms of financial stress identified by CIPFA in its report entitled "Building Financial Resilience".

The administration's initial draft budget and MTFP is informed by the best estimate of service costs and income based on the information currently available. Publishing the initial draft in November inevitably means these estimates are longer range and thus more likely to change for the final budget or when actual costs are incurred. It is also acknowledged that this does not come without risks particularly as the recent trends for changes in key cost drivers makes forecasting them accurately under traditional incremental budgeting very difficult and we have not completed the full transition to an Outcomes Based Budgeting approach (which in any case would not in itself completely remove the risk from cost drivers). In addition, there will always be factors outside of the Council's direct control which have the potential to vary the key planning assumptions that underpin those estimates.

There are a number of significant risks that could affect either the cost of providing key services and/or level of service demand or its main sources of funding. In addition, there are general economic factors, such as the level of inflation and interest rates that can impact on the net cost of services going forward. Pressures from the main cost drivers and in some cases from service demand are evident in children's and adults social care, waste volumes, and home to school and special educational needs transport.

There are also opportunities to either reduce costs or increase income which will not, as yet, be fully factored into the planning assumptions. The main risks and opportunities are summarised below.

Risks

Cost of Living

- Extraordinary increases in the costs of goods and services procured by the Council
- Market instability due to workforce capacity as a result of recruitment and retention difficulties leading to exit of suppliers, increased costs, and supply chain shortages

- Increased demand for Council Services over and above demographic demands, including crisis and welfare support
- Reductions in income from fees and charges
- Under collection of local taxation leading to collection losses and reductions in tax base
- Claimants of Local Council Tax Reduction Scheme discounts

International Factors

- War in Ukraine and other conflicts causing instability
- Impact of the decision to leave the European Union
- Legacy impact of covid-19
- Ongoing supply chain disruption including energy supplies
- Breakdown of hosting arrangements under Homes for Ukraine scheme

Regulatory Risk

- **High Court ruling on Unaccompanied Asylum Seeking (UAS) Children** – the judgement that the council is responsible for supporting all UAS children arriving in the county until they are transferred under National Transfer Scheme impacts on the availability and therefore cost of carers for local children as well as risks of shortfalls in funding refugee schemes (see below)
- **Replacement Legislation and Regulation following Brexit** – including additional council responsibilities, impact on businesses and supply chains, and economic instability
- **Statutory overrides** – currently there are a number of statutory overrides in place which reduce short term risks e.g., high needs deficit, investment losses, etc. These are time limited and require a long-term solution
- **Funding settlements** - adequacy of the overall settlement and reliance on council tax over the medium term, and uncertainty over future settlements (especially beyond 2024-25)
- **Delayed Reforms to Social Care Charging** - uncertainty over future plans and funding, and providers' fee expectations
- **Other delayed legislative reforms** – impact on council costs and ability to deliver savings/spending reductions e.g. Extended Producer Responsibilities
- **Departmental Specific Grants** - Unanticipated changes in specific departmental grants and ability to adjust spending in line with changes
- **Asylum and Refugee Related** – increase in numbers of refugees (adults and families) accommodated within the community impacting on council services. Inadequate medium-term government funding for refugee schemes
- **New Burdens** – Adequacy of funding commensurate with new or additional responsibilities
- **Further delay of the Local Government Funding Review** - The government has committed to updating and reforming the way local authority funding is distributed to individual authorities. However, this has now been further delayed until 2025-26 at the earliest. The Fair Funding Review of the distribution methodology for the core grants

was first announced as part of the final local government settlement for 2016-17. The data used to assess funding distributions has not been updated for a number of years, dating from 2013-14 to a large degree, and even as far back as 2000.

General Economic & Fiscal Factors

- Levels of national debt and borrowing
- Inflation continues to be well above the government target for a sustained period with consequential impacts on contracted services (see below) and household incomes (including incomes of KCC staff)
- Economic recession
- Rise in unemployment
- A general reduction in debt recovery levels
- Reductions in grant and third-party funding
- Increase in fraud

Increases in Service Costs and Demand

- Long term impact of Covid-19 pandemic on clients and suppliers
- Higher cost for new clients coming into care than existing clients especially but not exclusively older persons residential and nursing care and children in care
- Adult Social Care demography from increased complexity
- Children's Social Care including sufficiency of Foster carers and numbers of UAS children or those with no recourse to public funds
- Significantly higher than the national average Education and Health Care Plans with consequential impact on both Dedicated Schools Grant High Needs placements/services and General Fund services for assessment and home to school transport
- Waste tonnage
- Public health services
- General demographic trends (including a rising and ageing population and growth in the number of vulnerable persons)

Contractual Price Increases

- Index linked contracts rise above budgeted amounts
- Containing locally negotiated contracts within the amounts provided in the budget
- Financial sustainability of contracted providers

Efficiencies and Savings Programme

- Slippage in the expected delivery of the savings programme
- Non-delivery of planned savings
- Shortfalls in income from fees and charges

Opportunities

- Growth in local taxbase for both housing and businesses
- Service transformation and redesign including digital services
- Invest to save approach to reduce revenue costs
- Service remodelling

Adequacy of Reserves

Reviewing the level of reserves the Council holds is an important part of the budget setting process. The review must be balanced and reasonable, factoring in the current financial standing of the Council, the funding outlook into the medium term and beyond, and most importantly, the financial risk environment the Council is operating in. The assessment of reserves is based on factors recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) as set out below together with an indication of the direction of travel (up arrow represents an improved position i.e., the risk is less than it was last year).

Assumptions for inflation



The direction of travel for this indicator was showing as deteriorating in last year's budget due to the historically high levels of inflation that arose during 2022. The annual rate of inflation (using CPIH) peaked at 9.6% in October 2022 and has been on a downward trajectory in the subsequent months (CPI peaked at 11.1% and RPI at 14.2% in October 2022).

The March Office for Budget Responsibility forecasts were for the rate of inflation to peak in quarter 4 of 2022 (CPI 10.7% in quarter 4 2022), before the rate of prices growth falls back reducing to 9.7% in quarter 1 2023, 6.9% quarter 2, 5.4% quarter 3, 2.9% quarter 4 and 1.5% quarter 1 2024. However, the rate of inflation in 2023 has not reduced as much as the March 2023 OBR forecast with reported CPI from Office for National Statistics (ONS) of 10.2% quarter 1, 8.4% quarter 2 and 6.7% quarter 3. Revenue spending subject to inflation is around £1.4bn so each 1% adds £14m to council costs. One of the principal reasons that inflation is not falling as much as forecast is due to the rise in petrol and diesel prices amid a sharp rise in in global oil costs over recent months offsetting falls in food price inflation.

The higher than forecast inflation is the reason why this measure is still showing as deteriorating for 2024-25 as it makes the impact on future price forecasts in budget plans uncertain and volatile.

Estimates of the level and timing of capital receipts



The Council uses receipts as part of the funding for the capital programme. The Council has not applied the flexible use of capital receipts to fund revenue costs since the 2018-19 budget and does not propose to use the permitted extension. Delivery of receipts against the target has continued to fall behind in recent years necessitating additional short-term borrowing/use of reserves.

Performance in the current year has been mixed with the rise in interest rates dampening large new-build housing developments. Although there is a reasonable pipeline of assets for disposal the risk profile for potential delays remains high therefore leading to a continued deterioration in this measure.

Capacity to manage in-year budget pressures and strategy for dealing with demand and service delivery in the longer term



2022-23 ended with a revenue budget overspend for the first time in 23 years. The net overspend in 2022-23 was £47.1m after roll forwards (3.9% of net revenue). Overspends before roll forwards were reported in Adult Social Care & Health (ASCH) of £24.4m, Children, Young People and Education (CYPE) of £32.7m, Growth Environment and Transport (GET) of £0.9m, Deputy Chief Executive Department (DCED) of £1.6m. These were partly offset by underspends in Chief Executive Department (CED) of £3.5m and Non-Attributable Costs and Corporately held budgets (NAC) of £11.8m

The most significant overspends were:

- £30.5m older persons residential and nursing care in ASCH
- £16.1m home to school transport in CYPE
- £9.9m children in care in CYPE

The most recent 2023-24 revenue budget monitoring presented to Cabinet on 5th October 2023 showed a forecast overspend of £37.3m before management action. This overspend was largely driven by higher spending growth than the £182.3m (excluding spending on externally funded activities) provided for in the budget. The largest overspends are in the same main areas as 2022-23 (adult social care, children in care and home to school transport). This is despite including additional spending in the budget for the full year effect of recurring spend from 2022-23 and forecasts for future price uplifts, increases in demand and cost increases unrelated to price uplifts.

At the same Cabinet meeting on 5th October 2023 a separate report “Securing Kent’s Future – Budget recovery Strategy” set out the broad strategic approach to providing reassurance on the necessary action to bring 2023-24 budget back into balance and the opportunity areas for further savings and avoidance of future cost increases over the medium term 2024-27.

However, until this strategic plan has been converted into detailed plans and these have been delivered managing in-year spending and spending growth over the medium term presents the most significant risk to

the Council's financial resilience and sustainability and therefore the highest rating of deterioration.

Strength of financial reporting and ability to activate contingency plans if planned savings cannot be achieved



There continues to be a reasonable degree of confidence in the validity of financial reporting despite the uncertainties and volatility as a result of overspends. However, the ability to activate contingency plans if planned savings cannot be achieved has to date been severely restricted as a result of these overspends, although every effort is being made to reduce the forecast overspend in 2023-24.

Reporting has been enhanced to include separate analysis of delivery of savings plans, treasury management and council tax collection. Further improvements are planned in terms of the timeliness of financial monitoring and reporting to ensure corrective action is taken as early as possible.

Some areas of spending can still be changed at short notice if required as a contingency response if planned savings cannot be achieved (or there are unexpected changes in spending). A significant plank of the 2023-24 recovery strategy is to reduce non committed spending for the remainder of the year. At this stage it is expected that managers across the whole organisation will exercise this restraint to reduce forecast spending for the remainder of the year. However, if this does not result in sufficient reductions to bring in-year spending back into balance further spending controls will have to be considered. These spending reductions are largely anticipated to be one-offs and will not flow through into 2024-25 or later years.

The increased focus on savings monitoring and delivery has had some impact and the majority of the overspend in 2022-23 and forecast for 2023-24 is due to unbudgeted spend rather than savings delivery, although savings delivery is still a contributory factor and remains a risk, this is no greater risk than in previous years, hence this measure has not been rated as deteriorating.

However, if the further savings necessary to bring 2023-24 back into balance are not proving to be achieved this measure would need to be reassessed for future drafts.

Risks inherent in any new partnerships, major outsourcing



Partnership working with NHS and districts has improved. However, further sustained improvements are still needed to change the direction of travel.

arrangements, and major capital developments

Trading conditions for Council owned companies continue to be challenging.

A number of outsourced contracts are due for retender and the Council is still vulnerable to price changes due to market conditions.

The ability to sustain the capital programme remains a significant challenge. It is essential that capital programmes do not rely on unsustainable levels of borrowing and additional borrowing should only be considered where absolutely essential to meet statutory obligations. This will impact on the condition of non-essential assets possibly resulting in the closure of facilities although the planned spending to limit modernisation programmes to essential measures to ensure buildings are safe warm and dry has proved to be inadequate and the programme needs to reflect a realistic level of spend on the assets the council needs to sustain necessary functions. Despite the action taken to limit additional borrowing, a third of the capital programme is still funded by borrowing. Slippage within individual projects remains an issue leading to lower than planned spending in the short-term but potentially higher medium to long term costs due to inflation. This slippage defers borrowing rather than reducing it.

The quarter 1 capital monitoring report showed a forecast net underspend on capital spending of £42.3m comprising net £8.2m increased spending on projects (real variance) and £50.5m reduction due to slippage. The real variance includes spending on grant and externally funded projects where funding has been announced after the capital programme was approved.

Financial standing of the Authority (level of borrowing, debt outstanding, use of reserves, etc.)



The financial standing of the Council has weakened significantly as a result of the overspend in 2022-23 that was balanced by the drawdown of £47.1m from general and risk reserves (39% of general reserve and all of the risk reserve). Usable reserves were also reduced through the transfer of £17m from earmarked reserves to Dedicated Schools Grant (DSG) reserve as part of KCC's contribution the Safety Valve agreement with DfE in March 2023 (with further transfer of £14.4m planned for 2023-24). Overall, the council's usable revenue reserves have reduced from £408.1m at 31/3/22 (40% of net revenue) to £355.1m at 31/3/23 (29.8% of net revenue) with further reduction to £316.3m (24% of net revenue) forecast for 31/3/24.

This forecast assumes 2023-24 revenue budget is brought back into balance by year end with no further draw down from reserves.

The reduction in usable reserves has significantly reduced the council's ability to withstand unexpected circumstances and costs, and reduced the scope to smooth timing differences between spending and savings plans. The levels of reserves now pose a more significant risk to the council's financial resilience than levels of debt. Levels of reserves are now considered to be the second most significant financial risk after capacity to deal with in-year budget pressures. Reserves will need to be replenished at the earliest opportunity and will need to be factored into future revenue budget plans.

The Council has an ongoing borrowing requirement of £1.1bn arising from its historic and ongoing capital expenditure, which is expected to remain broadly stable over the medium term. Most of this requirement is covered by existing external debt, which is forecast to decline gradually over the medium term (from around 72% in 2023/24 to 66% in 2026/27. The remaining portion is met via internal borrowing (namely the temporary use of internal cash balances in lieu of investing those balances with external counterparties).

Although the Council has been protected to a significant extent from the material increase in interest rates over the past two years (given that the majority of its borrowing requirement is already met by fixed rate debt) the higher rate environment has increased the expected costs of internal borrowing as well as costs associated with any new external borrowing over the near and medium term.

A small portion of the borrowing requirement (8.4% in 2023/24) is met via "LOBO" (Lender Option Borrower Option) loans. These instruments provide lower cost financing in exchange for giving the lender the periodic opportunity to reset the loan's interest rate. The Council manages the risks around these loans being "called" by restricting their use to only a minor portion of the borrowing portfolio and by avoiding any concentration in the loans' associated option dates.

In managing the structure of its borrowing (the balance between internal and external borrowing, and the portion of the latter that is made up of fixed-rate as opposed to variable-rate loans), the Council is chiefly concerned with risks arising from uncertainty around

interest rates as well as ensuring it has adequate liquidity over the medium term. The Council reviews its borrowing strategy formally on an annual basis to ensure its approach remains appropriate.

The Authority's record of budget and financial management including robustness of medium-term plans



The direction of travel for this factor was shown as deteriorating in the final budget presented to County Council on 9th February 2023 due to the quarter 3 monitoring for 2022-23 showing a significant £53.7m forecast revenue overspend. The overspend reduced a little by year-end to £44.4m before roll forwards (£47.1m after roll forwards). However, this was not sufficient to change the direction of travel bearing in mind the scale further of the forecast overspends for 2023-24.

The most significant cause of the overspends is higher than budgeted spending growth despite significant increases already factored into the budget. The need to include for the full year effect of current year overspends as a variance to the published medium-term plan means that the capacity to manage in-year budget pressures (highest rated risk assessment) is the most significant factor in MTFP variances rather than robustness of MTFP forecasts. This is the only reason that this particular assessment has not been shown as a significant deterioration with a double arrow. Nonetheless, the robustness of forecasts included in the MTFP does need improvement (hence this assessment is still showing a deterioration until these are improved).

The initial draft budget for 2024-25 and MTFP for 2024-27 is not balanced. As outlined in the budget report this was an acknowledged risk from the earlier publication of the draft for scrutiny. At this stage the unbalanced initial draft has not been taken into account in the assessment of this risk as there is a strategy agreed to bring future drafts into balance. Should that strategy not be successful this aspect would need to be reassessed as further deterioration in future drafts.

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Virement and year-end procedures in relation to under and overspends



The direction of travel for this factor was shown as deteriorating in last year's budget due to monitoring for 2022-23 forecast to overspend and ongoing issues with Whole Government Accounts. The forecast for 2023-24 is further forecast overspend and issues remain with Whole Government Accounts meaning there has not been sufficient progress to date to change the direction of travel on this assessment.

The Council continues to adhere to its virement and year end procedures as set out in its financial regulations. The Council's ability to close the year-end accounts early or even on time is becoming increasingly difficult. The audit certificate for 2020-21 was issued on the 4th September 2023, following confirmation that no further work was required on the Whole Government Accounts. The audit certificate for 2021-22 has not been issued due to the audit of the 2021-22 Whole Government Accounts being outstanding as the external auditors have prioritised the audit of the Council's 2022-23 accounts.

The draft outturn for 2022-23 was reported to Cabinet on 29th June 2023 outlining the main overspends and underspends together with roll-forward requests. This was presented alongside an update to the medium-term financial outlook. A net overspend of £47.1m was reported after roll forwards of £2.7m. The overspend was funded from a drawdown from earmarked and General reserves. The draft accounts for 2022-23 were published on 1st July 2023 and are still being audited. The audit is ongoing as there is still audit work to complete on group accounts and pensions.

The availability of reserves and government grants/other funds to deal with major unforeseen events



As identified in the assessment of the financial standing of the authority the levels of usable reserves have reduced at the end of 2022-23 and are forecast to reduce further by the end of 2023-34. Furthermore, a number of significant risks remain unresolved (including at this stage balancing 2023-24 revenue budget) which could impact on reserves and the assessment of their adequacy if solutions are not found.

The most significant risk to reserves in previous years has been identified from the accumulated and growing deficit on the DSG reserve largely from the overspending high needs support within the DSG. This has now been addressed over a number of years through the Safety Valve agreement with DfE. However, at this stage the Safety Valve agreement is a recovery plan that will be delivered over a number of years with spending on high needs support gradually bought back into balance with the available grant funding and the historic accumulated deficit cleared with contributions from DfE and local authority. However, this does not fully mitigate the risk as should the plan not be fully delivered there is a risk that DfE could withhold contributions and a residue deficit would remain.

The reserves forecast includes the transfer to the DSG reserve of the local authority contribution for 2022-23 and a further forecast transfer for the local authority contribution in 2023-24. Provision is included in the 2024-25 initial draft budget and 2024-27 MTFP for the remaining local authority contributions. The DSG reserve forecast also includes the DfE contributions for 2022-23 to 2027-28. These contributions together with the recovery plan to reduce the in-year deficit on high needs spending would see the accumulated deficit cleared by 2027-28. However, resolving this aspect of risk to reserves does represent £82.3m over the term of the agreement of the authority's resources which would otherwise have been available to mitigate other risks.

A new risk has arisen during the course of 2023-24 following the high court order that the Council must take all possible steps to care for all Unaccompanied Asylum Seeking (UAS) children arriving in the county under the Children Act 1989, unless and until they are transferred to other local authorities under the National Transfer Scheme. The council is currently in negotiation with Department for Levelling Up Housing and Communities (DLUHC), Home Office and Department for Education (DfE) over a funding package to support compliance with the judgement. To date the offer is circa £9m which is insufficient to cover forecast costs for caring for UAS children for the remainder of 2023-24 which if not resolved would leave a forecast deficit and no offer has yet been made for 2024-25. This combination poses a major threat to the Council's financial sustainability.

Although this DSG risk has been addressed the risk of the requirement for further draw downs if the 2023-24 current year spend and gaps in 2024-25 initial draft budget and 2024-27 MTFP and the overall forecast level of reserves means the assessment of this risk cannot yet show an improvement and could be a further deterioration'

A register of the most significant risks is published as part of the initial draft 2024-25 revenue budget, 2024-27 medium term plan and 2024-34 capital programme.

The general financial climate including future expected levels of funding



The Autumn Statement 2022 included departmental spending plans up to 2024-25 and high-level spending plans up to 2027-28. The plans for 2023-24 and 2024-25 included significant additional support for local government including additional grants and increased assumptions for council tax. These plans will be

updated in the 2023 Autumn budget which is scheduled for 22nd November.

The local government finance settlement only included individual grant allocations and core spending power calculations for 2023-24. The settlement did include council tax referendum levels for 2024-25 as well as the overall additional amounts for the main grants for 2024-25 but did not include individual authority allocations. Other departmental specific grants were not included in the settlement..

The Autumn Statement and local government finance settlement confirmed that the planned reforms to social care charging have been delayed until 2025. It is this delay that has enabled Government to redirect the funding allocated for social care reform as a short term increase in funding for current pressures in adult social care. A further tranche of funding for the Market Sustainability and Improvement Fund for workforce reform for 2023-24 and 2024-25 was announced in July 2023.

However, the inadequacy of medium to long term sustainable funding for adults social care remains, and the lack of certainty that the additional funding available in 2023-24 and 2024-25 will be baseline for subsequent years cause the assessment of this risk to remain as a neutral direction of travel at this stage. This can be reassessed following the 2023 Autumn Budget statement.

The long-awaited update and reform to the funding arrangements for local government have also been delayed again until 2025 at the earliest.

Despite increased certainty of funding for 2023-24 and 2024-25 medium term financial planning remains uncertain, particularly future spending and income forecasts . The plans for 2025-26 include a higher level of uncertainty. Plans can only be prepared based on prudent assumptions and forecasts for later years remain highly speculative.

The adequacy of insurance arrangements



The Council's insurance policies were reviewed for January 2022. A hardening market along with changing levels of risk has resulted in a rise in premiums, with some deductibles being increased to mitigate this. The implications of limiting capital borrowing to absolutely essential statutory services increases the risk of insurance claims where assets have not been adequately maintained. A fund audit confirms the levels of insurance reserve are

adequate, however as the corporate contribution to the fund is remaining unchanged more reliance will be placed on the reserve to balance insurance claims.

Of the eleven factors used to assess risk and the adequacy of reserves, only one has shown no change from twelve months ago (the strength of financial reporting and ability to activate contingency plans, and even this is conditional on delivering the contingency plans to bring 2023-24 spending back into balance), the remaining ten are still deteriorating. In the case of capacity to manage in-year budget pressures and strategy for dealing with demand and service delivery in the longer term and financial standing of the Authority (level of borrowing, debt outstanding, use of reserves, etc.) the deterioration is now at a severe level and cause for serious concern. There are aspects of these deteriorations as well as number of the others that are largely due to outside factors but still need to be managed and mitigated as much as possible. No weighting has been applied to the individual factors, but the general financial risk to the Council should now be regarded as substantially and severely increased compared with a year ago, which in turn, was increased from the year before.

The amounts and purposes for existing reserves have been reviewed to ensure the Council achieves compliance with Local Authority Accounting Panel (LAAP) Bulletin 99. This bulletin sets out the recommendations on the purposes for holding reserves. Reserves are split between general reserves (working balance to help cushion the impact of uneven cashflows/avoiding unnecessary temporary borrowing and contingency to cushion the impact of unexpected events/emergencies) and earmarked reserves to build up funds for known/predicted specific events.

The administration's initial draft 2024-25 budget includes a £16.4m net increase from changes in contributions and draw down from reserves. This is largely for the to replenish the draw down from general reserves in 2022-23 over two years 2024-25 and 2025-26 and provision for the local authority contribution to DSG reserve under the safety valve agreement. A full reconciliation of all the changes to contributions and draw down from reserves for 2024-25 is available through the detailed dashboard of budget variations.

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Appendix G: Budget Risks Register 2024-25

TOTAL	499.7
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Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Estimated Maximum Financial
						£m
Significant Risks (over £10m)						
CYPE	High Needs Spending	The Dedicated Schools Grant (DSG) High Needs Block does not meet the cost of demand for placements in schools, academies, colleges and independent providers.	The Safety Valve programme does not deliver the reduction to the in-year deficit on spending to support children with high needs as planned leading to a higher deficit	The Department for Education withholds its contribution towards the accumulated deficit and/or the increased overspend leaves a residue deficit. The government requires that the total deficit on the schools budget to be carried forward and does not allow authorities to offset from general funds anything above the amounts included in the Safety Valve agreement without express approval from Secretary of State. This approach does not resolve how the deficit will be eliminated and therefore still poses a significant risk to the council	4	150.0
ALL	Non delivery of Savings and income	Changes in circumstances, resulting in delays in the delivery of agreed savings or income	Inability to progress with plans to generate savings or additional income as scheduled, due to changing circumstances	Overspend on the revenue budget, requiring alternative compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	4	103.1
CYPE	Unaccompanied Asylum Seeking Children	The High Court has ruled that the council is responsible for the care of all Unaccompanied Asylum Seeking (UAS) children arriving in the county until such time as they are transferred to other councils under National Transfer Scheme	Failure to reach agreement with government departments (Home Office and Department for Education) to cover all costs incurred by the council in supporting UAS children	Overspend on the revenue and or capital budgets, requiring alternative compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	60.0
ALL	2023-24 potential overspend impact on reserves	Under delivery of recovery plan to bring 2023-24 revenue budget into a balanced position by 31-3-24.	Overspend against the revenue budget in 2023-24 required to be met from reserves leading to a reduction in our financial resilience	Insufficient reserves available to manage risks in 2023-24 and future years	3	37.3
ALL	Revenue Inflation	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust estimates for spending pressures.	Price pressures rise above the current MTFP assumptions and we are unsuccessful at suppressing these increases.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	4	21.0

Appendix G: Budget Risks Register 2024-25

TOTAL	499.7
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Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Estimated Maximum Financial
ASCH / CYPE	Market Sustainability	The long term impact of Covid-19 is still impacting on the social care market, and there continues to be concerns about the sustainability of the sector. At the moment all areas of the social care sector are under pressure in particular around workforce capacity including both recruitment and retention of staff especially for providers of services in the community, meaning that sourcing appropriate packages for all those who need it is becoming difficult. This is likely to worsen over the next few months with the pressures of winter, and increased activity in hospitals. Throughout this year we have continued to see increases in the costs of care packages and placements far greater than what would be expected and budgeted for, due to a combination of pressures in the market but also due to the increased needs and complexities of people requiring social care support.	If staffing levels remain low, vacancies unfilled and retention poor, then repeated pressure to increase pay of care staff employed in the voluntary/private sector in order to be able to compete in recruitment market. At the moment vacancy level said to be 1 in 10.	Care Homes closures are not an infrequent occurrence and whilst some homes that close are either too small or poor quality others are making informed business decisions to exit the market. The more homes that exit in this unplanned manner further depletes choice and volume of beds which can create pressures in the system regarding throughput and discharge from hospital thus potentially increasing price.	5	20.0
ALL	Full year effect of current overspends	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust estimates for spending pressures.	Increases in forecast current year overspends on recurring activities resulting in higher full year impact on following year's budget (converse would apply to underspends)	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	4	20.0
ALL	Capital	Capital project costs are subject to higher than budgeted inflation.	Increase in building inflation above that built into business cases.	Capital projects cost more than budgeted, resulting in an overspend on the capital programme, or having to re-prioritise projects to keep within the overall budget. For rolling programmes (on which there is no annual inflationary increase), the level of asset management preventative works will reduce, leading to increased revenue pressures and maintenance backlogs.	4	18.3
CYPE	Market Sustainability	Availability of suitable placements for looked after children. Availability in the market for home to school transport, due to reducing supplier base and increasing demand.	Continued use of more expensive and unregulated placements, where it is difficult to find suitable regulated placements as no suitable alternative is available. The cost of transport contracts continues to increase above inflation.	Unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves.	5	10.0

Appendix G: Budget Risks Register 2024-25

TOTAL	499.7
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Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Estimated Maximum Financial
						£m
ALL	Demand & Cost Drivers	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust estimates for spending pressures.	Non inflationary cost increases (cost drivers) continue on recent upward trends particularly but not exclusively in adult social care, children in care and home to school transport above the current MTFP assumptions and the council is not able to suppress these	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	4	10.0
Other Risks (under £10m - individual amounts not included)						50.0

Likelihood Rating

Very Likely	5
Likely	4
Possible	3
Unlikely	2
Very Unlikely	1

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