



Summons to and
Agenda for a
Meeting on
**Thursday, 14th
February, 2019**
at **9.30 am**

**Members are asked to bring the draft
Budget Book released on 2 January
2019.**



DEMOCRATIC SERVICES
SESSIONS HOUSE
MAIDSTONE

Wednesday, 6 February 2019

To: All Members of the County Council

Please attend the meeting of the County Council in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 14 February 2019 at **9.30 am** to deal with the following business. **The meeting is scheduled to end by 4.30pm.**

Webcasting Notice

Please note: this meeting may be filmed for the live or subsequent broadcast via the Council's internet site or by any member of the public or press present.

By entering into this room you are consenting to being filmed. If you do not wish to have your image captured please let the Clerk know immediately.

Voting at County Council Meetings

Before a vote is taken the Chairman will announce that a vote is to be taken and the division bell shall be rung for 60 seconds unless the Chairman is satisfied that all Members are present in the Chamber.

20 seconds are allowed for electronic voting to take place and the Chairman will announce that the vote has closed and the result.

A G E N D A

1. Apologies for Absence
2. Declarations of Disclosable Pecuniary Interests or Other Significant Interests in items on the agenda
3. Minutes of the meeting held on 13 December 2018 and, if in order, **(Pages 5 - 18)** to be approved as a correct record
4. Chairman's Announcements
5. Capital Programme 2019-22, Revenue Budget 2019-20 and **(Pages 19 - 132)** Revenue Medium Term Financial Plan 2019-22 (including Council Tax setting 2019-20)



Benjamin Watts
General Counsel
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KENT COUNTY COUNCIL

MINUTES of a meeting of the Kent County Council held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 13 December 2018.

PRESENT:

Mr M J Angell (Chairman)
Mrs A D Allen, MBE (Vice-Chairman)

Mr M A C Balfour, Mr P V Barrington-King, Mr P Bartlett, Mrs C Bell,
Mrs P M Beresford, Mrs R Binks, Mr R H Bird, Mr T Bond, Mr A H T Bowles,
Mr D L Brazier, Mr D Butler, Miss S J Carey, Mr P B Carter, CBE, Mrs S Chandler,
Mr I S Chittenden, Mrs P T Cole, Mr N J Collor, Ms K Constantine, Mr A Cook,
Mr G Cooke, Mrs M E Crabtree, Mr D S Daley, Mr M C Dance, Miss E Dawson,
Mrs T Dean, MBE, Mr T Dhesi, Mr D Farrell, Mrs S Gent, Mr G K Gibbens,
Mr R W Gough, Mr P M Harman, Mr P M Hill, OBE, Mr A R Hills, Mrs S V Hohler,
Mr S Holden, Mr P J Homewood, Mr A J Hook, Mr E E C Hotson, Mrs L Hurst,
Mr J A Kite, MBE, Mr S J G Koowaree, Mr P W A Lake, Ida Linfield,
Mr R L H Long, TD, Mr R C Love, OBE, Ms D Marsh, Mr J P McInroy,
Mr P J Messenger, Mr D D Monk, Mr D Murphy, Mr P J Oakford, Mr J M Ozog,
Mr R A Pascoe, Mr M D Payne, Mrs S Prendergast, Mr K Pugh, Miss C Rankin,
Mr C Simkins, Mrs P A V Stockell, Dr L Sullivan, Mr B J Sweetland, Mr I Thomas,
Mr R J Thomas, Mr M Whiting, Mr M E Whybrow and Mr J Wright

IN ATTENDANCE: Mrs A Beer (Corporate Director Engagement, Organisation Design & Development), Mr D Cockburn (Corporate Director Strategic & Corporate Services), Ms Z Cooke (Corporate Director of Finance), Mrs B Cooper (Corporate Director of Growth, Environment and Transport), Mr M Dunkley CBE (Corporate Director for Children Young People and Education), Mr A Scott-Clark (Director of Public Health), Ms P Southern (Corporate Director, Adult Social Care and Health), Mrs R Spore (Director of Infrastructure) and Mr B Watts (General Counsel)

UNRESTRICTED ITEMS

104. Apologies for Absence

The General Counsel reported apologies from Mr Booth, Mr Chard, Mr Cooper, Mr Lewis, Mr Lymer, Mr Manion, Mr Marsh and Mr Northey.

105. Declarations of Disclosable Pecuniary Interests or Other Significant Interests in items on the agenda

- (1) Mr Payne declared a non pecuniary interest in relation to item 10 on the agenda (Kent Minerals and Waste Local Plan 2013 – 2030 - Early Partial Review, Kent Mineral Sites Plan and revised Local Development Scheme) and stated that he did not intend to take part in the debate.
- (2) Dr Sullivan declared an interest, as her husband was employed by the County Council in the Early Help and Prevention Team.
- (3) Mrs Prendergast declared a non pecuniary interest in item 10 on the agenda.
- (4) Mr Hook declared an interest in relation to item 12 on the agenda, as his wife was a Probation Officer.
- (5) Mr Bird stated that he, had been lobbied on several occasions on item 10 on the County Council agenda.
- (6) Mr Balfour declared a pecuniary interest in relation to item 10 on the agenda, as members of his family owned part of the land referred to as 'M8' in Ryarsh, which was under consideration as part of item 10 on the County Council agenda.

106. Minutes of the meeting held on 18 October 2018 and, if in order, to be approved as a correct record

RESOLVED that the minutes of the meeting held on 18 October 2018 be approved as a correct record subject to:

- a) Minute no 93 (Chairman's Announcements) being amended as follows:

“(15) The Chairman informed Members that Brockhill Country Park in **Saltwood, Hythe** had won the South East Region's Country Park of the Year award for the first time in its history...”

107. Chairman's Announcements

(a) John London

- (1) The Chairman stated that it was with regret that he had to inform Members of the death of Mr John London on Tuesday 30 October, former Conservative Member for Sevenoaks Central from 1997 to 2013. Mr London became an Honorary Alderman of the County Council in 2013.
- (2) Mr London's funeral had taken place on Thursday, 22 November 2018.
- (3) Mr Brazier, Mrs Crabtree, Mr Gough, Mr Bird and Mr Farrell paid tribute to Mr London.

(4) Following the tributes, all Members stood in silence in memory of Mr London.

(5) After the one-minute silence the Chairman moved, the Vice-Chairman seconded, and it was resolved unanimously that:

This Council records the sense of loss it feels on the sad passing of Mr London and extends to his family and friends our heartfelt sympathy to them in their sad bereavement.

(b) Zena Cooke – Corporate Director of Finance

(7) The Chairman announced that Zena Cooke had been appointed as the new Corporate Director of Finance and had joined the County Council on 12 November 2018.

(8) Ms Cooke was invited to briefly address the Council.

(c) MoD Gold Award

(9) The Chairman announced that Kent County Council was one of only two employers in Kent to have achieved the MoD's Employer Recognition Scheme Gold Award. The award recognised the work that Kent County Council had undertaken with its partners, through the Civilian Military Partnership Board, to support members of the Armed Forces, Veterans and their families and ensure they were not disadvantaged as a result of their service.

(10) The Chairman received the award on behalf of the County Council, from Kent County Council's Armed Forces Champion, Mr Long.

(11) Mr Long was invited to briefly address the Council. He commended officers for their work to achieve the award and presented the certificate to the Chairman.

(d) Christmas Raffle for The Samaritans

(12) The Chairman sought Members support for a raffle in aid of the Chairman's charity, Samaritans.

108. Questions

In accordance with Procedure Rule 1.17(4), 10 questions were asked, and replies given. A record of all questions put, and answers given at the meeting are available [online](#) with the papers for this meeting.

109. Report by Leader of the Council (Oral)

(1) The Leader stated that his report would focus on the local government element of the Autumn Budget Statement, the significant progress that had been made in relation to the new Fair Funding model, an update on further developments regarding the Thames Estuary group, and Brexit preparations.

(2) Mr Carter referred to discussions with various Secretaries of State on a range of significant issues.

(3) Mr Carter said that James Brokenshire, Secretary of State for Communities and Local Government and Rishi Sunak, Parliamentary Under-Secretary of State for Housing, Communities and Local Government, empathised with the financial plight across County Councils in England and had insisted that the austerity grip on local government be loosened.

(4) Mr Carter expressed his thanks to James Brokenshire, Rishi Sunak and the Prime Minister for reducing the financial pressures on local governments across England, by introducing additional funding.

(5) Mr Carter referred to the development of Kent's Brexit preparedness and the support of the Secretary of State for Transport, Chris Grayling, to secure an additional £28 million for Kent County Council to ensure that resilience plans were delivered.

(6) Mr Carter referred to the new needs-led Funding Formula which would be introduced nationally from 2020. He made reference to the work of the County Council Network and the important role that the network would have in responding to the Fair Funding Review consultation.

(7) Mr Carter added that significant progress had been made in producing a constructive capital and revenue budget for Kent for the future, which would go to the Cabinet, Cabinet Committees and Scrutiny Committee for consideration in January 2019.

(8) Mr Carter reiterated the severe financial challenges that Kent had faced over recent years and the significant decisions that were being made to ensure that Kent's residents could continue to access essential services.

(9) Mr Carter briefly mentioned the Thames Gateway Strategic Group, which represented all of the local authorities from Tower Bridge, London, to Thanet. He referred to the importance of Kent setting out an evidence-based case in order to receive significant investment from the government to support the Countries economy.

(10) Mr Carter announced that Kent County Council's Staff Survey had been well-received, and a detailed analysis of the results would be undertaken to recognise the Council's strengths and weaknesses. He emphasised the importance of Kent County Council's staff feeling valued and working together to improve outcomes for Kent's residents and businesses.

(11) In conclusion, Mr Carter thanked all of the staff for their efforts this year and wished everyone a Merry Christmas.

(12) Mr Bird, the Leader of the Opposition, referred to Kent County Council's Staff Survey and was pleased to hear that it had been well supported by staff. Mr Bird welcomed Mr Carter's comments in relation to the Staff Survey that strengths would be celebrated, and weaknesses would be addressed.

(13) Mr Bird commended the positive work that had been undertaken in relation to the Thames Gateway and continued to support the call for the extension of Crossrail to Ebbsfleet.

(14) Mr Bird acknowledged the challenging role that the County Council Network had faced in persuading the government and the Treasury to secure the extra funding for local authorities through the Autumn Budget Statement.

(15) Mr Bird reiterated Mr Carter's comments in relation to the Fair Funding Review and emphasised the crucial need to produce a new funding process which was fair, transparent, needs-led and reflected demand.

(16) Mr Bird referred to the awaited Adult Social Care Green Paper and the desperate need for a sustainable approach to Social Care in Kent.

(17) Mr Bird expressed his concerns in relation to the threats of climate change and air pollution and how climate changes would affect every resident in Kent.

(18) Mr Bird conveyed his views in relation to the current position regarding Brexit and referred to the seven Nolan principles that Kent County Council would continue to uphold, regardless of Brexit's final decision.

(19) Mr Farrell, the Leader of the Labour Group, started by thanking all of Kent County Council's Members and staff for their hard work, dedication and service to Kent's residents throughout the year.

(20) Mr Farrell supported the views expressed by Mr Bird and Mr Carter in relation to the Staff Survey. Mr Farrell referred to Kent County Council's draft budget statement for 2019/20 and the significant challenges ahead in relation to the national funding gap in Adult Social Care. He emphasised the importance of continuing to address road maintenance issues in Kent.

(21) Mr Farrell expressed his views in relation to Brexit and thanked Kent County Council's officers for their ongoing dialogue with the opposition groups as Brexit preparations continued. He stated that, as a local authority, it was the duty of Members and officers to plan for every eventuality and ensure that contingency processes were in place to minimise potential disruption for Kent's residents and businesses. He referred to the infrastructure preparations for Operation Brock and emphasised the importance of ensuring that all options were considered.

(22) Mr Farrell welcomed the bids to various government departments as well as the £850,000 of government funding that had been secured by Kent Police for Brexit contingency planning.

(23) Mr Whybrow, the Leader of the Independents Group, started by wishing all of Kent County Council's Members and staff well over the festive period.

(24) Mr Whybrow thanked the Cabinet Member for Children, Young People and Education, Mr Gough, for his positive feedback on Hythe's scheme to welcome a Syrian refugee family to Kent's community under the Central Government scheme. Hythe was the first community to do so under this scheme

(25) Mr Whybrow emphasised the importance of recognising the impact that budget and staffing pressures had on Kent County Council's staff. Mr Whybrow welcomed Kent County Council's Staff Survey and agreed with Mr Bird and Mr Farrell's comments.

(26) Mr Whybrow referred to the importance of Kent County Council's Code of Conduct and treating all staff equally.

(27) In replying to the other Leaders' comments, Mr Carter reassured Members that the Staff Survey would be carried out at regular intervals to monitor improvements in the answers that were provided. The outcome of the survey would be considered by the Personnel Committee in January 2019.

(28) Mr Carter referred to the comprehensive spending review and explained how it operated in conjunction with the needs-led Fair Funding Review.

(29) In conclusion, Mr Carter referred to the long-awaited Adult Social Care Green Paper and expressed the hope that it would be bold and ambitious.

110. Brexit Preparedness - Kent County Council Update

(1) Mr Carter moved, and Mr Whiting seconded the following recommendation:

“County Council is asked to:

- a) NOTE Kent County Council’s preparations for a potential no-deal Brexit scenario;
- b) AGREE Kent County Council’s call on Government to fully meet the identified costs to Kent; and
- c) AGREE Kent County Council’s requirements of Government to ensure effective preparations for a no-deal.”

(2) Mr Hook proposed, and Mr Bird seconded the following amendment:

“The Council is asked to:

- a) NOTE Kent County Council’s preparations for a potential no-deal Brexit scenario;
- b) AGREE Kent County Council’s call on Government to fully meet the identified costs to Kent and meet all Kent’s requirements in preparation for a no-deal;
- c) AGREE Kent County Council’s requirements of Government to ensure effective preparations for a no-deal;
- d) CALL UPON Government to rule out a no-deal Brexit which would have an unacceptable impact on the County of Kent; and
- e) CALL UPON Government to publish all its plans for facilitating Cross-Channel logistics post Brexit to enable Kent’s residents, businesses and other organisations to make their own plans accordingly.”

(3) Mr Gibbens moved, and Mr Long seconded the procedural motion “that the question be put”, the Chairman put this to the vote and the voting was as follows:

For (49)

Mrs A Allen, Mr M Angell, Mr M Balfour, Mr P Barrington-King, Mr P Bartlett, Mrs C Bell, Mrs P Beresford, Mrs R Binks, Mr T Bond, Mr A Bowles, Mr D Brazier, Mr D Butler, Miss S Carey, Mr P Carter, Mrs S Chandler, Mrs P Cole, Mr A Cook, Mr G Cooke, Mr P Cooper, Mrs M Crabtree, Mr M Dance, Mrs S Gent, Mr G Gibbens, Mr R Gough, Mr P Harman, Mr M Hill, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Mr J Kite, Mr P Lake, Mr R Long, Ms D Marsh, Mr J McInroy, Mr D Monk, Mr D Murphy, Mr P Oakford, Mr J Ozog, Mr D Pascoe, Mr M Payne, Mrs S Prendergast,

Miss C Rankin, Mr C Simkins, Mr B Sweetland, Mr I Thomas, Mr R Thomas, Mr M Whiting, Mr J Wright.

Against (10)

Mr R Bird, Ms K Constantine, Mr D Daley, Mrs T Dean, Mr T Dhesi, Mr D Farrell, Mr A Hook, Mr G Koowaree, Ida Linfield, Dr L Sullivan.

Abstain (0)

Procedural motion carried

(4) The Chairman put the amendment as set out in paragraph (2) to the vote and the voting was as follows:

For (11)

Mr R Bird, Ms K Constantine, Mr D Daley, Mrs T Dean, Mr T Dhesi, Mr D Farrell, Mr A Hook, Mr G Koowaree, Ida Linfield, Dr L Sullivan, Mr M Whybrow.

Against (54)

Mrs A Allen, Mr M Angell, Mr M Balfour, Mr P Barrington-King, Mr P Bartlett, Mrs C Bell, Mrs P Beresford, Mrs R Binks, Mr T Bond, Mr A Bowles, Mr D Brazier, Mr D Butler, Miss S Carey, Mr P Carter, Mrs S Chandler, Mrs P Cole, Mr N Collor, Mr A Cook, Mr G Cooke, Mr P Cooper, Mrs M Crabtree, Mr M Dance, Miss E Dawson, Mrs S Gent, Mr G Gibbens, Mr R Gough, Mr P Harman, Mr M Hill, Mr T Hills, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Mrs L Hurst, Mr J Kite, Mr P Lake, Mr R Long, Ms D Marsh, Mr J McInroy, Mr P Messenger, Mr D Monk, Mr D Murphy, Mr P Oakford, Mr J Ozog, Mr D Pascoe, Mr M Payne, Mrs S Prendergast, Mr C Simkins, Mrs P Stockell, Mr B Sweetland, Mr I Thomas, Mr R Thomas, Mr M Whiting, Mr J Wright.

Abstain (0)

Amendment lost

(5) Following a debate, the Chairman put the motion as set out in paragraph (1) to vote and voting was as follows:

For (53)

Mrs A Allen, Mr M Angell, Mr M Balfour, Mr P Barrington-King, Mr P Bartlett, Mrs C Bell, Mrs P Beresford, Mrs R Binks, Mr T Bond, Mr A Bowles, Mr D Brazier, Mr D Butler, Miss S Carey, Mr P Carter, Mrs S Chandler, Mrs P Cole, Mr N Collor, Mr A

Cook, Mr G Cooke, Mr P Cooper, Mrs M Crabtree, Mr M Dance, Miss E Dawson, Mrs S Gent, Mr G Gibbens, Mr R Gough, Mr P Harman, Mr M Hill, Mr T Hills, Mrs S Hohler, Mr S Holden, Mr P Homewood, Mr E Hotson, Mrs L Hurst, Mr J Kite, Mr P Lake, Mr R Long, Ms D Marsh, Mr J McInroy, Mr P Messenger, Mr D Monk, Mr D Murphy, Mr P Oakford, Mr J Ozog, Mr D Pascoe, Mr M Payne, Mrs S Prendergast, Mr C Simkins, Mrs P Stockell, Mr B Sweetland, Mr I Thomas, Mr R Thomas, Mr J Wright.

Against (6)

Mr R Bird, Mr D Daley, Mrs T Dean, Mr A Hook, Mr G Koowaree, Ida Linfield.

Abstained (5)

Ms K Constantine, Mr T Dhesi, Mr D Farrell, Dr L Sullivan, Mr M Whybrow.

Motion carried

(6) RESOLVED that:

- a) the County Council's preparations for a potential no-deal Brexit scenario be noted;
- b) the County Council calls on Government to fully meet the identified costs to Kent; and
- c) the County Council's requirements of Government to ensure effective preparations for a no-deal be agreed.

111. Corporate Parenting Annual Report - 2017/18

(1) Mrs Allen moved and Mr Gough seconded the following motion:

“That County Council is asked to:

- (a) COMMENT on and NOTE the Corporate Parenting Annual Report 2017/18; and
- (b) NOTE Members responsibilities as Corporate Parents.”

(2) The motion as set out in paragraph (1) was agreed without a formal vote.

(3) RESOLVED that:

- a) The Corporate Parenting Annual Report 2017/18 and the comments made by Members be noted; and
- b) Members' note their responsibilities as Corporate Parents.

112. Kent Adult Safeguarding Board - Annual Report

(1) Mr Gibbens moved and Mrs Bell seconded the following motion:

"That County Council is asked to:

- (a) COMMENT on the progress and improvements made during 2017-18, as detailed in the Annual Report from the Kent and Medway Safeguarding Adults Board and endorse the 2017-18 Annual Report.
- (2) Ms Deborah Stuart-Angus, Independent Chair of the Kent Safeguarding Adults Board, addressed the meeting and answered a number of questions from Members.
- (3) The motion as set out in paragraph (1) was agreed without a formal vote.
- (4) RESOLVED that:
 - a) the Kent and Medway Safeguarding Adults Board Annual Report 2017-18 be endorsed; and
 - b) the comments on progress and improvements made during 2017-18 be noted.

113. Kent Minerals and Waste Local Plan 2013 – 2030 - Early Partial Review, Kent Mineral Sites Plan and revised Local Development Scheme

(1) Mr Oakford moved and Mr Brazier seconded the following motion:

“That County Council is asked to:

- a) NOTE the Council’s legal advice and response in respect of the legal opinion from the promoter of the West Malling sandpit site concerning the green belt assessment;
- b) APPROVE and publish the Pre-Submission Drafts of the Kent Mineral Sites Plan and the Early Partial Review of the Kent Minerals and Waste Local Plan for a statutory period of representation and to submit the Draft Plans to the Secretary of State for independent examination; and
- c) DELEGATE to the Corporate Director for Growth, Environment & Transport the authority to approve any non-material changes to the Mineral Sites Plan and Early Partial Review of the Kent Minerals and Waste Local Plan in consultation with the Deputy Leader prior to their publication and during their examination.

(2) Following the debate, the Chairman put the motion set out in paragraph (1) above to the vote and the voting was as follows:

For (43)

Mrs A Allen, Mr M Angell, Mr P Barrington-King, Mr P Bartlett, Mrs C Bell, Mrs P Beresford, Mrs R Binks, Mr R Bird, Mr A Bowles, Mr D Brazier, Mr D Butler, Miss S Carey, Mr P Carter, Mr N Collor, Ms K Constantine, Mr A Cook, Mr P Cooper, Mr D Daley, Mrs T Dean, Mr T Dhesi, Mr D Farrell, Mr G Gibbens, Mr R Gough, Mr M Hill, Mrs S Hohler, Mr S Holden, Mr E Hotson, Mrs L Hurst, Mr J Kite, Mr P Lake, Mr R Long, Ms D Marsh, Mr J McInroy, Mr D Monk, Mr P Oakford, Mr J Ozog, Mr D Pascoe, Mrs S Prendergast, Mr C Simkins, Dr L Sullivan, Mr I Thomas, Mr R Thomas, Mr J Wright.

Against (4)

Ida Linfield, Mr M Whybrow, Mr T Hills, Ms S Hamilton

Abstained (0)

Motion carried

(3) RESOLVED that:

- a) the Council’s legal advice and response in respect of the legal opinion from the promoter of the West Malling sandpit site concerning the green belt assessment be noted;

- b) the Pre-Submission Drafts of the Kent Mineral Sites Plan and the Early Partial Review of the Kent Minerals and Waste Local Plan for a statutory period of representation be approved, published and the Draft Plans be submitted to the Secretary of State for independent examination; and
- c) authority be delegated to the Corporate Director for Growth, Environment & Transport to approve any non-material changes to the Mineral Sites Plan and Early Partial Review of the Kent Minerals and Waste Local Plan in consultation with the Deputy Leader prior to their publication and during their examination.

114. Officer Delegations - Amendments

(1) Mr Hotson moved and Mr McInroy seconded the following motion:

“That County Council is asked to approve the following amendments to officer delegations:

- a) Delegation of authority under Section 64 of the Land Drainage Act 1991 (powers of entry for internal drainage boards and local authorities) be given to the Director of Environment, Planning and Enforcement;
- b) Delegated authority to enter into agreements under section 106 of the Town and Country Planning Act 1990 be extended to the Director of Highways, Transportation and Waste; and
- c) Paragraph 1.4 of Appendix 2 of Part 3 of the Constitution, to read:

“Senior Managers may, in turn, delegate their powers to more junior officers, **or escalate the making of those decisions to the relevant Corporate Director**, but must ensure that such delegations are documented to the satisfaction of the Monitoring Officer and are regularly reviewed.”

(2) The motion set out above was agreed without a formal vote.

(3) RESOLVED that:

- a) authority under Section 64 of the Land Drainage Act 1991 (powers of entry for internal drainage boards and local authorities) be delegated to the Director of Environment, Planning and Enforcement;
- b) authority to enter into agreements under section 106 of the Town and Country Planning Act 1990 be delegated to the Director of Highways, Transportation and Waste; and

- c) that Paragraph 1.4 of Appendix 2 of Part 3 of the Constitution, be amended to read:

“Senior Managers may, in turn, delegate their powers to more junior officers, **or escalate the making of those decisions to the relevant Corporate Director**, but must ensure that such delegations are documented to the satisfaction of the Monitoring Officer and are regularly reviewed.”

115. Motion for Time Limited Debate - Support for prison leavers

- (1) Mrs Dean moved and Ida Linfield seconded the following motion:

“The County Council notes:

- a) While the Homelessness Reduction Act 2017 has taken steps to tackle the problem of ex-offenders having no accommodation, prisoners who are released following an incarceration period of over 14 days currently receive a discharge grant of just £46, which has not changed since 1997. If they are entitled to Universal Credit, the first payment will not be made until approximately 5 weeks after the claim has been made. This leaves many discharged prisoners left to resort to food banks and increases the risk of them committing further crimes against Kent residents. In the event of the latter, it will also be Kent taxpayers left footing the bill when police resources need to be deployed.
- b) The council believes that the current arrangements do not provide sufficient funds to cover the basic needs of an ex-offender residing in Kent. The council therefore calls on the UK government to carry out a review and ensure that sufficient provisions are in place for the interim period between an ex-offender leaving prison and receiving their first universal credit payment.

- (2) Mr Gibbens proposed and Mrs Bell seconded the following amendment:

“The County Council notes:

- a) While the Homelessness Reduction Act 2017 has taken steps to tackle the problem of ex-offenders having no accommodation, prisoners who are released following an incarceration period of over 14 days currently receive a discharge grant of just £46, which has not changed since 1997. If they are entitled to Universal Credit, the first payment **may** not be made until approximately 5 weeks after the claim has been made. This leaves many discharged prisoners left to resort to food banks and increases the risk of them committing further crimes against Kent residents. In the event of the latter, it will also be Kent taxpayers left footing the bill when police resources need to be deployed.

b) The council endorses the view that it is important for all statutory agencies to work together to support ex-offenders and to ensure they are appropriately housed, rehabilitated, their health and care needs are met, encouraged and supported to find employment and reunification with their families. Therefore, the Council calls for a time limited interim report as part of the work of the proposed Housing Select Committee on how all the statutory agencies are working together in supporting subsistence for ex-offenders especially in the vital first weeks of release from prison.”

(3) Mrs Dean, as proposer of the original motion, with the agreement of her seconder agreed to accept the amendment.

(1) Following the debate, the substantive motion set out in paragraph (2) was agreed without a formal vote.

(2) RESOLVED that the County Council:

a) notes that while the Homelessness Reduction Act 2017 has taken steps to tackle the problem of ex-offenders having no accommodation, prisoners who are released following an incarceration period of over 14 days currently receive a discharge grant of just £46, which has not changed since 1997. If they are entitled to Universal Credit, the first payment may not be made until approximately 5 weeks after the claim has been made. This leaves many discharged prisoners left to resort to food banks and increases the risk of them committing further crimes against Kent residents. In the event of the latter, it will also be Kent taxpayers left footing the bill when police resources need to be deployed.

b) endorses the view that it is important for all statutory agencies to work together to support ex-offenders and to ensure they are appropriately housed, rehabilitated, their health and care needs are met, encouraged and supported to find employment and reunification with their families. Therefore, the Council calls for a time limited interim report as part of the work of the proposed Housing Select Committee on how all the statutory agencies are working together in supporting subsistence for ex-offenders especially in the vital first weeks of release from prison.

From: Paul Carter, Leader of the Council
Peter Oakford, Deputy Leader and Cabinet Member for
Finance & Traded Services

To: County Council – 14th February 2019

Subject: Capital Programme 2019-22, Revenue Budget 2019-20
and Revenue Medium Term Financial Plan 2019-22
(including Council Tax setting 2019-20)

Classification: Unrestricted

Summary: This report is a summary of the proposed capital programme for 2019-22, revenue budget for 2019-20, and revenue medium term financial plan 2019-22. All these separate plans are outlined in the draft Budget Book published on 2nd January 2019. This was a slimmed down document which only included the financial analysis for these three key elements together with the budget risk register and assessment of reserves. It did not include the previous narrative sections which are summarised in this report. This report is a guide to the published document, a summary of the key issues, and outlines any material changes since its publication.

The County Council has a statutory duty to set an annual budget and the amount to be levied through Council Tax. In approving the budget, the County Council is not only agreeing the total amounts planned to be spent, but is also delegating authority to manage the budget in compliance with the authority's financial regulations.

Members are asked to bring to this meeting the draft (black combed) Budget Book released on 2nd January 2019.

Members are reminded that Section 106 of the Local Government Finance Act 1992 applies to any meeting where consideration is given to matters relating to, or which might affect, the calculation of Council Tax. Any Member of a local authority who is liable to pay Council Tax and who has any unpaid Council Tax amount overdue for at least two months, even if there is an arrangement to pay off the arrears, must declare the fact that they are in arrears and must not cast their vote on anything related to KCC's Budget or Council Tax.

1. Introduction

1.1 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, 2019-20. Setting the Council's revenue and capital budgets continues to be exceptionally challenging in the face of further reductions in central government grants and insufficient funding to cover rising costs and increasing demand for council services. The draft Budget Book sets out the detailed draft capital programme 2019-22, detailed draft revenue budget 2019-20, and high-level indicative revenue estimates for 2020-21 and 2021-22. Section 25 of the Local Government

Act 2003 requires the Chief Financial Officer to report on the robustness of the estimates within the 2019-20 budget calculations, and the adequacy of proposed reserves. This report covers those requirements.

- 1.2 Over the course of the past year, Members agreed to amend the Constitution to specifically define the role of all Members in defining and agreeing the policy and budgetary framework of the Council in accordance with applicable laws providing sufficiency of resources. The budget approval process includes Cabinet Committee meetings, the Scrutiny Committee meeting and Member briefings leading up to the formal Budget meeting and the recommendations set out in this paper. These are the mechanisms by which all Members have the opportunity at today's Council meeting to define, challenge, amend and ultimately vote on the Council's budgetary framework for the next year and in which all Members have a voice and a vital role to play.
- 1.3 An updated draft of KCC's revenue Medium Term Financial Plan (MTFP) for 2018-20 was reported to County Council on 18th October 2018 (agenda item "Autumn Budget Statement"). The publication of that report marked the start of a budget communication and consultation campaign launched on 11th October 2018. The consultation closed on 21st November 2018. A separate report on the results from this campaign was published on 2nd January 2019 and is included as a background document to this report. Overall a lower proportion of respondents supported Council Tax increases than in previous years (this is explored further in section 2 of this report) although in general, suggestions for alternative savings to offset Council Tax increases were insufficient to close the gap and balance the budget.
- 1.4 The draft Budget Book (black combed) was published on 2nd January 2019. This included updates from the Chancellor's Budget Statement on 29th October 2018, the provisional Local Government Finance Settlement on 13th December 2018, provisional Council Tax base and collection fund balance estimates, as well as updated spending and savings proposals based on the latest plans. It also included the proposed solution to the unidentified £16.4m of savings in the October report, and KCC's response to consultation feedback.
- 1.5 The draft Budget Book has been slimmed down from previous years to only include the essential sections for the scrutiny and approval process. Consequently, additional sections are included in this report to help set the scene, additional appendices include information necessary for the statutory approvals of the budget, and additional background documents provide other information previously included in narrative sections of the Budget Book. All of the information to support the Council's budget is published on the web at <https://www.kent.gov.uk/about-the-council/finance-and-budget/our-budget>.
- 1.6 Publication of the draft Budget Book in early January allowed time for consideration by Cabinet Committees in the January round of meetings, endorsement by Cabinet (and subject to scrutiny), as well as allowing a short period for final comment prior to the County Council meeting. We

have previously recognised that publishing the draft Budget Book this early to facilitate the scrutiny process (and so soon after the provisional funding announcements) exposes the risk that further changes may be necessary. This is preferable to deferring the scrutiny process.

- 1.7 The draft Budget Book published on 2nd January 2019 showed a net revenue budget requirement of £988.0m for 2019-20. This is significantly more than the £967.1m we forecast in the October Autumn Budget Statement. This is principally due to a combination of:
- ↑ Higher than anticipated provisional Council Tax base (1.5% compared to 1.0% assumed in October) increasing the overall Council Tax precept by £3.5m
 - ↑ Re-introduction of Kent Business Rate pool increasing retained Business Rate growth by £3m compared to the autumn estimate (although this is still a reduction in retained growth compared to 2018-19 due to the rejection of the 75% pilot bid)
 - ↑ Additional funding for highways maintenance announced in the Autumn Budget and subsequent allocations from Department for Transport (DfT). This funding together with KCC's budget proposals increases total spending on highways (revenue and capital) from £75m in 2017-18, to £88.1m in 2018-19, and £95.7m in 2019-20. This does not include the £28.8m specific grant from DfT for the highways impact of Brexit (see paragraph 5.4)
 - ↑ Additional £10.5m social care support grant announced in the Autumn Budget and confirmed in the provisional settlement
 - ↑ Additional £2.8m grant from government from the surplus Business Rate Levy
 - ↑ Additional £0.6m housing growth within the New Homes Bonus grant
- 1.8 Rather than producing a “revised draft for County Council” version of the Budget Book to incorporate all the up to date information since the January draft was published, this report details all the material changes. These material changes are set out in section 5 of this report and reflected in the revisions to the published Budget Book shown in the appendices listed below. There are also some other minor technical adjustments that are not material to the approval of the budget, these are also included in the attached appendices (which provide updates to sections in the Budget Book) but not covered in detail in this report:
- Appendix 5 – revised Revenue Budget - Summary by Directorate (section 2 of draft Budget Book)
 - Appendix 6 – revised Revenue Budget – Summary by Directorate & Division (first page of section 3 of draft Budget Book)
 - Appendix 7 – High Level 2019-22 Revenue Medium Term Financial Plan (appendix A(i) of the draft Budget Book)
 - Appendix 8 – Detailed 2019-20 Revenue Budget by Directorate (appendix A(ii) of the draft Budget Book)
- 1.9 The key services analysis in section 3 of the Budget Book will be amended to reflect all the changes set out in this report (including the technical adjustments included in the appendices listed above) in the final version to be published in March. This final version will include any amendments agreed by the full Council and further technical changes made under

delegations granted by the Council resolution. It is also envisaged that the key service presentation for Adult Social Care and Health (ASCH) will be recast to reflect the directorate restructure. This will not change the overall budget delegated to the Cabinet Member and Corporate Director approved by the Council but will change the individual detail to be consistent with in-year reporting. The timing of the restructure has meant it has not been possible to reflect it in earlier versions of the Budget Book.

- 1.10 We received final notification of estimated Council Tax base (which increases the 2019-20 Council Tax precept by £0.6m), retained Business Rate growth and collection fund balances (which increases KCC's share by another £0.6m) from each district council after the draft Budget Book was published. We must reflect these in the final approved budget and Council Tax precept.
- 1.11 The final local government finance settlement was announced on 29th January 2019. This was broadly unchanged from the provisional settlement announced on 13th December 2018. It confirmed the allocation of additional grants from the Ministry of Housing, Communities and Local Government (MHCLG) to local authorities for Brexit preparations that were announced the previous day. Details of these allocations are set out in paragraph 5.4. The only other issue affecting KCC's budget was that the additional funding paid to authorities from the Business Rate Levy surplus was confirmed as a 2018-19 allocation. In the draft Budget Book we had assumed this would be as a one-off source of funding in 2019-20. We will now need to pay the 2018-19 grant into reserves and show a separate draw-down in 2019-20. Both of these issues are reflected in the updated 2019-20 budget proposals as shown in appendices 5 to 8.
- 1.12 In summary the changes since the draft Budget Book have reduced the net revenue budget requirement for 2019-20 by £1.6m. This reflects the revised treatment of the Business Rate Levy surplus, Council Tax base and collection fund balances, and the impact of increased spending on staff pay, and revised draw-down from reserves as set out in detail in section 5.
- 1.13 The capital programme for 2019-22 has also had to be changed from the published draft. This has increased planned capital spending over the three years from £819.5m to £999.6m. The principle changes to the capital programme are set out in paragraphs 5.10 to 5.13. Due to the number of late changes across all directorates a revised capital programme is included as appendix 4 of this report.
- 1.14 A new capital strategy as required under the Prudential Code 2017 is included as appendix 1 of this report. The code requires that the strategy is agreed by the full Council and sets out a high-level overview of how capital expenditure, capital financing and treasury management along with an overview of how associated risk is managed and the implications for future financial sustainability. Embedded within this new capital strategy are links to the separate capital programme and treasury management strategy documents (previously included in the Budget Book) and with a new investment strategy document. The new capital strategy includes the

prudential indicators which must be approved by full Council. The Treasury Management Strategy must also be approved. Whilst this can be through another relevant committee, we are proposing this approval should be full Council for 2019-20 and an updated strategy is included as appendix 11.

- 1.15 The Council must also agree the annual Minimum Revenue Provision (MRP) Statement. The MRP statement sets out the Council's policy to make prudent provision for borrowing incurred to finance capital assets. The MRP statement was previously included as an appendix to the budget but is now included as appendix 2 to this report.
- 1.16 The additional flexibility, offered by Government, to be able to use capital receipts from the sale of physical assets to help fund the revenue costs of transformation projects and support the delivery of future savings was originally approved for the three years 2016-17 to 2018-19. KCC's budgets for 2017-18 and 2018-19 included £2.5m of capital receipts in each year to be used in this way. The ability to use receipts has subsequently been extended for a further three years up to 2021-22. KCC is not proposing to use this extension at this stage due to the level of receipts required to fund capital projects, however, the timing of some of the transformation plans means spending has been re-phased into 2019-20. We must report the individual transformation projects that are funded through capital receipts flexibility to full Council. This was first presented to Council in October 2018 and the updated schedule is included as appendix 3 to this report.
- 1.17 The capital programme strategy reinforces the commitment to a fiscal indicator which limits the cost of borrowing to 15% of the net revenue budget. This 15% limit should be seen as an absolute ceiling, and not a target. The proposed capital programme includes £193.9m of borrowing, which will count against this indicator (although we are more than likely to cover a proportion of this in the short to medium term from internal loans from cash balances rather than external borrowing).
- 1.18 The pressure on the High Needs budget has been identified as one of the highest revenue budget risks. The demand for supporting children and young people with Special Educational Needs and Disability (SEND) is rising and the Council is becoming fiscally constrained through minimal annual increases in its High Needs budget, and therefore meeting the needs of these children and young people is becoming increasingly challenging. The High Needs budget sits within the Dedicated Schools Grant and the Council's current policy does not permit topping up this budget from general Council funding. We have implemented a detailed SEN Action Plan which seeks to review all processes, practices and procedures to deliver savings locally, however this alone will not solve the challenge we face. We have raised the profile of this issue with government along with many other councils who are experiencing identical challenges. We believe the government action should be two-fold; increased funding in both the short and medium term, as well as structural changes to government policy to help reduce the demand.

1.19 Any unavoidable late changes to the proposed budget after this report has been published will be reported separately to the County Council meeting.

2. Council Tax and Retained Business Rates

Council Tax

- 2.1 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. It also 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 will be held to account for spending decisions within delegated powers via the budget monitoring arrangements throughout the year.
- 2.2 The budget proposes a Council Tax increase up to the maximum permitted within the 3% referendum limit. This would increase the County Council's band C charge (the most common band) from £1,100.16 to £1,133.12 (2.996%). Consultation responses from 54% of respondents supported a Council Tax increase to protect services and help meet rising demand for council services at a time when government grants are reducing. Over a half of these supported increase up to the referendum (under ¼ supported an increase less than the referendum limit, with slightly more supporting a higher increase with a referendum).
- 2.3 The budget also proposes to levy an additional 2% Council Tax specifically for adult social care. This would increase the band C charge by a further £21.92 to a total of £1,155.04 for 2019-20. 2019-20 is the final year of the current Social Care Levy provision introduced in 2016-17. The current provision allows councils to levy up to 6% over the three years from 2017-18 to 2019-20 to be spent on adult social care services (with no more than 3% raised in either of the first two years). KCC had planned to raise this levy by annual 2% instalments. Raising the additional 2% Social Care Levy was not supported by just over half of respondents to the most recent consultation. However, previous consultation had supported raising the levy and as this was part of three-year strategy it is important not to view responses in isolation of previous years.
- 2.4 In previous years the draft Budget Book included a specific section on Council Tax. This provided more information about the year on year change in the estimated taxbase and Council Tax precept, the individual band charges, and impact of the Social Care Levy over the four years. We also provided additional information about Council Tax for residents and tax payers via an on-line "Council Tax leaflet". Appendix 9 of this report replaces both of these and brings all the information regarding Council Tax into a single publication which will be published on the web site.
- 2.5 The final notified taxbase shows a 1.58% increase on 2018-19, this increases the Council Tax precept by £0.6m compared to the amount in the draft Budget Book. The proposed use of the additional flexibility this

allows in the budget is set out in section 5 (pay and interest costs). The total Council Tax requirement, including the Social Care Levy, is £709,996,344. The individual precepts on each district are shown in appendix 9 to this report.

- 2.6 We have also received notification of the collection fund balance from districts. We must take account of the estimated surplus/deficit from the current year in setting the forthcoming year's budget and Council Tax requirements. In the draft Budget Book we had forecast a £7m surplus. The notification from districts is £475k higher than this forecast. This is still an estimate and we will not know or receive the final balance until the end of the year. Consequently, we have usually reflected the final notification as an adjustment to reserves. The excess £475k will reduce the use of Corporate Reserves from the draft Budget Book as reflected in appendices 5 to 8.

Business Rates

- 2.7 We have received notification of the County Council's 9% retained share of Business Rates. This includes the retained growth over and above the baseline in the settlement. However, this needs to be reconciled with the additional grant we receive to compensate for the change in the calculation of Business Rate multiplier and additional Business Rates reliefs announced in the Chancellor's budget. We have not had sufficient time to complete this reconciliation and therefore the final proposed budget continues to be based on the assumption of no additional growth in the draft Budget Book. We anticipate when the reconciliation is complete that the change to the budget will be marginal and will be reflected through reserves. The Corporate Director of Finance will need to reflect the notification in the Business Rates precepts from districts and will make the necessary changes in the final budget under the technical adjustments delegation in the Council resolution. Should the impact be material this will be reflected in budget monitoring and/or reported back to full Council.
- 2.8 As with Council Tax we also need to include the notification of estimated collection fund balances in the budget requirement. We have received this notification, but as we had the 100% retention pilot for 2018-19 this is more complicated as we need to ensure consistency with all pilot authorities. At this stage we have only included the County Council's 9% share of the collection fund under the standard non-pilot arrangements. This is consistent with how the 2018-19 budget was presented. Any variation when we have the final collection fund balance at the end of the year, and distribution has been agreed with all pilot authorities, will be reported by the Corporate Director of Finance as part of the final closedown of the 2018-19 accounts.

3. National Fiscal and Economic Context

- 3.1 The national fiscal and economic context is an important consideration for the Council in setting the budget. This context does not just determine the amount we receive through central government grants, but also sets out how local government spending fits in within the totality of public spending.

This latter aspect essentially sets the government's expectations of how much local authorities would raise through local taxation.

- 3.2 In previous years we have set out a full analysis of the national economic and fiscal context in section 2 of the draft Budget Book. This analysis has been based on the Chancellor of the Exchequer's Autumn Budget and the Office for Budget Responsibility's (OBR) economic and fiscal outlook. The Autumn Budget is now the government's main annual tax and spend policy instrument. The March statement is now just an update to economic and fiscal forecasts. We have not produced the same depth of analysis for this year's budget and have removed this section from the Budget Book. This is for two reasons:
- The overall economic uncertainty
 - Information is less meaningful in this the last year of the current Spending Review and four year funding agreement with Government.

Instead we have reported a summary position to Cabinet Committees and Cabinet which is repeated in this full Council report along with some additional information which it is essential to the budget approval process.

Fiscal Context

- 3.3 The Autumn Budget (AB18) was announced on 29th October 2018 (nearly a month earlier than previous years). The Chancellor retained his two main fiscal rules in AB18; the cyclically adjusted budget deficit to be below 2% of Gross Domestic Product (GDP), and total debt as % of GDP to be falling, both by 2020-21. The OBR report suggested a stronger fiscal performance with total debt already peaking at 85.2% in 2016-17 and reducing to 83.7% forecast for 2018-19 and 79.7% for 2020-21. The annual deficit is predicted to reduce from 1.9% in 2017-18 to a forecast 1.2% in 2018-19. This improved performance is derived from higher than previously forecast economic growth (despite poor performance in first quarter of 2018 due to adverse weather), lower than planned public spending in 2017-18, and higher forecast tax yields for 2018-19 and beyond.
- 3.4 This improved performance allowed the Chancellor additional headroom to increase public spending plans and reduce some taxes in AB18. Most of the additional spending was allocated to the NHS, although some additional monies were allocated to local government including extra funding for social care in 2018-19 and 2019-20, road maintenance in 2018-19, one-off injection for schools in 2018-19, and removing the borrowing cap on local authority social housebuilding. There was also additional spending to support the implementation of Universal Credit and defence spending.
- 3.5 The tax reductions included increases in personal allowances on income tax, freezing fuel and alcohol duties, increases in business investment allowances and new buildings allowances, and reductions in Business Rates for medium sized high street premises. Some additional tax is planned to be raised from extending the reforms to off-payroll working (IR35) to larger private sector organisations, and introduction of new digital services tax on the revenues of digital businesses, both from April 2020.

3.6 The changes result in the forecast budget deficit initially increasing from £25.5bn in 2018-19 to £31.8bn in 2019-20 (1.2% of GDP to 1.4% of GDP), before then reducing in later years. The Chancellor retained £15.4bn (0.7%) of the headroom to the 2% deficit target to hedge future economic and fiscal uncertainty.

Local Government Finance Settlement

3.7 The provisional local government finance settlement was announced on 13th December 2018. This announcement is one of the key elements of the Council's budget process as it includes several significant grants and Council Tax referendum principles. The provisional local government finance settlement continues to be presented as a spending power calculation for each authority setting out the overall change in funding from central government and Council Tax that the government anticipates for each authority over the years from 2015-16 to 2019-20. The final settlement was announced on 29th January 2019.

3.8 The overall spending power for the whole sector from the final settlement is reproduced in table 1. This shows an increase in spending power over the four years of £1.7bn (3.8%). This is higher than the increase shown in last year's settlement which indicated £0.96bn (2.1%) increase over the same four-year period, and significantly better than the original "flat-cash" outcome in the 2015 Spending Review (SR2015). The increase between 2018-19 and 2019-20 is £1.28bn. This was described at the time as "a cash increase of 2.8% and a real-terms increase in the resources available to local authorities". Whilst this may represent an increase compared to 1.5% GDP growth (see paragraph 3.12 below), it does not represent an increase in local spending power as the increase is significantly less than increases in authorities demand and cost pressures.

Table 1 - Core Spending Power All Authorities

CORE SPENDING POWER					
<i>Please select authority</i>					
England					
Illustrative Core Spending Power of Local Government;					
	2015-16	2016-17	2017-18	2018-19	2019-20
	£ millions				
Settlement Funding Assessment	21,250	18,602	16,633	15,574	14,560
Compensation for under-indexing the business rates multiplier	165	165	175	275	400
Council Tax of which;	22,036	23,247	24,666	26,332	27,933
<i>Council Tax Requirement excluding parish precepts (including base and levels growth)</i>	22,036	22,858	23,702	24,767	26,031
<i>additional revenue from referendum principle for social care</i>	0	382	948	1,529	1,810
<i>Potential additional Council Tax from £5 referendum principle for all Districts</i>	0	7	16	36	92
Improved Better Care Fund	0	0	1,115	1,499	1,837
New Homes Bonus	1,168	1,462	1,227	947	918
New Homes Bonus returned funding	32	23	25	0	0
Rural Services Delivery Grant	16	81	65	81	81
Transition Grant	0	150	150	0	0
The Adult Social Care Support Grant	0	0	241	150	0
Winter pressures Grant	0	0	0	240	240
Social Care Support Grant	0	0	0	0	410
Core Spending Power	44,666	43,730	44,296	45,098	46,378
Change over the Spending Review period (£ millions)					1,712
Change over the Spending Review period (% change)					3.8

3.9 The spending power closely resembles KCC's budget and includes the main sources of funding but does not include any additional retention from Business Rate growth (including the Kent pilot/pool), collection fund

balances, and a few of the smaller grants. KCC's spending power in the final settlement has been reproduced in table 2 and shows a net £80m (8.9%) increase over the four years. This is unchanged from the provisional 2019-20 settlement but is an improvement on the original four-year settlement of 2.3% in SR2015, and more than the 6.7% shown in updated indicative four-year settlement this time last year. This improvement has come from a combination of Council Tax (taxbase and increases in the referendum threshold), and additional government support for social care. The reductions in Revenue Support Grant (RSG) within the settlement funding assessment (SFA) are unchanged from the original settlement. However, as already identified in paragraph 3.8 this improved four-year settlement is still not enough to cover rising costs and increased demand, and thus continues to represent a significant real terms reduction.

Table 2 – KCC Core Spending Power

Kent					
Illustrative Core Spending Power of Local Government;					
	2015-16	2016-17	2017-18	2018-19	2019-20
	£ millions				
Settlement Funding Assessment	340.0	283.4	241.9	218.4	194.4
Compensation for under-indexing the business rates multiplier	2.5	2.5	2.6	4.1	6.0
Council Tax of which;	549.0	583.2	620.5	665.6	713.5
<i>Council Tax Requirement excluding parish precepts (including base and levels growth)</i>	549.0	572.0	596.9	628.1	660.5
<i>additional revenue from referendum principle for social care</i>	0.0	11.2	23.6	37.5	53.1
<i>Potential additional Council Tax from £5 referendum principle for all Districts</i>	0.0	0.0	0.0	0.0	0.0
Improved Better Care Fund	0.0	0.0	26.4	35.0	42.4
New Homes Bonus	7.3	8.9	7.4	5.8	6.4
New Homes Bonus returned funding	0.6	0.4	0.4	0.0	0.0
Rural Services Delivery Grant	0.0	0.0	0.0	0.0	0.0
Transition Grant	0.0	5.7	5.7	0.0	0.0
The Adult Social Care Support Grant	0.0	0.0	6.2	3.9	0.0
Winter pressures Grant	0.0	0.0	0.0	6.2	6.2
Social Care Support Grant	0.0	0.0	0.0	0.0	10.5
Core Spending Power	899.4	884.0	911.2	939.0	979.4
Change over the Spending Review period (£ millions)					80.0
Change over the Spending Review period (% change)					8.9

3.10 The changes from the previous spending power have been highlighted in table 2 and include:

- Changes following AB18 and the local government finance settlement highlighted in green
- The final 2018-19 Council Tax base for KCC as per the approved budget shown highlighted in blue
- The government's estimate for 2019-20 Council Tax (base, referendum increases and social care precept) highlighted in orange. It is also worth noting that the government's estimates for Council Tax exceeds the amount we can precept (see paragraph 2.5) in compliance with the Council Tax referendum principles, as their assumed rate of growth in taxbase is higher than the estimated growth in taxbase calculated by Kent districts.

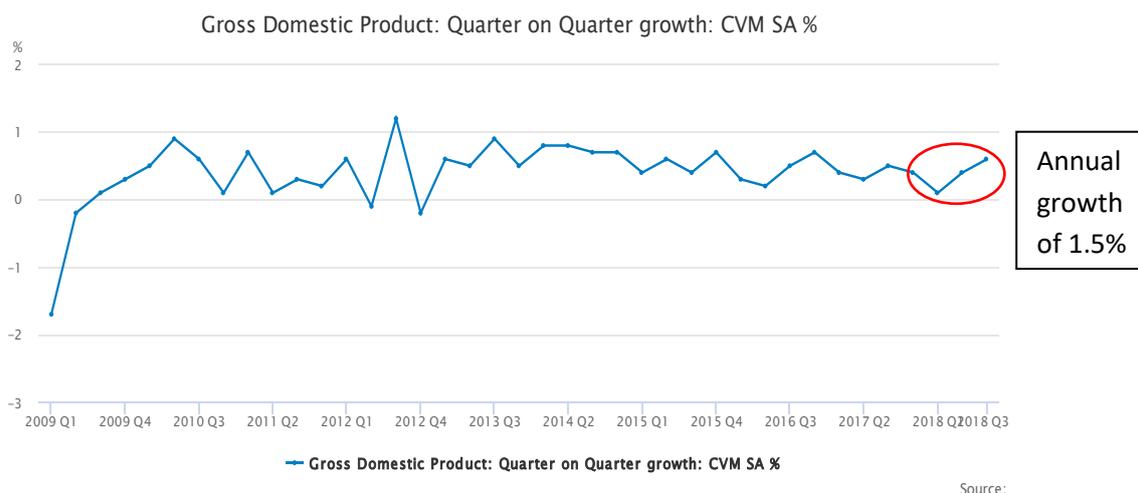
3.11 The spending power provides a reasonable measure of the change in local authority budgets over the settlement period and enables comparison between other authorities and different classes of authority. As well as not including retained Business Rates growth and collection fund balances, the main grants which contribute to KCC's net budget requirement not

included are the Business Rate Levy surplus and extended free school travel. The spending power includes the additional grant for social care winter pressures, although in the KCC draft budget we have treated this as a ring-fenced grant, offsetting additional spending to reduce hospital delayed transfers.

Economic Forecasts

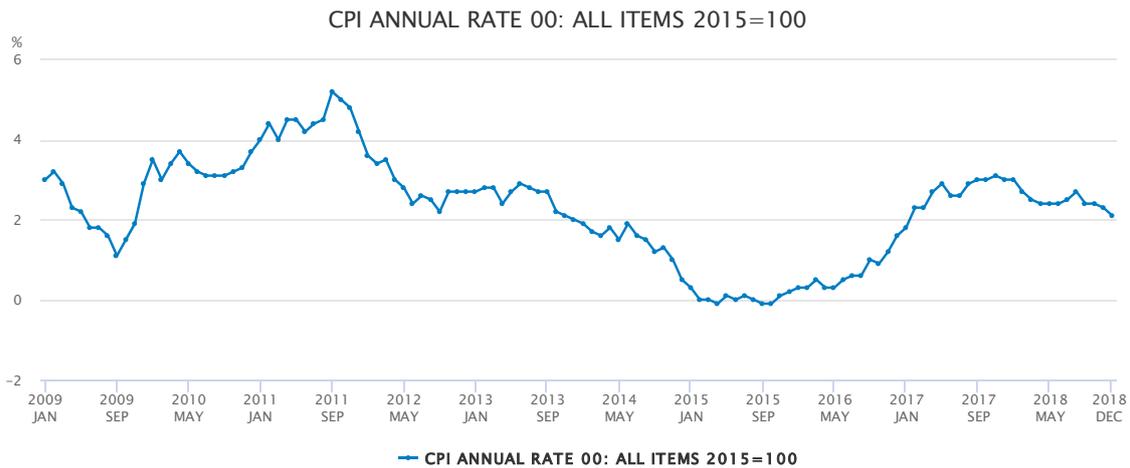
3.12 Overall economic activity is measured according to Gross Domestic Product (GDP). As set out in paragraph 3.3 the Chancellor’s fiscal targets relate to the budget deficit and total debt as a % of GDP. A faster rate of GDP growth helps to achieve/exceed the targets, a slower rate of growth makes the targets harder to achieve. Chart 1 shows the quarterly growth in GDP over the last ten years as published by the Office for National Statistics (ONS). Quarter 1 growth in 2018 was particularly low (0.1%). Growth rates increased in quarter 2 (0.4%) and quarter 3 (0.6%) although many commentators have suggested this is simply catching up from the slow quarter 1 growth rather than recovery and growth rates for quarter 4 and quarter 1 2019 could be lower. A large proportion of GDP is driven by consumer spending and consumer confidence which is at an historic low.

Chart 1



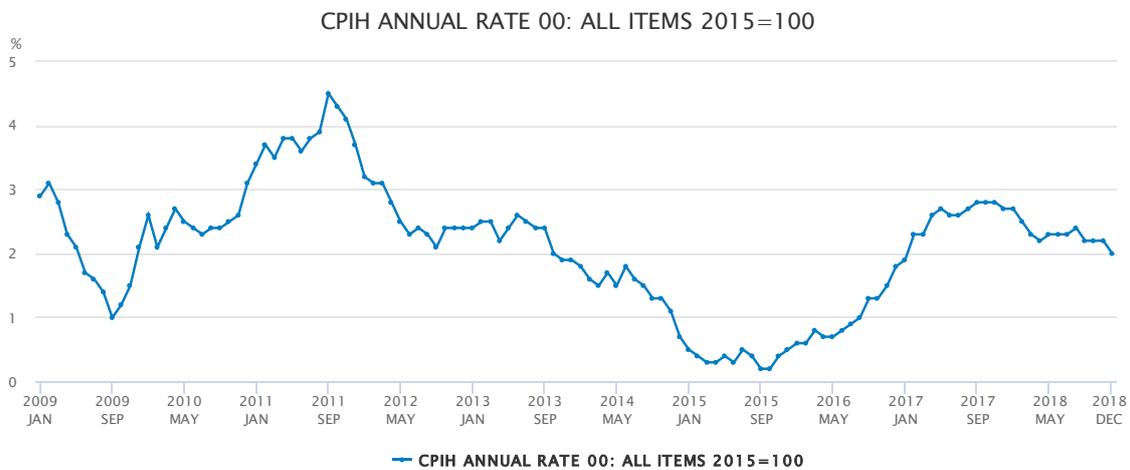
3.13 We have also previously provided information on inflation and wage growth. Chart 2 shows the changes in the annual rate of inflation through Consumer Price Index (CPI), and chart 3 CPIH, over the last 10 years. CPIH is a new measure which includes owner occupier housing costs. We do not reproduce Retail Price Index (RPI) changes following the independent review of inflation indices which concluded public sector bodies should cease using RPI “as soon as practicable”. Both CPI and CPIH have reduced from their peak in November 2017 (CPI 3.1% and CPIH 2.8%) other than a small seasonal increase in summer 2018. Future forecasts for inflation are unpredictable due to uncertainties such as the value of the £ and impact on import prices.

Chart 2



Source:

Chart 3



Source:

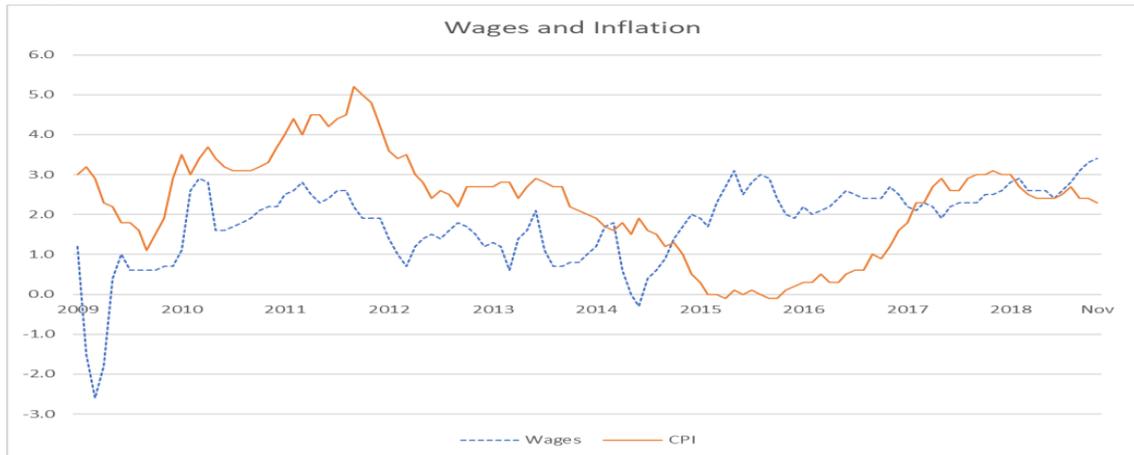
3.14 Wages growth has increased during 2018. Chart 4 shows the annual rate of change in total monthly earnings over the last 10 years from ONS. Chart 5 compares the change in wages with the CPI graph above. Throughout 2018 wages have risen at a faster rate than inflation. In most of the preceding years since the recession wages growth has not kept pace with inflation, other than for a period between October 2014 and January 2017.

Chart 4



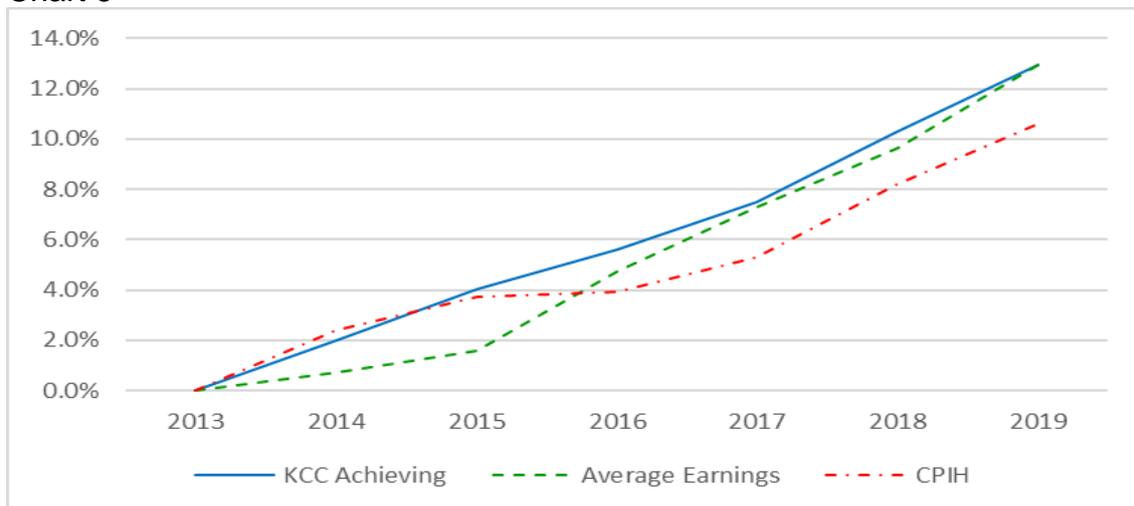
Source:

Chart 5



3.15 We have calculated a comparison of the changes in pay through the Kent scheme compared to inflation and average earnings since the current total contribution pay (TCP) arrangements were introduced in 2014. Under the TCP arrangement all increases in pay are related to performance assessment. To make this comparison we have compared the increase for those assessed as achieving/successful (the most common and median increase). The annual increase and cumulative increase since 2014 compared to inflation and average earnings are shown in chart 6.

Chart 6



4. Revenue Budget Strategy and Proposals

4.1 This section of the report provides further background to the construction of the draft 2019-20 revenue budget proposals. This replaces the revenue budget strategy which was previously included in the Budget Book. The draft Budget Book calculations were based on the provisional local government finance settlement and initial estimates for Council Tax base, local share of Business Rates and collection fund balances. As identified in paragraphs 1.10 and 1.11 the approved budget must include the final local government finance settlement and final taxbase and collection fund notifications from district councils provided these have been notified in

time for the Council meeting. These changes are reflected in appendices 5 to 8 of this report.

- 4.2 The revenue budget strategy continues to be based on an equation which identifies on the one hand the challenge from increasing spending demands (including replacing the use of one-off savings to support the current year's budget e.g. draw down of corporate and directorate reserves, one off income dividends, flexible use of capital receipts, etc.) and reductions in Revenue Support Grant (RSG). On the other hand, the solution comes from changes in Council Tax, locally retained Business Rate growth, other grant increase/changes in the provisional settlement, and savings (including further use of reserves). Table 3 shows the contribution from each of these as per the draft Budget Book. Table 4 shows the updated equation for all the subsequent changes identified in this report and referred to in section 5. The arrows show the direction of changes since the draft publication.

Table 3: Budget Equation as per draft Budget Book

FINANCIAL CHALLENGE			SOLUTION		
	£'000	£'000		£'000	£'000
• Spending Demands		59,527.5	• Council Tax		40,355.1
- realignment	-9,491.4		• Business Rates		-4,482.4
- unavoidable	31,249.6		• Savings		42,855.3
- contingent sums	28,967.5		- Identified	32,005.3	
- local decisions	8,801.8		- Use of reserves	10,850.0	
• One-offs 2018-19		12,858.6	- Unidentified	0.0	
• Govt Grant Reductions		28,153.0	• Govt Grant Increases		21,811.1
		100,539.1			100,539.1

Table 4: Latest Budget Equation

FINANCIAL CHALLENGE			SOLUTION		
	£'000	£'000		£'000	£'000
• Spending Demands		60,010.0	• Council Tax		41,397.6
- realignment	-9,491.4		• Business Rates		-4,332.7
- unavoidable	31,249.6		• Savings		44,982.1
- contingent sums	29,055.0		- Identified	32,292.8	
- local decisions	9,196.8		- Use of reserves	12,689.3	
• One-offs 2018-19		12,858.6	- Unidentified	0.0	
• Govt Grant Reductions		28,153.0	• Govt Grant Increases		18,974.6
		101,021.6			101,021.6

- 4.3 The remainder of this section explores each element of this equation to support the detailed one-year revenue plan (published as appendix A(ii) in the draft Budget Book and updated by appendix 8 of this report).

Spending Demands

- 4.4 In the equation we have categorised spending demands between realignment of budgets to reflect current spending, unavoidable spending increases, forecasts for future demand and cost increases (contingent sums), and local choices. We have introduced these categories in response to the increased emphasis on financial resilience across local government to better summarise the underlying causes of the spending demands included in the one-year revenue budget, and whether the amounts are known or forecasts. Realignment and unavoidable pressures are the known knowns and contingent sums are a prudent provision for

the known unknowns. Appendix 10 to this report reconciles the entries in appendix A(ii) with these categories.

4.5 These categories are described as follows:

- **Realignment** – the baseline for the estimates in 2019-20 budget is the September 2018-19 budget monitoring reported to Cabinet on 3rd December 2018. The realignment reflects the “right-sizing” needed for known variances in either cost and/or demand which have arisen during the current year. Realignment can either increase or reduce budgets. This includes significant reductions to remove one-off spending e.g. investment in highways maintenance, compliance with deprivation of liberty safeguards (etc.), and the negative impact of planned smoothing of the additional iBCF grant. Without this realignment the budget would not stand up to the robustness test required under the section 25 assurance referred to in paragraph 1.1. The proposed budget also includes a £1.1m provision held unallocated to cover any other issues that are reported in monitoring throughout the remainder of the year. Allocations from this provision (and other unallocated amounts in the proposed budget) will fall under the delegation to the Corporate Director of Finance to make technical adjustments
- **Unavoidable** – these reflect known increases in costs for 2019-20. These are generally price increases for inflation required under contractual agreements and replacement of one-off funding used to support ongoing spending in the current year’s budget. The unavoidable pressures also include the known impact on either cost or demand from legislation, the spending implications of changes in ring-fenced specific grants, and the additional revenue impact of interest and MRP on previous spending approved in the current capital programme.
- **Contingent sums** – reflect forecasts for future changes in demand, the estimated impact of legislation changes, and contracts that are currently being tendered or retendered and the prices are still uncertain.
- **Local decisions** are spending choices which need to be agreed as part of the budget. This includes the performance increases under the Kent pay scheme, service improvements e.g. the additional spending to support annual pothole blitz campaign, improving caseloads in disabled children’s services, etc., and additional revenue impact of debt interest and setting aside provision for debt repayment on new spending in the proposed capital programme.

4.6 The 2018-19 budget included £12.9m of one-off solutions including the use of corporate and directorate reserves, capital receipts flexibility to fund revenue costs of transformation, and one-off spending reductions within financing items budget. We cannot continue to use one-off solutions to recurring budget issues. The provision to replace one-off solutions should not be confused with replenishing reserves (which we are not doing), which may be necessary in future to ensure the Council has adequate earmarked reserves to smooth expenditure and cover known risks, and general reserves to cover unforeseeable events.

Pay and Reward

- 4.7 The draft budget includes an additional £4.146m contribution towards the pay and reward package for Kent Scheme staff. This contribution is sufficient to ensure the pay and reward package is managed within an overall pot equivalent to 2.8% of pay (including the net saving on pay from new staff appointed lower in the pay range than staff they replace).
- 4.8 A 2.8% pot is likely to result in a payment of around 2.3% to 2.4% for all those staff assessed as 'successful' under the Council's Total Contribution Pay (TCP) appraisal system. The final reward percentages will depend on the number of staff and their current salaries assessed at each level to ensure the cost is contained within the overall pot. The top and bottom of each pay range are uplifted under a separate process (usually by at least ½ of the successful %). This ensures that pay scales are kept up to date whilst at the same time allowing staff to progress through the range to reach the top (which is considered as the "going rate" for staff fully competent in the role). Decisions on final proposed distribution of the pay and reward pot, and uplift to pay ranges, will be agreed by the Cabinet Member for Corporate & Democratic Services, in consultation with the Leader and Cabinet, under powers delegated by the Council.
- 4.9 The reward payment either increases an individual's salary via progression through the pay range or is a non-consolidated lump sum payment for staff on the top of the grade (in reality a combination of both for staff at the top following the annual uplift to ranges). These arrangements differ from other public sector pay schemes including the National Joint Council (NJC) scheme used by most local authorities. Under the Kent arrangements there is no separate "cost-of living" award and incremental progression.
- 4.10 For 2019 we are proposing to make some further reforms to the Kent Scheme which require additional spending to be funded in the budget. This includes improving the amount paid to the lowest ranges (KR2 and KR3) so that we can honour the commitment to match the Foundation Living Wage as and when viable within budget and fiscal constraints. In the draft Budget Book it was proposed to achieve this over two years. The slightly higher than forecast Council Tax base for 2019-20 means this can be updated to achieve parity in April 2019 (see paragraph 5.2). This requires an additional £195k to be added to the £254k already included in the draft Budget Book. This will leave KR2 as a single pay point (as agreed last year to comply with the National Living Wage) and significantly shorten the KR3 range.
- 4.11 We are also proposing other reforms which will shorten other pay ranges to a lesser extent by introducing a 0.5% gap between the bottom of each range and the top of the preceding range. We propose to introduce a reasonable difference between the top of successive ranges of at least £1,200, this will only affect the difference between top of KR3 and top of KR4. These two reforms will not affect KR2 and KR3 as staff in these will benefit more from the reform to match the Foundation Living wage.
- 4.12 County Council will need to agree these reforms for the lowest paid staff.

Price Inflation

- 4.13 The draft budget includes provision for specific contractual price increases. In the main, these are index-linked and summarised on page 57 in appendix A(ii) of the draft Budget Book. These have remained unchanged.
- 4.14 The budget also includes provision for non-specific increases in negotiated contracts. This calculation includes a proportion of the National Living Wage (NLW) and National Minimum Wage (NMW) for under 25s which the council considers is reasonable for contractors to pass on as price increases. This has been based on the assumed proportion of prices which relate to workers eligible for the increases announced in the Chancellor's Autumn Budget e.g. NLW increasing from £7.83 per hour to £8.21 (4.9%), and an appropriate increase for the proportion relating to staff above NLW/NMW, and general inflation on non-staffing element.
- 4.15 Managers will be expected to negotiate prices within the inflation parameters outlined in paragraphs 4.12 and 4.13. The budget does not include any provision for general inflation on goods and services procured by the council, managers will be expected to cover the impact of any such inflation within their overall budget.

Other Spending Demands

- 4.16 The draft budget includes the forecast impact of population changes and estimated additional demand arising during the forthcoming year. The forecasts not only reflect changes in client numbers/service users but also changes in complexity of need. The major areas of growth forecast for 2019-20 include older persons, adults with learning disabilities, mental health services, disabled children, looked after children, home to school transport for children and young people with special educational needs and disabilities (SEND), other council funded spending on SEND arising from significant growth in the number of Education, Health and Care Plan (EHCP) assessments, waste tonnage, and Coroners investigations and associated storage costs.
- 4.17 The draft budget also includes the impact of additional spending imposed by legislation and government, principally in relation to the additional money announced in AB18 to address winter pressures on the NHS from delayed transfers into social care, and the extended duty to support care leavers up to the age of 25. The legislative changes include the reduction in the additional ring-fenced iBCF allocation for 2019-20 included in the March 2017 Budget announcement.
- 4.18 The draft budget includes a limited number of service strategies and improvements under local discretion. These include additional debt costs to finance the capital programme (relating to the capital strategy for 2018-20 to allow up to £100m of additional borrowing and thus is now unavoidable), revised contracts for community care, provision towards an annual pothole blitz campaign, and staffing increases for Disabled Children's Services.

4.19 A summary of all the additional spending proposals is set out on pages 55 to 60 in appendix A(ii) of the draft Budget Book. The only changes to this in the updated appendix 8 of this report are the additional £195k proposed for staff pay (paragraph 5.2), the inclusion of spending associated with the recently announced Brexit grant (paragraph 5.4), the changes to social care market sustainability (paragraph 5.6), and the minor technical changes to base budget adjustments.

Use of Reserves and Debt Repayment

4.20 The Council's reserves in 2013-14 were £196m. 2013-14 was the first year of the current Business Rates retention funding arrangements for local government and thus a reasonable starting point. Total reserves at end of 2017-18 were £199.3m. It is anticipated that after taking into consideration the planned changes in reserves in the current year's budget and the proposals for 2019-20, the level of reserves will remain fairly static at around £199m by the end of 2019-20. This includes taking account of the latest projections on the re-phasing of earmarked reserves to smooth expenditure, contributions such as Kingshill profit share, and higher Business Rates receipts from the 100% pilot, which Cabinet has agreed will be transferred to reserves to smooth future fluctuations in the Business Rates baseline and collection fund, as well as the planned draw-down. Reserves are either categorised as general reserves to cover genuine unforeseen circumstances, or earmarked reserves which are held for specific eventualities (although timing or extent of these eventualities may be uncertain). Earmarked reserves would include those held to smooth expenditure over a number of years, a good example being the elections reserve where an amount is set aside each year in order that the additional costs of Council elections incurred once every four years are smoothed. Table 5 shows the amount held in reserves between 2013-14 and 2017-18.

Table 5

	2013-14 £000s	2014-15 £000s	2015-16 £000s	2016-17 £000s	2017-18 £000s
General	31,725	34,725	36,404	36,671	36,903
Earmarked	157,893	166,203	163,335	159,357	158,542
surplus on trading accounts	3,524	2,949	579	0	223
Public Health	2,906	2,073	1,988	3,825	3,634
Total (excl. schools)	196,048	205,950	202,306	199,853	199,302
Breakdown of Earmarked Reserves					
Directorate	61,276	57,786	51,276	48,690	41,750
Corporate	89,508	100,588	102,799	102,453	108,578
Trading Bodies	7,109	7,829	9,260	8,214	8,214
	157,893	166,203	163,335	159,357	158,542
Breakdown of General Reserves					
Commercial Services	0	0	-809	-542	-310
KCC	31,725	34,725	37,213	37,213	37,213
	31,725	34,725	36,404	36,671	36,903

- 4.21 The 2019-20 budget includes £7.9m draw-down from corporate reserves to support the overall budget. The use of corporate reserves to support the budget has been a feature for a number of years and allows the Council time to deliver the savings which are required from a combination of rising spending demands, reductions in central government support and limits on ability to raise Council Tax. Corporate reserves are also used to avoid making savings in advance of future spending announcements which may enable services to subsequently be re-instated or improved, effectively another form of smoothing. The 2019-20 budget also includes additional contribution from the Kings Hill reserve (£2m) in anticipation of additional receipts (this was included for 2019-20 in the original 2018-20 MTFP and remains unchanged), and £2.8m from the Business Rate Levy surplus from central government which was confirmed as being paid in 2018-19 in the final settlement.
- 4.22 The 2019-20 includes £3.4m use of directorate reserves. This includes £2.9m for adult social care from the planned smoothing of the Improved Better Care Fund (iBCF) previously agreed by Council (and unchanged from previous plans) and £0.5m from Public Health reserves to smooth the impact of savings that would otherwise impact on children's centres.
- 4.23 As with other aspects of the budget the plans to use reserves will need to be adapted to changing circumstances throughout the year. In recent years this has generally meant that the council has not had to use as much from reserves as planned or been able to build up additional reserves. Either can arise from re-phased spending from earmarked reserves or managing in-year underspends. In comparison with other counties, KCC has relied less on reserves to support budgets than the average county in recent years but still has a smaller proportion of the net revenue budget in reserve than other counties. The Council's relative reserves and debt compared to other counties are shown in Assessment of Levels of Reserves Appendix C to the draft Budget Book.
- 4.24 The criteria for use of our earmarked reserves are maintained by the Finance Division. These are reviewed each year, but few changes generally come from those reviews. We are looking to undertake a more thorough review during 2019-20 to include the balance between corporate and directorate reserves, and scope to reduce the number of reserves. The draw-down from corporate reserves to support the 2019-20 will come from the existing "rolling budget" and "local taxation equalisation" earmarked reserves in accordance with existing criteria. The criteria for use of reserves and the balances, is ultimately a decision for the Council's Section 151 Officer.
- 4.25 The draft budget proposals also include a reduction in the amount we need to set aside for future debt repayments. This reduction is simply a recalculation of the Minimum Revenue Provision (MRP) to cover capital finance requirements based on an updated asset schedule. It does not represent a change to the Council's MRP policy as set out in appendix 2 of this report.

Savings Proposals

- 4.26 The savings and income proposals in the draft budget are summarised on pages 61 to 63 in appendix A(ii) of the draft Budget Book. The only changes in the updated appendix 8 of this report are the representation of proposed charging for the disposal of soil/rubble/hardcore/plasterboard as policy rather than income, the additional grant income for Brexit preparations, alternative one-off savings in adult social care to offset the unavoidable delay in our ability to implement changes to the charging policies, the additional use of reserves as a result of the change in the Business Rate Levy surplus, and proposed reduced draw down from reserves arising from the late flexibility from Council Tax base and retained Business Rates. Savings are sub-divided between transformation savings, income generation, efficiency savings, and policy savings, as well as the financing savings referred to above. Inevitably these categories can never be precise but have been developed as a guide to the broad impact.
- 4.27 Detailed consultation and equality impact assessments of specific proposals within each directorate will be undertaken, where necessary, once the budget has been approved and prior to implementation. Approval of the budget includes granting delegated power to Cabinet Members to make changes to the proposals in response to detailed consultation and equality impact assessments. Any such changes will be reflected in the monthly monitoring reports to Cabinet.

Later Years

- 4.28 The MTFP includes indicative plans for 2020-20 and 2021-22. These are shown in appendix A(i) of the draft Budget Book and updated in appendix 7. Some of the final changes for 2019-20 outlined in this report affect the equation for later years resulting a small reduction in the unidentified gap for 2020-21. This small change is not material considering the size of this gap and the considerable uncertainties for later years outlined below. Inevitably these later year plans are less well developed than 2019-20 and are liable to change. Spending demands forecasts for future years are as robust as they can be this far in advance. The potential funding, and therefore the estimated savings are much more uncertain although it is almost inevitable some further savings will need to be found in these later years. The process to identify options for these additional savings has already begun.
- 4.29 The funding uncertainties are due to a combination of the following issues:
- Spending Review – 2019-20 is the last year of the current spending review and four-year funding agreement with MHCLG. This means we have no detailed government spending plans beyond the forthcoming year and no indicative settlement. Whilst the majority of the Council's resources now come from Council Tax and Retained Business Rates the Spending Review is still an essential element of medium-term financial planning setting out the overall resource framework for public sector spending and the local government sector as a whole. At this stage we have no firm date when the 2019 Spending Review (SR2019) will be carried out or reported.

- Fair Funding Review – The government announced a review of the relative needs and relative resources redistribution mechanism in February 2016. This mechanism plays a crucial role in determining government grant allocations and the redistribution of Retained Business Rates through tariffs and top-ups. The potential benefits (or risks) of this review are explored in paragraphs 4.31 and 4.32.
- Business Rate Retention Reforms – The government announced its intention to allow local authorities to retain a greater share of Business Rates raised locally in October 2015. At the time it was stated that this transfer would be fiscally neutral i.e. the additional retention would be matched by devolving additional responsibilities or grants to local authorities. Over time authorities would benefit from the additional growth (and suffer the consequences from any decline). The change to 100% retention requires primary legislation and this legislation fell from the government's programme following the 2017 general election. Reforms which can be introduced without primary legislation are still being considered for 2020-21.
- Social Care Green Paper – the government has promised a green paper on alternative financing arrangements for social care. We have no indication when this will be launched or the implications for local authorities.
- Local Government Finance Settlement – amongst other things the settlement conforms the Council Tax referendum principles. These principles must be agreed by Parliament each year.

4.30 Our overall assumption for later years is based on a 2.5% cash increase over the two-year period 2020-21 to 2021-22. This includes a continuation of some government funding and a phasing out of other grants, and an ability to raise Council Tax by 2% per annum (plus 1% increase in the taxbase). This does not include any assumption on collection fund balances or outcomes from the issues identified in paragraph 4.29.

4.31 We can be reasonably optimistic that the Fair Funding review addresses some of our most significant concerns that we have consistently challenged under the current arrangements. The third stage of consultation was launched alongside the provisional local government finance settlement with a deadline for responses of 21st February. We support the broad objective of a simpler more up to date methodology to inform the redistribution of resources. We also support the guiding principles of simplicity, transparency, contemporary, robustness, sustainability and stability. Whilst these are not always completely compatible with each other the overall mix should produce a fairer and more evidenced distribution than the current system.

4.32 We are also encouraged by the principle of a foundation formula to recognise universal needs, with service specific formulae for demand led areas of spending such as social care. We welcome that legacy capital financing costs are proposed to be one of the service specific elements. We welcome that the consultation seeks views on a broader definition of area costs which does not just take account differences in employment and premises costs (as per the current system), but also considers how population sparsity/density affect the accessibility of services (and

therefore cost), as well as the impact of remoteness. We recognise that transitional damping is a necessity to achieve short-term stability but welcome that this is also a mechanism to achieve material changes in the distribution of funding over the medium-term.

5. Changes since the draft Budget Book

Revenue

5.1 We have not re-published the draft Budget Book in full to take account of changes since the original publication on 2nd January 2019. The changes that are necessary are relatively minor. The changes have changed the overall funding available from the following:

- Final notification of the estimated Council Tax base for 2019-20 increasing the taxbase and net budget by £0.6m
- Estimates for 2018-19 Council Tax and business rate collection fund balances increasing the 2019-20 net budget by £0.6m
- Transfer of Business Rate Levy surplus to 2018-19 reducing the net budget by £2.8m

More details of the Council Tax and Business Rate changes are shown in appendices 7 to 9 of this report.

5.2 As a result of these funding changes there is some additional flexibility to change the final spending and savings plans. We are planning to increase spending plans by £195k. This amount is proposed to be added to staff pay to enable the Council to honour the commitment to match the Foundation Living Wage as and when viable within budget and fiscal constraints. This would increase the pay rate for KR2 to £9 an hour from April 2019. This would also increase the bottom rate for KR3 which would become a much shorter pay range. The top of KR3 would then influence the bottom of KR4 to comply with the new 0.5% gap, and the top of KR4 to comply with minimum £1,200 differential between the top of grades. The final detail will be agreed by The Cabinet Member for Corporate and Democratic Services under the power delegated to finalise the Kent scheme arrangements for 2019-20.

5.3 The balance of the flexibility is reflected in new £2.8m draw-down from Business Rate Levy surplus and reduced draw-down from corporate reserves by £1.0m. The revised draw-down from corporate reserves is £7.9m, the draw-down from Kings Hill reserves and directorate reserves remains unchanged from the draft Budget Book. This reduced draw-down will allow additional flexibility in reserves to help mitigate the substantial budget risks as set out in appendix B of the draft Budget Book. The precise changes to reserves will be agreed by the Corporate Director for Finance in accordance with statutory and delegated powers.

5.4 On 28th January 2019 an additional £56.5m from MHCLG was announced for local authorities to help support preparations for Brexit. This money was to allow support authorities to make general preparations in addition to any specific funding from other departments for specific services e.g. DfT. The MHCLG funding is to be made available over the two years 2018-19 and 2019-20. The distribution is as follows:

- £40m to all authorities (£20m in each of 2018-19 and 2019-20). This is allocated as follows (over the two years):
 - £175k to county councils (so £87.5k for 2019-20 is now reflected in appendices 5 to 8 of this report)
 - £35k to district councils
 - £182k to combined authorities (incl. GLA)
 - £210k to single tier councils (unitaries, London Boroughs and Metropolitan)
- £1.5m to allocate in 2018-19 to authorities with ports (details yet to be announced)
- £5m held by the Department to be split between their teams/local councils/local resilience forums (we have had confirmation that KRF will receive £76k from this in 2018-19 although this is not the total distribution)
- £10m in 2019-20 to help authorities with specific costs which may arise after Brexit (allocation mechanism yet to be agreed)

5.5 We are now proposing to leave adult social care client contributions unchanged for 2019-20 (other than the usual uplift to match uplifts in welfare benefits). It remains a medium-term objective to review client contributions once the new performance system (MOSAIC) is operational and the Social Care Green Paper has been published. In the meantime, the saving earmarked in the draft Budget Book will be replaced by a new saving from a review of current project activity within the directorate. This review will identify opportunities for both one-off savings in 2019-20 and ongoing opportunities in later years.

5.6 The draft budget included £5.2m for the estimated cost of the retender of community care contracts to support market sustainability. There is still more work to do before new contracts can be let. In the meantime we are now proposing to hold this money as an unallocated provision for social care market stabilisation rather than within the delegated budget for Adult Social Care. Once the contracts have been finalised and other stabilisation measures agreed this money will be allocated to social care under the powers delegated to Corporate Director for Finance.

5.7 We are now proposing to not consider options to introduce charges for post 16 SEN transport from September 2019 which would deliver up to the £400k saving identified in the draft Budget Book. This needs to be reconsidered in light of further statutory guidance relating to Post 16 transport and travel support that was published by the Department of Education on 31st January 2019 with no prior consultation. The Directorate is committed to investigating potential charging options for the 2020-23 MTFP. In the meantime, the savings relating to charging will be replaced by a new saving from a review of contract and project spend within the directorate to identify one-off savings in 2019-20.

5.8 We are proposing to make some changes to the payment arrangements for parental contributions for the Young Person's Travel Pass. Currently this is an annual pass which parents apply for and either pay the full contribution in advance before the start of the school year in September, or in two instalments in September and February. We are aware that

these amounts can be difficult for some families to pay in one go and have been exploring options to spread the cost. We are now proposing to still offer this as an annual pass, but parents will have the option to pay in advance as per the current scheme or if needed to pay in 8 equal monthly instalments from August to March. There will be an additional cost to administer monthly payments and as in common with other monthly payment plans this will have to be covered by charging a modest additional administration fee (amount yet to be finalised). The updated budget includes the additional spending to administer the new flexible scheme, matched by the forecast income from the modest administration fee.

- 5.9 There are also some minor adjustments which are not material to the approval of the budget, mainly reflecting revisions to grant and income levels and consequential impact on gross spend. These are included in the appendices but not covered in this section. All the changes have been incorporated into the recommendation to County Council at the end of this report and will be reflected in the final Budget Book to be published in March.

Capital

- 5.10 The schools commissioning plan has been updated including adding in the requirement from the 2018 Kent Commission Plan together with the assumed basic need funding from government for 2021-22 which has not yet been announced. The change also assumes revised developer contributions and has no impact on borrowing. The Council intends to make it clear to Government that it can no longer top-up schools basic need from additional borrowing because of the unaffordable revenue budget consequences.
- 5.11 The highways major enhancement rolling programme now includes the indicative allocations from DfT Incentive Fund and Pot-hole Action Fund in each year. The GET programme also includes a new Fastrack project, which is fully externally funded.
- 5.12 The S&CS programme includes the provision of an additional £100m to fund strategic investments and asset acquisitions as identified in the new capital strategy. These will only be undertaken following a thorough business case evaluation with external support and approval of both Head of Paid Service and Corporate Director of Finance. The cost of servicing the borrowing for these investments must be fully covered from income derived from the acquisitions as set out in the approval process in the capital strategy document (appendix 1 of this report).
- 5.13 The phasing of spending and the profile of funding for other schemes has also been updated. This includes additional external funding and consequently reduced borrowing.

6. Robustness of Estimates and Adequacy of Reserves

- 6.1 As required by the Local Government Act 2003, the Section 151 officer (for Kent this is the Corporate Director of Finance) must formally give opinion as to the robustness of the budget estimates and the level of reserves held by the Council.
- 6.2 The estimates have been produced from a challenging process with Cabinet Members, Corporate Directors and Directors resulting in agreement on the level of service delivery within the identified financial resources. In addition, the draft Budget Book sets out the main budget risks, alongside the proposed management action for dealing with these.
- 6.3 The draft Budget Book also clearly sets out the recommended strategy for ensuring adequate reserves. This has been set in consideration of key factors, such as our continued excellent record on budgetary control, the internal financial control framework, our strong approach to risk management and the expected level of General Reserves at 31st March 2019. The planned net draw-down in 2019-20 is now £16.3m rather than £14.4m identified in section 7 of appendix C of the draft Budget Book as a result of the changes in reserves outlined in this report from the Business Rate Levy surplus and reduced draw-down from corporate reserves. As outlined in paragraph 4.20 the forecast overall level of reserves at the end of 2019-20 is currently about the same as the £199.3m at the end of 2017-18 due to the combination of draw-down, additional contributions and re-phasing of planned use of smoothing reserves. The level of general reserves is in line with best practice as recommended by CIPFA and the Audit Commission.
- 6.4 To conclude, the Section 151 officer can formally report that the budget estimates are robust and the level of reserves adequate, as required by the Local Government Act 2003. The proposed budget has been formulated following a robust process of internal challenge with Cabinet Members and Corporate Directors, public consultation and scrutiny by Members of all political groups.
- 6.5 There are no immediate concerns about the financial sustainability of the Council, although given the pressures on local government funding, the increasing demands, and the uncertain outcomes from the major national funding reviews (Business Rate retention and Fair Funding), the sustainability situation needs to be kept under close review.

7. Recommendations

Recommendations:

The County Council is asked to agree the following:

- (a) Net revenue budget requirement of £986.374m for 2019-20.

- (b) Capital investment proposals of £999.573m over three years from 2019-20 to 2021-22 together with the necessary funding and subject to approval to spend arrangements.
- (c) The new Capital Strategy as set out in appendix 1 of this report including the Prudential Indicators.
- (d) The Minimum Revenue Provision (MRP) Statement as set out in appendix 2 of this report.
- (e) The flexible use of capital receipts referred to in paragraph 1.16 and as set out in appendix 3 of this report.
- (f) The directorate capital programmes as set out in section 1 of the draft Budget Book published on 2nd January 2019 as amended by the changes in this report (see appendix 4 of this report).
- (g) The directorate revenue budget proposals as set out in draft Budget Book published on 2nd January 2019 as amended by the latest updates included in this report (summarised in appendices 5, 6, 7 and 8 of this report).
- (h) Delegate responsibility to Cabinet Members and Corporate Directors to manage the budget within the parameters set out in the Constitution and Financial Regulations (summary delegations to managers as set out in appendix 6 to this report).
- (i) To increase Council Tax band rates up to the maximum permitted without a referendum as set out in table 2 in appendix 9 to this report.
- (j) To levy the additional 2% social care precept (raising an additional £14,052,783 and taking the total social care precept to £50,650,799 out of precept set out in (k) below).
- (k) The total Council Tax requirement of £709,996,344 to be raised through precepts on districts as set out appendix 9 to this report.
- (l) The Treasury Management Strategy as set out in appendix 11 of this report.
- (m) The reforms to the lowest Kent Scheme pay ranges (KR2 and KR3) to meet the commitment that the lowest pay in the Kent Scheme matches the £9 per hour Foundation Living Wage from 1st April 2019.
- (n) The new flexible payment scheme for the Young Persons Travel Pass allowing eight equal monthly instalments from August to March.

In addition:

- (o) To note that the Cabinet Member for Corporate and Democratic Services, in consultation with the Leader and Cabinet, will determine the TCP reward thresholds for staff assessed as successful, excellent, and outstanding, and the uplift to the Kent Ranges in accordance with the 0.5%/£1,200 principles.
- (p) To delegate authority to the Corporate Director of Finance (in consultation with the Leader, Cabinet Member for Finance & Traded Services and the political Group Leaders) to resolve any minor technical issues for the final budget publication which do not materially alter the approved budget or change the net budget requirement. This includes approving the distribution of unallocated amounts within the approved budget.
- (q) Changes made in (p) above to be reflected in the final version of the Budget Book (blue combed) due to be published in March.
- (r) To note the uncertain financial outlook for later years with the likelihood that spending demands exceed the available funding and the necessity for further savings (largely unidentified at this stage).

8. Background Documents

- 8.1 KCC's Budget webpage
<https://www.kent.gov.uk/about-the-council/finance-and-budget>
- 8.2 KCC's Corporate Risk Register and Risk Management Policy & Strategy
<https://democracy.kent.gov.uk/documents/s88701/Item%2009%20Review%20of%20KCCs%20Risk%20Management%20Policy%20and%20Strategy.pdf>
<https://democracy.kent.gov.uk/documents/s88720/Item%2009%20Appendix.pdf>
<https://democracy.kent.gov.uk/documents/s88699/Item%2008%20Corporate%20Risk%20Register.pdf><https://democracy.kent.gov.uk/documents/s88707/Item%2008%20Appendix.pdf>
- 8.3 KCC's approved 2018-19 Budget and 2018-20 Medium Term Financial Plan
https://www.kent.gov.uk/_data/assets/pdf_file/0010/79714/medium-term-financial-plan-and-budget-information.pdf
- 8.4 Autumn Budget Report to County Council 18th October 2018
<https://democracy.kent.gov.uk/documents/s86875/Autumn%20Budget%20Statement%20Final%20version.pdf>
- 8.5 KCC Budget Consultation launched 11th October 2018
<https://www.kent.gov.uk/about-the-council/finance-and-budget/our-budget>
- 8.6 Chancellor's Autumn Budget 2018 29th October 2018
<https://www.gov.uk/government/topical-events/budget-2018>
- 8.7 Office for Budget Responsibility fiscal and economic outlook 29th October 2018
<https://obr.uk/efo/economic-fiscal-outlook-october-2018/>
- 8.8 Provisional Local Government Finance Settlement 13th December 2018
<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2019-to-2020>
- 8.9 KCC report on 2018 Budget Consultation
https://www.kent.gov.uk/_data/assets/pdf_file/0008/89891/Budget-campaign-and-consultation-report-2019-20.pdf
- 8.10 KCC Draft Budget Book 2nd January 2019
https://www.kent.gov.uk/_data/assets/pdf_file/0006/89889/Draft-budget-book-2019-20.pdf
- 8.11 Response to Provisional Local Government Finance Settlement
https://www.kent.gov.uk/_data/assets/pdf_file/0014/91112/Budget-report-response-to-provisional-local-government-finance-settlement-.pdf

8.12 Budget reports to Cabinet Committees in January
Policy & Resources

<https://democracy.kent.gov.uk/documents/s88614/Item%205%20-%20Capital%20Programme%202019-22%20Revenue%20Budget%202019-20%20and%20Medium%20Term%20Financial%20Plan%202019-22.pdf> Growth, Economic Development and Communities

<https://democracy.kent.gov.uk/documents/s88418/Item%209%20-%20Capital%20Programme%202019-22%20Revenue%20Budget%202019-20%20and%20Medium-Term%20Financial%20Plan%202019-22.pdf>

Environment and Transport

<https://democracy.kent.gov.uk/documents/s88536/Item%2012%20-%20Capital%20Programme%202019-22%20Revenue%20Budget%202019-20%20and%20Medium-Term%20Financial%20Plan%202019-22.pdf>

Adult Social Care

<https://democracy.kent.gov.uk/documents/s88677/Item%209%20-%20Adult%20Social%20Care%20and%20Health%20Budget%20and%20Medium%20Term%20Financial%20Plan%202019-2020.pdf>

Children's, Young People and Education

<https://democracy.kent.gov.uk/documents/s88448/Item%209%20-%20Final%20agreed%20Budget%20Report.pdf>

Health Reform and Public Health

<https://democracy.kent.gov.uk/documents/s88484/Item%2012%20-%20Capital%20Revenue%20and%20MTFP.pdf>

8.13 Minutes of Scrutiny Committee 15th January 2019

<https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=752&MId=7911&Ver=4>

8.14 Cabinet 28th January 2019

<https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=115&MId=7839&Ver=4>

8.15 Final Local Government Finance Settlement 29th January 2019

<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2019-to-2020>

9. Contact details

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Appendices:

Appendix 1 – Capital Strategy

https://www.kent.gov.uk/_data/assets/pdf_file/0010/91099/Budget-report-appendix-1-capital-strategy.pdf

Appendix 2 – Minimum Revenue Provision (MRP)

https://www.kent.gov.uk/_data/assets/pdf_file/0011/91100/Budget-report-appendix-2-annual-minimum-revenue-provision-statement.pdf

Appendix 3 – Flexible use of Capital Receipts

https://www.kent.gov.uk/_data/assets/pdf_file/0012/91101/Budget-report-appendix-3-flexible-use-of-capital-receipts-policy.pdf

Appendix 4 – Updated Capital Programme

https://www.kent.gov.uk/_data/assets/pdf_file/0013/91102/Budget-report-appendix-4-updated-capital-investment-plans-2019-20-to-2021-22.pdf

Appendix 5 – Revised Revenue Budget - Summary by Directorate

https://www.kent.gov.uk/_data/assets/pdf_file/0014/91103/Budget-report-appendix-5-updated-revenue-budget-summary-by-directorate.pdf

Appendix 6 – Revised Revenue Budget – Summary by Directorate & Division

https://www.kent.gov.uk/_data/assets/pdf_file/0015/91104/Budget-report-appendix-6-updated-revenue-budget-summary-by-directorate-and-division.pdf

Appendix 7 – High Level 2019-22 Revenue Medium Term Financial Plan

https://www.kent.gov.uk/_data/assets/pdf_file/0016/91105/Budget-report-appendix-7-updated-high-level-2019-22-revenue-medium-term-financial-plan.pdf

Appendix 8 – Detailed 2019-20 Revenue Budget by Directorate

https://www.kent.gov.uk/_data/assets/pdf_file/0017/91106/Budget-report-appendix-8-updated-detailed-2019-20-revenue-budget-by-directorate.pdf

Appendix 9 – Council Tax

https://www.kent.gov.uk/_data/assets/pdf_file/0018/91107/Budget-report-appendix-9-council-tax.pdf

Appendix 10 – Revenue Spending Pressure by Category

https://www.kent.gov.uk/_data/assets/pdf_file/0019/91108/Budget-report-appendix-10-detailed-2019-20-revenue-spending-pressure.pdf

Appendix 11 – Treasury Strategy

https://www.kent.gov.uk/_data/assets/pdf_file/0020/91109/Budget-report-appendix-11-treasury-management-strategy-2019-20.pdf

Capital Strategy

Introduction

This capital strategy is a new requirement for 2019-20, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes highly technical areas. To complement this new presentation, we have separately published the fuller capital programme strategy:

https://www.kent.gov.uk/_data/assets/pdf_file/0012/91110/Budget-report-capital-programme-strategy.pdf and treasury management strategy:

https://www.kent.gov.uk/_data/assets/pdf_file/0020/91109/Budget-report-appendix-11-treasury-management-strategy-2019-20.pdf, which can be accessed via the embedded links.

Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are deemed *de-minimis* and not capitalised and are charged to revenue in year.

Details of the Council's policy on capitalisation are included in the Council's annual Statement of Accounts, the relevant extract from which is set out below:

"Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment above our *de-minimis* of £10k (£2k in schools) is capitalised on an accruals basis. In this context, enhancement means work that has substantially increased the value or use of the assets. Work that has not been completed by the end of the year is carried forward as "assets under construction".

In 2019-20, the Council is planning capital expenditure of £392.6m as summarised below:

Table 1: Prudential Indicator 1: Estimates of Capital Expenditure in £millions

	2017-18 Actuals	2018-19 Forecast	2019-20 budget	2020-21 budget	2021-22 budget
General Fund services	197.7	217.9	349.9	290.0	249.0
Capital investments	0.5	0.0	42.7	34.0	34.0
TOTAL	198.3	217.9	392.6	324.0	283.0

The main General Fund capital projects include investments in additional school places to increase capacity (£114m), highways and bridge enhancement (£58m), community projects (£17m), economic development initiatives (£33m), highways and other transport improvements (£61m), modernisation and improved utilisation of council premises (£29m), other projects including Adults, other school projects and capitalised transformation costs (£38m).

The Council also plans to incur £43m of capital spending in 2019-20 on property investments as detailed in the later section of this document

Governance: Service managers bid to include projects in the Council's capital programme. Bids are collated by the Capital Team in Corporate Finance who review the bids and calculate the financing cost (which can be nil if the project is fully externally financed). The Project Advisory Group (PAG) appraised all the bids for the 2019-22 capital programme against the Capital Strategy Drivers (as set out in the Capital Programme Strategy LINK) and made recommendations to include in the final capital programme. Going forward there is a revised internal Governance process which will undertake this function in place of PAG. The final capital programme is then presented to Cabinet in January and to Council in February each year for approval.

- full details of the Council's capital programme are set out in appendix 4 of the County Council report, see:

https://www.kent.gov.uk/_data/assets/pdf_file/0013/91102/Budget-report-appendix-4-updated-capital-investment-plans-2019-20-to-2021-22.pdf

All capital expenditure must be financed, either from external sources (government grants, developer contributions and other external funding), the Council's own resources (revenue, reserves and capital receipts from sale of assets) or borrowing. The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £millions

	Prior Years	2019-20 budget	2020-21 budget	2021-22 budget
External sources*	565.3	231.1	175.9	225.6
Own resources	67.3	39.5	24.1	9.4
Borrowing	122.2	121.9	124.0	48.0
TOTAL	754.8	392.6	324.0	283.0

*External sources include funding from loan repayments. KCC operates a number of revolving loan schemes, the majority of which are funded from external sources. However, this will also include an element of funding that was originally from KCC's own resources but cannot now be separately identified.

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Borrowing is a combination of external loans and internal borrowing (from cash reserves). Debt is usually only repaid when a loan matures. Occasionally the Council can refinance debt with replacement borrowing at a lower rate of interest, this is rare as there are usually excessive penalties to repay loans earlier than their normal maturity. Planned debt repayments during the medium-term planning period are as follows:

Table 3: Replacement of debt finance in £millions

	2017-18 actual	2018-19 forecast	2019-20 budget	2020-21 budget	2021-22 budget
MRP	63.2	60.0	59.6	61.0	60.0

- The Council's full Minimum Revenue Provision statement is available here: https://www.kent.gov.uk/_data/assets/pdf_file/0011/91100/Budget-report-appendix-2-annual-minimum-revenue-provision-statement.pdf

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with repayments from MRP and capital receipts used to replace debt. The CFR is expected to increase by £62.3m during 2019-20. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator 2: Estimates of Capital Financing Requirement £millions

	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
TOTAL CFR	1,322.5	1,301.7	1,364.0	1,427.0	1,415.0

The in-year movement in the total CFR should equal borrowing from table 2 less MRP from table 3

Asset management: To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place. This sets the framework for managing our property portfolio effectively over the next 3 to 5 years. It will guide our future strategic property decisions to make sure we manage our property portfolio sustainably and efficiently so that it can adapt to remain fit for the future and support frontline delivery. Our property assets are an important part of supporting and enabling us to transform the way we deliver public services with our partners and it is therefore essential that we have an innovative and forward thinking strategy in place.

- The Council's asset management strategy can be read here:
<https://www.kent.gov.uk/about-the-council/strategies-and-policies/corporate-policies/asset-management-strategy>

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2021-22. We have used this flexibility in 2017-18 and 2018-19 budgets. However, the timing of some of the 2018-19 transformation spending has now been re-phased into 2019-20.

Repayments of capital grants, loans to third parties and investments also generate capital receipts. The timing of when capital receipts are banked and applied to fund the capital programme will not necessarily match, and where necessary, timing differences will be managed through short term internal borrowing from cash balances. The following table shows when the Council plans to apply capital receipts and loan repayments in the coming financial years:

Table 5: Capital receipts to be applied in £millions

	Prior Years	2019-20 budget	2020-21 budget	2021-22 budget
Application of asset sales	59.5	29.4	14.3	-0.3
Loan repayments	30.2	19.9	8.2	13.0

- The Council's Flexible Use of Capital Receipts Policy is available here:
https://www.kent.gov.uk/_data/assets/pdf_file/0012/91101/Budget-report-appendix-3-flexible-use-of-capital-receipts-policy.pdf

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Due to decisions taken in the past, the Council currently has £911m external borrowing as at 31st December 2018, at an average interest rate of 4.6% and £333m treasury investments at an average rate of 2.20%.

Borrowing strategy: The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0 to 3.0%).

Projected levels of the Council's total outstanding debt comprising of external borrowing and other long-term liabilities identified in the balance sheet (including PFI liabilities, leases, etc) are shown below, compared with the capital financing requirement (see above) and the resulting balance funded from internal borrowing (cash balances).

Table 6: Prudential Indicator 3: Gross Debt and the Capital Financing Requirement in £millions

	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
Other Long-term Liabilities	263.0	263.0	263.0	263.0	263.0
External Borrowing	953.9	911.1	949.4	977.0	949.2
Total Debt	1,216.9	1,174.1	1,212.4	1,240.0	1,212.2
Capital Financing Requirement	1,322.5	1,301.7	1,364.0	1,427.0	1,415.0
Internal Borrowing (cash balances)	105.6	127.6	151.6	187.0	202.8

Statutory guidance is that total debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit. Both limits are set with reference to the Council’s plans for capital expenditure and financing. The authorised limit provides headroom over and above the operational boundary sufficient for unusual cash movements.

Table 7: Prudential Indicator 4: Authorised limit and operational boundary for external debt in £millions

	2018-19 limit	2019-20 limit	2020-21 limit	2021-22 limit
Authorised limit – borrowing	1,003	1,013	1,050	1,025
Authorised limit – PFI and leases	271	263	263	263
Authorised limit – total external debt	1,274	1,276	1,313	1,288
Operational boundary – borrowing	1,038	988	1,025	1,000
Operational boundary – PFI and leases	271	263	263	263
Operational boundary – total external debt	1,309	1,251	1,288	1,263

- Further details on borrowing are in the borrowing strategy section (paragraphs 23 to 36) of the treasury management strategy (appendix 11 of the County Council report) https://www.kent.gov.uk/_data/assets/pdf_file/0020/91109/Budget-report-appendix-11-treasury-management-strategy-2019-20.pdf

Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council’s policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, in particular in Money Market Funds, with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, equity and property funds, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes

decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 8: Treasury management investments in £millions

	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
Near-term investments	96.9	88.5	75.0	60.0	60.0
Longer-term investments	205.5	225.0	225.0	225.0	225.0
TOTAL	302.7	313.5	300.0	285.0	285.0

- Further details on treasury investments are in the investment strategy section (paragraphs 37 to 60) of the treasury management strategy (appendix 11 of the County Council report).

https://www.kent.gov.uk/_data/assets/pdf_file/0020/91109/Budget-report-appendix-11-treasury-management-strategy-2019-20.pdf

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Corporate Director of Finance and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury management activity are presented to Governance and Audit Committee with half-yearly and annual reports going to County Council. The Treasury Management Advisory Group (TMAG) is responsible for scrutinising treasury management decisions.

Investments for Service Purposes

The Council makes investments to assist local public services, including making loans to or buying shares in other organisations (service investments). In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to generate a surplus after all costs.

Governance: Decisions on service investments are made by the relevant service manager after consultation with and approval of the Corporate Director of Finance and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on service investments are in pages 1 and 2 of the investment strategy: https://www.kent.gov.uk/_data/assets/pdf_file/0013/91111/Budget-report-investment-strategy.pdf

Commercial Activities

With central government financial support for local public services declining, the Council strategically invests in commercial property purely or mainly for financial gain. The capital programme for Strategic and Corporate Services has included provision for Property Investment and Acquisition Funds (PIF1 and PIF2) for a number of years. PIF1 was funded from capital receipts, PIF2 is funded by internal borrowing (cash balances). The objectives of PIF are threefold: to create a pipeline of capital assets for future disposal to support the capital programme; to deliver a return to the Council through income from the assets and/or capital growth; to support regeneration of the Kent economy. Total commercial investments are currently valued at £13.8m with the largest being the former Royal Mail site in Maidstone and Eurogate Business Park in Ashford.

The Council has identified that there may be potential opportunity to further maximise the capital return from its assets through participating in development activity through partnering arrangements with third parties. This may include the establishment of joint venture(s) and other company structures which are currently being explored and tested. It is envisaged that subject to business case approval that implementation will commence in the new financial year.

This strategy also makes provision for investments and acquisition of strategic assets, where business cases will be subject to approval by external review to ensure that these generate an income stream and will not create a financial burden on the County Council. That is, income streams must cover the total debt costs, including the minimum revenue provision over the medium term, and the short term consequences will have to be reflected in the medium term revenue budget. The external advisors will be appointed by the S151 Officer.

The approval process and tests that need to be satisfied for the business case to proceed are as follows:

- a) That the rate of return meets the set criteria
- b) That all revenue costs are identified including debt costs and are covered by the income stream
- c) Signed approval of business case by external company review
- d) Sign off by S151 Officer
- e) Sign off by Head of Paid Service
- f) Sign off by Monitoring Officer
- g) Approval through the appropriate formal governance route

As and when these business cases are agreed, they will be added to the capital programme.

With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include void periods when properties are empty and falls in capital values. These risks are managed by a rigorous appraisal process prior to any acquisition decision.

Governance: Decisions on commercial investments and disposals are made by the Director of Infrastructure in accordance with the Councils constitution, and more relevantly the Property Management Protocol, and following consultation with and approval of the Corporate Director of Finance. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on commercial investments and limits on their use are in pages 3 and 4 of the investment strategy:
https://www.kent.gov.uk/_data/assets/pdf_file/0013/91111/Budget-report-investment-strategy.pdf
- The Council also has commercial activities in a number of trading companies, generating an estimated £6.2m net dividend to the council's 2019-20 revenue budget, but exposing it to normal commercial risks. The risks to KCC's revenue budget of shortfalls against planned dividends are included in section 3.6 of the budget monitoring report. The latest 2018-19 report can be accessed by the following link:
<https://democracy.kent.gov.uk/documents/s88797/CAB%2028%20January%202019%20November%20Monitoring%20FINAL.pdf>

Liabilities

In addition to debt of £914m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £1,428.1m). It has also set aside £36.9m in general reserves to cover unforeseen risks as identified in the Assessment of Reserves Appendix C of the Budget Book. The Council has identified a number of budget risks but has not put aside any money because the Council has sufficient reserves to cover these eventualities should they arise. These risks are identified in separate risk register published as Appendix B in the Budget Book.

Governance: Decisions on incurring new discretionary liabilities are taken by service managers after consultation with and approval of the Corporate Director of Finance. The risk of liabilities crystallising and requiring payment is monitored by Corporate Finance and included in monitoring reports.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator 5: Proportion of financing costs to net revenue stream

	2017-18 actual	2018-19 forecast	2019-20 budget	2020-21 budget	2021-22 budget
Proportion of net revenue stream	13.1%	11.8%	11.3%	11.4%	10.9%

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Corporate Director of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable because of the rigour which has been applied to the appraisal of schemes and the application of an affordable future borrowing strategy based on an absolute fiscal limit that the costs of borrowing cannot exceed 15% of the annual revenue budget.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Corporate Director of Finance is a Fellow of the Association of Chartered Certified Accountants (FCCA) with 20 years' post-qualification experience, and the Council's finance team includes 43 qualified accountants who are members of professional accountancy bodies including ACCA, CIMA, CIPFA and ICAEW. In addition, KCC Finance are an approved employer with professional accreditations from ACCA and CIPFA.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, Amey/Kier/Skanska as property consultants/facilities management contractors. The Council will use the services of other specialists and consultants as necessary. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

The Council's policy on the use of external advisers is that where a contract for a consultant is estimated to cost £50,000 or more; details of the proposed award must be forwarded to the relevant Cabinet Member prior to the appropriate officer making the award.

Annual Minimum Revenue Provision (MRP) Statement

Authorities are asked to submit a statement on their policy of making MRP to full Council or similar. Any revision to the original statement must also be issued.

In 2008 the Department for Communities and Local Government (DCLG) issued new guidance on the Minimum Revenue Provision. This guidance provided four ready-made options which would be most relevant for the majority of authorities but stated that other approaches are not meant to be ruled out, provided that they are **fully consistent with the statutory duty to make prudent revenue provision**. The options that we have implemented since this new guidance came into operation are:

- 4% of our capital finance requirement before the change in regulations.
- The asset life method in subsequent years. This method provides authorities with the option of applying MRP over the life of the asset once it is in operation, so for assets that are not yet operational and still under construction we effectively have an “MRP holiday”.

The total of these two methods has provided the annual MRP figure since the regulations changed up until 1 April 2014. However, what this did not do was align the MRP with the repayment of debt and other long term liabilities. Since 1 April 2014 we have continued with the existing calculations but then considered whether an adjustment is required to reflect the timing of internal and external debt repayment and other long term liabilities. We will continue with this approach which is more prudent, given the challenges that the Authority continues to face.

Any adjustment made will be reflected in later years to ensure the overall repayment of our liabilities is covered at the appropriate point in time. This will depend on the position of our balance sheet each year and will be a new calculation each year but using the same principles.

This method retains the guidance calculations but allows for a more prudent approach, ensuring that adequate provision is made to ensure debt is repaid.

Each year an updated MRP statement will be presented.

Flexible Use of Capital Receipts Policy

- 1.1 The Spending Review 2015 allowed local authorities additional flexibility for the three year period 2016-17 to 2018-19 to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and support the delivery of future savings. This represented a significant departure from the previous requirements which restricted the use of receipts from asset sales to funding new capital investments.
- 1.2 In December 2017, alongside the provisional local government finance settlement, this flexibility was extended for a further three financial years to 2021-22. This means that local authorities can treat as capital expenditure until 31 March 2022, expenditure which is:
 - designed to generate ongoing revenue savings in the delivery of public services, and/or
 - transform service delivery to reduce costs, and/or
 - transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners,as long as it is funded from capital receipts which have been received during the period of this flexibility, 2016-17 to 2020-21.
- 1.3 Under the terms of this flexibility, local authorities are required to disclose the individual projects that are funded or part funded through capital receipts flexibility to full Council. We have previously identified the planned use of receipts in the 2017-18 and 2018-19 revenue budgets. We first reported the individual projects (including the planned savings) to full Council in the 2018 Autumn Budget Statement, and this has been updated in this appendix to reflect the latest position. In future the flexible use of capital receipts will be reported through this appendix to the approved budget.
- 1.4 KCC's 2017-18 budget and 2017-20 MTFP included the planned use of £5m of capital receipts to fund transformation projects over two years. We are required to report to full Council how such receipts are applied and the anticipated savings. Table 1 over the page shows the receipts which were applied in 2017-18 and those approved to date for 2018-19.

Table 1: Use of Capital Receipts for Transformation

PROJECT	project cost			planned savings (incremental change)						
	2017-18 £'000	2018-19 £'000	2019-20 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
Adults phase 3 transformation	1,989.7	361.7	32.8	-2,700.0	-2,722.6	-2,700.0	-3,700.0			
0-25 phase 2 transformation	386.6					-1,250.0	-1,250.0			
Kent Scientific Services - development of toxicology service (increase laboratory space & purchase of specialist instruments)	181.2	18.8				-14.0	-15.0		-16.0	
LED Street lighting - upgrade of luminaires		750.0				-90.0				
Community Learning Service - temporary relocation to Tonbridge site during the development of Tunbridge Wells Cultural Hub		200.0				-15.0		-21.0	-3.0	-2.0
Kent Scientific Services - increase capacity in order to meet demand and secure new income from working with Port Health Authorities exercising control at our borders in testing meat and meat products for levels of veterinary medicines at the point that they enter the food chain		17.0	10.0				-47.0			
Creation of a Charitable Incorporated Organisation for the Area of Outstanding Natural Beauty (AONB) with the prime purpose of raising external funding to support KCC's adopted policies for the AONB and other KCC services		14.7			-10.0	-5.0	-5.0			
	2,557.5	1,362.2	42.8	-2,700.0	-2,732.6	-4,074.0	-5,017.0	-21.0	-19.0	-2.0
		3,962.5								

1.5 Table 1 shows project costs of £3.963m, some of which have re-phased into 2019-20. Funding for further transformation projects has been agreed in principle but detailed business cases are awaited before formal approval is given, at which time the remaining £1.037m of available capital receipt funding will be applied.

1.6 At this stage there are no plans to utilise the extension to 2020-21 of the capital receipts flexibility and increase the usage of capital receipts for transformation projects above the £5m approved in the 2017-20 MTFP because of the level of receipts already required to fund the capital programme.

SUMMARY

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY YEAR

Row Ref		Total Cost of Scheme £000s	Prior Years Spend £000s	Cash Limits			
				2019-20	2020-21	2021-22	Later Years
				£000s	£000s	£000s	£000s
1	Adult, Social Care & Health (ASCH)	35,311	8,550	8,917	7,300	10,544	0
2	Children, Young People & Education (CYPE)	697,677	375,340	141,035	105,052	76,250	0
3	Growth, Environment & Transport (GET)	874,881	305,850	170,290	159,070	156,043	83,628
4	Strategic & Corporate Services (S&CS)	227,706	63,714	71,277	52,565	40,150	0
5	Capitalised Transformation Costs	5,000	3,920	1,080	0	0	0
6	Total Cash Limit	1,840,575	757,374	392,599	323,987	282,987	83,628
Funded by:							
7	Borrowing	409,534	122,207	121,922	123,970	48,025	-6,590
8	Property Enterprise Fund (PEF) 2	374	374	0	0	0	0
9	Grants	853,521	465,378	161,299	109,885	116,621	338
10	Developer Contributions	254,035	54,005	34,471	36,574	84,802	44,183
11	Other External Funding	101,856	15,785	15,436	21,287	11,139	38,209
12	Revenue and Renewals	37,746	7,757	10,139	9,820	9,683	347
13	Capital Receipts	100,045	57,770	28,321	14,281	-327	0
14	Capital Receipts Loan Repayments	78,464	30,178	19,931	8,170	13,044	7,141
15	Capital Receipts to Fund Transformation	5,000	3,920	1,080	0	0	0
16	Total Finance	1,840,575	757,374	392,599	323,987	282,987	83,628

SUMMARY

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY FUNDING

2019-22 Funded By:												
Row Ref		Total Cost of Scheme	Prior Years Spend	Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2019-22	Later Years
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
1	Adult, Social Care & Health (ASCH)	35,311	8,550	2,547	1,737	3,177	16,800	1,500	1,000	0	26,761	0
2	Children, Young People & Education (CYPE)	697,677	375,340	63,011	153,596	68,634	0	18,000	19,096	0	322,337	0
3	Growth, Environment & Transport (GET)	874,881	305,850	86,510	224,972	84,036	31,034	9,766	7,940	41,145	485,403	83,628
4	Strategic & Corporate Services (S&CS)	227,706	63,714	141,849	7,500	0	28	376	14,239	0	163,992	0
5	Capitalised Transformation Costs	5,000	3,920	0	0	0	0	0	1,080	0	1,080	0
6	Total Cash Limit	1,840,575	757,374	293,917	387,805	155,847	47,862	29,642	43,355	41,145	999,573	83,628
2019-22 Funded By:												
	Three Year Budget		Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2019-22		
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s		
	ROLLING PROGRAMMES											
7	Adult, Social Care & Health (ASCH)	1,500	0	0	0	0	1,500	0	0	0	1,500	
8	Children, Young People & Education (CYPE)	63,583	1,050	44,533	0	0	18,000	0	0	0	63,583	
9	Growth, Environment & Transport (GET)	177,695	65,078	103,469	0	46	9,000	102	0	0	177,695	
10	Strategic & Corporate Services (S&CS)	18,140	8,690	7,500	0	0	0	1,950	0	0	18,140	
11	Total Rolling Programmes	260,918	74,818	155,502	0	46	28,500	2,052	0	0	260,918	
2019-22 Funded By:												
	Total Cost of Scheme	Prior Years Spend	Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2019-22	Later Years	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	INDIVIDUAL PROJECTS											
12	Adult, Social Care & Health (ASCH)	33,811	8,550	2,547	1,737	3,177	16,800	0	1,000	0	25,261	0
13	Children, Young People & Education (CYPE)	634,094	375,340	61,961	109,063	68,634	0	0	19,096	0	258,754	0
14	Growth, Environment & Transport (GET)	697,186	305,850	21,432	121,503	84,036	30,988	766	7,838	41,145	307,708	83,628
15	Strategic & Corporate Services (S&CS)	209,566	63,714	133,159	0	0	28	376	12,289	0	145,852	0
16	Capitalised Transformation Costs	5,000	3,920	0	0	0	0	0	1,080	0	1,080	0
17	Total Individual Projects	1,579,657	757,374	219,099	232,303	155,847	47,816	1,142	41,303	41,145	738,655	83,628
18	Total Cash Limit	1,840,575	757,374	293,917	387,805	155,847	47,862	29,642	43,355	41,145	999,573	83,628

ADULT SOCIAL CARE & HEALTH (ASCH)

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY YEAR

Row Ref		Description of Project	Three Year Budget £000s	Cash Limits				
				2019-20 £000s	2020-21 £000s	2021-22 £000s		
ROLLING PROGRAMMES		Description of Project						
1	<i>Home Support Fund & Equipment</i>	Provision of equipment and/or alterations to individuals' homes	1,500	500	500	500		
2	Total Rolling Programmes		1,500	500	500	500		
			Total Cost of Scheme £000s	Prior Years Spend £000s	Cash Limits			
					2019-20 £000s	2020-21 £000s	2021-22 £000s	Later Years £000s
INDIVIDUAL PROJECTS		Description of Project						
3	<i>Developer Funded Community Schemes</i>	A variety of community schemes to be funded by developer contributions	4,630	1,554	2,032		1,044	
		Kent Strategy for Services for Learning Disability (LD):						
4	Learning Disability Good Day Programme	To provide dedicated space, accessible equipment and facilities for people with a learning disability within inclusive community settings across the county	3,128	1,815	1,313			
		Kent Strategy for Services for Older People (OP):						
5	<i>OP Strategy - Specialist Care Facilities</i>	Older Persons Care Provision - Accommodation Strategy	2,281	1,281	1,000			
6	<i>Extra Care Facilities</i>	Provision of Extra Care Accommodation	16,800		1,000	6,800	9,000	
		System Development:						
7	Adult Social Care Case Management	Replacement of the Adult Social Care Case Management & finance system	6,447	3,900	2,547			
		Other Individual Projects:						
8	Housing & Technology Fund	To encourage sustainable expansion in suitable housing provision for people with learning disabilities	525		525			
9	Total Individual Projects		33,811	8,550	8,417	6,800	10,044	0
10	Directorate Total		35,311	8,550	8,917	7,300	10,544	0

Italic font: these are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved.

ADULT SOCIAL CARE & HEALTH (ASCH)

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY YEAR

	Total Cost of Scheme	Prior Years Spend	Cash Limits			
			2019-20	2020-21	2021-22	Later Years
Funded by:	£000s	£000s	£000s	£000s	£000s	£000s
Borrowing	5,805	3,258	2,547	0	0	0
Property Enterprise Fund (PEF) 2	369	369	0	0	0	0
Grants	3,666	1,929	1,737	0	0	0
Developer Contributions	4,792	1,615	2,133	0	1,044	0
Other External Funding	16,800	0	1,000	6,800	9,000	0
Revenue and Renewals	1,500	0	500	500	500	0
Capital Receipts	2,379	1,379	1,000	0	0	0
Total:	35,311	8,550	8,917	7,300	10,544	0

ADULT, SOCIAL CARE & HEALTH

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY FUNDING

2019-22 Funded By:												
Row Ref		Three Year Budget		Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2019-22	
		£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
ROLLING PROGRAMMES												
1	<i>Home Support Fund & Equipment</i>	1,500						1,500			1,500	
2	Total Rolling Programmes	1,500		0	0	0	0	1,500	0	0	1,500	
		Total Cost of Scheme	Prior Years Spend	Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2019-22	Later Years
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
INDIVIDUAL PROJECTS												
3	<i>Developer Funded Community Schemes</i>	4,630	1,554			3,076					3,076	
Kent Strategy for Services for Learning Disability (LD):												
4	Learning Disability Good Day Programme	3,128	1,815		1,212	101					1,313	
Kent Strategy for Services for Older People (OP):												
5	<i>OP Strategy - Specialist Care Facilities</i>	2,281	1,281						1,000		1,000	
6	<i>Extra Care Facilities</i>	16,800	0				16,800				16,800	
System Development:												
7	Adult Social Care Case Management	6,447	3,900	2,547							2,547	
Other Individual Projects:												
7	Housing & Technology Fund	525			525						525	
8	Total Individual Projects	33,811	8,550	2,547	1,737	3,177	16,800	0	1,000	0	25,261	0
9	Directorate Total	35,311	8,550	2,547	1,737	3,177	16,800	1,500	1,000	0	26,761	0

Italic font: these are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved.

CHILDREN, YOUNG PEOPLE & EDUCATION (CYPE)

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY YEAR

Row Ref		Description of Project	Three Year Budget	Cash Limits				
			£000s	2019-20	2020-21	2021-22		
				£000s	£000s	£000s		
	ROLLING PROGRAMMES	Description of Project						
1	<i>Annual Planned Enhancement Programme*</i>	Planned and reactive capital projects to keep schools open and operational	24,000	8,000	8,000	8,000		
2	Devolved Formula Capital Grants for Schools*	Enhancement of schools	13,500	4,500	4,500	4,500		
3	Schools Revenue Contribution to Capital *	Schools spend on capital projects	18,000	6,000	6,000	6,000		
4	Youth - Modernisation of Assets	To purchase vehicles and equipment for youth services	50		50			
5	<i>Modernisation Programme*</i>	Improving and upgrading school buildings	8,033	4,033	2,000	2,000		
6	Total Rolling Programmes		63,583	22,533	20,550	20,500		
			Total Cost of Scheme	Prior Years Spend	Cash Limits			
			£000s	£000s	2019-20	2020-21	2021-22	Later
					£000s	£000s	£000s	£000s
	INDIVIDUAL PROJECTS	Description of Project						
	Basic Need Schemes - to provide additional pupil places:							
7	<i>Basic Need Kent Commissioning Plan (KCP) 2016 & previous years</i>	Increasing the capacity of Kent's schools	312,181	258,484	47,872	5,825		
8	<i>Basic Need KCP 2017</i>	Increasing the capacity of Kent's schools	138,628	14,697	61,279	62,652		
9	<i>Basic Need KCP 2018</i>	Increasing the capacity of Kent's schools	76,425		4,650	16,025	55,750	
	Other Projects:							
10	Special Schools Review Phase 2	Major programme of building works to ensure facilities are fit for purpose	84,313	84,313				
11	John Wallis Academy	To provide a new primary school building to replace the current unsuitable accommodation	5,075	5,075				
12	CYPE Single System	Improve efficiency by reducing the number of recording and monitoring systems	1,772	1,722	50			
13	Vocational Education Centre Programme	To support vocational projects at schools	1,542	1,451	91			
14	Priority School Build Programme (PSBP) 1 & 2	Additional works under the PSBP programme not funded by the Education and Skills Funding Agency (ESFA)	14,158	9,598	4,560			
15	Total Individual Projects		634,094	375,340	118,502	84,502	55,750	0
16	Directorate Total		697,677	375,340	141,035	105,052	76,250	0
	<i>Italic font:</i> these are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved.							
	* Estimated allocations have been included for 2019-20, 2020-21 and 2021-22.							

CHILDREN, YOUNG PEOPLE & EDUCATION (CYPE)

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY YEAR

	Total Cost of Scheme	Prior Years Spend	Cash Limits			
			2019-20	2020-21	2021-22	Later Years
Funded by:	£000s	£000s	£000s	£000s	£000s	£000s
Borrowing	105,332	42,321	19,870	53,026	-9,885	0
Property Enterprise Fund (PEF) 2	5	5	0	0	0	0
Grants	428,852	275,256	75,637	37,697	40,262	0
Developer Contributions	105,081	36,447	23,921	4,840	39,873	0
Other External Funding	425	425	0	0	0	0
Revenue and Renewals	18,440	440	6,000	6,000	6,000	0
Capital Receipts	39,542	20,446	15,607	3,489	0	0
Total:	697,677	375,340	141,035	105,052	76,250	0

CHILDREN, YOUNG PEOPLE & EDUCATION (CYPE)

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY FUNDING

2019-22 Funded By:												
Row Ref		Three Year Budget	Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2019-22		
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s		
ROLLING PROGRAMMES												
1	<i>Annual Planned Enhancement Programme*</i>	24,000	1,000	23,000						24,000		
2	Devolved Formula Capital Grants for Schools*	13,500		13,500						13,500		
3	Schools Revenue Contribution to Capital *	18,000					18,000			18,000		
4	Youth - Modernisation of Assets	50	50							50		
5	<i>Modernisation Programme*</i>	8,033		8,033						8,033		
6	Total Rolling Programmes	63,583	1,050	44,533	0	0	18,000	0	0	63,583		
2019-22 Funded By:												
		Total Cost of Scheme	Prior Years Spend	Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2019-22	Later Years
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
INDIVIDUAL PROJECTS												
	Basic Need Schemes - to provide additional pupil places:											
7	<i>Basic Need Kent Commissioning Plan (KCP) 2016 & previous years</i>	312,181	258,484	1,008	-1,682	50,371			4,000		53,697	
8	<i>Basic Need KCP 2017</i>	138,628	14,697	50,210	63,881	9,840					123,931	
9	<i>Basic Need KCP 2018</i>	76,425		22,190	45,812	8,423					76,425	
Other Projects:												
10	Special Schools Review Phase 2	84,313	84,313	-8,396					8,396		0	
11	John Wallis Academy	5,075	5,075	-3,489					3,489		0	
12	CYPE Single System	1,772	1,722						50		50	
13	Vocational Education Centre Programme	1,542	1,451	11					80		91	
14	Priority School Build Programme (PSBP) 1 & 2	14,158	9,598	427	1052				3,081		4,560	
15	Total Individual Projects	634,094	375,340	61,961	109,063	68,634	0	0	19,096	0	258,754	0
16	Directorate Total	697,677	375,340	63,011	153,596	68,634	0	18,000	19,096	0	322,337	0

Italic font: these are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved.

* Estimated allocations have been included for 2019-20, 2020-21 and 2021-22.

GROWTH, ENVIRONMENT & TRANSPORT (GET)

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY YEAR

Row Ref		Description of Project	Three Year Budget £000s	Cash Limits				
				2019-20 £000s	2020-21 £000s	2021-22 £000s		
ROLLING PROGRAMMES								
Community & Regulatory Services								
1	<i>Country Parks Access and Development</i>	Improvements and adaptations to country parks	282	162	60	60		
2	<i>Public Rights of Way (PROW)</i>	Structural improvements of public rights of way	2,160	720	720	720		
3	Public Sports Facilities Improvement - Capital Grants	Capital grants for the new provision/refurbishment of sports facilities and projects in the community	225	75	75	75		
Economic Development								
4	Village Halls and Community Centres - Capital Grants	Capital grants for improvements and adaptations to village halls and community centres	225	75	75	75		
Planning, Highways, Transport & Waste								
5	<i>Highway Major Enhancement / Other Capital Enhancement / Bridge Assessment and Strengthening*</i>	Enhancement of the Kent road network and bridge strengthening including a contribution to cost of works at Faversham Swing Bridge	165,008	59,586	57,761	47,661		
6	<i>Integrated Transport Schemes *</i>	Improvements to road safety	9,343	3,143	3,100	3,100		
7	Major Schemes - Preliminary Design Fees	Preliminary design of new roads	406	186	220			
8	Land Compensation Part 1 claims	Land compensation part 1 claims	46	36	10			
9	Total Rolling Programmes		177,695	63,983	62,021	51,691	0	
			Total Cost of Scheme £000s	Prior Years Spend £000s	Cash Limits			Later Years £000s
					2019-20 £000s	2020-21 £000s	2021-22 £000s	
INDIVIDUAL PROJECTS								
Community & Regulatory Services								
10	<i>Digital Autopsy</i>	To provide body storage facility and office accommodation	1,172		717	455		
11	Herne Bay Library Plus	Project in partnership with Canterbury City Council to maximise the utilisation of an existing building. The project will also address long-term building issues	289	5	284			
12	<i>Southborough Hub</i>	New Southborough Hub facility including the reprovision of the library, predominantly funded by external partners	12,058	2,441	9,117	500		
13	Sustainable access to education & employment	Targeted improvements to Public Rights of Way	1,188	788	200	200		
14	<i>Tunbridge Wells Cultural Hub</i>	Development of a cultural and learning hub in partnership with Tunbridge Wells Borough Council	12,888	1,414	6,210	5,264		

GROWTH, ENVIRONMENT & TRANSPORT (GET)

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY YEAR

		Total Cost of Scheme £000s	Prior Years Spend £000s	Cash Limits			
				2019-20 £000s	2020-21 £000s	2021-22 £000s	Later Years £000s
	INDIVIDUAL PROJECTS						
	Economic Development						
1	Broadband Contract 2	11,814	11,200	614			
2	Innovation Investment Initiative (i3)	6,000	4,989	1,011			
3	<i>Javelin Way Development</i>	9,145	240	5,102	3,774	29	
4	Kent & Medway Business Fund	42,168	12,209	16,402	6,010	7,547	
5	Kent Empty Property Initiative - No Use Empty (NUE)	30,991	24,157	2,536	2,064	2,173	61
6	No Use Empty - Rented Affordable Homes	3,216	1,608	1,538	70		
7	Marsh Million	1,434	1,120	69	86	159	
8	<i>Turner</i>	5,900		5,900			
9	The Kent Broadband Voucher Scheme	2,862		150	2,712		
	Planning, Highways, Transport & Waste						
10	<i>A2 Off Slip Wincheap, Canterbury</i>	4,400	342	1,859	2,199		
11	<i>A226 St Clements Way</i>	6,903	6,401	447	20	35	
12	<i>A2500 Lower Road Improvements</i>	6,486	2,970	3,221	287	8	
13	<i>A28 Chart Road, Ashford</i>	26,248	4,981	20	7,464	13,783	
14	Dartford Town Centre	12,000	615	2,262	3,226	5,897	
15	Drovers Roundabout junction	23,610	23,501	109			
16	East Kent Access Phase 2 - Major Road Scheme	85,425	84,922	493	10		

GROWTH, ENVIRONMENT & TRANSPORT (GET)

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY YEAR

		Total Cost of Scheme	Prior Years Spend	Cash Limits				
				2019-20	2020-21	2021-22	Later Years	
		£000s	£000s	£000s	£000s	£000s	£000s	
	INDIVIDUAL PROJECTS	Description of Project						
1	Energy and Water Efficiency Investment Fund - External	Energy Efficiency works	2,804	2,206	155	127	87	229
2	Energy Reduction and Water Efficiency Investment - KCC	Energy Efficiency works	2,189	1,883	64	63	61	118
3	Kent Medical Campus (National Productivity Investment Fund - NPIF)	NPIF project in Maidstone to ease congestion	11,819	1,793	8,393	1,633		
4	Kent Strategic Congestion management programme across growth areas	Package of measures to reduce congestion and carbon footprint	5,024	2,483	1,241	1,300		
5	Kent Sustainable interventions programme for growth	Highway improvements	2,763	1,496	572	695		
6	Kent Thameside LSTF - Integrated door-to-door journeys	Package of measures to reduce congestion	4,558	3,561	510	487		
7	<i>Kent Thameside Strategic Transport Programme</i>	Strategic highway improvement in Dartford & Gravesham	39,086	2,935	4,482	8,769	22,900	
8	LED Conversion	Upgrading street lights to more energy efficient LED lanterns & implementation of Central Monitoring System	40,000	37,842	2,158			
9	<i>Leigh (Medway) Flood Storage Area</i>	To provide flood defences for the River Medway, including property level resilience for Yalding and the surrounding area, increasing the capacity of Leigh Flood Storage area and to support the LGF3 bid for funds to support flood defences for Hildenborough and East Peckham	4,000		1,500		2,500	
10	<i>Maidstone Integrated Transport</i>	Improving transport links with various schemes in Maidstone	10,550	1,688	4,935	3,927		
11	M20 Junction 4 Eastern Over Bridge	Carriageway widening	6,195	6,164	31	0		
12	North Farm Development	Road Improvement scheme	7,429	7,413	5	11		
13	<i>Open Golf</i>	To enable transport improvements in relation to hosting The Open in 2020	3,546	673	2,848	25		
14	Rathmore Road Link	Road improvement scheme	8,383	7,879	270	199	35	
15	Sittingbourne Northern Relief Road - Major Road Scheme	Construction of relief road	29,147	28,912	235			

GROWTH, ENVIRONMENT & TRANSPORT (GET)

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY YEAR

		Total Cost of Scheme £000s	Prior Years Spend £000s	Cash Limits			
				2019-20 £000s	2020-21 £000s	2021-22 £000s	Later Years £000s
	INDIVIDUAL PROJECTS	Description of Project					
1	Street Lighting Concrete Column - Replacement Scheme	Street lighting column replacement	2,629	1,667	962		
2	<i>Sturry Link Road, Canterbury</i>	Construction of bypass	29,600	1,535	2,090	21,051	4,924
3	<i>Herne Relief Road</i>	Developer funded scheme providing an alternative route between Herne Bay and Canterbury to avoid Herne village	7,691	212	862	1,834	600
4	M2 Junction 5	KCC contribution	1,600		800	800	
5	<i>Housing Infrastructure Fund - Swale Infrastructure Projects</i>	Improvements to A249 Junctions at Grovehurst Road and Keycol Roundabout	37,090	250	2,447	9,322	24,243
6	<i>Thanet Parkway</i>	Construction of Thanet Parkway Railway Station to enhance rail access in east Kent and act as a catalyst for economic and housing growth	27,650	2,143	8,877	3,630	13,000
7	Tunbridge Wells Junction Improvements	Junction improvements	1,958	1,245	713		
8	West Kent local sustainable transport - tackling congestion	Package of measures to reduce congestion and carbon footprint	5,070	3,157	900	1,013	
9	Westwood Relief Strategy - Poorhole Lane Improvement	Road scheme to relieve congestion	4,491	4,456	35		
10	<i>A228 Colts Hill Strategic Link - Road Scheme</i>	Construction of bypass	25,000				25,000
11	<i>Orchard Way Railway Bridge, Ashford</i>	Strategic highway improvement	15,000				15,000
12	<i>South East Maidstone Strategic Link - Road Scheme</i>	Construction of bypass	35,000				35,000
13	Waste Compactor Replacement	To replace waste compactors at Household Waste Recycle Centres to ensure efficient waste site operation	1,070		300	385	385
14	Essella Road Bridge (PROW)	Urgent works to ensure footbridge remains open	300		300		
15	A252 Safer Roads Fund	Grant funded scheme	2,146	20	2,126		
16	A290 Safer Roads Fund	Grant funded scheme	1,501		50	1,451	
17	Fastrack Full Network - Bean Road Tunnels	Bus rapid transit system within Kent Thameside to provide fast, reliable and efficient transport for local journeys	15,700	334	185	5,986	5,986
18	Total Individual Projects		697,186	305,850	106,307	97,049	104,352
19	Directorate Total		874,881	305,850	170,290	159,070	156,043

Italic font: these are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved.

* Indicative allocations have been included for 2019-20, 2020-21 and 2021-22.

GROWTH, ENVIRONMENT & TRANSPORT (GET)

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY YEAR

	Total Cost of Scheme	Prior Years Spend	Cash Limits			
			2019-20	2020-21	2021-22	Later Years
Funded by:	£000s	£000s	£000s	£000s	£000s	£000s
Borrowing	134,482	54,562	37,293	28,307	20,910	-6,590
Property Enterprise Fund (PEF) 2	0	0	0	0	0	0
Grants	413,224	187,914	81,425	69,688	73,859	338
Developer Contributions	144,162	15,943	8,417	31,734	43,885	44,183
Other External Funding	76,960	7,717	14,408	14,487	2,139	38,209
Revenue and Renewals	15,789	5,676	3,333	3,250	3,183	347
Capital Receipts	15,465	7,525	5,483	3,434	-977	0
Recycling of Loan Repayments	74,799	26,513	19,931	8,170	13,044	7,141
Total:	874,881	305,850	170,290	159,070	156,043	83,628

GROWTH, ENVIRONMENT & TRANSPORT (GET)

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY FUNDING

Row Ref		Three Year Budget	2019-22 Funded By:								Total 2019-22	
			Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	£000s		
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	ROLLING PROGRAMMES											
	Community & Regulatory Services											
1	<i>Country Parks Access and Development</i>	282	180					102			282	
2	<i>Public Rights of Way</i>	2,160	300	1,860							2,160	
3	Public Sports Facilities Improvement - Capital Grants	225	225								225	
	Economic Development											
4	Village Halls and Community Centres - Capital Grants	225	225								225	
	Planning, Highways, Transport & Waste											
5	<i>Highway Major Enhancement / Other Capital Enhancement / Bridge Assessment and Strengthening*</i>	165,008	64,025	91,983				9,000			165,008	
6	<i>Integrated Transport Schemes*</i>	9,343		9,343							9,343	
7	Major Schemes - Preliminary Design Fees	406	123	283							406	
8	Land compensation and Part 1 claims	46					46				46	
9	Total Rolling Programmes	177,695	65,078	103,469	0	46	9,000	102	0	177,695		
			2019-22 Funded By:									
		Total Cost of Scheme	Prior Years Spend	Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2019-22	Later Years
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	INDIVIDUAL PROJECTS											
	Community & Regulatory Services											
10	<i>Digital Autopsy</i>	1,172		1,172							1,172	
11	Herne Bay Library Plus	289	5	246		38					284	
12	<i>Southborough Hub</i>	12,058	2,441		4,211		1,968		3,438		9,617	
13	Sustainable access to education & employment	1,188	788		300	100					400	
14	<i>Tunbridge Wells Cultural Hub</i>	12,888	1,414			254	10,820		400		11,474	
	Economic Development											
15	Broadband Contract 2	11,814	11,200						-2,586	3,200	614	
16	Innovation Investment Initiative (i3)	6,000	4,989		1,011						1,011	
17	<i>Javelin Way Development</i>	9,145	240				3,069		5,836		8,905	
18	Kent & Medway Business Fund	42,168	12,209							29,959	29,959	
19	Kent Empty Property Initiative - No Use Empty (NUE)	30,991	24,157		500			209		6,064	6,773	61

GROWTH, ENVIRONMENT & TRANSPORT (GET)

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY FUNDING

			2019-22 Funded By:								
	Total Cost of Scheme	Prior Years Spend	Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2019-22	Later Years
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
1	No Use Empty - Rented Affordable Homes	3,216	1,608						1,608	1,608	
2	Marsh Million	1,434	1,120						314	314	
3	<i>Turner</i>	5,900		2,900		3,000				5,900	
4	The Kent Broadband Voucher Scheme	2,862		2,862						2,862	
	INDIVIDUAL PROJECTS										
	Planning, Highways, Transport & Waste										
5	<i>A2 Off Slip Wincheap, Canterbury</i>	4,400	342		4,058					4,058	
6	<i>A226 St Clements Way</i>	6,903	6,401			502				502	
7	<i>A2500 Lower Road Improvements</i>	6,486	2,970		1,717	1,599	200			3,516	
8	<i>A28 Chart Road, Ashford</i>	26,248	4,981	-795	7,444	14,618				21,267	
9	Dartford Town Centre	12,000	615		11,385					11,385	
10	Drovers Roundabout junction	23,610	23,501	109						109	
11	East Kent Access Phase 2 - Major Road Scheme	85,425	84,922	316	187					503	
12	Energy and Water Efficiency Investment Fund - External	2,804	2,206				369			369	229
13	Energy Reduction and Water Efficiency Investment - KCC	2,189	1,883				188			188	118
14	Kent Medical Campus (National Productivity Investment Fund - NPIF)	11,819	1,793		7,606	1,920	500			10,026	
15	Kent Strategic Congestion management programme across growth areas	5,024	2,483		2,317		224			2,541	
16	Kent Sustainable interventions programme for growth	2,763	1,496		1,267					1,267	
17	Kent Thameside LSTF - Integrated door-to-door journeys	4,558	3,561		939	58				997	
18	<i>Kent Thameside Strategic Transport Programme</i>	39,086	2,935		1,118	35,033				36,151	
19	LED Conversion	40,000	37,842	2,158						2,158	
20	<i>Leigh (Medway) Flood Storage Area</i>	4,000	0	3,250				750		4,000	
21	<i>Maidstone Integrated Transport</i>	10,550	1,688		7,212	1,650				8,862	
22	M20 Junction 4 Eastern Over Bridge	6,195	6,164			31				31	
23	North Farm Development	7,429	7,413			16				16	
24	<i>Open Golf</i>	3,546	673	475	1,348		1,050			2,873	
25	Rathmore Road Link	8,383	7,879		504					504	

GROWTH, ENVIRONMENT & TRANSPORT (GET)

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY FUNDING

	Total Cost of Scheme	Prior Years Spend	Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2019-22	Later Years	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
1	Sittingbourne Northern Relief Road - Major Road Scheme	29,147	28,912			235				235		
2	Street Lighting Concrete Column - Replacement Scheme	2,629	1,667	962						962		
3	<i>Sturry Link Road, Canterbury</i>	29,600	1,535		4,380	23,685				28,065		
4	<i>Herne Relief Road</i>	7,691	212			3,296				3,296	4,183	
5	M2 Junction 5	1,600	0	1,600						1,600		
6	<i>Housing Infrastructure Fund - Swale Infrastructure Projects</i>	37,090	250		36,012					36,012	828	
7	<i>Thanet Parkway</i>	27,650	2,143	4,807	18,000		2,700			25,507		
8	Tunbridge Wells Junction Improvements	1,958	1,245		547	166				713		
9	West Kent local sustainable transport - tackling congestion	5,070	3,157		1,913					1,913		
10	Westwood Relief Strategy - Poorhole Lane Improvement	4,491	4,456			35				35		
11	<i>A228 Colts Hill Strategic Link - Road Scheme</i>	25,000								0	25,000	
12	<i>Orchard Way Railway bridge, Ashford</i>	15,000								0	15,000	
13	<i>South East Maidstone Strategic Link - Road Scheme</i>	35,000								0	35,000	
14	Waste Compactor Replacement	1,070		1,070						1,070		
15	Essella Road Bridge (PROW)	300		300						300		
16	A252 Safer Roads Fund	2,146	20		2,126					2,126		
17	A290 Safer Roads Fund	1,501			1,501					1,501		
18	Fastrack Full Network - Bean Road Tunnels	15,700	334		3,900	800	7,457			12,157	3,209	
19	Total Individual Projects	697,186	305,850	21,432	121,503	84,036	30,988	766	7,838	41,145	307,708	83,628
20	Directorate Total	874,881	305,850	86,510	224,972	84,036	31,034	9,766	7,940	41,145	485,403	83,628

Italic font: these are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved.

* Indicative allocations have been included for 2019-20, 2020-21 and 2021-22.

STRATEGIC & CORPORATE SERVICES (S&CS)

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY YEAR

Row Ref			Three Year Budget	Cash Limits				
				2019-20	2020-21	2021-22		
				£000s	£000s	£000s		
	ROLLING PROGRAMMES	Description of Project						
1	<i>Corporate Property Strategic Capital</i>	Costs associated with delivering the capital programme	7,500	2,500	2,500	2,500		
2	<i>Disposal Costs</i>	Costs associated with disposing of surplus property	1,950	650	650	650		
3	Modernisation of Assets	Maintaining the KCC estate	8,690	2,690	3,000	3,000		
4	Total Rolling Programmes		18,140	5,840	6,150	6,150		
			Total Cost of Scheme	Prior Years Spend	Cash Limits			Later Years
			£000s	£000s	2019-20	2020-21	2021-22	£000s
	INDIVIDUAL PROJECTS	Description of Project						
5	Asset Utilisation	Strategic utilisation of assets in order to achieve revenue savings and capital receipts	1,843		922	921		
6	Asset Utilisation - Oakwood House Transformation	Reconfiguration of Oakwood House to relocate other KCC services and release assets	5,161	100	4,776	285		
7	<i>Dover Discovery Centre</i>	Refurbishment to make the building fit for purpose	5,600	200	4,044	1,356		
8	<i>Energy Invest to Save</i>	Investment in energy reduction schemes to reduce greenhouse gas emissions	3,600		1,800	1,800		
9	Eurogate Business Park Car Park & Roof	To carry out structural repairs to extend the useful life of the car park and roof	850	50	600	200		
10	Kent Public Service Network (KPSN)	Upgrade to KPSN, a system which a number of partners rely on for interconnectivity, internet, collaboration and secure connections to central government departments	526	470	56			
11	LIVE Margate	Replace empty and poorly managed housing in Margate with high quality and well managed family housing to regenerate the area	10,179	7,879	1,200	1,100		
12	<i>Modernisation of Assets (MOA) Plus</i>	Works required to ensure KCC buildings are fit for purpose and are in a statutory compliant condition	18,133	2,674	8,706	6,753		

STRATEGIC & CORPORATE SERVICES (S&CS)

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY YEAR

			Total Cost of Scheme	Prior Years Spend	Cash Limits			
					2019-20	2020-21	2021-22	Later Years
					£'000	£'000	£'000	£'000
13	New Ways of Working	Improving use of our technology and office	45,201	44,787	414			
14	<i>Property Investment & Acquisition Fund (PIF)</i>	To fund strategic acquisitions of land and property	10,913	7,230	3,683			
15	Property Investment & Acquisition Fund II (PIFII)	To fund strategic acquisitions of land and property	7,000		6,000	1,000		
16	Community Sexual Health Services	Development of premises for delivery of community sexual health services	560	324	236			
17	<i>Acquisition of strategic assets *</i>	<i>To acquire opportunistic assets which create an income stream and cover the associated debt costs</i>	100,000		33,000	33,000	34,000	
18	Total Individual Projects		209,566	63,714	65,437	46,415	34,000	0
19	Directorate Total		227,706	63,714	71,277	52,565	40,150	0

Italic font: these are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved.

* Subject to the approval process as set out in the Capital Strategy

	Total Cost of Scheme	Prior Years Spend	Cash Limits			
			2019-20	2020-21	2021-22	Later Years
Funded by:	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	163,915	22,066	62,212	42,637	37,000	0
Grants	7,779	279	2,500	2,500	2,500	0
Developer Contributions	0					
Other External Funding	7,671	7,643	28	0	0	0
Revenue and Renewals	2,017	1,641	306	70	0	0
Capital Receipts	42,659	28,420	6,231	7,358	650	0
Recycling of Loan Repayments	3,665	3,665	0	0	0	0
Total:	227,706	63,714	71,277	52,565	40,150	0

STRATEGIC & CORPORATE SERVICES (S&CS)

SECTION 1 - CAPITAL INVESTMENT PLANS 2019-20 TO 2021-22 BY FUNDING

			2019-22 Funded By:									
Row Ref		Three Year Budget		Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2019-22	
		£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
ROLLING PROGRAMMES												
1	<i>Corporate Property Strategic Capital</i>	7,500			7,500						7,500	
2	<i>Disposal Costs</i>	1,950							1,950		1,950	
3	Modernisation of Assets	8,690		8,690							8,690	
4	Total Rolling Programmes	18,140		8,690	7,500	0	0	0	1,950	0	18,140	
		Total Cost of Scheme	Prior Years Spend	Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2019-22	Later Years
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
INDIVIDUAL PROJECTS												
5	Asset Utilisation	1,843	0	1,843							1,843	
6	Asset Utilisation - Oakwood House Transformation	5,161	100	5,001					60		5,061	
7	<i>Dover Discovery Centre</i>	5,600	200	2,960					2,440		5,400	
8	<i>Energy Invest to Save</i>	3,600	0	3,600							3,600	
9	Eurogate Business Park Car Park & Roof	850	50	660				140			800	
10	Kent Public Service Network (KPSN)	526	470	28			28				56	
11	LIVE Margate	10,179	7,879	800					1,500		2,300	
12	<i>Modernisation of Assets (MOA) Plus</i>	18,133	2,674	11,267					4,192		15,459	
13	New Ways of Working	45,201	44,787						414		414	
14	<i>Property Investment & Acquisition Fund (PIF)</i>	10,913	7,230						3,683		3,683	
15	Property Investment & Acquisition Fund II (PIFII)	7,000		7,000							7,000	
16	Community Sexual Health Services	560	324					236			236	
17	<i>Acquisition of strategic assets *</i>	100,000		100,000							100,000	
18	Total Individual Projects	209,566	63,714	133,159	0	0	28	376	12,289	0	145,852	0
19	Directorate Total	227,706	63,714	141,849	7,500	0	28	376	14,239	0	163,992	0

Italic font: these are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved.

* Subject to the approval process as set out in the Capital Strategy

SECTION 2 - REVENUE BUDGET - SUMMARY BY DIRECTORATE

Revenue Spending:

Row ref	2018-19 Revised Base (Net Cost) £000s	Directorate	2019-20 Proposed Budget							
			Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Net Change from 2018-19 £000s	
1	417,044.8	Adult Social Care & Health	ASCH	89,814.6	487,641.3	577,455.9	-128,379.2	-20,989.8	428,086.9	11,042.1
2	186,463.7	Children, Young People & Education (excluding Schools' Delegated Budgets)	CYPE	106,974.8	353,842.8	460,817.6	-50,248.8	-216,298.4	194,270.4	7,806.7
3	0.0	Children, Young People & Education (Schools' Delegated Budgets)	CYPE	434,323.7	194,778.2	629,101.9	-50,826.2	-578,275.7	0.0	0.0
4	169,098.5	Growth, Environment & Transport	GET	48,733.5	171,233.2	219,966.7	-37,987.4	-10,587.9	171,391.4	2,292.9
5	74,949.8	Strategic & Corporate Services	S&CS	35,312.9	140,399.6	175,712.5	-25,890.5	-72,505.8	77,316.2	2,366.4
6	110,931.1	Financing Items & Unallocated	FI&U	4,414.5	127,784.1	132,198.6	-16,783.6	-105.5	115,309.5	4,378.4
7	958,487.9	Budget Requirement		719,574.0	1,475,679.2	2,195,253.2	-310,115.7	-898,763.1	986,374.4	27,886.5
8	958,487.9	Budget Requirement (excluding Schools' Delegated Budgets)		285,250.3	1,280,901.0	1,566,151.3	-259,289.5	-320,487.4	986,374.4	27,886.5
Funded By:										
9	-676,073.7	Council Tax Yield including Collection Fund						-717,471.3	-717,471.3	-41,397.6
10	-58,801.6	Local Share of Business Rates & Business Rate Collection Fund						-54,468.9	-54,468.9	4,332.7
Unringfenced Grants:										
11	-37,640.1	Revenue Support Grant (RSG)						-9,487.1	-9,487.1	28,153.0
12	-3,852.8	Social Care Support Grant						-10,530.9	-10,530.9	-6,678.1
13	-133,568.9	Business Rate Top-Up						-136,209.7	-136,209.7	-2,640.8
14	-6,163.4	Business Rate Compensation Grant						-7,665.5	-7,665.5	-1,502.1
15	-35,018.9	Improved Better Care Fund (iBCF) including Additional Adult Social Care Allocation in 2017 Spring Budget						-42,379.7	-42,379.7	-7,360.8
16	-5,782.4	New Homes Bonus (NHB) & NHB Adjustment Grants						-6,388.1	-6,388.1	-605.7
17	-1,586.1	Other Unringfenced Grants						-1,773.2	-1,773.2	-187.1
18	0.0	Total		719,574.0	1,475,679.2	2,195,253.2	-310,115.7	-1,885,137.5	0.0	0.0

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SECTION 3 - REVENUE BUDGET - SUMMARY BY DIRECTORATE & DIVISION

The hierarchy illustrates the Council's structure, and which Divisions sit within each Directorate, along with the proposed net budget for 2019-20

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Kent County Council
£986,374.4k

Adult Social Care & Health (ASCH) £428,086.9k	Strategic Management & Directorate Budgets (SMDBA)*	£39,053.7k	
	Disabled Children, Adult Learning Disability & Mental Health (DCLDMH)	£240,416.9k	
	Older People & Physical Disability (OPPD)*	£148,616.3k	
	Children, Young People & Education (CYPE) £194,270.4k	Strategic Management & Directorate Budgets (SMDBC)*	£695.4k
		Education Planning and Access (EPA)	£46,458.6k
		Integrated Children's Services (East & West) (ICS)	£147,116.4k
		Schools' Delegated Budgets (SDB)	£0.0k
	Growth, Environment & Transport (GET) £171,391.4k	Strategic Management & Directorate Budgets (SMDBG)*	£1,153.8k
		Economic Development (ED)	£4,001.3k
		Highways, Transportation & Waste (HTW)	£141,425.3k
		Environment, Planning & Enforcement (EPE)	£15,890.7k
		Libraries, Registration & Archives (LRA)	£8,920.3k
	Strategic & Corporate Services (S&CS) £77,316.2k	Strategic Management & Directorate Budgets (SMDBS)	£-1,278.0k
		Engagement, Organisation Design & Development (EODD)	£13,023.8k
		Finance (FIN)	£9,531.1k
Governance & Law (G&L)		£6,655.8k	
Infrastructure (INF)		£40,497.7k	
Strategic Commissioning including Public Health (SCincPH)		£7,166.6k	
Strategy, Policy, Relationships & Corporate Assurance (SPRCA)		£1,719.2k	
Financing Items & Unallocated (FI&U) £115,309.5k	Financing Items - General	£101,492.3k	
	Financing Items - Unallocated*	£13,817.2k	

*including budgets still to be allocated

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Appendix A (i) - High Level 2019-22 Revenue Medium Term Financial Plan

2018-19			2019-20		2020-21		2021-22	
£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s
	932,976.8	Revised 2018-19 Base Budget		958,487.9		986,374.4		985,343
		Additional Spending Pressures						
12,881.2		Net Budget Realignments from Previous Year	6,697.0		433.0		584.0	
11,343.7		Replacement of Use of Reserves and Other One-off Budget Solutions	12,858.6		23,815.2		1,000.0	
1,784.0		Reduction in Grant Funding	1,785.0					
		Pay	4,695.0		5,000.0		5,000.0	
		Prices	20,393.6		21,002.2		17,844.8	
17,242.9		Demand & Demographic	19,157.5		16,688.1		16,637.8	
-6,895.0		Government & Legislative	-1,806.7		-6,254.9		174.0	
14,718.0		Service Strategies and Improvements	9,088.6		3,342.1		3,447.5	
	75,713.2	Total Pressures		72,868.6		64,025.7		44,688.1
		Savings & Income						
		<u>Transformation Savings</u>						
-3,788.2		Adults Transformation Programmes	-3,094.8		-3,700.0			
-4,054.4		Other Transformation Programmes	-2,266.0		-2,270.0		-134.8	
-6,036.5		Income Generation	-3,338.4		-2,650.5		-3,061.3	
		Increases in Grants & Contributions	-6,251.9		6,251.9			
		<u>Efficiency Savings</u>						
-6,402.4		Staffing	-2,459.3					
-980.5		Premises	-80.0		-110.0		-1,500.0	
-10,802.5		Contracts & Procurement	-3,940.1		-910.0			
-1,092.5		Other	-1,176.0		1,076.0			
-14,256.6		Financing Savings	-19,185.1		-500.0		1,000.0	
-2,788.5		Policy Savings	-3,190.5		-2,123.1			
	-50,202.1	Total Savings & Income		-44,982.1		-4,935.7		-3,696.1
	0.0	Unidentified		0.0		-60,121.3		-19,867.0
	958,487.9	Net Budget Requirement		986,374.4		985,343.1		1,006,468.1

Appendix A (i) - High Level 2019-22 Revenue Medium Term Financial Plan

2018-19			2019-20		2020-21		2021-22	
£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s
		<u>Funded by</u>						
37,640.1		Revenue Support Grant	9,487.1		4,743.6			
3,852.8		Social Care Support Grant	10,530.9					
133,568.9		Business Rate Top-Up Grant	136,209.7		138,933.9		141,712.6	
35,018.9		Improved Better Care Fund (incl additional Adult Social Care allocation announced in Chancellor's Spring 2017 budget)	42,379.7		42,379.7		42,379.7	
13,531.9		Other un-ringfenced grants	15,826.8		15,553.6		15,553.6	
59,048.9		Local Share of Retained Business Rates	54,319.2		52,345.6		53,392.5	
-247.3		Business Rate Collection Fund	149.7					
629,137.3		Estimated Council Tax Yield (including proposed increase up to referendum limit but excluding social care levy)	659,345.5		680,735.9		702,778.9	
36,598.0		Proposed Council Tax Social Care Levy	50,650.8		50,650.8		50,650.8	
10,338.4		Estimated Council Tax Collection Fund	7,475.0					
	958,487.9	Total Funding		986,374.4		985,343.1		1,006,468.1

(Figures subject to rounding)

The figures in this table reflect that in 2019-20 we are part of a business rates pool and reflects 50% business rates retention with KCC's share at 9%. There are no assumptions regarding additional business rate retention or the consequential transfer of additional responsibilities from Government in 2020-21 and 2021-22

Appendix A(ii) - Detailed 2019-20 Revenue Budget by Directorate

Heading	Description	ASCH (incl DCS Age 0-25)	CYPE	GET	S&CS (incl PH)	FI&U	Non Cashable	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2018-19 Base	Approved budget by County Council on 20th February 2018	418,670.8	183,889.0	169,105.2	71,394.6	115,428.3	0.0	958,487.9	£000s
Base Adjustments (internal)	Changes to budgets which have nil overall affect on net budget requirement	-1,626.0	2,574.7	62.3	3,555.2	-4,566.2		0.0	
Revised 2018-19 Base		417,044.8	186,463.7	169,167.5	74,949.8	110,862.1	0.0	958,487.9	958,487.9
Additional Spending Pressures									
Net Budget Realignment	<i>Necessary adjustments to reflect current and forecast activity levels from in-year monitoring reports</i>								
Adult Social Care Sustainability	Removal of one-off funding	-339.2						-339.2	6,697.0
Coroners	Realign post mortem, toxicology and pathology budgets, as well as new Body Removal contract (full cost recovery)			962.0				962.0	
Community Wardens	Removal of undelivered 2018-19 saving			190.0				190.0	
Libraries, Registration & Archives services	Loss of income following the end of the Nationality checking pilot			100.0				100.0	
Trading Standards	Realign for increased Crown Court prosecutions and whereby costs cannot be recovered by Proceeds of Crime Act (PoCA)			60.0				60.0	
Waste	Part year impact of anticipated increased costs of operating our household waste recycling centres, realignment for reduced recycling income, offset by current tonnage levels being lower than budgeted			998.0				998.0	
Foster Payments	Correction to prices uplift provided in the 2018-20 MTFP in line with DfE fostering related rates	-12.6	-298.3					-310.9	
The Education People	Removal of temporary funding in The Education People Company		-979.2					-979.2	
Disabled Children's Services	To fund underlying pressures arising from 2017-18 outturn and 2018-19 monitoring relating to both placements and staffing	987.0						987.0	
Adults - Transformation	Removal of undelivered 2018-19 saving	250.0						250.0	
Asset Utilisation	Re-phasing of asset rationalisation plans				650.0			650.0	
Infrastructure	Realignment of budget for legal fees, disposal costs and empty properties transferring into the corporate estate				600.0			600.0	
Coroners - Medical Examiner Service	This service is not being hosted by KCC, resulting in the funding already included in the base budget no longer being required			-300.0				-300.0	
Subsidised Bus Routes	Removal of undelivered 2018-19 saving			243.0				243.0	
Kent Resilience Forum	KCC contribution to Brexit co-ordinator post & increase in core funding contribution for Kent Resilience Team			41.0				41.0	

Appendix A(ii) - Detailed 2019-20 Revenue Budget by Directorate

Heading	Description	ASCH	CYPE	GET	S&CS	FI&U	Non	Total	£000s
		(incl DCS Age 0-25)			(incl PH)		Cashable		
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Public Protection	Realign for shortfall in income due to the end of the Checktrade contract			85.0				85.0	
Country Parks	Realignment of income levels			20.0				20.0	
Education Basic Need	Mobile classrooms required to fulfil Education Basic Need		783.0					783.0	
Home to School Transport	Realignment of budget to reflect current activity levels including a reduction to mainstream transport and an increase to SEN transport		741.8					741.8	
Looked After Children	Realignment of budget to reflect current activity levels		815.5					815.5	
Other Base Budget pressures	Provision for future budget realignment based on 2018-19 monitoring for the remainder of the year					1,100.0		1,100.0	
Replace use of one-offs	Impact of not being able to repeat one-off use of reserves and underspends in approved base budget for 2018-19	6,315.3		300.0		6,243.3		12,858.6	12,858.6
Reduction In Grant Income	Impact of Reduction in Public Health Grant				1,785.0			1,785.0	1,785.0
Pay and Prices									
Pay and Reward	Additional contribution to performance reward pot and impact on base budget of uplifting pay grades in accordance with single pay reward scheme. This contribution together with the savings from staff turnover will equate to a pay pot of around 2.8%					4,146.2		4,146.2	4,695.0
Reform of pay grades	Revision of the lower Kent Scheme pay scales (KR2 and KR3) to meet the long standing commitment to match the Foundation Living Wage, which will be achieved by April 2019; ensuring at least a £1,200 differential between the top of each other pay range, and lifting the bottom of all other ranges by 0.5%					448.8		448.8	
Annual Leave entitlement	Changes to annual leave entitlement for lower graded staff					100.0		100.0	

Appendix A(ii) - Detailed 2019-20 Revenue Budget by Directorate

Heading	Description	ASCH	CYPE	GET	S&CS	FI&U	Non	Total	
		(incl DCS Age 0-25)			(incl PH)		Cashable		
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<u>Inflation</u>									20,393.6
KCC Estate Energy	Anticipated price increases on energy contracts for the KCC estate as estimated by Commercial Services				338.7			338.7	
Streetlight Energy	Provision for price inflation related to Streetlight energy as estimated by Commercial Services			260.5				260.5	
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. Contracted services already allow for separate uplifts for National Living Wage/National Minimum Wage and Consumer Prices elements through formulaic approach	11,279.2						11,279.2	
Children's Social Care	Provision for price negotiations with external providers and uplift to in-house foster carers in line with DFE guidance	400.1	1,314.7					1,714.8	
Home to School Transport	Provision for inflation on contracted services and season tickets for mainstream & SEN Home to School and College Transport and the 16+ travel card		1,138.7					1,138.7	
Young Person's Travel Pass	Provision for price inflation related to the Young Person's Travel Pass which is recovered through uplifting the charge for the pass			588.6				588.6	
Contract related inflation	Provision for price inflation related to Highways, Waste and other contracted services (based on contractual indices)			2,516.9				2,516.9	
ICT contracts	Provision for price inflation on Third Party ICT related contracts				121.4			121.4	
Levies	Estimated increase in Environment Agency Levy					20.0		20.0	
The Education People (TEP) contract	Provision for price inflation on the statutory services provided by TEP		213.1					213.1	
Facilities Management	Price uplift for the two year extension to the Facilities Management contract				210.9			210.9	
Non specific price provision	Non specific provision for CPI inflation on other negotiated contracts without indexation clauses		94.2	26.5	250.1	1,620.0		1,990.8	

Appendix A(ii) - Detailed 2019-20 Revenue Budget by Directorate

Heading	Description	ASCH (incl DCS Age 0-25)	CYPE	GET	S&CS (incl PH)	FI&U	Non Cashable	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Demography	<i>Additional spending associated with increasing population and demographic make-up of the population</i>								
Older People & Physical Disability	Growth in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, together with associated staff costs	5,314.6						5,314.6	19,157.5
Adults with a Learning Disability (age 18+)	Growth in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, together with associated staff costs	5,297.7						5,297.7	
Mental Health	Growth in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, together with associated staff costs	828.2						828.2	
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	750.0	1,669.0					2,419.0	
Home to School transport - SEN	Estimated impact of rising pupil population on SEN Home to School and College Transport		1,250.0	55.0				1,305.0	
Home to School transport - Mainstream	Estimated impact of rising pupil population on Mainstream Home to School transport		234.0					234.0	
Young Person's Travel Pass	Estimated impact of changes in activity across usage of Young Person's Travel Pass based on school roll data			200.0				200.0	
Waste tonnage	Estimated impact of changes in waste tonnage as a result of population and housing growth			790.2				790.2	
Education Psychology Service	Estimated impact from growth in Statutory Assessments requiring an Education Psychology Service		750.0					750.0	
SEN	Estimated impact from growth in Education, Health & Care Plan assessments		1,726.0					1,726.0	
Coroners Service	Estimated impact of increased coroner investigations and post mortems and associated body storage costs			262.0				262.0	
Public Rights of Way	Adoption of new routes			8.0				8.0	
Streetlight energy & maintenance	Adoption of new streetlights at new housing developments			22.8				22.8	

Appendix A(ii) - Detailed 2019-20 Revenue Budget by Directorate

Heading	Description	ASCH (incl DCS Age 0-25)	CYPE	GET	S&CS (incl PH)	FI&U	Non Cashable	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Government & Legislative									
Adult Social Care Spring Budget 2017 Allocation	Planned reduction in specific adult social care allocation via the iBCF	-8,796.6						-8,796.6	-1,806.7
Coroners Service	New responsibilities and services as a result of legislative reform, including the net new burdens impact of the Medical Examiner Service & increased responsibilities in relation to Duty Officer Scheme			319.0				319.0	
Children's Social Care - New Burdens	Shortfall in government funding for new burdens to cover the extended duty for Care Leavers up to age of 25		1,203.0					1,203.0	
General Data Protection Regulation (GDPR)	Increase capacity to meet GDPR requirements				172.0			172.0	
Deprivation of Liberty Safeguards (DOLS)	Removal of one-off funding in 2018-19 for Additional DOLS assessments following the Cheshire Judgment 2014	-1,540.0						-1,540.0	
Public Rights of Way	Impact of introduction of the Deregulation Act 2015			40.0				40.0	
Trading Standards	Estimated impact of increased pressure on border controls following BREXIT decision			144.0				144.0	
Condition surveys & resultant works	Condition surveys and resultant works for the Corporate estate to meet the Hackett Review and statutory requirements				400.0			400.0	
Adult Social Care Winter pressures	Spending plans in line with the Adult Social Care Winter pressures funding announced in Chancellor's Autumn 2018 budget to help alleviate pressures on the NHS through the winter months, ensuring that people can leave hospital when they are ready, into a care setting that best meets their needs	6,164.4						6,164.4	
BREXIT	Additional operational costs associated with BREXIT which are to be funded by Government grant funding, to be held centrally pending claims from individual services					87.5		87.5	

Appendix A(ii) - Detailed 2019-20 Revenue Budget by Directorate

Heading	Description	ASCH (incl DCS Age 0-25)	CYPE	GET	S&CS (incl PH)	FI&U	Non Cashable	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Service Strategies & Improvements									
Home to School transport - Mainstream	Impact of Grammar School Select Committee transport recommendations to provide a subsidy to low income families to help with the cost of school transport to selective schools		100.0					100.0	9,088.6
Capital Programme	Additional debt costs to fund the capital programme					3,955.6		3,955.6	
Adult Technology Enabled Change (TEC)	Reduction in temporary funding for training, maintenance and licence costs leading up to the implementation of the new Adults performance system (MOSAIC)	-430.9			33.1			-397.8	
Highway Maintenance	Removal of one-off funding provided in 2018-19 for potholes and drainage approved at County Council in February 2018.			-2,400.0				-2,400.0	
Pothole Fund	Removal of one-off funding provided in 2018-19 approved at County Council in May 2018 and included within the £958m published budget. The additional funding approved at County Council in July 2018 is not included in the £958m published budget (hence it is not included in this budget realignment), and was one-off in nature.			-2,000.0				-2,000.0	
Waste	Part year effect of lease cost for the provision of a new household waste recycling centre at the Allington site			100.0				100.0	
Young Person's Travel Pass	Additional costs of administering a flexible payment scheme for the Young Person's Travel Pass			200.0				200.0	
Pothole Fund	To establish a base KCC funded contribution for annual Pothole Blitz campaign			3,000.0				3,000.0	
Non cashable element of workforce productivity	Additional staff capacity as a result of sickness management etc from the workforce productivity programme						500.0	500.0	
Disabled Children's Services	Increase in staffing required as a result of increasing caseloads	405.1						405.1	
Adult Social Care Sustainability Provision	Provision to enable the Corporate Director for Adult Social Care to comply with requirement under the Care Act 2014 to facilitate a diverse and sustainable market for high quality care and support. Transfers from this unallocated budget to the social care budget will need to be agreed by the Section 151 officer					5,223.0		5,223.0	
Other	Other minor service improvements	45.0	9.0	359.0	-10.3			402.7	
Total Additional Spending Demands		26,917.3	10,764.5	7,191.5	4,550.9	22,944.4	500.0	72,868.6	72,868.6

Appendix A(ii) - Detailed 2019-20 Revenue Budget by Directorate

Appendix 8

Heading	Description	ASCH	CYPE	GET	S&CS	FI&U	Non	Total	
		(incl DCS Age 0-25)			(incl PH)		Cashable		
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Savings and Income									
Transformation Savings									
Adults Older People / Physical Disability - Phase 2	Final stage of roll out of Phase 2 transformation including initiatives aimed at promoting better integration with health services and a better range of support services for clients leaving hospital back to home	-394.8						-394.8	-3,094.8
Adults - Transformation	Implementation of core operating model for Adult Social Care	-2,700.0						-2,700.0	
Conversion of Streetlight assets to LED technology	Continuation of programme to convert streetlight network to better, more cost and energy efficient LED technology and implementation of a central monitoring system			-497.0		-19.0		-516.0	-2,266.0
Service Integration within CYPE directorate	Moving to different service delivery model following integration of Children's Services across the Children, Young People and Education Directorate		-1,250.0					-1,250.0	
Other	Other minor savings to be achieved through transformation					-500.0		-500.0	
Income									
Trading	Increased income from traded services with schools, academies, other local authorities and public bodies		-464.1					-464.1	-3,338.4
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 for 2018-19, together with inflationary increases and a review of fees and charges across all KCC services, in relation to existing service income streams	-1,544.9		-245.6				-1,790.5	
Young Persons Travel Pass	Travel pass price realignment to offset bus operator inflationary fare increases			-588.6				-588.6	
Economic Development	One-off dividend from joint venture with East Kent Opportunities			-300.0				-300.0	
Cantium Business Solutions	Estimated increase in dividend					-195.2		-195.2	
Increases in Grants & Contributions									
Adult Social Care Winter pressures funding announced in Chancellor's Autumn 2018 budget	A continuation for 2019-20 of the additional Section 31 grant provided by Government in 2018-19 to help alleviate winter pressures on the NHS	-6,164.4						-6,164.4	-6,251.9
BREXIT grant	Grant funding from Government to help fund the additional costs associated with BREXIT					-87.5		-87.5	

Appendix A(ii) - Detailed 2019-20 Revenue Budget by Directorate

Appendix 8

Heading	Description	ASCH (incl DCS Age 0-25)	CYPE	GET	S&CS (incl PH)	FI&U	Non Cashable	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Efficiency Savings									
<u>Staffing</u>									
Staffing Restructures	Service re-design, integration of services and more efficient ways of working resulting in a reduction of staff and staff related costs			-7.0	-202.3			-209.3	-2,459.3
Workforce Productivity Programme	Cashable and non-cashable savings to be achieved across all directorates from reviewing the use of consultants, agency staff, increased use of technology solutions, and managing staff sickness to enable the council to improve workforce productivity					-1,750.0	-500.0	-2,250.0	
<u>Infrastructure</u>									
Established Programmes	Existing savings plans arising from phase 2 of the rationalisation of the office estate				-80.0			-80.0	-80.0
<u>Contracts & Procurement</u>									
SEN Home to School transport	SEN transport re-tendering & school led management		-125.0					-125.0	-3,940.1
Public Health	Review of Commissioned services				-1,448.5			-1,448.5	
Housing Related Support - Learning Disability & Mental Health	Transition of Housing Related Support services into Supporting Independence Service	-1,500.0						-1,500.0	
Kent Public Services Network (KPSN)	Changes to the KPSN contract including extending the customer base				-30.0			-30.0	
Waste	Implementation of South West Kent Waste Partnership			-406.0				-406.0	
Early Help & Preventative Services	Review of Early Help & Preventative Children's Services including Children's Centres, matching reduction in funding transfer from Public Health		-200.0					-200.0	
Adult Social Care	Review of Adult Social Care contracts, matching reduction in funding transfer from Public Health	-136.5						-136.5	
Other	Other minor contracts and procurement savings			-94.1				-94.1	
<u>Other</u>									
Council Tax Support	Planned reduction in costs associated with counter fraud as data now available through the National Fraud Initiative					-156.0		-156.0	-1,176.0
Adult Social Care Projects	Review of project activity within adult social care	-520.0						-520.0	
Children, Young People & Education contracts & projects	One-off review of contract and project spend within Children, Young People and Education services		-400.0					-400.0	
Other	Other minor efficiency savings	-18.8	-18.7	-43.8	-18.7			-100.0	

Appendix A(ii) - Detailed 2019-20 Revenue Budget by Directorate

Appendix 8

Heading	Description	ASCH (incl DCS Age 0-25)	CYPE	GET	S&CS (incl PH)	FI&U	Non Cashable	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Financing Savings									
Draw-down corporate reserves	Net draw-down of corporate reserves to support the budget					-7,852.8		-7,852.8	-19,185.1
Draw-down Kings Hill Reserve	Increase the use of the Kings Hill reserve					-2,000.0		-2,000.0	
Debt repayment	Reduction in overall level of prudential borrowing as a result of assessment of government funding levels to finance the capital programme and review amounts set aside for debt repayment (MRP) based on review of asset life					-2,500.0		-2,500.0	
Draw-down Directorate reserves	Draw-down directorate reserves to smooth expenditure across years	-2,895.8	-500.0					-3,395.8	
Debt Restructuring	Saving from restructuring LOBO borrowing					-600.0		-600.0	
Draw-down from reserves of 2018-19 Business Rates Levy Account surplus	Draw-down from reserves of the 2018-19 Business Rates Levy Account surplus allocation from Government announced in the 2019-20 Local Government provisional finance settlement					-2,836.5		-2,836.5	
Policy Savings									
Arts	Review of Turner Contemporary funding agreement			-130.0				-130.0	-3,190.5
Library Registration & Archives Service	Estimated saving from delivery of the Libraries Registration & Archives (LRA) Ambition, which defines the future strategy and outcomes of the service and informs where future savings opportunities will arise			-555.5				-555.5	
Highway Maintenance	Reviewing the level of spend on verge, as well as lit signs and bollards, maintenance			-100.0				-100.0	
Member Community Grants	Reduce Member Community Grants from £20k to £15k per Member for one year only				-405.0			-405.0	
Young Person's Travel Pass	Increase the charge for a full price pass to £350, and introduce a flexible payment scheme of 8 equal monthly instalments from August to March which includes an additional administration fee (amount to be finalised)			-1,000.0				-1,000.0	
Charging for waste	Estimated income from introducing charging for the disposal of soil, rubble, hardcore and plasterboard at KCC household			-1,000.0				-1,000.0	
Total savings and Income		-15,875.2	-2,957.8	-4,967.6	-2,184.5	-18,497.0	-500.0	-44,982.1	-44,982.1
Proposed Budget		428,086.9	194,270.4	171,391.4	77,316.2	115,309.5	0.0	986,374.4	986,374.4

Appendix A(ii) - Detailed 2019-20 Revenue Budget by Directorate

Heading	Description	ASCH (incl DCS Age 0-25)	CYPE	GET	S&CS (incl PH)	FI&U	Non Cashable	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Funding									
Final Settlement	<i>Notification of funding from central government</i>								
Revenue Support Grant	Comprises share of previous Formula Grant, Early Intervention Grant, Learning Disability Grant, Council Tax Freeze Grant, Care Act Grant etc. allocated as revenue support grant, including impact of overall reductions in the final local government finance settlement							9,487.1	9,487.1
Social Care Support Grant	Further one-off extension of the Adult Social Care Support Grant as announced in the Chancellors Autumn Budget 29th October 2018							10,530.9	10,530.9
Business Rate Top-up	Top-up derived by comparing local share of business rates according to historical average and business rate baseline share of previous grants including annual uplift in line with business rate multiplier, as per the final local government finance settlement							136,209.7	136,209.7
Improved Better Care Fund	MHCLG un-ring-fenced grant allocated towards improved integration between social care and health, including the additional adult social care funding announced in the Chancellor's Spring Budget on 8th March 2017							42,379.7	42,379.7
New Homes Bonus Grant	MHCLG un-ring-fenced grant allocated according to increase in tax base, as per the final local government finance settlement							6,388.1	15,826.8
Business Rate Compensation	Compensation for additional reliefs on business rates for small businesses, retail premises and reduction in multiplier paid as un-ring-fenced grant by MHCLG (estimate)							7,665.5	
Un-ring-fenced grants	Un-ring-fenced grants from other Government Departments							1,773.2	

Appendix A(ii) - Detailed 2019-20 Revenue Budget by Directorate

Heading	Description	ASCH	CYPE	GET	S&CS	FI&U	Non	Total	
		(incl DCS Age 0-25)			(incl PH)		Cashable		
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Business Rates									
Business Rate Baseline	Local share of business rates baseline based on historical average with annual uplift in line with business rate multiplier, as per final local government finance settlement							48,675.8	54,319.2
Business Rate Local Share	KCC 9% share of local tax base as notified by district councils less baseline share identified above							5,643.4	
Business Rate Collection Fund	KCC share of surpluses and deficits on business rate collection in 2018-19							149.7	149.7
Local Taxation									
Council Tax Base	KCC band D equivalent assuming 1.5% growth in tax base notified by district councils based on 2018-19 Council Tax							639,085.2	659,345.5
Council Tax Increase	Impact of proposed increase in Council Tax up to the 3% referendum limit							20,260.3	
Social Care Levy	Impact of proposed further 2% increase in Council Tax for Social Care Levy (total shown relates to 2016-17, 2017-18, 2018-19 and 2019-20 increases combined)							50,650.8	50,650.8
Council Tax Collection Fund	KCC share of surpluses and deficits on Council Tax collection in 2018-19							7,475.0	7,475.0
Total Funding								986,374.4	986,374.4

Key:
 CYPE Children, Young People and Education
 ASCH Adult Social Care and Health
 DCS Disabled Children's Services
 GET Growth, Environment & Transport
 S&CS Strategic & Corporate Services
 PH Public Health
 FI&U Financing Items and Unallocated

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Council Tax

- 1.1 The draft budget and Medium Term Financial Plan (MTFP) includes the precept KCC plans to make from Council Tax. This is based on the final taxbase provided by District Councils and is an increase in taxbase of 1.58%. Precepting authorities must notify their precept by 28th February so that District Councils can issue Council Tax bills prior to the start of the financial year.
- 1.2 Table 1 shows the main changes to the taxbase and the impact of this on the County precept between 2018-19 and 2019-20, including the proposed Council Tax increase (the maximum permitted without triggering a referendum) and the proposed additional Social Care Levy. The taxbase is calculated as the number of band D equivalent properties, we have therefore used the band D rate in these calculations.

Table 1	2018-19		2019-20							
	Notified Band D Equivalent Taxbase	Precept @ £1,237.68	Provisional Band D Equivalent Taxbase used for draft Budget	Precept @ £1,274.76 (up to 3% referendum limit)	Precept @ £1,299.42 (including Social Care Levy)	Change in Band D Equivalent Taxbase	Change in Precept	Change in Precept due to Taxbase	Change in Precept due to Tax Rate up to Referendum Limit	Change in Precept due to Social Care Levy
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Ashford	45,680.00	56,537.2	46,500.00	56,112.5	60,423.0	820.00	3,885.8	1,014.9	1,724.2	1,146.7
Canterbury	49,764.97	61,593.1	50,206.55	60,585.2	65,239.4	441.58	3,646.3	546.5	1,861.7	1,238.1
Dartford	36,685.06	45,404.4	37,747.03	45,550.1	49,049.2	1,061.97	3,644.8	1,314.4	1,399.7	930.8
Dover	37,962.69	46,985.7	38,526.26	46,490.4	50,061.8	563.57	3,076.1	697.5	1,428.6	950.1
Folkestone & Hythe*	38,312.22	47,418.3	39,057.21	47,131.1	50,751.7	744.99	3,333.4	922.1	1,448.2	963.2
Gravesham	33,988.23	42,066.6	33,930.46	40,944.6	44,089.9	-57.77	2,023.3	-71.5	1,258.1	836.7
Maidstone	60,921.60	75,401.4	62,033.40	74,856.9	80,607.4	1,111.80	5,206.0	1,376.1	2,300.2	1,529.7
Sevenoaks	49,902.89	61,763.8	50,772.34	61,268.0	65,974.6	869.45	4,210.8	1,076.1	1,882.6	1,252.0
Swale	46,590.79	57,664.5	47,344.08	57,131.0	61,519.8	753.29	3,855.3	932.3	1,755.5	1,167.5
Thanet	42,904.67	53,102.3	43,763.27	52,810.0	56,866.9	858.60	3,764.6	1,062.7	1,622.7	1,079.2
Tonbridge & Malling	49,924.51	61,790.6	50,820.61	61,326.2	66,037.3	896.10	4,246.7	1,109.1	1,884.4	1,253.2
Tunbridge Wells	45,252.08	56,007.6	45,693.60	55,139.4	59,375.2	441.52	3,367.6	546.5	1,694.3	1,126.8
Total	537,889.71	665,735.5	546,394.81	659,345.5	709,996.3	8,505.10	44,260.8	10,526.6	20,260.3	13,474.1

*On 1 April 2018, Shepway District Council changed its name to Folkestone and Hythe District Council

(Figures subject to rounding)

- 1.3 The overall taxbase has increased by 1.58% which is more than the 1% we forecast when we launched the budget consultation in October 2018, and the 1.5% we estimated in the draft Budget Book. We will analyse the underlying reasons for the change in the taxbase, e.g. new dwellings, change in discounts, etc to help inform future financial planning.
- 1.4 The taxbase includes the impact of local decisions on the level of Council Tax discounts for working age tax payers in receipt of benefits/on low incomes through Council Tax Reduction Scheme (CTRS) and other additional local discretion on Council Tax discounts and exemptions on empty properties permitted under the Local Government Finance Act 2012. KCC have a three year agreement with Districts covering local CTRS's and the impact on the County Council taxbase. As part of this agreement KCC pays a proportion of the county's share of the tax yield to individual District Councils towards local collection costs and to incentivise maximum collection.

Appendix 9

- 1.5 We are proposing to increase council tax by 4.99% to help balance the 2019-20 budget. This 4.99% increase is made up of a 2.996% general increase, which is below the referendum limit announced in the final local government finance settlement, and a further 1.992% for the Adult Social Care Levy. The Adult Social Care Levy is an additional levy councils can raise from Council Tax to support Adult Social Care spending. The impact of each of these proposed increases on individual bands is set out in Table 2. Table 3 shows the cumulative impact of the Adult Social Care Levy Since it was introduced in 2016-17.

Table 2	Proportion of Band D Tax Rate	2018-19 (incl. Social Care Levy)	2019-20 (excl. increase in Social Care Levy)	2019-20 (incl. increase in Social Care Levy)
Band A	6/9	£825.12	£849.84	£866.28
Band B	7/9	£962.64	£991.48	£1,010.66
Band C	8/9	£1,100.16	£1,133.12	£1,155.04
Band D	9/9	£1,237.68	£1,274.76	£1,299.42
Band E	11/9	£1,512.72	£1,558.04	£1,588.18
Band F	13/9	£1,787.76	£1,841.32	£1,876.94
Band G	15/9	£2,062.80	£2,124.60	£2,165.70
Band H	18/9	£2,475.36	£2,549.52	£2,598.84

Table 3	2016-17	2017-18	2018-19	2019-20
Band D excl. Social Care Levy	£1,111.77	£1,134.36	£1,169.64	£1,206.72
Band D Social Care Levy	£21.78	£44.46	£68.04	£92.70
Band D Total	£1,133.55	£1,178.82	£1,237.68	£1,299.42

- 1.6 There are more homes in band C than in any other band in Kent. The 4.99% increase in Council Tax equates to approximately £1.05 extra per week for a band C household. Table 4 illustrates how Council Tax has changed since last year for a band C property. The general Council Tax and the Social Care Levy will be shown as two separate lines on the Council Tax bill as shown in Table 4. Other authorities i.e. Police, Fire & Rescue, Districts, Parish and Town Councils are responsible for setting their own share of council tax as part of the overall bill. The final council tax bills will be based on the tax rates set by each of the relevant authorities.

Table 4		
Typical Council Tax Bill Breakdown	Proposed % increase on 2018-19 Council Tax bill	Proposed Amount for Band C
Kent County Council	2.996%	£1,072.64 (The share of Council Tax that Kent County Council will receive in 2019-20. This amount does not include the 2% increase for adult social care funding from 2016-17, 2017-18 & 2018-19)
Kent County Council (for Adult Social Care funding)	1.992% (Kent County Council's share of Council Tax will increase by 4.99% in 2018-19, which is this amount and the amount above)	£82.40 (This is the 2% increase for adult social care funding for 2019-20 added to the 2% increase for adult social care funding from 2016-17, 2017-18 and 2018-19. The Government requires all local authorities to show the adult social care funding increase in this way on Council Tax bills.)
Kent Police and Crime Commissioner	14.19%	£171.69 (This assumes the maximum increase of £24 to a Band D property)
Kent and Medway Fire and Rescue Council	2.89%	£69.12
Parish Council	These amounts will vary depending on which district council you pay your council tax to	
Total		

- 1.7 Council Tax is used to provide services to the residents of Kent. Table 5 provides a notional breakdown of how we are planning to spend the Council Tax collected from a band C property. The only element of Council Tax that is ring-fenced for a specific purpose is the Adult Social Care Levy, the remaining council tax is not a hypothecated tax.

Table 5		
Service	Band C	%
Adults & Older People	£441.89	38.26%
Other Children's Services	£27.86	2.41%
Children's Social Care	£183.84	15.92%
Community Services	£16.96	1.47%
Other Direct Services to the Public	£25.34	2.19%
Financing Items	£123.38	10.68%
Highways	£39.68	3.44%
Schools' Services	£4.51	0.39%
Transport Services	£85.72	7.42%
Waste Management	£88.96	7.70%
Management Support & Overheads	£106.58	9.23%
Unallocated	£10.33	0.89%
Total	£1,155.04	100.00%

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Appendix A(iii) - Detailed 2019-20 Revenue Pressures

Heading	Description	Realignment of current activity	Unavoidable	Contingent Sum	Local decisions	Total	£000s
		£000s	£000s	£000s	£000s	£000s	£000s
Additional Spending Pressures							
Net Budget Realignment	<i>Necessary adjustments to reflect current and forecast activity levels from in-year monitoring reports</i>						
Adult Social Care Sustainability Coroners	Removal of one-off funding		-339.2			-339.2	6,697.0
Community Wardens	Realign post mortem, toxicology and pathology budgets, as well as new Body Removal contract (full cost recovery)	962.0				962.0	
Library, Registration & Archives service	Removal of undelivered 2018-19 saving	115.0			75.0	190.0	
Trading Standards	Loss of income following the end of the Nationality checking pilot	100.0				100.0	
Waste	Realign for increased Crown Court prosecutions and whereby costs cannot be recovered by Proceeds of Crime Act (PoCA)	60.0				60.0	
Foster Payments	Part year impact of anticipated increased costs of operating our household waste recycling centres, realignment for reduced recycling income, offset by current tonnage levels being lower than budgeted	276.0		722.0		998.0	
The Education People	Correction to prices uplift provided in the 2018-20 MTFP in line with DfE fostering related rates	-310.9				-310.9	
Disabled Children's Services	Removal of temporary funding in The Education People Company	-979.2				-979.2	
Adults - Transformation	To fund underlying pressures arising from 2017-18 outturn and 2018-19 monitoring relating to both placements and staffing	987.0				987.0	
Asset Utilisation	Removal of undelivered 2018-19 saving				250.0	250.0	
Infrastructure	Re-phasing of asset rationalisation plans	650.0				650.0	
Coroners - Medical Examiner Service	Realignment of budget for legal fees, disposal costs and empty properties transferring into the corporate estate	600.0				600.0	
Subsidised Bus Routes	This service is not being hosted by KCC, resulting in the funding already included in the base budget no longer being required	-300.0				-300.0	
Kent Resilience Forum	Removal of undelivered 2018-19 saving	243.0				243.0	
Public Protection	KCC contribution to Brexit co-ordinator post & increase in core funding contribution for Kent Resilience Team	41.0				41.0	
Country Parks	Realign for shortfall in income due to the end of the Checkatrade contract	85.0				85.0	
Education Basic Need	Realignment of income levels	20.0				20.0	
Home to School Transport	Mobile classrooms required to fulfil Education Basic Need	783.0				783.0	
Looked After Children	Realignment of budget to reflect current activity levels including	741.8				741.8	
	Realignment of budget to reflect current activity levels	815.5				815.5	

Appendix A(iii) - Detailed 2019-20 Revenue Pressures

Heading	Description	Realignment of current activity	Unavoidable	Contingent Sum	Local decisions	Total	£000s
		£000s	£000s	£000s	£000s	£000s	£000s
Other Base Budget pressures	Provision for future budget realignment based on 2018-19 monitoring for the remainder of the year			1,100.0		1,100.0	
Replace use of one-offs	Impact of not being able to repeat one-off use of reserves and underspends in approved base budget for 2018-19		9,858.6		3,000.0	12,858.6	12,858.6
Reduction In Grant Income	Impact of Reduction in Public Health Grant		1,785.0			1,785.0	1,785.0
Pay and Prices							
Pay							
Pay and Reward	Additional contribution to performance reward pot and impact on base budget of uplifting pay grades in accordance with single pay reward scheme. This contribution together with the savings from staff turnover will equate to a pay pot of around 2.8%				4,146.2	4,146.2	4,695.0
Reform of pay grades	Revision of the lower Kent Scheme pay scales (KR2 and KR3) to meet the long standing commitment to match the Foundation Living Wage, which will be achieved by April 2019; ensuring at				448.8	448.8	
Annual Leave entitlement	Changes to annual leave entitlement for lower graded staff				100.0	100.0	
Inflation							
KCC Estate Energy	Anticipated price increases on energy contracts for the KCC estate as estimated by Commercial Services		338.7			338.7	20,393.6
Streetlight Energy	Provision for price inflation related to Streetlight energy as estimated by Commercial Services		260.5			260.5	
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. Contracted services already allow for separate uplifts for National Living Wage/National Minimum Wage and Consumer Prices elements through formulaic approach		11,279.2			11,279.2	
Children's Social Care	Provision for price negotiations with external providers and uplift to in-house foster carers in line with DFE guidance		1,714.8			1,714.8	
Home to School Transport	Provision for inflation on contracted services and season tickets for mainstream & SEN Home to School and College Transport and the 16+ travel card		1,138.7			1,138.7	
Young Person's Travel Pass	Provision for price inflation related to the Young Person's Travel Pass which is recovered through uplifting the charge for the pass		588.6			588.6	
Contract related inflation	Provision for price inflation related to Highways, Waste and other contracted services (based on contractual indices)		2,516.9			2,516.9	

Appendix A(iii) - Detailed 2019-20 Revenue Pressures

Heading	Description	Realignment of current activity	Unavoidable	Contingent Sum	Local decisions	Total	£000s
		£000s	£000s	£000s	£000s	£000s	£000s
ICT contracts	Provision for price inflation on Third Party ICT related contracts		121.4			121.4	
Levies	Estimated increase in Environment Agency Levy			20.0		20.0	
The Education People (TEP) contract	Provision for price inflation on the statutory services provided by TEP		213.1			213.1	
Facilities Management	Price uplift for the two year extension to the Facilities Management contract		210.9			210.9	
Non specific price provision	Non specific provision for CPI inflation on other negotiated contracts without indexation clauses		370.8	1,620.0		1,990.8	
Demography		<i>Additional spending associated with increasing population and demographic make-up of the population</i>					
Older People & Physical Disability	Growth in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, together with associated staff costs			5,314.6		5,314.6	19,157.5
Adults with a Learning Disability (age 18+)	Growth in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, together with associated staff costs			5,297.7		5,297.7	
Mental Health	Growth in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, together with associated staff costs			828.2		828.2	
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			2,419.0		2,419.0	
Home to School transport - SEN	Estimated impact of rising pupil population on SEN Home to School and College Transport	55.0		1,250.0		1,305.0	
Home to School transport - Mainstream	Estimated impact of rising pupil population on Mainstream Home to School transport			234.0		234.0	
Young Person's Travel Pass	Estimated impact of changes in activity across usage of Young Person's Travel Pass based on school roll data			200.0		200.0	
Waste tonnage	Estimated impact of changes in waste tonnage as a result of population and housing growth			790.2		790.2	
Education Psychology Service	Estimated impact from growth in Statutory Assessments requiring an Education Psychology Service			750.0		750.0	
SEN	Estimated impact from growth in Education, Health & Care Plan assessments			1,726.0		1,726.0	
Coroners Service	Estimated impact of increased coroner investigations and post mortems and associated body storage costs	197.0		65.0		262.0	
Public Rights of Way	Adoption of new routes			8.0		8.0	
Streetlight energy & maintenance	Adoption of new streetlights at new housing developments			22.8		22.8	

Appendix A(iii) - Detailed 2019-20 Revenue Pressures

Heading	Description	Realignment of current activity	Unavoidable	Contingent Sum	Local decisions	Total	£000s
		£000s	£000s	£000s	£000s	£000s	£000s
Government & Legislative							
Adult Social Care Spring Budget 2017 Allocation	Planned reduction in specific adult social care allocation via the iBCF	-8,796.6				-8,796.6	-1,806.7
Coroners Service	New responsibilities and services as a result of legislative reform, including the net new burdens impact of the Medical Examiner Service & increased responsibilities in relation to Duty Officer Scheme		68.0	251.0		319.0	
Children's Social Care - New Burdens	Shortfall in government funding for new burdens to cover the extended duty for Care Leavers up to age of 25		1,203.0			1,203.0	
General Data Protection Regulation (GDPR)	Increase capacity to meet GDPR requirements			172.0		172.0	
Deprivation of Liberty Safeguards (DOLS)	Removal of one-off funding in 2018-19 for Additional DOLS assessments following the Cheshire Judgment 2014	-1,540.0				-1,540.0	
Public Rights of Way	Impact of introduction of the Deregulation Act 2015		40.0			40.0	
Trading Standards	Estimated impact of increased pressure on border controls following BREXIT decision	144.0				144.0	
Condition surveys & resultant works	Condition surveys and resultant works for the Corporate estate to meet the Hackett Review and statutory requirements			400.0		400.0	
Adult Social Care Winter pressures	Spending plans in line with the Adult Social Care Winter pressures funding announced in Chancellor's Autumn 2018 budget to help alleviate pressures on the NHS through the winter months, ensuring that people can leave hospital when they are ready, into a care setting that best meets their needs		6,164.4			6,164.4	
BREXIT	Additional operational costs associated with BREXIT which are to be funded by Government grant funding, to be held centrally pending claims from individual services			87.5		87.5	

Appendix A(iii) - Detailed 2019-20 Revenue Pressures

Heading	Description	Realignment of current activity	Unavoidable	Contingent Sum	Local decisions	Total	£000s
		£000s	£000s	£000s	£000s	£000s	£000s
Service Strategies & Improvements							
Home to School transport - Mainstream	Impact of Grammar School Select Committee transport recommendations to provide a subsidy to low income families to help with the cost of school transport to selective schools				100.0	100.0	9,088.6
Capital Programme	Additional debt costs to fund the capital programme		3,955.6			3,955.6	
Adult Technology Enabled Change (TEC)	Reduction in temporary funding for training, maintenance and licence costs leading up to the implementation of the new Adults performance system (MOSAIC)		-397.8			-397.8	
Highway Maintenance	Removal of one-off funding provided in 2018-19 for potholes and drainage approved at County Council in February 2018.	-2,400.0				-2,400.0	
Pothole Fund	Removal of one-off funding provided in 2018-19 approved at County Council in May 2018 and included within the £958m published budget. The additional funding approved at County	-2,000.0				-2,000.0	
Waste	Part year effect of lease cost for the provision of a new household waste recycling centre at the Allington site				100.0	100.0	
Young Person's Travel Pass	Additional costs of administering a flexible payment scheme for the Young Person's Travel Pass				200.0	200.0	
Pothole Fund	To establish a base KCC funded contribution for annual Pothole Blitz campaign				3,000.0	3,000.0	
Non cashable element of workforce productivity	Additional staff capacity as a result of sickness management etc from the workforce productivity programme			500.0		500.0	
Disabled Children's Services	Increase in staffing required as a result of increasing caseloads				405.1	405.1	
Adult Social Care Sustainability Provision	Provision to enable the Corporate Director for Adult Social Care to comply with requirement under the Care Act 2014 to facilitate a diverse and sustainable market for high quality care and support. Transfers from this unallocated budget to the social care budget will need to be agreed by the Section 151 officer			5,223.0		5,223.0	
Other	Other minor service improvements	-40.0	17.0	54.0	371.7	402.7	
	Total Additional Spending Demands	-9,491.4	41,108.2	29,055.0	12,196.8	72,868.6	72,868.6
	less replace use of one-offs as shown separately in equation		-9,858.6		-3,000.0	-12,858.6	
	Per Equation	-9,491.4	31,249.6	29,055.0	9,196.8	60,010.0	

Appendix A(iii) - Detailed 2019-20 Revenue Pressures

Heading	Description	Realignment of current activity	Unavoidable	Contingent Sum	Local decisions	Total	
		£000s	£000s	£000s	£000s	£000s	£000s

Key:

Realignment of Current Activity	to include alternative options where there are management options other than finding more money						
Unavoidable	e.g. contractual prices, known (or rather reasonably well established estimates) demand for statutory services, known demand for other services where this cannot be managed through policy/practice changes, legislative, revenue impact of statutory capital schemes, etc.			It is expected that the unavoidable figure will increase as we progress through the MTFP process, e.g as estimates become more robust and the time available to take alternative action to manage these down reduces			
Contingent Sum	forecasts for as yet future uncertainties, including estimates of future demand			It is expected that the contingent sum will reduce as we progress through the MTFP process, e.g as estimates become more robust and move to unavoidable			
Local Decisions	e.g. pay award, non-contractual prices, known demand for non-statutory services (where this can be managed), development of new non statutory services, choices for service improvement, etc.						

Treasury Management Strategy 2019-20

INTRODUCTION

1. Treasury management is the management of Kent County Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
2. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
3. Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

GOVERNANCE

4. The Corporate Director of Finance is responsible for the Council's treasury management operations and day to day responsibility is delegated to the Head of Finance (Policy, Planning & Strategy) / Head of Finance (Operations) and Treasury and Investments Manager. The detailed responsibilities are set out in the Council's Treasury Management Practices.
5. The Treasury Management Advisory Group (TMAG) which is a sub-committee of Cabinet has been established to work with the Officers on treasury management. The group consists of the Cabinet Member for Finance and Traded Services, Deputy Cabinet Member for Finance and Traded Services, Chairman Policy and Resources Cabinet Committee, Chairman Superannuation Fund Committee, Liberal Democrat Finance spokesman and a Labour Group Representative. The agreed terms of reference are "The Treasury Management Advisory Group will be responsible for advising the Cabinet and Corporate Director of Finance on treasury management policy within KCC's overarching Treasury Management Strategy". TMAG meets the requirement in the CIPFA Code for a member body focussing specifically on treasury management. TMAG meets half yearly and members of the group receive detailed information on a weekly and monthly basis.
6. Council will agree the Treasury Management Strategy and receives annual and half yearly reports on treasury management activity. Governance and Audit Committee

receives annual and half-yearly reports and makes recommendations to County Council. It also receives quarterly updates.

7. The Council's Treasury Management Policy Statement is attached in Appendix A to reflect the requirements of the CIPFA Code.

EXTERNAL CONTEXT

Economic background

8. The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Council's treasury management strategy for 2019-20.
9. UK Consumer Price Inflation (CPI) for November was up 2.3% year/year, in line with the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The most recent labour market data for the three months to October 2018 showed the unemployment rate remained at 4.1% while the employment rate of 75.7% was the joint-highest estimate since comparable estimates began in 1971. The 3 month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level likely to only have a modest impact on consumer spending.
10. The rise in quarterly GDP growth to 0.6% in Q3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer. At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the BoE, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.
11. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy have been made since. However, the Bank expects that should the economy continue to evolve in line with its December forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.
12. While US growth has slowed over 2018, the economy has continued to perform robustly. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the 2.25%-2.50% range in November while lowering its forecast of rate rises in 2019 to two from the three previously projected.

13. A temporary truce in the ongoing trade war between the US and China was announced as the leaders of both countries agreed to halt new trade tariffs for 90 days to allow talks to continue. Tariffs already imposed will remain in place. The fallout continues to impact on economic growth and stock market volatility.

Credit outlook

14. The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.
15. The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

Interest rate forecast

16. Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting one more 0.25% hike during 2019 to take official UK interest rates to 1.00%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.
17. The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is agreed and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit hangs over economic activity. As such, the risks to the interest rate forecast are considered firmly to the downside.

18. Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose's interest rate projections, due to the strength of the US economy and the ECB's forward guidance on higher rates. The projected weak economic outlook and volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.
19. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix B.
18. For the purpose of setting the budget, it has been assumed that new internally managed investments will be made at an average rate of LIBOR presently 0.90% and that new long-term loans will be borrowed at an average rate of 2.5%.

LOCAL CONTEXT

20. At 31 December 2018 the Council held £911m of borrowing and £333m of investments. This is set out in further detail in Appendix C.
21. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. KCC's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
22. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years and the Council expects to comply with this recommendation.

BORROWING STRATEGY

23. On 31 December 2018, the Council held £911m of borrowing including £35m attributable to Medway Council, as part of its strategy for funding previous years' capital programmes. This represents a decrease of £37m on 31 March 2018 and reflects the Council's strategy of maintaining borrowing below their underlying levels.
24. The Council may borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £1,013m.

Objective

25. The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Strategy

26. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability or sustainability of the debt portfolio.
27. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. At the end of March 2018 the Council was internally borrowed by £106m.
28. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The Council will use the services of its treasury advisor to develop this 'cost of carry' and breakeven analysis and based on the results the Council will determine whether to borrow additional sums at long-term fixed rates in 2019-20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
29. Alternatively, the Council may arrange forward starting loans during 2019-20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
30. In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.
31. **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
 - Public Works Loan Board (PWLB) and any successor body
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - any other UK public sector body
 - UK public and private sector pension funds (except the Kent County Council Superannuation Fund)

- capital market bond investors
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues
 - UK Government backed funding initiatives
32. **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
 - hire purchase
 - Private Finance Initiative
 - sale and leaseback
33. The Council has previously borrowed from the PWLB and UK banks. It continues to investigate other sources of finance, such as loans from other local authorities and bank loans that may be available at more favourable rates.
34. **LOBO (Lender's Option Borrower's Option) loans:** In October 2018 the Council prepaid £60m RBS LOBO loans at a total cost of £73m funding this by using a mix of cash balances and a £40m 15-year Equal instalment of Principal (EIP) loan. It now holds £90m of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £50m of these LOBOs have options during 2019-20, and although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so; and has no plans to borrow via LOBO loans in future.
35. **Short-term and variable rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.
36. **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

INVESTMENT STRATEGY

37. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £274m and £433m. The average balance is expected to reduce in 2019-20 reflecting KCC's policy of using cash balances to repay maturing loans and internally funding capital expenditure.
38. **Objectives:** The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
39. **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments the Council has continued its strategy of investing in pooled investment funds during 2018-19 adding a further £30m to its existing pooled fund portfolio. It will consider investing more in these higher yielding asset classes during 2019-20 which invest in a diversified range of assets primarily focussed on an income return rather than capital growth. It will however continue to invest in money market funds and Government including local authority deposits to meet its liquidity requirements.
40. **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved Investment Counterparties

41. The Council may invest its surplus funds with any of the counterparty types listed below:
42. **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of

insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

43. **Banks unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investments with banks rated below the agreed minimum rating of A- are restricted to overnight deposits with the Council's current banking services provider.
44. **Money Market Funds:** Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts.
45. **Cash plus / Short Bond Funds:** Pooled investment funds whose value change with market prices and have a notice period, will be used as alternatives to unsecured bank deposits for longer investment periods.
46. **Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
47. **Corporates:** Bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent.
48. **Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing. As providers of public services, they retain the likelihood of receiving government support if needed.
49. **Loans:** Loans to entities set up on an arms-length basis from the Council, and other suitable opportunities. The Council will take advice from Arlingclose on the appropriate structure of the loans and applicable rate of interest.

50. **Pooled investment funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.
51. Pooled funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
52. **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
53. **Operational bank accounts:** KCC may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £50,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Credit ratings

54. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
 - no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
55. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that Council until the outcome

of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments

56. The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the Councils in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from Arlingclose, the Council's treasury management adviser. No investments will be made with an Council if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
57. When deteriorating financial market conditions affect the creditworthiness of all Councils, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those Councils of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial Councils of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

Investment limits

58. The Council's cash reserves available to cover investment losses are forecast to be £305m on 31 March 2019. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one Council (other than the UK Government) will be £25m.
59. The Council may invest its surplus funds with any of the counterparty types listed above subject to the cash limits per counterparty and the durations shown in the table below:

Approved Investment Counterparties and limits

	Minimum Credit rating	Maximum Cash Limit		Maximum Duration
		Individual	Total	
Government				
- UK Government		unlimited		50 years
- UK Local Authorities		£25m		10 years
- Supranational banks	AAA	£20m	£30m	25 years
- Non - UK Government	AA+	£20m	£30m	25 years
UK banks and building societies – unsecured	A-	£15m		13 months
Council's banking services provider		£20m		Overnight
Overseas banks - unsecured	Country limit AA+, Individual limit A-	£20m	£30m country limit	13 months
Short-term Money Market Funds	A+	£20m per fund or 0.5% of the fund size if lower		
Cashplus / short bond funds		£20m per fund		
Banks secured				
- Covered bonds	AAA	£20m	£100m	5 years
- Reverse repurchase agreements	collateral of AA or better	£20m each		5 years
Corporates (non- financials)	A	£2m per issuer	£20m	2 years
Registered Providers		£10m	£25m	5 years
Loans			£20m	
Pooled funds and real estate investment trusts			£200m	
- Absolute Return funds		£25m per fund		
- Multi Asset Income funds		£25m per fund		
- Property funds		£75m or 5% of total fund value if greater		
- Bond funds		£25m per fund		
- Equity Income Funds		£25m per fund		
- Real Estate Investment Trusts		£25m per fund		

60. Liquidity management: The Council forecasts its cash flow requirements to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being

forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

TREASURY MANAGEMENT INDICATORS

- 61. The Council measures and manages its exposures to treasury management risks using the following indicators.
- 62. **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its internally managed investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	AA

- 63. **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£110m

- 64. **Interest rate exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£10m
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£10m

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

- 65. **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%
10 years and within 20 years	50%	0%
20 years and within 40 years	50%	0%
40 years and longer	50%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

66. **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Council’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2019-20	2020-21	2021-22
Limit on principal invested beyond year end	£300m	£300m	£300m

RELATED MATTERS

67. The CIPFA Code requires the Council to include the following in its treasury management strategy.
68. **Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities’ use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
69. KCC will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

70. Financial derivative transactions may be arranged with any Council that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
71. **Markets in Financial Instruments Directive:** The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Corporate Director of Finance believes this to be the most appropriate status.

FINANCIAL IMPLICATIONS

72. The budget for investment income in 2019-20 is £6.2m, based on an average investment portfolio of £300m at an interest rate of 2.05%. The budget for debt interest paid in 2019-20 is £39.8m, based on an average debt portfolio of £930m at an average interest rate of 4.5%. If actual levels of investments and borrowing, or actual interest rates, differ from forecast, performance against budget will be correspondingly different.

OTHER OPTIONS CONSIDERED

73. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Corporate Director of Finance, having consulted the Deputy Leader and Cabinet Member for Finance and Traded Services, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

Alternative	Impact on income and expenditure	Impact on risk management
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A - Treasury Management Policy Statement

INTRODUCTION AND BACKGROUND

1. The Council adopts CIPFA's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) as described in Section 5 of the Code.
2. Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-
 - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
3. This Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
4. This Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Corporate Director of Finance and for the execution and administration of treasury management decisions to the Head of Finance (Policy, Planning & Strategy) / Head of Finance (Operations) and Treasury and Investments Manager who will act in accordance with the Council's policy statement and TMPs and, if they are a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
5. This Council nominates the Treasury Management Advisory Group and Governance and Audit Committee to be responsible for ensuring effective scrutiny of its treasury management strategy and policies.

POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

6. The Council defines its treasury management activities as:

The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

7. This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.
8. This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.
9. The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.
10. The Council's primary objective in relation to investments is to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.

Appendix B – Arlingclose Economic & Interest Rate Forecast January 2019

- The uncertain political situation surrounding Brexit has produced the prospect of divergent paths for UK monetary policy.
- Due to the short time for a Brexit withdrawal deal to be agreed and the possibility of an extended period of uncertainty over the possible outcome, we have altered the assumption underlying the central forecast, prompting us to push back forecast rises in Bank Rate.
- The MPC bias towards tighter monetary policy remains, but policymakers are unlikely to raise Bank Rate unless there is a withdrawal arrangement and the prospect of a transitional period.
- Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts, despite the potential for stronger growth following an extension to Article 50 or a withdrawal agreement as business investment/general confidence recovers. The potential for severe economic outcomes in the short term has increased. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialise.
- The UK economic environment appears relatively soft, despite seemingly strong labour market data. Uncertainty surrounding Brexit and global growth is damaging consumer and business sentiment. While GDP growth recovered in the middle quarters of 2018, more recent data suggests the economy slowed markedly in Q4 2018/Q1 2019. Our view is that the UK economy faces a challenging outlook as the country exits the European Union and Eurozone/global economic growth softens.
- Cost pressures have eased due to a fall in oil prices. The apparent tight labour market risks longer term domestically-driven inflationary pressure whatever the external inflation effects. Wage growth has picked up in recent months.
- Global economic growth has eased and the economic/political outlook has prompted central banks to reduce expectations for on-going monetary tightening. Both the Federal Reserve and the ECB have backed away from/or diluted previous forward guidance on monetary tightening. Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon. Our central case incorporates the likelihood of the MPC raising rates in the last quarter of 2019 after an extended period of uncertainty or a delay to Brexit.
- The forecast range encompasses the interest rate responses for various Brexit outcomes, from an immediate no-deal Brexit to remaining in the EU.
- Gilt yields have remained at low levels. We expect some upward movement from current levels based on a Brexit transitional period. However, our projected weak

economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

	Jan-19	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.33
Arlingclose Central	0.75	0.75	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.06
Downside risk	0.00	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.77
3-mth money market rate														
Upside risk	0.00	0.10	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.33
Arlingclose Central	0.92	0.90	0.90	0.95	1.20	1.25	1.35	1.40	1.40	1.40	1.40	1.40	1.40	1.22
Downside risk	0.00	0.50	0.55	0.60	0.85	0.90	0.95	1.00	1.00	1.00	1.00	1.00	1.00	0.80
1-yr money market rate														
Upside risk	0.00	0.10	0.30	0.35	0.35	0.35	0.35	0.50	0.50	0.50	0.50	0.50	0.50	0.37
Arlingclose Central	1.16	1.20	1.20	1.25	1.50	1.60	1.75	1.75	1.70	1.70	1.70	1.70	1.70	1.53
Downside risk	0.00	0.50	0.60	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.80
5-yr gilt yield														
Upside risk	0.00	0.30	0.30	0.35	0.35	0.40	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.39
Arlingclose Central	0.90	0.95	0.95	1.00	1.25	1.30	1.45	1.45	1.40	1.40	1.40	1.40	1.40	1.25
Downside risk	0.00	0.45	0.45	0.50	0.75	0.80	0.95	0.95	0.90	0.90	0.90	0.90	0.90	0.72
10-yr gilt yield														
Upside risk	0.00	0.30	0.30	0.35	0.35	0.40	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.39
Arlingclose Central	1.26	1.30	1.35	1.40	1.65	1.75	1.90	1.85	1.85	1.85	1.85	1.85	1.85	1.67
Downside risk	0.00	0.60	0.65	0.70	0.95	1.00	1.10	1.00	1.00	1.00	1.00	1.00	1.00	0.85
20-yr gilt yield														
Upside risk	0.00	0.30	0.30	0.35	0.35	0.40	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.39
Arlingclose Central	1.66	1.70	1.75	1.80	2.00	2.05	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.03
Downside risk	0.00	0.60	0.65	0.70	0.95	1.00	1.10	1.00	1.00	1.00	1.00	1.00	1.00	0.85
50-yr gilt yield														
Upside risk	0.00	0.30	0.30	0.35	0.35	0.40	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.39
Arlingclose Central	1.62	1.65	1.70	1.75	1.95	2.00	2.15	2.15	2.15	2.15	2.15	2.15	2.15	1.98
Downside risk	0.00	0.60	0.65	0.70	0.95	1.00	1.10	1.00	1.00	1.00	1.00	1.00	1.00	0.85

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix C – Existing Investment & Debt Portfolio Position

	31-Dec-18 Actual Portfolio £m	31-Dec-18 Average Rate %
External borrowing		
Public Works Loan Board	493.3	5.03
LOBO loans from banks	90.0	4.15
Banks and other lenders (Fixed term)	328.0	4.04
Total external borrowing	911.3	4.59
Treasury investments		
Banks and building societies (unsecured)	0.4	
Covered bonds (secured)	70.2	1.02
Government (incl. local authorities)	39.9	0.83
Money Market Funds	76.2	0.62
Equity	2.1	
Total internally managed investments	188.8	0.83
Pooled investments funds		
- Property	50.5	3.55
- Multi Asset	38.9	2.38
- Absolute Return	4.8	2.30
- Equity UK	31.4	5.58
- Equity Global	18.9	2.85
Total externally managed investments	144.5	3.57
Total treasury investments	333.3	2.20
Net debt	573.0	

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