Summons to and Agenda for a Meeting on

Thursday, 10th February, 2022

at **9.30 am**

DEMOCRATIC SERVICES
KENT COUNTY COUNCIL

Wednesday, 2 February 2022

To: All Members of the County Council

A meeting of the County Council will be held in the John Hendry Pavilion, Kent Showground, Detling, Maidstone ME14 3JF, on Thursday, 10th February, 2022 at **9.30 am** to deal with agenda set out below. **The meeting is scheduled to end by 5.00 pm.**

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.

A G E N D A

1. Apologies for Absence
2. Election of Chairman
3. Election of Vice-Chairman
4. Declarations of Disclosable Pecuniary Interests or Other Significant Interests in items on the agenda
5. Minutes of the meeting held on 4 November 2021 and, if in order, to be approved as a correct record **(Pages 1 - 16)**
6. Chairman's Announcements
7. Section 25 Assurance Statement **(Pages 17 - 28)**
8. Capital Programme 2022-32 and Revenue Budget 2022-23 (including Council Tax Setting 2022/23) **(Pages 29 - 206)**

Benjamin Watts
General Counsel
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KENT COUNTY COUNCIL

COUNTY COUNCIL

MINUTES of a meeting of the County Council held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 4 November 2021.

PRESENT
Mrs L Game (Vice-Chairman)

Mr Baker, Mr M Baldock, Mr P V Barrington-King, Mr P Bartlett, Mr D Beaney, Mr C Beart, Mrs C Bell, Mrs R Binks, Mr A Brady, Mr D L Brazier, Mr C Broadley, Mrs B Bruneau, Mr S R Campkin, Mr T Cannon, Miss S J Carey, Sir Paul Carter, CBE, Mrs S Chandler, Mr N J D Chard, Mr I S Chittenden, Mrs P T Cole, Mr P Cole, Mr N J Collor, Ms K Constantine, Mr G Cooke, Mr P C Cooper, Mr D Crow-Brown, Mr D S Daley, Mr M C Dance, Ms M Dawkins, Mrs T Dean, MBE, Mr M Dendor, Mr R W Gough, Ms K Grehan, Ms S Hamilton, Mr P M Hill, OBE, Mr A R Hills, Mrs S V Hohler, Mr S Holden, Mr M A J Hood, Mr A J Hook, Mrs S Hudson, Mr D Jeffrey, Mr A Kennedy, Mr J A Kite, MBE, Mr Lehmann, Mr R C Love, OBE, Mr R A Marsh, Mr J P McInroy, Ms J Meade, Mr J Meade, Mr D Murphy, Mr P J Oakford, Mrs S Prendergast, Mr H Rayner, Mr O Richardson, Mr A M Ridgers, Mr D Robey, Mr D Ross, Mr C Simkins, Mr M J Sole, Mr P Stepto, Mr R G Streatfeild, MBE, Dr L Sullivan, Mr B J Sweetland, Mr R J Thomas, Mr D Watkins, Mr A Weatherhead, Mr S Webb and Ms L Wright

ALSO PRESENT: Canon Peter Bruinvels

IN ATTENDANCE: Mr B Watts (General Counsel) and Mr J Cook (Democratic Services Manager)

UNRESTRICTED ITEMS

26. Apologies for Absence
(Item 1)

The General Counsel reported apologies from Mr Peter Harman, Mr Trevor Bond, Mr Steve Manion, Ms Lottie Parfitt-Reid, Mr John Wright, Ms Margot McArthur, Mr Jan Ozog, Mr Barry Lewis and Mr Booth. Members were advised that Mr Booth was joining the meeting virtually.

27. Declarations of Disclosable Pecuniary Interests or Other Significant Interests in items on the agenda
(Item 2)

Ms Meade declared an interest in item 13 (motions for time-limited debate) in that she was a carer.

Mrs Wright declared an interest in item 13 (motions for time-limited debate) in that she was an appointee for a family member.

28. Minutes of the meeting held on 23 July 2021
(Item 3)

RESOLVED that the minutes of the meeting held on 23 July 2021, subject to a correction in relation to the attendance of Mr Dendor and Mr Beart, be approved as a correct record.

29. Corporate Parenting Panel - Minutes of the meeting held on 20 July 2021 for noting
(Item 4)

The Vice-Chairman highlighted to Members that Mrs Allen chaired KCC's Corporate Parenting Panel for many years and was particularly keen to ensure the needs of young people were always considered as a priority. Mrs Allen championed the continued consideration of Corporate Parenting Panel minutes and Full Council meetings.

RESOLVED that the notes of the Corporate Parenting Panel held on 20 July 2021 be noted.

30. Vice-Chairman's Announcements
(Item 5)

1) The Vice-Chairman, with the deepest sadness and regret, announced the passing of Ann Allen, Chairman of the Council.

2) Tributes were made by Mr Gough, Mr Kite, Dr Sullivan, Mr Hook, Mr Stepto, Mrs Dean, Mr Cooke, Mr Oakford, Mrs Cole, Mr Love, Mr Simkins, Mr Sweetland, Ms Grehan, Sir Paul Carter and Mrs Chandler. Video tributes were also shown from the Chair of the Kent Youth County Council, Kent Foster Care Association (the Chairman's chosen charity) and young people who had worked with Mrs Allen.

3) In the course of the tributes, as suggested by Mr Kite and agreed by the Vice-Chairman, the Council held a one-minute round of applause in memory of Ann Allen.

4) The Vice-Chairman thanked all those who offered such heartfelt tributes as part of the meeting.

31. Questions
(Item 6)

In accordance with Sections 14.15 to 14.22 of the Constitution, 11 questions were asked and replies given. A record of all questions put and answers given at the meeting is available online with the papers for this meeting.

32. Report by Leader of the Council (Oral)
(Item 7)

1) The Leader updated the Council on events since the previous meeting.

2) Mr Gough referred to the Comprehensive Spending Review and Budget. The outcome of the spending review had been better than expected, however, this remained a challenging area with continued pressure within demand-led services particularly in adult social care and children's services. In addition to this the Council Tax Referendum limit had been reduced, the result of this was that spending power shifted slightly from a reliance on council tax to reliance on government support, this was a marginal impact but nevertheless was welcomed.

3) A series of announcements regarding grants had been received, many very positive and these included the ZEBRA grant for transport funding, and in relation to the Levelling Up Find and the Community Renewal Fund there had been significant awards in Ramsgate, Margate, and in relation to the New Town works in Ashford. These were welcomed.

4) Mr Gough reflected on the changes within the government and considered that there was further opportunity for local government with Michael Gove at the newly named Department of Levelling Up, Housing and Communities.

5) Mr Gough referred to asylum. The Council had resumed taking young people into its care with a further 193 unaccompanied asylum seeking children (UASC) being taken into care since August 2021. The current number of looked-after children from a UASC background was 361.

6) The Council had been very active in the run up to the end of the Brexit transition and it sought to continue to work with the government to ensure cross country provision in the event of a crisis or disruption.

7) In relation to the Green Agenda and COP26 the Leader drew attention to the two detailed reports recently received by Cabinet in relation to the

Council's approach to Net Zero and to dealing with adaptation and other key elements in its response to the ecological and climate pressures.

8) Lastly, the Leader commended the Council's submission under the National Bus Strategy: The Bus Service and Improvement Plan which was now with the government.

9) Dr Sullivan, the Leader of the Opposition, asked about additional funding for the reopening of children's centres and expressed her wish for no more cuts to services.

10) With regards to UASC Dr Sullivan stated that the Council must do everything possible to ensure that more lives are not lost. The new redistribution system was not mandatory and it was hoped that there was not a breakdown in the council's statutory duties due to a failure of all authorities to deal with the related problems.

11) Dr Sullivan referred to COP26 and the strides the council was taking to tackle the green agenda. There were many challenges and costs and there were questions over who would bear those costs.

12) Mr Hook, Leader of the Liberal Democrats Group referred to COVID and the situation which, he commented, had worsened since July. He thanked Mr Watts, Mr Cook and all the staff who had worked hard to ensure the meeting was as safe as possible. Mr Hook considered it outrageous that national government had not yet created the necessary legal framework for local government to have choice and to work more remotely that was possible at present.

13) Mr Hook referred to Canterbury resident Abdulazak Gurnah, who won the Nobel Prize for Literature on 7 October. Professor Gurnah came to Kent as a refugee in 1968, he studied at Canterbury until his recent retirement as Professor of English at Kent University where he taught generations of students.

14) Mr Hook considered it essential that the council looked after UASC and insisted that national authorities provided the resources to ensure this can be done.

15) Mr Hook referred to concerns about the spending review which he considered would be largely wiped out by the inflation forecast.

16) In relation to devolution Mr Hook considered that it was important to resist any suggestion that greater devolution should be attached to a

requirement to have an elected mayor, it was his view that power was best shared between a group of people rather than invested in one individual.

17) Mr Stepto, Leader of the Green and Independent Group, referred to the Comprehensive Spending Review and welcomed any additional money coming into local government and it was hoped that this would meet some of the extra costs, demands and pressures on KCC.

18) In relation to devolution, it was hoped that measures would bring decision making closer to people, to improve services and connectivity, provide investment and create a better quality of life for Kent residents.

19) Referring to the green agenda Mr Stepto praised the work of KCC on the climate emergency and the environment. He commented on flooding problems and considered that surface water flood mapping needed to be updated as a matter of urgency.

20) He concurred with the Leader's comment about the national bus strategy and was optimistic that services would improve.

21) In replying to the other Leader's comments, Mr Gough commented on preventative services which had worked well in KCC. This had been stable over many years and KCC was actually in the bottom quartile in relation to population in terms of number of children in care, however, there were pressures on children's services.

22) In relation to the point about Youth Hubs, Youth Centres, these were being gradually opened, delays had been caused by health and safety issues, and in some cases the impact of what happened during the period they were closed over the pandemic.

23) Mr Gough commented on mandation in relation to UASC, this had been lobbied for and KCC continued to think that it was the right solution. Many councils had stepped up under the National Transfer scheme and although significant progress had been made the issue remained.

24) Referring to COP26 and KCC's initiatives in this area, KCC was in the running for an award, but this was one small aspect of the work that had been done to bring down by 73% our emissions from our own estate and operations. Detailed work was being done to assess progress towards the 2050 target for the County as a whole.

25) Mr Gough concurred with Mr Hook in relation to elected Mayors, and this was also the view of district colleagues and Medway Council.

RESOLVED that the Leader’s update be noted.

33. Building Back Better - Update on Making a Difference Every Day
(Item 8)

1) Mrs Bell proposed and Mr Meade seconded the motion that;

"The County Council notes the report."

2) Following the debate the Vice-Chairman put the motion set out in paragraph 1.

RESOLVED that the County Council note the report.

Following consideration of this item, the Vice-Chairman proposed and the Leader of the Council seconded the following procedural motion:

That under s14.70 (e) of the Constitution that, the Council agrees to extend the time of the meeting beyond 16:30 if required.

No debate took place and the motion was agreed without a formal vote.

RESOLVED that under s14.70 (e) of the Constitution that, the Council agree to extend the time of the meeting beyond 16:30 if required.

34. Treasury Management - Annual Review 2020/21
(Item 9)

1) Mr Oakford proposed and Mr Cooper seconded the motion that;

"The County Council notes the report."

2) Following the debate, during which a written answer was requested by Mr Brady of Mr Cooper (subsequently provided via Democratic Services), the Chairman put the motion set out in paragraph 1.

RESOLVED that the County Council note the report.

35. Member Remuneration
(Item 10)

1) Mr Gough proposed and Mr Oakford seconded the motion that;

a) Note the report;

b) Note the report of the Member Remuneration Panel and thank the Panel Members for their work; and

c) Agree the changes to the Members' Allowances Scheme as set out in Appendix 1, this scheme to be in place until 31 March 2025 including:

i. No change to the Basic Allowance, Special Responsibility Allowances and Dependents' Carers' Allowances for 2021/22;

ii. Removal of the SRA for the Lead Member for Partnerships;

iii. Annual indexation mechanism to be the average of the TCP pay award 'Successful' rating applying to the same year as the Members' allowance increase, and the average of the increases proposed by the 8 Pay Review Bodies in the preceding year;

iv. The current SRA for the Leader of each Opposition Group (of at least five Members) to be replaced with an SRA equivalent to 33% of the Leader's SRA, subject to a maximum SRA allocation for this role of 3 times the Opposition Group Leader SRA to be divided equally amongst the Opposition Group Leaders where there are more than 3;

v. The change to the SRAs of the Opposition Group Leaders will be deemed to have taken effect from 1 November 2021;

vi. The annual scheme to be agreed with the annual budget for the year and coming into effect at the beginning of each municipal year;

vii. That Member attendance at meetings will be tabulated and published as soon as is practical;

viii. That the Selection and Member Services Committee be asked to consider whether there is anything in how we operate which militates against a more diverse membership; and

ix. That the Selection and Member Services Committee also be asked to consider what additional information could be published to give a more accurate picture of Member contribution as well as how to better promote the Dependents' Carers' Allowance.

2) Following debate the Vice-Chairman put the motion set out in paragraph 1 to the vote. The voting was as follows:

For (52)

Mr Baker, Mr M Baldock, Mr P Bartlett, Mr D Beaney, Mr C Beart, Mrs C Bell, Mrs R Binks, Mr D L Brazier, Mr C Broadley, Mrs B Bruneau, Mr S R Campkin, Mr T Cannon, Miss S J Carey, Sir Paul Carter, CBE, Mrs S Chandler, Mr I S

Chittenden, Mrs P T Cole, Mr P Cole, Mr G Cooke, Mr P C Cooper, Mr D Crow-Brown, Mr M C Dance, MBE, Mr M Dendor, Mr R W Gough, Mr P M Hill, OBE, Mr A R Hills, Mrs S V Hohler, Mr M A J Hood, Mr D Jeffrey, Mr J A Kite, MBE, Mr Lehmann, Mr R C Love, OBE, Mr R A Marsh, Mr J P McInroy, Mr J Meade, Mr D Murphy, Mr P J Oakford, Mr O Richardson, Mr A M Ridgers, Mr D Robey, Mr D Ross, Mr C Simkins, Mr M J Sole, Mr P Stepto, Mr R G Streatfeild, MBE ,Mr B J Sweetland, Mr R J Thomas, Mr D Watkins, Mr A Weatherhead, Mr S Webb, Ms L Wright

Abstain (10)

Mr A Brady, Ms K Constantine, Ms M Dawkins, Mrs T Dean, Ms K Grehan, Mr A J Hook, Mrs S Hudson, Mr A Kennedy, Ms J Meade, Dr L Sullivan,

Against (1)

Mr H Rayner

Motion carried

RESOLVED that the County Council;

a) Note the report;

b) Note the report of the Member Remuneration Panel and thank the Panel Members for their work; and

c) Agree the changes to the Members' Allowances Scheme as set out in Appendix 1, this scheme to be in place until 31 March 2025 including:

    i. No change to the Basic Allowance, Special Responsibility Allowances and Dependents' Carers' Allowances for 2021/22;

    ii. Removal of the SRA for the Lead Member for Partnerships;

    iii. Annual indexation mechanism to be the average of the TCP pay award 'Successful' rating applying to the same year as the Members' allowance increase, and the average of the increases proposed by the 8 Pay Review Bodies in the preceding year;

    iv. The current SRA for the Leader of each Opposition Group (of at least five Members) to be replaced with an SRA equivalent to 33% of the Leader's SRA, subject to a maximum SRA allocation for this role of 3 times the Opposition Group Leader SRA to be divided equally amongst the Opposition Group Leaders where there are more than 3;

v. The change to the SRAs of the Opposition Group Leaders will be deemed to have taken effect from 1 November 2021;

vi. The annual scheme to be agreed with the annual budget for the year and coming into effect at the beginning of each municipal year;

vii. That Member attendance at meetings will be tabulated and published as soon as is practical;

viii. That the Selection and Member Services Committee be asked to consider whether there is anything in how we operate which militates against a more diverse membership; and

ix. That the Selection and Member Services Committee also be asked to consider what additional information could be published to give a more accurate picture of Member contribution as well as how to better promote the Dependents' Carers' Allowance.

36. Top Tier County Council Structure
(Item 11)

1) Mr Gough proposed and Mr Oakford the motion that;

"The Council agree;

(a) The introduction of a new post of Director of Technology reporting to the Head of Paid Service.

(b) The permanent change of reporting line for the Director of Public Health from the Strategic Commissioner to the Corporate Director Adult Social Care and Health with immediate effect."

2) Following debate the Vice-Chairman put the motion set out in paragraph 1 to the vote. The voting was as follows:

For (57)

Mr Baker, Mr P Bartlett, Mr D Beaney, Mr C Beart, Mrs C Bell, Mrs R Binks, Mr D L Brazier, Mr C Broadley, Mrs B Bruneau, Mr S R Campkin, Mr T Cannon, Miss S J Carey, Sir Paul Carter, CBE, Mrs S Chandler, Mr I S Chittenden, Mrs P T Cole, Mr P Cole, Mr N J Collor, Mr G Cooke, Mr P C Cooper, Mr D Crow-Brown, Mr M C Dance, Mrs T Dean, MBE, Mr M Dendor, Mr R W Gough, Ms S Hamilton, Mr P M Hill, OBE, Mr A R Hills, Mrs S V Hohler, Mr M A J Hood, Mr A J Hook, Mrs S Hudson, Mr D Jeffrey, Mr A Kennedy, Mr J A Kite, MBE, Mr Lehmann, Mr R C Love, OBE, Mr R A Marsh, Mr J P McInroy, Mr J Meade, Mr D Murphy, Mr P J Oakford, Mr H Rayner, Mr O Richardson, Mr A M Ridgers, Mr D Robey, Mr D Ross, Mr C Simkins, Mr M J Sole, Mr P Stepto, Mr R G Streatfeild, MBE, Mr B J Sweetland, Mr R J Thomas, Mr D Watkins, Mr A Weatherhead, Mr S Webb, Ms L Wright

Abstain (6)

Mr A Brady, Ms K Constantine, Ms M Dawkins, Ms K Grehan, Ms J Meade, Dr L Sullivan,

Against (1)

Mr M Baldock

Motion carried

RESOLVED that the County Council agree:

(a) The introduction of a new post of Director of Technology reporting to the Head of Paid Service.

(b) The permanent change of reporting line for the Director of Public Health from the Strategic Commissioner to the Corporate Director Adult Social Care and Health with immediate effect.

37. Armed Forces Covenant
(Item 12)

1) Mr Richardson proposed and Mr Crow-Brown seconded the motion that;

   "The County Council notes the update."

2) Canon Peter Bruinvels provided a detailed briefing and answered Members' questions. It was highlighted that Mrs Allen, as Chairman of the County Council was keen for the Council to receive the update on the Armed Forces Covenant.

3) Following debate the Vice-Chairman put the motion set out in paragraph 1.

RESOLVED that the County Council note the update.

38. Motions for Time Limited Debate
(Item 13)

Motion for Time-limited Debate 1:

1) Mr Stepto proposed and Mr Campkin seconded the following motion for time-limited debate;

Kent County Council shows its support for the Climate and Ecological Emergency Bill by requesting that the Cabinet Member for Environment;

1. Promotes this council's support of the Bill to the CEE Bill Alliance, the organisers of the campaign for the Bill, as well as to the local media.
2. Writes to Kent MPs, asking them to show support for the Bill.

2) Ms Carey proposed and Mr Hills seconded the following amendment;

Kent County Council shows its continuing support for the Climate Change Act 2008 (2050 Target Amendment) Order 2019 and Ecological Emergency Bill by requesting that the Cabinet Member for Environment;

1. Promotes this council's work to achieve net-zero emissions for KCC's own estate and services by 2030 and for Kent as a whole by 2050 to Kent's residents ~~support of the Bill to the CEE Bill Alliance, the organisers of the campaign for the Bill, as well as to the local media.~~
2. ~~Writes to Kent MPs, asking them to show support for the Bill.~~
3. Congratulates KCC officers for being shortlisted for an LGC award in the 'Climate Response' category and wishes them success in the final.

3) Following discussion between Members and consideration by the Vice-Chairman of the procedural arrangements for this motion and amendment, the Vice-Chairman confirmed that the motion would not be debated and accepted the withdrawal of both the original motion and the amendment.

Motion for Time-Limited Debate Two:

1) Ms Grehan proposed and Ms Meade seconded the following motion for time-limited debate:

County Council requests that the Cabinet Member for Adult Social Care and Public Health;

1. Revisits the approach to the 'Making a Difference Every Day' Strategy and the Carers' Strategy, ensuring that an integrated approach is adopted throughout, led by qualified staff in social care and informed by service users and frontline practitioners. All of the feedback that has been gathered from the Adult Social Care Strategy consultation can be used but must be used in conjunction and integrated with the feedback received from the Carers Strategy

to ensure that the needs and views of our carers and cared for are adequately reflected and listened to;

2. Develop a Carers’ Strategy that is co-produced by carers and frontline qualified practitioners. Reach out to all organisations that represent carers in Kent, including and especially young carers, and ask for (and most importantly feedback to them) their views of service provision to ensure that carer’s lived experience is integrated and acted upon;

3. Provide carers with the opportunity to sit on key advisory and decision-making bodies for health and social care providers (or allow them to nominate a representative to act on their behalf) and actively involve carers in the commissioning process. For example, several Councils have developed a ‘Multi-Agency Carers Strategy Group’, which regularly discusses strategy, practice and policy with carers, carers support providers and carers support commissioners;

4. Support carer’s health and wellbeing by ensuring that they have access to a range of short and longer-term breaks. When long-term respite is required, suitable replacement care must be provided;

5. Ensure that any commissioning that may be required (although services should be in house with proper scrutiny and accountability through the formal democratic process) is done by officers and led by managers that are qualified in the field of social care, and with professional knowledge of the field, so as to ensure quality provision rather than by uninformed dashboard and scorecard;

6. Support the full funding of social care and carers by national Government and that the burden of this should not fall to local taxpayers via the council tax system.

2) Mrs Bell proposed and Mr Meade seconded the following amendment:

County Council requests that the Cabinet Member for Adult Social Care and Public Health:

1.~~ Revisits the approach~~Continues to ~~the ‘~~adopt an integrated approach to the Making a Difference Every ~~Day’~~Day Strategy and the Carers’ Strategy,~~ ensuring that an integrated approach is adopted throughout,~~ led by qualified and experienced staff in social care and ~~informed by service users~~ involving people who use services and frontline practitioners. ~~All of the feedback that has been gathered~~Feedback from the engagement and consultation process will be used to inform both the Adult Social Care Strategy ~~consultation can be used but must be used in conjunction and integrated with the feedback received from the Carers~~and the Carers' Strategy ~~to ensure~~ensuring that the needs and views of our carers and cared for are adequately reflected and listened to;

2. Develop a Carers' Strategy that is co-produced ~~by~~with carers and frontline qualified practitioners. Reach out to ~~all~~ organisations that represent carers in Kent~~, including and especially young carers,~~ and ask for ~~(and most importantly feedback to them)~~ their views of service provision to ensure that ~~carer's~~carers' lived experience is ~~integrated and acted upon;~~fully taken into account;

3. ~~Provide carers with the opportunity to sit on key advisory and decision-making bodies for health and social care providers (or allow them to nominate a representative to act on their behalf) and actively involve carers in the commissioning process. For example, several Councils have developed a 'Multi-Agency Carers Strategy Group', which regularly discusses strategy, practice and policy with carers, carers support providers and carers support commissioners;~~ Without pre-determining what the new Carers' Strategy will include, explore the possibility of setting up and facilitating advisory groups, including carers' representatives, to be involved in influencing future decisions in Adult Social Care commissioning;

4. Support ~~carer's~~carers' health and wellbeing by ~~ensuring that they have access to~~ offering a range of support, including access to short and longer-term breaks~~. When long-term respite is required, suitable replacement care must be provided;~~ where appropriate;

5. Ensure that ~~any~~commissioned services continue to be monitored within the Adult Social Care commissioning ~~that may be required (although services should be in house with proper scrutiny~~ team for quality and ~~accountability through the formal~~performance and are subject to democratic ~~process) is done~~ scrutiny by ~~officers and led by managers that are qualified in~~members via the ~~field of social care,~~council's governance processes;

6. Continue to lobby for adequate and ~~with professional knowledge of the field, so as to ensure quality provision rather than by uninformed dashboard and scorecard;6. Support the full~~sustainable funding of social care ~~and carers by national Government and that the burden of this should not fall~~ to ~~local taxpayers via the council tax system.~~meet rising demand and other pressures.

3) Following debate on the proposed amendment, the Vice-Chairman put the amendment set out in paragraph 2 to the vote. The voting was as follows:

For (46)

Mr Baker, Mr P Bartlett, Mr C Beart, Mrs C Bell, Mrs R Binks, Mr D L Brazier, Mr C Broadley, Mr S R Campkin, Mr T Cannon, Sir Paul Carter, CBE, Mrs S Chandler, Mr I S Chittenden, Mr P Cole, Mr N J Collor, Mr G Cooke, Mr D Crow-Brown, Mr M C Dance, Mrs T Dean, MBE, Mr M Dendor, Mr R W Gough, Ms S Hamilton, Mr P M Hill, OBE, Mr A R Hills, Mrs S V Hohler, Mr M A J Hood, Mr A J Hook, Mr D Jeffrey, Mr A Kennedy, Mr J A Kite, MBE, Mr Lehmann, Mr R C Love, OBE, Mr R A Marsh, Mr J P McInroy, Mr J Meade, Mr D Murphy, Mr P J Oakford, Mr H Rayner, Mr O Richardson, Mr A M Ridgers, Mr D Robey, Mr D Ross, Mr C Simkins, Mr M J Sole, Mr P Stepto, Mr R G Streatfeild, MBE, Mr B J Sweetland, Mr D Watkins, Mr A Weatherhead, Mr S Webb, Ms L Wright

Abstain (1)

Mr Lehmann

Against (8)

Mr A Brady, Mr S R Campkin, Ms K Constantine, Ms K Grehan, Mr M A J Hood, Ms J Meade, Mr P Stepto, Dr L Sullivan,

Amendment carried.

4) Following the debate the Vice-Chairman put the substantive motion set out in paragraph 2 to the vote. The voting was as follows:

For (44)

Mr Baker, Mr P Bartlett, Mr C Beart, Mrs C Bell, Mrs R Binks, Mr D L Brazier, Mr C Broadley, Mr T Cannon, Sir Paul Carter, CBE, Mrs S Chandler, Mr I S Chittenden, Mr P Cole, Mr N J Collor, Mr G Cooke, Mr D Crow-Brown, Mr M C Dance, Mrs T Dean, MBE, Mr M Dendor, Mr R W Gough, Ms S Hamilton, Mr P M Hill, OBE, Mr A R Hills, Mrs S V Hohler, Mr A J Hook, Mr D Jeffrey, Mr A Kennedy, Mr J A Kite, MBE, Mr R C Love, OBE, Mr R A Marsh, Mr J P McInroy, Mr J Meade, Mr D Murphy, Mr P J Oakford, Mr H Rayner, Mr O Richardson, Mr A M Ridgers, Mr D Robey, Mr D Ross, Mr C Simkins, Mr M J Sole, Mr R G Streatfeild, MBE, Mr B J Sweetland, Mr A Weatherhead, Mr S Webb, Ms L Wright

Abstain (0)

Against (7)

Mr A Brady, Ms K Constantine, Ms K Grehan, Mr M A J Hood, Ms J Meade, Mr P Stepto, Dr L Sullivan,

Motion carried

RESOLVED that County Council request that the Cabinet Member for Adult Social Care and Public Health;

1. Continues to adopt an integrated approach to the Making a Difference Every Day Strategy and the Carers’ Strategy, led by qualified and experienced staff in social care and involving people who use services and frontline practitioners. Feedback from the engagement and consultation process will be used to inform both the Adult Social Care Strategy and the Carers' Strategy ensuring that the needs and views of our carers and cared for are adequately reflected and listened to;

2. Develop a Carers’ Strategy that is co-produced with carers and frontline qualified practitioners. Reach out to organisations that represent carers in Kent and ask for their views of service provision to ensure that carers' lived experience is fully taken into account;

3. Without pre-determining what the new Carers' Strategy will include, explore the possibility of setting up and facilitating advisory groups, including carers’ representatives, to be involved in influencing future decisions in Adult Social Care commissioning;

4. Support carers' health and wellbeing by offering a range of support, including access to short and longer-term breaks where appropriate;

5. Ensure that commissioned services continue to be monitored within the Adult Social Care commissioning team for quality and performance and are subject to democratic scrutiny by members via the council's governance processes;

6. Continue to lobby for adequate and sustainable funding of social care to meet rising demand and other pressures.

From: Zena Cooke, Corporate Director for Finance

To: Cabinet Committees and Scrutiny Committee

Subject: **Section 25 Assurance Statement**

Classification: **Unrestricted**

Summary:
This report sets out the view of the Section 151 officer as to the robustness of the budget estimates for the administration's budget for 2022-23 and the medium-term plan to 2025, and the adequacy of reserves. It includes an evaluation of the background to budget preparations for 2022-23, including risks and uncertainties, deliverability of the proposed budget, and financial sustainability of the Council. The overall conclusion is that as long as all the measures set out in the final draft budget and medium term plan are implemented, including the delivery of the proposed revenue savings and income, resisting future spending growth, limiting the use of one-off funding including reserves with no one off funding sources supporting the base budget by the end of 2024-25, minimising the level of borrowing for the capital programme, council tax increases and precepts the Council will continue to demonstrate financial sustainability over the medium term financial plan period.

Recommendations:

(a) Pursuant to section 25 of the Local Government Act, the County Council is asked to NOTE this report and AGREE to have due regard to the contents when making decisions about the budget.

1. Background and Introduction

1.1 Section 25 of the Local Government Act 2003 requires the Section 151 officer (for Kent this is the Corporate Director, Finance) to formally give an opinion as to the robustness of the budget estimates and the level of reserves held by the Council. The Act also requires that the Council must give consideration to this report when making decisions about the forthcoming budget.

1.2 The administration's 2022-23 and medium-term budget proposals have been developed against the background of considerable uncertainty and volatility. In any year there are some uncertainties within the budget, which is a plan of predicted spending and income for the forthcoming year. Even in normal times predicting spending on demand led budgets with a high degree of accuracy is difficult. Consequently, it is important that variations from the plan are identified and reported early, together with remedial actions to ensure a balanced budget can continue to be delivered.

1.3 It is also essential that the budget includes an assessment of the potential financial risks facing the Council and that the Council has adequate reserves should those risks materialise. The Council holds a general reserve for unforeseen and unplanned circumstances and a range of earmarked reserves for specific eventualities. As part of the 2021-22 budget and following the review of the Council's reserves the planned strategy has been to strengthen general reserves to 5% of the net budget and remove reserves where the likelihood of needing these has reduced. The final draft budget includes an additional contribution to general reserves to maintain these to the previously agreed level of 5% of the 2022-23 proposed budget. The 2021-22 budget and review of reserves has also enabled the Council to include specific reserves for the Covid-19 response, smoothing reserves that address year on year fluctuations, ICT investment requirements, feasibility costs related to the capital programme and the Council's Strategic Reset Programme (SRP).

1.4 In recent years the section 25 assurance statement has noted that the Council has maintained adequate but not generous levels of reserves and has a relatively high level of accumulated debt. The Corporate Director, Finance has undertaken an assessment of the financial resilience of the Council compared to other county councils and has concluded that although KCC has been in the lower half of the resilience range (overall around the lower 25% percentile), the Council is not in imminent danger of financial failure. The Council agreed to strengthen reserves as part of the 2021-22 budget strategy, However, whilst reserve levels have been increased and are considered adequate, they require continuous monitoring given the risks the Council is facing. The Council cannot be complacent and must continue to maintain financial rigour, particularly with regard to accumulated debt and associated financing costs, which have in recent years benefitted from internal borrowing to a large degree.

1.5 The Council has a strong record of financial management. 2020-21 was the 21st consecutive year where the Council has managed revenue spending within the approved budget and ended the year with a small surplus. This has been achieved against the backdrop of significant financial restraint over the last 11 years where budgets have included over £777m of savings and additional income in order to offset spending growth and reductions in central government grants. The Council has also maintained a substantial capital programme over this period without adding to external accumulated debt through prudent treasury management enabling infrastructure investment to be supported by internal borrowing from cash reserves.

1.6 The capital programme continues to show a high and unsustainable level of slippage on projects. Whilst this means lower financing costs in the short-term it also means that savings requirement in future years' revenue plans are overstated to accommodate the original planned financing costs. To avoid this it is essential that future capital programmes are based on more realistic phasing of planned expenditure. The implementation of a 10 year capital programme, the introduction of a reserve to fund feasibility costs and the new capital monitoring and reporting solution, should ensure a more realistic capital programme with significantly less slippage.

1.7 Due to the impact of sustained lockdowns during 2020 and into 2021, and timing differences between the receipt of grants to respond to the Covid-19 pandemic and expenditure, the 2020-21 year-end surplus was significantly larger than previous years. The surplus was £27.548m after rollforwards. Cabinet and County Council agreed that the majority of this (£26.773m) related to Covid-19 activity and grants, so would be transferred into a specific Covid-19 earmarked reserve to support future Covid-19 related spend, loss of income and unrealised savings that have been impacted by the pandemic. This decision was taken in recognition that the 2021-22 budget had been set before the full impact and knock-on consequences of the government's tier 3 & 4 restrictions in December 2020, and third national lockdown in January 2021 had been fully evaluated. In the absence of identified Covid-19 funding for 2022-23, unspent balances within the Covid 19 emergency reserve will remain available in 2022-23 to deal with any further impacts of the pandemic.

1.8 Budget monitoring throughout 2021-22 has reported a significant overspend. In the early part of any financial year this is not unusual but unlike previous years the forecasts have not yet come down in subsequent months. The main reasons are due to rising demand for key services including adult social care, children's services, and waste recycling/disposal, as well as delays in delivering savings' programmes. In most years we would expect to see demand pressures to lessen later in the year but to date this has not yet happened in 2021-22. The budget was set with some contingency provisions for additional risks particularly due to suppressed demand and market sustainability issues but if the overspend is not reduced during the remainder of the year any overspend would have to be met from reserves, weakening the Council's financial resilience.

1.9 Over this same 11 year period the yield from local taxes (council tax and retained business rates) has remained buoyant (other than in the immediate aftermath of the Covid-19 pandemic). The pandemic resulted in a combination of a slowdown in housing growth, additional exemptions and discounts (principally council tax reduction discounts for households with low incomes), and lower collection rates. These factors resulted in unprecedented collection fund deficits in 2020-21 and a reduction in the council tax base for 2021-22. Some compensation was provided by government for irrecoverable losses. For the 2022-23 budget there has been a partial recovery in the tax base although collection rates have still not recovered to pre-pandemic levels.

1.10 The combination of reductions in central government grant, a buoyant tax base and modest council tax increases over this period means that councils have had to become more self-sufficient. Council tax is now by far the most significant source of funding towards the Council's core budget (accounting for 70% of net revenue spending).

1.11 The Council's Constitution specifically defines the role of all Members in determining 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 briefing leading up to the formal Budget meeting and the consideration of the recommendations set out in the County Council budget report. These are the mechanisms by which all Members have the opportunity in advance of the full County Council meeting to define, challenge, amend and ultimately vote on the Council's budgetary framework for the next year and medium term, in which all Members have a voice and a vital role to play.

2. Evaluation of the administration's 2022-23 and Medium-Term Budget

2.1 As outlined in the introduction, the administration's 2022-23 and medium-term budget has been prepared against the backdrop of considerable uncertainty and volatility. The 2021-22 budget was approved on the basis of a one-year local government finance settlement which included one-off grants for the Covid-19 emergency and to compensate for irrecoverable council tax and business rates losses. The one-year settlement and lack of government spending plans meant for much of the year the Council's budget plans had to be developed without an indicative settlement for local government. This in itself is not unique at the end of a spending review period, and the Council's Finance function has experience of developing a range of potential funding scenarios.

2.2 In addition to the uncertainty around government spending plans and the settlement for local government, the Covid-19 pandemic has continued to have a significant impact in the current year and on the Council's ability to forecast future spending requirements and income levels.

2.3 Before the pandemic, the Council was already experiencing increasing demand for services, including children's social care; home to school and special educational needs transport; and higher demands across adult social care including adults with learning disabilities and older people. The pandemic has significantly changed demand patterns for services such as social care, public transport and waste recycling/disposal, we will need to monitor and respond to these emerging patterns closely.

2.4 The budget monitoring position as at the end of September was reported to Cabinet on 9th December. The revenue budget showed a forecast net overspend of £18.7m, including £9.4m net drawdown from reserves. The largest variance is £13.9m in Adult Social Care, Children's Services showed a forecast overspend of £6.8m, with small underspends in other directorate and centrally held budgets. Further details can be found in the Cabinet report https://democracy.kent.gov.uk/documents/s108327/September%202021-22%20Monitoring%20Report.pdf. Action to address the current £18.7m overspend is critical to ensure a balanced budget is achieved by the year end. Any overspend at the year-end will need to be funded from reserves and will put pressure on the 2022-23 revenue budget. The under delivery of previously agreed savings will also need to be reviewed as these too will impact on the 2022-23 budget.

2.5 Spending associated with the Covid-19 pandemic is currently reported separately against a central budget of £16.1m. Total forecast spending on the Covid-19 response is £37.9m, the additional spend of £21.8m above the budget for Covid-19 is to be funded from a drawdown from the Covid-19 emergency reserve of £55.6m (including rollovers from 2020-21). After funding the drawdown to cover the shortfall in 2021-22 the Covid-19 reserve has £33.8m remaining. £13.5m of this is required for the Helping Hands and Reconnect programmes, leaving £20.3m for any further Covid-19 related costs during the remainder of this financial year and into 2022-23.

2.6 The Capital programme is forecast to underspend by £103.4m, comprising +£21.9m overspending on schemes and -£125.3m rephasing into later years. The development of a 10-year programme from 2022-23, together with a new capital monitoring and reporting IT solution, should ensure capital programme budgets and delivery are more realistic in future.

2.7 In the medium to longer term the Council has to plan for a return to a more normal situation and there are serious concerns that the impact of sustained lockdowns has significantly increased demand for some council services (especially care related services) where the restrictions resulted in suppressed demand and an increase in complexity of individual needs. It is an emerging feature of the pandemic that there are short-term time-limited increased spending requirements, income losses and underspends on core services for upper tier councils, but longer term substantial recurring additional spending risks.

2.8 The 2022-23 final draft revenue budget includes £83.6m of additional spending. This includes £28.6m for future price increases, £20.7m for forecast future demand and cost drivers, £11.2m base budget changes to reflect known cost and activity variances from the current year, £9.3m for service improvements (including non-inflationary/demand increases), £9.2m for increased pay related costs and £4.2m provision from the additional grant for social care charging reforms. Unlike the current year there is no separate provision for Covid-19 related costs as there is no specific Covid-19 related funding. This mix of revising budgets for known variances and forecast spending growth is a robust approach and provides a sound basis for financial planning. This sound financial planning combined with comprehensive in year monitoring have been the key factors in the council's track record of strong financial management over the last 21 years.

2.9 The 2022-23 final draft budget also includes a £4.5m net impact from changes in the use of reserves. This includes additional contributions to reserves of £14.1m, (including £8.4m to strategic priorities and £3.0m to economic development/regeneration reserves from variable funding sources, and a one-off additional contribution of £2.5m to general reserves to maintain these at 5% of the proposed 2022-23 net revenue budget). The strategic priorities reserve will be used to fund non-recurring/time limited projects and initiatives to support delivery of the Council's key priorities as set out in the Strategic Statement which will be considered by County Council in May. These additional contributions are offset by £8.7m additional drawdown from public health and smoothing reserves. The budget also reflects a net £0.9m removal of one-off contributions and drawdowns in 2021-22. The use of the smoothing reserve in 2022-23 is to take account of timing differences between spending requirements, funding and income sources, and delivery of savings.

2.10 Previous budgets have included estimates for increased demand on council services, referred to for simplicity as demography. These demographic demand forecasts have been based on population projections and previous trends. Whilst this did not always result in a totally reliable forecast (based on the assumption that previous trends were an indication of future demand) the approach was considered fit for purpose at the time.

2.11 The significant volatility during the current year means that the previous approach to forecasting demand cannot be used for 2022-23, it was not used for 2021-22 for similar reasons. In 2021-22 the demographic pressures were split between those where there was no identifiable Covid-19 impact (and thus could be included in individual directorate/service budgets in the same way as previous years), and those where there was considerable volatility due to the Covid-19 pandemic. This latter group included adult social care, concessionary bus travel, and kerbside waste volumes, and budgeted amounts were held centrally along with the separate provision for direct Covid-19 impacts. The centrally held demography budgets were to be allocated during the year based on actual incidence (although the approved budget included a provisional allocation for illustrative purposes).

2.12 This approach left the Council as a whole exposed to the risk of the pent-up demand materialising. Consequently, a contingency provision (originally described as a risk reserve) for these potential demands was included in the budget to replace the demography calculation. Whilst this provided some financial cover for these demand risks, it is important to recognise that due to the levels of uncertainty and volatility, the amount in the contingency provision could not provide the same assurance as a calculation based on more stable previous trends. Further work is being undertaken with the Council's Analytics team to identify more relevant and accurate modelling of likely future demands and costs.

2.13 The 2021-22 approach worked to some extent but did add significant complexity, particularly for in-year monitoring. Consequently, the final draft budget for 2022-23 has removed most of the centrally held budgets and the proposals revert to including demographic demand estimates in directorate controllable budgets at the start of the year. The amounts included for future demographic demand in the 2022-23 budget have not always been calculated based on previous or current trends and as such are directorate contingency provisions rather than a corporate provision. The contingency provision (risk reserve) established in 2021-22 is also still available in the proposed 2022-23 budget. The only significant centrally held budgets are those related to additional pay costs which can only be allocated once the Total Contribution Pay (TCP) assessments have been completed and moderated. This still leaves individual directorates/services exposed to the risk that the provisions included for demand and costs drivers may not be sufficient (and in some cases could have been over provided) but any variations will be reviewed and reported through the in-year monitoring in a more transparent and efficient manner together with proposed actions to address the variations.

2.14 Within the spending growth forecasts we have set challenging targets to bear down on future prices and demand pressures in order to set an affordable and balanced budget. This approach of setting challenging targets for holding down prices and demands is part of a planned strategy to revise the way in which the budget and medium-term plan are developed so that alternative actions including policy choices are considered as part of the response to growth demands using an outcomes-based approach. It is acknowledged that this does not come without risks particularly as we transition to the new budgeting approach. These risks are included in the budget risk register published with the final draft budget report and closely monitored and reported on during the year, to ensure that appropriate mitigation measures are identified, to minimise the call on reserves, which if needed would weaken the Council's financial resilience.

2.15 The 2022-23 final draft budget also requires the delivery of a package of £37.9m of planned savings and income. Whilst these savings plans are as robust as they can be and the Council has a track record of delivering planned savings (other than for unavoidable reasons associated with Covid-19 pandemic), delivery risks both in terms of timing and quantum due to the current unpredictable circumstances, are still inevitable. The 3 year medium-term plan requires the delivery of a package of planned savings and income totalling £100m.

2.16 The single greatest financial risk to the Council remains the substantial and growing deficit on High Needs spending from the Dedicated Schools Grant (DSG). This has been flagged as the biggest risk for several years with the accumulated deficit forecast to exceed £100m by the end of the current year. Currently a statutory override has been put in place which means that DSG deficits do not have to be covered from the General Fund i.e. are they not cash backed. However, this override is due to come to end March 2023 and the current level of accumulated deficit remains unsustainable posing a considerable risk to the Council if the override isn't extended and/or we do not see significant reduction in the deficit. The assessment of financial resilience based upon the ratio of reserves to debt as a percentage of net revenue budget now includes an additional assessment for this risk. Formal regular monitoring and reporting of the local deficit recovery action plan will be critical to ensure the deficit is being tackled effectively.

2.17 The Council Tax precept is based on the estimated tax base notified by districts. Those estimates include the impact of current and estimated housing growth, current and estimated changes in working age support discounts for households on low incomes, changes in other discounts and exemptions and updated forecast collection rates.

2.18 The Council Tax funding also includes an estimate for the County Council's share of collection fund balances from 2021-22 and the 3-year arrangement to account for collection fund losses in 2020-21 (partially offset by compensation grant for irrecoverable losses). Ideally collection fund balances would be better handled through reserves rather than core budget. However, the 3-year arrangement for previous collection losses were already included in 2021-22 budget and 2021-24 medium-term financial plan as there was no reserve to cover these. It is therefore considered inappropriate to charge deficits to the core budget and treat surpluses through reserves and so the estimated surplus from 2021-22 is included in 2022-23 budget. We will keep this arrangement under review once the 3-year accounting arrangement for deficits comes to end in 2023-24.

2.19 The proposed budget represents a compromise between additional spending growth, spending reductions through savings, income losses and planned income generation, changes in reserves, government grants in the provisional settlement, the estimated council tax base, and proposed council tax charge increases. It is not the role of the S25 assurance statement to comment on the precise mix providing the overall package results in a balanced budget and the estimates on which the calculation is based are robust.

2.20 All the estimates within the final draft budget are the product of a comprehensive planning process with Cabinet Members, Corporate Directors and Directors resulting in an agreement on the level of service delivery within the identified financial resources. In addition, a separate appendix of the final draft budget sets out the main budget risks that are taken into account in determining the estimates.

2.21 The final budget includes the strategy for the assessment of budget risks and adequacy of reserves. As well as the continuation of contingency provisions for demand risks, the removal of variable/insecure funding from the base budget and the draw down from the smoothing reserve, the final draft budget also includes a draw down from public health reserves, and new contributions to the Strategic Priorities and Economic Development/Regeneration reserves and maintaining general reserves at 5% of the proposed 2022-23 net revenue budget. The strategic priorities reserve will be used to fund non-recurring/time limited projects and initiatives to support delivery of the Council's key priorities as set out in the Strategic Statement which will be considered by County Council in May. Overall, the approach to reserves will strengthen the Council's financial resilience but the combination still poses a substantial additional risk as it requires directorates/services to bear down on spending growth (particularly from the provisions for future price and demand increases) or identify and deliver alternative actions.

2.22 The budget strategy allows for a final draft budget which is affordable whilst allowing the Council to fulfil its statutory responsibilities and address local priorities. The final draft budget will require some difficult decisions about service levels and provision both in 2022-23 and over the medium term. These decisions will need to be confirmed under the Council's constitutional arrangements and Financial Regulations after due consultation and equalities impact assessments. As such the final draft budget is a plan which can be subject to change, with any changes considered and agreed by Cabinet through the in-year monitoring reports.

2.23 The medium-term plan shows a balanced position over the three-year period, albeit at this stage it assumes further use of smoothing reserves in 2023-24 before showing a small surplus in 2024-25. The forecasts on which this medium-term plan is based are inevitably less reliable than the forecasts for 2022-23. In particular the one-year settlement for 2022-23 and the government's commitment to undertake a review of local government funding arrangements during 2022 mean that funding forecasts are particularly uncertain. In recognition, the savings plans for 2023-24 and 2024-25 include an overall amount for new savings options together with a broad assessment of the areas which will have to be considered but do not include individual amounts at this point. This is accepted as a prudent necessity, but the Council cannot wait for the outcome of the Government's funding review before making further progress to develop these savings options and the work to identify and deliver the individual savings plans for 2023-24 will need to commence early in 2022 to ensure the overall required total is achieved.

2.24 The latest forecast for usable revenue reserves at the end of 2021-22 is £315m, this represents a substantial decrease of £78m on the position at the end of 2020-21. The forecast takes account of a drawdown of Covid-19 reserve and other planned drawdowns from earmarked reserves. In total the forecast drawdown from earmarked reserves is £92m, this is partially offset by £14m increase in general reserves approved as part of 2021-22 budget to strengthen the Council's financial resilience. The reserves forecast includes draw down to balance the year end position although this could change further during the remainder of the year..

2.25 The final draft capital programme of £1.7bn over 10 years is proportionately less than the previous 3 year programmes. This is partly in recognition of the impact of new borrowing on future revenue budgets and council tax and partly to allow more realistic planning of spending over a longer period based on spend in previous years (to reduce rephasing during the year and in subsequent programmes). The programme includes a minimum level of spend on essential asset maintenance including modernisation of assets on the schools and corporate estate, schools annual planned enhancement, highways asset management and public rights of way. The final draft programme is funded from a combination of government grants, external funding and borrowing. In line with previous years, it is proposed that borrowing is supported from the Council's cash balances rather than external debt. This not only reduces the cost of borrowing (bearing in mind the low returns on cash investments) but also ensures the Council does not increase accumulated debt based on spending profiles which are subsequently delayed. This strategy of internal borrowing is considered sustainable for the next two to three years providing there is no significant revenue need to draw down reserves and the council has sufficient cash balances. In the medium term this approach will need to be reviewed and revised as it will not be possible to sustain this level of capital investment without the greater achievement of savings, generation of income or increased funding.

2.26 The final draft capital programme includes grants from government departments, particularly Department for Education (DfE) and Department for Transport (DfT). In many cases future years' grant allocation notifications have not been received and the final draft capital programme is therefore based on forecasts. Some schemes also require external funding e.g. Heritage Lottery Fund (HLF) or Developer Contributions, which may not yet have been secured. Schemes that include significant elements of unsecured funding are separately identified in the final draft capital programme and will only go ahead if the funding is secured.

2.27 A separate appendix in the final draft budget report provides an indication of new potential capital projects which could come forward within the next 10 years. These have not been included in the final draft capital programme and would only be added in later years subject to business cases being completed and reviewed and identification of affordable funding solutions. Indicative costings have been provided as a guide, however, no funding or budget will be set aside for these projects at this time.

2.28 There are a number of risks to capital projects which could either affect the viability of schemes or could require the Council to take out additional short-term borrowing (temporary borrowing until alternative sources of funding are secured) or long-term borrowing (permanent alternative funding). These risks include:

- Higher than anticipated inflation on projects not covered by project contingency
- Lower than forecast developer contributions
- Lower capital receipt proceeds
- Unforeseen additional costs due to delays or scheme design

We will look to minimise the impact of risks through value engineering of schemes, robust monitoring and reporting and re-prioritisation of the programme. At this stage no additional capital risks have been factored into the revenue budget plan.

3. Conclusions

3.1 As Section 151 officer I can formally report that in my view the budget estimates are robust and the level of reserves adequate, as required by the Local Government Act 2003, on the assumption that the proposed council tax increases up to but not exceeding the 2% referendum threshold and 1% for Adult Social Care levy are agreed.

3.2 Council tax is now the most significant source of funding for council services. Any lesser increase than that proposed, without a corresponding reduction in base budget spending would have an adverse impact on the Council's financial resilience and ability to mitigate future spending risks or medium-term uncertainties over the future funding gap. This assessment has focussed on the significant uncertainty and volatility around spending and income forecasts for 2022-23 and that the Council has previously had adequate but comparatively less generous reserves for risks at the time.

3.3 The administration's revenue proposals for 2022-23 and medium-term plan are not without significant additional risks. The proposals strike a balance between affordability whilst allowing sufficient resources for the Council to fulfil its statutory responsibilities and address local priorities. This is not an easy combination and will require some difficult decisions about service levels and provision. It will require services to bear down on spending growth, particularly with regard to future price levels and managing demand. In my view whilst this presents risks, the Council has sufficient financial resilience and reserves together with a strong record of sound financial management such that the additional risks are not excessive or reckless.

3.4 The 2021-22 budget included an additional contribution to general reserves in line with the medium-term strategy to have the overall level at 5% of net spending to improve financial resilience. This level of general reserves is considered to be essential in light of increased financial risks, the increased self-sufficiency of councils and greater reliance on tax income, and medium-term uncertainties. The final draft budget includes a further one-off contribution to general reserves to maintain these at 5% of the proposed 2022-23 net revenue budget. Any drawdown from general reserves either as part of addressing the 2021-22 overspend or to cover variances from the final draft 2022-23 plan would require general reserves to be replenished back up to 5% level at the earliest opportunity, even if this requires delivery of additional savings from the proposed amounts identified for 2023-24 and 2024-25. Failure to maintain general reserves at 5% would in my opinion very likely seriously impair the adequacy of the Council's reserves and consequently its financial resilience.

3.5 The longer-term capital planning within the proposed 10-year programme delivers urgent and critical works and priority projects as well as addressing the need to minimise new borrowing and deficiencies in previous plans that have led to significant rephasing. Both of these have significant consequences on future revenue budgets.

3.6 Finally, I draw members attention to the known correlation between those councils which have had the lowest council tax rates, undeliverable savings plans, highest levels of debt, lowest levels of reserves and subsequent concerns about financial management. Whilst these are not the only factors which could give rise to financial management concerns, they remain an important consideration in the assessment of financial resilience and sustainability. KCC's current council tax charge is around the average of all county councils, but levels of debt are well above average compared to levels of reserves which remain below average. The levels of debt are being addressed through the new 10-year capital programme and avoiding long-term external borrowing, but the Council also needs to maintain levels of reserves which reflect levels of council spending, financial risks and medium-term uncertainty.

Recommendations:

(a) Pursuant to section 25 of the Local Government Act, the County Council is asked to NOTE this report and AGREE to have due regard to the contents when making decisions about the budget.

3. Contact details

Report Author(s)

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From: Roger Gough, Leader
Peter Oakford, Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services

To: County Council 10th February 2022

Subject: **Capital Programme 2022-32, Revenue Budget 2022-23 and Medium Term Financial Plan 2022-25**

Classification: **Unrestricted**

Summary:
The draft budget report containing the budget proposals for 2022-23 was published on 5th January 2022 to support the scrutiny and democratic process through Cabinet Committees and the Scrutiny Committee with feedback from those Committees presented to Cabinet on 27th January and taken into account for the final draft budget report, published on 2nd February 2022, for the annual County Council budget setting meeting on 10th February 2022.

This final draft budget replaces the previous draft and includes the latest updates and final proposals and amounts for Council consideration and approval.

Appendices A to G of the final draft budget report set out the budget plans and are published in a format recommended by the Corporate Director of Finance and agreed by the Leader as required under the Council's constitution and Financial Regulations

A number of additional appendices are included in the final draft budget report for full Council to support decisions such as Capital Strategy including Prudential Indicators, Minimum Revenue Provision (MRP) statement, the Treasury Management Strategy and risk register including the assessment of the adequacy of reserves.

Members are asked to refer to the final draft 2022-23 budget report published on 2nd February for this meeting and not previous drafts.

Recommendations:

County Council, having given due regard to the s25 Report (published for consideration and noting as agenda item 4 of this meeting), is asked to agree the draft budget, medium term plan and capital programme including:

2022-32 Capital Programme

(a) The 10-year Capital programme and investment proposals of £1,702.2m over the years from 2022-23 to 2031-32 together with the necessary funding and subject to approval to spend arrangements.

(b) The directorate capital programmes as set out in appendices A & B of the final draft budget report published on 2nd February 2022.

2022-23 Revenue Budget and Medium Term Financial Plan

(c) The net revenue budget requirement of £1,182.7m for 2022-23.

(d) The directorate revenue budget proposals for 2022-23 and the medium term financial plan as set out appendices D (high level 3 year plan), E (2022-23 key services), appendix F (variations for 2022-23) and G (variations for 2022-25) of the final draft budget report published on 2nd February 2022.

2022-23 Council Tax

(e) To increase Council Tax band rates up to the maximum permitted without a referendum as set out in section 6.10 (table 4) in the final draft report published on 2nd February 2022.

(f) To levy the additional 1% social care precept (raising an additional £7.959m and taking the total social care precept to £97,589,100 out of the total precept set out in recommendation (3c) below).

(g) The total Council Tax requirement of £823,094,400 to be raised through precepts on districts as set out in section 6.9 (table 3) in the final draft report published on 2nd February 2022.

Kent Pay Scheme 2022-23

(h) The recommendations from Personnel Committee on the changes to Kent Pay Scheme as set out in section 7.7 of the final draft budget published on 2nd February 2022

Key Strategies

(i) The Capital Strategy as set out in appendix L of the final draft report published on 2nd February 2022 including the Prudential Indicators.

(j) The Treasury Management Strategy as set out in appendix M of the final draft report published on 2nd February 2022

(k) The Minimum Revenue Provision (MRP) Statement as set out in appendix O of the final draft report published on 2nd February 2022.

(l) The Reserves Policy as set out in appendix I, including rollover procedures for 2021-22 outturn to improve financial resilience and treatment of general underspends

In addition:

(m) To delegate authority to the Corporate Director of Finance (after consultation with the Leader, the Deputy Leader and Cabinet Member for Finance, Corporate & Traded Services and the political Group Leaders) to resolve any minor technical issues for the final budget publication which do not materially alter the approved budget or change the net budget requirement and for any changes made to be reflected in the final version of the Budget Book (blue combed) due to be published in March 2022.

(n) To note the information on the impact of the County Council's share of retained business rates and business rate collection fund balances on the revenue budget will be reported to Cabinet once it has all been received.

(o) To note the uncertain financial outlook for later years in the absence of a multi-year settlement from government and the risk/opportunities from updating and reforming business rate baselines and grant distribution following the recommencement of the government's review of local authority funding.

(p) To note the development of a comprehensive Fees and Charges policy, including a review of all existing and planned Fees and Charges which will be presented as part of the 2023-24 budget report.

All Members of the County Council are respectfully reminded that Section 106 of the Local Government Finance Act 1992 applies to any meeting where consideration is given to a matter relating to, or which might affect, the calculation of council tax.

Any Member of a Local Authority who is <u>liable</u> to pay council tax, and who has any <u>unpaid</u> council tax amount <u>overdue</u> for at least two months, even if there is an arrangement to pay off the arrears, must declare the fact that he/she is in arrears and must <u>not</u> cast their vote on anything related to KCC's Budget or council tax.

1. Update to Draft Budget Report

1.1 This final draft budget report replaces the previous drafts and includes the latest updates and final proposals and amounts for Council consideration and approval. The updated final draft report includes the following key changes to reflect the latest available financial information:

- Confirmation of estimated council tax collection fund balance surplus from Kent districts of £12.2m, an estimated £4.2m higher than the forecast included in the original draft budget.
- £2.5m of the additional estimated one-off funding from collection fund to be added to general reserves in 2022-23 to maintain these at the agreed level of 5% of net revenue budget
- £1.7m of the additional one-off funding from collection fund to be used to reduce the drawdown from smoothing reserves to balance the budget in 2022-23 from £6.0m to £4.3m.

1.2 The final draft budget report includes minor changes following confirmation of final council tax base estimates (the County Council must set its council tax precept based on the estimates for each district). This increases the council tax precept by £20.2k and the additional funding generated is reflected in the revised draw down from smoothing reserves to balance the budget.

1.3 Information on the County Council's estimated share of retained business rates and business rates collection fund balances was only received on the deadline of 31st January and too late to include in this report. A separate report on the impact on revenue spending, savings and reserves will be presented to Cabinet.

1.4 The final estimated council tax collection fund balance and tax base have increased the proposed net revenue budget 2022-23 from £1,178.5m to £1,182.7m.

1.5 The proposed capital programme 2022-32 has reduced from £1,792.7m in the original draft to £1,702.2m in the final draft. This is due to some schemes being transferred from the programme to the schedule of potential projects and revised costs and phasing for other schemes.

1.6 The final draft budget report includes the following additional appendices which are necessary to support the report's recommendations, some of which form part of the budget framework and need to be agreed by County Council. These include:

- Appendix E – Revenue Budget 2022-23 Key Service Analysis. This shows the planned spending on individual services in 2022-23
- Appendix L - Capital Strategy. This provides a high-level overview of how capital expenditure, financing and treasury management contribute to delivery of council services. The prudential indicators set out a high level medium-term view of capital and treasury plans
- Appendix M Treasury Management Strategy. This shows how the Council manages cashflows, borrowing and financial investments
- Appendix N – Investment Strategy. This provides information on the levels of investments in loans, shares and commercial property
- Appendix O - Annual Minimum Revenue Provision (MRP) Statement. This covers the Council's policy for charges to the revenue account each year to finance capital expenditure initially funded from borrowing

1.7 Other additional appendices help inform the background to the budget and include

- Appendix J – Budget Risks and Adequacy of Reserves. This provides an assessment of the financial risk environment the Council is operating in and adequacy of the council's reserves
- Appendix K – Budget Risk Register. This quantifies the main financial risks not reflected in specific budget proposals
- Appendix L Investment Strategy. This provides information on the levels of investments in loans, shares and commercial property.
- Appendix I Reserves Policy. This outlines the Council's approach to assessing, maintaining and managing revenue reserves

1.8 The updated report dated 2nd February 2022 is published alongside the Council papers. This replaces previous drafts.

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Final Draft Budget 2022-23 and 2022-25 MTFP

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From	Leader of the Council; Roger Gough Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services; Peter Oakford (Cabinet Members)
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Directorates – abbreviations in this report

ASCH - Adult Social Care and Health
CYPE - Children, Young People and Education
GET - Growth, Environment & Transport
S&CS - Strategic & Corporate Services
NAC - Non-Attributable Costs

1.1 This report sets out the proposals in the final draft revenue budget 2022-23, medium term plan (MTFP) 2022-25 and ten-year capital programme 2022-32. The report and appendices provide the essential information about the revenue budget, MTFP and capital programme for County Council approval on 10th February. This final draft report updates and replaces the earlier draft published on 5th January.

1.2 The final draft capital programme sets out planned infrastructure investments and funding over the 10 years 2022-32. The capital planning horizon has been extended to 10 years, up to 2022-32 for rolling programmes. This together with a new reserve to fund feasibility costs will help to reduce slippage by creating a more realistic programme. The introduction of a new capital monitoring and reporting solution in the new financial year, will provide more detail and transparency on the capital programme. In the programme we have sought to minimise additional borrowing, especially in 2022-23, and only borrowing where essential to meet statutory obligations. The inclusion of a schedule of potential projects ensures schemes in the initial stages of development and/or where funding has not yet been secured are not included in the programme too early in their development.

1.3 The final draft revenue budget and MTFP are prepared on an incremental basis. The starting point is the approved net budget for 2021-22 which is updated for known and forecast changes to derive the final draft budget for 2022-23. The changes are set out showing planned spending growth and net spending reductions from savings and income (including specific grants) separately. Planned changes to reserves are also shown separately.

1.4 The draft 2022-23 revenue proposals include £83.6m of spending growth (7% of the net budget). This continues to be higher than we would normally expect from population demographic changes and inflation at the government target level.

1.5 The Covid-19 pandemic has had a lasting impact and we are seeing significant spending pressures associated with latent demand, increasing complexity, and changes in social and working lives. Spending growth pressures have been volatile and increasing since the 2021-22 budget was approved. These growth pressures are reflected in the in-year monitoring report with the revenue budget showing a forecast net overspend of £18.7m as at the end of September 2021. In addition to the forecast overspend, a further £37.9m forecast spend has been funded from the one-off emergency Covid grant.

1.6 Added to these changes in spending patterns, inflation has risen dramatically over the autumn with high rates likely to continue into the new year. At the time the 2021-22 budget was set it was noted that the Office for Budget Responsibility (OBR) forecast for inflation was expected to remain subdued over the next three years, primarily due to relatively weak average earnings growth, returning to the 2% target by the end of 2024. In the March 2021 Budget, the OBR forecast that over the remainder of 2021 and 2022, they expected CPI inflation to remain a little below the 2% target. In July 2021 CPI inflation was 2%, but in the subsequent months has risen sharply to 5.4% by December 2021.

1.7 The Council has a number of contracts which include indexation clauses as well as negotiated uplifts. An example of index linked contracts are those for waste recycling and disposal where uplifts for 2022-23 range between 3.0% to 5.0%. Energy prices (affecting Council buildings and streetlights) are budgeted to increase between 19.7% to 22.5% (with some of this increase being felt in the current financial year). Facilities Management contracts have 5.4% indexation clause for 2022-23. The budget assumes that negotiated contract uplifts will be held to an average of 3%. This will be a challenging target to achieve bearing in mind the increases in inflation over Autumn 2021 and forecasts for 2022, and cost pressures on providers.

1.8 The final draft 2022-23 budget includes the impact of activity/cost changes in the current year as well as forecasts for the forthcoming year. Within these forecasts we have set challenging targets to bear down on future prices and demand pressures in order to set an affordable and balanced budget. This approach of setting challenging targets for holding down prices and demands is part of a planned strategy to revise the way in which the budget and medium-term plan are developed so that alternative actions including policy choices are considered as part of the response to growth demands using an outcomes based approach. It is acknowledged that this does not come without risks particularly as we transition to the new budgeting approach. These risks will be closely monitored and reported on during the year, to ensure that appropriate mitigation measures are identified and to minimise the call on reserves, which if needed would weaken the Council's financial resilience.

1.9 We already knew when the 2021-22 budget was agreed that including one-off central government Covid-19 emergency grant funding would present an additional challenge in 2022-23 and subsequent years, especially where this grant supported recurring spending. We were aware of the risks associated with this but at the time we recognised the impact of the pandemic on spending demands and the ability to deliver savings remained highly uncertain. In particular the impact of the Government's tier 3/4 restrictions in December and third national lockdown in January could not be fully assessed in time for the 2021-22 budget.

1.10 Whilst the Local Government Finance Settlement (LGFS) for 2022-23 has prioritised maintaining financial stability in the immediate term (with increased grants for social care and additional one-off grant to support the full range of council services) it is not enough to fund all the spending growth and the loss of one-off grants used in 2021-22.

1.11 The LGFS is only for one year (effectively the 4th consecutive one-year settlement) which makes medium term financial planning highly unpredictable. We know from the Spending Review that any new money (other than funding to implement the reforms to social care charging) is likely to have to come from Council Tax. We also now have the added uncertainty of how the new one-off Services Grant will be distributed in future years as well as the unknown impact of any changes to the current distribution of government grants. Within the MTFP we have included a prudent forecast for future settlements although there is scope for considerable variations once we have a clearer picture.

1.12 The final draft budget includes a 2.99% proposed increase in Council Tax charge for 2022-23. This would increase the county council share of the bill for a typical band D household by £0.81 per week. Council Tax is the most significant source of income to fund essential services, and whilst we seek to keep increases to a minimum, the proposed amount is in line with the government's 2% referendum limit and 1% adult social care precept. The estimated taxbase (the number of dwellings liable for council tax after discounts, exemptions and assumed collection rates) is returning to a healthy level of growth after the unprecedented reduction last year.

1.13 The combination of additional grants from central government and increased Council Tax (household charge and taxbase) is not enough to fully fund the increased spending growth and loss of one-off grants from 2021-22. The final draft budget for 2022-23 therefore includes £37.9m of savings and other income to reduce net costs and help balance the budget. Delivering a savings programme of this magnitude will be challenging and will require some tough decisions as it comes on top of over £750m of savings that have been made over the last 11 years.

1.14 The 2022-23 draft budget also includes a £4.5m net impact from changes in the use of reserves. This includes additional contributions to reserves of £14.1m, (including £8.4m to strategic priorities and £3.0m to economic development/regeneration reserves from variable funding sources, and a one-off additional contribution of £2.5m to general reserves to maintain these at 5% of the proposed 2022-23 net revenue budget). The strategic priorities reserve will be used to fund non-recurring/time limited projects and initiatives to support delivery of the Council's key priorities as set out in the Strategic Statement which will be considered by County Council in May. These additional contributions are offset by £8.7m additional drawdown from public health and smoothing reserves. The budget also reflects a net £0.9m removal of one-off contributions and drawdowns in 2021-22. The use of the smoothing reserve in 2022-23 is to take account of timing differences between spending requirements, funding and income sources, and delivery of savings.

1.15 The MTFP identifies further savings in 2023-24 and 2024-25 of a similar magnitude to 2022-23 based on assumptions for spending growth returning to more normal expected patterns, prudent assumptions for the local government settlement, and modest Council Tax increases. The forecast savings ensure a balanced 3-year plan with a modest surplus at the end of 2024-25 to allow a little headroom for some variations over the lifetime of the plan. At this early stage it is not considered appropriate to include detailed estimates for all the new savings in later years, but we have identified the areas of spending that will be reviewed taking an outcomes based approach to achieve the target amount. As plans are evolved, we aim to achieve the savings through service remodeling (delivering improved outcomes at reduced costs) rather than service reductions wherever possible. The plan includes a further small amount from smoothing reserves in 2023-24 to ensure each year is balanced for the same reasons as 2022-23.

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

2.2 The overall strategy for the budget is to ensure that the Council continues to plan for revenue and capital budgets which are affordable, reflects the Council's strategic priorities, allows the Council to fulfil its statutory responsibilities and continues to maintain and improve the Council's financial resilience. However, it is also important that spending plans take account of the local priorities of the Council, Kent residents and businesses, and local communities. This is not always an easy combination and involves some difficult decisions about service levels and provision both for the forthcoming year and over the medium term. In reaching this balance it is essential that the Council has regard to bearing down on spending growth (particularly future price and demand increases) while making the necessary investments to support improvement and delivering savings/income generation. The proposed draft budget should be assessed against these aims.

2.3 The Council is under a legal duty to set a balanced and sustainable budget and maintain adequate reserves such that it can deliver its statutory responsibilities and priorities. A MTFP covering the entirety of the resources available to the Council is considered to be the best way that resource prioritisation and allocation decisions can be considered and agreed in a way that provides a stable and considered approach to service delivery and takes into account relevant risks and uncertainty. However, it must also be acknowledged that despite a 3-year Spending Review announcement in October setting out multi-year departmental plans, the LGFS is only for one year (2022-23). This means that the funding for later years remains highly uncertain and planning has to be sufficiently flexible to respond accordingly.

2.4 As the Council develops its detailed proposals it must continue to keep under review those key financial assumptions which underpin the Council's MTFP; in particular as the Council becomes ever more dependent on locally raised sources of income through the Council Tax and retained business rates these elements become fundamental elements of its approach and strategies.

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

2.6 Setting the annual budget is one of the most significant decisions the County Council takes each year. It sets the County Council's share of council tax and the overall resource framework in which the Council operates. The budget is the financial expression of the council's strategic priorities and the 2022-23 budget, capital programme and MTFP have been set in the context of the interim Strategic Plan. It gives delegated authority to manage the budget to Corporate Directors and Directors within the parameters set out in the Council's Constitution and Financial Regulations. Corporate Directors and Directors are accountable for spending decisions within delegated powers, and these are monitored through the council's budget monitoring arrangements regularly reported to Cabinet.

A) Strategic Priorities – Interim Strategic Plan

2.7 During 2019 and early 2020, the Council developed a draft 5 Year Plan which set clear outcomes that it would aim to deliver to improve quality of life in Kent over the next 5 years. The plan was in final draft for County Council approval following a careful analysis of the responses to the 5 Year Plan consultation.

2.8 However, due to the huge and unprecedented impact of coronavirus (COVID-19), it was necessary to pause to understand the new circumstances arising from responding to and recovering from the pandemic. Many of the priorities that came out of the 5 Year Plan consultation remain highly relevant and have strongly influenced the development of the Interim Strategic Plan.

2.9 "Setting the Course" is our Interim Strategic Plan for 2021 and the first half of 2022. It was approved by County Council on 10th December 2020, and explains the immediate challenges we face, and the actions the Council will prioritise to lead the county over the first half of 2022.

2.10 While the challenges facing the county are significant, there are also important opportunities to improve our services, and support the county to emerge stronger and more sustainable. In many cases the priorities set out in the Interim Strategic Plan lay the foundations for positive change in the future.

2.11 The budget for 2022-23 and for the MTFP period reflects the challenges and opportunities set out in the Interim Strategic Plan and how the Council plans to respond to them.

The five main challenges are:

Financial – the Council continues to face a highly uncertain medium term financial position. A one-year settlement has been announced for 2022-23, effectively the fourth consecutive one-year settlement. In the settlement the government has set out that the objective is to give priority to "stability in the immediate term", with a more fundamental review of local government funding starting in 2022. This means the Council cannot make medium term financial plans with certainty but still needs to make some difficult decisions in the short-to medium-term based on prudent forecasts, while maintaining a longer-term view of what is best for the county.

Economic – the economic downturn caused by coronavirus (COVID-19) caused widespread economic impacts. The economy has recovered during 2021 close to pre-pandemic levels by September 2021, although the rate of recovery has slowed in recent months. Gross Domestic Product (GDP) is forecast to fully recover to pre-pandemic levels early in 2022. However, of more significant economic concern is the rise in inflation over the second half of 2021 which has seen rates of inflation more than double since July with further increases forecast early in 2022. Inflation has a significant impact on the Council's budget especially through commissioned services.

Demand – there is increasing demand for some of our key services, which will be made worse by the impacts of coronavirus (COVID-19) on Kent's residents, particularly those that are vulnerable. In particular we have seen increased spending on social care services mainly due to additional complexity of cases following the pandemic and hospital discharges, and increases in household waste to be recycled/disposed of due to levels of home working.

Partnership – the crisis presents important opportunities to build on strengthened relationships and rethink how we work with partners to better manage demand and improve efficiency.

Environmental – tackling the climate emergency and protecting the natural environment continues to be an urgent priority, as well as investing in the built environment and creating communities to be proud of.

2.12 The interim Strategic Plan details a number of priority actions that address the five challenges set out above. The progress on these actions is monitored and regularly reported to Cabinet.

B) Requirement to set a balanced budget

2.13 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, 2022-23. There is no requirement to set a balanced MTFP, however this is considered good practice and the financial strategy is based on a balanced plan in the medium term (the three-year Spending Review announcement still leaves the overall resource equation uncertain in the absence of confirmation or otherwise of the delayed reforms to local government funding).

2.14 Setting the Council's revenue and capital budgets for the forthcoming year has been incredibly challenging due to the continuing uncertainties arising from the Covid-19 pandemic and subsequent economic recession. This has made current year budgets more volatile due to unpredictable demand for council services with knock-on consequences in our ability to forecast future spending requirements and income levels.

2.15 The three-year Spending Review announcement on 27th October 2021 provided some additional certainty around the resources available to the local government sector as a whole. However, the detail of allocations to individual authorities was not available until the provisional LGFS announcement on 16th December. This announcement confirmed that the core grant allocations and council tax referendum principles for 2022-23 were within the range we had anticipated at the time of the October Spending Review announcement.

2.16 The legal requirement places a statutory duty on the Council to set a balanced budget. However, what is meant by 'balanced' is not defined in law and relies on the professional judgement of the Chief Financial Officer to ensure that the budget is robust and sustainable. A prudent definition of a balanced budget would be a financial plan based on sound assumptions which shows how planned spending and income equals the available funding for the forthcoming year. Plans can take into account deliverable cost savings and/or local income growth strategies as well as useable reserves.

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

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

2.18 The draft budget does include an increase in risks, particularly where we have had to limit spending growth within the available resources. This means that we will have to adopt a very robust approach to negotiating prices for a range of council services and adopt a more rigorous approach to managing, monitoring and reporting on demand for council services.

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

2.20 Setting a clear medium-term financial plan (MTFP) also strengthens the Council's financial resilience by identifying financial issues early and options for potential solutions. Whilst the legislative requirement does not extend to the MTFP, and there is no requirement to balance the later year's plans, it is considered good financial practice.

C) Budget Consultation

2.21 The Council launched a consultation on the 2022-23 budget on 28th July. The consultation was open until 19th September and can still be viewed via the Council's website.

2.22 We received 2,028 responses which is fewer than the 2,985 responses to last year's budget consultation but more than previous years e.g. 1,360 responses to the 2020-21 budget consultation. Responses were received from Kent residents, KCC staff and local businesses. Just under 50% of respondents found out about the consultation via Facebook advertising.

2.23 The consultation focused on the financial challenge the Council potentially faces if sufficient funding was not forthcoming, and we had to consider spending reductions. The consultation sought views on the future of Council services (how comfortable respondents would be to see spending reductions across the range of services), council tax levels (whether modest increases would be acceptable to help to sustain services) and whether the Council should look to do things differently in the future. The feedback from the public consultation has been taken into account in the draft budget proposals. We have also used the feedback from this consultation to shape the new 5 year Strategic Plan and the priorities we focus on.

2.24 A separate detailed report setting out the responses received is included as a background document to this report. The budget report presented to full Council will take account of any feedback following Cabinet Committee and Scrutiny Committee consideration.

2.25 No changes to the draft budget were proposed although the final draft budget and Section 25 Assurance statement include further information on the following:

- Levels and adequacy of KCC reserves including the impact if current year overspend is a call on reserves at year end
- Impact of deficits on Dedicated School Grant High Needs block on KCC's relative financial resilience as measured by debt to reserves ratio
- The treatment of allocations for demographic demand pressures and contingency reserves
- Allowances for price inflation within the final draft budget

D) Equalities Considerations

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

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

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

E) Treasury Management Strategy

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

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

3.1 The national fiscal and economic context is an important consideration for the Council in setting the budget. This context not only determines the amount received through central government grants, it also sets out how local government spending fits in within the totality of public spending and the wider economy. The Spending Review and LGFS sets the government's expectations of how much local authorities can raise through local taxation. A fuller analysis of the Fiscal and Economic context and provisional LGFS was presented to Cabinet on 6th January and that report can also be accessed as a background document to this report.

3.2 The Covid-19 pandemic has presented an extraordinary and unexpected challenge to the UK economy and economies across the world. The combination of additional public spending both on dealing with the pandemic and the economic fallout from the subsequent recession, and reduced tax yields, has resulted in an unprecedented peacetime budget deficit of £319.9bn in 2020-21.

3.3 The performance of the economy has been particularly volatile following the start of the pandemic. The pace of economic recovery has slowed in recent months and inflation has been rising over late summer and autumn. Unemployment has not been as adversely affected as originally feared although underlying wage growth for those in continuous employment is difficult to measure due to the high level of changes in employment.

4.1 The Secretary of State for Levelling Up, Housing and Communities published a written statement on the provisional local government finance settlement on 16th December. The settlement sets out the core spending power (CSP) including main grant allocations for individual authorities from the Department for Levelling-up, Housing and Communities (DLUHC) and forecast council tax precepts for 2022-23. The announcement is a one-year settlement and does not include indicative allocations for subsequent years (2023-24 and 2024-25) despite the announcement of three-year departmental spending plans in the Spending Review 2021 (SR21) on 27th October.

4.2 The Government's stated objective in the settlement was to give priority to "stability in the immediate term", with a more fundamental review of local government funding starting in 2022. A one-year settlement leaves capacity for the impact of reforms in later years.

4.3 The settlement provides details of the allocations of the departmental budgets to individual councils of the amounts announced in Spending Review (SR21). The settlement together with the provisional tax base estimates from districts are a vital component of the Council's budget as they determine significant amounts of the funding for the net budget. The provisional settlement is subject to a short consultation with a response deadline of 13th January. The allocations in the settlement were largely as anticipated.

4.4 The provisional settlement includes the government's calculation of Core Spending Power (CSP). The CSP is a measure of the financial resources available to local authorities to fund service delivery. It comprises council tax and the main government grants, including the baseline for business rate retention. Comparison of the main elements of CSP for KCC for 2021-22 and 2022-23 are set out in table1 below (note the 2021-22 CSP has been recalculated from the original 2021-22 settlement to reflect the final council tax precept)

Table 1 – KCC Core Spending Power	2022-23 CSP	2021-22 Revised CSP	Change	*Memo Original 2021-22 CSP*
Business Rate Baseline	£187.9m	£187.9m	-	£187.9m
Revenue Support Grant	£10.0m	£9.7m	+0.3m	£9.7m
Settlement Funding Assessment	£197.9m	£197.6m	+0.3m	*£197.6m*
Improved Better Care Fund	£50.0m	£48.5m	+£1.5m	*£48.5m*
Social Care Support Grant	£54.5m	£39.1m	+£15.3m	*£39.1m*
Compensation for Business Rates	£15.4m	£9.8m	+£5.6m	*+9.8m*
New Homes Bonus	£4.4m	£4.6m	-£0.2m	*£4.6m*
Services Grant (new)	£13.0m		+£13.0m	
Fair Cost of Care Fund (new)	£4.2m		+£4.2m	
Council Tax	£810.6m	£778.7m	+£31.8m	*£801.9m*
Total	£1,149.9m	£1,078.4m	+£71.5m	*£1,101.6m*

4.5 As widely anticipated, the 2022-23 announcement includes roll-forward of the main grants including Revenue Support Grant (RSG), Social Care Support Grant (SSG), Improved Better Care Fund (iBCF) and compensation for previous business rates discounts/exceptions/ caps on increases. There have been no changes to the methodology for allocating grants and new grants and increased grants have been allocated using existing methodologies. RSG includes a 3.1% inflationary uplift and the transfer of two small new burdens grants from the Electoral Registration grant and the Financial Transparency of Local Authority Maintained Schools grant. Appendix H provides further details on all the core grants within the LGFS.

4.6 The settlement includes the allocation of the new £4.8bn additional grant over 3 years for local government announced as part of SR21. Approximately £1.6bn of this money has been allocated in 2022-23:

- £636m increase in SSG (£15.3m for KCC) using the existing Adult Relative Needs Formula (RNF) and equalisation of the Adult Social Care council tax precept
- £63m increase in iBCF (£1.5m for KCC) which together with the additional Social Care Support Grant represents £700m new grant funding for social care
- £822m for new one-off Services Grant for 2022-23 (£13.0m for KCC) allocated to all authorities using the same formula as the Settlement Funding Assessment (SFA)
- Inflationary increase in RSG (£0.3m for KCC)

4.7 SR21 included £3.6bn for local government over 3 years to implement the social care reforms announced in September. The LGFS allocates £1.4bn of this (£162m in 2022-23, with a further £600m planned in each of 2023-24 and 2024-25 subject to meeting certain conditions) through the "Market Sustainability and Fair Cost of Care Fund". This fund is to support local authorities to prepare markets for reform and move towards paying providers a more equitable cost of care. The funding in 2022-23 has been allocated using the same Adult RNF as SSG. KCC's share in 2022-23 is £4.2m. At this stage we do not have sufficient information about the impact of the reforms to assess whether the grant will be sufficient. This grant will be subject to separate conditions set by government.

4.8 The settlement also confirms the proposed council tax referendum limits of up to but not exceeding 2% for the general precept and 1% for the adult social care precept. The CSP should be treated with some caution as it assumes a 4.1% increase in council tax precept from a combination of the referendum/adult social care increases in full and the Government's assumption of 1.1% increase in the tax base. The County Council's precept must be based on the estimated tax base notified by Kent districts and the council tax agreed by full Council. The estimate for the draft budget proposals assumes a 2.63% increase in the tax base and 2.99% increase in the County Council share of council tax charge for 2022-23. This results in an estimated precept of £823.1m, which is around £12.5m (1.5%) more than that assumed by government in CSP.

4.9 In a written ministerial statement the Secretary of State reaffirmed the Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. As part of this the Government will look at options to support local authorities through transitional protection. The one-off 2022-23 Services Grant provided in the LGFS will be excluded from potential transitional protections.

4.10 The one-year announcement in the provisional settlement leaves scope for changes in the distribution of funding through Settlement Funding Assessment (SFA) and other grants in later years to take account of the Fair Funding reforms which have been delayed for several years. The data used to assess both SFA and Adults RNF has not been updated for a number of years, dating from 2013-14 to a large degree, and even as far back as 2000. However, this commitment to update the distribution does add a further degree of uncertainty whether funding from the non-council tax elements of the Council's budget will be more, flat, or less than 2022-23.

4.11 The 2022-23 settlement includes the baseline for business rates retention (including tariffs and top-ups) which together with RSG makes up the SFA within the CSP. The calculation of SFA takes account of the impact of previous business rates revaluations but does not include any additional business rates receipts (or business rates losses) under retention arrangements. The 2021 business rates revaluation (which would have impacted on the baselines for 2022-23) has been delayed until 2023.

4.12 The New Homes Bonus includes the final year's legacy payment for previous years plus one-year's growth for new housing stock, empty homes brought into use and affordable homes premium. The additional growth is allocated as a one off and we are still assuming this grant will end in 2023-24 when the final legacy element is removed.

4.13 The announcement on 16th December 2021 does not include any of the additional funding for Supporting Families and Cyber Resilience, which will be distributed separately outside of the provisional settlement.

4.14 The settlement includes no information about the national total, or individual council allocations, of the public health grant for 2022-23.

Numbers rounded for clarity including totals. As a result, small rounding differences sometimes occur, and tables may appear not to add up.

5.1 The largest single grant received by the Council is the Dedicated Schools Grant (DSG), which is ring-fenced to fund school budgets and services that directly support the education of pupils. The Local Authority receives its DSG allocation gross (including allocations relating to academies and post 16 provision), and then the Education & Skills Funding Agency (ESFA) recoups the actual budget for Academies to pay them directly, based on the same formula as the funding allocations made to maintained schools.

5.2 The DSG is allocated through four blocks: The Schools Block, Central School Services Block, High Needs Block and Early Years Block. All elements of the DSG are calculated based on a national funding formula, however these are calculated using historic funding as a baseline.

5.3 Whilst the Schools Block allocation for 2022-23 is based on allocating a school level budget calculation, the method of distribution to schools is still through a local formula methodology.

5.4 In July 2021 the ESFA published provisional allocations for 2022-23 for the Schools Block, Central School Services Block and the High Needs Block. The allocations have been updated on 16th December with the October 2021 pupil data.

5.5 The early years block is currently only an indicative allocation as this is updated post year end based on the census of January 2022 pupil numbers, with the current indicative allocation based on January 2021 numbers. The hourly rate which is the basis of the allocation was confirmed on 25th November as £4.79 per hour for 3 and 4 year olds and £5.65 per hour for 2 year olds. The 2-year old rate has increased by 21p for all authorities, whilst the 3 and 4 year old rate has increased by 17p for most authorities except those which fall below the £4.61 minimum or those with higher protected rates in 2021-22.

5.6 The primary pupil funding rate in the Schools Block has increased by 3.1%. The secondary pupil funding rate has increased by 2.8%. The per pupil rates in the main calculation vary for individual authorities. The Schools Block also includes a non-pupil element for premises factors in the National Funding Formula. The Schools Block also includes a growth element based on changes in pupil numbers at a fixed national amount weighted for area costs. The amounts notified are indicative based on existing pupil number information and will be updated from subsequent census data. A pupil number modelling tool will be published in January. The amounts are before deductions for academies. The total schools block for Kent has increased by £49.7m (4.6%) to £1.129bn on the comparable figure for 2021-22.

5.7 The High Needs Block is funding to support costs of pupils with additional educational needs, across mainstream and special schools as well as the associated support costs. The allocation of the high needs block for 2022-23 has increased by £23.2m (9.3%) on the comparable figure for 2021-22. However, this is insufficient to ease the pressure on current spend and will not bring us to a position of managing the high needs block spend within the financial year.

5.8 The most significant risk at the start of 2021-22 was the continuing underlying deficit and accumulated debt on the High Needs Block of Dedicated Schools Grant (DSG). Since the introduction of the Children and Families Act 2014, the Council has seen an unprecedented rise in the number of children and young people assessed for Education Health and Care Plans (EHCPs) and the increasing proportion of children being educated in special and independent schools and a smaller proportion educated in mainstream schools. The high needs funding within the DSG has not kept pace resulting in in-year overspends and an accumulated deficit on the unallocated DSG reserve. This is recognised as a national problem but has been particularly acute in Kent.

5.9 The Government has provided additional high needs funding, but this has been insufficient in addressing the funding gap and the Government's wider review of Special Educational Needs (SEN) including options for structural reforms, has been significantly delayed. In the meantime, the government has confirmed that DSG deficits do not have to be covered from the General Fund and has started a process to consider paying off historic debts where local authorities can demonstrate they can balance their future budget. Interim arrangements have also been introduced to avoid the impact on Council accounts whilst a solution is found, however this is currently due to come to an end in March 2023 and the level of debt remains unsustainable posing a considerable risk to the Council in the absence of funding and structural reforms.

5.10 Kent recognises it needs to take further actions to ensure we are able to support children with SEN sustainably within the funding provided, and significant work is being undertaken to identify efficiencies in high needs provision, including:

- Reviewing our commissioning strategy for SEN provision across the county including supporting the development of new special schools and Specialist Resource Provision (SRP) to reduce our increasing reliance on independent schools
- Reviewing commissioning arrangements with independent providers.
- Improving parental confidence through supporting inclusive practice and capacity building in mainstream schools
- Further collaborative working with Health and Social Care partners

The Council is updating its DSG deficit recovery plan in light of further projected overspends during 2021-22. This will be formally monitored and reported on as part of the Council's budget monitoring reports to Cabinet.

5.11 The Schools' Funding Forum were requested to consider a 1% transfer from Schools Block to the High Needs Block to help to support the system of SEN support in mainstream schools across the county including ensuring sufficient funding for the County Approaches to Inclusive Education. This was considered by the Forum in late November and the Forum agreed this transfer to support the delivery of the 4 key priorities of this approach:

1. Supporting a school led system to deliver the highest quality core inclusive education
2. Providing additional intervention and support with engagement
3. Inclusive Education is part of a broader, holistic, and joined-up offer of support
4. Ensuring smooth transition between education phases

5.12 This transfer has been approved by the Secretary of State. The Schools Block calculation outlined in paragraph 5.6 is the basis for this transfer before academy deductions and additional pay and pension grants.

Numbers rounded for clarity including totals. As a result, small rounding differences sometimes occur, and tables may appear not to add up.

5.13 The Central School Services Block (CSSB) was introduced in 2018-19 to fund councils for their statutory duties relating to maintained schools and academies. The CSSB brings together funding previously allocated through the retained statutory duties element of the Education Services Grant (ESG) funding for ongoing central functions e.g. admissions and funding for historic commitments including items previously agreed locally such as combined budgets.

5.14 As part of the national funding formula the DfE are reducing the allocation within the CSSB of historic commitments and therefore the CSSB will be decreased by £0.9m in relation to historic commitments for 2022-23. The element of the CSSB that funds ongoing services has increased by 7%. The overall CSSB has reduced by £0.3m (2.5%) on the comparable figure for 2021-22.

5.15 The table below sets out the latest DSG allocation over the funding blocks for 2022-23.

Table 2 - Dedicated Schools Grant 2022-23 and Final DSG 2021-22

Block	2022-23 £m	2021-22 £m	Gross Change £m
Schools Block	1,129.2	1,079.5	+49.7
CSSB	11.5	11.8	-0.3
High Needs Block	272.2	249.0	+23.2
Early Years Block	88.0	88.4	-0.4
Total	**1,500.9**	**1,428.7**	**72.2**

5.16 In addition, the Council receives, and passports fully to schools, funding for the pupil premium (£64.5m in 2021-22) and 6th form funding (£20.9m in 2021-22). Final allocations for the pupil premium are expected to be confirmed before July 2022 and 6th form funding in March 2022. A separate Schools Supplementary Grant for 2022-23 has also been announced by Government which is intended to provide support for the costs of the Health and Social Care Levy and wider costs which were not taken account of when the Dedicated Schools Grant settlement was announced in July. This funding will be distributed at standard rates based on pupil numbers and number of children eligible for free school meals.

6.1 Council Tax income is a key source of funding for council services. The amount generated through Council Tax is principally determined by the Council Tax Base (the number of properties adjusted for exemptions and discounts), the rate of charge per property and the collection rate.

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

6.3 The Council currently can, subject to legislative constraints, increase its Council Tax rate through two mechanisms, the Adult Social Care precept and general tax rate increases. Each 1% increase in the Council Tax rate generates circa £7.8m per annum in 2022-23, which equates to an extra 27 pence per week for a band D property.

6.4 SR21 confirmed the referendum level of 2% for general tax rate increases and permitted Councils to add an ASC precept of up to 1%. The government assumes in the Core Spending Power calculation that Councils will increase Council Tax to the maximum allowed. If the Council, therefore, did not implement at the maximum level, then its spending power to provide services would be reduced going forward with no funding from government to mitigate this. The 2022-23 draft budget includes a proposed 1.99% increase in the general precept (up to but not exceeding the referendum level) and a further 1% increase in the adult social care precept.

6.5 The County Council's council tax level is currently 9th of the 24 counties and 4th of the 7 south east counties. Even after implementing the proposed increases for 2022-23, the Council's relative position will depend on the extent to which other councils agree increases up to the 2022-23 referendum level/social care precept and deferred increases in the social care precept from 2021-22. We will not know KCC's relative position on Council Tax until all county councils have agreed their precept and Council Tax charge for 2022-23.

6.6 The county has seen increases in the number of new homes over the last few years, however the Covid-19 pandemic had a material impact on the 2021-22 taxbase; the pandemic has impacted the number of people in work or receiving low pay and as a consequence increased significantly those claiming benefits, including through the Local Council Tax Reduction Scheme (LCTRS). There has also been a drop in the collection rate as residents have been affected by Covid-19 on their income levels. Throughout 2021-22 the level of LCTRS has reduced but the collection rate remains below the pre pandemic collection rate.

6.7 The final taxbase estimate provided by district councils is an overall increase of 2.63% providing an additional £20.4m of Council Tax income. This is a larger increase than has been seen in previous years partially due to economic recovery from the pandemic and reduction in LCTRS discounts. The higher tax base means the amount generated from a 1% increase in Council Tax rate rises to £8m in 2022-23. We will provide a fuller analysis of changes in the taxbase once we have the final notification from districts.

6.8 The Council Tax Collection Fund deficit in 2020-21 is accounted for over the three-year period 2021-24. A separate compensation grant has been provided by Government equivalent to 75% of irrecoverable losses due to the pandemic over the same three-year period. The Council has previously included estimated collection fund surpluses as part of the funding towards the budget. This is proposed to continue for 2022-23 final draft budget with the collection fund balance including the second year of the 2020-21 deficit and compensation, plus the 2021-22 collection fund surplus estimates notified by district councils.

6.9 The council tax charge for 2022-23 must be agreed by County Council. Council tax is raised through a precept through each district based on the band D charge for the year multiplied by the estimated band D equivalent taxbase for each district. The tax base estimate is calculated by each district and the County Council has no discretion to vary this amount. County Council must agree the precept as part of the budget approval. District Councils are responsible for collection and must pay the amount of the precept in monthly instalments to the County Council. Any surpluses or losses on collection must be taken into account in the following year's budget and council tax setting considerations. The individual district changes between 2021-22 and 2022-23 taxbase estimates, and the 2022-23 council tax precept are shown in table 3 for agreement of individual district precepts at full Council on 10th February.

Table 3 Council Tax Base Changes & 2022-23 Precept

District	2021-22 Band D Equivalent Taxbase	2022-23 Band D Equivalent Taxbase	2022-23 Precept @ £1,461.24 (incl. ASCL) £000s	% change
Ashford	45,173.00	48,664.00	71,109.8	7.7%
Canterbury	49,624.38	51,259.80	74,902.9	3.3%
Dartford	38,792.33	39,544.25	57,783.6	1.9%
Dover	38,993.94	39,763.21	58,103.6	2.0%
Folkestone & Hythe	38,484.69	39,172.25	57,240.1	1.8%
Gravesham	34,425.11	34,829.66	50,894.5	1.2%
Maidstone	63,550.10	65,896.22	96,290.2	3.7%
Sevenoaks	50,876.85	51,514.27	75,274.7	1.3%
Swale	48,040.12	48,939.46	71,512.3	1.9%
Thanet	44,155.70	44,975.20	65,719.6	1.9%
Tonbridge & Malling	51,374.86	52,246.97	76,345.4	1.7%
Tunbridge Wells	45,371.40	46,479.60	67,917.9	2.4%
Total	548,862.48	563,284.89	823,094.4	2.6%

Note: ASCL = Adult Social Care Levy

6.10 For 2022-23 it is proposed that the County Council be asked to approve an increase up to but not exceeding the 2% referendum limit as supported in the budget consultation. It is also proposed that the County Council be asked to approve taking up the Adult Social Care levy in full. These increases would take the annual total band D charge for 2022-23 to £1,461.24 of which £173.25 would be for the Adult Social Care levy. The proposed increases are the equivalent of 82 pence per week for a band D household. The impact of the proposed increase to individual bands is shown in table 4 and these are presented for agreement to full Council on 10th February.

Table 4 Proposed Council Tax increases

Band	Proportion of Band D Tax Rate	2021-22 (incl. ASCL)	2022-23 (excl. increase in ASCL)	2022-23 (incl. increase in ASCL)
A	6/9	£945.84	£964.74	£974.16
B	7/9	£1,103.48	£1,125.53	£1,136.52
C	8/9	£1,261.12	£1,286.32	£1,298.88
D	9/9	£1,418.76	£1,447.11	£1,461.24
E	11/9	£1,734.04	£1,768.69	£1,785.96
F	13/9	£2,049.32	£2,090.27	£2,110.68
G	15/9	£2,364.60	£2,411.85	£2,435.40
H	18/9	£2,837.52	£2,894.22	£2,922.48

Note: ASCL = Adult Social Care Levy

7.1 The final draft budget for approval by County Council as set out in this report and appendices is published on 2nd February for Council approval. The full Council is responsible for agreeing the Budget at the County Council meeting on 10th February. As required by the Council's Constitution and Financial Regulations, the final draft budget for County Council approval will be proposed by the Leader and published in a format recommended by the Corporate Director of Finance and agreed by the Leader.

7.2 The final draft budget proposals in appendices A and B of this report set out the proposed ten-year capital spending plans for 2022-32. Appendix A provides a high-level summary of the proposed capital programme and financing requirements. The spending plans in appendix B set out proposed spending on individual projects and rolling programmes by directorate. The financing is a combination of government departmental capital grants, forecast developer contributions, external funding, capital receipts and borrowing. In developing the capital programme we have sought to minimise additional borrowing, particularly in 2022-23 and only borrow where it is essential to meet statutory obligations. In some instances the programme includes preliminary figures where grants have yet to be confirmed. Approval to plan and spend from the capital programme will only be granted once adequate funding has been secured to fund forecast spending.

7.3 Appendix C in the draft budget report provides an indication of new potential capital projects which could come forward within the next 10 years. These have not been included in the draft capital programme and would only be added in later years subject to business cases being completed and reviewed and affordable funding solutions being identified. Indicative costings have been provided as a guide, however, no funding or budget will be set aside for these projects at this time.

7.4 The presentation of the 2022-23 final draft revenue budget and 2022-25 MTFP focuses on the key policy and strategic implications of the proposals. The revenue proposals are set out in appendices D to G of this report. These appendices show the spending, income and savings changes from the current year's approved budget (2021-22) and the financing requirements as well as proposed directorate budgets. Appendix D provides a high-level summary of the proposed three-year plan for the whole council. Appendix E provides a detailed 2022-23 final draft budget for each directorate by key service lines. Appendix F shows the directorate budget changes between 2021-22 and 2022-23. Appendix G provides a more detailed three-year plan for the whole council.

7.5 The key service analysis in appendix E is presented in the same format as the quarterly budget monitoring reports to Cabinet. The half year monitoring report for 2021-22 was reported to Cabinet on 9th December, this showed the current year variances from the working budget for both capital and revenue. Appendix 1 of the Cabinet report shows the revenue variances for key services in the current year.

7.6 Additional proposed spending growth includes the impact of decisions and activities already being delivered in the current year not included in the current base budget and known future contractual obligations. It also includes forecasts for future cost or activity changes for the forthcoming year, or changes in Council policy. These are set out in fuller detail in the appendices to this report including an explanation of the reasons for the change.

7.7 The proposed spending growth includes the impact of the Personnel Committee recommendations on changes to the Kent Pay Scheme:

- Total Contribution Pay (TCP) rating of 'successful' to receive a 3% increase for 2022-23 (with the awards for "excellent" and "outstanding" to maintain proportionate differentials) and with the corresponding adjustment to our pay scales for all Kent Scheme staff scales in accordance with 0.5% and £1,200 principles between individual pay ranges and top of pay ranges.
- Increase in our lowest grade to £10.00 per hour from April 2022 which will maintain our position above the national minimum and marginally above the Living Wage Foundation's Living Wage Living Wage announcement in November 2021.
- Increase in the basic leave entitlement of staff in grades KR3-7 and KR8-12 of an additional day.

7.8 The presentation of proposed savings and income in the appendices to this report follows a similar pattern with proposed savings amounts identified separately for the full year effect of 2021-22 plans already agreed; savings/income from the application of existing policies; savings/income that do not require any changes in policy; and those that require policy changes.

7.9 The original medium-term outlook for 2022-24 (section 11 of the approved budget book) had previously identified savings and additional income totalling £27m for 2022-23. An update to this outlook was presented to Cabinet on 24th June to accompany the draft outturn for 2020-21. This showed a slightly revised and updated figure for previously identified existing savings and income of £26.5m, this can be viewed on the Council's website. These plans have been revised and updated in the final draft 2022-23 budget to £34.2m of savings and income (excluding specific grant), of which £25.6m are the full year effect of savings agreed for 2021-22 or the roll-out of existing policy, and £8.6m are new proposals.

Numbers rounded for clarity including totals. As a result, small rounding differences sometimes occur, and tables may appear not to add up.

7. 10 The high-level equation for changes in planned revenue spending for 2022-23 (growth and savings), income and net budget, together with the balancing changes in funding is shown in table 5 below. This summarises how the requirement to set a balanced budget has been met.

Table 5 – Net Change in Spending and Funding

Change in Net Spending		Change in Net Funding	
Proposed additional spending	+£83.6m	Removal of one-off grants in 2021-22	-£46.6m
Proposed savings from spending reductions	-£25.6m	Net Increase in government grants	+£39.6m
Proposed changes in income	-£8.7m	Change in council tax base	+£20.4m
Increases in specific government grants	-£3.6m	Proposed increase in council tax charge	+£23.9m
Proposed net change in reserves	+£4.5m	Change in retained business rates	+£3.0m
		Change in net collection fund balances/S31 compensation	+£9.9m
Total Change in Net Spending	**+£50.3m**	**Total Change in Net Funding**	**+£50.3m**

7.10 In using one-off Covid-19 grants in 2021-22 budget it was made explicit that this would have implications for the 2022-23 budget. These included two grants, the fifth tranche of the emergency grant, and a compensation for council tax losses. Effectively the recovery of the taxbase (from 1.04% reduction in 2021-22 to 2.63% growth for 2022-23) has compensated for the council tax loss grant. The removal of the Covid-19 grant has contributed to the savings/income requirement for 2022-23.

7.11 The increased and additional grants have been set out in more detail in the section on the Provisional Settlement. This includes the new one-off Services grant, the increases in Social Care Support Grant/Revenue Support Grant/Improved Better Care Fund, and the new grant for social care charging reforms, which is now known as "Market Sustainability and Fair Cost of Care Fund" although this grant does not reflect the totality of the funding for local authorities included in the October 2021 Spending Review. At this stage the costs associated with this latter grant are shown as a separate government and legislative growth item pending further clarification from Government on its use and the impact of the charging reforms and KCC's proposed plan.

7.12 The MTFP shows a small surplus over the three-year period. This is based on a reasonable estimate of the possible funding settlement from central government (albeit the Government has committed to updating the data used to inform allocations and reform the funding methodology) and assumed future council tax base and council tax charge increases. Spending growth has been forecast for years 2 and 3 together with detail of the full year effect of savings proposed for 2022-23 and the roll-out of savings/income in later years under existing policies. New savings for years 2 and 3 have been shown separately in appendix G. The funding estimates are speculative at this stage and spending, savings and income plans are likely to need to be updated in 2023-24 and 2024-25 in light of the settlement for these years, which may well eliminate any surplus currently being estimated.

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

7.14 Similarly new savings and income under consideration for future years will require further development before consultation and EQIA. Consequently, individual amounts have not been presented at this stage although a combined overall amount for these options has been presented to show the overall amount which is likely to be needed to achieve a balanced budget against the estimated financing over the medium term.

Income generation through fees and charges

7.15 The majority of discretionary fees and charges are raised annually by a minimum of inflation (CPI or RPI). Both of these inflation measures have increased recently due to a variety of circumstances. For example, CPI inflation is currently around 5.4% compared to 2.0% in July 2021. RPI inflation is around 7.5% compared to 3.8% in July 2021. It is proposed to develop a comprehensive Fees and Charges policy during 2022-23 including a review of all existing and planned Fees and Charges, in order that a consolidated summary of Fees and Charges is presented as an appendix to the 2023-24 budget report.

Proposed Final 2022-32 Capital Programme – key numbers

£1,702m	Total planned capital spending over the ten years 2022-23 to 2031-32.
£264m	New borrowing added to the 10-year programme. This includes a minimum level of spend on Essential Asset Management including modernisation of assets on the schools and corporate estate, schools' annual planned enhancement, highways asset management and public rights of way, which will be reviewed annually
£997m	Confirmed or indicative government grants to fund capital expenditure.
£424m	Total proposed borrowing to fund the programme.
£281m	Funding from other sources (capital receipts, developer contributions, external funding and revenue).

8.1 The three-year Capital Programme 2021-24 was approved by County Council in February 2021. This took into account the need to set a realistic and deliverable programme and avoid the significant over-programming and subsequent underspending against capital that has been a feature for several years.

8.2 The ten-year Capital Programme 2022-32 provides a longer term plan for capital investment, taking into consideration an updated assessment of the capital financing requirements and the consequent impact on the revenue budget and borrowing strategy.

8.3 Appendix A of this report sets out a summary of the proposed 2022-32 programme and associated financing requirements for each year. The summary provides a high-level overview for the whole council. The individual directorate pages in appendix B provide more detail of rolling programmes and individual projects.

Capital spending: a reminder of what it is

Capital spending is expenditure on the purchase or enhancement of physical assets where the benefit will last longer than the year in which it is incurred e.g. school buildings, roads, economic development schemes, IT systems, etc. It includes the cost of purchasing land, construction costs, professional fees, plant and equipment and grants for capital expenditure to third parties. Capital spending plans are determined according to the Council's statutory responsibilities and local priorities as set out in the MTFP, with the aim of delivering the vision set out in the Strategic Plan.

Capital spending is funded via a variety of sources including government grants, capital receipts, external contributions and borrowing. Borrowing has to be affordable as the cost of interest and setting aside sufficient provision to cover the loan repayments are borne by the revenue budget each year based on the life of the asset.

Numbers rounded for clarity including totals. As a result, small rounding differences sometimes occur, and tables may appear not to add up.

8.4 A significant proportion of the capital programme is funded by grants from government departments, particularly Department for Education (DfE) and Department for Transport (DfT). In many cases future years' grant allocation notifications have not been received and the capital programme is therefore based on estimates. Some schemes also require external funding e.g. Heritage Lottery Fund (HLF) or Developer Contributions, which may not yet have been secured. Schemes that include significant elements of unsecured funding can be identified through note 1 in the capital programme (appendix B) and will only go ahead if the funding is secured.

8.5 Appendix C of this report provides an indication of Potential Capital Projects which may come forward within the next 10 years. These projects are currently very high level and commencement is subject to business case review and affordable funding solutions being identified. Indicative costings have been provided as a guide, however no funding or budget will be set aside for these projects at this time.

8.6 There are a number of risks to capital projects which could either affect the viability of schemes or could require the Council to take out additional short-term borrowing (temporary borrowing until alternative sources of funding are secured) or long-term borrowing (permanent alternative funding). These risks include:

- Higher than anticipated inflation on projects that cannot be met from the contingency element of the project's budget
- Lower than forecast developer contributions
- Lower capital receipt proceeds
- Unforeseen additional costs due to delays or scheme design

We will look to minimise the impact of risks through value engineering of schemes and at this stage the financial implications of any additional capital risks have not been factored into the revenue budget plan.

Proposed Final 2022-23 Revenue – key numbers

£1,182.7m Net revenue budget proposed for 2022-23. This represents a £50.3mincrease on the approved budget for 2021-21 of £1,132.4m.

£83.6m Additional proposed spending – see paragraph 9.1 for more detail.

£37.9m Proposed savings and income. Of this £25.6m relates to proposed savings, £8.7m additional income generation (mainly fees and charges), and £3.6m anticipated increases in specific grants (including Public Health grants yet to be confirmed).

£4.5m Net impact on the budget of changes in use of reserves. This comprises:

- +£8.4m additional contributions to the strategic priorities reserve and £3.0m economic development reserve from unstable/insecure funding sources which in previous years supported base budget spending. The strategic priorities reserve will be used to fund non-recurring/time limited projects and initiatives to support delivery of the Council's key priorities as set out in the Strategic Statement which will be considered by County Council in May.
- +£2.5m one-off contribution to general reserves to maintain these at 5% of the net revenue budget
- +£0.2m annual contribution to the smoothing reserve for facilities management contract
- -£8.7m drawdown from smoothing and public health reserves
- -£0.9m removal of one-off contributions to and drawdowns from reserves in 2021-22

£823.1m Proposed to be raised from Council Tax precept. An increase of £44.4m on 2020-21. £20.4m is due to a 2.63% increase in the tax base due to increased dwellings and recovery on low income discounts, £23.9m is raised from the proposed increase the in household charge up to but not exceeding 3% (including the additional adult social care levy).

£39.6m Confirmed or indicative government grants. This comprises:

- £13.0 new one-off Services grant for 2022-23
- £15.3m increase in Social Care Support Grant
- £1.5m increase in Improved Better Care Fund
- £0.3m increase in Revenue Support Grant
- £4.2m new ring-fenced grant for Social Care charging reforms
- £5.6m additional compensation for business rate freeze
- -£0.2m change in New Homes Bonus Grant

Revenue spending: a reminder of what it is

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

9.1 The additional spending growth of £83.6m is summarised in appendix D and set out in more detail in appendices F & G. It has been subdivided into the following categories:

Service Strategies and Improvements £9.3m	Various changes to address non-inflationary or demand pressures on services and includes the additional revenue cost of borrowing to support the capital programme and some areas where staffing needs to be enhanced to deal with increased activity/safeguard the Council from increased risks
TCP Pay & £10 per hour minimum pay point £7.3m	Net additional cost of proposed Total Contribution Pay (TCP) award for Kent scheme staff proposed by Personnel Committee and subject to finalising pay bargaining with trade unions (this provision would equate to 3% successful award for the majority of staff). Allow minimum pay point for Kent scheme to increase to £10 per hour (increasing the current differential between the lowest pay range (KR3) and Foundation Living Wage) Increase in the basic annual leave entitlement for staff in KR3-7 and KR8-12 by one additional day
NI Increase £1.6m	Cost of the additional 1.25% increase in employer's National Insurance Contributions (NICs).
Pension increase £0.2m	0.1% increase in employer pension contributions following the 2019 actuarial review of the Pension Fund.
Price inflation £28.6m	Contractual and negotiated price increases. Further information on the prices increase provision was provided to Members through a budget briefing.
Increased demand and cost drivers £20.7m	Full year effect of changes in client numbers and care packages/usage in the current year. Includes estimates for future demand-led increases across a range of services including integrated children's services, home to school transport and concessionary bus travel.
Government & Legislative £3.5m	Changes in spending to ensure the Council complies with latest legislative updates and requirements, including the £4.2m social care charging reforms, and the removal of one-off costs associated with Covid-19 pandemic in 2021-22 budget.
Reduction in specific grants £1.2m	Loss of income due to previously announced reductions in specific grants. The consequential reductions in spending are shown as savings.
Base budget changes £11.2m	Changes to reflect known variations from the current year's approved budget. These adjustments are necessary to ensure the budget continues to be on a sustainable basis.

Numbers rounded for clarity including totals. As a result, small rounding differences sometimes occur, and tables may appear not to add up.

9.2 The proposed savings and income of £37.9m is summarised in appendix D and set out in more detail in appendices F & G. It has been subdivided into the following categories:

Policy Savings £9.6m	These savings arise due to changes in KCC policies. The policy savings include a review of a number of service areas including in-house services in adult social care, subsidised bus services, discretionary disabled companion passes and contracts and grants with voluntary sector providers, expiry of the homeless support contract from September 2022, increases in the contributions towards Kent Travel Saver (KTS) and 16+ Travel Saver.
Transformation Savings £8.9m	These savings aim to achieve improved outcomes at less cost. The transformation savings include £8.4m from service redesign of the adult social care operating model focussing on social care practice, data led decision making, and innovation to better manage costs and future demand for adult social care including staff savings.
Efficiency Savings £5.0m	These savings aim to achieve the same outcomes at less cost. The efficiency savings include £3.3m on contracted services through reviews of existing contracts; £0.4m staffing savings through workforce management including review of business processes, automation, rationalisation and digitalisation; £1.3m of other service efficiencies
Financing Savings £2.1m	Reduction in prudential borrowing costs due to rephasing of capital projects from prior years and review of amounts set aside for debt repayment (MRP) based on asset life.
Income Generation £8.7m	Increases in fees and charges for council services from applying existing policies. Income generation includes uplifts in client contributions in line with estimated 2022-23 benefits and other personal income increases, inflationary uplifts in other fees and charges, increases in contributions to KTS linked to fare increases (this is existing arrangement and separate from the proposed policy change), increased contribution from external income, income from dividends from wholly owned companies (to be held in a Strategic Priorities Reserve which will be used to fund non-recurring/time limited projects and initiatives to support delivery of the Council's key priorities as set out in the Strategic Statement which will be considered by County Council in May.)
Specific Grant Income £3.6m	Estimated increases in grants for public health, new burdens and supporting families.

Numbers rounded for clarity including totals. As a result, small rounding differences sometimes occur, and tables may appear not to add up.

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

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

10.3 There are two main types of reserves:

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

10.4 The Council maintains reserves both for its General Fund activities and it accounts for the reserves of schools. The amount of reserves held is a matter of judgment which takes into account the reasons why reserves are maintained and the Council's potential financial exposure to risks. A Reserves Policy is included as Appendix I to this report. This includes the additional information on reserves requested during the scrutiny process.

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

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

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

10.8 Reserves are therefore held for the following purposes:

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

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

10.10 Following the review of existing reserves we have established two new reserves; to meet the significant cost of ICT investments required, including to deliver the council's Strategic Reset Programme objectives, and to cover feasibility work undertaken to support capital programme planning and delivery. Within the budget proposals we are continuing with the policy previously agreed that insecure and variable funding sources should not be used to fund base budget core activities e.g. New Homes Bonus grant (company dividends have already been transferred to this reserve) and should instead be held in a new Strategic Priorities Reserve which will be used to fund non-recurring/time limited projects and initiatives to support delivery of the Council's key priorities as set out in the Strategic Statement which will be considered by County Council in May.

10.11 The final draft budget includes a proposed £2.5m increase in general reserves to maintain these at 5% of the net revenue budget.

10.12 Appendix J to this final budget report sets out in more detail the risks and opportunities facing the council and an assessment of the key factors to take into account to determine the adequacy of reserves. Appendix K is a comprehensive budget risk register and is presented in order of the most significant risks.

Numbers rounded for clarity including totals. As a result, small rounding differences sometimes occur, and tables may appear not to add up.

Appendices

Summary of Draft Capital Programme and Financing 2022-23 to 2031-32 A
Draft Capital Programme by Directorate 2022-23 to 2031-32 B
Potential New Capital Projects 2022-23 to 2031-32 C
High Level Summary 3 Year Draft Revenue Plan and Financing D
Draft Directorate Revenue Budget 2022-23 Key Service Analysis E
Draft Directorate Revenue Budget Changes 2022-23 F
Draft County Level 3 Year Revenue Changes G
Core Grants in Local Government Finance Settlement H
Reserves Policy I
Budget Risks and Adequacy of Reserves J
Budget Risk Register K
Capital Strategy L
Treasury Management Strategy M
Investment Strategy N
Annual Minimum Revenue Provision Statement O

Background documents

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

KCC's Budget webpage 1
KCC's Corporate Risk Register and Risk Management Policy & Strategy 2
KCC's approved 2021-22 Budget 3
KCC's Budget Consultation, launched on 28th July 2021 4
KCC's report on 2021 Budget Consultation 5
Budget Monitoring Report September 2021 (item 7) 6
Report on 2022-23 Provisional Local Government Finance Settlement to Cabinet on 6th January (item 4) 7

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APPENDIX A - Summary of Draft Capital Programme and Financing 2022-23 to 2031-32

Capital Investment Plans:

ROW REF	Directorate		Total Cost £000s	Prior Years Spend £000s	Cash Limits 2022-23 Year 1 £000s	2023-24 Year 2 £000s	2024-25 Year 3 £000s	2025-26 Year 4 £000s
1	Adult Social Care & Health	ASCH	9,880	3,304	650	3,926	250	250
2	Children, Young People & Education	CYPE	871,041	514,567	114,766	82,008	23,025	19,525
3	Growth, Environment & Transport	GET	1,459,566	244,937	187,766	172,058	187,320	98,598
4	Strategic & Corporate Services	S&CS	143,059	18,546	36,112	39,201	6,150	6,150
5	**Total Cash Limit**		**2,483,546**	**781,354**	**339,294**	**297,193**	**216,745**	**124,523**

Funded By:

6	Borrowing	543,980	120,040	109,622	74,791	45,385	28,685
7	Property Enterprise Fund (PEF) 2	369	369				
8	Grants	1,467,271	470,493	165,157	140,098	128,756	70,305
9	Developer Contributions	205,636	100,290	14,986	43,944	24,285	15,030
10	Other External Funding e.g. Arts Council, District Contributions etc.	32,172	15,179	13,977	3,016	0	0
11	Revenue Contributions to Capital	103,699	10,763	9,600	9,336	9,250	9,250
12	Capital Receipts	42,929	17,093	12,439	7,073	1,154	1,253
13	Recycled Loan Repayments	87,490	47,127	13,513	18,935	7,915	0
14	**Total Finance**	**2,483,546**	**781,354**	**339,294**	**297,193**	**216,745**	**124,523**

APPENDIX A - Summary of Draft Capital Programme and Financing 2022-2

Capital Investment Plans:

ROW REF	Directorate		Cash Limits 2026-27 Year 5 £000s	2027-28 Year 6 £000s	2028-29 Year 7 £000s	2029-30 Year 8 £000s	2030-31 Year 9 £000s	2031-32 Year 10 £000s
1	Adult Social Care & Health	ASCH	250	250	250	250	250	250
2	Children, Young People & Education	CYPE	19,525	19,525	19,525	19,525	19,525	19,525
3	Growth, Environment & Transport	GET	153,636	149,125	69,896	65,410	65,410	65,410
4	Strategic & Corporate Services	S&CS	6,150	6,150	6,150	6,150	6,150	6,150
	Total Cash Limit		**179,561**	**175,050**	**95,821**	**91,335**	**91,335**	**91,335**

Funded By:

6	Borrowing	25,682	26,835	28,235	28,235	28,235	28,235
7	Property Enterprise Fund (PEF) 2						
8	Grants	138,361	136,815	57,686	53,200	53,200	53,200
9	Developer Contributions	5,601	1,500	0	0	0	0
10	Other External Funding e.g. Arts Council, District Contributions etc.	0	0	0	0	0	0
11	Revenue Contributions to Capital	9,250	9,250	9,250	9,250	9,250	9,250
12	Capital Receipts	667	650	650	650	650	650
13	Recycled Loan Repayments	0	0	0	0	0	0
14	**Total Finance**	**179,561**	**175,050**	**95,821**	**91,335**	**91,335**	**91,335**

APPENDIX B - CAPITAL INVESTMENT PLANS BY DIRECTORATE 2022-23 TO 2031-32

Adult Social Care & Health (ASCH)

ROW REF	Rolling Programmes [3]	Description of Project	Total Cost of Scheme	Prior Years Spend	Cash Limits			
					2022-23 Year 1	2023-24 Year 2	2024-25 Year 3	2025-26 Year 4
			£000s	£000s	£000s	£000s	£000s	£000s
1	Home Support Fund & Equipment [1]	Provision of equipment and/or alterations to individuals' homes	2,500		250	250	250	250
2	**Total Rolling Programmes**		**2,500**		**250**	**250**	**250**	**250**

ROW REF	Individual Programmes	Description of Project	Total Cost of Scheme	Prior Years Spend	Cash Limits			
					2022-23 Year 1	2023-24 Year 2	2024-25 Year 3	2025-26 Year 4
			£000s	£000s	£000s	£000s	£000s	£000s
	Kent Strategy for Services for Learning Disability (LD):							
3	Learning Disability Good Day Programme [1]	To provide dedicated space, accessible equipment and facilities for people with a learning disability within inclusive community settings across the county	4,735	2,209	0	2,526	0	0
	Other Individual Projects:							
4	Community Sexual Health Services [1]	Development of premises for delivery of community sexual health services	1,345	945	400	0	0	0
5	Hedgerows [1]	A new purpose-built facility for people with complex needs and also for adult in-house service provision	1,300	150	0	1,150	0	0
6	**Total Invidivual Projects**		**7,380**	**3,304**	**400**	**3,676**	**0**	**0**
7	**Total - Adult Social Care & Health**		**9,880**	**3,304**	**650**	**3,926**	**250**	**250**

[1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved
[2] Estimated allocations have been included for 2022-23 and 2031-32
[3] Rolling programmes have been included for 10 year capital programme

Adult Social Care & Health (ASCH)

ROW REF	Rolling Programmes [3]	Description of Project	Cash Limits 2026-27 Year 5 £000s	2027-28 Year 6 £000s	2028-29 Year 7 £000s	2029-30 Year 8 £000s	2030-31 Year 9 £000s	2031-32 Year 10 £000s
1	Home Support Fund & Equipment [1]	Provision of equipment and/or alterations to individuals' homes	250	250	250	250	250	250
2	**Total Rolling Programmes**		**250**	**250**	**250**	**250**	**250**	**250**

ROW REF	Individual Programmes	Description of Project	Cash Limits 2026-27 Year 5 £000s	2027-28 Year 6 £000s	2028-29 Year 7 £000s	2029-30 Year 8 £000s	2030-31 Year 9 £000s	2031-32 Year 10 £000s
	Kent Strategy for Services for Learning Disability (LD):							
3	Learning Disability Good Day Programme [1]	To provide dedicated space, accessible equipment and facilities for people with a learning disability within inclusive community settings across the county	0	0	0	0	0	0
	Other Individual Projects:							
4	Community Sexual Health Services [1]	Development of premises for delivery of community sexual health services	0	0	0	0	0	0
5	Hedgerows [1]	A new purpose-built facility for people with complex needs and also for adult in-house service provision	0	0	0	0	0	0
6	**Total Invidivual Projects**		**0**	**0**	**0**	**0**	**0**	**0**

7	**Total - Adult Social Care & Health**		**250**	**250**	**250**	**250**	**250**	**250**

[1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved
[2] Estimated allocations have been included for 2022-23 and 2031-32
[3] Rolling programmes have been included for 10 year capital programme

APPENDIX B - CAPITAL INVESTMENT PLANS BY DIRECTORATE 2022-23 TO 2031-32

Children, Young People & Education (CYPE)

ROW REF	Rolling Programmes [3]	Description of Project	Total Cost of Scheme £000s	Prior Years Spend £000s	Cash Limits 2022-23 Year 1 £000s	2023-24 Year 2 £000s	2024-25 Year 3 £000s	2025-26 Year 4 £000s
1	Annual Planned Enhancement Programme [1] [2]	Planned and reactive capital projects to keep schools open and operational	83,227		8,227	9,500	9,500	8,000
2	Schools Capital Expenditure funded from Devolved Formula Capital Grants for Individual Schools	Enhancement of schools	45,000		4,500	4,500	4,500	4,500
3	Schools Capital Expenditure funded from Revenue	Expenditure on capital projects by individual schools	50,000		5,000	5,000	5,000	5,000
4	Youth - Modernisation of Assets	To purchase vehicles and equipment for youth services	347		122	25	25	25
5	Schools' Modernisation Programme [1] [2]	Improving and upgrading school buildings including removal of temporary classrooms	24,000		2,000	4,000	4,000	2,000
6	**Total Rolling Programmes**		**202,574**		**19,849**	**23,025**	**23,025**	**19,525**

ROW REF	Individual Programmes	Description of Project	Total Cost of Scheme £000s	Prior Years Spend £000s	Cash Limits 2022-23 Year 1 £000s	2023-24 Year 2 £000s	2024-25 Year 3 £000s	2025-26 Year 4 £000s
	Basic Need Schemes - to provide additional pupil places:							
7	Basic Need Kent Comissioning Plan (KCP) 2016 & previous years	Increasing the capacity of Kent's schools	328,701	328,701	0	0	0	0
8	Basic Need KCP 2017 [1]	Increasing the capacity of Kent's schools	136,189	110,251	19,938	6,000	0	0
9	Basic Need KCP 2018 [1]	Increasing the capacity of Kent's schools	47,959	24,268	23,691	0	0	0
10	Basic Need KCP 2019 [1]	Increasing the capacity of Kent's schools	92,691	17,414	38,642	36,635	0	0
11	Basic Need KCP 2021-25 [1]	Increasing the capacity of Kent's schools	18,678	630	3,250	14,798	0	0
	Other Projects							
12	Nest 2 [1]	Provision of a residential facility for children and young people in Kent and Medway with Autistic Spectrum Conditions (ASC)	1,550	0	0	1,550	0	0
13	John Wallis Academy [1]	Provision of a new primary school building and relocation of children's centre	5,311	5,011	300	0	0	0
14	Priority School Build Programme (PSBP) 1 & 2	Additional works under the PSBP programme not funded by the Education and Skills Funding Agency (ESFA)	24,372	24,372	0	0	0	0
15	High Needs Provision	Specific projects relating to high needs provision	6,389	1,495	4,894	0	0	0
16	School Roofs	Structural repairs to school roofs	6,627	2,425	4,202	0	0	0
17	**Total Invidivual Projects**		**668,467**	**514,567**	**94,917**	**58,983**	**0**	**0**
18	**Total - Children, Young People & Education**		**871,041**	**514,567**	**114,766**	**82,008**	**23,025**	**19,525**

[1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved
[2] Estimated allocations have been included for 2022-23 and 2031-32
[3] Rolling programmes have been included for 10 year capital programme

APPENDIX B - CAPITAL INVESTMENT PLANS BY DIRECTORATE 2022-23 TO 2031-32

Children, Young People & Education (CYPE)

ROW REF	Rolling Programmes [3]	Description of Project	Cash Limits 2026-27 Year 5 £000s	2027-28 Year 6 £000s	2028-29 Year 7 £000s	2029-30 Year 8 £000s	2030-31 Year 9 £000s	2031-32 Year 10 £000s
1	Annual Planned Enhancement Programme [1] [2]	Planned and reactive capital projects to keep schools open and operational	8,000	8,000	8,000	8,000	8,000	8,000
2	Schools Capital Expenditure funded from Devolved Formula Capital Grants for Individual Schools	Enhancement of schools	4,500	4,500	4,500	4,500	4,500	4,500
3	Schools Capital Expenditure funded from Revenue	Expenditure on capital projects by individual schools	5,000	5,000	5,000	5,000	5,000	5,000
4	Youth - Modernisation of Assets	To purchase vehicles and equipment for youth services	25	25	25	25	25	25
5	Schools' Modernisation Programme [1] [2]	Improving and upgrading school buildings including removal of temporary classrooms	2,000	2,000	2,000	2,000	2,000	2,000
6	**Total Rolling Programmes**		**19,525**	**19,525**	**19,525**	**19,525**	**19,525**	**19,525**

ROW REF	Individual Programmes	Description of Project	Cash Limits 2026-27 Year 5 £000s	2027-28 Year 6 £000s	2028-29 Year 7 £000s	2029-30 Year 8 £000s	2030-31 Year 9 £000s	2031-32 Year 10 £000s
	Basic Need Schemes - to provide additional pupil places:							
7	Basic Need Kent Comissioning Plan (KCP) 2016 & previous years	Increasing the capacity of Kent's schools	0	0	0	0	0	0
8	Basic Need KCP 2017 [1]	Increasing the capacity of Kent's schools	0	0	0	0	0	0
9	Basic Need KCP 2018 [1]	Increasing the capacity of Kent's schools	0	0	0	0	0	0
10	Basic Need KCP 2019 [1]	Increasing the capacity of Kent's schools	0	0	0	0	0	0
11	Basic Need KCP 2021-25 [1]	Increasing the capacity of Kent's schools	0	0	0	0	0	0
	Other Projects							
12	Nest 2 [1]	Provision of a residential facility for children and young people in Kent and Medway with Autistic Spectrum Conditions (ASC)	0	0	0	0	0	0
13	John Wallis Academy [1]	Provision of a new primary school building and relocation of children's centre	0	0	0	0	0	0
14	Priority School Build Programme (PSBP) 1 & 2	Additional works under the PSBP programme not funded by the Education and Skills Funding Agency (ESFA)	0	0	0	0	0	0
15	High Needs Provision	Specific projects relating to high needs provision	0	0	0	0	0	0
16	School Roofs	Structural repairs to school roofs	0	0	0	0	0	0
17	**Total Invidivual Projects**		**0**	**0**	**0**	**0**	**0**	**0**
18	**Total - Children, Young People & Education**		**19,525**	**19,525**	**19,525**	**19,525**	**19,525**	**19,525**

[1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved
[2] Estimated allocations have been included for 2022-23 and 2031-32
[3] Rolling programmes have been included for 10 year capital programme

Growth, Environment & Transport (GET)

ROW REF	Rolling Programmes [3]	Description of Project	Total Cost of Scheme £000s	Prior Years Spend £000s	Cash Limits 2022-23 Year 1 £000s	2023-24 Year 2 £000s	2024-25 Year 3 £000s	2025-26 Year 4 £000s
	Growth & Communities							
1	Country Parks Access and Development	Improvements and adaptations to country parks	619		79	60	60	60
2	Public Rights of Way	Structural improvements of public rights of way	9,196		1,096	900	900	900
3	Public Sports Facilities Improvement	Capital grants for new provision/refurbishment of sports facilities and projects in the community	750		75	75	75	75
4	Village Halls and Community Centres	Capital Grants for improvements and adaptations to village halls and community centres	750		75	75	75	75
	Transportion							
5	Highways Asset Management/Annual Maintenance and programme of Significant and Urgent Safety Critical Works [1] [2]	Maintaining Kent's roads	609,125		73,125	64,000	59,000	59,000
6	Integrated Transport Schemes [1] [2]	Improvements to road safety	44,925		4,425	4,500	4,500	4,500
7	Major Schemes - Preliminary Design Fees	Preliminary design of new roads	327		30	50	50	50
8	Old Highways Schemes, Residual Works, Land Compensation Act (LCA) Part 1	Old Highways Schemes, Residual Works, LCA Part 1	190		178	12	0	0
9	**Total Rolling Programmes**		**665,882**		**79,083**	**69,672**	**64,660**	**64,660**

ROW REF	Individual Programmes	Description of Project	Total Cost of Scheme £000s	Prior Years Spend £000s	Cash Limits 2022-23 Year 1 £000s	2023-24 Year 2 £000s	2024-25 Year 3 £000s	2025-26 Year 4 £000s
	Growth & Communities							
10	Digital Autopsy	To provide a body storage and digital autopsy facility	3,158	344	2,814	0	0	0
11	Essella Road Bridge (PROW)	Urgent works to ensure footbridge remains open	300	92	208	0	0	0
12	Public Mortuary	To consider options for the provision of a public mortuary	3,000	0	0	0	0	3,000
13	Herne Bay Library Plus	Project to refurbish the library and address long-term building issues	516	216	300	0	0	0
14	Tunbridge Wells Cultural Hub (Amelia)	Contribution to the development of a cultural and learning hub in partnership with Tunbridge Wells Borough Council, including library, registration and adult education	1,586	886	350	350	0	0
15	Broadband Contract 2	To extend the reach of superfast broadband so that 95% of homes and businesses can access superfast broadband	10,465	10,465	0	0	0	0
16	Innovation Investment Initiative (i3)	Provision of loans to small and medium enterprises with the potential for innovation and growth, helping them to improve their productivity and create jobs	10,374	6,182	2,096	2,096	0	0
17	Javelin Way Development	To provide accomodation for creative industries and the creation of industrial units	11,312	10,493	782	10	4	6

Growth, Environment & Transport (GET)

ROW REF	Rolling Programmes [3]	Description of Project	Cash Limits 2026-27 Year 5 £000s	2027-28 Year 6 £000s	2028-29 Year 7 £000s	2029-30 Year 8 £000s	2030-31 Year 9 £000s	2031-32 Year 10 £000s
	Growth & Communities							
1	Country Parks Access and Development	Improvements and adaptations to country parks	60	60	60	60	60	60
2	Public Rights of Way	Structural improvements of public rights of way	900	900	900	900	900	900
3	Public Sports Facilities Improvement	Capital grants for new provision/refurbishment of sports facilities and projects in the community	75	75	75	75	75	75
4	Village Halls and Community Centres	Capital Grants for improvements and adaptations to village halls and community centres	75	75	75	75	75	75
	Transportion							
5	Highways Asset Management/Annual Maintenance and programme of Significant and Urgent Safety Critical Works [1] [2]	Maintaining Kent's roads	59,000	59,000	59,000	59,000	59,000	59,000
6	Integrated Transport Schemes [1] [2]	Improvements to road safety	4,500	4,500	4,500	4,500	4,500	4,500
7	Major Schemes - Preliminary Design Fees	Preliminary design of new roads	47	100	0	0	0	0
8	Old Highways Schemes, Residual Works, Land Compensation Act (LCA) Part 1	Old Highways Schemes, Residual Works, LCA Part 1	0	0	0	0	0	0
9	**Total Rolling Programmes**		**64,657**	**64,710**	**64,610**	**64,610**	**64,610**	**64,610**

ROW REF	Individual Programmes	Description of Project	Cash Limits 2026-27 Year 5 £000s	2027-28 Year 6 £000s	2028-29 Year 7 £000s	2029-30 Year 8 £000s	2030-31 Year 9 £000s	2031-32 Year 10 £000s
	Growth & Communities							
10	Digital Autopsy	To provide a body storage and digital autopsy facility	0	0	0	0	0	0
11	Essella Road Bridge (PROW)	Urgent works to ensure footbridge remains open	0	0	0	0	0	0
12	Public Mortuary	To consider options for the provision of a public mortuary	0	0	0	0	0	0
13	Herne Bay Library Plus	Project to refurbish the library and address long-term building issues	0	0	0	0	0	0
14	Tunbridge Wells Cultural Hub (Amelia)	Contribution to the development of a cultural and learning hub in partnership with Tunbridge Wells Borough Council, including library, registration and adult education	0	0	0	0	0	0
15	Broadband Contract 2	To extend the reach of superfast broadband so that 95% of homes and businesses can access superfast broadband	0	0	0	0	0	0
16	Innovation Investment Initiative (i3)	Provision of loans to small and medium enterprises with the potential for innovation and growth, helping them to improve their productivity and create jobs	0	0	0	0	0	0
17	Javelin Way Development	To provide accomodation for creative industries and the creation of industrial units	17	0	0	0	0	0

ROW REF	Individual Programmes	Description of Project	Total Cost of Scheme	Prior Years Spend	Cash Limits			
					2022-23 Year 1	2023-24 Year 2	2024-25 Year 3	2025-26 Year 4
			£000s	£000s	£000s	£000s	£000s	£000s
18	Kent & Medway Business Fund	New fund using recycled receipts from Regional Growth Fund, TIGER and Escalate, to enable creation of jobs and support business start ups	40,206	18,930	6,861	6,500	7,915	0
19	Kent Empty Property Initiative - No Use Empty (NUE)	Bringing long term empty properties including commercial buildings and vacant sites back into use as quality housing accommodation	49,945	40,879	5,307	3,759	0	0
20	The Kent Broadband Voucher Scheme	Voucher scheme to benefit properties in hard to reach locations	2,862	800	1,062	1,000	0	0
	Environment & Waste							
21	Energy and Water Efficiency Investment Fund - External	Energy Efficiency works	3,068	2,597	100	371	0	0
22	Energy Reduction and Water Efficiency Investment - KCC	Energy Efficiency works	2,423	2,129	78	216	0	0
23	Leigh (Medway) Flood Storage Area	Contribution to partnership-funded projects to provide flood defences for the River Medway	4,000	0	1,500	2,500	0	0
24	Kings Hill Solar Farm	Construction of a solar farm	4,167	3,595	572		0	0
25	New Transfer Station - Folkestone & Hythe [1]	To provide a new waste transfer station in Folkestone & Hythe	9,585	9	4,788	4,788	0	0
26	Surface Water Flood Risk Management	Surface Water Flood Risk Management	4,000				500	500
27	Waste Compactor Replacement	To replace waste compactors at Household Waste Recycle Centres to ensure efficient waste site operation	1,070	796	274	0	0	0
28	Windmill Asset Management & Weatherproofing	Works to ensure Windmills are in a safe and weatherproof condition	3,872	667	380	425	300	300
	Transportion							
29	A2 Off Slip Wincheap, Canterbury [1]	To deliver an off-slip in the coastbound direction	4,400	0	0	0	1,500	2,199
30	A226 St Clements Way	Road improvement scheme	6,807	6,691	60	32	24	0
31	A228 and B2160 Junction Improvements with B2017 Badsell Road [1]	Junction improvements	3,695	242	400	2,853	200	0
32	A2500 Lower Road Improvements	Junction improvements to increase capacity	5,435	5,337	73	25	0	0
33	A28 Chart Road, Ashford	Strategic highway improvement	26,246	3,820	1,234	10,060	11,132	0
34	Bath Street, Gravesend [1]	Bus Lane project - Fastrack programme extension	5,520	212	2,850	2,458	0	0
35	Dartford Town Centre	A package of works to improve economic performance of Dartford Town Centre	12,000	11,498	502	0	0	0
36	Dover Bus Rapid Transit	To provide a high quality and reliable public transport service in the Dover area, funded from Housing Infrastructure funding	23,019	4,358	12,467	6,100	94	0
37	Fastrack Full Network - Bean Road Tunnels	Construction of a tunnel linking Bluewater and the Eastern Quarry Development	13,906	2,827	8,320	2,759	0	0
38	Faversham Swing Bridge [1]	Restoration of an opening bridge	2,550	1,950	600	0	0	0
39	Green Corridors	Programme of schemes to improve walking and cycling in Ebbsfeet	7,400	1,602	5,798	0	0	0
40	Herne Relief Road [1]	Provision of an alternative route between Herne Bay and Canterbury to avoid Herne village	8,976	1,067	4,577	1,239	2,093	0

ROW REF	Individual Programmes	Description of Project	Cash Limits 2026-27 Year 5 £000s	2027-28 Year 6 £000s	2028-29 Year 7 £000s	2029-30 Year 8 £000s	2030-31 Year 9 £000s	2031-32 Year 10 £000s
18	Kent & Medway Business Fund	New fund using recycled receipts from Regional Growth Fund, TIGER and Escalate, to enable creation of jobs and support business start ups	0	0	0	0	0	0
19	Kent Empty Property Initiative - No Use Empty (NUE)	Bringing long term empty properties including commercial buildings and vacant sites back into use as quality housing accommodation	0	0	0	0	0	0
20	The Kent Broadband Voucher Scheme	Voucher scheme to benefit properties in hard to reach locations	0	0	0	0	0	0
	Environment & Waste							
21	Energy and Water Efficiency Investment Fund - External	Energy Efficiency works	0	0	0	0	0	0
22	Energy Reduction and Water Efficiency Investment - KCC	Energy Efficiency works	0	0	0	0	0	0
23	Leigh (Medway) Flood Storage Area	Contribution to partnership-funded projects to provide flood defences for the River Medway	0	0	0	0	0	0
24	Kings Hill Solar Farm	Construction of a solar farm	0	0	0	0	0	0
25	New Transfer Station - Folkestone & Hythe [1]	To provide a new waste transfer station in Folkestone & Hythe	0	0	0	0	0	0
26	Surface Water Flood Risk Management	Surface Water Flood Risk Management	500	500	500	500	500	500
27	Waste Compactor Replacement	To replace waste compactors at Household Waste Recycle Centres to ensure efficient waste site operation	0	0	0	0	0	0
28	Windmill Asset Management & Weatherproofing	Works to ensure Windmills are in a safe and weatherproof condition	300	300	300	300	300	300
	Transportion							
29	A2 Off Slip Wincheap, Canterbury [1]	To deliver an off-slip in the coastbound direction	701	0	0	0	0	0
30	A226 St Clements Way	Road improvement scheme	0	0	0	0	0	0
31	A228 and B2160 Junction Improvements with B2017 Badsell Road [1]	Junction improvements	0	0	0	0	0	0
32	A2500 Lower Road Improvements	Junction improvements to increase capacity	0	0	0	0	0	0
33	A28 Chart Road, Ashford	Strategic highway improvement	0	0	0	0	0	0
34	Bath Street, Gravesend [1]	Bus Lane project - Fastrack programme extension	0	0	0	0	0	0
35	Dartford Town Centre	A package of works to improve economic performance of Dartford Town Centre	0	0	0	0	0	0
36	Dover Bus Rapid Transit	To provide a high quality and reliable public transport service in the Dover area, funded from Housing Infrastructure funding	0	0	0	0	0	0
37	Fastrack Full Network - Bean Road Tunnels	Construction of a tunnel linking Bluewater and the Eastern Quarry Development	0	0	0	0	0	0
38	Faversham Swing Bridge [1]	Restoration of an opening bridge	0	0	0	0	0	0
39	Green Corridors	Programme of schemes to improve walking and cycling in Ebbsfeet	0	0	0	0	0	0
40	Herne Relief Road [1]	Provision of an alternative route between Herne Bay and Canterbury to avoid Herne village	0	0	0	0	0	0

ROW REF	Individual Programmes	Description of Project	Total Cost of Scheme	Prior Years Spend	Cash Limits 2022-23 Year 1	2023-24 Year 2	2024-25 Year 3	2025-26 Year 4
			£000s	£000s	£000s	£000s	£000s	£000s
41	Housing Infrastructure Fund - Swale Infrastructure Projects [1]	Improvements to A249 Junctions at Grovehurst Road and Keycol Roundabout	38,631	2,340	8,236	21,934	6,121	0
42	Kent Active Travel Fund Phase 2 [1]	Investment in active travel initiatives as an alternative to the travelling public for shorter journeys	4,878	3,150	1,728	0	0	0
43	Kent Medical Campus (National Productivity Investment Fund - NPIF)	Project to ease congestion in Maidstone	11,520	5,222	6,218	60	20	0
44	Kent Thameside Strategic Transport Programme [1]	Strategic highway improvement in Dartford & Gravesham	9,975	990	512	8,473	0	0
45	LED Conversion	Upgrading street lights to more energy efficient LED lanterns & implementation of Central Monitoring System	40,754	38,004	2,000	750	0	0
46	Maidstone Integrated Transport [1]	Improving transport links with various schemes in Maidstone	10,850	5,553	1,490	3,682	125	0
47	Market Square Dover	Project to improve access and public realm at Market Square in Dover	3,640	2,048	1,582	10	0	0
48	M20 Junction 4 Eastern Over Bridge	Carriageway widening	6,195	6,155	28	12	0	0
49	Rathmore Road Link	Road improvement scheme	8,008	7,828	165	15	0	0
50	Sturry Link Road, Canterbury [1]	Construction of bypass	29,601	2,040	3,964	6,161	12,255	2,881
51	Thanet Parkway	Construction of Thanet Parkway Railway Station to enhance rail access in east Kent and act as a catalyst for economic and housing growth	37,212	30,777	6,435	0	0	0
52	Urban Traffic Management [1]	Upgrades to the existing urban traffic management system within the Ebbsfleet area.	5,476	1,946	3,530	0	0	0
53	A229 Bluebell Hill M2 & M20 Interchange Upgrades [1]	Scheme to upgrade junctions to increase capacity and provide freeflowing interchange wherever possible	202,081	0	4,442	3,748	6,377	14,252
54	A28 Birchington, Acol and Westgate-on-Sea Relief Road [1]	Creation of a relief road	49,000	200	4,000	10,000	24,000	10,800
55	Thanet Way [1]	Structural improvement to the Thanet Way A299	50,000	0	0	0	50,000	0
56	**Total Invidivual Projects**		**793,684**	**244,937**	**108,683**	**102,386**	**122,660**	**33,938**
57	**Total - Growth, Environment & Transport**		**1,459,566**	**244,937**	**187,766**	**172,058**	**187,320**	**98,598**

[1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved
[2] Estimated allocations have been included for 2022-23 and 2031-32
[3] Rolling programmes have been included for 10 year capital programme

ROW REF	Individual Programmes	Description of Project	Cash Limits 2026-27 Year 5 £000s	2027-28 Year 6 £000s	2028-29 Year 7 £000s	2029-30 Year 8 £000s	2030-31 Year 9 £000s	2031-32 Year 10 £000s
41	Housing Infrastructure Fund - Swale Infrastructure Projects [1]	Improvements to A249 Junctions at Grovehurst Road and Keycol Roundabout	0	0	0	0	0	0
42	Kent Active Travel Fund Phase 2 [1]	Investment in active travel initiatives as an alternative to the travelling public for shorter journeys	0	0	0	0	0	0
43	Kent Medical Campus (National Productivity Investment Fund - NPIF)	Project to ease congestion in Maidstone	0	0	0	0	0	0
44	Kent Thameside Strategic Transport Programme [1]	Strategic highway improvement in Dartford & Gravesham	0	0	0	0	0	0
45	LED Conversion	Upgrading street lights to more energy efficient LED lanterns & implementation of Central Monitoring System	0	0	0	0	0	0
46	Maidstone Integrated Transport [1]	Improving transport links with various schemes in Maidstone	0	0	0	0	0	0
47	Market Square Dover	Project to improve access and public realm at Market Square in Dover	0	0	0	0	0	0
48	M20 Junction 4 Eastern Over Bridge	Carriageway widening	0	0	0	0	0	0
49	Rathmore Road Link	Road improvement scheme	0	0	0	0	0	0
50	Sturry Link Road, Canterbury [1]	Construction of bypass	2,300	0	0	0	0	0
51	Thanet Parkway	Construction of Thanet Parkway Railway Station to enhance rail access in east Kent and act as a catalyst for economic and housing growth	0	0	0	0	0	0
52	Urban Traffic Management [1]	Upgrades to the existing urban traffic management system within the Ebbsfleet area.	0	0	0	0	0	0
53	A229 Bluebell Hill M2 & M20 Interchange Upgrades [1]	Scheme to upgrade junctions to increase capacity and provide freeflowing interchange wherever possible	85,161	83,615	4,486	0	0	0
54	A28 Birchington, Acol and Westgate-on-Sea Relief Road [1]	Creation of a relief road	0	0	0	0	0	0
55	Thanet Way [1]	Structural improvement to the Thanet Way A299	0	0	0	0	0	0
56	**Total Invidivual Projects**		**88,979**	**84,415**	**5,286**	**800**	**800**	**800**
57	**Total - Growth, Environment & Transport**		**153,636**	**149,125**	**69,896**	**65,410**	**65,410**	**65,410**

[1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved
[2] Estimated allocations have been included for 2022-23 and 2031-32
[3] Rolling programmes have been included for 10 year capital programme

APPENDIX B - CAPITAL INVESTMENT PLANS BY DIRECTORATE 2022-23 TO 2031-32

Strategic & Corporate Services (S&CS)

ROW REF	Rolling Programmes [3]	Description of Project	Total Cost of Scheme	Prior Years Spend	Cash Limits			
					2022-23 Year 1	2023-24 Year 2	2024-25 Year 3	2025-26 Year 4
			£000s	£000s	£000s	£000s	£000s	£000s
1	Corporate Property Strategic Capital Delivery [1] [2]	Costs associated with delivering the capital programme	25,000		2,500	2,500	2,500	2,500
2	Disposal Costs [1]	Costs of disposing of surplus property	6,500		650	650	650	650
3	Modernisation of Assets (MOA)	Maintaining KCC estates	37,574		8,423	5,151	3,000	3,000
4	**Total Rolling Programmes**		**69,074**		**11,573**	**8,301**	**6,150**	**6,150**

ROW REF	Individual Programmes	Description of Project	Total Cost of Scheme	Prior Years Spend	Cash Limits			
					2022-23 Year 1	2023-24 Year 2	2024-25 Year 3	2025-26 Year 4
			£000s	£000s	£000s	£000s	£000s	£000s
5	Asset Utilisation	Strategic utilisation of assets in order to achieve revenue savings and capital receipts	1,443	229	1,214	0	0	0
6	Asset Utilisation - Oakwood House Transformation	Reconfiguration of Oakwood House to relocate other KCC services and release assets	7,600	4,258	3,342	0	0	0
7	Strategic Reset Programme [1]	Shape our organisation through our people, technology & infrastructure, identifying & connecting priority projects for maximum impact	8,000	1,000	2,000	5,000	0	0
8	Dover Discovery Centre [1]	Refurbishment to make the building fit for purpose	7,734	354	6,480	900	0	0
9	LIVE Margate [1]	Replace empty and poorly managed housing in Margate with high quality and well managed family housing to regenerate the area	10,208	7,040	3,168	0	0	0
10	Strategic Estate Programme [1]	Options for the council's future strategic estate	35,000	3,800	8,200	23,000	0	0
11	Feasibility Fund [1]	Forward funding to enable future projects assess feasibility	4,000	1,865	135	2,000	0	0
12	**Total Invidivual Projects**		**73,985**	**18,546**	**24,539**	**30,900**	**0**	**0**
13	**Total - Strategic & Corporate Services**		**143,059**	**18,546**	**36,112**	**39,201**	**6,150**	**6,150**

[1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved
[2] Estimated allocations have been included for 2022-23 and 2031-32
[3] Rolling programmes have been included for 10 year capital programme

APPENDIX B - CAPITAL INVESTMENT PLANS BY DIRECTORATE 2022-23 TO 2031-32

Strategic & Corporate Services (S&CS)

ROW REF	Rolling Programmes [3]	Description of Project	Cash Limits 2026-27 Year 5 £000s	2027-28 Year 6 £000s	2028-29 Year 7 £000s	2029-30 Year 8 £000s	2030-31 Year 9 £000s	2031-32 Year 10 £000s
1	Corporate Property Strategic Capital Delivery [1] [2]	Costs associated with delivering the capital programme	2,500	2,500	2,500	2,500	2,500	2,500
2	Disposal Costs [1]	Costs of disposing of surplus property	650	650	650	650	650	650
3	Modernisation of Assets (MOA)	Maintaining KCC estates	3,000	3,000	3,000	3,000	3,000	3,000
4	**Total Rolling Programmes**		**6,150**	**6,150**	**6,150**	**6,150**	**6,150**	**6,150**

ROW REF	Individual Programmes	Description of Project	Cash Limits 2026-27 Year 5 £000s	2027-28 Year 6 £000s	2028-29 Year 7 £000s	2029-30 Year 8 £000s	2030-31 Year 9 £000s	2031-32 Year 10 £000s
5	Asset Utilisation	Strategic utilisation of assets in order to achieve revenue savings and capital receipts	0	0	0	0	0	0
6	Asset Utilisation - Oakwood House Transformation	Reconfiguration of Oakwood House to relocate other KCC services and release assets	0	0	0	0	0	0
7	Strategic Reset Programme [1]	Shape our organisation through our people, technology & infrastructure, identifying & connecting priority projects for maximum impact	0	0	0	0	0	0
8	Dover Discovery Centre [1]	Refurbishment to make the building fit for purpose	0	0	0	0	0	0
9	LIVE Margate [1]	Replace empty and poorly managed housing in Margate with high quality and well managed family housing to regenerate the area	0	0	0	0	0	0
10	Strategic Estate Programme [1]	Options for the council's future strategic estate	0	0	0	0	0	0
11	Feasibility Fund [1]	Forward funding to enable future projects assess feasibility	0	0	0	0	0	0
12	**Total Invidivual Projects**		**0**	**0**	**0**	**0**	**0**	**0**
13	**Total - Strategic & Corporate Services**		**6,150**	**6,150**	**6,150**	**6,150**	**6,150**	**6,150**

[1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved
[2] Estimated allocations have been included for 2022-23 and 2031-32
[3] Rolling programmes have been included for 10 year capital programme

APPENDIX C - POTENTIAL CAPITAL PROJECTS 2022-23 TO 2031-32 BY YEAR

These projects are currently very high level and commencement is subject to business case approval and affordable funding solutions identified.

Directorate	Potential Forthcoming Projects	Description of Project	Total Cost of Scheme £000s	2022-23 Year 1 £000s	2023-24 Year 2 £000s	2024-25 Year 3 £000s	2025-26 Year 4 £000s
ASCH	Extra Care Facilities	Provision of Extra Care Accommodation	16,800		4,000	4,000	8,800
GET	Household Waste Recycle Centres and Transfer Stations	Provision/alternative sites for Household Waste Recycle Centres to support local growth plans and redevelopments of waste transfer stations.	32,000		8,000	10,000	4,000
GET	North Farm Solar Farm	Solar farm at closed landfill site.	4,500	250	2,750	1,500	
GET	Maidstone District Heat Network	Renewable energy heat options for the Maidstone area	9,000		9,000		
GET	A228 Colts Hill Strategic Link - Road Scheme	Construction of bypass	45,000			45,000	
GET	South East Maidstone Strategic Route - Road Scheme	Construction of bypass	35,000			35,000	
GET	Orchard Way Railway Bridge	Strategic Highway Improvement	15,000			15,000	
S&CS	Nutrient Neutrality Mitigation Measures	Options to manage nutrient effects from housing developments	0		1,000	5,000	4,000
S&CS	Community Hubs	Strategically located assets to deliver community services on a needs-based approach.	120,000		1,000	2,000	17,000
	Total Potential Forthcoming Projects		**277,300**	**250**	**25,750**	**117,500**	**33,800**

APPENDIX C - POTENTIAL CAPIT

These projects are currently very high level and commencement is subject to business case ap

Directorate	Potential Forthcoming Projects	Description of Project	Indicative Costs 2026-27 Year 5 £000s	2027-28 Year 6 £000s	2028-29 Year 7 £000s	2029-30 Year 8 £000s	2030-31 Year 9 £000s	2031-32 Year 10 £000s
ASCH	Extra Care Facilities	Provision of Extra Care Accommodation						
GET	Household Waste Recycle Centres and Transfer Stations	Provision/alternative sites for Household Waste Recycle Centres to support local growth plans and redevelopments of waste transfer stations.	10,000					
GET	North Farm Solar Farm	Solar farm at closed landfill site.						
GET	Maidstone District Heat Network	Renewable energy heat options for the Maidstone area						
GET	A228 Colts Hill Strategic Link - Road Scheme	Construction of bypass						
GET	South East Maidstone Strategic Route - Road Scheme	Construction of bypass						
GET	Orchard Way Railway Bridge	Strategic Highway Improvement						
S&CS	Nutrient Neutrality Mitigation Measures	Options to manage nutrient effects from housing developments		-1,000	-5,000	-4,000		
S&CS	Community Hubs	Strategically located assets to deliver community services on a needs-based approach.	17,000	17,000	17,000	17,000	16,000	16,000
	Total Potential Forthcoming Projects		**27,000**	**16,000**	**12,000**	**13,000**	**16,000**	**16,000**

Appendix D - High Level 2022-25 Final Draft Revenue Plan and Financing

2021-22			2022-23		2023-24		2024-25	
£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s
	1,096,476.1	**Revised Base Budget**		1,132,426.0		1,182,685.3		1,225,344.7
		Growth						
8,512.3		Net Base Budget Changes	11,175.3		-2,214.0		-255.4	
1,463.3		Reduction in Grant Funding	1,157.9		-318.6			
4,609.6		Pay	9,241.3		7,300.0		7,300.0	
17,316.8		Prices	28,554.9		28,570.0		27,823.4	
16,007.5		Demand & Cost Drivers	20,748.2		19,282.3		18,002.1	
		Government & Legislative						
		Social Care Reform	4,161.0		24,966.0		12,482.9	
3,638.6		Other	-669.6		-260.0			
13,865.4		Service Strategies and Improvements	9,270.3		2,954.4		2,559.8	
	65,413.5	**Growth**		83,639.3		80,280.1		67,912.8
		Savings & Income						
		Transformation Savings						
-7,700.0		Adults Transformation Programmes	-8,407.7		-11,410.3		-6,622.5	
-1,024.0		Other Transformation Programmes	-451.4		-1,169.6			
-2,459.1		Income Generation	-8,676.6		-3,822.1		-2,741.3	
-2,642.0		Increases in Grants & Contributions	-3,621.8					
		Efficiency Savings						
-481.9		Staffing	-380.0		-1,790.0		-1,000.0	
-108.0		Premises						
-7,450.6		Contracts & Procurement	-3,316.0		-5,150.0			
-2,748.4		Other	-1,304.6		-200.0			
-5,913.0		Financing Savings	-2,094.0		-1,000.0		-1,000.0	
-8,995.9		Policy Savings	-9,606.5		-11,900.0		-14,845.0	
	-39,522.9	**Total Savings & Income**		-37,858.6		-36,442.0		-26,208.8
		Reserves						
20,394.1		Contributions to Reserves	14,054.5		7,000.0		7,000.0	
-1,384.6		Removal of prior year contributions	-20,474.1		-13,894.5		-8,223.3	
-22,227.3		Drawdowns from Reserves	-8,655.2		-2,939.4			
13,277.1		Removal of prior year drawdowns	19,553.4		8,655.2		2,939.4	
	10,059.3	**Net Impact on MTFP**		4,478.6		-1,178.7		1,716.1
	0.0	**Headroom (+ve)**		0.0		0.0		11,762.0
	1,132,426.0	**Net Budget Requirement**		1,182,685.3		1,225,344.7		1,280,526.8
		Funding per the Provisional Local Government Finance Settlement & Local Taxation						
9,695.0		Revenue Support Grant	10,018.1		10,399.6		10,640.5	
39,143.3		Social Care Support Grant	54,477.6		54,477.6		54,477.6	
		Social Care Reform grant (funded from new Health & Social Care Levy)	4,161.0		29,127.0		41,609.9	
32,357.0		Covid-19 emergency grant						
		Spending Review 2021: Services Grant	12,953.2		6,476.6		6,476.6	
14,281.5		Local Council Tax Support grant						
138,429.0		Business Rate Top-Up Grant	138,429.0		143,699.9		147,028.8	
48,544.2		Improved Better Care Fund	50,012.5		50,012.5		50,012.5	
20,515.1		Other un-ringfenced grants	25,915.4		21,533.9		21,533.9	
51,845.3		Local Share of Retained Business Rates	54,845.3		56,819.4		58,066.1	
-27,250.0		Business Rate Collection Fund	-1,127.6		-1,127.6			
26,691.6		Drawdown from reserves of S31 grant for Covid-19 business rate reliefs						
2,511.6		Drawdown from reserves of S31 grant for compensation for irrecoverable local taxation losses due to Covid-19	2,337.6		2,337.6			
691,369.1		Council Tax Income (including increase up to referendum limit but excluding social care levy)	725,505.3		749,350.0		774,116.2	
87,335.0		Council Tax Adult Social Care Levy	97,589.1		106,859.8		116,564.7	
1,579.9		Council Tax Collection Fund	12,190.4					
-4,621.6		Council Tax Collection Fund 2020-21 3-Year Deficit Write-off	-4,621.6		-4,621.6			
	1,132,426.0	**Total Funding**		1,182,685.3		1,225,344.7		1,280,526.8

APPENDIX E - Draft Directorate Revenue Budget 2022-23 Key Service Analysis

Revenue Spending:

Row Ref	2021-22 Revised Base Budget* £000s	Directorate		2022-23 Proposed Budget (including earmarked budgets held corporately for each Directorate) Staffing £000s	Non Staffing £000s	**Gross Expenditure £000s**	Income £000s	Grants £000s	**Net Cost £000s**	+/- from 2021-22 Revised Budget £000s
1	434,192.7	Adult Social Care & Health	ASCH	86,665.8	619,218.3	**705,884.1**	-157,271.7	-87,150.3	**461,462.1**	27,269.4
2	304,327.7	Children, Young People & Education (excluding Schools' Delegated Budgets)	CYPE	135,623.7	467,958.8	**603,582.5**	-53,408.9	-235,080.8	**315,092.8**	10,765.1
3	0.0	Schools' Delegated Budgets	CYPE	541,092.1	170,418.5	**711,510.6**	-31,757.0	-679,753.6	**0.0**	0.0
4	177,470.7	Growth, Environment & Transport	GET	57,511.6	167,569.5	**225,081.1**	-44,339.1	-6,754.5	**173,987.5**	-3,483.2
5	98,139.3	Strategic & Corporate Services	S&CS	46,644.6	85,352.1	**131,996.7**	-24,479.7	-4,709.9	**102,807.1**	4,667.8
6	118,295.6	Non Attributable Costs	NAC	10,070.5	135,078.0	**145,148.5**	-15,803.7	-9.0	**129,335.8**	11,040.2
7	**1,132,426.0**	**Budget Requirement**		**877,608.3**	**1,645,595.2**	**2,523,203.5**	**-327,060.1**	**-1,013,458.1**	**1,182,685.3**	**50,259.3**
8	1,132,426.0	Budget Requirement (excluding Schools' Delegated Budgets)		336,516.2	1,475,176.7	**1,811,692.9**	-295,303.1	-333,704.5	**1,182,685.3**	50,259.3
	Funded By:									
9	-775,662.4	Council Tax income including Collection Fund						-830,663.2	**-830,663.2**	-55,000.8
10	-24,595.3	Local Share of Business Rates & Business Rate Collection Fund						-53,717.7	**-53,717.7**	-29,122.4
11	-26,691.6	Drawdown from reserves of S31 grant for Covid-19 Business Rate reliefs						0.0	**0.0**	26,691.6
12	-2,511.6	Drawdown from reserves of S31 grant for compensation for irrecoverable local taxation losses due to Covid-19						-2,337.6	**-2,337.6**	174.0
		Unringfenced Grants:								
13	-9,695.0	Revenue Support Grant (RSG)						-10,018.1	**-10,018.1**	-323.1
14	-14,281.5	Local Council Tax Support Grant						0.0	**0.0**	14,281.5
15	-138,429.0	Business Rate Top-Up Grant						-138,429.0	**-138,429.0**	0.0
16	-13,916.7	Business Rate Compensation Grant						-19,564.9	**-19,564.9**	-5,648.2
17	-39,143.3	Social Care Grant						-54,477.6	**-54,477.6**	-15,334.3
18	0.0	Social Care Reform grant (funded from new Health & Social Care Levy)						-4,161.0	**-4,161.0**	-4,161.0
19	0.0	Spending Review 2021: Services Grant						-12,953.2	**-12,953.2**	-12,953.2
20	-48,544.2	Improved Better Care Fund (iBCF)						-50,012.5	**-50,012.5**	-1,468.3
21	-32,357.0	Covid-19 Emergency Grant						0.0	**0.0**	32,357.0
22	-4,629.4	New Homes Bonus						-4,381.5	**-4,381.5**	247.9
23	-1,969.0	Other Unringfenced Grants						-1,969.0	**-1,969.0**	0.0
24	**0.0**	**Total**		**877,608.3**	**1,645,595.2**	**2,523,203.5**	**-327,060.1**	**-2,196,143.4**	**0.0**	**0.0**

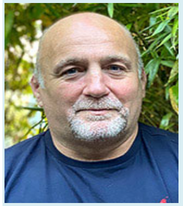
*The Revised Budget column includes changes to budgets as a result of structural changes

APPENDIX E - Draft Directorate Revenue Budget 2022-23 Key Service Analysis

The hierarchy below illustrates the Council's structure, and which Divisions sit in each Directorate, along with the approved net budget for 2022-23 in £000s. Earmarked budgets held corporately for each Directorate are also shown.

Directorate	Division		Budget (£000s)
Kent County Council			1,182,685.3
Adult Social Care & Health (ASCH)	Strategic Management & Directorate Budgets	SMDBA	39,769.2
	Adult Social Care & Health Operations	ASCHO	409,003.4
	Public Health	PH	0.0
	Business Delivery Unit	BDU	8,528.5
	Controllable Net Budget		**457,301.1**
	Earmarked budgets held corporately for ASCH		4,161.0
	Net Budget including provisional share of corporately held budgets		**461,462.1**
Children Young People & Education (CYPE)	Strategic Management & Directorate Budgets	SMDBC	2,238.8
	Education	EDU	59,652.0
	Integrated Children's Services (East & West)	ICS	162,046.9
	Special Educational Needs & Disabilities	SEND	91,155.1
	Schools' Delegated Budgets	SDB	0.0
	Controllable Net Budget		**315,092.8**
	Earmarked budgets held corporately for CYPE		0.0
	Net Budget including provisional share of corporately held budgets		**315,092.8**
Growth, Environment & Transport (GET)	Strategic Management & Directorate Budgets	SMDBG	1,369.0
	Economic Development	ED	3,051.4
	Highways, Transportation & Waste	HTW	143,235.0
	Environment, Planning & Enforcement	EPE	17,057.4
	Libraries, Registration & Archives	LRA	9,039.8
	Controllable Net Budget		**173,752.6**
	Earmarked budgets held corporately for GET		234.9
	Net Budget including provisional share of corporately held budgets		**173,987.5**
Strategic & Corporate Services (S&CS)	Strategic Management & Directorate Budgets	SMDBS	9.2
	People & Communications	P&C	14,161.9
	Finance	FIN	12,452.5
	Governance, Law & Democracy	GLD	7,598.8
	Infrastructure	INF	5,777.1
	Technology	TEC	24,248.1
	Corporate Landlord	CL	27,063.7
	Strategic Commissioning	SC	7,348.9
	Strategy, Policy, Relationships & Corporate Assurance	SPRCA	4,146.9
	Controllable Net Budget		**102,807.1**
	Earmarked budgets held corporately for S&CS		0.0
	Net Budget including provisional share of corporately held budgets		**102,807.1**
Non Attributable Costs (NAC)	**Non Attributable Costs**	NAC	**120,485.8**
	Earmarked budgets held corporately for Non Attributable Costs		8,850.0
	Net Budget including provisional share of corporately held budgets		**129,335.8**

Adult Social Care & Health (ASCH)



Corporate Director: **Richard Smith**

Controllable Net Budget for 2022-23	**£457.3m**
Net Budget incl. provisional share of corporately held budgets	**£461.5m**
Gross Capital Budget over 10 year period:	**£6.6m**
Full Time Equivalent (FTE) Staff at December 2021:	**2,981.2**

Our priority is making a difference every day to people and supporting them to live a safe life, based on what's important to them.
We want to work together with people we support, our workforce and our partners to drive the best possible outcomes for people in Kent and keep high quality social care at the heart of everything we do.
Through our Care Act duties, we focus on the strengths of people, families and carers to promote independence and empower communities. We provide access to person-centred support through our in-house and commissioned providers.

Through our 'Making a Difference Every Day' programme , we have been able to reflect, refocus and reset our ways of working, allowing us to reposition and equip ourselves to reach our ambition of being best in class for adult social care.

With valuable input from colleagues across our directorate, we have already:

- Developed a clear view of our key strengths and areas for improvement mapped around our three pillars of Practice, Innovation and Meaningful Measures
- Agreed on what sustainable success for adult social care will look like in the future
- Built our roadmap to prioritise immediate actions, set longer term objectives and identify key opportunities for continuous improvement for the next few years
- Started to build and test new ways of working for our priority development areas.

The Adult Social Care & Health (ASCH) directorate consists of four divisions;

1. Adult Social Care & Health Operations (ASCHO)
2. Business Delivery Unit (BDU)
3. Strategic Management & Directorate Budget (SMDBA)
4. Public Health (PH)

The **Operations Division (ASCHO)** includes the social care staff providing the assessment of community care needs and safeguarding work required to support older people, working age adults with both physical and learning disabilities and with those with mental health issues, to help them improve or maintain their wellbeing and to live independently in their own homes and the community. Individually commissioned care and support budgets are managed within this division.

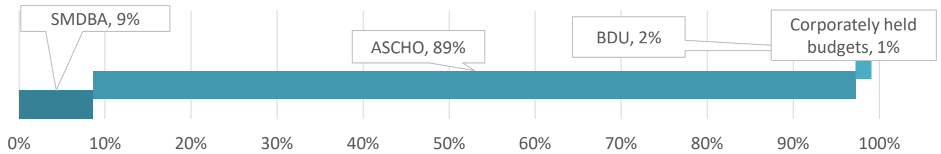
There are also some in-house services such as short term residential services for both older people and people with learning disabilities, community services and enablement services within this division.

Our Business Delivery Unit (BDU) manages the operational business support function for the directorate to achieve our operational business outcomes and making a difference everyday vision, and includes areas such as innovation and project management, stakeholder engagement and communications, systems and performance, direct payments and purchasing.

Strategic Management & Directorate Budget (SMDBA) incorporates the costs of the Strategic Management Team. The budgets relating to community based preventative services through the voluntary sector are also held within this division.

The Public Health Division (PH) aims to improve and protect the health and wellbeing of Kent's residents. Public Health has three overriding aims, to improve the health of the Kent population, to protect the health of the Kent population, and to improve the quality, effectiveness, and access to health and social care services. By achieving these aims, we will not only improve the wellbeing of the people of Kent, but also reduce the need for expensive acute interventions, thereby reducing the pressure on other KCC services, and the wider public sector

How is the ASCH budget split between Services?



The Graph above indicates ASCH budget split. SMDBA is 9%, ASCHO is 89%, BDU is 2% and Corporately held budgets are 1%.

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	2022-23 Proposed Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description

APPENDIX E - Draft Directorate Revenue Budget 2022-23 Key Service Analysis

*The 2021-22 Revised Budget column includes changes to budgets as a result of structural changes

Adult Social Care & Health (ASCH) £461.5m

Corporate Director: Richard Smith

Strategic Management & Directorate Budgets (SMDBA)

Corporate Director: Richard Smith

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
1	13,766.1	Community Based Preventative Services	0.0	19,051.5	**19,051.5**	-4,509.4	-751.1	**13,791.0**	Social Support Services provided by the voluntary sector to prevent social isolation and provide information and early intervention / preventative services to enable Service Users to remain independent. Including services for residents with immediate need and who are in crisis, to live independently by signposting to alternative appropriate services and helping with the purchase of equipment and supplies to ensure the safety and comfort of the most vulnerable in our society. This service line also includes Local Healthwatch which is a statutory service commissioned by KCC to ensure that patients, users of social care services and their carers, and the public, have a say in how these services are commissioned and delivered on their behalf.
2	6,925.7	Housing Related Support	0.0	6,073.7	**6,073.7**	-1,266.3	-181.7	**4,625.7**	Housing related support vulnerable households via supported housing, Home Improvement Agencies, women's refuges and community based support to enable them to gain the skills they need to live independently in their own home including emergency welfare assistance and advice to households in an emergency or crisis.
3	0.0	Partnership Support Services	0.0	10,425.6	**10,425.6**	-10,425.6	0.0	**0.0**	Manages a number of operational support services, which enable the Directorate to achieve its partnership agenda. Includes pooled budgets with health which fund community infrastructure to facilitate discharges from specialist hospitals and prevent new admissions for people with Learning disabilities (LD) or (Autism spectrum conditions (ASC).
4	3,059.1	Social Support for Carers	0.0	4,951.5	**4,951.5**	-1,746.7	0.0	**3,204.8**	Services supporting carers provided by the voluntary sector.
5	527.7	Strategic Safeguarding	875.0	56.8	**931.8**	0.0	-404.1	**527.7**	Strategic resource management to ensure a coherent policy and direction for the protection of vulnerable adults.
6	1,115.6	Statutory and Policy Support	531.3	584.3	**1,115.6**	0.0	0.0	**1,115.6**	Manages the Statutory and Policy support function for the Directorate to achieve the operational business outcomes. This includes Policy and Quality Assurance, Technical Support for Business Operations and Practice Development.
7	0.0	Provision for Demographic Growth - Community Based Services	0.0	11,806.1	**11,806.1**	-1,634.2	0.0	**10,171.9**	Provision for demographic growth within community-based services across all client groups this may include direct payments, including micro -providers to support the development of resilient communities alongside some being required for the more traditional services such as homecare, day services and supported living. This provision is to be held centrally in the first instance for allocation to Operations Division to fund demographic demands during the year in a manner that is consistent with the Directorate's Transformation Programme (MADE).
8	6,853.0	Strategic Management & Directorate Support (ASCH)	1,342.8	5,272.0	**6,614.8**	-229.0	-53.3	**6,332.5**	Central Directorate costs including the costs of the Corporate Director, Directors, and associated Officers.
9	**32,247.2**	**Total - Strategic Management & Directorate Budgets (SMDBA)**	**2,749.1**	**58,221.5**	**60,970.6**	**-19,811.2**	**-1,390.2**	**39,769.2**	

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	2022-23 Proposed Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
		Adult Social Care & Health Operations (ASCHO) Directors: Chris McKenzie (West) and Jennifer Anderton (East)							
10	6,516.9	ASCH Operations - Divisional Management & Support	6,225.0	367.1	**6,592.1**	-213.1	-22.7	**6,356.3**	Divisional management costs enabling the business to achieve its strategic aims
11	92,458.1	Adult Learning Disability - Community Based Services & Support for Carers	0.0	108,946.9	**108,946.9**	-8,842.0	-852.6	**99,252.3**	Commissioned Community-Based Services for Learning Disability Service Users (aged 26+) including homecare, direct payments, day services, supported living and the introduction of micro-providers to support the development of resilient communities.
12	66,006.0	Adult Learning Disability - Residential Care Services & Support for Carers	0.0	78,022.6	**78,022.6**	-5,600.5	0.0	**72,422.1**	Commissioned Residential Care Services (and Short Breaks) for Learning Disability Service Users (aged 26+)
13	5,117.4	Adult Learning Disability - Case Management & Assessment Service	4,872.6	211.9	**5,084.5**	-264.9	-11.1	**4,808.5**	Social care staff providing assessment of community care needs and safeguarding investigation undertaken by Case Managers
14	8,544.0	Adult Mental Health - Community Based Services	0.0	11,969.3	**11,969.3**	-899.9	-13.9	**11,055.5**	Commissioned Community-Based Services for Mental Health Service Users (aged 18+) including homecare, direct payments, day services, supported living and the introduction of micro-providers to support the development of resilient communites.
15	16,486.0	Adult Mental Health - Residential Care Services	0.0	16,688.9	**16,688.9**	-1,062.8	0.0	**15,626.1**	Commissioned Residential Care Services for Mental Health Service Users (aged 18+)
16	8,684.4	Adult Mental Health - Case Management & Assessment Services	8,136.9	261.2	**8,398.1**	-283.7	-11.1	**8,103.3**	Social care staff providing assessment of community care needs and safeguarding investigation undertaken by Mental Health professionals
17	18,534.6	Adult Physical Disability - Community Based Services	0.0	24,921.9	**24,921.9**	-3,246.9	-999.0	**20,676.0**	Commissioned Community-Based Services for Physical Disability Service Users (aged 26+ and those with an acquired long-term condition aged 18-25) including domiciliary care, direct payments, day services, supported living and the intorduciton of micro-providers to support the development of resilient communities.
18	17,524.8	Adult Physical Disability - Residential Care Services	0.0	19,091.5	**19,091.5**	-1,342.3	0.0	**17,749.2**	Residential Care Services for Physical Disability Service Users (aged 26+ and those with an acquired long-term condition aged 18-25)
19	51,257.3	Older People - Community Based Services	0.0	66,558.5	**66,558.5**	-28,232.5	-243.7	**38,082.3**	Commissioned Community-Based Services for Older People (aged 65+) including homecare, direct payments, day services, supported living and the introduction of micro-providers to support the development of resilient communities
20	32,554.2	Older People - Residential Care Services	0.0	112,578.8	**112,578.8**	-64,403.9	-120.2	**48,054.7**	Commissioned Residential and Nursing Care Services for Older People (aged 65+)
21	24,325.4	Older People & Physical Disability - Assessment and Deprivation of Liberty Safeguards Services	23,677.1	1,613.4	**25,290.5**	-2,164.5	-410.6	**22,715.4**	Social care staff providing assessment of community care needs and safeguarding investigation undertaken by Case Managers
22	779.5	Older People & Physical Disability Carer Support - Commissioned	0.0	2,140.7	**2,140.7**	-922.4	-11.3	**1,207.0**	Commissioned services to support carers

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	2022-23 Proposed Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
23	7,239.7	Physical Disability 26+ Lifespan Pathway & Sensory and Autism 18+ - Community Based Services	0.0	6,548.1	**6,548.1**	-604.2	0.0	**5,943.9**	Commissioned Community-Based Services for Physical Disability Service Users (aged 26+) with long-term conditions from birth or early childhood, Autism and Sensory Service Users (aged 18+) including homecare, direct payments, day services, supported living and the introduction of micro-providers to support the development of resilient communities.
24	1,379.1	Physical Disability 26+ Lifespan Pathway & Sensory and Autism 18+ - Residential Care Services	0.0	1,132.2	**1,132.2**	-45.3	0.0	**1,086.9**	Commissioned Residential Care Services (and Short Breaks) for Physical Disability Service Users (aged 26+) with long-term conditions from birth or early childhood, Autism and Sensory Service Users (aged 18+).
25	1,774.3	Sensory & Autism - Assessment Service	1,662.9	111.4	**1,774.3**	0.0	0.0	**1,774.3**	Social care staff providing assessment of community care needs and safeguarding investigation undertaken by Case Managers.
26	2,062.9	Adaptive & Assistive Technology	0.0	12,226.7	**12,226.7**	-6,916.6	0.0	**5,310.1**	Technology enabled care that supports innovative use of technology to improve outcomes and empower people to manager their care in a way that is right for them. Occupational Therapy Services working in partnership with Health to provide equipment to support people to lead a full life.
27	2,551.6	Adult In House Carer Services	2,167.0	154.1	**2,321.1**	-2.2	0.0	**2,318.9**	In-House residential respite services to support carers
28	6,934.1	Adult In House Community Services	4,918.1	824.4	**5,742.5**	-70.7	0.0	**5,671.8**	In-House Community-Based Services for Learning Disability Service Users (aged 18+) and Physical Disability (aged 18-25) including In-house Day opporunties both virtual and in person to enable Service Users to remain independent.
29	7,131.2	Adult In House Enablement Services	12,098.1	6,386.7	**18,484.8**	-6,023.2	-5,584.9	**6,876.7**	In-House Community-Based Enablement Services to maximise individuals indpendance and support people to return to living more independently in their community.
30	15,175.5	Older People - In House Provision	8,380.0	12,970.1	**21,350.1**	-2,030.1	-5,407.9	**13,912.1**	In-House provision for Older People, including in-house residential and day care centres, and integrated care centres
31	**393,037.0**	**Total - Adult Social Care & Health Operations (ASCHO)**	**72,137.7**	**483,726.4**	**555,864.1**	**-133,171.7**	**-13,689.0**	**409,003.4**	

Business Delivery Unit (BDU)

Head of Service: Helen Gillivan

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
32	8,251.6	Business Delivery	7,469.4	993.2	**8,462.6**	-591.0	0.0	**7,871.6**	Manages the operational business support function for the directorate to achieve our operational business outcomes and making a difference everyday vision, and includes areas such as innovation and project management, stakeholder engagement and communications, systems and performance, direct payments and purchasing
33	656.9	Independent Living Support	748.9	139.8	**888.7**	-231.8	0.0	**656.9**	The Independent Living Support Service (ILSS) offers a wide range of support to help service users live as independently as possible via the use of equipment and technology solutions. Included on this line are the ILSS Technicians Service, ILSS Independent Mobility Assessors, the Blue Badge Service and ILSS Management
34	**8,908.5**	**Total - Business Delivery Unit (BDU)**	**8,218.3**	**1,133.0**	**9,351.3**	**-822.8**	**0.0**	**8,528.5**	

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	2022-23 Proposed Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
Public Health (PH) Dr. Anjan Ghosh									
35	0.0	Public Health - Children's Programme	0.0	32,965.0	**32,965.0**	0.0	-32,965.0	**0.0**	Includes provision for 0-19 year olds and their families including: Health Visiting, School Public Health, Oral Health, services delivered through Children's Centres and Adolescent services
36	0.0	Public Health - Mental Health, Substance Misuse & Community Safety	83.3	13,178.0	**13,261.3**	-1,051.0	-12,210.3	**0.0**	Includes the provision of drug and alcohol services, domestic abuse services and Mental Health early intervention
37	0.0	Public Health - Sexual Health	0.0	14,990.6	**14,990.6**	-1,600.0	-13,390.6	**0.0**	Commissioning of mandated contraception and sexually transmitted infection advice and treatment services
38	0.0	Public Health - Healthy Lifestyles	0.0	9,748.6	**9,748.6**	-750.0	-8,998.6	**0.0**	Improving health and lifestyles through provision of Integrated Lifestyle services and NHS Health Checks to support the following outcomes; reduction in smoking, improved exercise and healthy eating to tackle obesity levels
39	0.0	Public Health - Advice and Other Staffing	3,477.4	1,094.2	**4,571.6**	-65.0	-4,506.6	**0.0**	Includes cost of management, commissioning, and operational staff to deliver statutory Public Health advice
40	**0**	**Total -Public Health (PH)**	**3,561**	**71,976**	**75,537**	**-3,466**	**-72,071**	**0**	
41	**434,192.7**	**Total - Adult Social Care & Health (ASCH) Controllable Budget**	**86,665.8**	**615,057.3**	**701,723.1**	**-157,271.7**	**-87,150.3**	**457,301.1**	
Corporately held budgets Corporate Director: Zena Cooke									
42	0.0	Corporately held budgets	0.0	4,161.0	**4,161.0**	0.0	0.0	**4,161.0**	Corporately held budgets earmarked for ASCH directorate, to be allocated once spend has been incurred. Details are provided in Appendix F.
43	**434,192.7**	**Total Adult Social Care & Health (ASCH) Budget including provisional share of Corporately held budgets**	**86,665.8**	**619,218.3**	**705,884.1**	**-157,271.7**	**-87,150.3**	**461,462.1**	

Children, Young People & Education (CYPE)

Corporate Director: **Matt Dunkley CBE**

Controllable Net Budget for 2022-23	**£315.1m**
Net Budget incl. provisional share of corporately held budgets	**£315.1m**
Gross Capital Budget over 10 year period:	**£356.5m**
Full Time Equivalent (FTE) Staff at December 2021:	**2,221.6**

Children, Young People and Education (CYPE) Directorate comprises of five Divisions: Intergrated Children's Services (East & West); Education; Special Education Needs and Disability (SEND) and Strategic Management and Directorate Budgets.

Our driving ambition is to ensure all Kent children have a good education and a good childhood. The CYPE vision is to make Kent a County that works for all children. We aim to ensure that all children feel safe, secure, loved, fulfilled, happy and optimistic so as they develop and achieve their maximum potential. In order to achieve this, we are focused upon:

- Securing the best childcare, education and training opportunities;
- Joining up services to support families at the right time in the right place;
- Being the best Corporate Parent we can be;
- Developing a culture of high aspiration and empathy for children and their families;
- Valuing and listening to children and young people's voices.

We work hard to minimise the impact of reduced resources and continued demand from the most vulnerable in our communities. We aim to keep vulnerable families out of crisis, by providing them with timely support. By focusing on prevention and working with families to reduce the risk of harm to children, CYPE are securing improvements to the efficiency and effectiveness of service delivery. The Directorate continues to respond creatively to the demands placed upon it by forming new partnerships, reshaping services and adopting new ways of working. Our ambitious Change for Kent Children (CfKC) programme has two clear priorities:

- To improve the outcomes and the life chances of the children and young people of Kent
- To deliver outstanding services to children and their families in Kent and to have this recognised by Ofsted.

Education (EDU): This Division's purpose is to secure high quality school places in every community so that every child and young person can have the best start in life, so that they are ready to succeed at school, have excellent foundations for learning and are well equipped for achievement in life, regardless of their social background. This Division commissions one of KCC's companies 'The Education People' to deliver traded and statutory elements of education support services, providing a continual focus on improving attainment and standards. The Division is also responsible for the strategy and delivery of Community Learning & Skills across the county.

Special Educational Needs and Disabilities (SEND): The Division is responsible for the delivery of all

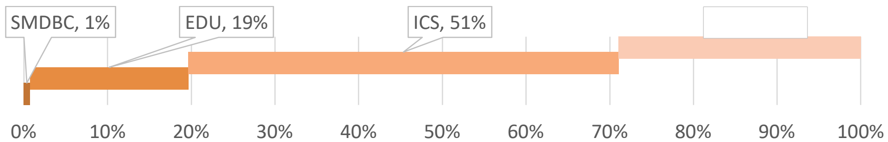
services match needs, are developed in partnership with parents and young people and continually adapt to Kent's changing demography. The Division is focused on securing the improvements required following a challenging SEND Ofsted Inspection, concentrating particularly on improving SEND support in mainstream schools, making practitioners more confident and inclusive and ensuring that we have the right SEND provision in Kent, along with ensuring improved pathways and provision for disabled children and young people with SEND, autism and complex health needs.

Schools' Delegated Budgets (SDB): This area holds the budget for Kent schools.

Integrated Children's Services (East & West) (ICS): These two Divisions have a statutory duty to safeguard and promote the welfare of some of Kent's most vulnerable children and young people. The Divisions focusses on providing an effective and consistent integrated children's service across Kent, supporting staff to prevent the escalation of need and deliver services that provide timely and appropriate support for children and families earlier, when they are most in need.

Strategic Management & Directorate Budgets (SMDBC): This area incorporates the Directorate centrally held costs, which includes the budgets for the Strategic Directors and support, historic pension costs, the Change for Kent Children Programme, Directorate communications and Member interface.

How is the CYPE budget split between Services?



The Graph above indicates CYPE budget split. SMDBC is 1%, EDU is 19%, ICS is 51%, SEDN is 29%

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	2022-23 Proposed Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description

Children, Young People & Education (CYPE) £315.1m

Corporate Director: Matt Dunkley CBE

Strategic Management & Directorate Budgets (SMDBC)

Corporate Director: Matt Dunkley CBE

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
44	3,990.4	Strategic Management & Directorate Budgets (CYPE)	1,222.2	4,810.2	**6,032.4**	-684.0	-3,109.6	**2,238.8**	Central Directorate costs including the Strategic Director and Directorate pension costs

Education (EDU)

Director: Christine McInnes

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
45	-614.0	Community Learning & Skills (CLS)	9,605.2	3,569.3	**13,174.5**	-3,218.8	-10,772.7	**-817.0**	Provision of adult education courses and family and responsive learning, together with the delivery of English and Maths learning, to help people improve their employability skills
46	0.0	Early Years Education	0.0	75,072.2	**75,072.2**	0.0	-75,072.2	**0.0**	Parents' statutory entitlement to free Early Years education provision, most commonly from private, voluntary and independent providers for which KCC provides reimbursement from the Dedicated Schools Grant. There is a universal entitlement of 15 hours per week for all 3 and 4 year olds, increasing to 30 hours for children of working parents. This budget also provides entitlement to eligible 2 year olds for up to 15 hours per week
47	4,170.3	Education Services provided by The Education People	0.0	8,960.8	**8,960.8**	0.0	-4,487.0	**4,473.8**	A range of statutory education services provided by The Education People, including School Improvement, Education Safeguarding, Skills & Employability, Schools Financial Services, and Outdoor Education
48	252.7	Fair Access & Planning Services	2,198.4	690.7	**2,889.1**	-58.0	-2,578.4	**252.7**	Planning the provision of school places and managing the schools admissions and eligibility for school transport services
49	44,485.9	Home to School & College Transport	199.9	53,204.5	**53,404.4**	-3,712.4	0.0	**49,692.0**	Transport to education establishments for all entitled pupils including specialist transport to school and college for children and young people with Special Educational Needs & Disabilities, together with free mainstream school transport, and the partly subsidised Kent 16+ Travel Saver (which includes an individual contribution). A small team support specific pupils with their travel arrangements to schools to enable them to become independent as they transition to secondary school
50	4,648.5	Other School Services	0.0	40,451.2	**40,451.2**	-18,200.3	-17,554.0	**4,696.9**	Provision of a wide range of support services to schools
51	1,353.6	Education Management & Division Support	1,214.2	1,105.0	**2,319.2**	-50.0	-915.6	**1,353.6**	Includes Area Education Officers and their direct support, costs associated with Academy conversions, and other Divisional management and support costs
52	**54,297.0**	**Total - Education (EDU)**	**13,217.7**	**183,053.7**	**196,271.4**	**-25,239.5**	**-111,379.9**	**59,652.0**	

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	2022-23 Proposed Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
		Integrated Children's Services (East & West) (ICS)							
		Directors: Stuart Collins (Early Help & Preventative Services Lead) & Sarah Hammond (Children's Social Work Lead)							
53	7,197.0	Early Help & Preventative Services	11,080.5	4,079.3	**15,159.8**	-1,669.7	-6,752.5	**6,737.6**	Early intervention and prevention services for families, children and young people, including services provided under the Tackling Troubled Families Scheme and Headstart project to improve the mental health and emotional wellbeing of 10-16 year olds
54	3,996.3	Children's Centres	6,814.3	1,194.2	**8,008.5**	-3,512.2	0.0	**4,496.3**	Provides integrated early childhood services to young children and their families (many of whom are disadvantaged), in order to improve their development and life chances so that children are school ready and parents have support and opportunity to gain parenting skills
55	4,557.0	Youth Services	4,816.5	2,264.9	**7,081.4**	-1,214.0	-1,310.4	**4,557.0**	Youth Services enable young people to access positive educational and recreational leisure time activities to improve their wellbeing and personal and social development. The Youth Justice Service assesses, plans and intervenes with 10-17 year olds who have come to the attention of the Police or judicial system, to prevent them offending
56	78.6	Pupil Referral Units & Inclusion	1,619.8	6,865.1	**8,484.9**	-383.7	-8,022.6	**78.6**	Pupil Referral Units (PRU's) are short-stay centres which provide education for children who are excluded, sick, or otherwise unable to attend a mainstream school, until they are reintegrated. Inclusion Advisers work with pupils, families, and schools to improve pupil behaviour and attendance, which reduces the need for permanent or fixed-term exclusion
57	66,200.9	Looked After Children - Care & Support	4,281.5	66,489.5	**70,771.0**	-1,029.8	-3,102.5	**66,638.7**	Looked After Children Services including residential, fostering, and supported accommodation for under 18s, and Virtual Schools Kent
58	3,277.5	Children in Need - Care & Support	0.0	3,327.9	**3,327.9**	-45.4	0.0	**3,282.5**	Service for Children in Need (aged 0-18) including day care, direct payments, payments to voluntary organisations, and short breaks for carers
59	47,184.0	Children's Social Work Services - Assessment & Safeguarding Service	50,434.1	2,410.4	**52,844.5**	-2,888.6	-377.0	**49,578.9**	Social care staffing providing assessment of children and families' needs, ongoing support to looked after children, and Safeguarding Service
60	14,927.4	Adoption & Special Guardianship Arrangements & Service	3,390.9	13,152.1	**16,543.0**	-1,310.4	0.0	**15,232.6**	The Adoption Service works to achieve and support permanent care arrangements for Looked after Children within a family setting. This is delivered by The Adoption Partnership ,a partnership between Kent, Medway and Bexley (a Regional Adoption Agency). This also includes payments associated with special guardianship arrangements and adoption payments.
61	6,957.3	Care Leavers Service	4,441.9	4,951.4	**9,393.3**	-2,192.1	-1,218.9	**5,982.3**	Enables and assists care leavers (post 18) to develop their skills and enhance their life opportunities as they progress into adulthood
62	-60.0	Asylum	638.9	16,371.8	**17,010.7**	-476.7	-16,594.0	**-60.0**	Supporting unaccompanied asylum seekers under the age of 18 and those aged 18 or over (who were previously in care when aged under 18) as Care Leavers
63	5,522.4	Integrated Services (Children's) Management & Directorate Support	6,623.9	1,383.9	**8,007.8**	-323.5	-2,161.9	**5,522.4**	Directorate support costs including practice development for both early help and children social work functions along with the provision of management information for the whole Directorate
64	**159,838.4**	**Total - Integrated Children's Services (East & West) (ICS)**	**94,142.3**	**122,490.5**	**216,632.8**	**-15,046.1**	**-39,539.8**	**162,046.9**	

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	2022-23 Proposed Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
Special Educational Needs and Disabilities (SEND) Director: Mark Walker									
65	30,632.1	Adult Learning & Physical Disability Pathway - Community Based Services	0.0	33,824.5	**33,824.5**	-1,528.0	-17.2	**32,279.3**	Commissioned Community Based Services for Physical Disability Service Users and Learning Disability Service Users (aged 18+) including domiciliary care, direct payments, day care, and supported living to enable Service Users to remain independent
66	9,106.1	Adult Learning & Physical Disability Pathway - Residential Care Services & Support for Carers	0.0	10,203.6	**10,203.6**	-408.9	0.0	**9,794.7**	Residential Care Services (and Short Breaks) for Learning Disability Service Users and Physical Disability Service Users (aged 18+) and services to support carers
67	5,140.6	Children in Need (Disability) - Care & Support	0.0	5,537.9	**5,537.9**	-2.8	0.0	**5,535.1**	Service for Children in Need (aged 0-18) with a Disability including day care, direct payments, payments to voluntary organisations, and short breaks for carers
68	1,691.6	Childrens Disability 0-18 Commissioning	600.0	2,055.8	**2,655.8**	-964.2	0.0	**1,691.6**	Commissioned Community Based Services (aged 0-18) including short breaks, direct payments and group day care services
69	8,250.5	Disabled Children & Young People Service (0-25 LD & Complex PD) - Assessment Service	8,213.9	536.6	**8,750.5**	0.0	0.0	**8,750.5**	Social care staff providing assessment and support services for Service Users (aged 0-25) with Learning Disability, Complex Physical Disabilities and Sensory Impairment
70	14,230.6	Looked After Children (with Disability) - Care & Support	0.0	18,189.8	**18,189.8**	-1,765.3	0.0	**16,424.5**	Commissioned services for Looked After Children (aged 0-18) with a Disability including both short and long term residential care and fostering services
71	3,517.4	Looked After Children (with Disability) - In House Provision	4,607.4	691.2	**5,298.6**	-1,781.2	0.0	**3,517.4**	In-House Residential Respite and Enablement Services to support Looked After Children and families
72	11,939.6	Special Educational Needs & Psychology Services	13,462.0	86,500.8	**99,962.8**	-5,988.9	-81,034.3	**12,939.6**	Assessment and placement of children and young people with Special Educational Needs including those with Education Health Care Plans (EHCPs)
73	222.4	Special Educational Needs & Disability Management & Divisional Support	158.2	64.2	**222.4**	0.0	0.0	**222.4**	Directorate support costs including those relating our response to the SEN Written Statement of Action
74	**84,730.9**	**Total - Special Educational Needs and Disabilities (SEND)**	**27,041.5**	**157,604.4**	**184,645.9**	**-12,439.3**	**-81,051.5**	**91,155.1**	
75	**302,856.7**	**Total - Children, Young People & Education (CYPE) Controllable Budget (excluding Schools' Delegated Budgets)**	**135,623.7**	**467,958.8**	**603,582.5**	**-53,408.9**	**-235,080.8**	**315,092.8**	
Schools' Delegated Budgets (SDB) Corporate Director: Matt Dunkley CBE									
76	0.0	Schools' Delegated Budgets	541,092.1	170,418.5	**711,510.6**	-31,757.0	-679,753.6	**0.0**	Holds the Dedicated Schools Grant (DSG) for Kent schools
77	**302,856.7**	**Total - Children, Young People & Education (CYPE) Controllable Budget (including Schools' Delegated Budgets)**	**676,715.8**	**638,377.3**	**1,315,093.1**	**-85,165.9**	**-914,834.4**	**315,092.8**	

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	2022-23 Proposed Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
Corporately held budgets Corporate Director: Zena Cooke									
78	1,471.0	Corporately held budgets	0.0	0.0	**0.0**	0.0	0.0	**0.0**	Corporately held budgets earmarked for CYPE directorate, to be allocated once spend has been incurred. Details are provided in Appendix F.
79	**304,327.7**	**Total Children, Young People & Education (CYPE) Budget including provisional share of Corporately held budgets (including Schools' Delegated Budgets)**	**676,715.8**	**638,377.3**	**1,315,093.1**	**-85,165.9**	**-914,834.4**	**315,092.8**	
80	**304,327.7**	**Total Children, Young People & Education (CYPE) Budget including provisional share of Corporately held budgets (excluding Schools' Delegated Budgets) (Row 79 less Row 76)**	**135,623.7**	**467,958.8**	**603,582.5**	**-53,408.9**	**-235,080.8**	**315,092.8**	

Growth, Environment & Transport (GET)

Corporate Director: **Simon Jones**

Controllable Net Budget for 2022-23	**£173.8m**
Net Budget incl. provisional share of corporately held budgets	**£174.0m**
Gross Capital Budget over 10 year period:	**£1,214.6m**
Full Time Equivalent (FTE) Staff at December 2021:	**1,412.6**

Growth, Environment & Transport (GET) has recently restructured to better reflect Council priorities. As of 1 April, the Directorate will comprise 3 Divisions; Transportation (TRA), Environment and Waste (E&W) and Growth and Communities (G&C) as well as Strategic Management & Directorate Budgets (SMDBG).

GET is considerable in terms of its range of both strategic and front-line services and projects, as well as having responsibility for a very large capital programme with complex funding streams and delivery targets.

GET is responsible for many visible services that help shape our local communities, such as maintaining and improving Kent's roads, protecting communities against flooding, disposing of and recycling our waste as well as fostering a lifelong love of reading through our libraries. We also provide loans to help local businesses thrive or convert empty properties into much needed residences, encourage physical activity through our Country Parks and Public Rights of Way, protect vulnerable residents against rogue traders, and actively promoting and delivering an energy and low emissions strategy for Kent and Medway. By delivering good services we can improve the everyday lives of the people and businesses of Kent and make the County a better place to live, work, and do business.

Growth and Communities (G&C) - responsible for the development of a range of growth and community related strategies including the Renewal and Resilience strategy, Growth and Infrastructure Framework, the Housing Strategy, Library Ambition, Cultural Strategy, Digital Strategy and the Community Safety Agreement.

The division leads on economic development and sector support including culture and arts as well as business growth investment including ensuring S106 and CiL contributions for community infrastructure; strategic planning including input into Local Plans and planning applications for large sites in Kent and the delivery, planning and execution of the County Councils Development Control function.

The division is also responsible for a range of community services including Libraries, Registration and Archives and Public Protection services including Trading Standards, Coroners, Community safety including Community Wardens, Kent Scientific Services and Gypsy Traveller Services and Sport and Physical Activity.

The service also directly delivers Country Parks, Public Rights of Way, and Explore Kent and hosts Countryside Partnerships, the Kent Downs AONB, and is a partner of the High Weald AONB.

Environment and Waste (E&W) - responsible for the development of a range of environment and waste related strategies including the Kent Environment Strategy, the Energy and Low Emissions Strategy, the Climate Change Adaptation Plan, the Kent Waste Disposal Strategy, the Kent Minerals and Waste Local Plan, the Heritage Strategy and the Local Flood Risk Management Strategy.

The division comprises Sustainable Business and Communities, which leads on the Council's commitment to Net Zero across its own estate as well as in partnership with others for the County; and Waste Services including Waste infrastructure planning and development, Waste Services and Waste Compliance.

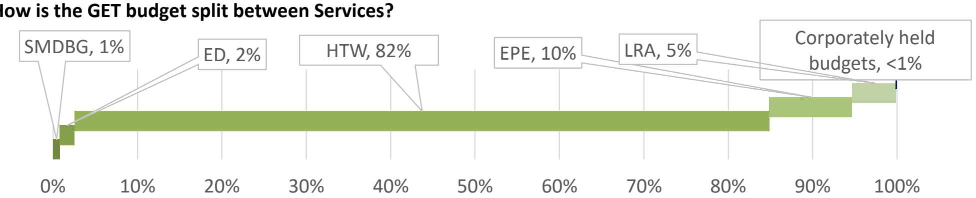
The division is responsible for the conservation, management and promotion of all aspects of the natural, historic and coastal environment in Kent.

Transportation (TRA) - responsible for the development of a range of transport related strategies including a new Local Transport Plan, the Kent Rail Strategy, the Freight Action Plan, the Road Casualty Reduction Strategy and the Active Travel Strategy. The division also leads on transport related capital programme including schemes funded by such programmes as the Local Growth Fund, Get Britain Building.

The division also delivers services involved with the management of the highway (and related) assets including bridges, drainage, streetlighting and footways in Kent and specific public transport services including the ENCTS concessionary fare scheme, subsidised bus schemes and the Kent Travel saver as well as managing the provision of SEN transport on behalf of the CYPE Directorate.

Strategic Management & Directorate Budgets (SMDBG): This area incorporates the Directorate centrally held costs.

How is the GET budget split between Services?



ED: Economic Development (2%), HTW: Highways, Transportation & Waste (82%), EPE: Environment, Planning & Enforcement (10%), & Enforcement (10%), LRA: Libraries, Registration & Archives (5%) and SMDBG (1%) are presented in the chart above .

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	2022-23 Proposed Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
		Growth, Environment & Transport (GET)							**£174.0m**
		Corporate Director: Simon Jones							
		Strategic Management & Directorate Budgets (SMDBG)							
		Corporate Director: Simon Jones							
81	1,409.0	Strategic Management & Directorate Budgets (GET)	627.5	809.5	**1,437.0**	-68.0	0.0	**1,369.0**	Cross Directorate costs, including the Corporate Director
		Economic Development (ED)							
		Director: Stephanie Holt-Castle							
82	2,742.9	Economic Development	3,053.4	2,288.2	**5,341.6**	-2,581.6	-1,167.1	**1,592.9**	Working with public, private, and voluntary sectors to support Kent's economic growth covering : infrastructure, business and enterprise. In addition to this providing support to and the delivery of capital programmes with a value in excess of £100m which include: Kent & Medway Business Loan Fund (KMBF), No Use Empty (NUE) and Rural Broadband
83	1,309.5	Arts	317.6	1,235.7	**1,553.3**	-94.8	0.0	**1,458.5**	Supporting the growth of the Creative and Cultural Economy to deliver economic and social outcomes across Kent including Turner Contemporary
84	**4,052.4**	**Total - Economic Development (ED)**	**3,371.0**	**3,523.9**	**6,894.9**	**-2,676.4**	**-1,167.1**	**3,051.4**	
		Highways, Transport & Waste (HTW)							
		Director: Philip Lightowler							
85	6,164.6	Highway Transportation (including School Crossing Patrols)	7,517.2	2,183.3	**9,700.5**	-2,883.9	-143.1	**6,673.5**	Reducing casualties and traffic congestion on Kent's roads by enabling the delivery of a £300m+ capital programme of engineering schemes by managing traffic and through road safety improvements, education and campaigns. Assisting developers in identifying and delivering solutions to protect our network from the negative impacts of development traffic
86	10,363.1	Highway Asset Management (Roads and Footways)	5,974.9	6,558.1	**12,533.0**	0.0	0.0	**12,533.0**	Safety inspections, emergency and routine maintenance, and minor repairs to Roads, Footways and Cycleways (including repairing damage by Third Parties), Traffic Management, Fly Tipping removal

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	2022-23 Proposed Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
87	18,888.8	Highway Asset Management (Other)	5,213.5	19,251.3	**24,464.8**	-4,621.5	0.0	**19,843.3**	Safety inspections, routine maintenance and minor repair of traffic signals, CCTV cameras, highway drainage cleansing, repairs and soakaways, highway trees, shrubs and grass cutting, weed spraying, bridges and tunnels, permitting, inspection and coordination of all works undertaken by utility companies, developers and KCC contractors, winter service and adverse weather, street lighting and lit signs and bollards maintenance and energy costs of street lighting, Kent lane rental scheme, permits and licences, Third Party damage to other assets
88	6,469.4	Subsidised Buses and Community Transport	89.0	7,992.4	**8,081.4**	-2,499.0	-1,087.8	**4,494.6**	Financial support for otherwise uneconomic bus routes (including the Kent Karrier service), as well as community transport schemes
89	17,224.6	Concessionary Fares	0.0	13,587.6	**13,587.6**	-47.0	0.0	**13,540.6**	A statutory concessionary travel scheme, providing free bus travel for the elderly, disabled and disabled user companions
90	7,597.5	Kent Travel Saver	0.0	11,351.4	**11,351.4**	-6,617.9	0.0	**4,733.5**	Provides discounted travel on the Kent bus network for young people aged 11-16.
91	40,000.6	Residual Waste	0.0	45,172.6	**45,172.6**	-442.3	0.0	**44,730.3**	Statutory waste services for Kent residents including treatment and disposal of residual household waste
92	33,948.7	Waste Facilities & Recycling Centres	0.0	36,544.0	**36,544.0**	-5,129.7	0.0	**31,414.3**	Statutory waste services for Kent residents including Household recycling centres, cost of recycling, and composting household waste
93	5,396.9	Highways, Transport & Waste Management Costs and Commercial Operations	4,526.2	2,859.2	**7,385.4**	-2,113.5	0.0	**5,271.9**	Management, planning, procurement and monitoring of transport services, work with Environment Agency to reduce waste, pollution monitoring at landfill sites, commissioning and contract management of care waste management service, business services including provision of Speed Awareness courses, and business support for Highways, Transportation & Waste
94	**146,054.2**	**Total - Highways, Transport & Waste (HTW)**	**23,320.8**	**145,499.9**	**168,820.7**	**-24,354.8**	**-1,230.9**	**143,235.0**	

Environment, Planning & Enforcement (EPE)

Interim Director: Stephanie Holt-Castl

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
95	10,622.9	Public Protection (Enforcement)	9,555.8	4,742.7	**14,298.5**	-2,895.3	-579.0	**10,824.2**	Public Protection services including Trading Standards, Community Wardens, Coroners, Kent Scientific Services (KSS),and Community Safety
96	5,744.8	Environment & Planning	8,407.4	8,661.1	**17,068.5**	-7,859.8	-3,696.5	**5,512.2**	Covers a wide range of services including Country Parks, development of sports and physical activity, Kent Downs Area of Outstanding Natural Beauty (AONB), Public Rights of Way (PROW), Gypsy & Traveller Unit, delivery of key strategic transport improvement, heritage services, sustainable business and communities, planning, and climate change projects
97	721.0	Environment, Planning & Enforcement Management Costs	712.8	13.2	**726.0**	-5.0	0.0	**721.0**	Divisional management costs
98	**17,088.7**	**Total - Environment, Planning & Enforcement (EPE)**	**18,676.0**	**13,417.0**	**32,093.0**	**-10,760.1**	**-4,275.5**	**17,057.4**	

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	2022-23 Proposed Budget: Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
Libraries, Registration & Archives (LRA)									
Head of Service: James Pearso									
99	8,588.5	Libraries, Registration & Archives	11,516.3	4,084.3	**15,600.6**	-6,479.8	-81.0	**9,039.8**	The Libraries, Registration & Archives (LRA) service is delivered through a network of 99 libraries, 5 Register Offices, 5 mobile libraries, an archive centre, the stock distribution and support function building at Quarry Wood. The service is also a virtual with a whole host of services available online including all our library e-material, digitised Archive material, virtual events & activities, the information service which includes the public 'Ask a Kent Librarian' service, and the 24 hour accessible online services. The LRA service is also commissioned to deliver the records management service on behalf of KCC, deliver 5 prison libraries in Kent on behalf of the Ministry of Justice and the registration service on behalf of the London Borough of Bexley
100	**177,192.8**	**Total - Growth, Environment & Transport (GET) Controllable Budget**	**57,511.6**	**167,334.6**	**224,846.2**	**-44,339.1**	**-6,754.5**	**173,752.6**	
Corporately held budgets									
Corporate Director: Zena Cooke									
101	277.9	Corporately held budgets	0.0	234.9	**234.9**	0.0	0.0	**234.9**	Corporately held budgets earmarked for GET directorate, to be allocated once spend has been incurred. Details are provided in Appendix F.
102	**177,470.7**	**Total Growth, Environment & Transport (GET) Budget including provisional share of Corporately held budgets**	**57,511.6**	**167,569.5**	**225,081.1**	**-44,339.1**	**-6,754.5**	**173,987.5**	

Strategic & Corporate Services (S&CS)

Corporate Director: **David Cockburn**

Controllable Net Budget for 2022-23	**£102.8m**
Net Budget incl. provisional share of corporately held budgets	**£102.8m**
Gross Capital Budget over 10 year period:	**£124.5m**
Full Time Equivalent (FTE) Staff at December 2021:	**947.2**

The Strategic & Corporate Services Directorate provides core services which support frontline service delivery to achieve better outcomes for Kent's residents and our customers. The Directorate supports the political and managerial leadership in setting the strategic direction for the Council.

Strategic & Corporate Services also supports the organisation to deliver and respond to changes in our operating environment. Priorities include leading the revenue and capital budget process for the Council, ensuring effective governance and assurance processes, and providing support for extensive business change across the Council as we continue on our Strategic Reset Programme. Our Directorate also plays a significant role in ensuring the Council is well placed to meet its statutory and regulatory duties.

Strategic & Corporate Services has the following roles and responsibilities:

People and Communication (P&C): The Division is responsible for employment practice and policy, organisation design and development, health and safety, and the communications, marketing, media relations, public consultation, resident, customer and engagement functions for the authority. The Division holds the client-side responsibility for the Contact Point and Digital Services provided by Agilisys.

Finance (FIN): The Division comprises four key functions that together provide strategic financial and audit support to the Council. These functions are; Operations, Internal Audit, Policy, Planning & Strategy and Pensions & Treasury. The Division holds the client side responsibility for transactional finance activities provided by Cantium Business Solutions Ltd.

Governance, Law & Democracy (GLD): Provides democratic services including support of the 81 elected Members of the County Council. The division manages information governance and data protection considerations for the Council including co-ordination of responses to Freedom of Information(FOI) requests. The Division also holds the client-side responsibility for Invicta Law Ltd which provides legal advice and services to KCC, public bodies, and other local authorities.

Technology (TEC): The Division is responsible for the provision and implementation of the Technology Strategy and overall direction for the Authority's technological and digital priorities ensuring they reflect KCC's wider priorities. The Division holds the client-side responsibility for Cantium Business Solutions Ltd.

Infrastructure (INF): The Division is responsible for the provision of the Authority's Property & Emergency Planning Services which support our frontline service delivery; it sets the Council's Asset Strategy and delivers the Council's disposal and capital programmes; strategic management of the Corporate Landlord estate.

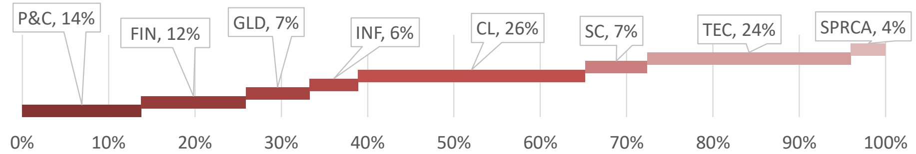
Corporate Landlord (CL): The Division is responsible for day to day costs relating to the running of the Council's complex estate of operational front line buildings; the office estate and holding costs of non-operational buildings.

Strategic Commissioning (SC): Strategic Commissioning leads and shapes the process for deciding how best to use the total resources available to improve outcomes in the most efficient, effective, equitable, and sustainable way. Those resources could be within KCC, or across the public, voluntary, and private sectors. The Division provides capability in commercial leadership and judgement.

Strategy, Policy, Relationships & Corporate Assurance (SPRCA): The Division's role is to help prepare the organisation to meet future challenges through environment scanning, medium term planning, corporate and service policy development, safeguarding, analytical assessments, evidence based decision making and performance reporting, relationship management, as well as leading the equality, risk, and corporate assurance frameworks. It also administers the Council's grant scheme in support of the delivery of the civil society strategy.

Strategic Management & Directorate Budgets S&CS (SMDBS): This area incorporates the Directorate centrally held costs and external grant income.

How is the S&CS budget split between Services?



The graph indicates S&CS budget split. P&C is 14%, FIN is 12%, GLD is 7%, INF is 6%, CL is 26%, SC is 7%, TEC is 24% and SPRCA is 4%.

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	2022-23 Proposed Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description

Strategic & Corporate Services (S&CS) £102.8m

Corporate Director: David Cockburn

Strategic Management & Directorate Budgets (SMDBS)

Corporate Director: David Cockburn

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
103	259.2	Strategic Management & Directorate Budgets (S&CS)	531.0	2,154.0	**2,685.0**	-625.8	-2,050.0	**9.2**	Central Directorate costs and grant contributions to Corporate Services' overheads

People & Communications (P&C)

Corporate Director: Amanda Beer

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
104	7,971.7	Human Resources Related Services	4,595.3	4,149.6	**8,744.9**	-721.0	-1.0	**8,022.9**	Strategic and operational Human Resource (HR) services to KCC. Advisory role to ensure that KCC meets its statutory responsibility in terms of Health & Safety, Employment Law, and Equality Legislation in relation to employment. Transactional HR services commissioned from Cantium Business Solutions Ltd
105	5,756.5	Customer Contact, Communications & Consultations	2,817.2	3,936.4	**6,753.6**	-525.6	-89.0	**6,139.0**	Responsible for communicating with the public, marketing, media relations, customer contact services, effective public consultation, resident, customer and engagement functions.
106	**13,728.2**	**Total - People & Communications (P&C)**	**7,412.5**	**8,086.0**	**15,498.5**	**-1,246.6**	**-90.0**	**14,161.9**	

Finance (FIN)

Corporate Director: Zena Cooke

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
107	12,302.1	Finance	12,489.4	6,794.7	**19,284.1**	-5,926.8	-904.8	**12,452.5**	Provision of Internal Audit and Counter Fraud Services and finance advice and support for all budget holders and Members in planning, managing, and reporting on the Council's financial resources. Pensions & Treasury functions. Transactional financial services commissioned from Cantium Business Solutions Ltd

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	2022-23 Proposed Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
Governance, Law & Democracy (GLD) Director: Ben Watts									
108	6,080.9	Governance & Law	3,496.1	3,637.5	**7,133.6**	-309.8	-35.0	**6,788.8**	Includes the cost of supporting the 81 elected Members of the County Council and their responsibilities, together with the management of the contract with Invicta Law Ltd for legal advice and services to KCC, public bodies, and other local authorities. Co-ordination of responses to Freedom of Information (FOI) requests
109	810.0	Local Member Grants	0.0	810.0	**810.0**	0.0	0.0	**810.0**	Member Grants made to a wide range of community based groups, individuals and organisations
110	**6,890.9**	**Total - Governance, Law & Democracy (GLD)**	**3,496.1**	**4,447.5**	**7,943.6**	**-309.8**	**-35.0**	**7,598.8**	
Infrastructure (INF) Director: Rebecca Spore									
111	5,756.0	Property related services	6,623.2	693.9	**7,317.1**	-1,540.0	0.0	**5,777.1**	Strategic management of KCC's estate. Leads on delivery of the Council's Property Asset Management Strategy together with the delivery of day to day management of the KCC estate. Provision of the Council's Emergency Planning function.
112	**5,756.0**	**Total - Infrastructure (INF)**	**6,623.2**	**693.9**	**7,317.1**	**-1,540.0**	**0.0**	**5,777.1**	
Corporate Landlord (CL) Director: Rebecca Spore									
113	25,741.3	Corporate Landlord	0.0	35,906.8	**35,906.8**	-8,656.1	-187.0	**27,063.7**	Day to day costs relating to the running of the Council's complex estate of operational front line buildings; the office estate and holding costs of non-operational buildings
114	**25,741.3**	**Total - Corporate Landlord (CL)**	**0.0**	**35,906.8**	**35,906.8**	**-8,656.1**	**-187.0**	**27,063.7**	

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	2022-23 Proposed Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
Technology (TEC) Director: Vacant									
115	21,430.6	ICT related services	3,811.8	24,698.6	**28,510.4**	-4,113.3	-149.0	**24,248.1**	Leads on defining future provision and strategy for Technology, ensuring the best use of available technology to support the needs of the Council. ICT services commissioned from Cantium Business Solutions Ltd.
116	**21,430.6**	**Total -Technology (TEC)**	**3,811.8**	**24,698.6**	**28,510.4**	**-4,113.3**	**-149.0**	**24,248.1**	
Strategic Commissioning (SC) Director: Clare Maynard									
117	7,348.9	Strategic Commissioning	8,424.0	218.7	**8,642.7**	-1,249.7	-44.1	**7,348.9**	Responsible for delivering a commissioning and procurement strategy for the Authority. Includes commissioning, contract management, and procurement functions
118	**7,348.9**	**Total - Strategic Commissioning (SC)**	**8,424.0**	**218.7**	**8,642.7**	**-1,249.7**	**-44.1**	**7,348.9**	
Strategy, Policy, Relationships & Corporate Assurance (SPRCA) Director: David Whittle									
119	3,766.5	Strategy, Policy, Relationships & Corporate Assurance	3,856.6	2,351.9	**6,208.5**	-811.6	-1,250.0	**4,146.9**	Supports the political and managerial leadership of KCC through corporate strategy, policy development, safeguarding and strategic partnerships, corporate risk management and the Kent analytics service. Administration of the council's grant scheme in support of the civil society strategy.
120	**97,223.7**	**Total - Strategic & Corporate Services (S&CS) Controllable Budget**	**46,644.6**	**85,352.1**	**131,996.7**	**-24,479.7**	**-4,709.9**	**102,807.1**	
Corporately held budgets Corporate Director: Zena Cooke									
121	915.6	Corporately held budgets	0.0	0.0	**0.0**	0.0	0.0	**0.0**	Corporately held budgets earmarked for S&CS directorate, to be allocated once spend has been incurred. Details are provided in Appendix F.
122	**98,139.3**	**Total Strategic & Corporate Services (S&CS) Budget including provisional share of Corporately held budgets**	**46,644.6**	**85,352.1**	**131,996.7**	**-24,479.7**	**-4,709.9**	**102,807.1**	

Row Ref	2021-22 Revised Base Budget (Net Cost)* £000s	Division & Key Service	2022-23 Proposed Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
Non Attributable Costs (NAC)									**£129.3m**
Corporate Director: Zena Cooke									
123	117,974.9	Non Attributable Costs	1,220.5	135,078.0	**136,298.5**	-15,803.7	-9.0	**120,485.8**	Includes net debt costs (including investment income), transfers to and from reserves, and others including Insurance Fund, audit fees and Apprenticeship Levy
Corporately held budgets									
Corporate Director: Zena Cooke									
124	320.7	Corporately held budgets	8,850.0	0.0	**8,850.0**	0.0	0.0	**8,850.0**	Corporately held budgets earmarked for Non Attributable Costs, to be allocated once spend has been incurred. Details are provided in Appendix F.
125	**118,295.6**	**Total Non Attributable Costs (NAC) Budget including provisional share of Corporately held budgets**	**10,070.5**	**135,078.0**	**145,148.5**	**-15,803.7**	**-9.0**	**129,335.8**	
126	**1,132,426.0**	**Total Budget**	**877,608.3**	**1,645,595.2**	**2,523,203.5**	**-327,060.1**	**-1,013,458.1**	**1,182,685.3**	
127	**1,132,426.0**	**Total Budget (excluding Schools' Delegated Budgets on Row 75)**	**336,516.2**	**1,475,176.7**	**1,811,692.9**	**-295,303.1**	**-333,704.5**	**1,182,685.3**	

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Appendix F - Final Draft Directorate Revenue Budget Changes 2022-23

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	S&CS	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2021-22 Base Budget	Approved budget by County Council on 12th February 2021	422,692.0	290,774.2	177,516.0	0.0	93,220.3	115,970.5	32,253.0	1,132,426.0	
Base Adjustments (internal)	Changes to budgets which have nil overall affect on net budget requirement	11,500.7	12,082.5	-323.2	0.0	4,003.4	2,004.4	-29,267.8	0.0	
Revised 2021-22 Base Budget		**434,192.7**	**302,856.7**	**177,192.8**	**0.0**	**97,223.7**	**117,974.9**	**2,985.2**	**1,132,426.0**	**1,132,426.0**
Growth										
Net Base Budget Changes	Growth based on current and forecast activity levels									11,175.3
Covid related provision	Reductions in Covid related provisions included in 2021-22 budget	-2,000.0	-2,000.0					-288.6	-4,288.6	
Adult Social Care	Underlying budget pressure from 2021-22 due to increased costs and activity across all Adult social care services	19,258.9							19,258.9	
Highways soft landscaping	Additional rural swathe cut to meet environmental standards and following recommendations within Plan Bee strategy			300.0					300.0	
Waste	Realignment of rent and rates for the East Kent contract			412.0					412.0	
Waste prices/income	Realignment of prices and income levels for a variety of waste streams, with increases in current recycling income and lower costs of disposal/recycling forecast to continue into the coming year			-4,000.0					-4,000.0	
Adult Social Care - Care & Support in the Home retender	Release of residual provision for the retender of Care & Support in the Home services following completion of phase 2	-603.7							-603.7	
Adult Social Care - Disability Residential Care retender	Realignment of budget to cover the full year effect of phase 2 of the retender of residential services for learning disability, physical disability and mental health clients	300.0							300.0	
Technology contracts	Realignment of base budget for third party contracts to include the new Adult Social Care Performance System (Mosaic) costs					233.7			233.7	
Care Leavers	Removal of funding approved in 2020-21 budget for providing Care Leavers with a full exemption from paying Council Tax until the age of 21, due to fewer than expected young people requiring support with their council tax		-600.0						-600.0	
Home to School Transport	Realignment to reflect increased costs and demand in 2021-22		2,500.0						2,500.0	
Disabled Children's & Young People Services (0 - 25 year olds)	Realignment to reflect increased costs and demand for placements in 2021-22 and the consequential impact on staffing levels		1,500.0						1,500.0	
Streetlight Energy	Realignment of the streetlight energy budget reflecting the net impact of lower than budgeted rates continuing into the coming year			-360.0					-360.0	

Appendix F - Final Draft Directorate Revenue Budget Changes 2022-23

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	S&CS	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Surplus Property	Removal of 2020-21 provision for property holding costs for a site in East Kent pending a decision regarding provision of Basic Need School places in the area							-200.0	-200.0	
Waste - HWRC/Transfer station	Removal of budget for one-off remedial works at HWRC/Transfer Station in 2021-22 prior to new contractor taking over maintenance responsibilities			-408.0					-408.0	
Investment Income	Reduction in impact of Covid on the financial markets which resulted in a temporary reduced return on our investments						-1,800.0		-1,800.0	
Dedicated Schools Grant (DSG)	Reduction in the provision for temporarily offsetting the reductions in Central Services Schools Block DSG and costs which have been charged to DSG but no longer meet the criteria of the grant, until longer term solutions are identified		-1,000.0						-1,000.0	
Pay, Employers superannuation increase & Non Specific Prices Provisions	Removal of residual unallocated pay, employers superannuation increase and non specific prices provisions included in prior year budgets							-260.7	-260.7	
Other	Other minor growth based on current activity levels less than £200k			151.3	135.0	74.6	-20.9	-148.3	191.7	
Reduction In Grant Income										
Dedicated Schools Grant	20% reduction to the historic commitments element of the Dedicated Schools Grant: Central Services for Schools Block		839.3						839.3	1,157.9
Public Health - Contain Outbreak Management Fund (COMF)	Completion of Public Health Drug and Alcohol project funded by COMF grant up to 31st March 2022, with the residual costs being met from the Public Health reserve in 2022-23.				318.6				318.6	
Pay and Prices										
Pay:										
Pay and Reward	Contribution to pay 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 provide a pay pot capable of providing a 3% uplift for successful awards and maintain the differentials for outstanding and excellent awards, and allow minimum pay point for Kent Scheme to increase to £10 per hour (increasing the differential between the lowest pay range (KR3) and Foundation Living Wage). This is the subject of pay bargaining with Trade Unions							7,300.0	7,300.0	9,241.3

Appendix F - Final Draft Directorate Revenue Budget Changes 2022-23

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	S&CS	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Employer National Insurance contributions	Impact of 7th September 2021 Government announcement to increase employer and employee national insurance contributions by 1.25% from April 2022 to fund social care reforms and NHS backlog							1,800.0	1,800.0	
Other	Other changes to pay and pensions less than £200k			25.0	116.3				141.3	
Inflation:										28,554.9
KCC Estate Energy	Anticipated price increases on energy contracts for the KCC estate as estimated by Commercial Services					453.5			453.5	
Streetlight Energy	Provision for price inflation related to Streetlight energy as estimated by Commercial Services			667.6					667.6	
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. The amount provides for an average increase of 3% although within this there is scope to provide more or less on individual contracts subject to contractual provisions	14,492.3	1,223.0						15,715.3	
Children's Social Care	Provision for price negotiations with external providers based on an average increase of 3% although within this there is scope to provide more or less on individual contracts subject to contractual provisions, and uplift to in-house foster carers in line with DFE guidance		2,384.5						2,384.5	
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+ Kent Travel Saver. The amount provides for an average increase of 3% although within this there is scope to provide more or less on individual contracts subject to contractual provisions.		1,556.1						1,556.1	
Kent Travel Saver	Provision for price inflation related to the Kent Travel Saver which is recovered through uplifting the charge for the pass			115.6					115.6	
Contract related inflation	Provision for price inflation related to Highways, Waste and other contracted services (based on contractual indices)			4,111.3					4,111.3	
Software Licences	Negotiated annual price uplift for three year contract (July 2020 to July 2023) for E5 software licences					385.8			385.8	
Facilities Management	Estimated future price uplift to existing providers for the extended Facilities Management contract					544.5			544.5	
Cantium Business Solutions	Inflationary uplift on the Cantium Business Solutions contract					269.3			269.3	

Appendix F - Final Draft Directorate Revenue Budget Changes 2022-23

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	S&CS	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Other Transport Related inflation	Provision for price inflation related to other transport services including subsidised bus services where the amount provides for an average increase of 3% although within this there is scope to provide more or less on individual contracts subject to contractual provisions.			236.5				234.9	471.4	
Corporate Landlord	Provision for price inflation for rent and rates for the office estate					164.4			164.4	
Public Health contracts	Estimated increase in contract prices				1,425.9				1,425.9	
Other	Other price increases of less than £200k		87.7		8.0	136.6	57.4		289.7	
Demand & Cost Drivers	Additional spending associated with change in demand, population growth and other cost drivers									
Adult Social Care	Provision for impact of an increase in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, including the transition of known clients at age 26 from Lifespan Pathway age 18-25	13,000.0	1,200.0						14,200.0	20,748.2
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		3,700.0						3,700.0	
Home to School transport - SEN	Estimated impact of rising pupil population on SEN Home to School and College Transport		1,500.0						1,500.0	
Kent Travel Saver	Estimated impact of the Covid pandemic on take up and usage of the Kent Travel Saver pass			-1,900.0					-1,900.0	
Waste tonnage	Estimated impact of changes in waste tonnage as a result of population and housing growth			711.5					711.5	
Waste tonnage	Increase in kerbside waste tonnage due to more homeworking both during the Covid pandemic, as well as following easing of lockdowns, the cost of which is higher to process than recycled waste. These waste tonnes would usually have been disposed of commercially.			2,873.0				-1,144.0	1,729.0	
English National Concessionary Travel Scheme (ENCTS)	Estimated impact of the Covid pandemic on usage of the ENCTS pass			-3,384.0				2,000.0	-1,384.0	
Planning Applications	Increase in staffing and legal capacity to deliver statutory planning service due to significant increase in the number of applications			200.0					200.0	

Appendix F - Final Draft Directorate Revenue Budget Changes 2022-23

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	S&CS	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Facilities Management	Mobilisation costs of new Facilities Management contracts where we will incur costs such as legal, pensions, TUPE and set up costs and potentially some dual running costs. The impact of these costs on the budget is being spread over the life of the contract via the temporary use of reserves.					800.0			800.0	
Client Financial Services	Additional resources required for financial assessments of social care clients due to increasing number of new clients					235.0			235.0	
Public Health - Sexual Health	Increase in online contract for sexual health services based on anticipated service levels				300.0				300.0	
Other	Other minor demographic pressures of less than £200k			288.5	368.2				656.7	
Government & Legislative										
Adult Social Care Reform: Market Sustainability and Fair Cost of Care Fund	Provision for our share of the £0.2bn national allocation for social care reform, funded from the 1.25% increase in national insurance from 1 April 2022, pending further detail from government on what costs this funding is expected to cover and decisions on how this will be applied							4,161.0	4,161.0	4,161.0
Trading Standards	Additional staffing required to undertake extra duties imposed as a result of the end of EU Exit transition such as Border Ports, Animal Health and Feed Officers. This is a new burden and permanent funding is required (this is offset by additional forecast grant funding)			579.0					579.0	-669.6
Public Health - Health Visiting	Additional contact for Universal Plus/Universal Partnership Plus families due to change in Health & Care Profession Guidance				380.0				380.0	
Technology	Removal of temporary provision for additional ICT equipment and peripherals to enable more flexible working required as a result of Covid							-250.0	-250.0	
Personal Protective Equipment	Removal of temporary warehousing and distribution costs of PPE							-360.0	-360.0	
Regeneration	Removal of temporary Covid Business Help Line							-200.0	-200.0	
Registration Service	Removal of temporary loss of income as a result of the Covid pandemic							-506.3	-506.3	
Other	Other Government & Legislative pressures of less than £200k	120.0		74.0				-506.3	-312.3	
Service Strategies & Improvements										
Capital Programme	The impact on debt charges of both the review of the 2021-24 capital programme, and prior year capital programme						2,656.9		2,656.9	9,270.3

Appendix F - Final Draft Directorate Revenue Budget Changes 2022-23

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	S&CS	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Transportation	Funding to support the Active Travel agenda, including coordination and management of the Tranche 2 and pending multi-year Tranche 3 allocations from Government, plus delivery of the Vision Zero ongoing strategy			500.0					500.0	
Technology contracts	Increased costs of moving to Cloud storage for increased cyber security					400.0			400.0	
Highway Maintenance Contract	Removal of one-off set up costs in 2020-21 associated with the recommissioning of the highways term maintenance contract, including procurement and pre-commencement costs			-100.0					-100.0	
Economic Development Recovery Plan	Re-design of the service and additional staffing and consultancy capacity to draft and deliver the Economic Recovery Plan/Economic Strategy following the Covid pandemic			250.0					250.0	
Asset Management	Revenue contributions to capital required to maintain and deliver asset management for Kent's Windmills and Surface Water Flood Risk Management			200.0					200.0	
Public Health	Additional temporary Public Health posts				373.1				373.1	
People & Communications	Additional staffing to balance capacity with service demand and to meet and enhance the organisation's strategic objective to improve the engagement and experience of residents					382.5			382.5	
Infrastructure - Property	Creation of a budget to commission third party estates work to meet increased demand for change across the Corporate Landlord estate					246.5			246.5	
Technology	Re-design of the Technology Function staffing structure to ensure the correct level of expertise is available to provide and commission a safe and secure ICT function, including appointment to the new Director of Technology role					1,458.9			1,458.9	
Strategy & Partnerships	Increased resources in the Analytics Team to design and assess evaluation frameworks for major change activity and project delivery					225.0			225.0	
Governance, Law & Democracy	Additional legal resource to support lawful operation of the Council and to ensure Monitoring Officer has minimum capacity to discharge statutory duties					500.0			500.0	
Special Educational Needs staffing	Restructure of SEN service and additional staffing required to process and support the growing number of Education & Health Care Plans		1,000.0						1,000.0	
Education Basic Need Programme	Removal of provision for COVID specific expenses in relation to the basic need programme (provision of sufficient school places)							-1,121.0	-1,121.0	

Appendix F - Final Draft Directorate Revenue Budget Changes 2022-23

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	S&CS	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Public Health - Children's Programme	Increased one-off investment in additional counselling services for children, Healthy child programme and Children's Weight Management				947.5				947.5	
Public Health - Sexual Health	Rephasing of contribution to capital for completion of works to Flete Unit				400.0				400.0	
Public Health - Health Visiting	Increased one-off investment in speech and language therapy, peri-natal mental health, Family Partnership Programme, text messaging service for parents and Health Visiting services				538.6				538.6	
Public Health - Healthy Lifestyles	Further investment in Kent Sports Unit				200.0				200.0	
Public Health - Healthy Lifestyles	Investment in Public Health services to promote and support Healthy Lifestyles				281.1				281.1	
Gypsy & Traveller Service	Removal of one-off investment at Barnfield site to remove illegally dumped waste and install preventative measures			-500.0					-500.0	
Other	Other minor service improvements of less than £200k			45.0	208.3	177.9			431.2	
	Total Additional Growth	**44,567.5**	**13,890.6**	**1,088.3**	**6,000.6**	**6,688.2**	**893.4**	**10,510.7**	**83,639.3**	**83,639.3**
Savings and Income										
Transformation Savings										
Adult Social Care service redesign	The redesign of the Adult Social Care operating model, focusing on social care practice, data led decision making and innovation which will reduce and manage the costs and future demand for social care. This may also include efficiencies in our future ways of working resulting in a reduction in staffing spend.	-8,407.7							-8,407.7	-8,407.7
Coroners	Part year impact of the introduction of the use of Digital Autopsy techniques in the Coroners' service			-100.0					-100.0	-451.4
Sport and Physical Activity	Service has re-focussed to deliver Public Health outcomes within the Sports & Physical activity unit, with grant funding allocated accordingly			-200.0					-200.0	
Other	Other minor savings to be achieved through transformation of less than £200k		-3.0	-29.0		-119.4			-151.4	
Income	uplifts from applying existing policy									
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 2022-23, together with inflationary increases and a review of fees and charges across all KCC services, in relation to existing service income streams	-2,492.9	-50.6	-51.9					-2,595.4	-8,676.6
Kent Travel Saver	Kent Travel Saver price realignment to offset bus operator inflationary fare increases			-115.6					-115.6	

Appendix F - Final Draft Directorate Revenue Budget Changes 2022-23

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	S&CS	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income return from our companies	Estimated income contribution from our limited companies, to be transferred to reserves and used to fund time limited activities to support Strategic Priorities						-4,000.0		-4,000.0	
Economic Recovery	Re-prioritise external income to support the wider economic recovery within Kent			-1,500.0					-1,500.0	
Highways	Increase in net income budgets for streetworks and permit scheme			-400.0					-400.0	
Other	Other minor changes in income of less than £200k			10.0	-75.6				-65.6	
Increases in Grants & Contributions										
Public Health Grant	Anticipated increase in Public Health Grant pending announcement from Department of Health and Social Care				-2,161.8				-2,161.8	-3,621.8
New Burdens	Assumed New Burdens grant to fund ongoing EU Exit costs including Border Ports and Animal Health and Feed Officers and responsibilities under the new Marriage Schedule Act 2021.			-660.0					-660.0	
Supporting Families	Estimated grant allocation from the new Supporting Families grant announced in the Chancellor's autumn 2021 budget to fund Early Help & Preventative services and Local Children's Partnership		-800.0						-800.0	
Efficiency Savings										
Staffing:										
Workforce Management	Staffing savings across the organisation to be achieved through a range of measures including business process review; automation; rationalisation and digitalisation to be delivered and monitored by the Strategic Reset Programme Board							-250.0	-250.0	-380.0
Other	Other Direct & Indirect Staffing Efficiencies of less than £200k			-106.0		-24.0			-130.0	
Contracts & Procurement:										
Highways	Removal of one-off use of grant funding to offset cost of works and operating fees			2,000.0					2,000.0	-3,316.0
Adult Social Care Commissioning	Review existing contracts for commissioned services to ensure the market is supported and developed to meet the needs of individuals, which will require costs to be reduced on some contracts.	-5,000.0							-5,000.0	
Other	Other minor contracts & procurement savings of less than £200k			-316.0					-316.0	

Appendix F - Final Draft Directorate Revenue Budget Changes 2022-23

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	S&CS	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Other:										
Libraries, Registration & Archives (LRA)	Removal of one-off saving in 2021-22 from review of LRA non staffing spend enabled by the closure of libraries during the early part of the pandemic			260.0					260.0	-1,304.6
Central Services for Schools	Efficiency savings to offset the anticipated 20% annual reduction in Dedicated Schools Grant: Central Services for Schools Block		-839.3						-839.3	
Early retirements	Review of early retirement budget			-30.0		-250.0			-280.0	
Community Learning & Skills	Development of income earning activities within the CLS service and engage in efficiency measures to reduce costs		-200.0						-200.0	
Other	Other minor efficiency savings of less than £200k			-75.0	-170.3				-245.3	
Financing Savings										
Debt repayment	Reduction in overall level of prudential borrowing as a result of rephasing in prior years; 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						-2,094.0		-2,094.0	-2,094.0
Policy Savings										
Library Material Fund	Replacement of the temporary reduction in the Libraries materials budget in 2021-22. This budget is used to purchase all books, physical and e-books, magazines and newspapers as well as all our online resources and study resources.			300.0					300.0	-9,606.5
Adult Social Care - Non Framework Placements	Removal of undelivered prior year saving from maximising the use of negotiated framework providers to improve quality and efficiency	700.0							700.0	
Care Leavers Placement Cost Reductions	Review the Care Leavers offer where appropriate including maximising use of housing benefit where possible		-375.0						-375.0	
Strategic Review of In House Adult Social Care Services	The review is on-going and fits within the strategic direction of the Adult Social Care strategy and Making a Difference Every Day. Management action and outcomes of the review will deliver the required savings in 2022-23.	-3,400.0							-3,400.0	
Community Wardens	Replace saving from not recruiting to vacant wardens posts and funding from one-off Covid grant in 2021-22			220.0					220.0	
Proposed Review of English National Concessionary Travel Scheme (ENCTS)	Withdraw the current free entitlement to discretionary disabled companion passes from the ENCTS scheme and withdraw the right for Other Local Authority (OLA) disabled companion passes to be used for travel in Kent			-300.0					-300.0	

Appendix F - Final Draft Directorate Revenue Budget Changes 2022-23

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	S&CS	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Proposed Review of and Reduction in Subsidised Bus contracts	Review KCC supported bus services using agreed value for money criteria and also taking account where possible of school journeys. Identify contracts that could potentially be terminated, allowing a saving to budget. Terminations to be consulted upon.			-2,210.0					-2,210.0	
Increase price of Kent Travel Saver	Increase the price of the Kent Travel Saver pass by more than the operator inflation uplift, reducing the amount of subsidy provided by KCC to the scheme. Pass price to increase to £450 from when the application window for 2022 academic year opens in May 2022 & increase price of pass for those on lower incomes or in receipt of Free School Meals to £150			-964.0					-964.0	
Home to School Transport - Kent 16+ Travel Saver	Increase the price of the Kent 16+ Travel Saver pass to £500 to maintain distinction between 16+ and KTS as 16+ is a 24/7 scheme		-350.0						-350.0	
Housing Related Support - Homelessness	Expiry of Homelessness contract from September 2022. Review services currently provided and develop suitable transitional arrangements which will be funded from reserves to mitigate the adverse impacts	-2,300.0							-2,300.0	
Adult Social Care Commissioning	Review existing contracts and grants with voluntary sector providers, to ensure the needs of individuals can continue to be met through appropriate recommissioning of existing arrangements	-550.0							-550.0	
Other	Other smaller policy savings of less than £200k	-8.5	-36.6	-261.0		-71.4			-377.5	
Total savings and Income		**-21,459.1**	**-2,654.5**	**-4,528.5**	**-2,407.7**	**-464.8**	**-6,094.0**	**-250.0**	**-37,858.6**	**-37,858.6**
Reserves										
Contributions To Reserves (incl removal of prior year contributions)										
New Homes Bonus	Contribution of New Homes Bonus funding to Strategic Priorities reserve						4,381.5		4,381.5	-6,419.6
Return from our limited companies	Contribution of the anticipated return from our limited companies to the Strategic Priorities Reserve						4,000.0		4,000.0	
Retained Business Rates Levy	Contribution of the retained business rates levy, the proceeds from the business rates pool, to Regeneration reserve						3,000.0		3,000.0	
General Reserves	Contribution to reserves in order to maintain general reserve at 5% of net revenue budget						2,513.0		2,513.0	
Facilities Management	Contribution to reserves to smooth the impact of the mobilisation costs of the Facilities Management contracts over the life of the contracts (2022-23 to 2026-27)					160.0			160.0	

Appendix F - Final Draft Directorate Revenue Budget Changes 2022-23

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	S&CS	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Workforce Reduction	Removal of one-off contribution to Workforce Reduction reserve in 2021-22 to manage the impact on staffing of the policy savings required over the medium term						-3,000.0		-3,000.0	
General Reserves	Removal of one-off contribution to General Reserves in 2021-22 to improve financial resilience						-14,000.0		-14,000.0	
Local Taxation Equalisation	Removal of contribution in 2021-22 relating to the late changes in estimated local share of business rates, collection fund balance and compensation grant for additional reliefs in 2020-21						-3,394.1		-3,394.1	
Removal of contribution related to repayment of previous "borrowing" from reserves	Reduction & full removal of the annual repayment of the "borrowing" from reserves to support the budget in 2011-12, reflecting when the reserves will be fully repaid						-80.0		-80.0	
Drawdowns from Reserves (incl removal of prior year drawdowns)										10,898.2
Children's Centres	Removal of use of Public Health reserves for Children's Centres in 2019-20 to 2021-22		500.0						500.0	
Children's Centres	Removal of additional one-off use of Public Health reserves for Children's Centres in 2021-22		500.0						500.0	
2020-21 Underspending	Removal of drawdown of reserves in 2021-22 related to underspending in 2020-21						18,553.4		18,553.4	
Public Health Reserves	Use of Public Health reserves to fund one-off costs and invest to save initiatives in 2022-23				-3,592.9				-3,592.9	
Drawdown corporate reserves	Drawdown from corporate smoothing reserves					-800.0	-4,262.3		-5,062.3	
Net Movement in Reserves		**0.0**	**1,000.0**	**0.0**	**-3,592.9**	**-640.0**	**7,711.5**	**0.0**	**4,478.6**	**4,478.6**
Proposed Controllable Budget		**457,301.1**	**315,092.8**	**173,752.6**	**0.0**	**102,807.1**	**120,485.8**	**13,245.9**	**1,182,685.3**	**1,182,685.3**
Memorandum - Provisional allocation of corporately held budgets:										
- Corporately held budgets for Social Care Reform, to be allocated once further detail is provided from Government		4,161.0						-4,161.0	**0.0**	**0.0**
- Corporately held budgets to be allocated to directorates if & when spend is fully incurred				234.9				-234.9	**0.0**	**0.0**
- Estimated apportionment of centrally held budgets (pay, employers NI & superannuation, workforce saving)		3,045.1	3,296.9	1,556.1		1,201.0	-249.1	-8,850.0	**0.0**	**0.0**
Total Net Budget including provisional share of corporately held budgets		**464,507.2**	**318,389.7**	**175,543.6**	**0.0**	**104,008.1**	**120,236.7**	**0.0**	**1,182,685.3**	**1,182,685.3**

Appendix F - Final Draft Directorate Revenue Budget Changes 2022-23

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	S&CS	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Funding										
Provisional Settlement	Notification of funding from central government via the Provisional Local Government Finance Settlement for 2022-23									
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 settlement announced in Spending Review 2021 on 27th October 2021.								10,018.1	10,018.1
Social Care Support Grant	Further one-off extension of the Adult Social Care Support Grant per the settlement announced in Spending Review 2021 on 27th October 2021								54,477.6	54,477.6
Social Care Reform Grant	Grant funding towards the cost of implementing Social Care reforms funded by the new Health & Social Care Levy (1.25% increase in national insurance contributions)								4,161.0	4,161.0
Spending Review 2021: Services grant	Grant funding announced in the Spending Review 2021								12,953.2	12,953.2
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 and reflects a freeze in the annual uplift in line with business rate multiplier, as per the settlement announced in the Spending Review 2021								138,429.0	138,429.0
Improved Better Care Fund (iBCF)	DLUHC 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, and the winter pressures funding provided in 2018-19 and 2019-20 which rolled into iBCF in 2020-21								50,012.5	50,012.5
New Homes Bonus Grant	DLUHC un-ring-fenced grant allocated according to increase in tax base, as per the settlement announced in the Spending Review 2021								4,381.5	28,253.0
Business Rate Compensation	Compensation for additional reliefs on business rates for small businesses, retail premises and reduction in multiplier paid as un-ringfenced grant by DLUHC								19,564.9	
Un-ringfenced grants	Un-ringfenced grants from other Government Departments								1,969.0	
Drawdown from reserves of S31 grant for Compensation for irrecoverable local taxation losses due to Covid-19	Drawdown from reserves of S31 grant for irrecoverable local taxation losses resulting from the Covid-19 pandemic accounted for in the 2020-21 accounts in accordance with CIPFA guidance								2,337.6	

Appendix F - Final Draft Directorate Revenue Budget Changes 2022-23

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	S&CS	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Business Rates										
Business Rate Baseline	Local share of business rates baseline in the Local Government Finance Settlement reflecting a freeze in the annual uplift in line with business rate multiplier, as per the settlement announced in the Spending Review 2021								49,468.9	54,845.3
Business Rate Local Share	KCC 9% share of local tax base growth as notified by district councils less baseline share identified above								5,376.4	
Business Rate Collection Fund	KCC share of surpluses and deficits on business rate collection in prior years net of compensation for Covid-19 business rate reliefs								-1,127.6	-1,127.6
Local Taxation										
Council Tax Base	KCC band D equivalent tax base notified by district councils								709,536.2	725,505.3
Council Tax Increase	Impact of increase in Council Tax up to the 2% referendum limit								15,969.1	
Adult Social Care Levy	Impact of 1% increase in Council Tax for Adult Social Care Levy (total shown relates to 2016-17 to 2022-23 increases combined)								97,589.1	97,589.1
Council Tax Collection Fund	KCC share of 2021-22 surpluses and deficits on Council Tax collection								12,190.4	12,190.4
2020-21 Council Tax Collection Fund Deficit Spread	KCC share of 2020-21 deficit on Council Tax collection spread over 3 years								-4,621.6	-4,621.6
Total Funding									**1,182,685.3**	**1,182,685.3**

Key:

ASCH	Adult Social Care and Health
CYPE	Children, Young People and Education
DCS	Disabled Children's Services
GET	Growth, Environment & Transport
PH	Public Health
S&CS	Strategic & Corporate Services
NAC	Non Attributable Costs which includes corporate costs such as debt charges, interest, contributions to/from reserves & levies
CHB	Corporately Held Budgets
DLUHC	Department for Levelling Up, Housing and Communities

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Appendix G - Final Draft County Level 2022-25 Revenue Changes

Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
Revised 2021-22 Base Budget		**1,132,426.0**	**1,182,685.3**	**1,225,344.7**	**1,132,426.0**	**1,182,685.3**	**1,225,344.7**
Growth							
Net Base Budget Changes	Growth based on current and forecast activity levels				11,175.3	-2,214.0	-255.4
Covid related provision	Reductions in Covid related provisions included in 2021-22 budget	-4,288.6	-1,500.0				
Adult Social Care	Underlying budget pressure from 2021-22 due to increased costs and activity across all Adult social care services	19,258.9					
Highways soft landscaping	Additional rural swathe cut to meet environmental standards and following recommendations within Plan Bee strategy	300.0					
Waste	Realignment of rent and rates for the East Kent contract	412.0					
Waste prices/income	Realignment of prices and income levels for a variety of waste streams, with increases in current recycling income and lower costs of disposal/recycling forecast to continue into the coming year	-4,000.0					
Adult Social Care - Care & Support in the Home retender	Release of residual provision for the retender of Care & Support in the Home services following completion of phase 2	-603.7					
Adult Social Care - Disability Residential Care retender	Realignment of budget to cover the full year effect of phase 2 of the retender of residential services for learning disability, physical disability and mental health clients	300.0					
Technology contracts	Realignment of base budget for third party contracts to include the new Adult Social Care Performance System (Mosaic) costs	233.7					
Special Educational Needs & Disability (SEND)	Impact of Covid 19 pandemic on referrals for Education, Health and Care Plan assessments		-500.0				
Care Leavers	Removal of funding approved in 2020-21 budget for providing Care Leavers with a full exemption from paying Council Tax until the age of 21, due to fewer than expected young people requiring support with their council tax	-600.0					
Home to School Transport	Realignment to reflect increased costs and demand in 2021-22	2,500.0					
Disabled Children's & Young People Services (0 - 25 year olds)	Realignment to reflect increased costs and demand for placements in 2021-22 and the consequential impact on staffing levels	1,500.0					

Appendix G - Final Draft County Level 2022-25 Revenue Changes

Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
Streetlight Energy	Realignment of the streetlight energy budget reflecting the net impact of lower than budgeted rates continuing into the coming year	-360.0					
Surplus Property	Removal of 2020-21 provision for property holding costs for a site in East Kent pending a decision regarding provision of Basic Need School places in the area	-200.0					
Impact of Cap on Capitalisation of Property Disposal costs	Short term impact on the revenue budget of 4% cap on capitalisation of asset disposal costs pending improvement in market conditions and implementation of changes to asset disposal strategy			-200.0			
Waste - HWRC/Transfer station	Removal of budget for one-off remedial works at HWRC/Transfer Station in 2021-22 prior to new contractor taking over maintenance responsibilities	-408.0					
Investment Income	Reduction in impact of Covid on the financial markets which resulted in a temporary reduced return on our investments	-1,800.0					
Dedicated Schools Grant (DSG)	Reduction in the provision for temporarily offsetting the reductions in Central Services Schools Block DSG and costs which have been charged to DSG but no longer meet the criteria of the grant, until longer term solutions are identified	-1,000.0					
Corporate Landlord	Provision for potential loss of rental income from tenants who deferred rent from 2020-21 and have subsequently gone out of business		-200.0				
Pay, Employers superannuation increase & Non Specific Prices Provisions	Removal of residual unallocated pay, employers superannuation increase and non specific prices provisions included in prior year budgets	-260.7					
Other	Other minor growth based on current activity levels less than £200k	191.7	-14.0	-55.4			
Reduction In Grant Income							
Dedicated Schools Grant	20% reduction to the historic commitments element of the Dedicated Schools Grant: Central Services for Schools Block	839.3			1,157.9	-318.6	0.0
Public Health - Contain Outbreak Management Fund (COMF)	Completion of Public Health Drug and Alcohol project funded by COMF grant up to 31st March 2022, with the residual costs being met from the Public Health reserve in 2022-23.	318.6	-318.6				

Appendix G - Final Draft County Level 2022-25 Revenue Changes

Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
Pay and Prices							
Pay:							
Pay and Reward	Contribution to pay 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 provide a pay pot capable of providing a 3% uplift for successful awards and maintain the differentials for outstanding and excellent awards, and allow minimum pay point for Kent Scheme to increase to £10 per hour (increasing the differential between the lowest pay range (KR3) and Foundation Living Wage). This is the subject of pay bargaining with Trade Unions	7,300.0	7,300.0	7,300.0	9,241.3	7,300.0	7,300.0
Employer National Insurance contributions	Impact of 7th September 2021 Government announcement to increase employer and employee national insurance contributions by 1.25% from April 2022 to fund social care reforms and NHS backlog	1,800.0					
Other	Other changes to pay and pensions less than £200k	141.3					
Inflation:					28,554.9	28,570.0	27,823.4
KCC Estate Energy	Anticipated price increases on energy contracts for the KCC estate as estimated by Commercial Services	453.5	-326.9				
Streetlight Energy	Provision for price inflation related to Streetlight energy as estimated by Commercial Services	667.6	-333.2				
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. The amount provides for an average increase of 3% although within this there is scope to provide more or less on individual contracts subject to contractual provisions	15,715.3	16,648.7	17,148.2			
Children's Social Care	Provision for price negotiations with external providers based on an average increase of 3% although within this there is scope to provide more or less on individual contracts subject to contractual provisions, and uplift to in-house foster carers in line with DFE guidance	2,384.5	2,768.9	2,459.2			

Appendix G - Final Draft County Level 2022-25 Revenue Changes

Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
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+ Kent Travel Saver. The amount provides for an average increase of 3% although within this there is scope to provide more or less on individual contracts subject to contractual provisions.	1,556.1	1,713.2	1,762.7			
Kent Travel Saver	Provision for price inflation related to the Kent Travel Saver which is recovered through uplifting the charge for the pass	115.6	517.8	563.8			
Contract related inflation	Provision for price inflation related to Highways, Waste and other contracted services (based on contractual indices)	4,111.3	4,525.9	3,344.7			
Software Licences	Negotiated annual price uplift for three year contract (July 2020 to July 2023) for E5 software licences	385.8	385.8	385.8			
Facilities Management	Estimated future price uplift to existing providers for the extended Facilities Management contract	544.5	658.5	485.5			
Cantium Business Solutions	Inflationary uplift on the Cantium Business Solutions contract	269.3	347.5	220.1			
Other Transport Related inflation	Provision for price inflation related to other transport services including subsidised bus services where the amount provides for an average increase of 3% although within this there is scope to provide more or less on individual contracts subject to contractual provisions.	471.4	857.6	914.3			
Corporate Landlord	Provision for price inflation for rent and rates for the office estate	164.4	500.4	317.1			
Public Health contracts	Estimated increase in contract prices	1,425.9					
Other	Other price increases of less than £200k	289.7	305.8	222.0			
Demand & Cost Drivers	Additional spending associated with change in demand, population growth and other cost drivers						
Adult Social Care	Provision for impact of an increase in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, including the transition of known clients at age 26 from Lifespan Pathway age 18-25	14,200.0	14,200.0	14,200.0	20,748.2	19,282.3	18,002.1
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	3,700.0	2,200.0	2,200.0			

Appendix G - Final Draft County Level 2022-25 Revenue Changes

Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
Home to School transport - SEN	Estimated impact of rising pupil population on SEN Home to School and College Transport	1,500.0	1,000.0	500.0			
Kent Travel Saver	Estimated impact of the Covid pandemic on take up and usage of the Kent Travel Saver pass	-1,900.0	2,075.0	51.0			
Waste tonnage	Estimated impact of changes in waste tonnage as a result of population and housing growth	711.5	790.0	865.6			
Waste tonnage	Increase in kerbside waste tonnage due to more homeworking both during the Covid pandemic, as well as following easing of lockdowns, the cost of which is higher to process than recycled waste. These waste tonnes would usually have been disposed of commercially.	1,729.0					
English National Concessionary Travel Scheme (ENCTS)	Estimated impact of the Covid pandemic on usage of the ENCTS pass	-1,384.0					
Planning Applications	Increase in staffing and legal capacity to deliver statutory planning service due to significant increase in the number of applications	200.0					
Facilities Management	Mobilisation costs of new Facilities Management contracts where we will incur costs such as legal, pensions, TUPE and set up costs and potentially some dual running costs. The impact of these costs on the budget is being spread over the life of the contract via the temporary use of reserves.	800.0	-800.0				
Client Financial Services	Additional resources required for financial assessments of social care clients due to increasing number of new clients	235.0					
Public Health - Sexual Health	Increase in online contract for sexual health services based on anticipated service levels	300.0					
Other	Other minor demographic pressures of less than £200k	656.7	-182.7	185.5			
Government & Legislative							
Adult Social Care Reform: Market Sustainability and Fair Cost of Care Fund	Provision for our share of the £0.2bn national allocation for social care reform, funded from the 1.25% increase in national insurance from 1 April 2022, pending further detail from government on what costs this funding is expected to cover and decisions on how this will be applied	4,161.0	24,966.0	12,482.9	4,161.0	24,966.0	12,482.9
Coroners	Revisions to staffing structure to adhere with Government guidance on caseload and complexity		250.0		-669.6	-260.0	0.0

Appendix G - Final Draft County Level 2022-25 Revenue Changes

Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
Trading Standards	Additional staffing required to undertake extra duties imposed as a result of the end of EU Exit transition such as Border Ports, Animal Health and Feed Officers. This is a new burden and permanent funding is required (this is offset by additional forecast grant funding)	579.0					
Public Health - Health Visiting	Additional contact for Universal Plus/Universal Partnership Plus families due to change in Health & Care Profession Guidance	380.0	-380.0				
Technology	Removal of temporary provision for additional ICT equipment and peripherals to enable more flexible working required as a result of Covid	-250.0					
Personal Protective Equipment	Removal of temporary warehousing and distribution costs of PPE	-360.0					
Regeneration	Removal of temporary Covid Business Help Line	-200.0					
Registration Service	Removal of temporary loss of income as a result of the Covid pandemic	-506.3					
Other	Other Government & Legislative pressures of less than £200k	-312.3	-130.0				
Service Strategies & Improvements							
Capital Programme	The impact on debt charges of both the review of the 2021-24 capital programme, and prior year capital programme decisions	2,656.9	4,632.3	-290.0	9,270.3	2,954.4	2,559.8
Waste	Operating costs of a new waste transfer facility in the Folkestone & Hythe area which is required as existing facility approaches capacity		300.0				
Dilapidations	Provision for dilapidation costs associated with terminating leases		381.2	627.2			
Transportation	Funding to support the Active Travel agenda, including coordination and management of the Tranche 2 and pending multi-year Tranche 3 allocations from Government, plus delivery of the Vision Zero ongoing strategy	500.0					
Technology contracts	Increased costs of moving to Cloud storage for increased cyber security	400.0					
Highway Maintenance Contract	Removal of one-off set up costs in 2020-21 associated with the recommissioning of the highways term maintenance contract, including procurement and pre-commencement costs	-100.0	325.0	-350.0			

Appendix G - Final Draft County Level 2022-25 Revenue Changes

Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
Highway Maintenance Contract	Estimated market uplift in core cost of the highways term maintenance contract			2,976.0			
Economic Development Recovery Plan	Re-design of the service and additional staffing and consultancy capacity to draft and deliver the Economic Recovery Plan/Economic Strategy following the Covid pandemic	250.0	-270.0	-80.0			
Asset Management	Revenue contributions to capital required to maintain and deliver asset management for Kent's Windmills and Surface Water Flood Risk Management	200.0	100.0	500.0			
Oakwood House Development	Holding costs and loss of income in the short term once Oakwood House is no longer operational, offset by savings in the longer term following change of use		-250.0	-320.0			
Public Health	Additional temporary Public Health posts	373.1	-200.6				
People & Communications	Additional staffing to balance capacity with service demand and to meet and enhance the organisation's strategic objective to improve the engagement and experience of residents	382.5					
Infrastructure - Property	Creation of a budget to commission third party estates work to meet increased demand for change across the Corporate Landlord estate	246.5					
Technology	Re-design of the Technology Function staffing structure to ensure the correct level of expertise is available to provide and commission a safe and secure ICT function, including appointment to the new Director of Technology role	1,458.9	229.2				
Strategy & Partnerships	Increased resources in the Analytics Team to design and assess evaluation frameworks for major change activity and project delivery	225.0					
Governance, Law & Democracy	Additional legal resource to support lawful operation of the Council and to ensure Monitoring Officer has minimum capacity to discharge statutory duties	500.0					
Special Educational Needs staffing	Restructure of SEN service and additional staffing required to process and support the growing number of Education & Health Care Plans	1,000.0	-500.0	-500.0			
Education Basic Need Programme	Removal of provision for COVID specific expenses in relation to the basic need programme (provision of sufficient school places)	-1,121.0					

Appendix G - Final Draft County Level 2022-25 Revenue Changes

Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
Public Health - Children's Programme	Increased one-off investment in additional counselling services for children, Healthy child programme and Children's Weight Management	947.5	-947.5				
Public Health - Sexual Health	Rephasing of contribution to capital for completion of works to Flete Unit	400.0	-400.0				
Public Health - Health Visiting	Increased one-off investment in speech and language therapy, peri-natal mental health, Family Partnership Programme, text messaging service for parents and Health Visiting services	538.6	-538.6				
Public Health - Healthy Lifestyles	Further investment in Kent Sports Unit	200.0					
Public Health - Healthy Lifestyles	Investment in Public Health services to promote and support Healthy Lifestyles	281.1	-281.1				
Gypsy & Traveller Service	Removal of one-off investment at Barnfield site to remove illegally dumped waste and install preventative measures	-500.0					
Other	Other minor service improvements of less than £200k	431.2	374.5	-3.4			
	Total Additional Growth	**83,639.3**	**80,280.1**	**67,912.8**	**83,639.3**	**80,280.1**	**67,912.8**

Savings and Income

Transformation Savings

Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
Adult Social Care service redesign	The redesign of the Adult Social Care operating model, focusing on social care practice, data led decision making and innovation which will reduce and manage the costs and future demand for social care. This may also include efficiencies in our future ways of working resulting in a reduction in staffing spend.	-8,407.7	-11,410.3	-6,622.5	-8,407.7	-11,410.3	-6,622.5
Foster Care	Savings in Independent Foster Agency placement costs resulting from recruitment of additional in house foster carers		-769.6		-451.4	-1,169.6	0.0
Coroners	Part year impact of the introduction of the use of Digital Autopsy techniques in the Coroners' service	-100.0	-400.0				
Subsidised buses	Further roll out of Feeder Bus model to allow certain subsidised routes to be taken back into commercial operation						
Sport and Physical Activity	Service has re-focussed to deliver Public Health outcomes within the Sports & Physical activity unit, with grant funding allocated accordingly	-200.0					
Other	Other minor savings to be achieved through transformation of less than £200k	-151.4					

Appendix G - Final Draft County Level 2022-25 Revenue Changes

Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
Income	uplifts from applying existing policy						
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 2022-23, together with inflationary increases and a review of fees and charges across all KCC services, in relation to existing service income streams	-2,595.4	-3,259.3	-2,177.5	-8,676.6	-3,822.1	-2,741.3
Kent Travel Saver	Kent Travel Saver price realignment to offset bus operator inflationary fare increases	-115.6	-517.8	-563.8			
Income return from our companies	Estimated income contribution from our limited companies, to be transferred to reserves and used to fund time limited activities to support Strategic Priorities	-4,000.0					
Economic Recovery	Re-prioritise external income to support the wider economic recovery within Kent	-1,500.0					
Highways	Increase in net income budgets for streetworks and permit scheme	-400.0					
Other	Other minor changes in income of less than £200k	-65.6	-45.0				
Increases in Grants & Contributions							
Public Health Grant	Anticipated increase in Public Health Grant pending announcement from Department of Health and Social Care	-2,161.8			-3,621.8	0.0	0.0
New Burdens	Assumed New Burdens grant to fund ongoing EU Exit costs including Border Ports and Animal Health and Feed Officers and responsibilities under the new Marriage Schedule Act 2021.	-660.0					
Supporting Families	Estimated grant allocation from the new Supporting Families grant announced in the Chancellor's autumn 2021 budget to fund Early Help & Preventative services and Local Children's Partnership	-800.0					

Appendix G - Final Draft County Level 2022-25 Revenue Changes

Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
Efficiency Savings							
Staffing:							
Workforce Management	Staffing savings across the organisation to be achieved through a range of measures including business process review; automation; rationalisation and digitalisation to be delivered and monitored by the Strategic Reset Programme Board	-250.0	-1,750.0	-1,000.0	-380.0	-1,790.0	-1,000.0
Other	Other Direct & Indirect Staffing Efficiencies of less than £200k	-130.0	-40.0				
Contracts & Procurement:							
Highways	Removal of one-off use of grant funding to offset cost of works and operating fees	2,000.0			-3,316.0	-5,150.0	0.0
Adult Social Care Commissioning	Review existing contracts for commissioned services to ensure the market is supported and developed to meet the needs of individuals, which will require costs to be reduced on some contracts.	-5,000.0	-5,000.0				
Other	Other minor contracts & procurement savings of less than £200k	-316.0	-150.0				
Other:							
Libraries, Registration & Archives (LRA)	Removal of one-off saving in 2021-22 from review of LRA non staffing spend enabled by the closure of libraries during the early part of the pandemic	260.0			-1,304.6	-200.0	0.0
Central Services for Schools	Efficiency savings to offset the anticipated 20% annual reduction in Dedicated Schools Grant: Central Services for Schools Block	-839.3					
Early retirements	Review of early retirement budget	-280.0					
Community Learning & Skills	Development of income earning activities within the CLS service and engage in efficiency measures to reduce costs	-200.0	-200.0				
Other	Other minor efficiency savings of less than £200k	-245.3					

Appendix G - Final Draft County Level 2022-25 Revenue Changes

Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
Financing Savings							
Debt repayment	Reduction in overall level of prudential borrowing as a result of rephasing in prior years; 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	-2,094.0	-1,000.0	-1,000.0	-2,094.0	-1,000.0	-1,000.0
Policy Savings							
Library Material Fund	Replacement of the temporary reduction in the Libraries materials budget in 2021-22. This budget is used to purchase all books, physical and e-books, magazines and newspapers as well as all our online resources and study resources.	300.0			-9,606.5	-11,900.0	-14,845.0
Adult Social Care - Non Framework Placements	Removal of undelivered prior year saving from maximising the use of negotiated framework providers to improve quality and efficiency	700.0					
Care Leavers Placement Cost Reductions	Review the Care Leavers offer where appropriate including maximising use of housing benefit where possible	-375.0					
Strategic Review of In House Adult Social Care Services	The review is on-going and fits within the strategic direction of the Adult Social Care strategy and Making a Difference Every Day. Management action and outcomes of the review will deliver the required savings in 2022-23.	-3,400.0	-3,550.0				
Home to School Transport (HTST) - Hubs	Introduction of standard pick up points for HTST for SEN children, for whom it is appropriate		-300.0	-400.0			
Community Wardens	Replace saving from not recruiting to vacant wardens posts and funding from one-off Covid grant in 2021-22	220.0					
Proposed Review of English National Concessionary Travel Scheme (ENCTS)	Withdraw the current free entitlement to discretionary disabled companion passes from the ENCTS scheme and withdraw the right for Other Local Authority (OLA) disabled companion passes to be used for travel in Kent	-300.0	-200.0				
Proposed Review of and Reduction in Subsidised Bus contracts	Review KCC supported bus services using agreed value for money criteria and also taking account where possible of school journeys. Identify contracts that could potentially be terminated, allowing a saving to budget. Terminations to be consulted upon.	-2,210.0					

Appendix G - Final Draft County Level 2022-25 Revenue Changes

Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
Increase price of Kent Travel Saver	Increase the price of the Kent Travel Saver pass by more than the operator inflation uplift, reducing the amount of subsidy provided by KCC to the scheme. Pass price to increase to £450 from when the application window for 2022 academic year opens in May 2022 & increase price of pass for those on lower incomes or in receipt of Free School Meals to £150	-964.0					
Home to School Transport - Kent 16+ Travel Saver	Increase the price of the Kent 16+ Travel Saver pass to £500 to maintain distinction between 16+ and KTS as 16+ is a 24/7 scheme	-350.0					
Housing Related Support - Homelessness	Expiry of Homelessness contract from September 2022. Review services currently provided and develop suitable transitional arrangements which will be funded from reserves to mitigate the adverse impacts	-2,300.0	-2,300.0				
Adult Social Care Commissioning	Review existing contracts and grants with voluntary sector providers, to ensure the needs of individuals can continue to be met through appropriate recommissioning of existing arrangements	-550.0	-550.0				
Other	Other smaller policy savings of less than £200k	-377.5		55.0			
NEW SERVICE REMODELLING SAVINGS OPTIONS FOR YEARS 2 & 3			-5,000.0	-14,500.0			
Review of Community Wardens	Further review of the Community Warden Service						
Review of Library building Network	Data and evidence led review of the comprehensive and efficient library network						
Charging for post 16 SEN Transport	Introduction of charging for post 16 SEN transport in line with Kent 16+ Travel Saver						
Review of Open Access Estate - Youth Provision & Children's Centres	Review Open Access services to examine options for modified 0-19 service delivery models, including property footprint and outreach services						
Corporate Landlord	Review of Community Delivery including Assets						
Corporate Landlord	Review of Office Assets						
Corporate Landlord	Review of Specialist Assets						
Arts	Review Support to the Arts						
Commissioning	Review of services provided through KCC companies						
Multi-agency collaboration (including on-street parking)	Review of delivery models for a range of services (including on-street parking) where synergies may exist and savings deliverable for both KCC and its partners						

Appendix G - Final Draft County Level 2022-25 Revenue Changes

Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
Review of Subsidised Bus contract	Further review of subsidised bus services						
Kent Travel Saver	Review the Kent Travel Saver scheme						
Home to School Transport - Kent 16+ Travel Saver	Review the Kent 16+ Travel Saver scheme						
Adult Social Care Charging	Potential further changes to the charging policy for Adult Social Care in a person's own home or in the community						
Total savings and Income		**-37,858.6**	**-36,442.0**	**-26,208.8**	**-37,858.6**	**-36,442.0**	**-26,208.8**
Reserves							
Contributions To Reserves (incl removal of prior year contributions)							
New Homes Bonus	Contribution of New Homes Bonus funding to Strategic Priorities reserve	4,381.5			-6,419.6	-6,894.5	-1,223.3
New Homes Bonus	Removal of prior year contribution of New Homes Bonus to reserves		-4,381.5				
Return from our limited companies	Contribution of the anticipated return from our limited companies to the Strategic Priorities Reserve	4,000.0	4,000.0	4,000.0			
Return from our limited companies	Removal of prior year contribution of return from our limited companies to the Strategic Priorities Reserve		-4,000.0	-4,000.0			
Retained Business Rates Levy	Contribution of the retained business rates levy, the proceeds from the business rates pool, to Regeneration reserve	3,000.0	3,000.0	3,000.0			
Retained Business Rates Levy	Removal of prior year contribution of retained business rates levy to the Regeneration reserve		-3,000.0	-3,000.0			
General Reserves	Contribution to reserves in order to maintain general reserve at 5% of net revenue budget	2,513.0					
General Reserves	Removal of one-off contribution to general reserve in 2022-23		-2,513.0				
Facilities Management	Contribution to reserves to smooth the impact of the mobilisation costs of the Facilities Management contracts over the life of the contracts (2022-23 to 2026-27)	160.0					
Workforce Reduction	Removal of one-off contribution to Workforce Reduction reserve in 2021-22 to manage the impact on staffing of the policy savings required over the medium term	-3,000.0					
General Reserves	Removal of one-off contribution to General Reserves in 2021-22 to improve financial resilience	-14,000.0					

Appendix G - Final Draft County Level 2022-25 Revenue Changes

Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
Local Taxation Equalisation	Removal of contribution in 2021-22 relating to the late changes in estimated local share of business rates, collection fund balance and compensation grant for additional reliefs in 2020-21	-3,394.1					
Removal of contribution related to repayment of previous "borrowing" from reserves	Reduction & full removal of the annual repayment of the "borrowing" from reserves to support the budget in 2011-12, reflecting when the reserves will be fully repaid	-80.0		-1,223.3			
Drawdowns from Reserves (incl removal of prior year drawdowns)					10,898.2	5,715.8	2,939.4
Children's Centres	Removal of use of Public Health reserves for Children's Centres in 2019-20 to 2021-22	500.0					
Children's Centres	Removal of additional one-off use of Public Health reserves for Children's Centres in 2021-22	500.0					
2020-21 Underspending	Removal of drawdown of reserves in 2021-22 related to underspending in 2020-21	18,553.4					
Public Health Reserves	Use of Public Health reserves to fund one-off costs and invest to save initiatives in 2022-23	-3,592.9					
Public Health Reserves	Removal of use of Public Health reserves to fund one-off costs in 2022-23		3,592.9				
Drawdown corporate reserves	Drawdown from corporate smoothing reserves	-5,062.3	-2,939.4				
Drawdown corporate reserves	Removal of use of Corporate Smoothing Reserves in 2022-23		5,062.3	2,939.4			
Net Movement in Reserves		**4,478.6**	**-1,178.7**	**1,716.1**	**4,478.6**	**-1,178.7**	**1,716.1**
Unidentified	**Headroom (+ve)**	**0.0**	**0.0**	**11,762.0**	**0.0**	**0.0**	**11,762.0**
Proposed Controllable Budget		**1,182,685.3**	**1,225,344.7**	**1,280,526.8**	**1,182,685.3**	**1,225,344.7**	**1,280,526.8**
Funding							
Provisional Settlement	Notification of funding from central government via the Provisional Local Government Finance Settlement for 2022-23						
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 settlement announced in Spending Review 2021 on 27th October 2021.	10,018.1	10,399.6	10,640.5	10,018.1	10,399.6	10,640.5

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Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
Social Care Support Grant	Further one-off extension of the Adult Social Care Support Grant per the settlement announced in Spending Review 2021 on 27th October 2021	54,477.6	54,477.6	54,477.6	54,477.6	54,477.6	54,477.6
Social Care Reform Grant	Grant funding towards the cost of implementing Social Care reforms funded by the new Health & Social Care Levy (1.25% increase in national insurance contributions)	4,161.0	29,127.0	41,609.9	4,161.0	29,127.0	41,609.9
Spending Review 2021: Services grant	Grant funding announced in the Spending Review 2021	12,953.2	6,476.6	6,476.6	12,953.2	6,476.6	6,476.6
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 and reflects a freeze in the annual uplift in line with business rate multiplier, as per the settlement announced in the Spending Review 2021	138,429.0	143,699.9	147,028.8	138,429.0	143,699.9	147,028.8
Improved Better Care Fund (iBCF)	DLUHC 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, and the winter pressures funding provided in 2018-19 and 2019-20 which rolled into iBCF in 2020-21	50,012.5	50,012.5	50,012.5	50,012.5	50,012.5	50,012.5
New Homes Bonus Grant	DLUHC un-ring-fenced grant allocated according to increase in tax base, as per the settlement announced in the Spending Review 2021	4,381.5			28,253.0	23,871.5	21,533.9
Business Rate Compensation	Compensation for additional reliefs on business rates for small businesses, retail premises and reduction in multiplier paid as un-ringfenced grant by DLUHC	19,564.9	19,564.9	19,564.9			
Un-ringfenced grants	Un-ringfenced grants from other Government Departments	1,969.0	1,969.0	1,969.0			
Drawdown from reserves of S31 grant for Compensation for irrecoverable local taxation losses due to Covid-19	Drawdown from reserves of S31 grant for irrecoverable local taxation losses resulting from the Covid-19 pandemic accounted for in the 2020-21 accounts in accordance with CIPFA guidance	2,337.6	2,337.6				
Business Rates							
Business Rate Baseline	Local share of business rates baseline in the Local Government Finance Settlement reflecting a freeze in the annual uplift in line with business rate multiplier, as per the settlement announced in the Spending Review 2021	49,468.9	51,352.5	52,542.1	54,845.3	56,819.4	58,066.1

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Heading	Description	2022-23 £000s	2023-24 £000s	2024-25 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s
Business Rate Local Share	KCC 9% share of local tax base growth as notified by district councils less baseline share identified above	5,376.4	5,466.9	5,524.0			
Business Rate Collection Fund	KCC share of surpluses and deficits on business rate collection in prior years net of compensation for Covid-19 business rate reliefs	-1,127.6	-1,127.6		-1,127.6	-1,127.6	
Local Taxation							
Council Tax Base	KCC band D equivalent tax base notified by district councils	709,536.2	732,760.4	756,843.5	725,505.3	749,350.0	774,116.2
Council Tax Increase	Impact of increase in Council Tax up to the 2% referendum limit	15,969.1	16,589.6	17,272.7			
Adult Social Care Levy	Impact of 1% increase in Council Tax for Adult Social Care Levy (total shown relates to 2016-17 to 2022-23 increases combined)	97,589.1	106,859.8	116,564.7	97,589.1	106,859.8	116,564.7
Council Tax Collection Fund	KCC share of 2021-22 surpluses and deficits on Council Tax collection	12,190.4			12,190.4		
2020-21 Council Tax Collection Fund Deficit Spread	KCC share of 2020-21 deficit on Council Tax collection spread over 3 years	-4,621.6	-4,621.6		-4,621.6	-4,621.6	
Total Funding		**1,182,685.3**	**1,225,344.7**	**1,280,526.8**	**1,182,685.3**	**1,225,344.7**	**1,280,526.8**

Key:

ASCH	Adult Social Care and Health
CYPE	Children, Young People and Education
DCS	Disabled Children's Services
GET	Growth, Environment & Transport
PH	Public Health
S&CS	Strategic & Corporate Services
NAC	Non Attributable Costs which includes corporate costs such as debt charges, interest, contributions to/from reserves & levies
CHB	Corporately Held Budgets
DLUHC	Department for Levelling Up, Housing and Communities

Appendix H

Details of Core Grants within Local Government Finance Settlement

The Council is in receipt of a mix of general un-ringfenced grants which can be used in any way the Council decides to discharge its functions (core grants) and specific grants which must be spent according to government priorities. Given the uncertainty of future settlements beyond 2022-23 assumptions will have to be included in the Medium Term Financial Plan for future years. There are risks associated with this approach as the government may decide to change its priorities and reduce or cease funding through a grant or reallocate service specific grants into more general funding with a changed distribution.

A) Revenue Support Grant
Revenue Support Grant (RSG) is a central government grant given to local authorities from the centrally retained share of business rates which can be used to finance revenue expenditure on any service. The amount of Revenue Support Grant to be provided to authorities is established through the Local Government Finance Settlement using the relevant funding formulae; the revision of these formulae (along with the redistribution of the locally retained share of business rates) is the focus of the (deferred) Fair Funding review process.

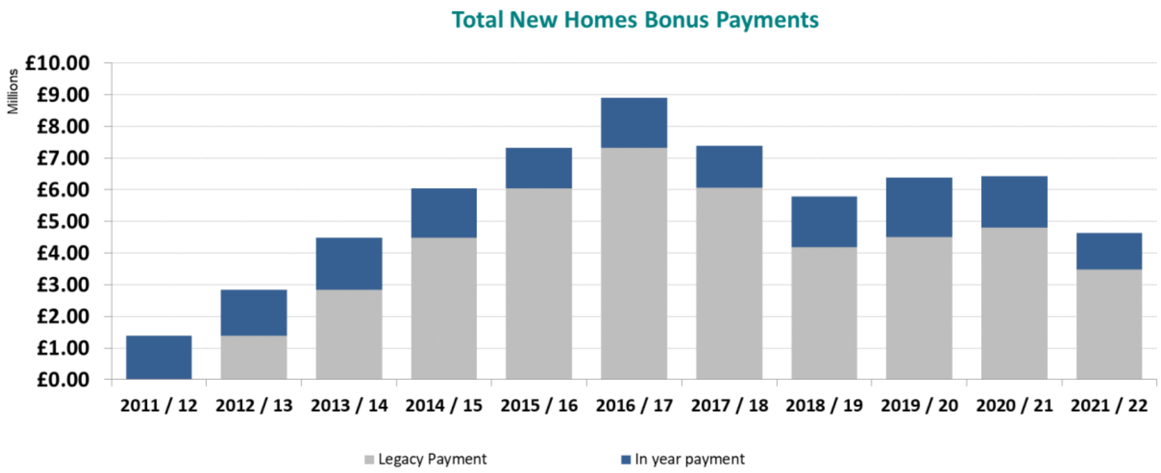
KCC's RSG has decreased from circa £161m in 2015-16 to circa £9.6m in 2020-21 with only small inflationary uplifts since then.

B) New Homes Bonus
The New Homes Bonus (NHB) scheme was introduced in 2011-12 to help tackle the national housing shortage. The scheme was designed to reward those authorities that increased their housing stock either through new build or by bringing empty properties back into use. The grant is un-ringfenced.

Initially the NHB grant increased each year as the grant provided an incentive for six years by adding an additional in year growth to the previous year's legacy amount. This saw the grant peak in value in 2016-17. From 2017-18 the grant was reformed with the incentive reduced to four years in stages over two years by removing the earliest two year's legacy payments and adding in year additional growth.

A further reform was introduced in 2020-21 which saw the additional in year growth added as a one-off (i.e. not included in the subsequent year's legacy) with oldest year's legacy removed. This meant three years' worth of legacy payments in that year and one in year's growth. The same system was used in 2021-22 with one-off allocation of in year growth and two years' worth of legacy payment. For 2022-23 the grant represents the one year's remaining legacy and no additional in year amount. For 2023-24 it is assumed the grant ceases as the last legacy year is removed.

The graph below depicts the legacy and growth elements over the lifetime of NHB



C) Improved Better Care Fund

The Better Care Fund (BCF) was introduced in the 2013-14 spending review. The fund is a pooled budget, bringing together local authority and NHS funding to create a national pot designed to integrate care and health services.

In addition to this, an Improved Better Care Fund (IBCF) was announced in the 2016-17 budget to support local authorities to deal with the growing health and social care pressures during the period 2017-20. The grant is allocated according to relative needs formula for social care with an equalisation adjustment to reflect the adult social care council tax precept. The allocations increased each year between 2017-18 to 2020-21. The subsequent spending reviews and local government settlements have seen the grant rolled forward at the same value in cash terms as 2020-21 (£48.5m). The grant for 2022-23 includes a 3% inflationary uplift as part of the additional resources for adult social care within the settlement.

D) Social Care Grant

The current social care support grant was first introduced in 2019-20 following the announcement in the Chancellor's 2019-20 budget of an additional £410m for adult and children's social services. KCC's allocation for 2019-20 was £10.5m based on a formula using the adult social care relative needs formula with an equalisation adjustment to reflect the adult social care council tax precept.

An additional £1bn was added to the 2020-21 settlement taking the total for social care support grant to £1.41bn. The same formula as 2019-20 was used based on using the adult social care relative needs formula with an equalisation adjustment to reflect the adult social care council tax precept. KCC's allocation was £34.4m. The government believes there is not a single bespoke needs formula that can be used to model relative needs for both adult and children's social care, therefore the existing Adult Social Care Relative Needs Formula was used to distribute this Social Care Support Grant funding.

The 2021-22 settlement included a further £300m taking the total social care support grant to £1.71bn. The same formula was used again providing KCC with an additional £4.7m, increasing the total grant value for 2021-22 to £ 39.1m.

The 2021-22 grant has been rolled forward into the 2022-23 provisional settlement. An additional £556.4m has been added to the grant and allocated to individual authorities using the existing Adults RNF (KCC share £14.3m). A further £80m added has been allocated to reflect the 1% adult social care council tax precept (KCC share £1.0m). Combined with the rollover from 2021-22 KCC's total social care support grant for 2022-23 is £54.5m, an increase of £15.3m on 2021-22.

The total increase in the Social Care Support Grant (£636.4m) together with the uplift in the IBCF (£62.8m) is part of £700m increase in social care funding within the settlement plus the additional adult social care council tax precept.

E) Services Grant
This is a new one-off grant for 2022-23. The Services Grant amounts to £822 million within the 2022-23 provisional settlement. This grant is distributed through the existing formula for assessed relative need across the sector, using 2013-14 shares of Settlement Funding Assessment (SFA). The government says that the new grant will provide funding to all tiers of local government in recognition of the vital services, including social care, delivered at every level of local government. It includes funding for local government costs for the increase in employer National Insurance Contributions.

The grant is not ring-fenced. The Government intends this to be a one-off grant for 2022-23 and to work closely with local government on how to best use this funding from 2023-24 onwards. This funding would be excluded from any proposed baseline for transitional support as a result of any potential future system changes.

KCC's share of this grant for 2022-23 is £13.0m.

F) Market Sustainability and Fair Cost of Care Fund
This is a new grant for 2022-23. In total £162m out of the £3.6bn over 3 years has been made available in 2022-23. The grant is allocated using the existing the Adults RNF and will be subject to separate conditions set by government. KCC's share of this grant for 2022-23 is £4.2m.

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Reserves Policy

1. Background and Context

1.1. Sections 32 and 43 of the Local Government Finance Act 1992 require councils to consider the level of reserves when setting a budget requirement. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to report formally on the adequacy of proposed reserves when setting a budget requirement. The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting.

1.2. CIPFA issued Local Authority Accounting Panel (LAAP) Bulletin No.99, Guidance Note on Local Authority Reserves and Balances in July 2014, which updated previous Bulletins to reflect the new requirements of the International Financial Reporting Standards (IFRS) Code of Practice. In addition, during the period of financial austerity for the public sector, the Local Authority Accounting Panel considered it necessary to update the guidance on local authority reserves and balances. Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government. In response to the above requirements, this policy sets out the Council's approach for compliance with the statutory regime and relevant non-statutory guidance for the Council's cash backed usable reserves.

1.3. All reserves are categorised as per the Local Authority Accounting Practice guidance, into the following groups:

- **Smoothing –** These are reserves which are used to manage large fluctuations in spend or income across years e.g., PFI equalisation reserves. These reserves recognise the differences over time between the unitary charge and PFI credits received.
- **Trading** – this reserve relates to the non-company trading entities of Laser and Commercial Services to cover potential trading losses and investment in business development.
- **Renewals for Vehicles Plant & Equipment** – these reserves should be supported by an asset management plan, showing projected replacement profile and cost. These reserves help to reduce fluctuations in spend.
- **Major projects –** set aside for future spending on projects.
- **Insurance** - To fund the potential cost of insurance claims in excess of the amount provided for in the Insurance Fund provision, (potential or contingent liabilities)
- **Unspent grant/external funding** – these are for unspent grants which the Council is not required to repay, but which have restrictions on what they may be used for e.g., the Public Health grant must be used on public health services. This category also consists of time limited projects funded from ringfenced external sources.
- **Special Funds –** these are mainly held for economic development, tourism and regeneration initiatives.
- **Partnerships –** these are reserves resulting from Council partnerships and are usually ringfenced for the benefit of the partnership or are held for investing in Strategic Priorities.
- **Departmental underspends –** these reserves relate to re-phasing of projects/initiatives and bids for use of year end underspending which are requested to roll forward into the following year..

1.4 Within the Statement of Accounts, individual reserves with a balance of £500k or over are reported on. By categorising the reserves into the headings above, this is limited to the nine groups, plus Public Health, Schools and General. Operationally, each will be divided into the relevant sub reserves to ensure that ownership and effective management is maintained.

1.5 Reserves are an important part of the Council's financial strategy and are held to create long-term budgetary stability. They enable the Council to manage change without undue impact on the Council Tax and are a key element of ensuring the Council's strong financial standing and resilience. The Council's key sources of funding face an uncertain future and the Council therefore holds earmarked reserves and a working balance in order to mitigate future financial risks.

1.6 Earmarked reserves are reviewed regularly as part of the monitoring process and annually as part of the budget process, to determine whether the original purpose for the creation of the reserve still exists and whether or not the reserves should be released in full or in part or require topping up based on known/expected calls upon them. Particular attention is paid in the annual review to those reserves whose balances have not moved over a three-year period.

2. Overview

2.1. The Council's overall approach to reserves will be defined by the system of internal control. The system of internal control is set out, and its effectiveness reviewed, in the Annual Governance Statement (AGS). Key elements of the internal control environment are objective setting and monitoring, policy and decision-making, compliance with statute and procedure rules, risk management, achieving value for money, financial management and performance management. The AGS includes an overview of the general financial climate which the Council is operating within and significant funding risks.

2.2. The Council will maintain:

- a general reserve; and
- a number of earmarked reserves.

2.3. The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer. The level of the reserve will be a matter of judgement which will take account of the specific risks identified through the various corporate processes. It will also take account of the extent to which specific risks are supported through earmarked reserves. The level will be expressed as a cash sum over the period of the general fund medium-term financial strategy. The level will also be expressed as a percentage of the general funding requirement (to provide an indication of financial context). The Council's aim is to hold general reserves of 5% of the net revenue budget to recognise the heightened financial risk the Council is facing.

3. Strategic context

3.1. The Council continues to face a shortfall in funding compared to spending demands and must annually review its priorities in order to address the shortfall.

3.2. The Council also relies on interest earned through investments of our cash balances to support its general spending plans.

3.3. Reserves are one-off money. The Council aims to avoid using reserves to meet ongoing financial commitments other than as part of a sustainable budget plan and one of the Council's financial principles is to stop the use of one-off funding to support the base budget. The Council has to balance the opportunity cost of holding reserves in terms of Council Tax against the importance of interest earning and long-term future planning.

4. Management and governance

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

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

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

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

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

The current Financial Regulations state:

Maintenance of reserves & provisions

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

i. advising the Leader and the Council on prudent levels of reserves for the Authority when the annual budget is being considered having regard to assessment of the financial risks facing the Authority;
ii. ensuring that reserves are not only adequate but also necessary;
iii. ensuring that there are clear protocols for the establishment and use of each earmarked reserve. Reserves should not be held without a clear purpose or without a planned profile of spend and contributions, procedures for the reserves managements and control, and a process and timescale for review of the reserve to ensure continuing relevance and adequacy;
iv. ensuring that all renewals reserves are supported by a plan of budgeted contributions, based on an asset renewal plan that links to the fixed asset register;
v. ensuring that no money is transferred into reserves after 31st December each financial year without prior agreement.

4.3. All reserves are reviewed as part of the monitoring process, the budget preparation, financial management and closing of accounts processes. Cabinet is presented with the monitoring of reserves on a regular basis and in the outturn report and the Council will consider a report from the S151 Officer on the adequacy of the level of reserves in the annual budget-setting process. The report will contain estimates of reserves where necessary. The Governance and Audit Committee will consider actual reserves when approving the statement of accounts each year.

4.4. The following rules apply:

- Any in year use of the General Reserve will need to be approved by Cabinet and any planned use will be part of the budget setting process.

- In considering the use of reserves, there will be no or minimal impairment to the Council's financial resilience unless there is no alternative.

4.5. The Council will review the Reserves Policy on an annual basis.

Budget risks and adequacy of reserves

When setting the draft budget and MTFP, Corporate Directors have provided their best estimate of their service costs and income based on the information currently available to them. Within these estimates we have set challenging targets to bear down on future demand and price increases in order to set an affordable and balanced budget. This approach of setting challenging targets for holding down prices and demands is part of a planned strategy to revise the way in which the budget and medium-term plan are developed so that alternative actions including policy choices are considered as part of the response to growth demands using an outcomes based approach. It is acknowledged that this does not come without risks particularly as we transition to the new budgeting approach. In addition there will always be factors outside of the Council's direct control which have the potential to vary the key planning assumptions that underpin those estimates.

There are a number of significant risks that could affect either the level of service demand (and therefore service delivery costs) or its main sources of funding. In addition, there are general economic factors, such as the level of inflation and interest rates that can impact on the net cost of services going forward. Pressures in service demand are demonstrated in children's and adults social care, waste volumes, take-up of concessionary bus travel, and home to school and special educational needs transport.

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

Risks

Covid-19 Pandemic

- Ongoing measures for public health and wellbeing – both residents and staff
- Latent service demand and increased complexity of needs – especially mental health, social care, drug and alcohol misuse and domestic abuse
- Government's response to the level of national debt

Impact of decision to leave European Union (Brexit)

- Increased border controls impacting on council responsibilities and the wider local community
- Supply chains could be affected by any changes in procurement legislation, and there are potential cost implications associated with currency fluctuations.
- The implications for pension funds are mixed as global investment vehicles have already priced in much of the uncertainty, but valuations on balance sheets and the cost of borrowing may lead to greater vulnerability.

- Commercial strategies may need to take into account the potential for any downturn in demand for properties in their investment portfolios which impact rental income and profitability.

Regulatory Risk

- **Statutory overrides** – currently there are a number of statutory overrides in place which reduce short term risks e.g. high needs deficit, investment losses, etc. These are time limited and pose significant risk if not extended
- **One-off funding settlement for 2022-23** - adequacy of the overall settlement and reliance on council tax over the medium term
- **Reforms to Social Care Charging** - uncertainty over future funding and insufficient information on full cost of the reforms
- **Departmental Specific Grants** - Unanticipated changes in specific departmental grants and ability to adjust spending in line with changes
- **New Burdens** – Adequacy of funding commensurate with additional responsibilities
- **Local Government Funding Review** - The government has committed to updating and reforming the way local authority funding is distributed to individual authorities. The Fair Funding Review of the distribution methodology for the core grants was first announced as part of the final local government settlement for 2016-17. The data used to assess funding distributions has not been updated for a number of years, dating from 2013-14 to a large degree, and even as far back as 2000. The renewed commitment in the 2022-23 local government settlement announcement to update the distribution methodology together with the introduction of a new one-off Services Grant in 2022-23 which will not be included in the baseline for future allocations adds further uncertainty whether funding from the non-council tax elements of the Council's budget will be more, flat, or less than 2022-23.

General Economic Factors

- Inflation continues to be well above the government target for a sustained period with consequential impacts on contracted services (see below) and household incomes (including incomes of KCC staff)
- Economic growth slows down or disappears
- A general reduction in debt recovery levels
- Reductions in grant and third party funding
- Reductions in the level of income generated through sales, fees and charges
- Increase in fraud

Increases in Service Demand

- Adult Social Care homecare and residential care services
- Children's Social Care including an increase in the number of looked after children, unaccompanied asylum seekers or those with no recourse to public funds
- Education and Health Care Plans with consequential impact on both Dedicated Schools Grant High Needs placements/services and General Fund services for assessment and home to school transport
- Waste tonnage
- Public health services
- General demographic trends (including a rising and ageing population)
- Impact of unemployment and changes to Welfare Benefits

Contractual Price Increases

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

Efficiencies and Savings Programme

- Slippage in the expected delivery of the savings programme
- Non-delivery of savings remains a risk to the Council and will be monitored during the year
- Shortfalls in income from fees and charges

Opportunities

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

Adequacy of Reserves

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

Assumptions for inflation	↓	The annual rate of inflation (using CPIH) has been on an upward trend since being consistently under 1% between April 2020 and March 2021. Since March the rate of inflation has been rising to 2.4% in June (with an unexpected fall to 2.1% in July) but rising thereafter each month to 2.9% in September, 3.8% in October, 4.6% in November and 4.8% in December. Increases in CPI and RPI have been even greater. The latest Bank of England forecasts are for the rate of inflation to continue to rise during Spring 2022 before the rate of increase starts to decline but is not anticipated to reduce to the 2% target until late in 2023 or in 2024.
Estimates of the level and timing of capital receipts	↓	The Council uses receipts as part of the funding for the capital programme. The Council has not applied the flexible use of capital receipts to fund revenue costs since the 2018-19 budget and does not propose to use the extension to 2022-23. Delivery of receipts against the target has fallen behind in recent years necessitating additional short-term borrowing/use of reserves. Performance in the current year has been sluggish due to the economic turbulence and although there is a reasonable pipeline of assets for disposal the risk profile for potential delays remains high.
Capacity to manage in-year budget pressures and strategy for dealing with demand and service delivery in the longer term	↓	2021-22 has been a highly volatile year due to the ongoing Covid-19 pandemic and unpredictable recovery. A number of council services have faced significant increases in demand and costs coupled with under delivery of savings plans. The forecast overspend has increased during the year counter to previous trends which have seen early forecast overspends decline during the year. The pandemic has continued to place substantial additional spending pressures and income losses on the Council although to date additional grants from central government have been largely sufficient to cover these in the short-term. The longer-term consequences remain uncertain.

		Although the local government finance settlement for 2022-23 is within the range forecast following the October Spending Review it is still insufficient to fully fund additional spending growth and still relies on council tax increases.
Strength of financial reporting and ability to activate contingency plans if planned savings cannot be achieved	↓	There continues to be a reasonable degree of confidence in the validity of financial reporting despite the uncertainties and volatility caused by the pandemic and recovery. Reporting continues to include separate analysis of budget variances for business as usual activities and the impact of Covid-19 although the ability to separate these causes is becoming increasingly more difficult. Reporting has also been enhanced to include separate analysis of delivery of savings plans, treasury management and council tax collection. Improvements are planned in terms of the timeliness of financial monitoring and reporting to ensure corrective action is taken as early as possible. Some areas of spending can still be changed at short notice if required as a contingency response if planned savings cannot be achieved (or there are unexpected changes in spending). However, the scale and timing of overspends and under delivery of savings in 2021-22 is such that it is still uncertain what the final outturn for the year will be and whether further draw down from reserves will be needed at year end over and above the £18m already incorporated in the 2021-22 budget. .
Risks inherent in any new partnerships, major outsourcing arrangements and major capital developments	↓	Partnership working with NHS and districts has improved. However, further sustained improvements are still needed to change the direction of travel. Trading conditions for Council owned companies have been incredibly challenging.. A number of outsourced contracts are due for retender and although provision for revised tender costs have been made in the budget the Council is still vulnerable to price changes due to market conditions. The ability to sustain the capital programme remains a significant challenge. Slippage within the programme has also remained at unacceptable levels. The capital planning horizon has been extended to 10 years, up to 2022-32 for rolling programmes. This together with a new reserve to fund feasibility costs will help to reduce the slippage by creating a more realistic programme. The introduction of a new capital monitoring and reporting solution in the new financial year, will provide more detail and transparency on the capital

		programme. The capital programme focuses on securing the Council's statutory responsibilities although there are still shortfalls in funding for some elements of the programme. The Council has recognised that increasing borrowing to unsustainable levels to fund infrastructure is not an option.
Financial standing of the Authority (level of borrowing, debt outstanding, use of reserves, etc.)	⟺	The Council included additional contributions to general reserves in the 2021-22 budget, increasing them to the target of 5% of the net revenue budget in response to increased risks and to improve resilience. The 2022-23 budget proposes to maintain general reserves at this 5% level, requiring a further contribution of £2.5m. The Council has also undertaken a comprehensive review of its existing reserves and established new reserves to meet the cost of ICT investments required to deliver the council's Strategic Reset Programme objectives and to cover feasibility work undertaken to support capital programme planning and delivery. KCC (like many councils) had significant underspends in 2020-21. These arose from a combination of the impact of lockdowns on council services as well as timing differences between the receipt of Covid-19 grants and spending. Reserves at the end of the year were consequently higher even after allowing for the rollover of committed spending. The Council agreed a Covid-19 earmarked reserve be established to deal with the smoothing of grant funding and spending between financial years. It is likely this reserve will need to persist into 2022-23. However, this does not in itself strengthen the financial standing of the authority as the reserve is likely to be needed to cover further impacts arising from the pandemic. The 2022-23 budget includes the transfer of insecure funding (time-limited grants and dividends) to a Strategic Priorities reserve and the County Council's share of the proceeds from the business rate pool to Economic Development reserve rather than to support core spending. The 2022-25 medium term financial plan shows an overall balanced position although the individual years for 2022-23 and 2023-24 rely on the use of one-off funding from a smoothing reserve. The 2022-23 budget also relies on one-off surplus from Council Tax Collection Fund from 2021-22 (as well as accounting for 2020-21 deficit over three years).

		The levels of legacy borrowing remain relatively high with 85% of debt not due to mature within the next 10 years. The debt includes loans taken out under the previous supported borrowing regime and more recent loans taken out under the prudential regime. Over 10% of debt is in long term Lender Option Borrower Option Loans which can only be redeemed without significant penalties at the lender's discretion. In recent years the Council has adopted a policy of funding additional borrowing requirements from reserves rather than additional external borrowing. Whilst this remains sustainable for the next 2 to 3 years without impacting on long term investments it needs to be kept under review. All of these measures are necessary to improve the financial sustainability of the Council in response to current challenges. However, in spite of these measures the overall financial standing of the Council remains constant rather than improving.
The Authority's record of budget and financial management including robustness of medium-term plans	↔	The Council has a sound record of effective financial management delivering the outturn within budget and with a small underspend in each of the 20 years up to 2019-20. The unique circumstances of the Covid-19 pandemic and subsequent recovery resulted in a more significant underspend in 2020-21 and a persistent level of forecast overspend for 2021-22. Since many of the reasons are due to external and uncontrollable factors this has not led to a worsening of the rating for financial management at this juncture but there will need to be robust financial management in 2022-23. Due to uncertainty over future government settlements the Council did not formally publish a medium-term financial plan for 2020-23 or 2021-24. The 2021-22 budget included a medium-term outlook based on a number of potential scenarios. A balanced medium-term plan for 2022-25 has been presented as part of the 2022-23 budget based on prudent assumptions for future spending, council tax and government funding although the balanced position can only be achieved with £100m of savings/income over the three years. Plans for some of these savings are still under development especially for later years.

Virement and year-end procedures in relation to under and overspends		The Council continues to adhere to sound financial governance and virement procedures set out in its financial regulations. The Council's ability to close the year-end accounts early is becoming increasingly difficult. For reasons outside the Council's control audit certificates for 2019-20 and 2020-21 have still not been issued. The draft outturn for 2020-21 was reported to Cabinet on 24th June outlining the main overspends and underspends together with roll-forward requests. This was presented alongside an update to the medium-term financial outlook. A net underspend of £27.5m was reported after roll forwards of £42.5m. The draft accounts were approved in November 2021 and signed off in December 2021.
The availability of reserves and government grants/other funds to deal with major unforeseen events		The Council continues to have adequate reserves although a number of significant risks remain unresolved which could impact on reserves if a solution is not found. The most significant risk is the continuing and growing deficit and accumulated debt on the High Needs Block of Dedicated Schools Grant (DSG). This relates to spending to support children and young people with Special Educational Needs and Disabilities (SEND). Since the introduction of the Children and Families Act 2014, the Council has seen an unprecedented rise in the number of children and young people assessed for Education and Health Care Plans (EHCPs). The high needs funding within the DSG has not kept pace resulting in in-year overspends and an accumulated deficit on the unallocated DSG reserve. This is a national problem but has been particularly acute in Kent and a number of other councils. To date the government has not provided councils with sufficient funding and has not introduced structural reforms to eliminate the overspends or repay the deficits. Whilst the government has confirmed that DSG deficits do not have to be covered from the General Fund up to at least March 2023, the level of debt remains unsustainable posing a considerable risk in the absence of funding and structural reforms. The Council has updated its DSG deficit recovery plan with the aim of initially reducing the rate of growth and ultimately starting to repay the accumulated debt. However, this will take several years. It is critical that the deficit recovery plan is delivered to reduce the level of deficit as soon as possible.

		The Council has set services challenging targets to bear down on future price increases and service demands. This is not without considerable additional risk even though this is part of a planned strategy to revise the way in which the budget and medium-term plan are developed so that alternative actions including policy choices are considered as part of the response to growth demands using an outcomes based approach. A comprehensive risk register is published as part of the 2022-23 revenue budget, 2022-25 medium term plan and 2022-32 capital programme. .
The general financial climate including future expected levels of funding	⟺	Spending Review 2021 included departmental spending plans for three years 2022-23 to 2024-25. However, the provisional local government finance settlement only included grant allocations, council tax referendum levels and core spending power calculations for 2022-23 with no indicative amounts for 2023-24 and 2024-25. Departmental specific grants were not included in the settlement and are announced later. Furthermore, the announcement of the government's intention to update and reform the funding arrangements for local government adds further uncertainty over future funding. Added to the lack of indicative funding settlement is a worsening of the ability to forecast additional spending demands and council tax/business rates funding following the pandemic and recovery. The combination of these makes medium term financial planning highly uncertain. Plans can only be prepared based on prudent assumptions and forecasts for later years remain highly speculative.
The adequacy of insurance arrangements	⟺	The Council's insurance policies were reviewed for January 2022. A hardening market along with changing levels of risk has resulted in a rise in premiums, with some deductibles being increased to mitigate this. A fund audit confirms the levels of insurance reserve are adequate.

Of the eleven factors used to assess risk and the adequacy of reserves, none have shown an improvement from twelve months ago, five are relatively unchanged, and six have deteriorated. No weighting has been applied to the individual factors, but the general financial risk to the Council should now be regarded as increased compared with a year ago, which in turn, was increased from the year before.

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

The 2022-23 draft budget also includes a £4.5m net impact from changes in the use of reserves. This includes additional contributions to reserves of £14.1m, (including £8.4m to strategic priorities and £3.0m to economic development/regeneration reserves from variable funding sources, and a one-off additional contribution of £2.5m to general reserves to maintain these at 5% of the proposed 2022-23 net revenue budget). The strategic priorities reserve will be used to fund non-recurring/time limited projects and initiatives to support delivery of the Council's key priorities as set out in the Strategic Statement which will be considered by County Council in May. These additional contributions are offset by £8.7m additional drawdown from public health and smoothing reserves. The budget also reflects a net £0.9m removal of one-off contributions and drawdowns in 2021-22. The use of the smoothing reserve in 2022-23 is to take account of timing differences between spending requirements, funding and income sources, and delivery of savings.

Appendix K: Budget Risks Register 2022-23

TOTAL	**43,050**	**300,000**

Directorate	**Risk Title**	**Source/Cause of Risk**	**Risk Event**	**Consequence**	**Current Likelihood (1-5)**	**Financial Impact (range if known) £000's**	
						from	**to**
CYPE	High Needs Demand	The Dedicated Schools Grant (DSG) High Needs Block does not meet the cost of demand for placements in schools, academies, colleges and independent providers.	There is an unacceptable deficit on the unallocated Schools Budget (DSG) Reserve. Whilst this has been partially mitigated by agreeing with the Schools' Forum a 1% transfer of the Schools Block into the High Needs Block over the past three years, and has been agreed to be continued in 2022-23 by the Secretary of State, this still leaves a material forecast overspend on the high needs budget in 2022-23 and further increases the accumulated deficit on the unallocated Schools Budget (DSG) Reserve, as any changes will take time to embed and reduce costs going forward. The main drivers of this deficit are the increase in demand for Education Health & Care Plans and requests for more specialist placements/support for children with SEN, many of which are then educated further away from their local school. A deficit recovery plan is being developed and monitored with the Schools Funding Forum on how the council intends to address this issue. The Government review of SEN is due to be published in Spring 2022 and it is unclear what impact this might have on our ability to manage this deficit moving forward.	The government now requires the total deficit on the schools budget to be carried forward each year and not allow local authorities to offset with general funds without express approval from the Secretary of State. In addition, the DSG deficit should also be held separately from the main council accounts until March 2023. This approach does not resolve how the deficit will be eliminated and therefore still poses a substantial risk to the Council. Without legislative change it is unlikely that local policy changes will reduce the deficit sufficiently. Any reductions to existing funding rates could have an adverse impact on schools, academies, colleges and independent providers. (Continuation of policy of not using general KCC reserves to top up DSG).	5	40,000	50,000
ALL	Revenue Inflation	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust estimates for spending demands.	Price pressures rise above the current MTFP assumptions and we are unsuccessful at suppressing these increases.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	5	0	30,000
ALL	Demand	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust estimates for spending demands.	Demand for services exceeds the budget assumptions and we are unsuccessful at suppressing these increases e.g. children's social care, adult social care, school transport, waste, coroners etc.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	5	0	20,000

Appendix K: Budget Risks Register 2022-23

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (range if known) £000's	
						from	to
ALL	2021-22 overspend impact on reserves	Inability to manage the pressures against the 2021-22 revenue budget in order to deliver a balanced position by 31-3-22.	Overspend against the revenue budget in 2021-22 required to be met from reserves leading to a reduction in our financial resilience	Insufficient reserves available to manage risks in 2022-23 and future years	5	0	10,000
ASCH	Market Sustainability	The long term impact of Covid-19 and long term concerns about the sustainability of the adult social care market is still uncertain. At the moment all areas of the social care sector are under pressure in particular around workforce capacity including both recruitment and retention of staff, meaning that sourcing appropriate packages for all those who need it is becoming difficult. This is likely to worsen over the next few months with the pressures of winter and also the vaccination requirements for staff working in care home settings. Although care home numbers have started increasing they are still not at pre-covid levels, meaning that providers are likely to need to increase costs to local authorities to compensate for their shortfall in income from self funding clients. We are already seeing requests for further fee increases in year over and above the inflationary uplift we have applied to all commissioned services. This pressure is likely to continue.	If occupancy levels fall below an affordable level, providers will look to the council to potentially pay more for beds to compensate for loss of self funders. Significant market reshaping will require funding to make changes in the type and range of care provided	Although the government has provided short term funding in 2021-22 for infection control, testing and workforce development, there is no indication that any such funding will be available beyond March 22. Although there is £3m base budget available for market sustainability, it is likely that this will be required to offset the current market pressure, which we must assume will grow further and will not be available for the original purpose to reshape the market. This means that there is the risk of additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	5	0	?
GET	Capital - highways grant allocation	DfT capital grant funding has reduced by £9m resulting in insufficient capital funding available to continue at previous budgeted and approved service/investment levels, leading to a further managed decline in the state of our highways network. 2022-23 local authority grant allocations are still unknown so there is potential for the Kent share to reduce further.	The requirement to manage safety concerns may lead to increased unbudgeted revenue spend on reactive works. The service was already operating a managed decline in the state of the network due to increasing traffic volumes, increasing inflation without compensating increases in funding etc so this will further exacerbate that position. 2022-23 capital grant allocation announcement confirms a further reduction in Kent funding levels.	An overspend on the revenue budget, requiring alternative offsetting savings or temporary funding from reserves. A re-prioritisation of the KCC capital programme would be required or service levels would need to be reduced. Asset management backlog (currently in excess of £700m) would continue to grow at an even quicker rate.	5	0	5,000

Appendix K: Budget Risks Register 2022-23

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (range if known) £000's	
						from	to
GET / S&CS	Capital – asset management and rolling programmes including: Highways, Country Parks, PROW (GET) and Modernisation of Assets, Schools (S&CS)	The asset management/rolling programmes for KCC are annual budgets and are not increased for inflation each year, meaning that the purchasing power reduces year on year as inflation is compounded yet the budget remains fixed.	Inflation pressures of 3% plus are incurred annually on these budget areas but the funding sources (KCC borrowing, DfT grant) remain fixed and therefore this contributes to the 'manage decline' notion in that these budgets do not even maintain steady state as often the level of investment is below (risk accepted) the required level of spend, plus year-on-year inflation is not budgeted for so the level of works commissioned reduces year-on-year also.	A funding gap therefore exists annually, so steady state cannot be achieved, so unless budget provision is made, the level of capital/asset management preventative works commissioned each year will reduce. This will present a revenue pressure, as more reactive works are likely to be required, plus the respective backlogs for Highways Asset Management (c£650m) and Modernisation of Assets (c£100m over 10 years) will increase exponentially. The risk represents the level of annual inflation required to mitigate this risk.	5	3,000	5,000
ALL	Capital - additional Covid 19 and Brexit/ EU Transition Costs	Additional costs arising from the Covid 19 pandemic, as well as Brexit/EU Transition exceed the capital estimates and are not fully reimbursed by Government.	Project costs increase due to additional Covid and Brexit measures that contractors have to put in place, impact on fuel/supplies/driver pressures and therefore higher costs passed on by contractors.	Overspend on the capital budget, impacting on future years and borrowing. It is impossible to separate whether the pressures passed on from contractors is due to the impact of Brexit/Transition or the Covid-19 pandemic.	5	0	?
ALL	Non Delivery of Savings	Changes in circumstances due to covid or other factors, result in delays in the delivery of agreed savings	Inability to progress with savings plans as scheduled due to changing circumstances	Overspend on the revenue budget, requiring alternative compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	4	0	31,500
ALL	Capital projects - Building Inflation	Capital project costs are subject to higher than budgeted building inflation.	Increase in building inflation above that built into business cases.	Capital projects cost more than budgeted resulting in an overspend on the capital budget.	4	0	25,000
ALL	Capital - Developer Contributions	Developer contributions built into funding assumptions for capital projects are not all banked.	Developer contributions are delayed or insufficient to fund projects at the assumed budget level.	Additional unbudgeted forward funding requirement and potential unfunded gaps in the capital programme	4	0	15,000
S&CS	Capital Investment in Modernisation of Assets	Insufficient funding to adequately address the backlog maintenance of the Corporate Landlord estate and address statutory responsibilities such as Health & Safety requirements	Condition of the Corporate Landlord estate suffering from under-investment. Recent conditions surveys estimate an annual spend requirement of £12.7m per annum required for each of the next 10 years. Statutory Health & Safety responsibilities not met.	The estate will continue to deteriorate; buildings may have to close due to becoming unsafe; the future value of any capital receipts will be diminished. Potential for increased revenue costs for patch up repairs. Risk of legal challenge.	4	0	10,000

Appendix K: Budget Risks Register 2022-23

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (range if known) £000's	
						from	to
GET	Waste income prices	The current market has seen a considerably increase in the income received for certain waste streams (potentially due to other supply shortages) and this upturn of £4m has been reflected in the MTFP for 2022-23. This is an incredibly volatile market, with some costs moving to income and vice versa in recent years, so this could lead to in-year pressures if the current projections/prices drop.	Projected levels of income fall and leave a financial unfunded pressure.	This will result in an unfunded pressure that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	4	-500	4,000
GET	Investment in the Public Rights of Way (PROW) network	Insufficient funding to adequately maintain the PROW network	Condition of the PROW network suffering from under-investment. A modest £150k allocation was included in the 2021-22 but additional one-off and base funding is likely to be needed for a service that is already operating at funding levels below recommended asset management levels. This has been further exacerbated by the increased usage arising from the covid related restrictions and national lockdown	The potential for claims against the council due to injury and from landowners and the need to undertake urgent works that lead to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves.	4	250	2,000
GET	Revenue - drainage and adverse weather	Persistent heavy rainfall and more frequent storm events mean insufficient revenue and capital budget to cope with the reactive and proactive demands on the service	An additional £1m was put into the drainage budget in 21/22 but this was below the level of overspends achieved in the two prior years and the risk is therefore the budget is not being funded at the level of demand/activity. More erratic weather patterns also cause financial pressures on the winter service and many other budgets. The risk is that this weather pattern continues and additional unbudgeted funding required.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves	4	0	2,000
S&CS	Reduced support for Corporate Centre from DSG grant	DSG grant under pressure and amount supporting Corporate Centre is being challenged and likely to be reduced	As part of the 22/23 budget setting, CYPE have to reduce the amount allocated to Central Support services	The Directorate holds this income centrally and is unable to directly relate it to specific teams, hence requiring compensation savings to be identified or there will be an overspend	4	0	2,000

Appendix K: Budget Risks Register 2022-23

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (range if known) £000's	
						from	to
CYPE	Recruitment, retention & cover for social workers	Higher use of agency staff to meet demand and ensure caseloads remain at a safe level in children social work. The Service has relied on recruitment of newly qualified staff however this is being expanded to include a more focused campaign on attracting experienced social workers. There are higher levels of sickness and maternity leave across children's social work	Inability to recruit and retain sufficient newly qualified and experienced social workers resulting in continued reliance on agency staff, at additional cost. Higher levels of sickness and maternity leave resulting in need for further use of agency staff.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	4	0	1,500
GET	Loss of European Union (EU) funding to support the Net Zero/Carbon Reduction green agenda	The Sustainable Business and Communities team with Net Zero within its remit currently enjoys significant EU/Interreg funding which has helped plan and deliver the plan for Net Zero by 2030/2050. If such funding is removed following Brexit, KCC would otherwise need to invest its own funds to provide a suitably sufficient team to achieve Government requirements	The risk is that KCC has to fund any reduction or cessation of funding.	The consequence is an overspend against the revenue budget, requiring compensating savings or funding from reserves, as simply not delivering Net Zero by 2050 is not an option due to Government legislation being implemented.	4	300	800
GET	Trading Standards and Border Team	The impact of Transition/Brexit meant that Border Control in the UK required a new service/arrangements to be implemented at a current cost of £580k. This ongoing cost is reflected in the 22-25 MTFP, with the expectation that this "new burden" will be accompanied with direct Government funding allocated to Local Authorities from the savings generated from no longer being part of the European Union. The risk is whether the new burdens money is forthcoming from Government and/or whether demand increases resulting in increased costs.	The risk is that Government consider this simply an addition to existing regulatory and enforcement activity, rather than being a new service/ obligation and no new burdens funding is forthcoming, so KCC is left with gross costs of delivering the service but without additional compensating funding and/or whether demand for the service increases resulting in additional costs.	This would cause an immediate unfunded pressure as both the gross costs and the assumed grant income have been built into the MTFP/Budget.	4	0	579
S&CS	Increasing costs within Corporate Landlord which used to be funded by Directorate budgets	The Hybrid working requires centralised costs for replacement chairs/equipment which used to be funded from individual budgets. Also provision of tea, coffee, milk and the added cost of fridge cleaning etc.	If budget not top-sliced across Directorates then pressure will fall to Corporate Landlord.	Increased cost of new TFM contracts due to change in central requirements which will appear as an overspend if we can't identify where/how to collect budgets.	4	0	500

Appendix K: Budget Risks Register 2022-23

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (range if known) £000's	
						from	to
GET	Marriage Schedule Act 2021	The Marriage Schedule Act 2021 will place increased demand and capacity on the Registration Service requiring the addition of three new full time posts. The risk is whether new burdens money is forthcoming from Government to compensate for the increased workload.	The risk is that that no new burdens funding is forthcoming, so KCC is left with the additional gross costs of delivering these changes but without additional compensating funding.	This would cause an immediate unfunded pressure as both the gross costs and the assumed grant income have been built into the MTFP/Budget.	4	0	81
ALL	Covid 19 additional revenue costs/ loss of income	Additional costs arising from the impact of and recovery from the Covid 19 pandemic and the consequential loss of income for services exceed the estimates included in the budget. Additional costs could arise from: * needing to make further continuity payments to support the market in key service areas such as transport , early years and social care especially as specific funding for infection control and support for the workforce is unlikely to continue * increased demand to address unmet and more complex need in adults and children's social care, domestic abuse, mental health and drug and alcohol services as a consequence of the national lockdown and related restrictions * the impact of changes to the way people access our services such as waste recycling * provision of emergency response services * support for vulnerable residents, local communities and businesses Loss of income could arise from reduced take up of services or council decisions to waive fees to support residents and businesses.	Financial impact of Covid 19 pandemic continues and is not fully compensated by Government. Increased costs and income losses become the new normal if footfall for services does not recover due to reduced consumer confidence. The situation is still too uncertain and unpredictable to quantify at this stage.	Additional unfunded pressures that lead to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	4	0	?

Appendix K: Budget Risks Register 2022-23

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (range if known) £000's	
						from	to
ASCH	Underlying cost pressure in operational care budgets in 2021-22	There is a significant forecast pressure in 2021-22 across most activity driven lines. The main areas with increased pressures are: Older People, both long and short term residential and nursing placements; mental health and learning disability supported living. These pressures are in the main to do with increased hours of care or increased costs, although there has been an increase in both short term beds for older people and numbers of people with mental health needs receiving supported living.	There is a risk that cost pressures will continue to rise into 2022-23 with an even greater full year cost than has been included in the 2022-23 budget	This means that there is the risk of additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	4	0	?
ALL	Capital - Capital Receipts	Capital receipts not yet banked are built into the budget to fund projects.	Capital receipts are not achieved as expected in terms of timing and/or quantum.	Funding gap on capital projects requiring additional forward funding.	3	0	12,400
GET	English National Concessionary Travel Scheme (ENCTS) and Kent Travel Saver (KTS) journey levels	ENCTS journeys have reduced over time, more so during the pandemic, so a £3.4m reduction in budget has been reflected in the MTFP based on this downturn. For KTS, reduced activity in terms of the number of full paying passes has been reflected as a saving of £1.9m.	Activity levels return to a level of journeys in excess of the revised budget, therefore causing a financial pressure.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years if current activity levels are not indicative of the new normal.	3	0	5,300
ALL	BREXIT and EU Transition	The Council requires full reimbursement from Central Government for the additional ongoing costs of BREXIT and transition.	Full cost reimbursement not received from government. The grants received to date have not been sufficient to cover the council's additional spending on BREXIT and transition costs (estimated £2.1m shortfall over the period 2018-19 to 2021-22)	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves	3	0	3,000

Appendix K: Budget Risks Register 2022-23

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (range if known) £000's	
						from	to
Non Apportionable	Loss of Investment Income	For 2022-23 and future years it is anticipated that income from cash investments will continue to reflect low interest rates. Rates are forecast to rise but are unlikely to return to pre-pandemic levels. Given the uncertainty caused by the affect on companies of the Covid virus dividend income from pooled funds may also be lower than previously. The extent and timeframe of impact of Covid on financial markets uncertain.	Performance of our investments falls below predicted levels as a result of external factors such as impact of Covid on the economy	Reduction in investment income leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	0	3,000
CYPE	Changes to OFSTED regulation for 16 & 17 year olds	Ofsted have indicated that they are looking to introduce regulations for current un-regulated accommodation (for 16 and 17 year olds) from April 2023, with a 6-month implementation timescale. The two main contracts affected by this decision are due to expire in Autumn 2022. The future of commissioning of these services needs to be reviewed in light of this decision.	Further detail is yet be published on the regulation requirements and the implementation timescale, however the cost of regulated accommodation is more expensive and could add a further pressure on placement costs ahead of formal implementation. Government have indicated they will provide additional funding to compensate however this may not be sufficient or provided in a timely way.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years. Further discussions with Home Office if the additional costs cannot be managed within existing grant rates.	3	0	2,200
CYPE	SEN Reprocurement	Restructure and retender the SEN network and development of hub pick up points	Total savings are not in line with initial estimates and timescale.	Additional unfunded cost due to delay or non-delivery of saving that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	0	2,100
CYPE / S&CS	Reduction in DFE grants for central services for schools and review of school services provided by the Local Authority	The government has reaffirmed its intention for all schools to become part of the multi-academy Trust. Local Authority grant funding to support schools continues to be reduced, equating to a cumulative total reduction of nearly £4m for KCC since 2019-20. Consequently the Local Authority needs to review its relationship with schools and the services it provides free of charge.	Long term solutions cannot be implemented within timescales and may require schools agreement (which may not be achieved). There is also a risk that by passing greater responsibilities to schools could have a possible negative impact on other areas of Local Authority responsibility if schools do not comply (for example: school maintenance). There is also the risk of further cuts to the Local Authority Central Services for School Grants in the future.	If this remains unresolved there is a risk that this will also have to either be met from reserves in future years or result in an overspend until a longer term solution is identified	3	0	1,800

Appendix K: Budget Risks Register 2022-23

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (range if known) £000's	
						from	to
Non Apportionable	Insufficient cash balances	Higher than expected payments for example related to the response to Covid or lower than forecast receipts	Insufficient cash to cover council's outflows	Borrowing required that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves.	3	0	1,000
GET	Waste Volumes	A £2.9m pressure is included in the MTFP for 2022-23 for increased kerbside (black sack) tonnage due to continued home-working as a result of the pandemic representing a shift from commercial waste to residential waste.	Continued home-working could mean that this estimate is exceeded if more companies choose to home-work (some currently partially office based but this could increase) so increased tonnages could ensue which the authority has a statutory duty to dispose of and/or recycle.	Additional tonnes collected by the districts and brought into the Waste Transfer stations for disposal/recycling at KCC's expense meaning an unfunded pressure.	3	0	1,000
CYPE	Community Learning & Skills (CLS) achievement of surplus	Ongoing impact of the COVID pandemic on the recovery of CLS adult education service	Recovery affects ability to generate sufficient income to meet surplus targets	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves.	3	0	500
S&CS	Highways unadopted land	Maintenance costs for residual pieces of land bought by Highways for schemes and subsequently tiny pieces not required or adopted.	Work becomes necessary on these pieces of land and neither Highways or Corporate Landlord have budget to pay for it.	Work needs to be completed whilst estates work to return the land to the original landowner	3	0	50
ALL	Income	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust income estimates.	Income is less than that assumed in the MTFP.	Loss of income or reduced collection of income that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	0	?
ASCH (PH)	Uplift in Public Health Grant	The anticipated 'real' increase in the Public Health grant is insufficient to meet increase in costs and costs of new responsibilities.	The increase in the Public Health grant is less than the increases in costs to Public Health.	(i) Public Health reserves would be exhausted (ii) Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves.	3	0	?
CYPE	Capital - Basic Need Allocations	Estimates of future basic need allocations are included in the capital programme.	Basic need allocations are less than expected.	Funding gap for basic need projects which will need to be funded either by reprioritising the capital programme or by additional borrowing with a consequential unbudgeted impact on the revenue position of the costs of borrowing.	2	0	12,700

Appendix K: Budget Risks Register 2022-23

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (range if known) £000's	
						from	to
ALL	VAT Partial Exemption	KCC VAT Partial Exemption Limit is almost exceeded.	Additional capital schemes which are hosted by KCC result in partial exemption limit being exceeded.	Loss of ability to recovery VAT that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	2	0	8,700
CYPE	Supporting Families (previously Troubled Families)	The Government has confirmed the Troubled Families Grant will be replaced with a new Supporting Families Grant. Grant allocations and conditions of grant have not yet been confirmed. Commitments total £3.8m.	There is a risk that the service are unable to achieve the Government's expected outcomes within existing services and do not have sufficient time to reconfigure without incurring additional costs.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	2	0	3,800
S&CS	Backlog of maintenance for properties transferring to Corporate Landlord	Maintenance backlog historically funded by services from reserves or time limited resources which have been exhausted. Properties that have been transferred to the corporate landlord require investment.	Urgent repairs required which cannot be met from the Modernisation of Assets planned programme within the capital budget	Unavoidable urgent works that lead to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	2	0	400
ASCH	New Social Care Legislation	Increased costs of implementing the Adult Social Care Reform white paper and paying providers a fair rate of care. In addition, the Deprivation of Liberty Safeguards (DoLS) is being replaced with new legislation Liberty Protection Safeguards (LPS) in 2022	Additional costs over the next three years as a result of these changes in legislation over and above the government funding provided	Overspend on the revenue budget or alternative offsetting savings required or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	2	0	?
ALL	Capital Costs	Pre-Capital Works Expenditure.	Capital project doesn't proceed as planned and capital costs are transferred to revenue.	Aborted capital cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves.	2	0	?
ALL	Capital - Climate Change	Additional costs are incurred to comply with climate change policy	Project costs increase beyond budget	Overspend on the capital programme resulting in additional borrowing	2	0	?

Likelihood Rating

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

Capital Strategy

INTRODUCTION

1.1 This Capital Strategy gives 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 sets out the strategic direction for KCC's capital management and investment plans and is an integral part of our medium to long term financial and service planning and budget setting process. It establishes the principles for prioritising KCC's capital investment and incorporates requirements from the prudential system.

Capital Expenditure and Financing

1.2 Capital expenditure is where the Council spends money on assets, such as property, highways assets 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,* they are not capitalised and are instead charged to revenue in year.

1.3 Details of the Council's policy on capitalisation are included in the Council's annual Statement of Accounts, the relevant extract 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.

1.4 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".

Capital Strategy Principles

1.5 The core principles of the Council's Capital Strategy are as follows:

The Capital Strategy will:

- Be based on delivering the Council's strategic priorities,
- Set out and deliver its statutory responsibilities on a risk-based approach,
- Ensure the capital programme is long term (10 years), deliverable, realistic and affordable,

- Exclude property investments where loans are provided to third parties, such as No Use Empty – these will be considered as part of the Treasury Management Strategy,
- View borrowing as a last resort – affordability across the medium to long term will be key.

The Council's Strategic Outcomes

1.6 Work is progressing on the new Strategic Statement and it is due to be adopted in May 2022. The Interim Strategic Plan is currently in place and sets out the organisation's priorities in the short to medium-term to lead KCC through the Covid pandemic and recovery. The Capital Strategy will be refreshed annually to incorporate the organisation's strategic direction. Business planning across the organisation is currently under review, and the capital programme will continue to be aligned with any revised business planning process.

1.7 Capital investment should also evidence how it will support the priorities and principles set out in significant strategies. The following are examples of the Council's key strategies:

- Kent and Medway Growth and Infrastructure Framework – this sets out the future strategic infrastructure requirements for the county.
- Local Transport Plan 4 – this plan sets out strategic transport priorities. Local Transport Plan 5 is currently in development.
- Commissioning Plan for Education Provision – this sets out changes to existing schools and commissioning of new schools.
- Kent's environment strategies – including the Energy and Low Emissions Strategy and Net Zero Action Plan.
- Technology Strategy – provides direction and strategic priorities to shape KCC's technology environment.
- Asset Management Strategy – this sets the framework for managing the Council's property portfolio effectively.
- Making a difference every day - Our strategy for Adult Social Care 2022 to 2027 (to be approved later in 2022).

Affordability

1.8 Capital plays an important role in delivering long-term priorities as it can be targeted in creative and innovative ways. However, capital is not unlimited or "free money" – capital funding decisions can have significant revenue implications. Every £10m of prudential borrowing costs approximately £0.7m per annum in revenue financing costs (including repayment of the principal) for 25 years, assuming an asset life of 25 years. For Information Technology projects the revenue costs are much higher per annum as the life is shorter. This is in addition to any ongoing maintenance and running costs associated with the investment. The more revenue that is tied up to repay borrowing, the less is available for service provision, and this is considered alongside revenue pressures.

1.9 In assessing affordability, indicators set by the Prudential Code and the Council's own internal set of fiscal indicators are considered. The fiscal indicator "net debt costs should not exceed 10% of net revenue spending" is considered a suitable indicator to help ensure long-term affordability of the capital programme. In line with regulations, the Council has deferred introducing the revised reporting requirements of the revised Prudential Code until the 2023-24 financial year.

1.10 In 2022-23, the Council is planning capital expenditure of £339.3m as shown in the following table:

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

	2020-21 actual	2021-22 forecast	2022-23 budget	2023-24 budget	2024-25 budget
General Fund services	355.0	369.6	339.3	297.2	216.7
Capital investments	0.0	0.0	0.0	0.0	0.0
TOTAL	355.0	369.6	339.3	297.2	216.7

1.11 The main General Fund capital projects include: investments in additional school places to increase capacity (£86m), highways, structures & waste enhancement (£73m), highways and other transport improvements (£92m), modernisation and improved utilisation of council premises (£37m), other school projects (£29m), economic development initiatives (£17m), community projects (£5m).

1.12 **Governance**: Service managers bid to include projects in the Council's capital programme. Capital finance colleagues provide advice during this process. Projects must come forward with alternative options for delivering outcomes, and with a variety of funding options. All projects must be supported by a business case, using the agreed template which captures this information. The business case must also show realistic phasing of the proposed project, with project plans to support this. If a project slips, funding assigned to that project could have been attributed to other worthy projects that were ready to proceed. A critical element of the business case is to identify revenue costs and revenue savings as these will be integral to the budget setting process. Bids are collated by the Capital Team in Corporate Finance who calculate the financing cost (which can be nil if the project is fully externally financed). These are then discussed as part of the budget process, and the final capital programme is presented to Cabinet in January and to County Council in February each year for approval.

Statutory Requirements

1.13 The Council will ensure that appropriate capital funding is allocated on a risk-based approach, to meet immediate statutory requirements, such as basic need, health and safety, Disability Discrimination Act (DDA) and other legal requirements. Increasingly, it is anticipated that satisfying statutory requirements and avoidance of legal challenges will need to play a more prominent role in capital investment decisions. Nonetheless, whilst there may be a statutory requirement, capital bids will still need to explore alternative options to satisfy the affordability requirement. Capital spend may not always be necessary to achieve the minimum or required outcomes. Funding for capital projects will be applied in the most logical and efficient way, for example, to use specific grants for their intended purpose or time limited funding first, and where grant is not sufficient other sources of external funding will be explored, before using the Council's resources.

Invest/Spend to save bids

1.14 Invest/spend to save bids are encouraged as these will be integral to achieving additional savings/income which is increasingly important to ease the pressure on the revenue budget, although not at the expense of meeting the Council's statutory obligations and strategic priorities. Any bids under this category will be rigorously reviewed and challenged to ensure all relevant costs including any costs of borrowing or other revenue impacts have been adequately accounted for and the identified savings are realistically achievable within a reasonable period.

Enhancement of Existing Estate and Roads

1.15 Maintenance of the estate and highway roads and structures network is coming under increasing pressure following years of reactive works. The development of a longer-term capital planning period will help provide the service with future funding stability and the ability to highlight forthcoming pressures for early consideration by Members. The level of investment in this area will ensure our statutory responsibilities are met, again using a risk-based approach.

➢ Full details of the Council's capital programme are set out in Appendices A and B.

FUNDING

1.16 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

	2020-21 actual	2021-22 forecast	2022-23 budget	2023-24 budget	2024-25 budget
External sources*	293.8	237.3	207.7	206.0	160.9
Own resources	17.9	29.4	22.0	16.4	10.4
Borrowing	43.3	102.9	109.6	74.8	45.4
TOTAL	**355.0**	**369.6**	**339.3**	**297.2**	**216.7**

*External sources include funding from loan repayments. The Council 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 the Council's own resources but cannot now be separately identified.

Grants

1.17 The challenging financial environment means that national government grants are reducing or changing in nature and becoming more heavily prescribed. These prescriptions reduce the freedom to decide where and how to spend grants – they are largely tied to specific service areas such as education or highways. An increasing number of funding schemes directly relate to housing and economic growth such as Local Growth Funding (LGF) from Local Enterprise Partnerships (LEPs). This funding is specific to individual projects and must be closely monitored. The Council's aim is to use other, less specific grants for their intended purpose in a way that meets statutory obligations. Where the grant is not sufficient, other sources of external funding such as Central Government grants and s106/Community Infrastructure Levy (CIL) will be explored first, before using the Council's resources such as capital receipts and borrowing.

Developer Contributions: Community Infrastructure Levy (CIL)/S106

1.18 Developer contributions continue to be a challenging issue and need careful consideration when they are put forward to fund major projects. The nature of s106 agreements means that once the total funding figure has been secured with a s106 contract, the funding is received by the County Council in staged payments as the development is built out, with the full funding potentially not received until the development has been fully completed. Depending on size, a development can take several years to be fully completed. Developer contributions will be built into the programme at the point they are secured within s106 agreements, but it must also be recognised that at this point there are still risks around housing development and realisation of the funding. Careful monitoring of expenditure against this funding is critical.

1.19 Any forward funding arrangements of developer contributions must be approved to ensure appropriate debt costs of forward funding are built into the repayments. The repayment schedule must be formalised by being built into the s106 agreement. Delays in housebuilding due to Covid-19 and additional costs to builders to ensure covid-safe workplaces means there is likely to be even greater requirements for forward funding, and renegotiation of agreements.

1.20 Several districts in Kent have adopted the Community Infrastructure Levy (CIL), a flat rate tariff charge. CIL rates are set by districts as the Charging Authorities, they are also responsible for collection and spend of the levy. The share of CIL funding which the County Council will receive in the future is unknown and cannot currently be forecast as unlike s106 agreements the money raised through CIL is administered by the district council and KCC does not automatically receive a share.

1.21 The “pooling restriction” has been removed in recent regulations. This had previously prevented local authorities using more than five section 106 obligations to fund a single infrastructure project. This is a positive move as it will help to unlock funds. However, the monitoring requirements have increased significantly, and revised arrangements will need to be put in place to ensure compliance with the new regulations.

1.22 The Planning White Paper is likely to have a significant impact on the way developer contribution funding is distributed in the future. This will continue to be investigated as more details are forthcoming, but initial indications are that it could create a significant forward funding requirement which would need to be carefully managed by the Council.

Borrowing

1.23 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 MRP debt during the medium-term planning period is as follows:

Table 3: Replacement of debt finance (MRP) in £millions

	2020-21 actual	2021-22 forecast	2022-23 budget	2023-24 budget	2024-25 budget
MRP	59.1	57.4	60.3	61.8	62.5

- The Council’s full minimum revenue provision statement is at Appendix O.

1.24 The level of borrowing to fund the capital programme considers the revenue implications and the requirements of the prudential code. In line with the Code, borrowing is not undertaken in advance of need. The 10-year capital programme planning period will assist in more effective management of borrowing levels over the longer-term.

1.25 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 £49.4m during 2022-23 to £1.36bn. Based on the above figures for expenditure and financing, the Council's estimated CFR is shown in table 4:

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

	31.3.2021 actual	**31.3.2022 forecast**	**31.3.2023 budget**	**31.3.2024 budget**	**31.3.2025 budget**
TOTAL CFR	1,269.2	1,314.6	1,364.0	1,377.0	1,359.9

The in-year movement in the total row equals borrowing from table 2 less MRP from table 3

Asset Management and Capital Receipts

1.26 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 the property portfolio effectively over the next 3 to 5 years. It will guide future strategic property decisions to make sure the property portfolio is managed sustainably and efficiently so that it can adapt to remain fit for the future and support frontline delivery. Property assets are an important part of supporting and enabling the Council to transform the way public services are delivered with partners and it is therefore essential that an innovative and forward-thinking strategy is in place.

- The Council's asset management strategy can be read here

1.27 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 has had a rigorous disposal programme over the past few years which has helped to minimise the level of borrowing. Going forward the same level of receipts will not be achievable as many surplus assets have already been sold. Increasingly capital receipts will need to be generated from underutilised assets rather than surplus assets. In some cases this may require additional capital investment to develop these assets which would need to be included and approved on an individual scheme basis as part of refreshing future capital programmes. The Council's Infrastructure division will continue to work with service directorates and public sector partners to explore options to release property and maximise capital receipts, with a view to creating a sustainable pipeline of funds in the future.

1.28 Repayments to the Council 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	**2022-23 budget**	**2023-24 budget**	**2024-25 budget**
Application of asset sales	17.1	12.4	7.1	1.2
Loan repayments	47.1	13.5	18.9	7.9

Treasury Management

1.29 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.

1.30 As at 31 December 2021 the Council had £828.5m of external borrowing, at an average interest rate of 4.46% and £510.4m treasury investments at an average rate of 1.72%. Where possible internal borrowing is used before borrowing externally. However, this is under constant review, to ensure it is still an appropriate funding source.

1.31 **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.

1.32 Projected levels of the Council's total outstanding debt comprising 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

	31.3.2021 actual	**31.3.2022 forecast**	**31.3.2023 budget**	**31.3.2024 budget**	**31.3.2025 budget**
Other Long-term Liabilities	235.8	235.8	235.8	235.8	235.8
External Borrowing	853.7	826.0	802.5	777.0	752.7
Total Debt	1,089.5	1,061.8	1,038.3	1,012.8	988.5
Capital Financing Requirement	1,269.2	1,314.6	1,364.0	1,377.0	1,359.9
Internal Borrowing (cash balances)	179.7	252.8	325.7	364.2	371.4

1.33 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.

1.34 **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

	2021-22 limit	**2022-23 limit**	**2023-24 limit**	**2024-25 limit**
Authorised limit – borrowing	1,016	876	853	827
Authorised limit – PFI and leases	245	245	245	245
Authorised limit – total external debt	1,261	1,121	1,098	1,072
Operational boundary – borrowing	991	851	828	802
Operational boundary – PFI and leases	245	245	245	245
Operational boundary – total external debt	1,236	1,096	1,073	1,047

It is likely that the lease liability figure on the balance sheet will increase as a result of IRFS16, however the implementation of this has been deferred until the 2022-23 financial reporting year. Under this new standard the treatment of leases will change from the current distinction between operating and finance leases, leading to more leases being recognised on the balance sheet. Work is ongoing to determine the implications of this.

- ➢ Further details on borrowing are in the Treasury Management Strategy – see Appendix M.

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

1.36 The Council's policy on treasury investments is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults, the liquidity of investments and the risk of receiving unsuitably low investment income. 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

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
Near-term investments	240	185	106	107	110
Longer-term investments	262	294	300	260	250
TOTAL	**502**	**479**	**406**	**367**	**360**

- ➢ Further details on treasury investments are in the Treasury Management Strategy at Appendix M.

1.37 **Risk management:** The effective management and control of risk are prime objectives of the Council's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

1.38 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Corporate Director of Finance and finance 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. This is a Member group supported by officers and chaired by the Cabinet Member for Finance, Traded and Corporate Services.

Investments for Service Purposes

1.39 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.

1.40 **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 the Investment Strategy at Appendix N.

Commercial Activities

1.41 With central government financial support for local public services declining, the Council has, in the past, strategically invested in commercial property purely or mainly for financial gain. A number of purchases, some of which are still held, were made through the Property Investment and Acquisition Funds (PIF1 and PIF2) and the Acquisition of Strategic Assets.

1.42 With financial return being the main objective, the Council accepted higher risk on commercial investment than with treasury investments. The principal risk exposures include void periods when properties are empty and reductions in market value. These risks were managed by a rigorous appraisal process prior to any acquisition decision. Total commercial investments as at 31st March 2021 were valued at £32.3m with the largest being the two office buildings at Kings Hill.

1.43 In line with Government expectations, the Authority will not be pursuing commercial investments going forward.

1.44 **Governance:** Decisions on commercial investments and disposals have been 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 have also been approved as part of the capital programme.

- Further details on commercial investments and limits on their use are included in the investment strategy – Appendix N.
- The Council also has commercial activities in several trading companies, details of which are included in the investment strategy – Appendix N.

Liabilities

1.45 In addition to debt of £826.0m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £1,634.9m). It has also set aside 5% of the net revenue budget in general reserves to cover unforeseen risks as identified in the Reserves Policy – Appendix I to this document. 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 the Budget Risks Register at Appendix K to this document.

1.46 **Governance:** Decisions on incurring new discretional 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

1.47 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

	2020-21 actual	2021-22 forecast	2022-23 budget	2023-24 budget	2024-25 budget
Proportion of net revenue stream	9.57	9.20	9.06	8.79	8.33

1.48 In light of the one-year revenue spending round for 2021, the future year net revenue budgets are likely to change significantly, which will impact on future year's indicators.

1.49 **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 10% of the annual revenue budget. The Capital Programme will be reviewed and revised to ensure it is affordable in the medium term.

Knowledge and Skills

1.50 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 at the last review included a number of qualified accountants who are members of professional accountancy bodies including ACCA, CIMA, CIPFA and ICAEW. In addition, KCC Finance is an approved employer with professional accreditations from ACCA and CIPFA.

1.51 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.

1.52 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.

Governance Arrangements

1.53 The governance arrangements for the capital programme are as set out in the Council's constitution.

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Appendix M

Treasury Management Strategy

Introduction

1. Treasury management is the management of the 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 the separate *Appendix N* - Investment Strategy.

External Context

Economic background

4. The ongoing impact on the UK from coronavirus, together with higher inflation, the likelihood of higher interest rates, and the country's trade position post-Brexit, are likely to be major influences on the Authority's treasury management strategy for 2022-23.

5. The Monetary Policy Committee of the Bank of England (BoE) voted to increase the Bank Rate to 0.25% in December 2021 and to maintain its Quantitative Easing programme at £895 billion. The Monetary Policy Committee (MPC) voted unanimously for both changes.

6. First estimates for Q3 2021 suggest that GDP increased 1.3% on the previous quarter and is up 6.6% on the previous year. However it remains 2.1% below its pre pandemic level. Estimates for growth in Q4 2021 have been revised down as the pace of the global recovery has shown signs of slowing and there are concerns inflationary pressures may be more persistent.

7. The headline rate of UK Consumer Price Inflation (CPI) rose to 5.1% in November and the BoE expects it to remain at this level throughout the winter, rising further in April 2022, largely reflecting the pass-through of current rises in wholesale gas and electricity prices.

8. Government initiatives supporting the economy came to an end on 30 September 2021 with the end of the furlough scheme. The most recent labour market data for the three months to October 2021 showed a quarterly increase in the employment rate to 75.5%, while the unemployment rate decreased to 4.2%.

9. In October, the headline 3-month average annual growth rates for wages were 4.9% for total pay and 4.3% for regular pay. In real terms, after adjusting for inflation, total pay growth was up by 1.7% while regular pay was up 1.0%. These figures should be interpreted with caution, however, as pay growth is now being impacted by base effects compared to 12 months ago when earnings were first affected by the coronavirus pandemic. The change in pay growth has been affected by a changing composition of employee jobs, where we have seen a fall in the number and proportion of lower-paid employee jobs.

Credit outlook

10. Since the start of 2021, relatively benign credit conditions have led to credit default swap (CDS) prices for the larger UK banks remaining low and have steadily edged down throughout the year to almost pre-pandemic levels. The improved economic outlook during 2021 helped bank profitability and reduced the level of impairments many had made as provisions for bad loans. However, the relatively recent removal of coronavirus-related business support measures by the government means the full impact on bank balance sheets may not be known for some time.

11. The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several financial institutions, revising them from negative to stable.

12. Looking ahead, while there is still the chance of bank losses from bad loans as government and central bank support is removed, the institutions on the Council’s counterparty list are well-capitalised and general credit conditions across the sector are expected to remain benign.

Interest rate forecast

13. The Authority’s treasury management adviser Arlingclose is forecasting that Bank Rate will continue to rise in calendar Q1 2022 to subdue inflationary pressures and the perceived desire by the BoE to move away from emergency levels of interest rates.

14. Investors continue to price in multiple rises in Bank Rate over the next forecast horizon, and Arlingclose believes that although interest rates will rise again, the increases will not be to the extent predicted by financial markets. In the near-term, the risks around Arlingclose’s central case are to the upside while over the medium-term the risks become more balanced.

15. Yields are expected to remain broadly at current levels over the medium-term, with the 5, 10- and 20-year gilt yields expected to average around 0.65%, 0.90%, and 1.15% respectively. The risks around for short and medium-term yields are initially to the upside but shifts lower later, while for long-term yields the risk is to the upside.

However, as ever there will almost certainly be short-term volatility due to economic and political uncertainty and events.

16. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Annex A.

Local Context

17. On 31 December 2021 the Council held £828.5m of external borrowing and £510.4m of treasury investments. This is set out in further detail in Annex B. Forecast changes in these sums are shown in the balance sheet analysis in the table below.

Table 1: Balance sheet summary and forecast

	31.3.21	31.3.22	31.3.23	31.3.24	31.3.25
	Actual	Estimate	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
Total CFR	1,269.2	1,314.6	1,364.0	1,377.0	1,359.9
Other long term liabilities	235.8	235.8	235.8	235.8	235.8
Loans CFR	**1,033.4**	**1,078.8**	**1,128.2**	**1,141.2**	**1,124.1**
External borrowing	-853.7	-826.0	-802.5	-777.0	-752.7
Internal borrowing	**179.7**	**252.8**	**325.7**	**364.2**	**371.4**
Less balance sheet resources	-681.7	-731.8	-732.0	-732.0	-732.0
Treasury investments	**502.0**	**479.0**	**406.3**	**367.8**	**360.6**

18. 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. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

19. 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

20. On 31 December 2021, the Council had £828.5m external debt, including £30.4m attributable to Medway Council, as part of its strategy for funding previous years' capital programmes. This represents a decrease of £25.2m on 31 March 2021 and reflects the Council's strategy of maintaining borrowing below the underlying levels.

21. The balance sheet forecast in table 1 shows that the Council does not expect to need to borrow in 2022-23. The Council may borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £1,121m.

Objective

22. 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

23. 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.

24. Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. 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 instead.

25. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Using cash available on the Council's balance sheet is also known as internal borrowing and at the end of March 2021 the Council had supplemented external debt with £179.7m of internal borrowing. Internal borrowing is not cost free as it is at the expense of investment returns and does not remove the need for Minimum Revenue Provision (MRP) to be made.

26. 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 2022-23 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

27. The Council has previously raised the majority of its long-term borrowing from the PWLB and is likely to continue with this practice but will consider long-term loans from other sources including banks, pension funds and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

28. PWLB lending arrangements have changed and loans are no longer available to local authorities planning to buy investment assets primarily for yield. The Council does not intend to borrow to invest primarily for financial return and will retain its access to PWLB loans.

29. Alternatively, the Council may arrange forward starting loans, 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. In addition the Council may borrow short-term loans to cover unplanned cash flow shortages.

30. **Prudential Indicators:** The Council's capital strategy prudential indicator 3 indicates that the Council does not expect to increase its external borrowing in 2022-23 but it retains the flexibility to consider borrowing either long term or short term as well as using its cash balances.

31. **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
    - HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
    - 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

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. **LOBO (Lender's Option Borrower's Option) loans:** The Council holds £90m of LOBO loans (Lender's Option Borrower's Option) 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. LOBOs totalling £40m have option dates during 2022-23, 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 the opportunity arises.

34. **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.

35. **Debt rescheduling:** The PWLB allows councils 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.

Treasury Investment Strategy

36. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Since the beginning of April 2021 the Council's cash balance has ranged between £483m and £657m. The balances are expected to remain at their current level due to timing differences of cashflows offsetting the repayment of maturing loans.

37. **Objectives:** The CIPFA Code requires the Council to invest its treasury 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, the liquidity of investments 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.

38. **Negative interest rates:** The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

39. **Strategy:** The Council's strategy for 2022-23 is essentially the same as that for 2021-22. Given the continuing risk and very low returns from short-term unsecured bank investments the Council will continue to invest a significant proportion of the cash available for longer term investment in secure and / or higher yielding asset classes. It will continue to invest in money market funds and Government including local authority deposits to meet its liquidity requirements.

40. **Business models:** Under IFRS 9, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its 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. The IFRS 9 statutory override ends in 2024 so the Council is exploring options for mitigating the risks related to the fluctuation in the value of its investments in pooled funds including the transfer of a percentage of pooled fund dividend income to reserves.

Approved counterparties

41. The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the limits shown.

	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	unlimited	
UK Local Authorities	10 years	£25m	
Kent local authorities for cashflow purposes only	1 year		£70m
Other Government entities	25 years	£20m	£30m
UK banks and building societies (unsecured) *	13 months	£20m	
Council's banking services provider *	Overnight	£20m	

Overseas banks (unsecured) *	13 months	£20m	£30m country limit
Money Market Funds *	n/a	£20m per fund or 0.5% of the fund size if lower	
Cashplus / short bond funds		£20m per fund	
Secured investments *	25 years	£20m	£150m
Corporates (non-financials)	5 years	£2m per issuer	£20m
Registered Providers (unsecured) *	5 years	£10m	£50m
Loans incl. to developers in the No Use Empty programme			£40m
Strategic pooled funds and real estate investment trusts	n/a		£250m
- 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	

42. This table should be read in conjunction with the notes below.

* Minimum credit rating: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

43. **Government:** Loans to, and 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 are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

44. Loans to all local authorities are subject to due diligence checks and assessed in terms of the Council's cashflow requirements and its effective lending policies and procedures. To mitigate risks this lending will be diversified across many local authorities. The loans to other Kent authorities will be interest free because of the financial benefits other than earning an interest rate return.

45. **Banks and building societies 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.

46. **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. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to Money Market Funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

47. **Cash plus / Short Bond Funds:** Pooled investment funds whose values change with market prices and have a notice period, will be used as alternatives to unsecured bank deposits for longer investment periods.

48. **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies 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.

49. **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.

50. **Registered providers:** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing. As providers of public services, they retain the likelihood of receiving government support if needed.

51. **Loans:** Loans to entities set up on an arms-length basis from the Council, and other suitable opportunities, on which the Council will take advice from Arlingclose with regard to the appropriate structure of the loans and applicable rate of interest. Included are interest bearing loans to developers under the No Use Empty Development Programme.

52. **Pooled investment funds:** Bond, equity, multi-asset and property funds that 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.

53. **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.

54. **Operational bank accounts:** The Council 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 Council maintaining operational continuity.

Risk assessment and credit ratings

55. Credit ratings are obtained and monitored by the Council's treasury advisors, 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.

56. 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 entity 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

57. 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 entities 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 advisor. No investments will be made with an entity if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

58. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, 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 organisations 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 organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits

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 at paragraph 39.

60. The Council's revenue reserves available to cover investment losses are forecast to be £479m on 31 March 2022. In order to minimise the percentage of available reserves that will be put at risk in the case of a single default, the maximum that will be lent to any one counterparty (other than the UK Government and the CCLA LAMIT property fund) will be £25m.

Liquidity management

61. 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.

62. The Council will spread its liquid cash over several bank accounts and money market funds to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Indicators

63. The Council measures and manages its exposures to treasury management risks using the following indicators.

64. **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

65. **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	£100m

66. **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% rise in interest rates	£10m
Upper limit on one-year revenue impact of a 1% fall 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.

67. **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.

68. **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	2022-23	2023-24	2024-25
Limit on principal invested beyond year end	£300m	£300m	£300m

Related Matters

69. The CIPFA Code requires the Council to include the following in its Treasury Management Strategy.

70. **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 councils' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

71. The Council 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.

72. Financial derivative transactions may be arranged with any organisation 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.

73. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

74. **Markets in Financial Instruments Directive**: The Council has opted up to professional client status with its providers of financial services, including advisors, 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

75. The budget for net investment income in 2022-23 is £7.8m, based on an average investment portfolio of £420m at an average interest rate of 1.86%. The budget for debt interest payable in 2022-23 is £37.4m, based on an average debt portfolio of £815.2m at an average interest rate of 4.46%. If actual levels of investments and borrowing, or actual interest rates, differ from forecast, performance against budget will be correspondingly different.

Other Options Considered

76. The CIPFA Code does not prescribe any particular Treasury Management Strategy for councils to adopt. The Corporate Director of Finance, having consulted the Deputy Leader and Cabinet Member for Finance, Traded and Corporate 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
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

Annex A – Arlingclose Economic & Interest Rate Forecast – December 2021

Underlying assumptions:

- The global recovery from the pandemic has entered a more challenging phase. The resurgence in demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. The advent of the Omicron variant of coronavirus is affecting activity and is also a reminder of the potential downside risks.

- Despite relatively buoyant activity survey data, official GDP data indicates that growth was weakening into Q4 2021. Other data, however, suggested continued momentum, particularly for November. Retail sales volumes rose 1.4%, PMIs increased, and the labour market continued to strengthen. The end of furlough did not appear to have had a significant impact on unemployment. Wage growth is elevated.

- The CPI inflation rate rose to 5.1% for November and will rise higher in the near term. While the transitory factors affecting inflation are expected to unwind over time, policymakers' concern is persistent medium term price pressure.

- These factors prompted the MPC to raise Bank Rate to 0.25% at the December meeting. Short term interest rate expectations remain elevated.

- The outlook, however, appears weaker. Household spending faces pressures from a combination of higher prices and tax rises. In the immediate term, the Omicron variant has already affected growth – Q4 and Q1 activity could be weak at best.

- Longer-term government bond yields remain relatively low despite the more hawkish signals from the BoE and the Federal Reserve. Investors are concerned that significant policy tightening in the near term will slow growth and prompt the need for looser policy later. Geo-political and coronavirus risks are also driving safe haven buying. The result is a much flatter yield curve, as short-term yields rise even as long-term yields fall.

- The rise in Bank Rate despite the Omicron variant signals that the MPC will act to bring inflation down whatever the environment. It has also made clear its intentions to tighten policy further. While the economic outlook will be challenging, the signals from policymakers suggest their preference is to tighten policy unless data indicates a more severe slowdown.

Forecast:

- The MPC will want to build on the strong message it delivered this month by tightening policy despite Omicron uncertainty.

- Arlingclose therefore expects Bank Rate to rise to 0.50% in Q1 2022, but then remain there. Risks to the forecast are initially weighted to the upside but becoming more balanced over time. The Arlingclose central forecast remains below the market forward curve.
- Gilt yields will remain broadly flat from current levels. Yields have fallen sharply at the longer end of the yield curve, but expectations of a rise in Bank Rate have maintained short term gilt yields at higher levels.

- Easing expectations for Bank Rate over time could prompt the yield curve to steepen, as investors build in higher inflation expectations.

- The risks around the gilt yield forecasts vary. The risk for short and medium term yields is initially on the upside but shifts lower later. The risk for long-term yields is weighted to the upside.

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
3-month money market ra													
Upside risk	0.05	0.05	0.25	0.35	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.55	0.55	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65
Downside risk	0.00	-0.25	-0.25	-0.30	-0.30	-0.30	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35
5yr gilt yield													
Upside risk	0.00	0.35	0.45	0.55	0.55	0.55	0.55	0.55	0.55	0.50	0.50	0.45	0.45
Arlingclose Central Case	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.70	0.75	0.75
Downside risk	-0.10	-0.20	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40
10yr gilt yield													
Upside risk	0.10	0.25	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	0.80	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.90	0.90	0.95	0.95
Downside risk	-0.10	-0.25	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.40	-0.40	-0.40	-0.40
20yr gilt yield													
Upside risk	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	1.00	1.05	1.10	1.10	1.10	1.10	1.15	1.15	1.15	1.20	1.20	1.20	1.20
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45
50yr gilt yield													
Upside risk	0.25	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.70	0.75	0.80	0.85	0.90	0.95	1.00	1.05	1.05	1.10	1.10	1.15	1.15
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Annex B – Existing Investment & Debt Portfolio Position

	31-Dec-21	31-Dec-21
	Actual Portfolio	**Average Rate**
	£m	**%**
External borrowing		
Public Works Loan Board	428.3	4.69
LOBO loans from banks	90.0	4.15
Banks and other lenders (Fixed term)	291.8	4.40
Streetlighting Project	18.4	1.51
Total external borrowing	**828.5**	**4.46**
Treasury investments		
Bank Call Accounts	47.2	0.14
Covered bonds (secured)	96.0	0.45
Government (incl. local authorities)	87.0	0.06
Money Market Funds	77.7	0.03
Equity	2.1	
No Use Empty Loans	13.2	1.50
Total internally managed investments	**323.2**	**0.24**
Pooled investments funds		
- Property	64.6	3.97
- Multi Asset	60.8	4.19
- Absolute Return	5.1	1.35
- Equity UK	31.5	6.32
- Equity Global	25.2	2.68
Total pooled investments	**187.2**	**4.17**
Total treasury investments	**510.4**	**1.72**
Net debt	**318.1**	

GLOSSARY

Local Authority Treasury Management Terms

Bond	A certificate of long-term debt issued by a company, government, or other institution, which is tradable on financial markets
Borrowing	Usually refers to the stock of outstanding loans owed and bonds issued.
CFR	Capital Financing Requirement. A council's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and MRP.
Capital gain or loss	An increase or decrease in the capital value of an investment, for example through movements in its market price.
Collective investment scheme	Scheme in which multiple investors collectively hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
Cost of carry	When a loan is borrowed in advance of need, the difference between the interest payable on the loan and the income earned from investing the cash in the interim.
Counterparty	The other party to a loan, investment or other contract.
Counterparty limit	The maximum amount an investor is willing to lend to a counterparty, in order to manage credit risk.
Covered bond	Bond issued by a financial institution that is secured on that institution's assets, usually residential mortgages, and is therefore lower risk than unsecured bonds. Covered bonds are exempt from bail-in.
CPI	Consumer Price Index - the measure of inflation targeted by the Monetary Policy Committee.
Deposit	A regulated placing of cash with a financial institution. Deposits are not tradable on financial markets.
Diversified income fund	A collective investment scheme that invests in a range of bonds, equity and property in order to minimise price risk, and also focuses on investments that pay income.
Dividend	Income paid to investors in shares and collective investment schemes. Dividends are not contractual, and the amount is therefore not known in advance.
DMADF	Debt Management Account Deposit Facility – a facility offered by the DMO enabling councils to deposit cash at very low credit risk. Not available in Northern Ireland.
DMO	Debt Management Office – an executive agency of HM Treasury that deals with central government's debt and investments.
Equity	An investment which usually confers ownership and voting rights
Floating rate note (FRN)	Bond where the interest rate changes at set intervals linked to a market variable, most commonly 3-month LIBOR or SONIA
FTSE	Financial Times stock exchange – a series of indices on the London Stock Exchange. The FTSE 100 is the index of the largest 100 companies on the exchange, the FTSE 250 is the next largest 250 and the FTSE 350 combines the two

GDP	Gross domestic product – the value of the national aggregate production of goods and services in the economy. Increasing GDP is known as economic growth.
GILT	Bond issued by the UK Government, taking its name from the gilt-edged paper they were originally printed on.
Income return	Return on investment from dividends, interest and rent but excluding capital gains and losses.
IFRS	International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010
IMF	International Monetary Fund
LIBID	London interbank bid rate - the benchmark interest rate at which banks bid to borrow cash from other banks, traditionally 0.125% lower than LIBOR.
LIBOR	London interbank offer rate - the benchmark interest rate at which banks offer to lend cash to other banks. Published every London working day at 11am for various currencies and terms. Due to be phased out by 2022.
LOBO	Lender's Option Borrower's option
MMF	Money Market Funds. A collective investment scheme which invests in a range of short-term assets providing high credit quality and high liquidity. Usually refers to Constant Net Asset Value (CNAV) and Low Volatility Net Asset Value (LVNAV) funds with a Weighted Average Maturity (WAM) under 60 days which offer instant access, but the European Union definition extends to include cash plus funds
Monetary Policy	Measures taken by central banks to boost or slow the economy, usually via changes in interest rates. Monetary easing refers to cuts in interest rates, making it cheaper for households and businesses to borrow and hence spend more, boosting the economy, while monetary tightening refers to the opposite. See also fiscal policy and quantitative easing.
MPC	Monetary Policy Committee. Committee of the Bank of England responsible for implementing monetary policy in the UK by changing Bank Rate and quantitative easing with the aim of keeping CPI inflation at around 2%.
MRP	Minimum Revenue Provision – an annual amount that local authorities are required to set aside and charge to revenue for the repayment of debt associated with capital expenditure. Local authorities are required by law to have regard to government guidance on MRP. Not applicable in Scotland, but see Loans Fund
Pooled Fund	Scheme in which multiple investors hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
Prudential Code	Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice. Local authorities are required by law to have regard to the Prudential Code. The Code was update din December 2021
PWLB	Public Works Loan Board – a statutory body operating within the Debt Management Office (DMO) that lends money from the National Loans Fund to councils and other prescribed bodies and collects the repayments. Not available in Northern Ireland.
Quantitative easing (QE)	Process by which central banks directly increase the quantity of money in the economy in order to promote GDP growth and prevent deflation. Normally achieved by the central bank buying government bonds in exchange for newly created money.

REIT	Real estate investment trust – a company whose main activity is owning investment property and is therefore similar to a property fund in many ways
Share	An equity investment, which usually also confers ownership and voting rights
Short-term	Usually means less than one year
SONIA	Based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors
Total return	The overall return on an investment, including interest, dividends, rent, fees and capital gains and losses.
Weighted average life (WAL)	The weighted average time for principal repayment, that is, the average time it takes for every dollar of principal to be repaid. The time weights are based on the principal payments,
Weighted average maturity (WAM)	The weighted average maturity or WAM is the weighted average amount of time until the securities in a portfolio mature.

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INVESTMENT STRATEGY

Introduction

1.1 This investment strategy meets the statutory guidance issued by the government in January 2018 (Statutory Guidance on Local Government Investments 3rd Edition).

1.2 The Authority invests its money for three broad purposes:

- Because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- To support local public services by lending to or buying shares in other organisations (service investments), and
- To earn investment income (known as commercial investments where this is the main purpose).

1.3 The Investment Strategy focusses on the second and third of these categories. Treasury management investments are covered separately in the Treasury Management Strategy – see appendix M to the final draft budget report.

1.4 The Authority will also be looking to invest in schemes where there is an environmental benefit in its future strategy linked to the Council's desire to achieve the net zero target by 2030.

Service Investments: Loans

1.5 As at 31.03.21 the Council had the following amounts outstanding in relation to loans distributed by its own funding:

Loans in relation to:	**Investment Value £m**
Kent Empty Property Initiative - No Use Empty	8.741
Marsh Millions	0.223
Kent PFI Company 1 Ltd	2.365
Marlowe Theatre	2.000
EDSECo (Trading as The Education People)	2.200
Kent Holdco Ltd	0.500
Invicta Law	0.800
Visit Kent	0.100
Total service investments - loans	**16.929**

Kent Empty Property Initiative - No Use Empty

1.6 The Council runs a “No Use Empty” initiative, which was set up in 2005 with the aim of returning long term empty properties back into use. This operates as a revolving loan fund and is open to those who currently own or have acquired a long-term empty property which needs financial assistance to bring the property back into use for rental or sale. As at 31 March 2021 the debt due to KCC under the scheme totalled £11.5m. The scheme has been running since 2005 and since then has awarded £45.8m in loans, of which only £143k has been written off as a bad debt. This represents a mere 0.3% of the total loans awarded. The extremely low value of bad debts is aided by the scheme operating a robust application and assessment process, which includes ID checks and proof of additional funds. The applicant must provide at their cost an independent valuation undertaken by a Chartered Surveyor (RICS) to establish current and future values. This is also used within the assessment process as any loan awarded is secured as a charge and registered with Land Registry or Companies House if applicable. Loans are typically offered over 2 or 3 years. A supplementary scheme began in 2020-21 which has allowed an additional £19m of loans to be approved for new builds. These loans provide a 1.5% return to the Council and there are currently no bad debts associated with these loans.

Marsh Millions

1.7 KCC contributed to the Marsh Millions loan scheme. This was set up to aid small businesses in the Romney Marsh area. As at 31.03.21 the balance outstanding to KCC was £0.223m.

Kent PFI Company 1 Ltd

1.8 In 2013-14 KCC purchased loan notes in Kent PFI Company 1 Ltd, which is the holding company to the contractor who runs six schools for KCC under a Private Finance Initiative (PFI) arrangement. As at 31.03.21 the balance outstanding to KCC was £2.365m.

Marlowe Loan

1.9 In 2010-11 KCC loaned £2m to Canterbury City Council to aid the refurbishment of the Marlowe Theatre in Canterbury. The balance as at 31st March 2021 was £2m, however this was repaid in full in April 2021.

Invicta Law Ltd

1.10 Invicta Law Ltd is a law firm, wholly owned by KCC. It commenced trading on 1 June 2017. KCC provided a £1.8m working capital loan to aid the start-up of this company. The balance of this loan as at 31.03.21 was £0.8m.

Other Loans

1.11 During 2019-20, two additional loan agreements were drawn up, one with EDSECo, trading as The Education People, for £2.2m to aid the start-up of the company and one for Kent Holdco Ltd for £0.5m.

1.12 Visit Kent

During 2020-21 KCC gave a loan to Visit Kent and the balance as at 31.03.21 was £0.1m

Service Investments: Shares

1.13 As at 31.03.21 the Council had the following equity investments:

Company	Amount Invested £m	Value in Accounts (Fair Value) £m
Invicta Law Ltd	0	0
Kent PFI Company 1 Ltd (Note 1)	1.902	1.312
Kent Holdco	7.890	15.719
Total service investments - shares	**9.792**	**17.031**

Note 1: Kent PFI Company 1 Ltd is the special purpose vehicle (SPV) for the BSF School's PFI contract. The PFI contract is the only asset of the SPV and, as such, the value of the investment in Kent PFI Company 1 Ltd is expected to diminish over the remainder of the PFI contract term.

1.14 During 2019-20 Kent Holdco Ltd was established and the shares that the Council held in Gen2, Cantium Business Solutions and Kent County Trading were all transferred to Kent Holdco Ltd. During 2020-21 the shares in Invicta Law were also transferred to Holdco.

1.15 The Council considers each investment on a case-by-case basis and uses several criteria to obtain a risk/benefit analysis for the Council. Overall, the value of loans outstanding and equity investments as at 31.03.21 are immaterial in relation to the Council's balance sheet as a whole. The service benefits derived from these investments are deemed to outweigh the risks. The Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue payments.

Commercial Investments: Property

1.16 The following table provides details of the individual properties that meet the definition of investment (as per the Statutory Guidance on Local Government Investments), that were owned by KCC as of 31 March 2021:

Property	Purchase cost (including fees)	Value in accounts as at 31.03.21
	£m	£m
Sheehan House	0.723	1.080
Royal Mail Site	3.309	2.413
Eurogate	2.275	4.229
1 & 42 Kings Hill Avenue	23.000	24.591
Total commercial investments - property	**29.307**	**32.313**

1.17 The Royal Mail site is being held for future regeneration purposes. For this reason, the value in the accounts is based on existing use value, rather than fair value, in accordance with CIPFA guidance.

1.18 Towards the end of 2019-20, the Council purchased 2 office buildings at Kings Hill, totalling £23m, which was intended to provide an income stream over the short to medium term. Both buildings have retained their existing tenants during the covid-19 pandemic. One of the buildings is fully let whilst the other is 62% let.

1.19 **Security:** In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs, which the table above shows is the case for all such properties.

A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2021-22 year-end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments including any revenue consequences. However, the Council is not specifically relying on the sale of these assets to fund future expenditure, therefore the risk relating to fluctuations in the property market is minimal.

Investment Indicators

1.20 The Council has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions:

1) Total Risk Exposure: the first indicator shows the Council's total exposure to potential investment losses.

Total investment exposure	**31.03.21 Actual £m**
Service investments: Loans	16.929
Service investments: Shares	9.792
Commercial investments: Property	29.307

2) Rate of return received: this indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred. It should be noted that it is not always the Council's aim to achieve the highest rate of return on investments, for example, some loans are given at a rate below market value to encourage take up, for regeneration or other service delivery reasons. These are correctly treated and accounted for as soft loans in the Statement of Accounts.

Investments net rate of return	**2020-21**
Service investments: Loans*	12.0%
Service investments: Shares: - Kent PFI Co 1 Ltd - Kent Holdco Ltd**	 6.5% 19.6%
Commercial investments: Property: - Eurogate - Royal Mail Site** - Kings Hill ***	 7.7% See note below 5.3%

*Kent PFI Company 1 Ltd only.

**Royal Mail Site – The short-term strategy was implemented during 2017-18 and up until the start of the pandemic was expected to generate sufficient income to mitigate the site holding costs, with a small surplus from 2019-20 onwards. The covid-19 pandemic has had a significant detrimental impact on the income generated from the site, particularly from the public car park. However, the main purpose of this site is for future regeneration rather than rental income.

***Kings Hill Although there had been demand for the vacant space at Kings Hill, the covid-19 pandemic has meant that it has not yet been possible to let the remaining vacant space at Kings Hill.

It is not possible to accurately forecast dividends or asset values for the current or future years, so these have not been included.

3) Other investment indicators:

It is not considered necessary to publish any additional investment indicators at this time, but this will be reviewed annually.

Appendix O

Annual Minimum Revenue Provision (MRP) Statement

Councils are asked to submit a statement on their policy of making Minimum Revenue Provision (MRP) under the guidance issued by the Secretary of State for the Ministry of Housing, Communities and Local Government, under section 21(1A) of the *Local Government Act 2003* to full Council or similar. Any revision to the original statement must also be issued.

MRP represents the minimum amount that must be charged to a council's revenue account each year for financing capital expenditure, which will have initially been funded by borrowing.

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 councils 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 Council 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 the 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.

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