

SCRUTINY COMMITTEE

Wednesday, 20th July, 2022

2.00 pm

**Council Chamber, Sessions House, County
Hall, Maidstone**





AGENDA

SCRUTINY COMMITTEE

Wednesday, 20th July, 2022, at 2.00 pm
Council Chamber, Sessions House, County
Hall, Maidstone

Ask for: **Anna Taylor**
Telephone: **03000 416478**

Membership

Conservative (10): Mr A Booth (Chairman), Mr P V Barrington-King (Vice-Chairman),
Mrs R Binks, Mr N J Collor, Mr G Cooke, Mrs S Hudson,
Mr D Jeffrey, Mr R C Love, OBE, Mr H Rayner and
Mr O Richardson

Labour (1): Dr L Sullivan

Liberal Democrat (1): Mr A J Hook

Green and
Independent (1): Mr P Stepto

Church
Representatives (3): Mr J Constanti, Mr M Reidy and Mr Q Roper

Parent Governor (2): Mrs K Moses, vacancy

*County Councillors who are not Members of the Committee but who wish to ask questions
at the meeting are asked to notify the Chairman of their questions in advance.*

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UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

A - Committee Business

- A1 Introduction/Webcast Announcement
- A2 Apologies and Substitutes
- A3 Declarations of Interests by Members in items on the Agenda for this Meeting
- A4 Minutes of the meetings held on 17 May and 8 June 2022 (Pages 1 - 10)
- A5 Short Focused Inquiry Work Programme (Pages 11 - 14)

B - Any items called-in

None for this meeting.

C - Any items placed on the agenda by any Member of the Council for discussion

- C1 Revenue and Capital Budget Outturn Report 2021-22 (Pages 15 - 74)
- C2 Inflationary Pressures on Capital Construction Programmes (Decision 22/00050) (Pages 75 - 90)

D - For Information

- D1 Work Programme (Pages 91 - 94)

EXEMPT ITEMS

(At the time of preparing the agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public)

Benjamin Watts
General Counsel
03000 416814

Tuesday, 12 July 2022

KENT COUNTY COUNCIL

SCRUTINY COMMITTEE

MINUTES of a meeting of the Scrutiny Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Tuesday, 17 May 2022.

PRESENT: Mr P V Barrington-King (Vice-Chairman in the Chair), Mr N J Collor, Mrs S Hudson, Mr D Jeffrey, Mr R C Love, OBE, Mr H Rayner, Mr D Ross, Dr L Sullivan, Mr R G Streatfeild, MBE and Mr P Stepto

ALSO PRESENT: Mrs C Bell (Cabinet Member for Adult Social Care and Public Health) and Ms J Meade

IN ATTENDANCE: Mr R Smith (Corporate Director of Adult Social Care and Health), Ms H Gillivan (Senior Accountable Officer), Mr M Thomas-Sam (Strategic Business Adviser, Social Care), Mrs A Taylor (Scrutiny Research Officer) and Mr M Dentten (Democratic Services Officer)

IN VIRTUAL ATTENDANCE: Mrs R Binks

UNRESTRICTED ITEMS

43. Declarations of Interests by Members in items on the Agenda for this Meeting (Item A4)

No declarations were made.

44. Minutes of the meeting held on 20 April 2022 (Item A5)

RESOLVED that the minutes of the meeting held on 20 April 2022 were an accurate record and that they be signed by the Chairman.

45. Call in - 21/00091 - Making a Difference Every Day: Our Strategy for Adult Social Care in Kent, 2022-2027 (Item B1)

1. The Vice Chairman introduced the item and invited the proposer of the call-in, Ms Meade, to provide an overview of the reasons for her call-in. Mr Streatfeild as the seconder was also invited to speak.
2. Ms Meade set out the reasons for her call-in. She raised concerns that the Making a Difference Every Day strategy did not include the necessary level of detail, when taking account of its financial priorities, implications and impact on residents.
3. Mr Streatfeild as the seconder gave his reason for supporting the call-in. He emphasised the need for the strategy to include how commissioned service

changes would be made whilst also achieving improved outcomes. He stated that detail on resources and accountability was required to ensure that the strategy's outcomes could be effectively monitored.

4. The Vice Chairman invited Mrs Bell to provide an overview of the decision.
5. Mrs Bell gave an overview of the decision, to adopt Making a Difference Every Day: Our Strategy for Adult Social Care in Kent, 2022-2027, as KCC's adult social care strategy. She outlined the strategy development process over the previous year, including the involvement of a Member Working Group and Cabinet Committee consultation. She stated that the strategy presented a new approach to adult social care and was built upon a principle of coproduction with stakeholders. She stated that the strategy was proportionate to the desired outcomes and had been designed to be accessible to all service users and staff. Whilst noting that an adult social care strategy was not a statutory requirement, she asserted that it represented best practice, with reassurance given to Members that its core principles were in line with the Council's draft strategic statement. She confirmed that delivery plans would follow, with performance reported to the Adult Social Care Cabinet Committee.
6. A Member commended the strategy's accessible format as well as the extent of public and Member engagement over the past year.
7. A Member raised concerns that the strategy did not include risk assessments or business cases for the service redesign. They asked how service users views and experiences would be balanced against future savings. Ms Gillivan confirmed that delivery plans will have key performance indicators which will be reported to the Adult Social Care Cabinet Committee. Mr Smith reassured the Committee that Adult Social Care had legal duties and sufficient resources to fulfil them. In terms of delivery, he confirmed that the strategy would be used to hold partners and commissioned services to account on their performance against the strategic objectives.
8. A Member asked whether delivery plans would be scrutinised by Members prior to implementation. Mr Smith confirmed that as the delivery plans would be operational it was not intended for these to be taken as key decisions.
9. Members stressed the importance of monitoring delegated actions and delivery on a bi-annual basis at the Adult Social Care Cabinet Committee.
10. Mr Streatfeild moved and Dr Sullivan seconded recommendation (c) "that the Scrutiny Committee require implementation of the decision to be postponed pending reconsideration of the matter by the decision-maker in light of the Committee's comments."
11. Members voted on the motion. The motion was lost.

12. Mr Jeffrey moved and Mr Love seconded recommendation (b) "that the Scrutiny Committee express comments but not require reconsideration of the decision."

13. Members voted on the motion. The motion was carried.

14. The Vice Chairman thanked Mrs Bell and the officers for their attendance as well as the Committee for its consideration of the call-in.

RESOLVED that the Scrutiny Committee express comments but not require reconsideration of the decision.

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SCRUTINY COMMITTEE

MINUTES of a meeting of the Scrutiny Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Wednesday, 8 June 2022.

PRESENT: Mr A Booth (Chairman), Mr P V Barrington-King (Vice-Chairman), Mrs R Binks, Mr N J Collor, Mr G Cooke, Mrs S Hudson, Mr D Jeffrey, Mr R C Love, OBE, Mr H Rayner, Mr O Richardson, Dr L Sullivan, Mr A J Hook and Mr P Stepto

ALSO PRESENT: Mr P M Hill OBE (Cabinet Member for Community and Regulatory Services, KCC), Mr S Peerbux (Head of Community Safety, KCC), Superintendent P Steenhuis (Kent Police), Mr M Powell (Director, Kent and Medway Violence Reduction Unit), Ms N Floodgate (Road Safety and Active Travel Group Manager, KCC) and Ms R Westlake (Senior Commissioner, KCC)

IN ATTENDANCE: Mrs A Taylor (Scrutiny Research Officer) and Mr M Dentten (Democratic Services Officer)

UNRESTRICTED ITEMS

46. Declarations of Interests by Members in items on the Agenda for this Meeting (Item A3)

1. Mr Hook made two declarations. Firstly, that professionally he had been instructed by the Crown Prosecution Service to advise on and prosecute serious crime in Kent's Crown Courts. Secondly, that his wife was employed by the Probation Service.
2. Dr Sullivan declared that her husband was Gravesham Borough Council's Cabinet Member for Communities and Chair of the Gravesham Community Safety Partnership.

47. Kent Community Safety Agreement (Item B1)

1. Mr Hill, Chairman of the Kent Community Safety Partnership, introduced the 2022 Kent Community Safety Agreement. In reference to the Committee's previous consideration of Community Safety Agreements, he noted particular interest in anti-social behaviour, serious violence crime and road safety, which formed the focus of the Partnership's presentation to Members. He reminded Members that the Partnership involved a range of local partners, which included: KCC; Kent Police; Kent Fire and Rescue Service; local District, Borough and City Councils; Kent and Medway Clinical Commissioning Group; the Probation Service; and district Community Safety Partnerships.

2. Mr Peerbux gave an overview of the Kent Community Safety Partnership's functions, as well as the role of the Community Safety Team, which acted as the county's strategic coordinator, carrying out Domestic Homicide Reviews and managing the Community Safety Agreement. He explained the Community Safety Agreement development process, including that it had to have due regard for the Police and Crime Commissioner's 'Making Kent Safer 2022-25' Crime and Safety Plan.
3. Supt. Steenhuis outlined the Partnership's efforts to reduce anti-social behaviour and neighbourhood crime. He informed Members that 40 police and local authority licensing officers had been trained to implement Best Bar None a safe socialising scheme across the county, with night-time economy operations over the festive period leading to a reduction in spiking incidents. He reminded Members of the Police Schools Team and their role in prevention through education. He confirmed that there was a county-wide PCSO problem solving task force, which targeted anti-social behaviour hotspots. He mentioned My Community Voice (www.mycommunityvoicekent.co.uk), a two-way communication service that helped Kent residents, businesses, and community groups keep in touch with their local policing teams and raise the issues that matter most to them. Members were told that over 7,500 residents had signed up. He informed Members that the Chief Constable was undertaking a review of neighbourhood policing, to bring the neighbourhood policing model in line with Government's Beating Crime Plan, Serious Violence Duty, changes to integrated offender management and the Violence Against Women and Girls Strategy. The review was ongoing and the Chief Constable had given a clear direction that there would be no reduction in the quality service provided to residents building a new model on the success and investment in the current model.
4. Mr Hill made a statement on the Kent Police review of neighbourhood policing. He confirmed that he had received assurance from the Chief Constable at the Commissioner's Performance and Delivery Board that community policing would not be negatively impacted.
5. Mr Powell explained the Kent and Medway Violence Reduction Unit's responsibilities. He described the Unit's development since its foundation in 2019 and the Home Office's funding of the Unit for the next three years. He set out the Unit's key aims: to focus on public place serious violence including weapons, drug supply and robbery involving those aged under 25; promote a public health or preventative approach to violence reduction; drive multi-agency collaboration to reduce serious violence; develop Partnership data sharing; and fund services in communities impacted by violent crime. He shared the Unit's impact in 2020/21, which included a reduction in county lines from 64 to 40, as well as reductions in robbery and violence with serious injury by 29% and 7% respectively.
6. Ms Floodgate addressed the Partnership's role in improving road safety. She explained that KCC, as the Local Highway Authority, had obligations under the Road Traffic Act 1988 to provide road safety education, publicity and

engineering. She confirmed that in excess of 13,000 primary and 16,000 secondary school aged children had been educated on road safety in the 2020/21 academic year. Regarding focused engineering measures at locations where there was evidence that interventions reduced the number of collisions and injuries, she verified that KCC spent over £1.4m per annum on schemes. Concerning Vision Zero, KCC's road safety strategy, she reminded Members of the Safe Systems Approach and ambition to reduce road casualties to 0 by 2050. She noted that the Police and Crime Commissioner's Making Kent Safer 2022-25 plan included Vision Zero, with the Commissioner chairing the first meeting of the Safe Roads Partnership in late June. She shared Kent's road safety trends between 2017 and 2021.

7. Mr Peerbux gave a brief update on the other Community Safety Agreement priorities: Domestic Abuse; Safeguarding Vulnerable People; Preventing Extremism and Hate; Substance Misuse; and Violence Against Women and Girls, which was a new priority for 2022.
8. Regarding serious youth violence and crime prevention, a Member asked whether the Violence Reduction Unit had a threshold which required problem specific policies and how partners monitored prevention activities. Mr Powell confirmed that the development of policies related to particular forms of serious youth violence were dependent on Home Office grant conditions. He noted that the Home Office's key priorities for Units were reducing injuries involving weapons, admissions to accident and emergency departments, and homicide. In relation to crime prevention, Supt. Steenhuis confirmed that Kent Police used a Cambridge Harm Index, which was reported to the Chief Constable. He explained that the Index measured the impact of different crimes type on communities, down to individual street level. He added that community operations were measured against their index score to assess their effectiveness.
9. A Member asked how Kent Police had built trust with women. Supt. Steenhuis confirmed that Kent Police had developed a Violence Against Women and Girls Strategy, with extensive involvement from female residents, the importance of understanding why and where women felt unsafe was emphasised. He confirmed that 'walk and talks' had taken place to understand problem areas, which was complemented by the StreetSafe tool, a pilot service which allowed residents to anonymously report public places where they felt unsafe.
10. A Member asked what had been done by Partners to reduce substance misuse and supply, including how children were safeguarded from exploitation by county line gangs. Mr Powell responded that Partners had adopted a trauma informed working response, which ensured that misuse was reduced by providing users with treatment and support. He stated that engaging young people outside of school was an important part of proactive safeguarding, with KCC and Kent Police continually exchanging information on vulnerable people and issues being raised at district level multiagency meetings to decide the local response. Supt. Steenhuis confirmed that Kent Police had a drugs and

county lines team, which directly disrupted gang operations and communication. Concerning counter measures, he noted that the new integrated offender management model will look at sobriety tags for offenders following release, which detected whether they had broken license conditions. He added that Kent Police's specialist drugs officers briefed schools' officers on new substances.

11. A Member asked that the Partnership factor the impact of anti-social and illegal e-scooter use into future Community Safety Agreements.
12. The Chairman asked how the Partnership responded to increases in mental health issues. Supt. Steenhuis emphasised the seriousness of the mental health challenges in Kent, with the county having the UK's highest rate of Section 136 detentions per capita. He reassured Members that the Partnership worked with Kent and Medway NHS Social Care Partnership Trust and received clinical advice, which had resulted in a significant reduction in the use of the police Section 136 power.
13. In response to a question from a Member, on whether there were restrictions on the purchase of nitrous oxide canisters, Supt. Steenhuis noted that the majority of cannisters were bought online, where there were negligible restrictions. He emphasised the importance of education in reducing nitrous oxide use amongst young people.
14. A Member asked how much speed cameras cost to install and what had been done to increase camera coverage. Ms Floodgate informed Members that permanent speed cameras cost in excess of £50,000, required back-office maintenance support and had a strict, serious collision data-led, criterion which Kent and Medway Safety Camera Partnership were reviewing. She confirmed that a series of mobile camera pilots had run across the county, in locations where there hadn't been a history of serious injuries or fatalities, with one pilot reporting 900 tickets in its first month. In relation to traffic management, she confirmed that KCC had applied for Part 6 powers under the Traffic Management Act 2004, which would allow the authority to enforce moving traffic offences, such as making banned turns, exceeding weight limits or stopping in yellow box junctions. She agreed to update Members on the forthcoming Safety Camera Partnership review and future speed camera trials.
15. Concerning county lines gangs and their use of public transport, a Member asked whether the Partnership had encouraged the installation of metal detectors and use of sniffer dogs at major Kent train stations, in order to reduce drug supply and weapon carrying. Further questions were asked on the restrictions for buying knives online and measures to counter the shoplifting of knives. Supt. Steenhuis gave an example of Kent Police's response to a recent knife crime operation in which dogs, metal detectors, stop search powers and work with British Transport Police resulted in several knife seizures. He acknowledged that more could be done to keep victims and residents informed of outcomes through My Community Voice and asked Members to promote sign up.

16. Following a question from Members on domestic abuse education, Supt. Steenhuis confirmed that, as well as the schools team, Kent Police's rape team visited schools to explain consent and appropriate behaviour to students.

17. A Member asked what was done to share fraud warnings and advice with residents. Supt Steenhuis confirmed that My Community Voice included fraud alerts and advice. Mr Hill informed Members that the Police and Crime Commissioner was providing an update on fraud to the Kent and Medway Police and Crime Panel, at its 16 June meeting.

18. A Member asked how male victims of domestic abuse were supported by the Partnership. Ms Westlake confirmed that the Kent Integrated Domestic Abuse Service (KIDAS) provided support to male survivors and worked with partners to ensure consistent outreach. She noted that the service had experienced an increase in male users.

19. The Chairman thanked Mr Hill and the members of the Partnership for their attendance, answers and assurances.

20. Mr Cooke moved and Mr Love seconded a motion that "the Committee:

- a) make comment on the refreshed Community Safety Agreement (April 2022) and the year-end action plan and performance summary for 2021/22; and
- b) ask that the comments made by the Committee be incorporated into future Community Safety Agreements."

21. The motion was agreed unanimously.

RESOLVED that the Committee:

- a) make comment on the refreshed Community Safety Agreement (April 2022) and the year-end action plan and performance summary for 2021/22; and
- b) ask that the comments made by the Committee be incorporated into future Community Safety Agreements.

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From: Anna Taylor, Scrutiny Research Officer

To: **Scrutiny Committee – 20 July 2022**

Subject: Short Focused Inquiries - Work Programme

Classification: **Unrestricted**

Summary:

The purpose of this report is to receive an update on the Section 106 Inquiry and for the Committee to prioritise suggestions, put forward by Members, for Short Focused Inquiries (SFIs) and agree the work programme. The work programme will be reviewed on a 6 monthly basis.

1. Progress on S106 SFI

- a) At its meeting on 7 July 2021, the Scrutiny Committee agreed that the next Inquiry should be into Section 106 contributions in Kent.
- b) The membership of the Inquiry Group consists of the following Members of Kent County Council:
 - i. Mr Tony Hills
 - ii. Mr Neil Baker
 - iii. Mr Alister Brady
 - iv. Mr Nigel Collor
 - v. Mrs Trudy Dean
 - vi. Ms Sarah Hamilton
 - vii. Mr Mark Hood
 - viii. Mr Andrew Kennedy
 - ix. Mr Harry Rainer
 - x. Mr Robert Thomas
- c) The Inquiry's evidence gathering programme has concluded. The Inquiry Group gathered oral evidence from a variety of sources, including: KCC's Cabinet Member for Economic Development and relevant KCC officers; the Chairman of the Kent Chief Planning Officers Group, and the Chairman of the Kent Developers Group. The Group also received written evidence from sources including West Sussex County Council, planning consultants, house builder companies and KCC's Members and Officers.
- d) The Inquiry's report is currently being produced and the draft report will be circulated to the SFI Group shortly for comments. A meeting is planned to take place soon after the summer for the Group to comment on the report and advise any amendments, before the report is submitted to the next Scrutiny Committee meeting on 21 September 2022.

2. Introduction

- a) Following the move from Select Committees to Short Focused Inquiries, allowing members to carry out topic reviews using virtual meetings and over a shorter period of time, the following SFIs have taken place:
- i. [Visitor Economy in Kent](#)
 - ii. [The Farming Economy](#).
 - iii. Home to School Transport (report pending following SEND Transport Audit Review)
 - iv. S106 SFI (in progress)
- b) These Inquiries resulted in recommendations to the Leader and relevant Cabinet Member requiring a response within two months of receipt. Responses to both Inquiries have been circulated to the Scrutiny Committee and [published on our website](#).
- c) All Members of the Council were asked if there were topics they would like to put forward for possible inclusion on the SFI work programme and those received are listed below.

3. Next Review Topic

- a) At the December meeting of Scrutiny Committee Members agreed that on conclusion of the S106 SFI an Inquiry into Highways Improvement Plans would begin.
- b) Members are asked to prioritise the other suggestions which have been put forward for SFIs:
- i. **Gypsy, Roma and Traveller Health Inequalities** – Paul Bartlett and Karen Constantine.
Gypsy, Roma and Traveller GRT communities are known to face some of the most severe health inequalities and poor life outcomes amongst the UK even when compared with other groups experiencing exclusion, and with other ethnic minorities. On average, Gypsy and Traveller people have life expectancies 10-25 years shorter than the general population and live around 6 less years in good health before life expectancy is taken into account. For instance GRT are 6 times more likely to die by suicide than the general population. 60% of their Roma beneficiaries had poor physical health including cancer, diabetes, epilepsy, hepatitis B, cardiovascular and respiratory ailments and MS. 3,000 families in the U.K. who are living on the roadside have limited or no access to basic water and sanitation.
 - ii. **Improved delivery of dementia care** – Andrew Kennedy
To investigate ways the Dutch model of dementia care can be rolled out across Kent, based also on the model created in Dover at the Harmonia Dementia Village. This will bring higher quality of life for those living with dementia, respite care for carers, remove stigma and isolation for those with dementia and seek greater value for money in this health market.

- iii. **To better understand the condition of the KCC property portfolio** together with the steps taken to ensure their adherence to the current (at time of writing) legislation and guidelines for energy saving methods and ventilation – Andy Booth
To allow Members and tax payers of Kent to see openness and transparency in the condition of the KCC ageing property portfolio.

4. Next Steps

- a) The proposed process, as previously, is for a background briefing to be produced for Members by the relevant directorate. Officers in Democratic Services will also scope out the issue and agree with the Chair the people from whom the Committee should hear. A limited number of informal briefings will then be arranged for Members of the Inquiry Group. Subsequent to these briefings having taken place, the Inquiry Group will need to informally discuss and agree a draft report featuring key findings and any recommendations it wishes to make. This report will then need to be submitted to the Scrutiny Committee for formal consideration. If the report and recommendations are agreed by the Scrutiny Committee, while meeting formally, the report will be submitted to the Leader and relevant Cabinet Member(s) for a response within two months.
- b) The work programme will be reviewed on a 6 monthly basis.

5. Recommendation:

That the Scrutiny Committee:

- a. note the progress made on the S106 SFI
- b. confirm that the Highways Improvement Plans SFI will commence in late August early September.
- c. agree the future work programme for SFIs and set out the priority order; and
- d. agree to delegate to Officers the arrangement of the next Inquiry as outlined in the report.

6. Author Contact Details

Anna Taylor
Scrutiny Research Officer
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Work Programme – Short Focused Inquiries July 2022

Priority Order

TOPIC	BACKGROUND
S106 Agreements	Currently in progress
Highways Improvement Plans	Agreed by Scrutiny Committee December 2021

Completed.

- a) [The Farming Economy](#). (final report January 2021)
- b) [Visitor Economy in Kent](#) (final report August 2020)
- c) Home to School Transport (report pending following SEND Transport Audit Review)

By: Anna Taylor, Scrutiny Research Officer

To: Scrutiny Committee, 20 July 2022

Subject: Provisional Revenue and Capital Budget Outturn Report 2021-22

Summary: As requested by the Chairman and Spokespeople of the Scrutiny Committee the Committee is asked to discuss and note the Provisional Revenue and Budget Outturn Report 2021-22.

1. Introduction

- a) The attached report was presented to Cabinet on 23 June 2022 and sets out the provisional revenue and capital outturn position for 2021-22 including the financial information related to the impact of responding to the Covid 19 pandemic.
- b) The Chairman and Spokespeople considered that Scrutiny has a key role to play when considering the Executive's draft budget proposals in January but it was vital to ensure regular finance monitoring reports were submitted to Scrutiny Committee to allow the Committee to consider the budget throughout the year.
- c) Scrutiny Committee has a role in financial monitoring and can add value by reviewing draft financial plans to challenge the forecasts, affordability, risks, clarity and feasibility of what is proposed. In particular, how any financial plans will affect other important corporate or service plans.
- d) To ensure this task does not place any additional burden the Scrutiny Committee will follow the budget reporting cycle of the Cabinet and receive finance reports twice a year in addition to the draft budget proposals in January.

2. Attached documents

- a) [Cabinet Covering Report](#)
- b) [Revenue and Capital Budget Outturn 2021 - 22](#)

3. Recommendation

The Scrutiny Committee is asked to discuss and note the report.

Contact Details

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From: Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, Peter Oakford
Interim Corporate Director Finance, John Betts

To: Cabinet, 23 June 2022

Subject: Provisional Revenue and Capital Budget Outturn Report 2021-22

Classification: Unrestricted

Summary:

The attached report sets out a high-level summary of the provisional revenue and capital budget outturn position for 2021-22. Included are revenue budget roll forwards, capital rephasing and budget adjustments. The report sets out separately the position regarding Covid-19 related expenditure and funding.

Recommendation(s):

Cabinet is asked to:

- a) NOTE the provisional Revenue outturn position for 2021-22.
- b) NOTE the provisional Capital outturn position for 2021-22
- c) AGREE that £4.054m of the 2021-22 revenue underspending is rolled forward to fund existing commitments.
- d) AGREE that £2.454m of the 2021-22 revenue underspending is rolled forward to fund the rephasing of existing initiatives.
- e) AGREE that £0.620m of 2021-22 revenue underspending is rolled forward to fund bids.
- f) AGREE that the £0.493m remaining business as usual underspend is set aside in the earmarked reserve to support future years' budgets.
- g) AGREE the £169.507m of capital re-phasing from 2021-22 will be added to the 2022-23 and later years capital budgets.
- h) AGREE the proposed capital cash limit changes.
- i) AGREE the contributions to and from reserves.

1. Introduction

- 1.1 The attached report sets out the provisional revenue and capital outturn position for 2021-22 including the financial information related to the impact of responding to the Covid 19 pandemic.

2 Provisional Revenue and Capital Budget Outturn Report 2021-22

- 2.1 The attached report sets out the provisional outturn position for 2021-22 which for the 22nd consecutive year the Council is able to demonstrate sound financial management, by containing its revenue expenditure within the budgeted level (excluding schools). This is a considerable accomplishment considering the forecast position throughout the year. It should be noted that within the overall out-turn position there is a significant overspend in Children's Services totalling £8m, which is offset by underspends elsewhere. The provisional outturn against the combined directorate revenue budgets is an underspend of -£7.6m (excluding schools and roll forward requests of £7.1m). There may be minor variations to the figures during the final stage of the year end process and the external audit.
- 2.2 Details of the proposals for the use of the £7.6m revenue budget underspend are provided in Appendix 1. This identifies those projects where there is already a commitment or a request to spend in 2022-23, leaving a balance of £0.5m. It is recommended that this remaining underspend is transferred to the earmarked reserve to support future years' budgets.
- 2.3 The report also sets out the commitments against the Covid-19 emergency grant reserve.
- 2.4 The Capital position includes re-phasing into 2022-23 and later years and cash limit changes.

3. Recommendation(s)

Cabinet is asked to:

Cabinet is asked to:

- a) NOTE the provisional Revenue outturn position for 2021-22.
- b) NOTE the provisional Capital outturn position for 2021-22
- c) AGREE that £4.054m of the 2021-22 revenue underspending is rolled forward to fund existing commitments.
- d) AGREE that £2.454m of the 2021-22 revenue underspending is rolled forward to fund the rephasing of existing initiatives.
- e) AGREE that £0.620m of 2021-22 revenue underspending is rolled forward to fund bids.
- f) AGREE that the £0.493m remaining business as usual underspend is set aside in the earmarked reserve to support future years' budgets.
- g) AGREE the £169.507m of capital re-phasing from 2021-22 will be added to the 2022-23 and later years capital budgets.
- h) AGREE the proposed capital cash limit changes.
- i) AGREE the contributions to and from reserves.

4. Contact details

Report Author

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Revenue and Capital Budget Outturn 2021-22

By Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services,
Peter Oakford
Interim Corporate Director Finance, John Betts
Corporate Directors

To Cabinet – 23 June 2022

Unrestricted

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 - A4 2021-22 Reserves Provisional Outturn Position
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-

Contact Details

Interim Corporate Director Finance – John Betts
Head of Finance Operations – Cath Head
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Capital Finance Manager – Jo Lee
Capital Finance Manager – Julie Samson

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1 Introduction

This report presents the provisional budget outturn position for 2021-22 for both Revenue and Capital budgets, and sets out the business as usual activities and the impact of Covid-19 on our resources.

For the 22nd consecutive year the Council is able to demonstrate sound financial management, by containing its revenue expenditure within the budgeted level (excluding schools). This is a considerable accomplishment considering the forecast position throughout the year. It should be noted that within the overall out-turn position there is a significant overspend in Children's Services totalling £8m, which is offset by underspends elsewhere. The provisional outturn against the combined directorate revenue budgets is an underspend of -£7.6m (excluding schools and roll forward requests of £7.1m). There may be minor variations to the figures during the final stage of the year end process and the external audit.

Details of the proposals for the use of the £7.6m revenue budget underspend are provided in Appendix 1. This identifies those projects where there is already a commitment or a request to spend in 2022-23, leaving a balance of £0.5m. It is recommended that this remaining underspend is transferred to the earmarked reserve to support future years' budgets.

Also included are capital re-phasing and budget adjustments which require Cabinet approval. It also includes the impact on our reserves.

- | | | |
|-----|--|---|
| 1.1 | The provisional revenue outturn for business as usual (General Fund) is an underspend of -£7.620m before roll forward requests. After roll forward requests the underlying underspend is -£0.493m. | The provisional revenue outturn for business as usual before roll forwards is an underspend of -£7.620m. After roll forwards of £7.127m the underspend reduces to -£0.493m. |
|-----|--|---|

Although the Council is showing an overall underspend, the CYPE directorate is showing an overspend of +£7.958m excluding roll forwards (+£10.313m after roll forwards).

All other directorates are showing underspends, before taking into account roll forwards; the largest is -£5.929m in GET, followed by S&CS (-£4.986m), NAC including Corporately Held Budgets (-£3.781m) and ASCH (-£0.822m).

There may be minor variations to the figures during the final stages of the year end processes and external audit.

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|-----|---|---|
| 1.2 | £4.519m of roll forward requests are proposed to be funded from earmarked reserves. | There were a further £5.244m of roll forward requests received. £4.519m are proposed to be met from earmarked reserves (£3.670m from the Covid-19 emergency reserve and £0.850m from the Strategic Priorities Reserve). |
|-----|---|---|

£0.723m of roll forward requests have been rejected as they are below £100k.

1 Introduction

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|-------|--|---|
| 1.3 | The provisional revenue outturn spend for Covid-19 is £17.990m. This is shown as a breakeven position as the spend has been met from the Covid-19 emergency grant reserve. | <p>The provisional outturn position for Covid-19 is a breakeven position with net spend of £17.990m being funded from the Covid-19 emergency grant reserve.</p> <p>The balance held in the Covid-19 emergency grant reserve is £53.728m. The following commitments are to be met from the reserve during 2022/23; £15m for the continuation of Contain Outbreak Management, £8.293m for Helping Hands, £6.820m for Reconnect, £5m for Market Sustainability and £3.670m Covid-19 related roll forward requests. The remaining £14.946m is to be set aside to support future Covid-19 related spend and loss of income and unrealised savings that have been impacted by Covid-19.</p> |
| <hr/> | | |
| 1.4 | The provisional capital outturn position is an underspend of -£171.7m excluding Covid-19. | <p>The underspend is made up of -£2.2m real and -£169.5m rephasing variance. This represents 34.2% of the capital budget.</p> <p>The largest real variance is an underspend of -£30.8m in CYPE (-£26.3m in the Basic Need Kent Commissioning Plan 2017 mainly due to some projects no longer progressing). GET is reporting a real overspend of +£19.8m (+£7.9m due to Dover Inland Border Facility and +£6.4m due to Government Transition Works, these are to be funded from Government Grant) and S&CS is reporting a real overspend of +£9m (£9.5m due to the Former Royal School for the Deaf Site).</p> <p>The major rephasing variances are -£96.7m in GET, -£56.9m in CYPE and -£12.9m in S&CS.</p> |
| <hr/> | | |
| 1.5 | Schools' Delegated Budgets are reporting a £41.197m overspend. | <p>The overspend position of £41.197m reflects the combination of high demand for additional SEN support and high cost per child due to greater demand for more specialist provision. This is in part due to the impact of legislative changes introduced in 2014 and funding shortages. Section 10 of the report provides more detail.</p> |
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2 Recommendations

Cabinet is asked to:

2.1	Note the provisional Revenue position for 2021-22	Please refer to Section 3 and 4 for details.
2.2	Note the provisional Capital position for 2021-22	Please refer to Section 11 for details.
2.3	Agree that £4.054m of the 2021-22 revenue underspending is rolled forward to fund existing commitments	Please refer to Section 2 of Appendix 1.
2.4	Agree that £2.454m of the 2021-22 revenue underspending is rolled forward to fund the re-phasing of existing initiatives.	Please refer to Section 3 of Appendix 1.
2.5	Agree that £0.620m of 2021-22 revenue underspending is rolled forward to fund bids.	Please refer to Section 4 of Appendix 1.
2.6	Agree that the £0.493m remaining business as usual underspend is set aside in the earmarked reserve to support future years' budgets.	
2.7	Agree the £169.507m of capital re-phasing from 2021-22 will be added to the 2022-23 and later years capital budgets.	Please refer to Appendix 2.
2.8	Agree the proposed capital cash limit changes.	Please refer to Appendix 3.
2.9	Agree the contributions to and from reserves.	Please refer to Appendix 4.

3 Revenue

General Fund Provisional Outturn position -£7.6m underspend
Dedicated Schools Grant (DSG) +£41.2m overspend
Covid-19 Provisional Outturn position breakeven

General Fund

Provisional outturn position as overspend/(underspend)

Directorate	Revenue Budget £m	Provisional Outturn £m	Net Revenue Variance £m
Adult Social Care & Health	422.913	422.031	(0.882)
Children, Young People & Education	287.534	295.492	7.958
Growth, Environment & Transport	182.755	176.826	(5.929)
Strategic & Corporate Services	95.671	90.684	(4.986)
Non Attributable Costs	156.722	153.462	(3.260)
Corporately Held Budgets	0.521	0.000	(0.521)
Initial General Fund	1,146.115	1,138.495	(7.620)
Roll forward requests			7.127
Revised Variance			(0.493)
Ringfenced Items			
Schools' Delegated Budgets	0.000	41.197	41.197
Overall Position	1,146.115	1,179.692	40.704

Roll Forwards

Directorate £m	Variance	Committed	Re-Phased	Bid	Revised Variance
Adult Social Care & Health	(0.882)	0.371	0.000	0.000	(0.511)
Children, Young People & Education	7.958	0.572	1.784	0.000	10.313
Growth, Environment & Transport	(5.929)	3.014	0.100	0.000	(2.815)
Strategic & Corporate Services	(4.986)	0.098	0.370	0.620	(3.899)
Non Attributable Costs	(3.260)	0.000	0.200	0.000	(3.060)
Corporately Held Budgets	(0.521)	0.000	0.000	0.000	(0.521)
Total excluding Schools	(7.620)	4.054	2.454	0.620	(0.493)

3 Revenue

General Fund Provisional Outturn position -£7.6m underspend
Dedicated Schools Grant (DSG) +£41.2m overspend
Covid-19 Provisional Outturn position breakeven

Provisional outturn position as overspend/(underspend)

Directorate	Covid-19 Allocation £m	Covid-19 Provisional Outturn £m	Covid-19 Variance £m
Adult Social Care & Health	0.000	4.835	4.835
Children, Young People & Education	0.000	9.313	9.313
Growth, Environment & Transport	0.000	1.263	1.263
Strategic & Corporate Services	0.000	2.110	2.110
Non Attributable Costs	0.000	0.469	0.469
Variance to Covid-19 Budgets held corporately	0.000	17.990	17.990
Drawdown from COVID-19 Reserve			(17.990)
Total Covid-19 Position			(0.000)

General Fund

The General Fund provisional outturn position is an underlying underspend of £0.493m after taking account of roll forwards.

The final outturn variance is an underspend of -£7.620m on the 21-22 revenue budget before roll forwards and excluding Covid-19. There are Directorate roll forward requests of £7.127m. Although the Council is showing an overall underspend, the CYPE directorate is showing an overspend of +£7.958m (+£3.702m in the Special Education Needs and Disabilities division and +£5.279m in the Education division). All other directorates are reporting underspends. -£5.929 in GET (-£4.241m in Highways, Transportation and Waste division) followed by -£4.986m in S&CS (-£1.011m in Infrastructure), -£3.781m in NAC (including Corporately Held Budgets) and -£0.822m in ASCH.

At Quarter 3 a £13.9m overspend was forecast, equivalent to 1.2% of the net budget. Proactive action was taken by services to reduce spend and increase income and maximise the use of grant, particularly in Adult Social Care & Health, where additional income from NHS was received, alongside the rephasing of tenders and unused grant that will be rolled forward. Going forward, work is ongoing to improve forecasting accuracy.

Roll forward requests

The £7.127m proposed roll forward requests are split as follows:

- £4.054m of contractually committed items
- £2.454m relating to rephasing of existing initiatives
- £0.620m of bids

The remaining £0.493m is to be set aside in the earmarked reserve to support future years' budgets.

There were a further £5.244m roll forward requests received. £4.519m are proposed to be met from earmarked reserves (£3.670m from the Covid-19 emergency reserve and £0.850m from Strategic Priorities).

£0.723m are removed from the roll forward requests as below £100k.

Covid-19

The provisional outturn position for Covid-19 is a breakeven position with net spend of £17.990m being funded from the Covid-19 emergency grant reserve.

The balance held in the Covid-19 emergency grant reserve as at 31st March 2022 is £53.728m. The following commitments are to be met from the reserve during 2022/23; £15m for the continuation of Contain Outbreak Management, £8.293m for Helping Hands, £6.820m for Reconnect, £5m for Market Sustainability and £3.670m Covid-19 related roll forward requests. The remaining £14.946m is to be set aside to support Covid-19 related costs that arise during 2022/23. Further details of Covid-19 related costs are detailed in Section 4 and the individual directorate sections.

Schools' Delegated Budgets

The overspend is +£41.197m. The DSG deficit has increased from £51.049m to £97.616m in 2021/22. This is almost entirely due to an increase in the High Needs budget deficit, which is the Council's single biggest financial risk which therefore requires continued action. The Council continues to work with the Schools' Funding Forum to set out the challenge and agree and deliver a plan to address the deficit. The Department for Education has recently invited the Council to take part in the second round of the Safety Valve Programme for those Councils with the highest deficits to support the development of a sustainable plan for recovery, this may include further funding from the DfE to pay off historic deficits but only if the Council can demonstrate a credible plan. For more information, please refer to section 10.

Summary Covid-19 Outturn Position

	£m
Covid-19 Emergency Grant Reserve	71.718
Actual spend	30.584
Underspends, Loss of Income & Unrealised savings	(12.594)
	53.728
2022-23 Commitments against COVID-19 Emergency Grant Reserve:	
Covid-19 related roll forwards	3.670
Helping Hands	8.293
Reconnect	6.820
Contain Outbreak Management Fund (COMF)	15.000
Market Sustainability	5.000
Total 2022-23 Commitments	38.782
Balance available	14.946

Further details are provided in the table below.

Categories	ASCH	CYPE	GET	S&CS	NAC	Total
	£m	£m	£m	£m	£m	£m
Forecast Real spend	4.595	8.635	5.955	2.488	0.000	21.673
Underspends	0.000	(2.940)	(14.732)	(1.287)	0.000	(18.960)
Loss of income	0.240	1.317	1.225	0.909	0.469	4.160
Unrealised savings	0.000	2.100	0.105	0.000	0.000	2.205
Market sustainability - loans	0.000	0.000	0.000	0.000	0.000	0.000
Market sustainability - one off payments	0.000	0.118	0.000	0.000	0.000	0.118
Payments for undelivered services (fixed fee)	0.000	0.000	0.000	0.000	0.000	0.000
Payments for undelivered services (variable fee)	0.000	0.083	8.710	0.000	0.000	8.793
Total Provisional Covid-19 Revenue Outturn	4.835	9.313	1.263	2.110	0.469	17.990
Contribution from Reserves	(4.835)	(9.313)	(1.263)	(2.110)	(0.469)	(17.990)
Total Covid-19 Position	0.000	0.000	0.000	0.000	0.000	0.000

There was £71.718m held in the Covid-19 emergency grant reserve, comprising the £55.583m balance as at 31st March 2021 and £16.135m budget allocated to fund Covid-19 which has been transferred in at the end of the year.

During 2021-22 the net spend on the Covid-19 response and recovery was £17.990m and this has been funded from a drawdown from the reserve. No Covid-19 related variances are shown within the Directorates.

The balance held in the Covid-19 emergency grant reserve as at 31st March 2022 is £53.728m. There are £38.782m of commitments to be met from the reserve during 2022-23 and are detailed in summary 1 above. This leaves £14.946m to support Covid-19 related costs during 2022-23. The impact and use of the Covid-19 emergency grant reserve will be reported in the quarterly budget monitoring reports.

We had £147.617m additional grant income to support the Covid-19 pandemic which has no impact on the Council's base budget. These are specific, ring-fenced grants to support a range of additional activities, primarily relating to Public Health. An additional S31 compensation grant has been received and set aside to fund the collection fund deficit.

There are additional capital costs of around £5.3m, the majority of this relates to construction of schools.

Details of the forecasts in the table above can be found in the relevant directorate pages, but the key ones are here:

4.1	£4.595m actual real spend in ASCH	The cost of supporting additional demand for services resulting from Covid-19, including a range of projects to tackle backlogs in addition to increased staffing requirements.
4.2	£8.635m actual spend in CYPE	Latent demand estimates for Children Social Services: increased complexity of both looked after children and children in need cases. Court delays resulting in higher legal costs due to protracted court proceedings & increased number of hearings. Delays in the basic need capital programme resulting in greater use of temporary accommodation to meet demand for school places and higher contractor costs.
4.3	£2.940m underspend in CYPE	Delays in recruitment in detached youth workers, in the commissioning of the SEND parenting programme. Savings from the phased re-opening of children centres, youth services, and adult learning services at the start year.
4.4	£2.100m unrealised savings in CYPE	Children social care savings delayed due to COVID restrictions delaying or reducing the impact of new initiatives to increase the number of children supported in in-house foster care rather than more expensive alternatives. The demand for children's social workers increasing during COVID, due to increased staff sickness and increased complexity of children in need cases therefore delaying the planned reduction in agency staff.
4.5	£5.955m actual spend in GET	Primarily relates to the sustained increase in kerbside tonnes being presented at Waste Transfer Stations (including increased cost of haulage) (£4.9m overall), Helping Hands schemes within Economic Development (0.3m), together with other minor costs within Highways, Libraries, and Economic Development.

4.6	-£14.732m underspends in GET	Public Transport costs eligible for Government grant and a reduction in English National Concessionary Travel Scheme (ENCTS) journeys are the primary elements. Other general underspends across the directorate due to reduced activity. Reduced activity levels have been reflected in the 2022-23 budget build, on the assumption that this will be the budgeted level of usage going forward.
4.7	£2.488m actual spend in S&CS	The main areas of spend are: increased revenue contribution to capital because of delays to capital projects due to Covid-19; Members' Local Covid Support Grants; Crowd funding match funding; Additional ICT cost for mobile handheld devices and call diversion costs on SIP exchange; early implementation of Microsoft E5 licences; New chairs for Hybrid working; Costs of social distancing in elections; Security at former county transport workshop for temporary place of rest.

- 4.8 During 2021-22 we received additional specific grants and receipts in advance from 2020-21 amounting to £147.617m to support the response to the Covid-19 pandemic. The table below shows all the grants available during 2021-22.

The Covid-19 Compensation for Covid related business rate reliefs grant amounting to £15.3m has been transferred to reserves to be earmarked to fund the collection fund deficit and fall outside the scope of reserves earmarked for services.

COVID-19 GRANT 2021-22

Grant Name	Amount Received £m
Covid 19 Test & Trace grant	2.711
Covid 19 Adult Social Care Infection Control grant - tranche 2	-0.092
Covid 19 Bus Services Support Grant Restart scheme	1.322
Covid 19 School & College Transport Capacity funding	2.403
Covid 19 Wellbeing for Education Return project	0.177
Covid 19 Contain Outbreak Management Fund	39.157
Covid 19 Compensation for Loss of Sales, Fees & Charges	-0.759
Covid 19 Winter Grant Scheme	1.600
Covid 19 Clinically Extremely Vulnerable	0.379
Covid 19 NHS Hospital Discharge claim Part 2	-0.046
Covid 19 Asymptomatic Community Testing	5.060
Covid 19 Adult Social Care Rapid Testing Fund	-0.071
Covid 19 Adult Social Care Workforce Capacity Fund	-0.103
Covid 19 Compensation for irrecoverable local taxation losses (local tax income guarantee for 2020-21)	0.030
Covid 19 Local Council Tax Support Grant	14.289
Covid 19 Compensation for Covid related business rate reliefs	16.513
Covid 19 Adult Social Care Infection Prevention and Control Fund 2021	5.982
Covid 19 Adult Social Care Rapid Testing Fund 2021	3.870
Covid 19 Working in Partnership to support the vaccination delivery programme	0.053
Covid 19 Practical Support for those self isolating	3.673
Covid 19 Local Support Grant (Winter Support Grant extension 17 Apr to 20 Jun 21)	5.299
Covid 19 NHS Hospital Discharge claim Part 3	3.057
Covid 19 Adult Social Care Extended Infection Control grant (tranche 4)	4.400
Covid 19 Adult Social Care Extended Rapid Testing Fund (tranche 3)	3.366
Covid 19 Recovery Household Support Fund	9.162
Covid 19 Adult Social Care Infection Prevention & Control Fund (tranche 5)	7.169
Covid 19 Adult Social Care Testing fund (tranche 4)	3.891

Covid 19 Care Workers Access to Vaccines Fund	0.743
Covid 19 Adult Social Care Workforce Retention & Recruitment Fund	4.175
Covid 19 Local Transport Authority Bus Recovery Grant	0.960
Covid 19 Adult Social Care Workforce Recruitment & Retention Fund (Round 2)	7.706
Covid 19 Adult Social Care Omicron Support Fund (Infection Control)	1.541

TOTAL GRANT RECEIVED 2021-22

147.617

Provisional Outturn Variance					
	Budget	Provisional Outturn	Net Revenue Variance		
	£m	£m	£m		
Adult Social Care & Health Operations	378.084	385.379	7.295		
Strategic Management & Directorate Budgets (ASCH)	35.240	27.547	(7.693)		
Public Health	0.052	0.021	(0.031)		
Business Delivery	9.537	9.084	(0.453)		
Adult Social Care & Health	422.913	422.031	(0.882)		
Roll forward requests			0.371		
Revised Variance			(0.511)		
	Budget	Provisional Outturn	Net Covid Revenue Variance	Contribution to/(from) Reserves	Net impact on General Fund
	£m	£m	£m	£m	£m
Covid-19 Outturn position	0.000	4.835	4.835	(4.835)	0.000

The Adult Social Care & Health directorate provisional revenue outturn variance, excluding Covid-19 is an underlying underspend of -£0.511m after roll forwards. Details of the underspend of -£0.882m before roll forwards of +£0.371m is detailed below and the roll forward requests are set out in Appendix 1.

The Covid-19 underlying additional expenditure is £4.835m, mainly due to the cost of supporting additional demand. The net spend has been funded from the Covid-19 emergency grant reserve. Uncertainty remains around the ongoing impact that Covid-19 will have on services.

Details of the significant variances on the General Fund are shown below:

Division	Variance	Summary	Detail
Strategic Management & Directorate Budgets (ASCH)	-£7.693m	Centrally held funds released to cover underlying overspends elsewhere.	<p>A significant portion of this underspend relates to central funds held for new initiatives which have been released to cover underlying overspends in commissioned client services. A budget realignment process has corrected this for 2022-23.</p> <p>-£0.848m relates to an underspend in Housing Related Support services as a result of alternative one-off funding.</p> <p>-£0.751m relates to additional income from external sources not recognised in the budget.</p> <p>-£3.173m of un-ringfenced Clinically Extremely Vulnerable grant has not been spent in the year and will be part of the wider consideration of all Covid related spend going forward into 2022-23. It is proposed that this is funded from the Covid-19 emergency grant reserve.</p>

Division	Variance	Summary	Detail
Adult Social Care & Health Operations	+£7.295m	There are significant overspends against Older People's services and Learning Disability Residential Care.	<p>The majority of the overspend in the ASCH Operations division relates to commissioned services for Older People.</p> <p>Residential Care Services for Older People are showing an overspend of +£20.626m. This is due to people leaving hospital with highly complex needs requiring additional support. The impact of lockdown restrictions resulted in individuals delaying receiving support and having less access to the use of preventative services. There was also an increase in situations where it was considered detrimental to move an individual to a lower cost placement as a result of Covid restrictions.</p> <p>Community Based Services for Older People are showing an underspend of -£10.846m. There has been severe pressure in the social care market throughout 2021-22 relating to workforce capacity. This has manifested partially due to a lack of available suitable homecare packages and more clients receiving alternative support.</p> <p>The 21-22 budget anticipated increasing numbers of clients receiving support in the community rather than residential care. This has not been achieved due to delays in delivering the service redesign savings.</p> <p>In-House services are reporting an underspend of -£3.517m; several units have continued to operate at reduced service levels during 2021-22 due to the pandemic, with services levels increasing toward the end of the year. There have been vacancy slippages and delays in recruitment.</p> <p>The number and costs of Learning Disability clients in Residential care was higher than budgeted levels. This was mainly due to the high level of additional complex needs seen in young people transitioning from Children's Services into Adult Social Care which resulted in a significant increase in care costs above negotiated contract price increases.</p>
Business Delivery Unit)	-£0.453m	A roll forward has been requested, and there are variances against several projects.	<p>Within the Business Delivery Unit there is an overspend of +£0.837m due to additional expenditure incurred delivering the Directorate's Social Care Activity System (Mosaic) Digital Implementation project. This has been largely offset by underspends against other projects delivered by the Projects and Innovation Delivery Teams (-£0.476m) and slippages on staff vacancies and recruitment.</p> <p>-£0.341m has been requested as a roll forward into 2022-23 as legally committed match funding for ongoing Interreg projects.</p>
Public Health	-£0.031m	A roll forward has been requested.	-£0.031m has been requested as a roll forward into 2022-23 as legally committed match funding for ongoing Interreg projects.

Details of the Covid-19 provisional outturn are shown here:

Grant Category	Provisional Outturn	Explanation
Additional Spend	£4.595m	The cost of supporting additional demand for services resulting from Covid-19, including a range of projects to tackle backlogs in addition to increased staffing requirements.
Loss of income	£0.240m	Relates to where day services are still not providing the same level and type of service as before meaning that clients cannot be charged for those periods.
Total Covid-19 Revenue Outturn	£4.835m	
Contribution from Reserves	(£4.835m)	
Revised Covid-19 position	£0.000m	

	Provisional Outturn Variance			Net Revenue Variance	
	Budget	Provisional Outturn			
	£m	£m		£m	
Integrated Children's Services (East & West)	159.334	158.602		(0.732)	
Special Educational Needs & Disabilities	82.769	86.471		3.702	
Education	41.223	46.503		5.279	
Strategic Management & Directorate Budgets (CYPE)	4.209	3.917		(0.292)	
Children, Young People & Education	287.534	295.492		7.958	
Roll forward requests				2.355	
Revised Variance				10.313	
	Budget	Provisional Outturn	Net Covid Revenue Variance	Contribution to/(from) Reserves	Net impact on General Fund
	£m	£m	£m	£m	£m
Covid-19 Outturn position	0.000	9.313	9.313	(9.313)	0.000

The Children, Young People & Education directorate's provisional revenue outturn variance, excluding Covid-19 is +£10.313m after roll forwards. Details of the overspend of +£7.958m before roll forwards of +£2.355m are set out below and the roll forward requests are set out in Appendix 1.

The overspend is due to a delay in the implementation of the Special Educational Needs (SEN) transport re-procurement coupled with higher demand along with pressures across the children social work service and higher costs of supporting looked after children. This is partially offset by lower accommodation costs of supporting Care Leavers.

The Covid-19 underlying additional expenditure is £9.313m, mainly due to COVID restrictions at the start of the year, have meant a greater dependency on use of temporary accommodation to provide sufficient school places and reductions in income from adult education courses. Greater complexity of children's cases and delays in the ability to achieve budgeted social care savings have also contributed to this spend. The net spend has been funded from the Covid-19 emergency grant reserve. Uncertainty remains around the ongoing impact that Covid-19 will have on services.

Details of the significant variances on the General Fund are shown here:

Key Service (Division)	Variance	Summary	Detail
Home to School Transport (Education)	+£5.781m	Delays in re-procurement of transport contracts and increase in demand	<p>The 2021 MTFP also included an estimated saving relating to the re-procurement of the SEN transport contracts. The re-procurement was put back to the end of the financial year due to delays in the implementation of new software to support this project, therefore any financial benefits were no longer expected to impact in 2021-22</p> <p>In addition, there continues to be a significant increase in the number of children requiring SEN transport with over a 10% year on year increase in the number travelling. This is a consequence of a greater number of children with SEN not being educated in their local school (total pressure of +£2.8m).</p>
Other School Services (Education)	-£0.376m	Various school related costs	<p>Delays in basic need projects due to archaeological/environmental factors have resulted in use of more temporary accommodation to ensure sufficient school places from September (+£0.6m). Feasibility and abortive costs of school projects which are no longer progressing and can no longer be capitalised (+£0.5m). This is offset by underspend of -£1.5m on the School Improvement Grant to be requested as a roll forward to 22-23 (£1.055m) with the residual amount to be used to meet the costs of existing services.</p>
Care Leaver Services (Integrated Children Services)	-£2.713m	Lower accommodation related costs of supporting care leavers	<p>The service has been working to reduce the number of children in semi-independent placements to ensure young people are placed in the most cost-efficient placements. This has resulted in an underspend of approximately -£1.4m. The number of young people requiring support with their council tax continues to remain lower than initially estimated leading to a further -£0.6m underspend. The balance relates to an underspend on staffing (-£0.4m) and the block contract for floating support (-£0.3m).</p>
Looked After Children - Care & Support (Integrated Children Services)	+£3.823m	Increased number and cost of residential placements	<p>The number of looked after children has remained fairly static but the cost of placements continues to rise with a greater number being placed in more expensive external settings as no suitable alternative is available. The average cost of residential placement has risen by over 20% in 2 years.</p>

Key Service (Division)	Variance	Summary	Detail
Youth Services (Integrated Children Services)	-£1.242m	Underspend on Secure Accommodation Grant	The grant for secure accommodation is based on historic levels of children on remand. Where actual demand is lower than the grant available a request to roll forward the unspent grant is made to support possible future fluctuations in demand (£0.7m) and to provide further resources for prevention & management of high-risk cases (£0.3m).
Adult Learning & Physical Disability Pathway - Residential Care Services & Support for Carers (Special Educational Needs & Disabilities)	+£0.563m	Increased cost of residential placements	The number of young people has reduced in residential care, but the average cost of placements has increased due to complexity and lack of availability of suitable placements.
Adult Learning & Physical Disability Pathway – Community Based Services (Special Educational Needs & Disabilities)	+£0.500m	Increased cost of supported living packages	The average cost of supported living packages has increased due to complexity and where additional support is required for those individuals who would previously have required residential care.
Looked After Children (with Disability) - Care & Support (Special Educational Needs & Disabilities)	+£0.952m	Increased number and cost of residential and unregulated placements	We have seen a significant number of new placements earlier in the year than expected. The average cost of residential placement has risen by over 20% in 2 years. High-cost unregulated placements have been used as an alternative where it has not been possible to find suitable residential placements for children with complex needs.
Children in Need (Disability) - Care & Support (Special Educational Needs & Disabilities)	+£0.480	Increase Direct Payments & Homecare packages of support	Demand for direct payments & homecare packages had been rising but was suppressed last financial year whilst COVID restrictions reduced access to clients and limited supply of providers. Demand is now higher than initially expected and includes several exceptionally high costed packages to meet increasingly complex cases. The lack of supply has also meant the use of higher cost agencies which has partly contributed to the higher unit cost for day care.
Special Educational Needs & Psychology Services (Special Educational Needs & Disabilities)	+£0.716m	Increased use of agency	Difficulties in the recruitment of suitably qualified Education Psychologist and SEN officers has led to an increasing use of agency staff.

Details of the Covid-19 forecast are shown here:

Grant Category	Provisional Outturn	Explanation
Additional Spend	£8.635m	<ul style="list-style-type: none"> Latent demand estimates for Children Social Services: increased complexity of both looked after children and children in need cases. Court delays resulting in higher legal costs due to protracted court proceedings & increased number of hearings. Delays in the basic need capital programme resulting in greater use of temporary accommodation to meet demand for school places and higher contractor costs.
Underspends	(£2.940m)	<ul style="list-style-type: none"> Delay in recruitment in detached youth workers Delay in the commissioning of the SEND parenting programme Savings from the phased re-opening of children centres and youth services at the start year Savings from the phased re-opening of adult learning services at the start of the year
Loss of income	£1.317m	<ul style="list-style-type: none"> Reduction in income whilst the adult learning services recovers following prolonged closures due to COVID restrictions. Reduction in 16+ travel saver income where numbers of children have not yet recovered to pre-COVID levels Reduction in income from Duke of Edinburgh whilst COVID restrictions were in place.
Unrealised savings	£2.100m	<p>Delay in the delivery of children social care savings due to:</p> <ul style="list-style-type: none"> COVID restrictions delaying or reducing the impact of new initiatives to increase the number of children supported in in-house foster care rather than more expensive alternatives. The demand for children's social workers increasing during COVID, due to increased staff sickness and increased complexity of children in need cases therefore delaying the planned reduction in agency staff.
Market sustainability - one off payments	£0.118m	Additional payments to support tutors in adult learning services
Payments for undelivered services (variable fee)	£0.083m	Catering reimbursements for Free School Meals
Total Covid-19 Revenue Outturn	£9.313m	
Contribution from Reserves	(£9.313)	
Revised Covid-19 Position	£0.000m	

	Provisional Outturn Variance				
	Budget	Provisional Outturn	Net Revenue Variance	Contribution to/(from) Reserves	Net impact on General Fund
	£m	£m	£m	£m	£m
Highways, Transportation & Waste	150.428	146.187	(4.241)		
Environment, Planning & Enforcement	17.732	16.470	(1.261)		
Libraries, Registration & Archives	8.589	8.250	(0.338)		
Economic Development	4.598	4.469	(0.128)		
Strategic Management & Directorate Budgets (GET)	1.409	1.449	0.040		
Growth, Environment & Transport	182.755	176.826	(5.929)		
Roll forward requests			3.114		
Revised Variance			(2.815)		
	Budget	Provisional Outturn	Net Covid Revenue Variance	Contribution to/(from) Reserves	Net impact on General Fund
	£m	£m	£m	£m	£m
Covid-19 Outturn position	0.000	1.263	1.263	(1.263)	(0.000)

The Growth, Environment & Transport directorate provisional revenue outturn variance, excluding Covid-19 is -£2.815m after roll forwards. Details of the underspend of -£5.929m before roll-forwards of +£3.114m is detailed below and the roll forwards are set out in Appendix 1.

The roll forwards are predominantly due to projects that have been re-phased and will now occur in 2022-23, or where there is committed funding for on-going project delivery.

The Covid-19 underlying net additional expenditure is +£1.263m which has been funded from the Covid-19 emergency reserve. Uncertainty remains around the ongoing impact that Covid-19 will have on services.

Details of the significant variance on the General Fund are shown below:

Key Service (Division)	Variance	Summary	Detail
Highway Asset Management (Other), (Highways, Transportation & Waste)	+£0.137m	Additional Drainage spend offset by income and streetlight energy savings.	<p>Overspend within drainage (+£2.1m) offset by additional permit and street works income (-£1.7m) plus volume and price savings in streetlights energy (-£0.4m) where these were below budgeted levels.</p> <p>Within this position are underspends of -£0.3m relating to inspection costs of Structures and Tunnels that could not be delivered in 2021-22 due to Covid and two years' worth will now be conducted in 2022-23.</p>
Kent Travel Saver (Highways, Transportation & Waste)	-£0.392m	Payments to operators lower than anticipated.	This is due to anticipated additional costs not materialising.
Environment & Planning (Environment, Planning & Enforcement)	-£0.516m	Underspends on projects to be rolled forwards	Within this position are underspends totalling -£0.7m that the division would like to request to be rolled forward, including -£0.4m committed spend relating to the Barnfield Gypsy and Traveller site, as well as -£0.3m of committed funding for on-going projects.
Public Protection (Enforcement) (Environment, Planning & Enforcement)	-£0.742m	Staffing, additional income and other minor variances.	<p>Staffing vacancy management and several other minor variances including additional income within Kent Scientific Services and Trading Standards.</p> <p>Within this position are underspends totalling -£0.3m that include -£0.2m for the Connected Communities Interreg project and -£0.1m relating to the Serious and Organised Crime pilot. These are requested to be rolled forward.</p>
Waste Facilities & Recycling Centres (Highways, Transportation & Waste)	-£1.994m	Favourable recycling prices offset by one-off costs.	<p>Favourable prices relating to the material recycling facility and anaerobic digester contracts, as well as additional income for paper, card and metal (-£2.7m). This improved position has been reflected in the 2022-23 budget build.</p> <p>These savings are offset in part by pressures including one-off costs relating to new contracts in East Kent and some refurbishments at HWRCs (+£0.7m).</p>
Highways, Transport & Waste Management Costs & Commercial Operations (Highways, Transportation & Waste)	-£2.084m	Underspends on environmental works and staffing, additional income and other minor variances.	Environmental and other works at Closed Landfill Sites will not be completed until 2022-23 and are a committed roll forward (-£1.1m). Staffing vacancy management and several other minor variances, including additional grant income within Public Transport, comprise the balance.

Details of the Covid-19 forecast are shown here:

Grant Category	Forecast	Explanation
Additional Spend	£5.955m	<p>Primarily relates to the sustained increase in kerbside tonnes being presented at Waste Transfer Stations (including increased cost of haulage) (£4.9m overall), Helping Hands schemes within Economic Development (0.3m), together with other minor costs within Highways, Libraries, and Economic Development.</p> <p>The increase in kerbside waste tonnages has been reflected in the 2022-23 budget build as whilst linked to Covid, this appears to be the new baseline going forward given more people are home-working and will continue to do so, so this represents a shift from commercial waste disposal (not KCC) to KCC waste disposal costs.</p>
Underspends	(£14.732m)	<p>Public Transport costs eligible for Government grant (-£9.6m) and a reduction in English National Concessionary Travel Scheme (ENCTS) and Kent Travel Saver (KTS) journeys (-£2.8m) are the primary elements. Other general underspends across the directorate due to reduced activity including in some Waste Recycling contracts (-£2.3m). Reduced journey levels have been reflected in the 2022-23 budget build, on the assumption that this will be the budgeted level of usage going forward.</p>
Loss of income	£1.225m	<p>Income loss primarily relating to the KTS, less passes in issue due to the pandemic and more parents home-working and dropping their children to school, with some offset from one-off additional Registration bookings. This is not deemed to be the new-normal baseline but a reduction in the backlog of cancelled or deferred bookings during the pandemic.</p>
Unrealised savings	£0.105m	<p>These may continue into 2022-23 as they will have a negative impact on economic recovery.</p>
Payments for undelivered services (variable fee)	£8.710m	<p>Support to maintain financial stability, mainly in public transport (ENCTS and KTS), partially offset by Government grant. This is in line with the Government request to continue paying operators at budgeted levels, even if activity is lower than expected/budgeted. Therefore, the charge to the Covid grant reflects the payments that have been made to operators, even where journeys did not occur, which in turn created an underspend on business as usual activity. The cost is therefore shown within 'payments for undelivered services' and the underspend is included within the £14.7m 'underspends due to Covid' section above. This accounted for £7.3m of the £8.7m charge, the other element related to additional capacity payments to allow social distancing etc to occur.</p>
Total Covid-19 Revenue Outturn	£1.263m	
Contribution from Reserves	(£1.263m)	
Revised Covid-19 position	£0.000m	

Provisional Outturn Variance

	Budget £m	Provisional Outturn £m	Net Revenue Variance £m
Infrastructure	29.052	28.041	(1.011)
Corporate Landlord	24.745	24.085	(0.659)
Business Services Centre	0.000	(0.007)	(0.007)
People & Communication	13.412	12.976	(0.436)
Finance	12.030	11.704	(0.326)
Strategic Commissioning	7.451	6.601	(0.850)
Governance, Law & Democracy	6.891	6.046	(0.845)
Strategy, Policy, Relationships & Corporate Assurance	3.830	3.537	(0.294)
Strategic Management & Directorate Budgets (S&CS)	(1.741)	(2.299)	(0.558)
Strategic & Corporate Services	95.671	90.684	(4.986)
Roll forward requests			1.087
Revised Variance			(3.899)

	Budget £m	Provisional Outturn £m	Net Covid Revenue Variance £m	Contribution to/(from) Reserves £m	Net impact on General Fund £m
Covid-19 Outturn position	0.000	2.110	2.110	(2.110)	0.000

The Strategic & Corporate Services directorate provisional revenue outturn variance, excluding the impact of Covid-19 is -£3.899m after roll forwards. Detail of the underspend of -£4.986m before roll forwards of +£1.087m is detailed below and the roll forward requests are set out in Appendix 1.

The Covid-19 underlying additional expenditure is £2.110m, mainly due to increased revenue contributions to capital where capital projects have been delayed, Members' Local Covid Support Grants and Managed Print loss of income offset by reduced costs for printing and copying. The net spend has been funded from the Covid-19 emergency grant reserve. Uncertainty remains around the ongoing impact that Covid-19 will have on services.

Details of the significant variance on the General Fund are shown below:

Key Service (Division)	Variance	Summary	Detail
Infrastructure	-£1.011m	Staff vacancies held whilst new structures within Property and ICT were finalised.	Underspend against staffing budgets in both Property and ICT services due to vacancies unfilled until new structure is agreed. One-off underspend on Kent Enterprise Partnership Shared Workspace project delayed start which is the subject of a roll forward request £0.098m. Unbudgeted income from school meals contract rebates related to prior years. Staffing underspend on emergency planning service due to the early delivery of a 2022-23 saving from ending the on-call payments scheme.
Strategic Commissioning	-£0.850m	Staff savings from rephasing of initiatives and additional income above budget from new burdens grant funding.	Additional grant New Burdens funding for Domestic Violence Team; Inclusion recharges to CYPE and other non-forecasted income; staff saving due to vacancy management; underspend on CIPS £0.070m and it is proposed that this is funded from the Covid-19 emergency reserve in 2022-23. Re-phasing of initiatives to meet audit requirements £0.370m is a requested roll forward.
Governance, Law & Democracy	-£0.845m	Underspend on Local Member Grants and additional income from school admissions appeals	The main element of this underspend is on Local Member Grants which is subject to a roll forward request of £0.620m; Appeals income greater than budget.
Corporate Landlord	-£0.659m	Refunds due to business rates reviews	One off income due to business rates reviews. Review of open purchase orders leading to cancellation of accruals no longer needed.
Strategic Management & Directorate Budgets	-£0.558m	Reduced early retirement costs and unused contingency	Due primarily to reduced early retirement costs and reduced spend on controllable budgets to offer an underspend.
People & Communication	-£0.436m	Additional income from several sources	Human Resources Related Services: mostly due to income from sales, fees & charges together with a slight underspend on the hire of venues for training courses. Customer Contact Communications & Consultations: internal income from reallocation above budgeted figure offsetting pressures elsewhere within the division.

Key Service (Division)	Variance	Summary	Detail
Finance	-£0.326m	Additional grant income	Additional income from grants, contributions, sales, fees, and charges; purchase card rebate; salary contribution from Infection Control Grant.
Strategy Policy Relationships & Corporate Assurance	-£0.294m	Mainly staff vacancy management	Underspend within Policy team due to Vacancy Management awaiting restructure; underspend within KSCB and KSAB

Details of the Covid-19 forecast are shown here:

Grant Category	Forecast	Explanation
Additional Spend	£2.488m	The main areas of spend are: increased revenue contribution to capital because of delays to capital projects due to Covid-19; Members' Local Covid Support Grants; Crowd funding match funding; Additional ICT cost for mobile handheld devices and call diversion costs on SIP exchange; early implementation of Microsoft E5 licences; New chairs for Hybrid working; Costs of social distancing in elections; Security at former county transport workshop for temporary place of rest.
Underspends	(£1.287m)	The main areas of underspend are reduced costs for printing and copying with an offsetting reduction included in Loss of Income (below). There are savings on Total Facilities Management and utility costs due to some properties being closed for the early part of the year; reduced travel costs.
Loss of income	£0.909m	For Managed Print there is forecast reduced income with an offsetting cost saving in underspends (above); Loss of rental income on various properties whilst used for testing centres.
Total Covid-19 Revenue Outturn	£2.110m	
Contribution from Reserves	(£2.110m)	
Revised Covid-19 position	£0.000m	

9 Non-Attributable Costs

General Fund Provisional Outturn position (£3.8m) underspend
Covid-19 Provisional Outturn position breakeven

Provisional Outturn Variance					
	Budget	Provisional Outturn	Net Revenue Variance		
	£m	£m	£m		
Non Attributable Costs	156.722	153.462	(3.260)		
Earmarked Budgets Held Corporately	0.521	0.000	(0.521)		
Net Total incl provisional share of CHB	157.243	153.462	(3.781)		
Roll forward requests			0.200		
Revised Variance			(3.581)		
	Budget	Provisional Outturn	Net Covid Revenue Variance	Contribution to/(from) Reserves	Net impact on General Fund
	£m	£m	£m	£m	£m
Covid-19 Outturn position	0.000	0.469	0.469	(0.469)	0.000

The Non-Attributable Costs provisional revenue outturn variance, excluding Covid-19 is -£3.581m after roll forwards. Details of the underspend of +£3.781m before roll forwards of +£0.200m is detailed below and the roll forward requests are set out in Appendix 1.

The underspend is due to a number of factors including release of reserves, release of unclaimed income from the Balance Sheet, additional grant income and underspend on debt charges due to slippage on the capital programme.

The Covid-19 underlying additional expenditure is £0.469m, mainly due loss of investment income. The net spend has been funded from the Covid-19 emergency grant reserve. Uncertainty remains around the ongoing impact that Covid-19 will have on services.

Details of the significant variances on the General Fund are shown below:

Key Service (Division)	Variance	Summary	Detail
Non-Attributable Costs	-£3.781m	Range of underspends	<p>The underspend is due to the following:</p> <ul style="list-style-type: none"> Release of reserves and distribution following the unwinding of the Royal Mail site partnership with Maidstone District Council. Release of reserves related to the 2020-21 List C roll forward requests that are no longer required. Release of unclaimed income held on the Balance Sheet following the annual review which is undertaken as part of the closure of the accounts. Late notification and/or additional grant income which was assumed to have ceased for the 2021-22 budget but continued. Increase in underspend on debt charges due to slippage on the capital programme.

9 Non-Attributable Costs

General Fund Provisional Outturn position (£3.8m) underspend
Covid-19 Provisional Outturn position breakeven

Key Service (Division)	Variance	Summary	Detail
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- Re-phasing of costs related to the settlement of Term Time only staff following a change to how term time only annual leave is calculated.

Details of the Covid-19 forecast are shown here:

Grant Category	Forecast	Explanation
Loss of income	£0.469m	Loss of investment income
Total Covid-19 Revenue Outturn	£0.469m	
Contribution from Reserves	(£0.469m)	
Revised Covid-19 position	£0.000m	

The Schools' Delegated Budget reserves has ended the financial year with a surplus of £61.3m on individual maintained school balances, and a deficit on the central schools' reserve of £97.6m.

The balances of individual schools cannot be used to offset the overspend on the central schools' reserves and therefore should be viewed separately. The table below provides the detailed movements on each reserve.

The Central Schools Reserve holds the balance of any over or underspend relating to the Dedicated Schools Grant (DSG). This is a specific ring-fenced grant payable to local authorities to support the schools' budget. It is split into four main funding blocks, schools, early years, high needs and central, each with a different purpose and specific rules attached. The Council is required to hold any under or overspend relating to this grant in a specific reserve and is expected to deal with any surplus or deficits through future years' spending plans.

	Individual School Reserves	Central Schools Reserve	<i>Note: a negative figure indicates a drawdown from reserves/deficit</i>
Balance brought forward	56.0	-51.0	
Movement in reserves:			
Academy conversions and closing school deficits	0.0		
Reduction in School deficit balances	0.7		
Increase in School surplus balances	4.6		
School Block Related Spend		-7.6	
High Needs Placements, Support & Inclusion Fund		-39.8	
Underspend on Early Years		0.4	
Overspend on Central DSG Budgets		0.4	
Reserve Balance	61.3	-97.6	

In accordance with the statutory override implemented by the Ministry of Housing, Communities & Local Government (MHCLG) during 2020-21, and in line with the Department for Education (DfE) advice that local authorities are not expected to repay deficits on the DSG from the General Fund and can only do so with Secretary of State approval, the central DSG deficit of £97.6m will be held in a separate unusable reserve from the main council reserves. This statutory override is expected to be in place until April 2023 whilst Councils implement recovery plans. The Council continues to work with the Schools Funding Forum to set out the challenge and agree a plan to address the deficit. The DfE have recently invited the Council to take part in the second round of the Safety Valve Programme for those Councils with the highest deficits to support the development of sustainable plan for recovery; this may include further funding from the DfE to pay off historic deficits but only if the Council can demonstrate a credible plan. The DSG deficit is the Council's single biggest financial risk; therefore, the finalisation and successful implementation of the Council's deficit recovery plan is critical.

Key Issues	Details
School Block: One-off Settlement	The DSG Reserve as at 31 st March 2021 of £51m is formed from a net surplus on the Schools Block of £11m and a net deficit on the High Needs block of £62m. The two blocks of funding have different purposes and rules and Secretary of State Approval is needed to transfer funding from the schools' block to other funding blocks. The Schools Block funds primary and secondary schools' budgets, and the accumulated balance from previous years underspend of £11m, has been fully committed to be paid to schools as a one-off additional payment to support the cost of changes to the calculation of pay for term time only staff. A total of £7.6m has been drawdown to fund these payments in 2021-22 with the balance to be paid in 2022-23.
Early Years: general underspend	The Early Years Block is used to fund early years' providers the free entitlement for eligible two, three and four-year olds. Each a year, when setting the funding rate an estimate must be made as to likely hours that will be provided to ensure it is affordable within the grant provided. This can lead to minor under or overspends if activity is slightly lower or higher than expected. This has led to an underspend which has been used to fund the Inclusion Fund for children with Special Educational Needs which is normally charged to the High Needs Block and leaving the remaining £0.4m underspend, which will be used to offset 20-21 overspend on this grant.
Reduction in government funding for Central Services	Since 2020-21, the Government has reduced the funding used to support some of the central services currently funded from the DSG (£2.5m). In the short-term this has been addressed through the Medium-Term Financial Plan (£1.8m) without any direct impact to schools; however, during the next year we will need to review our relationship with schools in line with Government policy and funding and implement changes that will eliminate the funding shortfall.

Higher demand and higher cost for high needs placements

The High Needs Block (HNB) is intended to support the educational attainment of children and young people with special educational needs and disabilities (SEND) and pupils attending alternative education provision. The HNB funds payments to maintained schools and academies (both mainstream and special), independent schools, further education colleges, specialist independent providers and pupil referral units. Some of the HNB is also retained by KCC to support some SEND services (staffing/centrally commissioned services) and overheads.

The net deficit on the high needs block was £62m as at 31st March 2021 and has grown to £104m by 31st March 2022. The overspend on the high needs block has been growing significantly over recent years and is the most significant financial risk to the council.

The in-year funding shortfall for High Needs placements and support in 21-22 is +£50m due to a combination of both higher demand for additional SEN support and higher cost per child resulting from greater demand for more specialist provision. One consequence of this is the council now placing a greater proportion of children in both special and independent schools compared to other local authorities, and a smaller proportion of children with SEND included in mainstream schools. The levels of growth are similar to previous years, since the introduction of the legislative changes in 2014, which also saw the expansion of duties to the age of 25 without sufficient extra funding. The tables below detail the trend in both spend and number of HNB funded places or additional support across the main placement types. In 2021-22 this pressure is being partially offset by a one-off underspend on activities to support inclusive practices in mainstream schools (-£9m). Work has been underway to establish how this fund should be used but activity in relation to this programme of spend did not start until September 2021 due to Covid-19 related delays.

Table: Total Spend on High Needs Block by main spend type

	18-19 £'ms	19-20 £'ms	20-21 £'ms	21-22 £'ms
Maintained Special School	87	97	106	123
Independent Schools	36	40	49	60
Mainstream Individual Support & SRP* **	31	38	46	54
Post 16 institutions***	16	16	17	19
Other SEN Support Services	42	44	49	43
Total Spend	212	234	264	299

*Specialist Resource Provision

** Please note this data excludes any costs incurred by primary & secondary schools from their own school budget.

***Individual support for students at FE College and Specialist Provision Institutions (SPIs)

Table: Average number of HNB funded pupils receiving individualised SEN Support/placements. This is not the total number of children with SEN or number of EHCPs.

	18-19 No	19-20 No	20-21 No	21-22 No
Maintained Special School	4,349	4,751	5,118	5,333
Independent Schools	796	907	1,126	1,333
Mainstream Individual Support & SRP*	3,278	39,22	4,510	5,258
Post 16 institutions***	1,046	1,196	1,281	1,453
Total Number of Pupils	9,468	10,776	12,035	13,377

Table: Average cost of HNB funded pupils receiving individualised SEN Support or placement cost.

	18-19 £s per pupil	19-20 £s per pupil	20-21 £s per pupil	21-22 £s per pupil
Maintained Special School	£20,010	£20,330	£20,629	£21,991
Independent Schools	£44,871	£43,851	£43,734	£45,303
Mainstream Individual Support & SRP* **	£9,461	£9,691	£10,294	£10,245
Post 16 institutions***	£15,723	£13,393	£13,309	£13,090

The Government recently published its review into support for children with SEN after a two-year delay which sets out a number of recommendations which are intended to achieve a sustainable SEN support system. Although Further funding has been provided; as can be seen from the forecast, this has been insufficient to meet the demand and Kent will need to take further actions to ensure we are able to support children with SEN sustainably, in partnership with the Schools Funding Forum.

The Written Statement of Action (WSOA), put in place to address a number of areas of concern raised in last year's Ofsted/CQC Local Area SEND Inspection, overlaps in a number of places with our strategy for reducing the pressure on the High Needs budget which includes:

- Reviewing our commissioning strategy for SEN provision across the county including supporting the development of new special schools and Specialist Resource Provisions to reduce our increasing reliance on independent schools including the opening of two new special schools last year which when fully opened will avoid over 350 higher cost placements.
- Reviewing commissioning arrangements including independent providers, home tuition and therapy services.
- Improving parental confidence through supporting inclusive practice and capacity building in mainstream schools to reduce reliance on special and independent schools
- Further collaborative working with Health and Social Care partners

Work is progressing; however, progress has been slower/paused/stopped due to the Covid-19 pandemic. There are also wider concerns on the longer-term impact of children being out of school during the last year on this budget. However, we are unlikely to know the full impact of the pandemic until 2022-23.

	Directorate	Capital Budget	Variance excl. Covid-19	Real Variance	Rephasing Variance	Covid-19 Spend
	Adult Social Care & Health	3.7	-3.2	-0.2	-3.0	0.0
	Children, Young People & Education	163.1	-87.7	-30.8	-56.9	4.2
	Growth, Environment & Transport	310.1	-76.9	19.8	-96.7	0.3
	Strategic & Corporate Services	24.9	-3.9	9.0	-12.9	0.8
	TOTAL	501.8	-171.7	-2.2	-169.5	5.3

The total approved General Fund capital programme excluding Covid in 2021/22 is £501.8m. This includes a total of £58.3m slippage rolled forward from the previous year.

The actual capital programme spend for the year excluding Covid is £330.1m, which represents 65.8% of the approved budget.

There is a -£171.7m underspend against the budget, this is split between a -£2.2m real variance and -£169.5m rephasing variance.

The major variances (>£0.1m real variances and >£1.0m rephasing variances) are described below. Previously reported variances are shown in italics:

Adult Social Care & Health:

Project	Real Variance £m	Rephasing Variance £m	Detail
<i>Previously Reported Variances:</i>			
<i>Learning Disability Good Day Programme</i>		-1.8	<i>The majority of projects within this programme are on hold pending review. Smaller scale projects have been agreed and are progressing at Southfields and Meadowside. Developer contributions have been used in 2021-22 instead of £200k prudential that was previously vired from Modernisation of Assets (MOA) in S&CS. The prudential will therefore be returned to S&CS MOA. (Previously reported -£1.8m).</i>

Children, Young People & Education:

Project	Real Variance £m	Rephasing Variance £m	Detail
<u>New Variances to Report:</u>			
Basic Need Kent Commissioning Plan 2016	-1.2	-0.5	<p>The main projects making up the real underspend are as follows:</p> <ul style="list-style-type: none"> -£1.6m Wilmington Grammar due to a contribution from the school. +£0.3m Wilmington Academy, due to an additional highways works. -£0.2m Sellindge Primary, final costs are less than expected. <p>The remainder of the real variance is made up of minor variances across a number of schemes.</p>
Basic Need Kent Commissioning Plan 2017	-26.3	-16.2	<p>The main projects making up the real variance are:</p> <ul style="list-style-type: none"> -£1.2m savings due to 3 projects completing early. -£3.5m Skinners Kent Academy, the project is no longer progressing. -£19.0m Park Crescent Academy, the project is no longer required. +£0.2m Canterbury Academy, due to original budget allocation being incorrect. -£0.2m St Gregory's – project is complete. Costs were negotiated due to variations added without approval. -£0.2m River Mill – project was completed by the DfE. <i>(Previously reported -£21.9m).</i> <p>The main projects making up the rephasing variance are:</p> <ul style="list-style-type: none"> -£5.4m Meopham School, delays due to a highways planning objection, redesign required and re-submission for planning approval. -£3.9m Thamesview School, school not now required until 2023. -£3.8m Beacon Satellite, commercial strategy with procurement has led to delays in obtaining approval. -£2.3m Ursuline College, rephasing due to design clarifications required. <i>(Previously reported -£18.8m).</i>
Basic Need Kent Commissioning Plan 2018	-0.4	-12.6	<p>The main projects making up the rephasing variance are:</p> <ul style="list-style-type: none"> +£1.5m Sevenoaks Selective School – early completion on the main project. -£4.5m Gravesend Grammar School, first design has been rejected and a redesign is required. -£2.3m Simon Langton Boys School, rephasing due to planning issues. -£3.9m The Abbey School, although internal works have been completed during the summer of 2021, the main scheme has been deferred until next year.

-£3.0m Dartford Bridge Primary, project rephased as it is not now required until a later year.
(Previously reported -£14.7m).

Basic Need Kent Commissioning Plan 2019	-0.1	-15.1	<p>The main projects making up the rephasing variance are:</p> <ul style="list-style-type: none"> -£3.6m Wrotham School, rephasing pending a funding agreement. -£1.0m Highsted Grammar, pending a funding agreement with the school. -£3.1m Chilmington Green Secondary – the agreement required to forward fund the early works has been delayed. -£2.4m Invicta Grammar, rephasing pending funding agreement with the school. -£2.1m Queen Elizabeth’s Grammar, rephasing due to feasibilities being re-done. -£1.5m Nexus, rephasing due to feasibility studies taking longer than anticipated due to site constraints and project costs have come in too high. -£1.0m Borden Grammar – there have been design delays and abnormalities have been identified. <p>(Previously reported -£14.2m).</p>
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Basic Need Kent Commissioning Plan 2021-25	-3.0	-5.4	<p>Real variance is due to:</p> <ul style="list-style-type: none"> -£2.5m the budget has been reallocated to other projects as they have been confirmed, and some projects have been removed. -£0.3m St Peter’s Aylesford costs coming in below budget. <p>(Previously reported -£2.5m).</p> <p>Rephasing is due to:</p> <ul style="list-style-type: none"> -£3.5m the Abbey School, subsequent phase of this project has been deferred. -£0.5m St Peters Primary, Aylesford – due to a delay in receiving a formal instruction to proceed. -£0.5m Dover Christ Church Academy – the project has been pushed back to 2022-23. -£0.5m Guston CEPS – the project has been pushed back to 2022-23. -£0.4m St Mary of Charity – a change of headteacher has required a revised feasibility. <p>(Previously reported -£5.5m).</p>
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Previously Reported Variances:

Annual Planned Enhancement Programme	+0.3	+0.5	<p>The real variance reflects schemes to be completed under the Decarbonisation Fund, for which there is additional funding (+£1.2m), additional developer contributions of £0.2m, -£0.3m to be vired to Basic need KCP19, -£0.5m to be transferred for Maidstone Girls Grammar School and -£0.3m to be vired to Basic need KCP18. (Previously reported +£0.9m).</p> <p>The rephasing forwards is due to improved internal process, collaboration and financial monitoring resulting in quicker project delivery. (Previously reported -£2.4m).</p> <p>Due to budget pressures identified for this programme it is proposed that £6.1m of banked grant be added to the 2022-23 budget. This is detailed in the capital cash limit changes tables.</p>
High Needs Provision		-1.9	<p>Rephasing is across a number of projects, none of which are above £1m individually. (Previously reported -£1.3m).</p>
School Roofs		-4.1	<p>Project costs for Birchington CEPS being reviewed as original plan included covid restrictions which are no longer required. Birchington CEPS due for completion Summer 2023. (Previously reported -£4.3m).</p>
Priority School Build Programme	0.5		<p>Real variance is due to additional costs across a number of projects to be funded from banked grant. (Previously reported +£0.3m).</p>
Nest 2		-1.5	<p>The project is still at discussion/planning stage hence the rephasing.</p>

Growth, Environment & Transport:

Project	Real Variance £m	Rephasing Variance £m	Detail
<u>New Variances to Report:</u>			
Integrated Transport Schemes (Highways, Transportation & Waste)	0.2	-1.8	The real variance is due to various small schemes that are externally funded. The rephasing is due to construction delays as a result of the pandemic, as well as the war in Ukraine, meaning that prices have increased so the service are seeking additional quotes to ensure budgets are sufficient.
Kent Thameside LST – Integrated Door to Door Journeys (Highways, Transportation & Waste)		-1.5	There have been delays to this project due to utility delays and also material shortages. There are remedial works to be completed which will be completed in early 22/23.
Dover Bus Rapid Transit (Highways, Transportation & Waste)		-2.1	The rephasing is because the project is linked directly to the Inland Border Facility (IBF) and alignment has caused some delays. The award of the construction contract was delayed, and mobilisation has reduced anticipated spend in 21/22. Works are now progressing on site.
Kent Active Travel Fund Phase 2 (Highways, Transportation & Waste)		-2.7	There have been delays on the design and construction (and eventual implementation) of the Active Travel Funded schemes in Kent. These delays have been partly caused by feedback from our extensive public consultation and the need to make substantial design changes to ensure community and political buy-in to the proposed Schemes. This has all been done with regular dialogue with the Department for Transport.
Old Scheme Residual Works (Highways, Transportation & Waste)	-0.1		The real variance is due to small underspends on various old schemes which have been transferred to the Bearsted Road project.
Decarbonisation Fund – Kings Hill and West End Solar Farms (Economic Development)	+2.9	-3.0	The real variance reflects the funding that has not yet been added to the cash limit (<i>previously reported +£2.9m</i>). The rephasing is due to delays on the Kings Hill Solar Farm pending governance sign off. This was due to a series of issues including uncertainty in the market around inflation costs as well as around the purchase of the land where the Solar Farm will be located. The use of the grant funding has been extended with agreement by Salix to 30 th June 2022.

Javelin Way Development (Economic Development)	0.8		Real variance due to an increased overall cost for the project that will ultimately be funded from enhanced capital receipts of the industrial units. This is further down the line and therefore forward funding of these enhanced capital receipts is required.
Zebra Funding			£9.5m grant funding has been received for electric buses and associated infrastructure which is proposed to be added to the cash limits in 2022-23 and 2023-24, as detailed in the capital cash limit change tables.
<u>Previously Reported Variances:</u>			
Highway Major Enhancement (Highways, Transportation & Waste)	0.1	-21.1	<p>Real variance is due to additional developer contributions and external funding.</p> <p>Rephasing variance (previously reported -£17.9m) is primarily due to:</p> <ul style="list-style-type: none"> - works on the Thanet Way cannot be undertaken until the start of 2022-23 due to COVID recovery of businesses and lack of road space during the period of recovery (-£3.4m). - works on structures/tunnels and lighting have been reprofiled to 2022-23 due to both internal and external resource shortages (-£11.9m). - street lighting works are to be carried forward into 2022-23 due to the inability to recruit to specialist roles within both KCC and the external contractor, plus COVID sickness levels (-£4.9m). This has resulted in backlogs of works both internal and external. These are grant funded projects. - the remainder the variance is asset management works that will be completed in the early part of 2022-23.
Government Transition Works (Highways, Transportation & Waste)	6.4		This project is fully grant funded from the Department for Transport who have requested further works at the Ashford Sevington site. Additional grant funding is being claimed to cover these works. (Previously reported +£16.5m with cash limits changed accordingly so +£6.4m is on top).
Dover Inland Border Facility (Highways, Transportation & Waste)	7.9		The project is fully grant funded, initially from the Department of Transport, and now from Department for Environment, Food and Rural Affairs (Defra) for the remainder of the works. (Previously reported +£4.6m).
Dartford Town Centre (Highways, Transportation & Waste)		-4.1	This project is delayed due to COVID resulting in contracting and procurement delays. (Previously reported -£3.2m).

<i>Faversham Swing Bridge (Highways, Transportation & Waste)</i>	-1.2	<i>The outline design on this project has been progressed but there are delays with the engagement of partners therefore the budget has been rephased to 2022-23. (Previously reported -£1.2m).</i>
<i>Kent Thameside Strategic Transport Programme (Highways, Transportation and Waste)</i>	-5.1	<i>There has been a delay to the Thames Way project due to a master planning delay caused by the designation of a Site of Special Scientific Interest (SSSI) of the Swanscombe peninsular and the Ebbsfleet Central area, therefore the budget has been rephased to future years. (Previously reported -£5.1m).</i>
<i>Maidstone Integrated Transport (Highways, Transportation and Waste)</i>	-3.4	<i>The whole programme for the MITP is currently under review but construction works have slipped considerably, with construction not commencing until the autumn of 2022. A full overhaul of the programme and spend profile is currently underway. The slippage is due to various planning issues and amendments to the programme. (Previously reported -£3.4m).</i>
<i>Market Square, Dover (Highways, Transportation and Waste)</i>	-1.4	<i>The delays on the project are due to more extensive archaeology surveys being required. Works are now progressing well on site and the bulk of the work should be complete in summer 2022, although there is a slight delay in the fabrication of the steel spirals and these may not be ready for installation until late summer 2022. (Previously reported -£1.1m rephasing).</i>
<i>Fastrack Full Network – Bean Road Tunnels (Highways, Transportation and Waste)</i>	-10.0	<i>The construction start has been delayed due to the design being more challenging than originally expected. Construction will now start at the end of 2022. (Previously reported -£10.0m).</i>
<i>Housing Infrastructure Fund – Swale (Highways, Transportation and Waste)</i>	-5.2	<i>Spend was reprofiled to reduce KCC liability and risk in year 20-21, with a knock-on effect of delays on the programme through planning and construction. Although a funding agreement has been signed with Homes England this is conditional on the M2 Junction 5 project being delivered by National Highways coming forward. An extension to the funding agreement has been accepted by Homes England with funding extension granted until June 2024. This scheme is grant funded. (Previously reported -£5.0m).</i>
<i>Herne Relief Road (Highways, Transportation and Waste)</i>	-1.9	<i>The rephasing is due to planning delays and delays securing the land agreements which are now in place. (Previously reported -£1.9m).</i>

<i>Kent Strategic Congestion Management (Highways, Transportation and Waste)</i>	0.5	<i>The A2/A251 priority junction scheme was added to this project within the Local Growth Fund programme in 20/21 following approval by KMEP and SELEP Boards. It aims to make improvements to the junction capacity and promote journey time improvements through the signalisation of the junction. The real variance is the external funding that has been received into the programme and which is required to complete this scheme. The scheme is now largely complete. (Previously reported +£0.9m).</i>
<i>Bearsted Road (National Productivity Investment Fund – Kent Medical Campus) (Highways, Transportation and Waste)</i>	-5.5	<i>The dualling option for this scheme was recently approved. There are some pre-commencement planning conditions to be finalised with the main construction commencing in summer 2022, so some rephasing was required as a result of these delays and additional considerations. (Previously reported -£4.6m).</i>
<i>Sturry Link Road (Highways, Transportation & Waste)</i>	-6.5	<i>The project has been delayed by approximately 6 months due to waiting for planning permission, which has now been granted. (Previously reported -£6.0m).</i>
<i>Green Corridors (Highways, Transportation and Waste)</i>	-3.6	<i>The programme is just getting started and some stages will not begin until 2022-23. (Previously reported -£3.0m).</i>
<i>A2 Off Slip Wincheap, Canterbury (Highways, Transportation and Waste)</i>	-1.5	<i>All budgets rephased to future years as the Homes England bid was not successful but alternative funding is being sought. (Previously reported -£1.5).</i>
<i>Leigh Flood Storage Areas (Environment, Planning & Enforcement)</i>	-1.5	<i>The rephasing is due to the decision from the Secretary of State on this scheme following a public enquiry earlier in the year. (Previously reported -£1.5m). Alternative options for spending this funding, to achieve the same/similar outcomes, are being worked up should this not be granted.</i>
<i>Thanet Parkway (Environment, Planning & Enforcement)</i>	9.5	<i>Phasing of the scheme has been brought forward in line with the latest project plans. The overall cost of the scheme has increased due to Network Rail cost increases and higher than expected costs for the level crossings. Alternative funding is being sought and will be closely monitored. (Previously reported +£8.8m).</i>
<i>Kent Scientific Services Equipment & Vehicles (Environment, Planning & Enforcement)</i>	0.3	<i>Purchase of new equipment and a vehicle funded from revenue. (Previously reported +£0.4m).</i>
<i>Digital Autopsy (Environment, Planning & Enforcement)</i>	-2.1	<i>Delivery of this project has been pushed back due to delays in the procurement of the digital autopsy provider as the revenue and capital elements are inter-linked. (Previously reported -£2.2m).</i>

<i>Innovation Investment Fund (i3) (Economic Development)</i>		-2.6	<i>There was not another application round at the end of the financial year, this is likely to be spent in 2022-23. (Previously reported -£2.6m).</i>
<i>Kent & Medway Business Fund (Economic Development)</i>	2.2	-10.4	<i>Real variance is due to transfer the from Recovery Loan Fund and Capital Growth Fund, both of which have come to an end. (Previously reported +£2.2m) Rephasing variance is due to funds not being able to be defrayed in the current environment due to availability of other grant and loan schemes during the pandemic. (Previously reported -£9.4m).</i>
<i>Kent & Medway Business Fund – Recovery Loan Fund (Economic Development)</i>	-1.2		<i>Transferred back to the Kent & Medway Business Fund as this fund has come to an end. (Previously reported -£1.2m).</i>
<i>Kent & Medway Business Fund – Capital Growth Fund (Economic Development)</i>	-1.0		<i>Transferred back to the Kent & Medway Business Fund as this fund has come to an end. (Previously reported -£1.0m).</i>
<i>Kent Empty Property Initiative (Economic Development)</i>	0.9		<i>Additional external funding received. (Previously reported +£0.5m).</i>

Strategic & Corporate Services:

Project	Real Variance £m	Rephasing Variance £m	Detail
<u>New variances to report:</u>			
Corporate Property Strategic Capital	-0.6		The costs from the property team working predominantly on education projects have come in below budget. This is funded from education grant.
Disposal Costs	-0.2		This represents costs of working up properties for disposal (up to 4% per property) and is funded by capital receipts. The actual costs for the year have come in at less than budget.
Modernisation of Assets	0.4	-3.7	The real variance is due to additional funding from Salix and revenue contributions. The rephasing is due to delays due to covid.

Asset Utilisation	-1.1	Due to the ongoing KCC SRP programme we were unable to make decisions on individual asset projects as the Kent Communities programme is working with services about their future service delivery models, so we were not in a position to progress any projects and rephased £1.1m to 22/23.
Strategic Estate Programme	-3.2	Expenditure is being rephased as a business case is being prepared for the next phases of this project.
Strategic Reset Programme	-1.0	Most of the expenditure to date has been revenue. Capital expenditure is being rephased until it is known what works are required going forwards.
Former Royal School for the Deaf Site	9.5	The site was originally purchased under the CYPE basic need programme. There is no longer the need for secondary provision in the area and therefore the costs and site have been transferred to corporate landlord to be worked up for disposal. This is being forward funded by borrowing until the site is sold and will be replaced by capital receipt funding.
<u>Previously reported variances:</u>		
Dover Discovery Centre	-2.0	Rephasing due to refining of planning and change in primary contractor. (Previously reported -£1.9m).
Live Margate	-1.7	Plots from the Royal School for the Deaf site were being considered to be brought into this scheme but that is no longer an option, hence the money is being rephased while other opportunities are explored. (Previously reported - £1.7m).

2021-22 REVENUE BUDGET PROPOSED ROLL FORWARDS

			£'000
1	2021-22 provisional business as usual underspend		-7,620.1
2	Details of committed projects where we have a legal obligation or contractual commitment:		
a)	Adult Social Care & Health		
i)	Various external funded projects	This represents funds required to fulfil our obligation to the partnership agreements in relation to various externally funded projects.	340.7
ii)	Public Health - Various external funded projects	This represents funds required to fulfil our obligation to the partnership agreements in relation to various externally funded projects.	30.8
b)	Children, Young People & Education		
i)	Secure Accommodation	Underspend to be used to develop intensive supervision & surveillance resource as well as education/training/employment resources	305.8
ii)	Regional Adoption Agency	Committed for ongoing delivery of the RAA Project.	222.4
iii)	BHC21 - INTERREG VA 2 SEAS externally funded project	Committed match-funding for on-going project delivery.	43.5
c)	Growth, Environment & Transport Directorate		
i)	Various external funded projects	This represents funds required to fulfil our obligation to the partnership agreements in relation to various externally funded projects.	821.5
ii)	Environmental and other works at Closed Landfill Sites (including at North Farm)	Spend/contract was due to go to Cabinet Committee for pre-scrutiny but GET cannot take the paper if the funding stream is not secure.	1,100.0
iii)	Barnfield GTS site	Outstanding costs relating to Phase 2 of the Barnfield works. Works are in progress and we are legally committed to make payment.	381.3
iv)	Structures & Tunnels	Statutory obligations relating to structures principally bridge inspections including confined spaces, network rail trackside, and underwater structures. Due to resource issues within KCC and the consultants these have not been fully delivered this year but are essential inspections that are required to be undertaken.	290.0
v)	Serious & Organised Crime	A two year project across 2021-22 and 2022-23. The start was delayed and only £1.5k of the £130k allocation spent in 2021-22.	128.5
vi)	Thanet Parkway station carpark	Capital project has been re-phased and the station will complete in May 2022, but will not open until 2023, when the upgrades to the level crossings are complete. There is a requirement to cover car park operating costs which have not been budgeted by the Corporate Landlord or Infrastructure teams.	100.0
vii)	Greater North Kent partnership	Commitment for partnership funding.	90.0
viii)	Highway Inspections	Statutory Obligation Inspectors safety critical works. The recent storm event has caused a delay on routine works with insufficient time remaining to deliver this year.	60.0
ix)	Kent Resource Partnership	KCC's element of underspend on the project.	42.3
d)	Strategic & Corporate Services		
i)	Kent Safeguarding Adults Board	KCC's element of underspend on project.	54.8
ii)	Kent Safeguarding Childrens Board	KCC's element of underspend on project.	42.7
Total of committed projects			4,054.3

3 Details of re-phasing required to continue/complete an initiative where we are not yet legally/contractually committed**£'000****a) Children, Young People & Education**

i) School Improvement Grant	To be used to fund planned school improvement related activity in 2022-23.	1,055.4
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ii) Secure Accommodation	Underspend to be used to develop intensive supervision & surveillance resource as well as education/training/employment resources.	728.1
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b) Growth, Environment & Transport

i) Highways Term Maintenance Contract Procurement	Procurement costs of recommissioning the HTMC which has been deferred.	100.0
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c) Strategic & Corporate Services

i) Additional Procurement Resource to support Implementation of Procurement Regulations and Additional Capacity in Commercial and Standards Team	Recruitment delays & difficulties in 2021-22 led to underspend and bid to roll-forward funding of 12 month temp roles to support Adult Social Care providers for management of Indis, provider payments & system set up in line with recent audit reports	370.0
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d) Non-Attributable Costs

i) Term Time Only	Re-phasing of costs related to the settlement of back pay for Term Time only staff following a change to how term time only annual leave entitlement is calculated.	200.0
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Total of re-phasing**2,453.5****4 Bids for Roll Forward not already committed****£'000****a) Strategic & Corporate Services**

i) Members Grants	Combined Member Grant of £10k per Member. This represents the value of grants funding that was unspent by 31 March 2022.	619.5
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Total of Bids**619.5****5 Remaining uncommitted balance of underspending****-492.8**

APPENDIX 2 - CAPITAL RE-PHASING

CYPE	2021-22 £'000	2022-23 £'000	2023-24 £'000	Future years £'000	Total £'000
Annual Planned Enhancement Prog	524	-524			0
School Roofs	-4,111	4,111			0
Basic Need KCP16	-515	515			0
Basic Need KCP17	-16,192	10,903	5,289		0
Basic Need KCP18	-12,616	7,376	5,240		0
Basic Need KCP19	-15,054	4,966	10,088		0
Basic Need KCP21-25	-5,386	2,442	-556	3,500	0
High Needs Provision	-1,935	1,935			0
Barton Court Free School	604	-604			0
DfE Fully Funded Projects	-178	178			0
John Wallis Academy	-341	341			0
Priority School Build Programme					0
Nest 2	-1,550	1,550			0
Management & Modernisation of Assets - Youth	-72	72			0
Modernisation Prog	-44	44			0
Special School Review Phase2	-39	39			0
					0
TOTAL CYPE REPHASING	-56,905	33,344	20,061	3,500	0
Rephasing already actioned through Budget Build	-53,423	51,873	1,550		0
Remaining rephasing to action from outturn	-3,482	-18,529	18,511	3,500	0

ASCH	2021-22 £'000	2022-23 £'000	2023-24 £'000	Future years £'000	Total £'000
					0
Learning Disability Good Day Programme	-1,847	-253	2,101		0
Hedgerows	-665	-270		935	0
Community Sexual Health Services	-505	505			0
Policy & Quality Assurance - software purchase	-10	10			0
TOTAL ASCH REPHASING	-3,027	-8	2,101	935	0
Rephasing already actioned through Budget Build	-2,541	-1,135	3,676		0
Remaining rephasing to action from outturn	-486	1,127	-1,575	935	0

GET - Highways, Transportation & Waste	2021-22 £'000	2022-23 £'000	2023-24 £'000	Future years £'000	Total £'000
Major Schemes Prelim Design Fees	-21	21			0
Highway Major Enhancement	-21,092	21,092			0
Integrated Transport	-1,818	1,818			0
Old Schemes Residual	-134	120		14	0
Energy & Water Efficiency Investment Fund (External)	-78	95	-279	262	0
Energy Reduction & Water Efficiency Investment	-95	96	-153	152	0
Kent Medical Campus (NPIF)/Bearsted Road	-5,484	4,609	855	20	0
Street Lighting Concrete Column Replacment	-9	9			0
LED	-527	-223	750		0
Live Labs	-67	67			0
Thanet Parkway Railway Station	9,546	-8,391	-1,155		0
Electric Vans	-411	411			0
Windmill Weatherproofing	-86	86			0
Leigh Flood Stoarge Areas	-1,500	1,500			0

	2021-22 £'000	2022-23 £'000	2023-24 £'000	Future years £'000	Total £'000
GET - Highways, Transportation & Waste					
Kent Thameside Strategic Transport (STIPS)	-5,079	-996	-386	6,461	0
Urban Traffic Mangement Control	-854	854			0
Rathmore Road Link	-194	101	63	30	0
A226 St Clements Way	-76	64	-12	24	0
A28 Chart Road	-320	1,036	1,011	-1,727	0
Maidstone Integrated Transport	-3,431	-366	3,672	125	0
M20 J4 Eastern Overbridge	-85	85	0		0
Sturry Link Road, Canterbury	-6,484	-7,620	-847	14,951	0
West Kent LSTF	-10	10			0
Kent Strategic Congestion Management	-90	90			0
Kent Thameside LSTF - Integrated Door to Door Journeys	-1,515	1,515			0
Kent Sustainable Interventions	0	0			0
Dartford Town Centre	-4,070	4,070			0
A2500 Lower Road Improvements	-62	51	11		0
A2 Off Slip Wincheap	-1,500	-2,199	-701	4,400	0
Herne Relief Road	-1,821	1,746	1,315	-1,240	0
A252 Safer Rds Fund	-127	127			0
A290 Safer Rds Fund	-27	27			0
M2 Junction 5	0				0
Housing Infrastructure Fund - Swale Infrastructure Projects	-5,182	-7,535	3,809	8,908	0
Dover Bus Rapid Transit	-2,112	1,655	363	94	0
Fastrack Full Network - Bean Road Tunnels	-10,023	7,264	2,759		0
A28 Birchington	35	1,145	-47,000	45,820	0
New Transfer Station - Folkestone & Hythe		-4,788	4,788		0
Green Corridors	-3,574	689	2,885		0
Bath Street Gravesend	-946	-1,512	2,458		0
Faversham Swing Bridge	-1,204	1,204			0
Kent Active Travel Fund Ph2	-2,708	767	1,941		0
Maidstone Heat Network	-76	76			0
Market Square Dover	-1,438	1,433	5		0
A228 and B2160 Junction Imps	-304	500	-196		0
Waste Compactor Replacement	-357	357			0
Thanet Way			-50,000	50,000	0
					0
TOTAL HIGHWAYS, TRANSPORTATION & WASTE REPHASING	-75,410	21,160	-74,044	128,293	0
Rephasing already actioned through Budget Build	-37,101	-9,340	-63,050	109,491	0
Remaining rephasing to action from outturn	-38,309	30,500	-10,994	18,802	0

	2021-22 £'000	2022-23 £'000	2023-24 £'000	Future years £'000	Total £'000
GET - Environment, Planning & Enforcement					
Country Parks	-51	23	28		0
Public Rights of Way	-318	318			0
Tunbridge Wells Cultural Hub	-199	199			0
Herne Bay Gateway - Library Plus	-398	398			0
Essella Road Foot Bridge	-236	236			0
Digital Autopsy	-2,096	2,096			0
Public Sports Facilities Grants	-26	26			0
Southborough Hub	-42	42			0
Sandgate Library	-48	48			
TOTAL ENVIRONMENT, PLANNING & ENFORCEMENT REPHASING	-3,413	3,385	28	0	0
Rephasing already actioned through Budget Build	-2,683	2,683			0
Remaining rephasing to action from outturn	-730	702	28	0	0

	2021-22 £'000	2022-23 £'000	2023-24 £'000	Future years £'000	Total £'000
GET - Economic Development					
Innovation Investment Initiative (I3)	-2,557	1,432	1,125		0
Broadband Contract 2 Superfast Extension Prog					0
Javelin Way Development	-595	595			0
Kent & Medway Business Fund	-10,434	-4,791	8,122	7,103	0
Kent Empty Property Initiative	-305	305	7,080	-7,080	0
Kent Broadband Voucher Scheme	-404	-596	1,000		0
Marsh Million	-336	259	39	38	0
Turner	60	-60			0
Kings Hill Solar Farm	-3,021	3,021			0
Workspace Kent	-175	175			0
Village Halls	-73		73		0
					0
TOTAL ECONOMIC DEVELOPMENT REPHASING	-17,840	340	17,439	61	0
Rephasing already actioned through Budget Build	-5,617	-8,755	8,625	5,747	0
Remaining rephasing to action from outturn	-12,223	9,095	8,814	-5,686	0

	2021-22	2022-23	2023-24	Future	Total
S&CS	£'000	£'000	£'000	years	£'000
Modernisation of Assets	-3652	-2,079	5731		0
Asset Utilisation	-1,110	1,110			0
Oakwood House Transformation	-566	566			0
Dover Discovery Centre	-2,012	-618	2,630		0
Live Margate	-1,653	1,653			0
Strategic Estate Prog	-3,241	3,241			0
Feasibility Fund	524	-524			0
Property Investment & Acquisition Fund (PIF)	-170	170			0
Strategic Re-set Programme	-1,000	1,000			0
Maximising value from the disposal of Council Assets	-32	32			
TOTAL S&CS REPHASING	-12,912	4,551	8,361	0	0
Rephasing already actioned through Budget Build	-5,846	2,795	3,051		0
Remaining rephasing to action from outturn	-7,066	1,756	5,310	0	0

GRAND TOTAL

TOTAL REPHASING	-169,507	62,771	-26,054	132,789	0
Total Rephasing already actioned through Budget Build	-107,211	38,121	-46,148	115,238	0
Total Remaining rephasing to action from outturn	-62,296	24,650	20,094	17,551	0

APPENDIX 3 - CAPITAL CASH LIMIT CHANGES

To reflect revised funding/phasing since budget

	2021-22	2022-23	2023-24	Future Yrs	Total
CYPE	£'000	£'000	£'000	£'000	£'000
Management & Modernisation of Assets - Youth	0	0	0	0	0
Basic Need KCP16	-120	1,967	0	0	1,847
Basic Need KCP17	-22,341	8,974	-5,062	0	-18,429
Basic Need KCP18	6,679	-6,362	4,164	0	4,482
Basic Need KCP19	440	-3,983	-9,745	2,000	-11,288
Basic Need KCP21-25	3,287	1,222	-6,104	0	-1,595
Basic Need KCP22-26	15	6,456	5,300	6,000	17,771
DfE Fully Funded Projects	-95	191	0	0	96
High Needs Provision	79	0	0	0	79
High Needs Provision 22-24	0	2,025	0	0	2,025
Barton Court Free School	0	-376	0	0	-376
Priority School Build Programme	184	10	0	0	194
Academy Unit Costs	7	0	0	0	7
Annual Planned Enhancement	286	6,100	0	0	6,386

Total Other Cash Limit Changes	-11,579	16,224	-11,447	8,000	1,199
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	2021-22	2022-23	2023-24	Future Yrs	Total
ASCH	£'000	£'000	£'000	£'000	£'000
Home Support Fund	-37	0	0	0	-37
Developer Funded Community Schemes	-45	0	0	0	-45
Total Other Cash Limit Changes	-82	0	0	0	-82

	2021-22	2022-23	2023-24	Future Yrs	Total
GET - Highways, Transportation & Waste	£'000	£'000	£'000	£'000	£'000
Major Schemes Preliminary Design Fees	-451	-150	0	0	-601
Highway Major Enhancement	127	0	0	0	127
Integrated Transport Schemes	239	0	0	0	239
Old Schemes Residual	-103	0	0	0	-103
Government Transition Works Ashford	6,433	2,911	0	0	9,344
Dover Inland Border Facility	7,909	11,807	0	0	19,716
Street Lighting Concrete Column Replacment	10	0	0	0	10
Live Labs	59	0	0	0	59
Thanet Parkway	79	0	0	0	79
Energy & Water Efficiency Investment Fund (External)	0	0	0	131	131
Energy Reduction & Water Efficiency Investment	-2	0	0	0	-2
Herne Relief Road	-1	0	0	101	100
West Kent LST	14	0	0	0	14
Kent Medical Campus (Bearsted Rd) (NPIF)	0	2,667	0	0	2,667
Windmill Weatherproofing	6	-130	-125	0	-249
Kent Strategic Congestion Management across growth areas	-462	0	0	0	-462
Kent Sustainable Interventions Programme for Growth	6	0	0	0	6
A2500 Lower Road Improvements	0	-42	-9	0	-51
Dover Bus Rapid Transit	86	589	637	-94	1,218
Fastrack Bean Tunnels	132	0	0	0	132
A229 Bluebell Hill	0	0	0	0	0
Trees Outside Woodlands	-85	115	0	0	30
Zebra Funding - Electric Buses and Infrastructure		8,453	1,072	0	9,525
Total Other Cash Limit Changes	13,999	26,219	1,575	137	41,930

	2021-22	2022-23	2023-24	Future Yrs	Total
GET - Environment, Planning & Enforcement	£'000	£'000	£'000	£'000	£'000
Country Parks	0	57	59	0	116
PROW	-363	327	0	0	-37
Digital Autopsy	0	0	0	0	0
Herne Bay Gateway - Library Plus	0	445	0	0	445
KSS Equipment & Vehicles	-17	0	0	0	-17
Sustainable accss to Education & Employment	-29	0	0	0	-29
Southborough Hub	-48	0	0	0	-48
Total Other Cash Limit Changes	-458	828	59	0	429

	2021-22	2022-23	2023-24	Future Yrs	Total
GET - Economic Development	£'000	£'000	£'000	£'000	£'000
Javelin Way Development	99	770	-8	-8	853
Kent & Medway Business Fund	2,180	0	25	32	2,237
Kent & Medway Business Fund - Recovery Loans	-13	0	0	0	-13
Kent & Medway Business Fund - Capital Growth	1	0	0	0	1
Kent Empty Property Initiative	20	-200	0	0	-180
Marsh Million	342	87	0	6	435
Broadband Contract 2	3,200	-1,851	0	0	1,349
Kings Hill Solar Farm	-274	411	0	0	137
West End Solar Farm	-315	0	0	0	-315
Turner	-58	60	0	0	2
Workspace Kent	0	0	0	-235	-235
Total Other Cash Limit Changes	5,182	-723	17	-205	4,271

	2021-22	2022-23	2023-24	Future Yrs	Total
SCS	£'000	£'000	£'000	£'000	£'000
Modernisation of Assets	312	-194	0	0	118
Oakwood House Transformation	-223	0	0	0	-223
Corporate Property Strategic Capital	-584	0	0	0	-584
Disposal costs	-238	0	0	0	-238
Dover Discovery Centre	169	0	0	0	169
MOA Plus	-33	0	0	0	-33
The Royal School of Deaf	9,479	0	0	0	9,479
Total Other Cash Limit Changes	8,882	-194	0	0	8,688

	2021-22	2022-23	2023-24	Future Yrs	Total
	£'000	£'000	£'000	£'000	£'000
Total Other Cash Limit Changes	15,944	42,354	-9,796	7,932	56,435

Appendix 4 – 2021-22 Reserves Provisional Outturn Position

	Balance as at 1 April 2021 £m	Contribution to/(from) Reserve £m	Balance at 31 March 2022 £m
General Fund (GF) Balance	42.5	(0.3)	42.2
Budgeted contribution to/(from) in MTFP		14.0	14.0
	42.5	13.7	56.2

Earmarked reserves:			
Vehicle, Plant & Equipment (VPE)	17.6	1.1	18.7
Smoothing	121.8	2.9	124.7
Major Projects	53.3	9.0	62.3
Partnerships	26.9	(0.6)	26.3
Grant/External Funds	90.8	(11.7)	79.1
Departmental Under/Overspends	13.7	(5.3)	8.4
Insurance	13.8	0.0	13.8
Public Health	11.1	5.7	16.8
Trading	0.7	0.5	1.2
Special Funds	0.6	0.0	0.6

Total Earmarked Reserves	350.3	1.6	351.9
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Total GF and Earmarked Reserves	392.8	15.3	408.1
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	Balance as at 1 April 2021 £m	Contribution to/(from) Reserve £m	Balance at 31 March 2022 £m
Schools Reserves			
School delegated revenue budget reserve - committed	21.9	0.0	21.9
School delegated revenue budget reserve - uncommitted	33.9	5.31	39.2
Community Focussed Extended Schools Reserves	0.1	0.1	0.2
Total School Reserves	55.9	5.4	61.3

DSG Adjustment Account - Unusable Reserve

	Balance as at 1 April 2021 £m	Contribution to/(from) Reserve £m	Balance at 31 March 2022 £m
Unallocated Schools Budget	(51.0)	(46.6)	(97.6)

The General fund Reserve has been increased as agreed by County Council in the 2021-22 MTFP.

The DSG Adjustment Account is an unusable reserve specifically to hold the DSG deficit. The statutory override is in place until April 2023. The Council is taking part in the Safety Valve programme to develop a sustainable plan for recovery. The deficit held in the reserve has increased due to pressures in Schools Funding. More details can be found in Section 10.

Appendix 5 - Monitoring of Prudential Indicators as at 31 March 2022

The prudential indicators consider the affordability and impact of capital expenditure plans, in line with the prudential code.

Prudential Indicator 1 : Estimates of Capital Expenditure (£m)

	20-21 Actuals	21-22 Budget	22-23 Actuals
Total	340.63	424.2	335.30

Prudential Indicator 2: Estimate of Capital Financing Requirement (CFR) (£m)

The CFR is the total outstanding capital expenditure not yet financed by revenue or capital resources. It is a measure of the Council's underlying borrowing need.

	20-21 Actuals	21-22 Budget	21-22 Actuals
Total CFR	1,269.16	1,402.50	1,294.10

Prudential Indicator 3: Gross Debt and the Capital Financing Requirement (£m)

Projected levels of the Authority's total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt) are shown below, compared with the CFR.

	20-21 Actuals	21-22 Budget	21-22 Actuals
Other Long-term Liabilities	235.80	245.20	245.20
External Borrowing	853.73	826.00	825.97
Total Debt	1,089.53	1,071.20	1,071.17
Capital Financing Requirement	1,269.16	1,402.50	1,294.10
Internal Borrowing	179.63	331.30	222.93

Prudential Indicator 4 : Authorised Limit and Operation Boundary for External Debt (£m)

The Authority is legally obliged to set an affordable borrowing limit (the authorised limit for external debt). A lower "operation boundary" is set should debt approach the limit.

	20-21 Actuals	21-22 Limit	21-22 Actuals
Authorised Limit - borrowing	854	1,016	826
Authorised Limit - PFI and leases	246	245	245
Authorised Limit - total external debt	1,100	1,261	1,071
Operational Boundary - borrowing	854	991	826
Operational Boundary - PFI and leases	246	245	245
Operation Boundary - total external debt	1,100	1,236	1,071

Prudential Indicator 5: Proportion of Finance Costs to Net Revenue Stream (%)

Financing costs comprise interest on loans and minimum revenue provision (MRP) and are charged to revenue. This indicator compares the net financing costs of the Authority to the net revenue stream.

	20-21 Actual	21-22 Budget	21-22 Actuals
Proportion of net revenue stream	9.57%	9.59%	9.18%

By: Anna Taylor, Scrutiny Research Officer

To: Scrutiny Committee, 20 July 2022

Subject: Inflationary Pressures on Capital Construction Programmes (Decision 22/00050)

Summary: A Member asked for this item to be included on the Scrutiny Committee agenda and this was supported by the Chairman and Spokespeople. This is **not** a call-in of the decision taken by the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services on 6 May but it is an opportunity for Members to discuss any areas of concern, such as the future impact of this decision, as requested by the original Member and Chairman and Spokespeople.

1. Attached documents

- a) [Record of Decision – Inflationary Pressures on Capital Construction Programmes](#)
- b) [Decision Report](#) (also went to P&R on 4 May 2022)

2. Recommendation

The Scrutiny Committee is asked to discuss and make recommendations to the Cabinet Member or note the report.

Contact Details

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From: Rebecca Spore, Director of Infrastructure

To: Peter Oakford, Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services

Subject: Inflationary Pressures on Capital Construction Programmes

Key Decision: Expenditure or savings of more than £1m and affects more than 2 Electoral Divisions

Classification: UNRESTRICTED

Future Pathway of Paper: Policy and Resources Cabinet Committee

Electoral Division: All

Summary: The national fiscal and economic context is an important consideration for the Council in setting and managing its revenue and capital budgets. The budget report to County Council on 10 February referred to the extraordinary and unexpected challenge to the UK economy and economies across the world arising from the COVID-19 pandemic. Kent County Council (KCC) has a significant Capital Construction Programme, which has been adversely impacted by the inflationary pressures facing the UK construction industry.

This report seeks to ensure that KCC has sufficient capital allocated and effective contractual management arrangements in place to deliver the programmes and projects, with anticipated additional costs as set out in the Medium-Term Financial Plan. A decision is required to implement these in the time available to avoid disruption to front line services and to secure the contractual arrangements for the provision of key infrastructure projects, including the provision of school places to meet KCC's statutory duties.

Recommendation(s): The Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services is asked to consider and endorse or make recommendations on the proposed decision to:

1. note the £28.8 million estimated impact on capital budget spend in the Medium-Term Financial Plan of £339.3 million across the capital programme for 2022-23, were already approved via key decision or covered by appropriate delegated authority to be funded from the options identified in paragraph 5.9 of this report;
2. consider the use of Fluctuation clauses when deemed necessary to control costs to KCC and alleviate adverse effects to the main contractor supplier of the rise in material costs; and
3. delegate authority to the Director of Infrastructure or the Corporate Director of Growth, Environment and Transport (for Highway Schemes), in consultation with the Corporate Director of Finance and the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, to take the necessary actions, including but not limited to entering into contracts and other necessary documentation to enable the delivery of the capital programme taking into account construction and inflation where existing Record of Decisions levels are needed to be adjusted.

1. Introduction

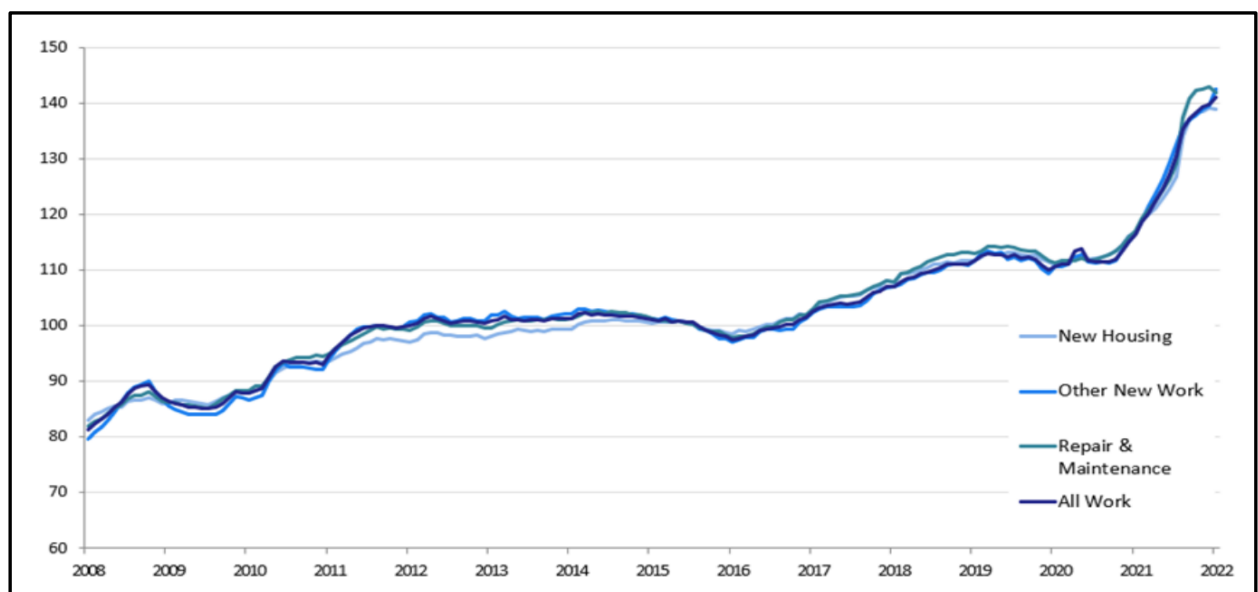
1.1. The construction industry, in the past year has experienced acute inflation pressures, long material lead times and sporadic material supply. This has been directly linked to material and labour shortages. The identified key causes of the shortages are the effects of:

- COVID-19 Pandemic on; the manufacturing industry; sudden increase in demand on the construction industry post the global lockdown and decreased supply chain due to administrations.
- Brexit on; supply of construction workers and hauliers to transport the construction material and complying with regulations.
- Changes in UK Government legislation and Building Regulations and requirement to meet Net Zero targets.
- Rising cost of wholesale energy.
- Indirect effects of the Russian invasion of Ukraine.

1.2. This report seeks to inform on the impact that cost inflation and the sporadic supply of materials has had, and will continue to have, on KCC's capital programme budgets and the delivery programme. The report will also suggest mitigation measures to assist in reducing the impact of the cost inflation where possible.

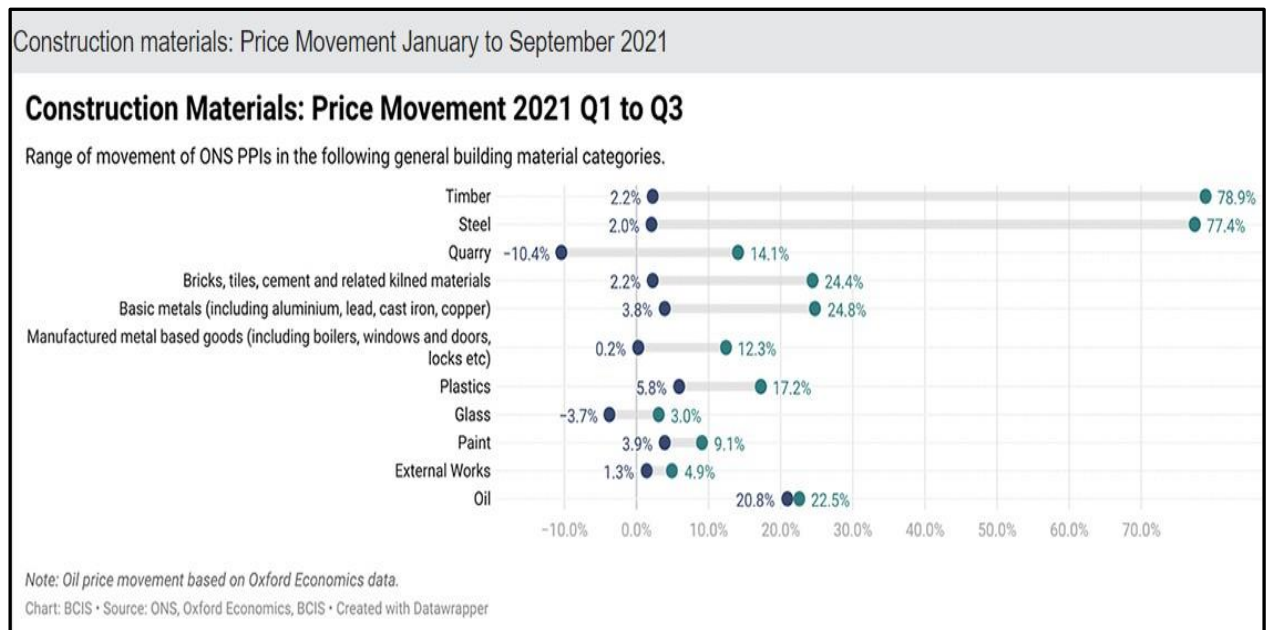
2. Current Position

2.1. Since the first quarter of 2021, The Department for Business, Energy, and Industrial Strategy (DfBEIS) are reporting that all sectors of work within construction experienced a 21% annual price rise on construction materials. The (DfBEIS) Graph 1 below shows an unprecedented sharp rise in the Construction Material Price Indices (CMPI) in the UK during 2021.



Graph 1 - Construction Material Price Indices, UK taken from DfBEIS Monthly Statistics of Building Materials and Components Commentary, February 2022.

- 2.2. The Building Cost Information Service (BCIS) Graph 2 below, shows the severity of the material price increases of key materials on construction projects from 1Q2021 to 3Q2021.



Graph 2 - Construction materials: Price Movement from 1Q2021 to 3Q2021 taken from BCIS news Construction materials cost increases reach 40-year high

- 2.3. Table 1 below shows construction materials experiencing the greatest price increases and decreases in 12 months from January 2021 to January 2022. The aggregated construction material price index hides larger price movements for some specific products and materials. The three largest increases and two decreases are presented.

Construction Materials	Year-on-year % change
Greatest price increases	
Fabricated structural steel	51.0
Particle board	45.4
Concrete reinforcing bars	40.0
Greatest price decreases	
Insulating materials (thermal and acoustic)	-3.3
Gravel, sand, clays & kaolin (including aggregate levy)	-3.3

Table 1: Construction materials experiencing the greatest price increases and decreases in 12 months to January 2022, UK

- 2.4. The data provided above does not consider the effects from the conflict in Ukraine. However, it is predicted that the war will have inflationary pressure on construction materials.
- 2.5. It is predicted that the direct impact of the conflict on material supply and cost in the UK is low as the total share of construction material imports from Russia, Ukraine and Belarus is less than 2%.

- 2.6. Indirectly the UK is likely to suffer shortages due to the sanctions via European firms that form part of the UK supply chain (firms that produce construction materials that contain petro-carbons or consume copious amount of energy in manufacturing). These firms are heavily reliant on Russia for energy (Russia supplies 30% of Europe's oil and 35% of its natural gas). Some European firms also rely on Russia for supply of raw materials such as copper and timber. Once this supply source is removed, sourcing alternative suppliers may not be available or may be more expensive – as this involves brokering fresh deals which may cost more, this is still an unknown and cannot be forecast in this report.
- 2.7. The Contractors Leadership Council (CLC) are also reporting anticipating that the contractors current tender pricing strategies will become increasingly difficult to maintain, due to issues resulting from the Ukraine conflict which include, but are not limited to, inflation and supply chain instability. They expect that the longer the conflict continues the more severe the impact will be.
- 2.8. The level of uncertainty around the impact of the conflict has resulted in material suppliers being unwilling to hold their prices for 24 hours, which poses an issue for contractor's who are tendering, as they cannot provide a fixed price to the client, without risking making a loss when the true impact is realised.
- 2.9. The following non-financial mechanisms have been incorporated to support contractors who are already in contract with KCC:
- Contractual Mechanisms – facilitating the early procurement of materials that can be purchased in advance and either stored on or off site.
 - Increased flexibility in material selection to allow options that were readily available at the time, with minimum impact on the quality of the build.
- 2.10. These supporting mechanisms have been vital to ensure that KCC contractors have had the required support, to enable them to deliver projects during the unprecedented crisis they faced during the summer months of 2021 (2Q2021 and 3Q2021). The contractors experienced a relatively stable period in 4Q2021, and this sentiment was echoed in the press. Nationally 4Q2021 was less volatile than the preceding quarters.
- 2.11. Material price increases will impact capital projects without construction contracts and are due to be procured. There are some projects that have already been procured but with long programmes and substantial variations or have programmes that have been extended or phased and still on site. These projects will also be affected.
- 2.12. The increase to input costs will be reflected in the tender returns that KCC will receive. The press is reporting that the main contractors have been absorbing some of the impact by reducing their profit margins to ensure construction projects are not shelved. However, CLC do not see this position continuing to support the rising fuel costs and the potential impacts of the conflict in the Ukraine.
- 2.13. KCC will inevitably have to absorb some of the impact through construction

costs that will exceed the current programmes budget levels.

3. Impact Assessment

- 3.1. Capital projects procured before the crisis peaked in the summer months were delivered to contractual dates and costs, predominantly due to the KCC contractors procuring early and having the buying power that some smaller contractors lack. Maintenance projects procured in the months leading to the peak of the crisis (summer months 2Q2021/3Q2021) experienced delays due to lack of materials and or long lead times. Some projects could not be procured due to the limited number of suppliers available to tender for smaller projects.
- 3.2. Although the mitigation measures implemented so far have been sufficient to allow for the delivery of majority of the capital projects, it is now evident that this is no longer sustainable, due to the level of inflation predicted in the coming year and the unknown inflation resulting from the conflict in the Ukraine.
- 3.3. The KCC construction programmes / projects that will be impacted are split into education and corporate programmes, major highways projects and highways asset management programmes.

3.4. Education Programmes

3.4.1. *The Basic Need Programme*

This delivers new pupil places by expanding existing maintained schools, free schools, or academies, and by establishing new schools. In the next 6 months there is a need to procure construction contracts that are set to deliver over 326 school places. These schemes, based on forecasted tender price indices, will experience the highest impact of the crisis.

Further procurement will also be required for delivery of a further 2,946 school places by September 2023. The impact will be dependent on when the construction contracts will be procured, and the prevailing market conditions at the time.

3.4.2. *Annual Planned Enhancement Programme*

There are over 330 KCC maintained schools, made up of nurseries, primary and secondary schools. The schools are maintained under this programme which are allocated an annual fixed base budget.

- Day-to-day emergency - £3 million base budget per annum (2022/23).
- Major Projects – These are planned maintenance works, based on condition surveys. There is a £4.9 million base budget per annum, however, the impact has been assessed on a value of £13.9 million worth of works to be procured in the remaining months 2021/2022 and 2022/2023. The reason for the higher value of project works to be procured is:

- Robust Condition Survey Programme
 - Deferred projects from previous years
 - Facilities Management referrals – that is replacing end of life equipment
 - Schools deferring maintenance works
 - Resultant works from structural surveys
 - Compliance referrals
- Schools Access Initiative – these works involve adjusting schools for accessibility requirements of children and have a £750k base budget per annum. The impact will be assessed on known works planned for the remaining months of 2021/2022 and 2022/2023 valued at £800k.

3.4.3. Modernisation Programme

Schools' upgrade/improvements – The majority of projects involves replacing or repairing temporary school accommodation and there is a base budget of £2million. Inflation is being applied on the identified works required in 2022/2023 valued at £1,723 million

3.5 Corporate Programmes

3.5.1 Modernisation of Assets Programme (MOA)

KCC has over 335 corporate buildings which include libraries, adult education centres, youth clubs, children's centres and offices. The MOA programme covers planned and emergency works with the main items of expenditure including repair and replacement works of roofs, building fabric items, doors, and mechanical and electrical items including boilers, lighting and alarm systems. The MOA is allocated on an annual rolling programme budget and in previous years KCC has also authorised / provided additional one-off funding to support delivery of a backlog of maintenance projects under the Maintenance of Assets Plus (MOA +) programme. The impact assessment has been made on the most likely procurement dates of these projects.

3.5.2 Individual Capital Projects

A number of capital projects have been identified that will be impacted by the increase prices on materials.

3.6 Growth, Environment and Transport

3.6.1 The GET capital programme is significant, with a 10-year budgeted spend of £0.9bn and a 2022/23 budget of £193m. GET is the place-based directorate and the vast majority of spend is within the Highways service. Highways Asset Management "HAM" accounts for £79m, with other projects accounting for the balance (£114m).

3.6.2 Highways Asset Management

The annual budget for Asset Management within Highways is set at approximately £70m but there is some re-phasing of spend for 2022/23

and therefore the budget available is c£79m. The HAM budget (funded by DfT grant and KCC borrowing £25m) is not uplifted annually for inflation, whereas all projects include some level of indexation and price risk. Therefore, the purchasing power of the HAM budget, which is some way short of “steady state” requires more than £100m per year and creates a significant asset management backlog of c£700m and rising. Projections for inflation pressures range from 7-10% and a mid-range pressure of £6m has been included in this report, part of which is the annual unfunded inflation element (c3-4% depending on RPIX indices) with the balance being the latest uplifts caused by the COVID-19 pandemic and the indirect effects of the Russian invasion of Ukraine.

Without further funding, the only way that these inflation pressures can be managed is by further reducing the funding made available in terms of the asset management approach. Spend will still be allocated on a risk-based approach, but the backlog will inevitably increase in a steeper incline and there is likely to be further pressures on the Urgent and Safety Critical capital budget, including asset failure as well as more reactive revenue works.

3.6.3 Highways Capital Programme

The majority of projects within the Highways Capital Programme are externally funded with monies already awarded or allocated towards delivery. The current programme is based upon earlier cost estimates that were provided as part of the relevant individual business case submissions. So, whilst some projects are currently in the delivery stage, several are due to award contracts within 2022/23, which will highlight further increases in prices and a likely uplift in the total cost. One recent example has demonstrated that the market has reacted with a 19% increase in costs on one large highway improvement scheme.

Although the majority of concern is around base prices rising, the highways programme is also facing material shortages and pressure on the price of fuel (including the end of red diesel). There is also concern over increased labour costs with limited resource availability, due to larger projects such as LTC and HS2 being progressed and a redirection of external funding to the Midlands and North.

It is currently being explored whether additional calls can be made to those providers of grants, however, it should be noted that where this is not possible, the risk remains that KCC will need to fund any additional pressure (including inflation). This is due to the fact that the majority of grant awards require KCC to become the accountable body for these funds and cover any potential overspend.

On several projects, the available match funding from S106 contributions will also be challenged as many agreements have indexation clauses which the County Council can call on to cover any potential increase.

4. Contractual Position

- 4.1. The majority of KCC construction contracts are fixed lump sum contracts. Therefore, once in contract, the risk of material cost increases after the

contract date sits with the contractor, unless KCC issue a contract variation. In such instances, the risks of no availability, long lead times and material cost increases in the variation may rest with KCC.

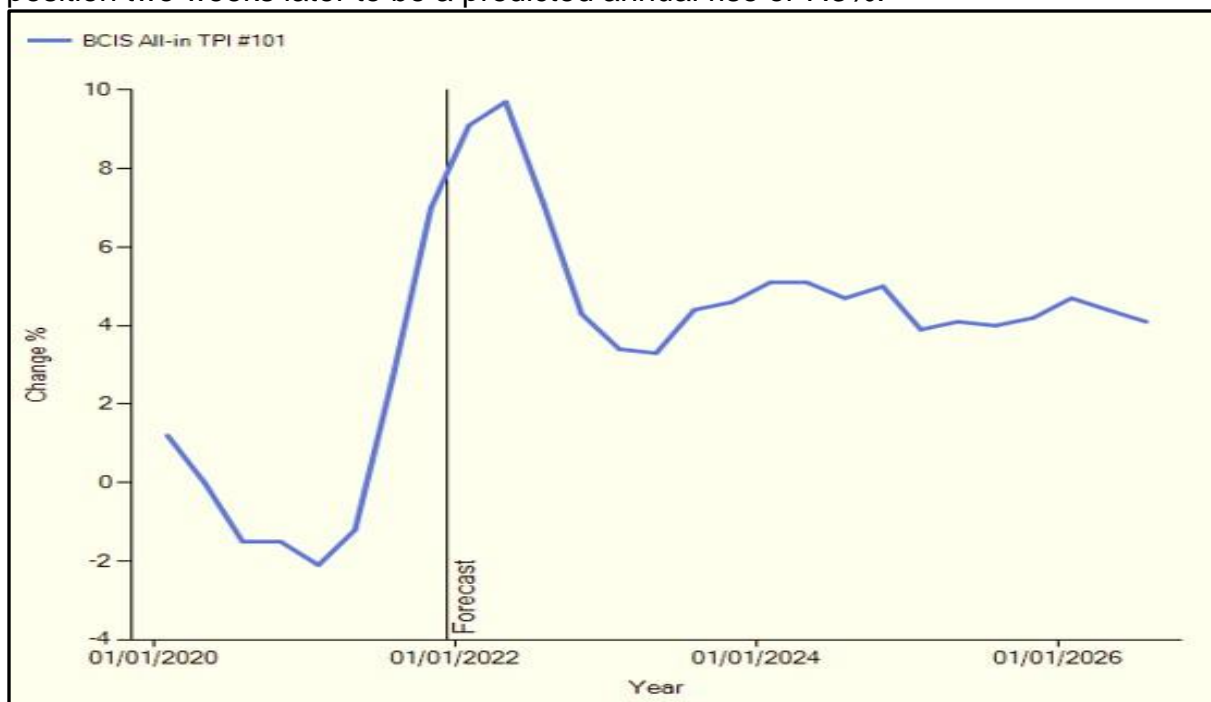
4.2. The contractors ordinarily manage this risk by incorporating a risk allowance in their tendered sum. This results in higher tender sums for KCC, but cost certainty on projects. However, since the construction cost inflation started, KCC have been engaging with the main contractor supply chain to manage and control costs using other contractual mechanisms, such as encouraging contractors to place orders early and paying for materials off site using Vesting Certificates or storing the materials on site.

4.3. Other contractual mechanisms are available to KCC with varying levels of security and risks. The two key contractual mechanisms available are:

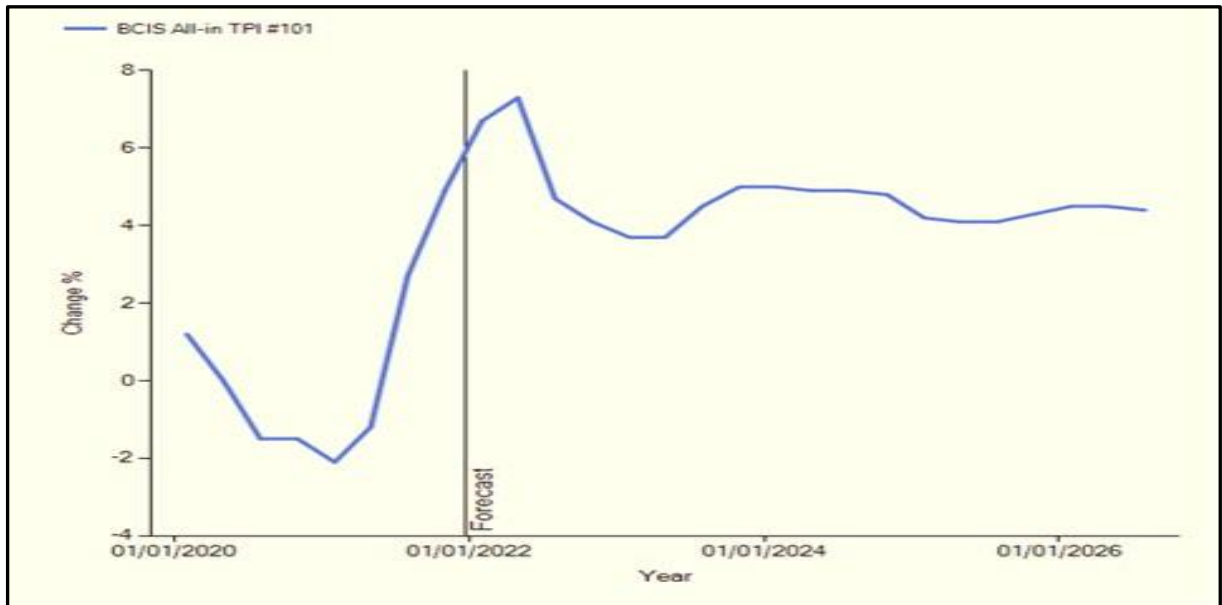
i) Advanced Payment Bonds (APB) – these can be used to facilitate early procurement to deal with shortage of materials. This solution comes at a premium to KCC (bond security is charged to KCC) and is less suitable to deal with the rise of material costs.

ii) Fluctuation clauses - KCC retain risk of material costs and adjustments are made based on agreed inflation indices.

4.4. It is expected that contractor tenders will be higher than in previous years as shown above by the forecast from the BCIS TPI indices and the impact assessments. However, the market remains volatile, and the indices are constantly changing to capture market movements. This is reflected in the two graphs below showing the annual predicted changes recorded on 3 December and 17 December 2021. Graph 3 predicted prices would rise and peak at an unprecedented annual rise of 9.7% in 2Q2022. Graph 4 shows the revised position two weeks later to be a predicted annual rise of 7.3%.



Graph 3 - Annual tender price percentage inflation as predicted on 3 December 2021



Graph 4 - Annual tender price percentage inflation as predicted on 17 December 2021

- 4.5. To ensure the level of expected risk included in tenders is not excessive, fluctuation clauses can be used. Using fluctuation clauses can ensure the risk is calculated at the time it is presented. This can be of benefit to both KCC and the main contractor in that KCC do not pay excessive risk allowances included in their tenders and the main contractor has peace of mind that when the prices increase, they will be compensated for it on an open book basis.

5. Financial Implications

- 5.1. The capital allocation for projects / programmes have been set based on historical project cost data. These allocations will no longer be sufficient to cover the expected higher tender prices.
- 5.2. The analysis only includes works that are not in contract (i.e. not included in any contract sums) because works in contract are fixed if KCC do not change the requirements after the contract is let. The analysis has assumed 4Q2021 as the base date of all budgets.
- 5.3. Percentage inflation has been taken to the point when the works will be procured (on the smaller projects or on “phased projects”) and the assumed mid-point of the construction programme (on larger projects).
- 5.4. The current total capital allocation against the programmes identified is insufficient to absorb the additional pressures identified above. Additional funds will need to be allocated to meet the costs. These are summarised in the table below:

Programme /Projects	Forecast (without inflation)	Calculated Inflation Pressure	Forecast (with inflation)
Education Projects: <i>Basic Need up to 2023/2024</i>	£125,363,995	£8,740,376	£134,104,371
Education Projects: <i>Annual Planned Enhancement and Modernisation up to 2022/2023</i>	£16,437,955	£334,310	£16,772,265
Corporate Projects: MOA & MOA+ up to 2022/2023	£14,931,921	£674,668	£15,606,589
Corporate Projects: Capital Projects up to 2022/2023	£22,828,435	£1,101,291	£23,929,726
Major Highways Programme*	£114,000,000	£12,000,000	£126,000,000
Highways Asset Management Programme	£79,000,000	£6,000,000	£85,000,000
Total	£372,562,306	£28,850,645	£401,412,951

*calculated on current forecast position before any schemes are removed

- 5.5. The £28.8 million will be used as a contingency figure to cover higher tenders' values and any fluctuation adjustments that may be employed in administering the contracts where it is evidenced that any construction inflation cannot be mitigated.
- 5.6. KCC Infrastructure, Highways and Directorate teams, professional advisors, will continue to liaise with the supply chain to monitor the situation and use all available options to minimise the effects of material inflation.
- 5.7. The market has been volatile in the last twelve months, and it is predicted this will continue for most of the year of 2022 and the expectation is the market will start stabilising nearer the end of 2022 into 2023
- 5.8. As the impact on budgets exceeds £1m and will take the project costs over the allocated budgets, a decision is required to authorise use of funds to meet the effects of material inflation over and above current Record of Decision levels or contract values for contracts which are authorised under delegations.
- 5.9. The current level of inflation is unprecedented and a national issue, which will be impacting on all public sector organisations. Alongside, continuing to lobby government, it is proposed that if it is demonstrated that construction inflation cannot be mitigated, the short-term pressure will be funded from slippage in the current capital programme, which for 2021-22 will be at least £45million. This will require a reprioritisation of the current programme (statutory, health and safety capital spend) removing or delaying lower priority projects that are KCC funded and which have not yet started to deliver a balanced capital programme. It is recognised that over the three year period, there can be no additional prudential borrowing. Page 86

- 5.10. There are a number of funding bids which are expected to be announced shortly which include high needs funding and the DFE school rebuilding programme. These have yet to be finalised and announced, but any success would reduce the current pressure on the capital programme.

6. Legal Implications

- 6.1. In the absence of mitigation action and additional funding in relation to the school projects due to complete for September 2022 and September 2023, KCC will not be able to meet its statutory duties to provide school places in line with the Kent Commissioning Plan or deliver urgent works across the education and corporate estate which could lead to building closure.

7. Equalities Implications

- 7.1. An impact assessment has not been carried out, but it should be noted that failure to implement measures will impact on the delivery and quality of school places and accommodation.

8. Governance

- 8.1. The funding, mitigation activity and delegated authority provided by this decision applies only to capital programme projects approved via the necessary formal governance arrangements (Executive Decision or appropriate delegated authority).

9. Conclusion

- 9.1. The implementation of the rising fuel prices, the ongoing effects of COVID-19 and BREXIT will continue to impact the cost of construction throughout 2022. Current indices show predicted impact on tender prices (as recorded on 17 December 2021), and this reflects that the current capital allocation against the projects / programmes is insufficient. Due to the volatile and unpredicted nature of the crisis the true outcome can only be ascertained nearer the time of procurement and the capital project team have some contractual mechanisms to reduce the impact, but additional funding is required to deliver the schemes included within this report.

10. Recommendation(s)

Recommendation(s): The Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services is asked to consider and endorse or make recommendations on the proposed decision to:

1. Note the £28.8 million estimated impact on capital budget spend in the Medium-Term Financial Plan of £339.3 million across the capital programme for 2022-23, were already approved via key decision or covered by appropriate delegated authority to be funded from the options identified in paragraph 5.9 of this report;

2. consider the use of Fluctuation clauses when deemed necessary to control costs to KCC and alleviate adverse effects to the main contractor supplier of the rise in material costs; and
3. delegate authority to the Director of Infrastructure or the Corporate Director of Growth, Environment and Transport (for Highway Schemes), in consultation with the Corporate Director of Finance and the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, to take the necessary actions, including but not limited to entering into contracts and other necessary documentation to enable the delivery of the capital programme taking into account construction and inflation where existing Record of Decisions levels are needed to be adjusted.

11. Background documents

- None

12. Contact details

<p>Report Authors: Zelda Kaitano Commercial Manager Telephone: 03000 411302 E-mail: Zelda.kaitano@kent.gov.uk</p> <p>Joanne Taylor Capital Works Manager Telephone: 03000 416 757 E-mail: Joanne.taylor@kent.gov.uk</p>	<p>Relevant Director: Rebecca Spore Director of Infrastructure Telephone: 03000 416716 E-mail: Rebecca.spore@kent.gov.uk</p>
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KENT COUNTY COUNCIL – RECORD OF DECISION

DECISION TAKEN BY:

Mr Oakford, The Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services

DECISION NO:

22/00050

For publication

Key decision: YES

Key decision criteria. The decision will:

- a) *result in savings or expenditure which is significant having regard to the budget for the service or function (currently defined by the Council as in excess of £1,000,000); or*
- b) *be significant in terms of its effects on a significant proportion of the community living or working within two or more electoral divisions*

Subject Matter / Title of Decision: Inflationary Pressures on Capital Construction Programmes

Decision:

As Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, I agree to:

1. note the £28.8 million estimated impact on capital budget spend in the Medium-Term Financial Plan of £339.3 million across the capital programme for 2022-23, were already approved via key decision or covered by appropriate delegated authority to be funded from the options identified;
2. consider the use of Fluctuation clauses when deemed necessary to control costs to KCC and alleviate adverse effects to the main contractor supplier of the rise in material costs; and
3. delegate authority to the Director of Infrastructure or the Corporate Director of Growth, Environment and Transport (for Highway Schemes), in consultation with the Corporate Director of Finance and the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, to take the necessary actions, including but not limited to entering into contracts and other necessary documentation to enable the delivery of the capital programme taking into account construction and inflation where existing Record of Decisions levels are needed to be adjusted.

Reason(s) for decision:

The national fiscal and economic context is an important consideration for the Council in setting and managing its revenue and capital budgets. The budget report to County Council on 10 February 2022 referred to the extraordinary and unexpected challenge to the UK economy and economies across the world arising from the COVID-19 pandemic.

Kent County Council (KCC) has a significant Capital Construction Programme, which has been adversely impacted by the inflationary pressures facing the UK construction industry. This decision is necessary to ensure that KCC has sufficient capital allocated and effective contractual management arrangements in place to deliver the programmes and projects, with anticipated additional costs as set out in the Medium-Term Financial Plan. A decision is required to implement these in the time available to avoid disruption to front line services and to secure the contractual arrangements for the provision of key infrastructure projects, including the provision of school places to meet KCC's statutory duties.

Cabinet Committee recommendations and other consultation:

The proposed decision was discussed by the Policy and Resources Cabinet Committee on 4th May 2022 and the proceedings were as follows:

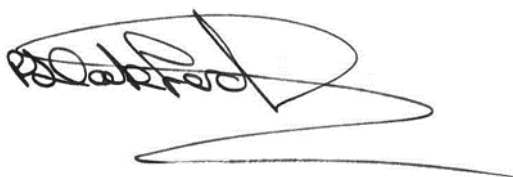
RESOLVED that the decision proposed to be taken by the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services to agree to:

1. note the £28.8 million estimated impact on capital budget spend in the Medium-Term Financial Plan of £339.3 million across the capital programme for 2022-23, were already approved via key decision or covered by appropriate delegated authority to be funded from the options identified;
2. consider the use of Fluctuation clauses when deemed necessary to control costs to KCC and alleviate adverse effects to the main contractor supplier of the rise in material costs; and
3. delegate authority to the Director of Infrastructure or the Corporate Director of Growth, Environment and Transport (for Highway Schemes), in consultation with the Corporate Director of Finance and the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, to take the necessary actions, including but not limited to entering into contracts and other necessary documentation to enable the delivery of the capital programme taking into account construction and inflation where existing Record of Decisions levels are needed to be adjusted.

be ENDORSED.

Any alternatives considered and rejected: None.

Any interest declared when the decision was taken and any dispensation granted by the Proper Officer: None.



.....
signed

16th May 2022

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date

By: Anna Taylor, Scrutiny Research Officer

To: Scrutiny Committee, 20 July 2022

Subject: Work Programme

Summary: This report gives details of the proposed work programme for the Scrutiny Committee.

1. Introduction

- a) Any Member of the Council is entitled to give notice that they wish an item relevant to the functions of the Committee (which is not an excluded matter) to be included on the agenda for the next available meeting.
- b) The definition of an excluded matter referenced above is:
 - a. Any matter relating to a planning or licensing decision,
 - b. Any matter relating to a person in respect of which that person has a right of recourse to a review of right of appeal conferred by or under any enactment,
 - c. Any matter which is vexatious, discriminatory or not reasonable to be included in the agenda or discussion at a meeting of the Scrutiny Committee.
- c) The Scrutiny Committee has the ability to 'call-in' decisions made by the Cabinet or individual Cabinet Members. Any two Members from more than one Political Group may give notice within five clear working days from the publication of a decision taken of their wish to call-in the decision.

2. Recommendation

The Scrutiny Committee is asked to consider and note the report.

Background Documents

None

Contact Details

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03000 416478

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Work Programme - Scrutiny Committee July 2022

Items identified for upcoming meetings

SFI – S106 agreements – currently in progress.

21 September 2022	
Item	Item background
SEND update	
Annual Report from Flood Risk Committee	

11 October 2022	
Item	Item background

24 November 2022	
Item	Item background

7 December 2022	
Item	Item background
Reconnect Programme - update	December 2021 Scrutiny Committee - The Chairman thanked Mrs Chandler and Mr Adams for their attendance and shared his intention for the Reconnect Programme to return to the Committee in late 2022, in order to give Members the opportunity to analyse final outcomes following the Programme's conclusion."
Budget Monitoring Report	Twice yearly budget monitoring

January 2023 – Draft Budget 2023/2024 and MTFP

June 2023 – Budget monitoring year end

June 2023 – Scrutiny Committee meeting as Crime and Disorder Committee

December 2023 - Budget monitoring report

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